An Analysis of Government Subsidies in India
A Case Study of Uttar Pradesh

ABSTRACT

Rationalisation of government subsidies has been prominent on the public policy agenda in India, since 1990, when the first comprehensive estimate of subsidies as unrecovered costs was made by Mundle and Rao (1991)\(^1\). Even before that, although the full extent of (implicit and explicit) subsidies were not known, occasional concern about burgeoning amount of some of the major explicit subsidies – food, fertiliser and export (as also implicit subsidies in specific public services like irrigation) – were expressed.

Since then, two White Papers on subsidies have been brought out by the Government of India, the latest being 2004, emphasizing the need for rationalisation of this significant component of government expenditure. There have been other documents of the government which have expressed similar imperatives regarding specific subsidies or subsidies as a whole, or have drawn attention to their magnitude (thereby implying the need for carefully thought out policies). With all this not much actual policy change has been observed keeping this issue alive for an agenda of economic reforms.

Explicit subsidies, in any case do not show the full extent of subsidies because there are large unrecovered costs in the supply of various services that are subsidied at least from government's point of view, and these subsidies are far grater than what a simple comparison of public expenditures and receipts would indicate because of significant opportunity costs of past investments.

Subsidies, as converse of an indirect tax, constitute an important fiscal instrument for modifying market-determined outcomes. While taxes reduce disposable income, subsidies inject money into circulation. Subsidies affect the economy through the commodity market by lowering the relative price of the subsidised commodity,

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thereby generating an increase in its demand. With an indirect tax, the price of the
税产商品价格增加，市场清障点的数量下降。
商品类目。税收出现在政府预算的收入侧，补贴出现在支出侧。

补贴可以大大增加社会福利，前提是这些补贴设计和管理得当，服务于明确表述的目标。
然而，如果补贴设计和管理不当，补贴也会非常昂贵。补贴在教育、健康和环境领域受到追捧，
因为这些领域的收益不仅惠及直接受益者，还惠及整个社会，当前和未来。
补贴也用于再分配目的，特别是为了确保最低的食品和其他基本需求。

目前的研究旨在探讨补贴的规模及其对财政的影响，选择印度北方邦作为案例研究。
印度北方邦政府支出占GSDP的比重约为20%。

在此次研究中，重点是预算补贴，主要目的是揭示隐性补贴。
补贴被衡量为政府提供商品/服务的未收回成本，未分类为公共商品。
具体而言，指的是社会服务和经济服务。
未收回成本是指总成本超出相关预算头目的收入。

目前的工作分为七章。第一章是介绍性的。
补贴的定义和分类、目标、理由、以及行政补贴的方法、研究范围和重要性、
要测试的假设、采用的方法、数据来源和研究的限制都在这一章中讨论。

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in budget document. The implicit subsidies are defined by Mundle Sudipto and M. Govinda Rao (1991) as the difference between the costs of delivering various publicly provided goods and services and the recoveries arising from such deliveries". Thus in a budgetary context, it may be defined as "Unrecovered Cost in the public provision of private goods".

Srivastava D.K., et. al. (2003) have explained subsidies, as converse of an indirect tax, constitute an important fiscal instrument for modifying market-determined outcomes. While taxes withdraw money from circulation, subsidies inject money into circulation. Subsidies affect the economy through the commodity market by lowering the relative price of the subsidised commodity, thereby generating an increase in its demand. With an indirect tax, the price of taxed commodity increases, and the quantity at which the market for the commodity is cleared, falls, other things remaining the same. Taxes appear on the revenue side and subsidies on the expenditure side of the government budgets. In a budgetary context, subsidies are taken as unrecovered cost of public provision of non-public goods, although the term may be defined in a variety of other ways.

According to Rao Hemlata and H.K. Amar Nath (2003) the concept of subsidy used in Budget Document refers to the explicit payment made to producers to alter their price or output decisions or to consumers to encourage them to consume more because it is "meritorious" to do so. On the contrary, the National Accounting concept is broader as it includes, in addition of arising from the losses of departmental enterprises. Subsidies may be defined as "money granted by State or public body to individuals / firms or organizations (who has to bear a part of the cost) to bring down the cost by way of tax exemption, part payment by government, lower interest charges and so on. Or to bring down the final price of those goods and services, which have large externalities or which lead to distributive justice". For this part of assistance (subsidies), no equivalent compensation is received.

