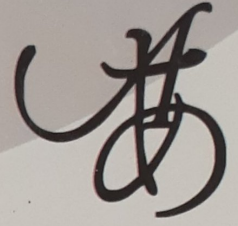




Peer Reviewed Referred and  
UGC Listed Journal  
(Journal No. 40776)



ISSN 2277 - 5730  
AN INTERNATIONAL  
MULTIDISCIPLINARY  
QUARTERLY RESEARCH  
JOURNAL

# AJANTA

Volume-VII, Issue-IV  
October - December - 2018  
English Part - II  
IMPACT FACTOR / INDEXING  
2018 - 5.5 [www.sjifactor.com](http://www.sjifactor.com)

**Ajanta Prakashan**



ISSN 2277 - 5730  
AN INTERNATIONAL MULTIDISCIPLINARY  
QUARTERLY RESEARCH JOURNAL

# AJANTA

Volume - VII

Issue - IV

English Part - II

October - December - 2018

Peer Reviewed Referred  
and UGC Listed Journal

Journal No. 40776



ज्ञान-विज्ञान विमुक्तये

IMPACT FACTOR / INDEXING  
2018 - 5.5

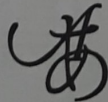
[www.sjifactor.com](http://www.sjifactor.com)

❖ EDITOR ❖

Asst. Prof. Vinay Shankarrao Hatole

M.Sc (Maths), M.B.A. (Mktg.), M.B.A. (H.R.),  
M.Drama (Acting), M.Drama (Prod. & Dir.), M.Ed.

❖ PUBLISHED BY ❖



**Ajanta Prakashan**

Aurangabad. (M.S.)

## ❧ CONTENTS OF ENGLISH PART - II ❧

| Sr. No. | Name & Author Name   | Page No. |
|---------|--|----------|
| 1       | Agricultural Marketing and its Challenges in India<br><b>Dr. Dinkar P. Takle</b><br><b>Dr. Dnyaneshwar V. Gore</b>   | 1-5      |
| 2       | Capital Formation in Indian Economy<br><b>Dr. Subhash J. Deshmukh</b><br><b>Smt. Amruta M. Ghodake</b>   | 6-12     |
| 3       | A Perspective on Economic Development and Poverty Post-Economic Reforms Implemented in India<br><b>Sunil B. Kapadia</b><br><b>Dr. Venu V. Madhav</b>           | 13-17    |
| 4       | Dr. Babasaheb Ambedkar Contributions to The Reserve Bank of India<br><b>Dr. Ashok Korade</b><br><b>Parakash T. Kharat</b>                                      | 18-20    |
| 5       | Capital Formation in Indian Economy<br><b>Dr. Khiste Onkar Balkrishna</b>  | 21-23    |
| 6       | Critical Study of Farmers Suicide - Causes and Remedies<br><b>Dr. T. M. Gurnule</b>  | 24-29    |
| 7       | A Geographical Perspective on Costing of Irrigation Water in India: An Overview of Representative States<br><b>Dr. Nirmala Pawar</b><br><b>Dr. Ajay Kamble</b> | 30-36    |
| 8       | Evolution of CSR in Indian Economy<br><b>Dr. Bhavana Trivedi</b><br><b>Sakshi Khatri</b>   | 37-40    |
| 9       | Indian Agriculture: A Review on the Role, Growth & Policy<br><b>Dr. Mangala Ratan Bhate</b>  | 41-45    |
| 10      | Indian Agriculture: Challenges and Opportunities<br><b>Dr. Mrs. Sonal Santosh Chandak</b>  | 46-48    |
| 11      | Food Security in India: Impact on Public Distribution System<br><b>Miss. Neeta Dnyandeo Shinde</b><br><b>Dr. Shivaji B. Yadav</b>                              | 49-53    |



## 5. Capital Formation in Indian Economy

**Dr. Khiste Onkar Balkrishna**

Dept. of Economics, Shri Sant Gajanan Mahavidyalaya, Kharda, Tal. Jamkhed,  
Dist. Ahmednagar

