
Subsidies provided by the State governments have been estimated for 15 major States for 1993-94. As explained earlier, the major data source is the Finance Accounts of the respective States. This was not available for 1994-95 for an adequate number of States, forcing us to carry out the analysis for the major States for the year 1993-94. For these States, the requisite data were available in suitable detail. In discussing the State level subsidies, a distinction between merit and non-merit subsidies, as grouped under social and economic services, is maintained. After considering the aggregate subsidies for the fifteen selected States, major subsidies are discussed separately. In each case, their inter-State pattern is also discussed. For this purpose, States are arranged in ascending order of per capita net SDP (i.e., Bihar first, Goa last) at current prices in 1993-94. The analysis for the major States is subsequently supplemented by a study of four special category States. In their cases also, estimates of subsidies have been prepared. The year of reference for them, however, is 1994-95.

STATE SUBSIDIES: AGGREGATES FOR SELECTED STATES

In the estimation of the State level subsidies, the interest rates that have been used relate to the average effective interest rates for individual States with respect to internal debt, loans from the Central government and provident funds. The computed average effective interest rates used in this study are given in Annexure 6. The depreciation rate remains unchanged from that used for the estimation of Central subsidies except that the inflation element has been slightly modified because of change in the year under study (1993-94 instead of 1994-95). Table 3.1 summarises the results obtained.

Total subsidies for the 15 States in 1993-94 work out to Rs. 73100 crore. Net of surplus, this amounts to Rs. 69375 crore. The extent of subsidisation at the State level is clearly much higher than that at the Central level and the recovery rates are correspondingly lower.

Subsidies in social services, merit and non-merit taken together, and those in economic services, each constitute roughly half of the total State subsidies. The proportion of merit subsidies, as expected, is much higher in the social services relative to that in the economic services.

TABLE 3.1
Subsidies Given by 15 Selected States: 1993-94

(Rs. Crore)

Services	Total Subsidies Given by 15 States			
	Total Cost	Total Receipts	Subsidies/ Surplus (-)	Recovery Rate (%)
1. Merit Goods/Services (Subsidy Sectors)	21207.79	203.99	21003.80	0.96
a. Social Services	14920.67	102.94	14817.73	0.69
b. Economic Services	6287.12	101.05	6186.07	1.61
2. Non-Merit Goods/Services (Subsidy Sectors)	56399.46	4303.47	52095.99	7.63
a. Social Services	20925.14	551.49	20373.66	2.64
b. Economic Services	35474.32	3751.98	31722.34	10.58
3. Total Subsidies (Merit and Non-Merit)	77607.26	4507.46	73099.79	5.81
a. Social Services [1(a) + 2(a)]	35845.81	654.43	35191.38	1.83
b. Economic Services [1(b) + 2(b)]	41761.44	3853.03	37908.41	9.23
4. Surplus Sectors (Merit and Non-Merit)	-118.10	3606.63	-3724.73	N.C.
a. Social Services	55.46	288.07	-232.60	N.C.
b. Economic Services	-173.57	3318.56	-3492.13	N.C.
5. Subsidies Net of Surplus (3 + 4)	77489.15	8114.09	69375.06	10.47

The overall recovery rate for social and economic services taken together is only 5.81 per cent of the total cost. The average recovery rate in merit goods is less than 1 per cent. But a recovery rate of 7.63 per cent for non-merit goods is also extremely low. The recovery rate for social services, merit and non-merit categories taken together, is less than 2 per cent while the corresponding rate for economic services is just above 9 per cent.

STATE-WISE SUBSIDIES: TOTAL AND PER CAPITA

Aggregate subsidies given by the States in the provision of social and economic services, as divided between the merit and non-merit categories, are given in Table 3.2. In general, non-merit subsidies are estimated to be more than double of the merit subsidies. As percentage of the total, non-merit subsidies range from 66.64 (Madhya Pradesh) to 78.29 (Punjab).

