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SECTOR WISE SAVINGS IN INDIA: AN ANALYSIS

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Introduction

Capital formation plays a predominant role in all types of economics whether they are developed or developing development is not possible without capital formation. Capital formation refers to all the produced means of further production. Saving and investment are essential for Capital formation. Saving is the result of waiting or abstinence. When a person postpones his consumption to the future, he saves his wealth which he utilizes for further production if all people save like this, the aggregate savings will increase which can be utilized for investment purpose in real capital assets like machines, tool, canals, etc. but savings are different from hoardings. For savings to be utilized for investment purpose, they must be mobilized in banks and financial institutions. The businessmen, the entrepreneurs and the formers invest this community savings on capital goods by taking loans from these banks and financial institutions, this is capital formation. Capital is the care of economic development and development is not possible domestic saving depressed by without adequate capital resources. Capital formation plays an important role in increasing the production potential of the economy and bringing about balanced growth of the different sectors of the economy and additional capital bring about technical progress in the economy. Capital formation also plays a significant role both in deepening and widening the industrial base of a developing economy like India.