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• Subsidies are money transfers from government.
• Transfers are intended to encourage consumption of goods or services by individuals / firms / organizations.
• Often the purpose of the subsidies is to reduce the cost or price of consumption of those commodities that have externalities or help achieving distributive justice.
• In principle, it is possible to price these goods or services, but they are subsidised because government wants to encourage their consumption / production for externality or merit good reasons.
• The recipient of subsidy may be required to bear some part of the cost (except when the goods have very high degree of externality).
• Subsidies are like negative indirect taxes that bring down the price of goods / services.
• An important feature of subsidies is that they have both substitution effect and the income effect.
• Implicit subsidies give rise to unrecovered cost.
• Over subsidisation could adversely affect environment and allocation of resources.
• Subsidies may induce a number of efficiency losses.
• Untargeted subsidies promote inefficiency and induce wastage of scarce resources.
• Subsidies promote growth by increasing the level of critical inputs like health, education and infrastructure.
• Subsidies are regressive in nature.

Government provides subsidies for the following reasons:
• Correcting market failure\(^2\)
• Protecting national production from competition
• Reducing import dependence
• Encouraging national employment

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\(^2\) Market failure occurs when private actions contradict the social ends of an efficient allocation of resources.
• Ensuring balanced regional development
• Enabling access to and affordability of basic services or goods by all
• Stimulation of economic growth.

Economic effects of subsidies broadly can be grouped into (i) allocative effects, (ii) redistributive effects, (iii) fiscal effects, (iv) trade effects (v) positive effects, and (vi) negative effects.

To examine the issue of subsidies hypothesis proposed to be tested in this study is:

"There are serious efforts as a part of fiscal correction measures by the Government of Uttar Pradesh to rationalise the subsidies for increase in social welfare".

Chapter 2 is divided into two parts. First part discusses a theoretical rationale for subsidies. That allow to analyse two kinds of policy failure. The first policy failure focuses on the impact of hidden subsidies on welfare and on the effectiveness of other policies. Second policy failure results the ineffectiveness of the subsidies themselves. Second part of the chapter covers the review of the empirical studies related to subsidies. A closer examination of the empirical studies reveals that a huge amount of the subsidies is given by both Central and State governments. A lot of attention to subsidies in India is given after mid eighties. Most of the empirical work is done on the explicit subsidies like food, fertiliser, agriculture etc. The major work on implicit budgetary subsidies is done by National Institute of Public Finance and Policy. From the studies of NIPFP, it is clear that the burden of subsidies is very high on both Central and State governments and there is a need to rationalise the subsidies.

To have a comprehensive understanding of the issue of subsidies in India, we have examined the trends and volume of Central budgetary subsidies in Chapter 3. The first part, analysed the overall trend of some of the major explicit subsidies given by the Central government and in second part, consist of discussion about implicit budgetary subsidies as computed in earlier studies.

At constant prices (1999-00), total explicit subsidies of the Centre have increased from Rs. 22571 crore in 1990-91 to Rs. 45481 crore in 2006-07 (RE). The average growth during the period 1990-91 to 2006-07 (RE) of explicit Central subsidies in real terms thus works out to be more than four per cent per annum.
Food Subsidy is the difference between the price at which the Food Corporation of India (FCI) procures food grains from farmers, and the price at which FCI sells (Issue Price) either to traders or to the Public Distribution System (PDS), with the added cost borne by FCI storage and distribution of foodgrains. The subsidy ensures a reasonable high price to farmers (procurement price) and a reasonable low price to consumers (issue price) and food through PDS. The amount of consumer subsidy depends on the volume of foodgrains distributed through the PDS and the rate of subsidy which, in turn, depends on the difference between market and issue prices and the handling charges of the FCI.

Explicit food subsidy (including subsidies on sugar) in India as given in annual budgets has increase from Rs 2450 crore in 1990-91 to Rs. 24204 crore in 2006-07(RE) with 17.14 per cent trend growth rate of per annum. Its share in total explicit subsidies, increased from 23 per cent in 1990-91 to 40 per cent in 2006-07(RE).

Fertiliser subsidy is the difference between price paid to manufactures of fertilizer (domestic or foreign) and price received by farmers. The subsidy ensures cheap inputs to farmers, reasonable return to manufacturers, and stability in availability and price of fertiliser to farmers.