Table 3.2
State Subsidies: Merit and Non-Merit: 1993-94

<i>State</i>	<i>Total Subsidies (Rs. Crore)</i>	<i>Merit Subsidies (Rs. Crore)</i>	<i>Percentage of Total (Per Cent)</i>	<i>Non-Merit Subsidies (Rs. Crore)</i>	<i>Percentage of Total (Per Cent)</i>
Bihar	5255.00	1609.30	30.62	3645.71	69.38
Orissa	2795.08	912.68	32.65	1882.40	67.35
Uttar Pradesh	9287.42	2490.03	26.81	6797.39	73.19
Rajasthan	4373.16	1229.71	28.12	3143.45	71.88
Madhya Pradesh	5773.70	1926.31	33.36	3847.39	66.64
Kerala	3013.97	987.10	32.75	2026.87	67.25
West Bengal	4605.84	1154.78	25.07	3451.06	74.93
Andhra Pradesh	6024.09	1712.20	28.42	4311.88	71.58
Karnataka	4839.18	1340.53	27.70	3498.65	72.30
Tamil Nadu	6332.89	1916.32	30.26	4416.58	69.74
Gujarat	6155.21	1699.41	27.61	4455.81	72.39
Haryana	2006.51	513.49	25.59	1493.02	74.41
Maharashtra	9607.41	2849.55	29.66	6757.87	70.34
Punjab	2702.86	586.69	21.71	2116.16	78.29
Goa	327.47	75.72	23.12	251.75	76.88
All States	73099.79	21003.80	28.73	52095.99	71.27

Corresponding State-wise per capita subsidies are given in Table 3.3. States have been arranged in ascending order of income.

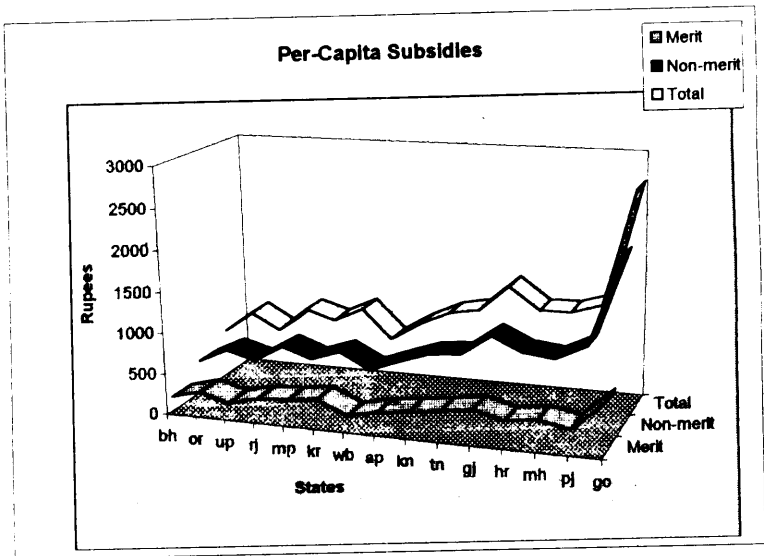
It will be noticed that the lowest per capita subsidy is provided by the poorest State, and the highest per capita subsidy is given by the highest per capita income (NSDP) State, viz., Goa. Subject to some exceptions, there is clearly a tendency for per capita subsidies to rise, as per capita incomes rise. This indicates that the larger fiscal capacity of the richer States translates into a higher provision of subsidies. Among the poorer States, Orissa and Rajasthan give relatively larger subsidies; and at the threshold of the middle to high income States, Gujarat gives relatively higher levels of per capita subsidy. The inter-State pattern of per capita subsidies (total, merit, and non-merit) is exhibited in Chart 3.1.

Table 3.3
State-Wise Per Capita Subsidies: 1993-94

(Rupees)

<i>State</i>	<i>Total</i>	<i>Merit</i>	<i>Non-Merit</i>
Bihar	574.65	175.98	398.67
Orissa	841.69	274.84	566.85
Uttar Pradesh	637.47	170.91	466.56
Rajasthan	939.98	264.32	675.66
Madhya Pradesh	827.76	276.17	551.59
Kerala	998.76	327.10	671.66
West Bengal	647.11	162.24	484.87
Andhra Pradesh	865.07	245.88	619.19
Karnataka	1033.07	286.18	746.90
Tamil Nadu	1104.72	334.28	770.43
Gujarat	1422.12	392.64	1029.48
Haryana	1151.14	294.59	856.55
Maharashtra	1156.96	343.15	813.81
Punjab	1269.13	275.48	993.64
Goa	2661.48	615.44	2046.05

