

Estimation of Fixed Capital for the Transport Equipment Industries in India, 1951 to 1975

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1. INTRODUCTION

Capital can be measured either at purchasers' prices or at constant prices. Again it can be taken after allowing for depreciation or gross of depreciation. Since we are interested in the trends in fixed capital, we use capital at constant prices.

The use of depreciated capital implies that capital stocks decrease in efficiency in proportion to the depreciation charges. Most available evidence indicates that this is not a reliable assumption. On the other hand the use of undepreciated capital implies that capital stocks have the same efficiency from the time of purchase until the time they are fully written off, when their usefulness is assumed to be zero. Both methods are dependent on accounting procedures, and both present an index number of problem for the reduction of a stock of capital accumulated over time. However, it is a fact that a large amount of expenditure is incurred by business firms on repairs and maintenance, when the main object is to keep the asset in more or less similar productive capacity. Thus the gross value of fixed assets is the most useful concept of capital for studying the trends of this variable.

2. SOURCES OF DATA

For the years 1951-1958 the source of data is the Sample Survey of Manufacturing Industries (S.S.M.I.). For the years 1959-75 the main source of data is the Annual Survey of Industries (A.S.I.) which gives data on written-down (i.e. purchase price less accumulated depreciation) book value of capital. Capital as given by the A.S.I., comprises land, buildings (including those under construction), improvement to land and other constructions, plant, machinery and tools (including uninstalled), transport equipment and other fixed assets such as furniture, fixtures, etc., as well as assets at head office allocable to the factory. In some years it includes intangible assets. For our purposes, we exclude land, intangible assets and assets at head office allocable to the factory. Land is not very much