The huge burden of fertiliser subsidy has given rise to considerable debate in the literature, whether these subsidies are going to farmers or to fertiliser industry or to someone else, in a way that cannot be easily observed. Fertiliser subsidy is borne by the Centre and attracts most attention. The quantum of fertiliser subsidy in the Central government budget is however increasing at a alarming rate to Rs 22452 Crore in 2006-07(RE) from Rs. 4400 crore in 1990-91, representing a five-fold increase in subsidies. Trend growth rate of fertiliser subsidy was much higher between 1990-91 and 1999-00 compared to period of 2000-01 to 2006-07 (RE).

Agriculture Subsidy means different things to different people. It comprises three components covering import policies, export policies and domestic policies. Explicit agriculture subsidy in India has increase from Rs 78 crore in 1990-91 to Rs. 479 crore in 2006-07(RE) with 14.61 per cent trend growth rate per annum.

Power is subsidised for agriculture and domestic consumers through two sources (i) State support to State Electricity Boards (SEBs) in the form of write off of loans or interest, etc., and (ii) cross subsidising by charging higher prices from industrial and commercial consumers. In budget explicit power subsidies are given to Power Finance Corporation Ltd. and subsidies to Rural Electrification. These two consists
one per cent of total explicit budgetary subsidies in 2000-01 and it increases upto six per cent in 2006-07(RE). In nominal term it increases from Rs. 295 crore in 2000-01 to Rs. 3450 crore in 2006-07(RE) with an annual growth of 47 per cent while in real term it increased from Rs. 286 crore to Rs. 2607 crore with an annual growth of about 45 per cent in the same period.

It was for the first time when the petroleum subsidies were mentioned explicitly in the budget 2002-03. The subsidy for the petroleum sector was at third position after food and fertiliser. For LPG and kerosene the government subsidy were Rs. 5225 crore. Petroleum subsidy accounted for Rs. 6573 crore in 2003-04 and after that these have decreased and estimated at Rs. 2840 crore in 2007-08 (BE).

Chapter 4 is a brief review of finances of the State of Utter Pradesh. This chapter is divided in three major parts. First part deals with the macro view of economy of Utter Pradesh along with socials indicators and reform initiated. Second part compares 14 major fiscal indicators of the State of Utter Pradesh with other major States of India. Time profile of fiscal scenario in terms of revenues (tax and non tax) and expenditure patterns are discussed in the third section of the chapter.

As per population census 2001, Uttar Pradesh, with its 16,605 crore strong population, continued to be the most populous State in the country and accounts for 16.17 per cent of India’s 102.70 crore population. An economically strong Uttar Pradesh with its huge market could be an important engine of growth for the rest of the country. It has a large agriculture base, fairly well spread industrial activities, and some of the best learning centres in the country.

An important feature of Indian fiscal federalism is the significant inter-State differences in fiscal indicators. Comparison of fiscal indicators are based on 14 fiscal indicators that are classified into four broad groups, viz., (i) deficit indicators, (ii) revenue performance, (iii) expenditure pattern, and (iv) debt position. Generally fiscal indicators are expressed in relation to Gross State Domestic Product (GSDP) at current prices.

The finances of Utter Pradesh show marked deterioration in revenue and fiscal balance relative to GSDP towards the end of the nineties. The profile of fiscal imbalance after bifurcation, shown an improvement but has started deteriorating again. The quality of fiscal deficit has worsened considerably over the years. Relative to other States, fiscal imbalances in Utter Pradesh are among the largest.
The most important threat to the State’s economy comes from the financial management of the State government. Uttar Pradesh is critically indebted and the debt is on the verge of becoming unsustainable. Average primary deficit as a percentage of GSDP is more than the difference between real growth and the real interest rate. The primary deficit continues to be positive. This debt in Uttar Pradesh is relatively expensive, with higher interest rates rather than other States. Clearly, Uttar Pradesh needs to restructure its debt by adopting measures such as debt-swapping. With a high fiscal deficit, little is left for development expenditure. This places serious constraints on the capacity of the State to stimulate economic activities. A comprehensive programme of reducing deficit should include both receipt as well as expenditure management and wide ranging reforms. Subsidies cover a major part of expenditure. Therefore, when we talk about expenditure management and reduction in deficits, analysis of subsidies become quite important. Many subsidies arise because government participate in the provision of purely private goods where its presence is not warranted either economically or technologically.