Chart 3.1



In order to study the relationship between per capita subsidy and per capita income, the former variable has been regressed on the latter for total, merit, and non-merit categories. Variables are taken in their logarithms. The results, summarised in Table 3.4, indicate a statistically significant coefficient for elasticity in each case. While for the aggregate, the income elasticity of per capita subsidy is 0.77, it is closer to unity for non-merit subsidy, thus implying that in this case, a one per cent increase in per capita income is associated with a 0.84 per cent increase in per capita subsidy.

Table 3.4
Income Elasticity of Per Capita Subsidies

<i>Variables</i>	<i>Intercept</i> [*]	<i>Coefficient</i> [*]	\bar{R}^2
Total	0.073 (0.061)	0.770 (5.708)	0.69
Merit	0.527 (0.364)	0.575 (3.537)	0.45
Non-Merit	-0.902 -(0.775)	0.842 (6.429)	0.74

Note: * Figures in parantheses refer to t-values.

PROFILE OF RECOVERY RATES

The recovery rates for all services (Table 3.5) considered together vary between the States in the range of 1.65 (Orissa) to 26.77 (Goa). The lower income States exhibit, in general, very low recovery rates. The richer States are able to provide relatively high per capita subsidies (as noted earlier) mainly because their per capita expenditures on social and economic services are higher. There is a positive correlation between the overall recovery rate and the level of per capita subsidy. Given that per capita SDP sets some sort of a limit on expenditures and overall subsidies, an increase in the per capita subsidies on merit goods can be achieved in the short run, it appears, only through better recovery in non-merit goods. An all-round increase in per capita subsidies can probably take place with an increase in per capita income and, ironically, high recoveries.

Variation in the recovery rates, as far as merit goods is concerned, is in a narrow band. The recovery rates in this group is uniformly low. The range of variation in non-merit social goods is also limited with the lowest

figure being 1.15 for Bihar to the highest being 7.3 for Goa. The widest variations in the inter-State comparison of recovery rates are evinced in the case of non-merit economic services. Here a positive relationship between higher per capita income and higher recovery rate is quite easily discernible, Rajasthan and Gujarat being two exceptions.

Table 3.5
Profile of Recovery Rates

State	Sectors/Services				
	All	Merit	Non-Merit	Non-Merit Social	Non-Merit Economic
Bihar	2.29	0.73	2.96	1.15	3.83
Orissa	1.65	1.29	1.83	2.49	1.49
Uttar Pradesh	3.23	1.35	3.90	1.50	5.28
Rajasthan	10.59	0.79	13.92	3.93	21.26
Madhya Pradesh	5.34	0.86	7.43	2.66	9.65
Kerala	2.49	0.98	3.21	2.35	4.23
West Bengal	3.43	1.22	4.15	1.29	7.60
Andhra Pradesh	8.11	0.97	10.67	2.56	14.59
Karnataka	5.18	0.57	6.84	2.66	9.00
Tamil Nadu	4.02	1.39	5.11	2.51	7.37
Gujarat	2.21	0.54	2.83	2.71	2.87
Haryana	14.19	1.97	17.72	3.82	23.34
Maharashtra	9.99	0.62	13.44	4.53	18.24
Punjab	7.67	0.78	9.42	2.00	13.72
Goa	26.77	2.73	31.84	7.30	52.74

The recovery rates for the main aggregates of goods/services are given in Table 3.5. The inter-State profile of recovery rates, according to the main groups of goods/services is also depicted in Chart 3.2, where, except for merit goods, the general upward pattern of recovery rates, as per capita incomes rise, is discernible.

In order to explore whether this relationship is statistically significant, we have regressed recovery rates, category-wise, on per capita SDP (except for the case of merit goods) in a logarithmic form. The results are summarised in Table 3.6.

It may be noted that all the elasticity coefficients are significantly different from zero. For non-merit services, the elasticity is more than unity, primarily because it is significantly higher than unity in the case of non-merit economic services.