---

### **Inroduction**

The concept of capital formation is most important for the development of each and every economy. Capital plays a vital role in the modern productive system. Production without capital is hard for us even to imagine. Nature cannot furnish goods and materials to man unless he has the tools and machinery for mining, farming, forestry, fishing, etc. If man had to work with his hands on barren soil, productivity would be very low indeed. Even in the primitive stage, man used some tools and implements to assist him in the work of production. Primitive man made use of elementary tools like bow and arrow for hunting and fishing net for catching fishes. With the growth of technology and specialisation, capital has become more complex and is of superior and advanced type. More goods can be produced with the aid of capital. In fact, greater productivity of the developed economies due to the extensive use of capital, i. e. machinery, tools or implements in the productive process. Capital adds greatly to the productivity of worker and hence of the economy as a whole. Much economic development is not possible without making and using of industrial machinery, making of agricultural tools and implements, building of dams, bridges, factories, roads, railways, airports, ships, ports, harbours, etc., which are all capital. All these capital goods are man-made instruments of production and increase the productive capacity of the economy. Therefore, formation of capital goods every year greatly increases the national product or income.

Capital formation is necessary to provide people with tools and implements of production. If the population goes on increasing and no net capital formation takes place, then the growing population would not be able to get necessary tools, instruments, machines and other means of production with the result that their capacity to produce would be seriously affected. Besides this, capital, formation makes possible the use of indirect or round-about methods of production which greatly increase the productivity of the workers. Under these indirect or round-about methods of production, workers instead of working with bare hands,



work with the aid of more productive tools, instruments and machinery. in short capital formation is the pre condition of development of Agricultural, Industrial and service sector. But another side rate of saving is the base of capital formation without saving capital formation is impossible.

### Objectives

1. To study the relationship between Rate of Capital formation and Rate of saving.
2. To take review of tendency of capital formation.

### Tendency of Capital formation :

Rate of saving affects to capital formation and capital formation is affecte to every sector like Agriculatural, Industrialand service.Substitutability it is affected to National income as well as G. D. P &growth rate.

### Relation between Saving, Capital formation &G. D. P

| Sr. indicators | No/ | Years | Rate of Saving % | Rate of Capital formation % | G. D. P growth rate % |
|----------------|-----|-------|------------------|-----------------------------|-----------------------|
| 01             |     | 2003  | 29. 20           | 26. 50                      | 7. 1                  |
| 02             |     | 2007  | 38. 30           | 35. 60                      | 9. 6                  |
| 03             |     | 2017  | 34. 65           | 34. 31                      | 7. 3                  |
| 04             |     | 2016  | 26. 40           | 26. 40                      | 8. 2                  |

**Source :**Economic Survey 2017-18, Vol. 01

In the above table we can easily find out relationship between saving, capital formation and G. D. P. Saving rate, capital formation rate and growth rateare co related to each other. Above mentioned ratesare instabl. When rate of saving had more at that period rate of capital formation had go to upwards. in the year.

According to Economic survey 2018-18 volume 1, This expectation is the firm belief that domestic saving and investment will soon start to accelerate. But this cannot be taken for granted. Neither saving nor investmentisunduly depressed. Investment (gross fixed capital formation)rateandgross domestic saving rate are actually above the levels that prevailed throughout the 1990s. In fact, it was the boom of the 2000s that was exceptional, as India's climb to about 10 percent real GDP growth was accompanied by an unprecedented 9 percentage point pick-up in domestic saving and investment rates. The subsequent slide in investment and saving (as a percent of GDP) has merely brought these rates backbtowards normal levels. SpecificallyThe ratio of gross fixed capital formation to GDP climbed from 26.5 percent in 2003, reached a peak of 35.6 percent in 2007, and then slid back to 26.4 percent in 2017 The ratio

of domestic saving to GDP has registered a similar evolution, rising from 29.2 percent in 2003 to a peak of 38.3 percent in 2007, before falling back to 29 percent in 2016.

#### Conclusions

- There is strong relation between saving, Capital formation and G. D. P, because Saving rate pushes to Capital formation and both rates pushes to GDP.
- Capital formation rate is dependent variable which depend on saving rate.
- Capital formation affected to G. D. P (Agricultural, Industrial & Service sector)

#### References

- Economic Survey 2017-18, Vol. 01, Govt. Of India.
- Indian Economy, Gaurav Datta & Ashwani Mahajan, S. Chand publication 2017.
- [https://en.m.wikipedia.org/wiki/Capital\\_formation](https://en.m.wikipedia.org/wiki/Capital_formation)