Chapter 5 presents the estimation of budgetary subsidies in the Utter Pradesh. This chapter is divided into five parts. First part discusses about conceptual definition and adjustment for estimating budgetary subsidies in Utter Pradesh. Second part analysed transfer payments either made to individual in the form of grants-in-aid and direct transfer or assistance to local bodies or public sector undertakings. Both are treated as explicit subsidies and are netted out before the estimation of implicit subsidies. In third part a macro view of implicit subsidies along with recovery rates, share of social and economic services in implicit subsidies, per capita subsidies on current and constant prices and as a percentage of GSDP are presented. In the fourth section of the chapter a macro comparison of the implicit subsidies with earlier studies is done. In the last part of the chapter, a detailed sector wise analysis of social and economic services with patterns of the surplus is analysed.

Transfers to individuals are income supplements and may be distinguished from price subsidies. Transfers, which are straight income supplements, need to be distinguished from subsidies. An unconditional transfer to an individual would augment his income and would be distributed over the entire range of his expenditures. A subsidy, however, refers to a specific good, the relative price of which has been lowered because of the subsidy with a view to changing the consumption/allocation decisions in favour of the subsidised good.
In actual practice, all visible payments to individuals and factors of production are termed as explicit subsidies. But the problem is with the information available in the State budget about explicit subsidies is that administrative costs of these subsidies are not included. Therefore, explicit payments made to individuals, organisations, assistance given to public sector undertakings, co-operatives etc., and grants-in-aid to local bodies, are excluded from the estimation of cost of providing services.

In Uttar Pradesh, Grants-in-aid have increased more than four times from Rs. 1941.32 Crore in 1990-91 to Rs. 7842.28 Crore in 2005-06. More than 90 per cent of these grants-in-aids are provided under social service, while a little amount goes in economic services.

Transfers to individuals have increased from Rs. 1017.66 crore in 1990-91 to Rs. 3599.92 crore in 2005-06, registering a growth of 8.79 per cent per annum. In social services, it increased from Rs. 300.99 crore in 1990-91 to Rs. 2971.52 crore in 2005-06 and with a growth of 16.49 per cent per annum.

In Economic Services, transfers to individuals decreased by about 12 per cent (0.87 per cent annually) from Rs. 716.67 crore in 1990-91 to Rs. 628.40 crore in 2005-06. Though, integrated rural development programmes, and national programmes for rural employment such as 'Jawahar Rozgar Yojana', etc. cover major part of these transfers.

Public sector undertakings play a vital role in economic development, employment generation, and social justice. The State government spends a huge amount through investment and lending in public undertakings.

Economic Services cover major part of this assistance. Fisheries, Transport, and Power are major public sector undertakings in economic services that receive huge assistance from the State government. In social services government provide assistance for welfare programmes for SC, ST and OBCs, and social security to promote the welfare of the State.

An implicit budgetary subsidy is defined as the difference between cost of providing services and recoveries made from the beneficiaries. Costs have two components, current costs, and capital costs. Recoveries comprise of revenue receipts, interest receipts, and dividends on investments.
The current costs are known as revenue expenditure in the budget document. The revenue expenditure consists of expenditure on maintenance, (both salaries & wages and operation & maintenance cost), direct cash payment to public sector undertakings, co-operatives, local bodies and other agencies and also to individuals from whom no charges are levied by the State government. Annualised capital cost is the opportunity cost of investment. The State government's investment in provisioning of various services is given as capital outlay in the budget documents.

Revenue receipts comprise from three main sources. The first is the tax revenue, the second non-tax revenue and the third one is grants from the Centre.

The difference between receipts from user charges and current expenditure is the un-recovered variable cost. The un-recovered capital costs are the difference between annualised capital costs and interest plus dividends. The total un-recovered costs are summation of these two.

Implicit budgetary subsidies in the present study are inclusive of certain explicit subsidies, if stated explicitly in the finance accounts of Utter Pradesh (from where basic data have been collected). In these estimates, unrecovered costs, do not include the transfers as mentioned in the above section and grants-in-aid given to local bodies and other agencies. These estimates also do not cover the services under public goods category such as general services, relief on account of natural calamities, secretariat social services and secretariat economic services of the budgetary classification.