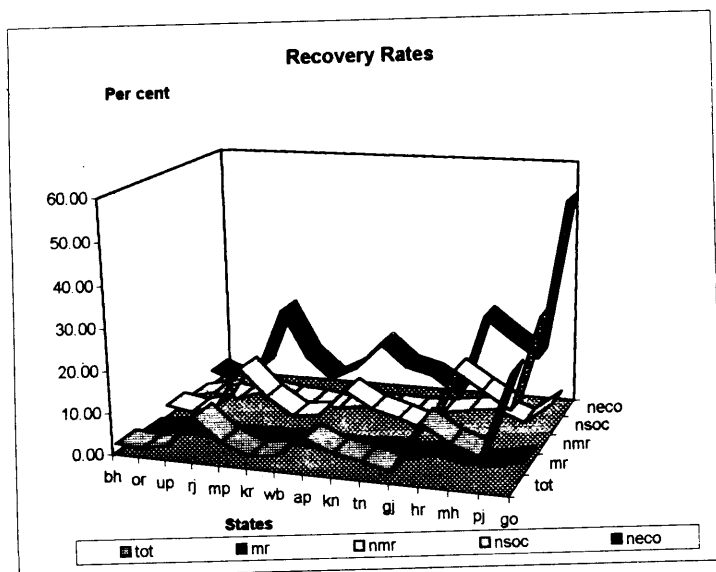
Table 3.6
Estimates of Income Elasticity of Recovery Rates

<i>Group of Goods/Services</i>	<i>Intercept*</i>	<i>Coefficient*</i>	\bar{R}^2
All Services	-9.935 (-2.896)	0.386 (3.383)	0.427
Non-Merit Services (Total)	-9.654 (-2.728)	1.301 (3.267)	0.409
Non-Merit Social Services	-5.792 (-2.665)	0.760 (3.106)	0.382
Non-Merit Economic Services	-10.577 (-2.517)	1.438 (3.040)	0.371

Note: * Figures in parantheses refer to t-values.

Thus, the recovery rates in the case of non-merit goods and services are significantly and positively related to the level of per capita income of the States. The high income States also happen to be providing relatively high per capita subsidies. This suggests that the relatively high non-tax revenues, reflected in the higher recovery rates, enable at least partially, the richer States to incur higher expenditures in the provision of social and economic services. States that are desirous of increasing their merit subsidies can bring this about through better recoveries from the non-merit services.

Chart 3.2



INTER-STATE PATTERN OF SURPLUSES

While in most social and economic goods/services, the States are unable to recover costs, there are some cases where they are able to generate surpluses. For the fifteen States considered together, the total surplus generated in 1993-94 amounted to Rs. 3724.73 crore which is just about 5 per cent of the amount of subsidies. The surpluses have been generated mainly in the economic services which account for about 94 per cent of the total surplus.

There are some inter-State variations in the surplus profile of the States. This is summarised in Table 3.7.

Apart from Gujarat, no State is able to raise a surplus in social services which is tangibly different from zero. Even in Gujarat, the surpluses are probably a one-off phenomenon, as an examination of basic data reveals a bunching of capital recoveries in the reference year, unlikely to be repeated. In the case of economic services, every State is able to generate some surplus, but a clearcut pattern is not visible. States like Bihar, Uttar Pradesh and Madhya Pradesh have been able to raise relatively high amounts in absolute terms, although relative to their total subsidies, these are very small proportions. Sectoral surpluses as a proportion of total surpluses for different States are summarised in Table 3.7.

