NOTES

1. UDRC (1988) has discussed in detail limitations of the approach adopted. A pertinent point in this context is whether life distribution of capital assets has been used along with life of capital equipment in estimating depreciation which is crucial in the application of Perpetual Inventory Method.
2. Unlike the studies mentioned, Rangarajan (1982) obtained a positive impact of intersectoral terms of trade between agriculture and non-agriculture household saving.
3. See Krishnaswamy *et al.* (1987).
4. Finance ratio is the ratio of total financial claims issued in a year to national income while the financial interrelations ratio refers to total volume of financial assets to total stock of physical assets at any point in time. New issue ratio is the share of primary issues, that is, financial claims issued by those in the non-financial sector, to net physical capital formation in the economy. Financial intermediation ratio is measured by the volume of financial instruments issued by financial institutions (secondary issues) to volume of primary issues.
5. In this context, it is necessary to note that inward remittances from Indian nationals abroad have contributed to the 'high saving phase' in the late seventies. They have slowed down in recent years. However, remittances from expatriate Indians working abroad are a part of the estimates of domestic saving in India while they should strictly be accounted under national savings (Ghosh, 1988). If the above inflows are appropriately accounted, how far the rise in the late seventies and the recent stagnancy in the domestic saving rate will be sustained is an important question. But, it appears that at present there is no way to precisely estimate these inflows and saving arising out of them.
6. Gross household sector saving rate to GDP has shown some increase during 1983/84—1986/87 (15 to 17 per cent) having declined during 1980/81—1982/83 (16 to 13.5 per cent), while net rate wobbled 10– 14 per cent range). Its share in gross domestic saving is about 75 per cent, while in net saving it is over 100 per cent in recent years (1983/84—1986/87). Corporate sector saving rate has stagnated for nearly four decades. In the eighties, gross and net rates remained, by and large, below 2 per cent and half a per cent point respectively. Its shares in gross and net domestic savings is 15 and 5 per cent respectively. Public sector gross saving rate in recent years almost stagnated around 3 per cent (1983/84—1986/87) while net saving rate is negative and is about 2 per cent. Its share in gross and net savings in recent years is about 15 and —10 per cent respectively.
7. Some interrelated issues having a bearing on raising the saving rates have been discussed in Krishnaswamy, Krishnamurty and Sharma (1987). Ghosh (1988) has also discussed some issues.

8. Such a financial system, given other enabling factors, would help in achieving efficient financial intermediation and allocation of resources. As for instance, inventory investment in India is sensitive to interest rate and it is well known that inventory-output ratio is high (Krishnamurty and Sastry, 1970). Considerable theoretical and empirical literature on the role of financial development and repression in economic growth has emerged since the sixties (see for instance, Goldsmith, 1969 and 1983; Gurley and Shaw, 1960; Shaw, 1973; and Mckinnon, 1976). A lot of theoretical and empirical literature has emerged in recent years.
9. The Vaghul Working Group also recommended a shift from administered interest rates to market determined rates within the parameters of overall macro-economic policy.
10. Interest payment on government debt is 15 per cent of total government current receipts in 1986-87, However, if the present trends (1979-80—1986-87) in market borrowings and interest payment on such borrowings (15.3 and 25.7 per cent per annum respectively) continue, the annual interest payments on market borrowings will exceed net market borrowings by 1992-93 and thus, land the economy in 'internal debt trap' (Seshan, 1987).
11. See Rangarajan (1987).
12. Dandekar (1986) has strongly argued for freeing insurance, pension and provident fund from being captive, to yield better rate of return, as these are life savings meant for old age.
13. If emerging 'internal debt trap' is to be avoided, it is imperative that unproductive public expenditures are contained. In this context, it is necessary to have cost-benefit assessment of subsidies and security expenditures—internal and external. In raising tax-GDP ratio, there is need to tax the affluent in the rural sector who have greatly benefited from HYV technology and from massive public sector infrastructure investments in agriculture. Similarly, the 'informal sector' which has been growing rapidly should be *effectively* brought under the tax net. Determined efforts should be made to bring the fast growing 'parallel economy' under the dragnet (see for a detailed discussion on various aspects of parallel economy, *Aspects of the Black Economy in India*, National Institute of Public Finance and Policy, 1985).
14. Direct investment by households *per se* in government gilt-edged securities is negligible. The market is narrow and captive, as stated earlier. The major investors are commercial banks, insurance companies, provident funds and other trust funds (Chakravarty *et al.*, 1985).
15. This appears to be a riddle as the private corporate sector has grown. Whether the stagnancy observed is due to the particular method of estimating total corporate sector saving by using blow-up factor (paid-up capital proportions) applied to RBI survey data

and the nature of the sample needs to be investigated (for a detailed discussion of the issues and problems involved in estimating global corporate saving, see Rama Rao, 1988). However, if the stagnancy is a reasonable reflection of true phenomena it may be due to absence of compelling need to rely on internal resources for investment and growth. Liberal availability of funds at relatively easy terms from term-lending and other public financial institutions could be a reason, among others. Further, it is also necessary to have detailed studies and a deeper understanding of the role of tax concessions for saving and investment to explain corporate saving behaviour (Ghosh, 1988).