Our estimates show that implicit budgetary subsidies in nominal term have gone up from Rs. 4486.07 crore in 1990-91 to Rs. 15928.39 crore in 2005-06 with 8.81 per cent annual growth rate. Economic Services absorbed major part of these subsidies.

In social services, it has increased from Rs. 1285.28 crore in 1990-91 to Rs. 4989.88 crore in 2005-06 with an annual growth rate of 9.46 per cent. Major part of the subsidies in social services is absorbed by Health and Family Welfare followed by Education, 'Water Supply and Sanitation' and Social Welfare.
In economic services, subsidies increased from Rs. 3200.78 crore in 1990-91 to Rs. 10938.50 crore in 2005-05 with an annual growth of 8.54 per cent. Major part, approximately 33 per cent of subsidies in economic services, is covered by Irrigation and Flood Control followed by Energy, Rural Development, and Agriculture and Allied services.

The per capita subsidies in the State are continuously increasing from Rs. 343.79 to Rs. 873.80 during the period from 1990-91 to 2005-06, registering an annual growth of 6.42 per cent per annum.

There are six studies which have estimated implicit budgetary subsidies for the States and Union Government by defining them as unrecovered cost of provisioning of services by the various level of governments. Though the basic definition and basic methodology adopted are the same, but the methodology of arriving at various components of the estimation varied from one another.

However, all these studies have estimated subsidies for a year or two using slightly different methodologies and adjustments. Because of the differences in their methodology, these studies are directly not comparable with each other. They are not comparable for two reasons i.e. a) varying depreciation rates are used, and b) adjustments made to the data are different. For example, Rao did not exclude the assistance given to PSU and co-operatives, Srivastava-Sen excluded only assistance to PSU, but not to co-operatives and the other studies excluded both, and treated them as explicit subsidies. However, in broad terms, a similar approach of measuring budgetary subsidies in a comprehensive way was used in these studies.

Analysis of implicit budgetary subsidies in various sectors follows same criteria of budgetary classification. Budgetary classification has three categories of expenditure i.e., General Services, Social Services, and Economic Services. General Services are mostly administrative in nature and are public goods. Where as, social services and economic services provide services to the people, and beneficiaries can be identified. Most of these services are private or non-public goods in nature with varying degree of externalities. Similar pattern is followed by all the States including Uttar Pradesh. Expenditure on service provision in non-public goods is mainly categorised under social and economic services in the budget documents of the Government of Uttar Pradesh.
Social services consists of various human development related sectors, like Education, Health and family welfare, Water and Sanitation, Housing, Urban Development, and Welfare. Being associated with strong externalities and economies of scale, Education, Health, Water Supply, Sanitation and Housing in social service sector qualify for larger share in subsidies. Education improves sociability, occupational mobility, and voluntary responsibilities and law conformity. Improvement in health status is linked not only to the performance of the health care system, but also to health awareness, environmental sanitation, availability of potable drinking water, nutritional intake and various other social and cultural factors. Better health, water supply and sanitation, and housing facilitate lower level of morbidity, mortality and contain the spread of communicable disease. These would further enhance productive efficiency and help in equitable distribution of income.

Investment in economic services will result in growth of the economy and economic development and investment in social services result in human development. Agriculture, rural development, irrigation, power, industries, and transport are the main sectors in economic services. Of this rural development is mainly of employment (wage) generator programmes for poverty alleviation and part of human development.

While in most social and economic goods/services, State is unable to recover costs, there are some cases where the States is able to generate surplus. These surpluses have been generated mainly in the economic services which account for about 65 per cent to 100 per cent of total surplus and there are no clear-cut patterns of surplus generation.

**Chapter 6** deals with the classification of budgetary subsidies into merit and non-merit goods on the basis of externalities.

Goods and services are categorizes based on their characteristics and classifies the implicit budgetary subsidies in Uttar Pradesh into these categories. The present chapter is organised into three sections. The first section focuses on characteristics and classification of goods and services. The second section details the classification of budgetary services in the Indian context as describes in earlier studies. The third section classifies the implicit budgetary subsidies in Uttar Pradesh.
In social services only Merit II goods and Merit goods with distributive justice (mainly consists welfare programmes) have shown a substantial increase. The share of impure public goods (which result into building social infrastructure) in total implicit subsidies have declined. In economic services, the share of Merit goods with distributive justice has increased. While the share of other categories has declined.