Table 3.7
Surplus Profile of States: 1993-94

State	Social Services	Economic Services	Total	(Rs. Crore)
				Surplus as Percentage of Subsidy
Bihar	0.00	671.05	671.05	12.77
Orissa	0.00	150.86	150.86	5.40
Uttar Pradesh	2.62	945.97	948.58	10.21
Rajasthan	0.00	127.80	127.80	2.92
Madhya Pradesh	4.60	623.98	628.58	10.89
Kerala	0.00	53.23	53.23	1.77
West Bengal	0.00	8.86	8.86	0.19
Andhra Pradesh	2.00	249.09	251.09	4.17
Karnataka	0.00	38.14	38.14	0.79
Tamil Nadu	0.00	49.22	49.22	0.78
Gujarat	213.63	372.49	586.11	9.52
Haryana	1.51	21.26	22.77	1.13
Maharashtra	0.00	144.60	144.60	1.51
Punjab	8.24	26.45	34.69	1.28
Goa	0.00	9.14	9.14	2.79
15 States	232.60	3492.13	3724.73	5.10

Since the surpluses generated from within the social and economic services constitute a very small proportion of the subsidies provided in these sectors, it is clear that subsidies are mainly financed by tax revenues or borrowing in the States.

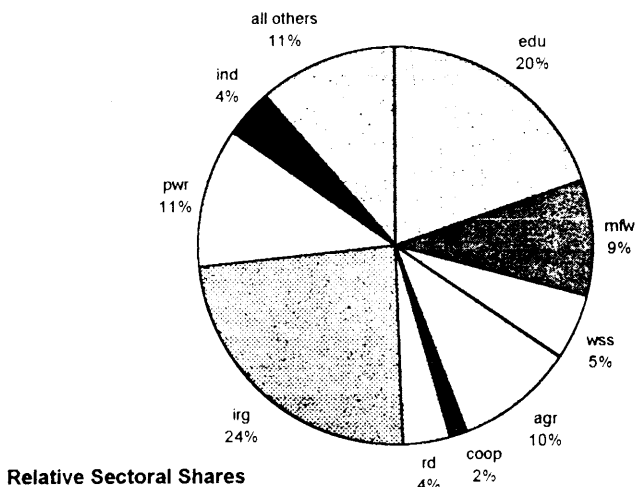
INTER-SECTORAL PATTERN OF NON-MERIT SUBSIDIES

Considering the group of non-merit subsidies, among the social services, taking the 15 selected States together, we find that out of a total subsidy of Rs. 20373.66 crore, nearly half is accounted for by the major head of education, sports, arts and culture. The two other heads with relatively significant shares in non-merit social subsidies are medical and family welfare, and water supply and sanitation. The shares of individual heads under non-merit social and economic services taken together are given in Table 3.8. Irrigation accounts for the highest share (23.84 per cent), followed by education (19.70 per cent), power (11.44 per cent), agriculture (9.50 per cent), and medical and family welfare (9.48 per cent). These relative shares are also highlighted in the associated pie chart (Chart 3.3).

Table 3.8
Non-Merit Subsidies: Sectoral Shares

<i>Sectors</i>	<i>Subsidy (Rs. Crore)</i>	<i>Share (Per Cent)</i>
Education, Sports, Arts and Culture	10261.63	19.70
Medical and Family Welfare	4938.28	9.48
Water Supply and Sanitation	2790.06	5.36
Agriculture and Allied Activities	4951.28	9.50
Cooperation	806.35	1.55
Rural Development	2080.67	3.99
Irrigation	12420.76	23.84
Power	5957.19	11.44
Industries	1971.08	3.78
All Others	5918.69	11.36
Total	52095.99	100.00

Chart 3.3



INTER-STATE PATTERN OF SECTOR-WISE PER CAPITA SUBSIDIES

The general pattern that as per capita incomes of a State increase, per capita subsidies also increase, has been taken note of earlier in this chapter. In this section, we focus on selected sectors, and consider the inter-State distributional pattern of the subsidies in respect of individual sectors. For this purpose, the following sectors/services have been selected:

- **Merit subsidies:** elementary education, public health, roads and bridges;
- **Non-merit social services:** education, sports, arts and culture; medical and family welfare; water supply and sanitation; and
- **Non-merit economic services:** agriculture and allied activities; cooperation; rural development; irrigation; power; and industries.

In order to depict the general pattern, States have been arranged in ascending order of per capita income. In the related Charts (3.4, 3.5 and 3.6), per capita subsidy (in rupees) is plotted on the vertical axis. The related figures are given in Table 3.9. West Bengal, exhibiting relatively small subsidies, appears to be an exception in the general pattern of rising per capita subsidies with rising per capita incomes. At the higher income end, Goa seems to be another exception in the opposite manner with very high subsidy levels. But apart from these, the general pattern is quite visible.