While in most social and economic goods/services, State is unable to recover costs, there are some cases where the States is able to generate surplus. The total Surplus generates is Rs. 7.77 crore in 1990-91 and increases to Rs. 345.76 crore in 2005-06 with a peak to Rs. 4456.36 in 2003-04 and it is just 0.17 per cent in 1990-91, and 2.18 per cent in 2005-06 of subsidised sector with a peak 2.30 per cent in 2001-02. As a per cent of GSDP, surplus sector covers a negligible part.

Chapter 7 summarises the findings of the study along with suggestions for the improvements in State finances in containing unnecessary budgetary subsidies along with an agenda for future research.

Budgetary subsidies arise when the government fails to recover the cost of providing the services from the user charges by such means as fees, tariffs, and user charges. Subsidies also arise when government procures a commodity from sellers, and then sells it at prices that do not cover the procurement prices and cost of storage, handling, transmission, etc. such is the case of food subsidies in India. Apart from being costly and cumbersome, widespread, intervention by the government in the market impedes to respond to changing situations.

Increasing burden of subsidies both implicit and explicit subsidies need to be revised in view of the State facing disturbing and fluctuating finances. An inter-State comparison shows that Uttar Pradesh is at the tail end in terms of growth of State's income and in many other development indicators. The State should reorient itself in modifying and directing its policies towards higher growth injecting sectors. Identifying the right sectors is itself a challenging task in the situation of weak finances.

Subsidy reforms should aim at (i) reducing their volume relative to revenue receipts of the Central and the State governments, (ii) administering subsidies more directly to the targeted beneficiaries, thereby eliminating input-subsidies and focusing more on transfers as compared to price subsidies, (iii) making these subsidies transparent by showing them explicitly in the budget, and (iv) avoiding multiple subsidies to serve the same policy objective.
Costs of service provision and/or low negligible recoveries through user charges are the two critical sides of subsidisation. Unit costs need to be reduced, wherever desirable and viable. Surplus employment and other operational inefficiencies must be reduced.

Subsidy reforms, in the first instance, need to focus on selected sectors, which would yield maximum results and for those services for which there is considerable scope for higher recovery in the non-Merit category. In the case of Centre, the immediate focus of reform should be on food and fertiliser subsidies, and for State, it is important to attend to power and irrigation subsidies, while reforming the overall subsidy regime.

There are some policy issues before the State government –

- To enable a debate on categorisation of services as per the externalities involved in consumption of goods and services.
- To reduce the cost of provision of service by improving efficiency.
- To revise the user charges regularly on the basis of inflation.
- To specify the duration for which subsidy is given.
- Subsidies to be limited to the intended beneficiaries and targeted groups.
- Independent authorities to be set up to periodically review the quality of services and the user charges in various services.
- More transparency in stating the burden of subsidies to the exchequer of the State.
- If not reducing the subsidies, at least reorient them towards creating socio-economic infrastructure and proper maintenance than high salary component in the cost of provision of services.
- A mere concentration in to sectors like social welfare, power, irrigation, roads and bridges can help the government in generating and directing surpluses towards income and employment generating sectors.
- Higher allocation for non-salary maintenance expenditure.

The comprehensive analysis of the estimated values of the subsidies clearly shows that there is an increasing trend in the volume of subsidies in Utter Pradesh. Implicit budgetary subsidies have increased from Rs. 4486.07 crore in 1990-91 to Rs.
15928.39 crore in 2005-06. Per capita subsidies in Utter Pradesh have also increased from Rs. 343.79 in 1990-91 to Rs. 873.80 in 2005-06. Recoveries have declined and costs have increased that shows inefficiency on the part of the government. Economic Services absorbed major parts, around 73 per cent of total subsidies in the State. Social Services are given much lesser subsidies, which is more welfare generating sector. Most of the subsidies are implicit, whereas explicit subsidies are negligible. This shows that subsidies in Utter Pradesh are not transparent and poorly targeted.

In this study we have constructed a discrete time series of estimated values of implicit subsidies for Utter Pradesh only. For further research, there is a need to compute the subsidies for other major State in India to analyse the inter-State variations in the volume of subsidies and policies of their rationalisation.