Table 3.9
State-Wise Per Capita Merit Services Subsidies: 1993-94

(Rupees)

State	Per Capita Merit Subsidies					
	Merit Subsidies	Social Services	Economic Services	Elementary Education	Public Health	Roads and Bridges
Bihar	175.98	132.88	43.10	110.08	4.05	24.03
Orissa	274.84	185.32	89.51	117.94	8.58	61.42
Uttar Pradesh	170.91	106.75	64.16	76.61	10.03	47.95
Rajasthan	264.32	179.57	84.75	140.70	8.64	62.72
Madhya Pradesh	276.17	207.21	68.96	108.89	10.11	57.94
Kerala	327.10	229.26	97.85	175.29	7.59	63.82
West Bengal	162.24	114.42	47.83	78.68	8.98	24.54
Andhra Pradesh	245.88	191.41	54.46	86.24	13.92	34.40
Karnataka	286.18	219.70	66.48	137.02	6.59	41.03
Tamil Nadu	334.28	262.21	72.08	141.14	13.79	55.42
Gujarat	392.64	289.25	103.39	167.29	15.07	78.96
Haryana	294.59	175.37	119.22	111.41	11.65	65.73
Maharashtra	343.15	227.67	115.48	137.98	32.42	89.43
Punjab	275.48	136.54	138.94	102.51	10.78	63.07
Goa	615.44	331.42	284.01	213.53	23.64	219.26

In the provision of non-merit social services subsidies in per capita terms (Table 3.10), education accounts for the highest per capita provisions in all States, followed by medical and public health. The general upward pattern, as we move to higher per capita income States, is again clearly discernible. Towards the lower income end, Rajasthan and then Kerala appear to provide relatively high per capita subsidies on education as compared to other States that are close to them in per capita terms. In the case of medical and public health, the per capita subsidy in Maharashtra appears to be relatively low as compared to other high income States.

Table 3.10
State-Wise Per Capita Non-Merit Social Services Subsidies: 1993-94

State	Per Capita Non-Merit Social Services Subsidies			
	Social Services	Education and Allied Services	Medical and Public Health	Water Supply and Sanitation
Bihar	131.75	63.73	36.96	23.04
Orissa	190.82	93.27	48.09	25.54
Uttar Pradesh	174.65	86.65	56.70	12.70
Rajasthan	319.24	126.76	73.80	102.56
Madhya Pradesh	183.84	74.64	47.32	39.05
Kerala	368.11	206.23	90.03	46.03
West Bengal	273.25	152.05	62.73	12.96
Andhra Pradesh	220.34	115.97	57.54	26.79
Karnataka	265.98	131.34	74.70	31.15
Tamil Nadu	366.96	162.36	81.74	68.25
Gujarat	270.85	146.89	59.52	39.81
Haryana	288.26	152.33	61.86	43.09
Maharashtra	314.41	177.79	47.31	32.76
Punjab	394.62	228.94	96.62	24.74
Goa	1279.92	593.59	322.35	268.83

Chart 3.4

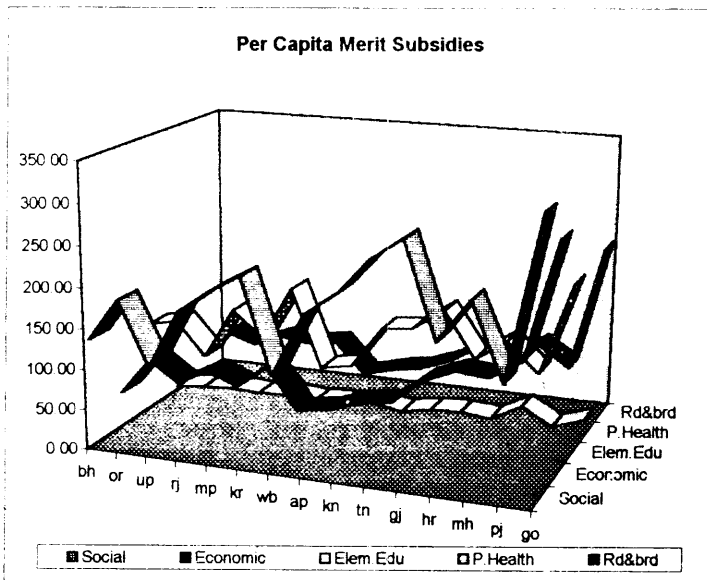


Chart 3.5

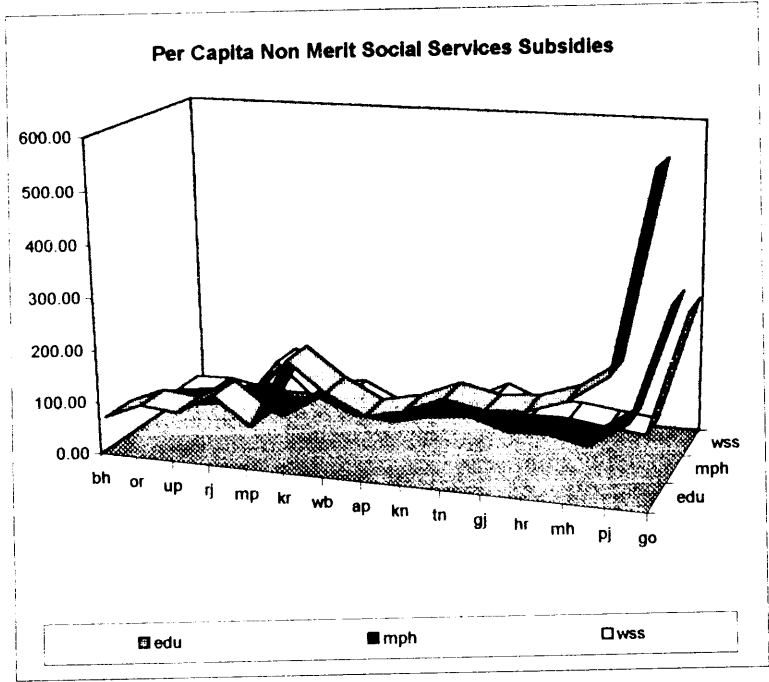
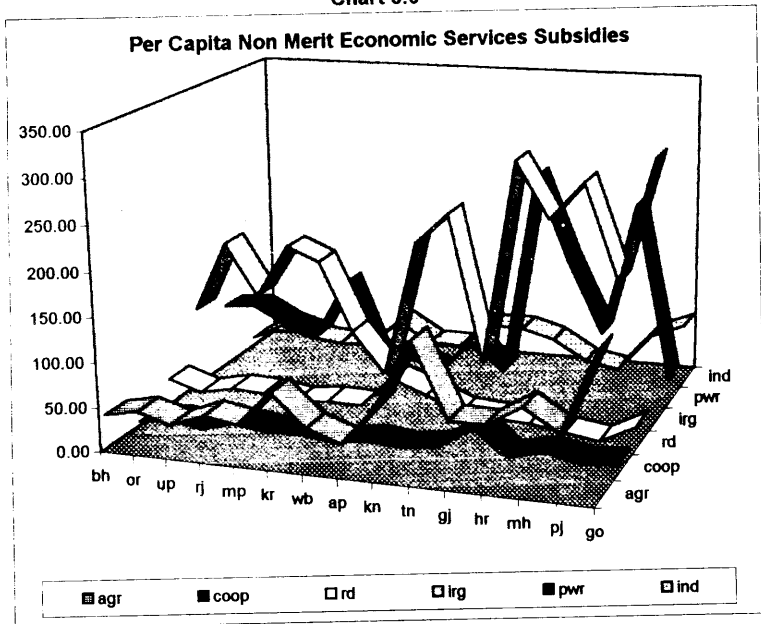


Chart 3.6



For non-merit economic services subsidies, the highest per capita subsidies are claimed by irrigation, followed by power, agriculture and allied activities, and industries (Table 3.11). Of these, the benefits of the first three probably accrue largely to the same sector, viz., agriculture. In general, in the case of non-merit subsidies, the general upward pattern of per capita subsidies with rising per capita incomes, is maintained, although inter-State variations are somewhat larger for some services.

Table 3.11
State-Wise Per Capita Non-Merit Economic Services Subsidies: 1993-94

(Rupees)

State	Per Capita Non-Merit Economic Services Subsidies						
	Economic Services	Agriculture	Cooperation	Rural Development	Irrigation	Power	Industries
Bihar	266.92	38.11	4.41	29.40	89.91	72.06	8.84
Orissa	376.03	45.66	9.36	16.72	172.75	74.72	27.97
Uttar Pradesh	291.92	34.75	3.78	24.93	113.05	55.27	16.71
Rajasthan	356.42	48.86	14.06	23.49	174.18	43.63	12.17
Madhya Pradesh	367.75	42.40	8.06	17.86	159.56	113.07	14.08
Kerala	303.55	81.49	9.37	21.14	79.06	19.53	45.23
West Bengal	211.62	46.68	3.71	20.26	33.12	29.19	22.89
Andhra Pradesh	398.85	33.60	10.15	54.31	189.02	14.09	22.56
Karnataka	480.92	77.93	5.96	40.36	225.32	52.66	50.70
Tamil Nadu	403.47	152.06	10.87	23.56	58.23	22.69	50.55
Gujarat	758.64	71.36	36.26	21.42	289.52	254.18	40.49
Haryana	568.29	69.97	8.25	19.12	226.17	159.41	17.45
Maharashtra	499.40	93.14	17.93	12.62	270.35	77.48	10.24
Punjab	599.02	69.93	9.80	6.95	162.24	228.36	54.51
Goa	766.13	160.22	12.28	26.77	300.21	31.03	69.81

SUBSIDIES TO PUBLIC ENTERPRISES IN THE STATES

The availability of data with respect to State level public enterprises varies among the States, but even in the best case, the available data are incomplete and not up-to-date. This is primarily due to the delay on the part of many such enterprises in finalising their accounts; the delay stretches upto 15 years or more in some cases and a delay of around five years is rather common. Similarly, the State governments also do not report even the details of dividends and interest received from the non-departmental public enterprises under their control. As such, a detailed analysis of subsidies to public enterprises at the State level becomes rather difficult.⁹ However, we have endeavoured to estimate the subsidies received by these enterprises in the 15 selected States for the year 1993-94 to the extent possible, given the data limitations. The results are reported in Table 3.12. The methodology used is exactly the same as in the computation of subsidies to the Centrally owned public enterprises. However, due to lack of disaggregated data, it has not been possible to separate out the subsidised and surplus sectors. The interest rate used as an approximation of the cost of capital is the same as that used for the comprehensive estimates of budget based subsidies, viz., the average effective rate of interest that the State paid on its borrowings (internal debt, loans from the Central government and provident fund).

The results of our calculations indicate that in all the States barring Andhra Pradesh, almost the entire investments imply large subsidies in the absence of dividends or interest payments due to the government. Even in Andhra Pradesh, implicit subsidies are large (about Rs. 90 crore), but at least a non-negligible amount of dividends and interest are received by the State government. The overall recovery rate from investments in public enterprises is 33.63 per cent in Andhra Pradesh; in the other 14 States it ranges from 0.17 per cent in Bihar to 6.48 per cent in Gujarat. It may be pertinent to recall that these recovery rates are really overestimates, since the total costs do not include assistance to these undertakings through revenue account and through capital account (other than equity investments and loans). The aggregate investment (equity and loans) in all the 15 States together was Rs. 16378 crore. The total cost of these investments in terms of interest payable by these States on this amount at their respective average effective rates was Rs. 1842 crore. With a receipt of only Rs. 95 crore, the subsidy works out to Rs. 1747 crore with a recovery rate of only 5.15 per cent for all 15 States together.

Table 3.12
Government Subsidies to Non-Departmental Public Enterprises: States

Item\State	(Rs. Lakh)														
	Andhra Pradesh	Bihar	Goa	Gujarat	Har- yana	Karna- taka	Kerala	Madhya Pradesh	Maha- rashtra	Orissa	Punjab	Rajas- than	Tamil Nadu	Uttar Pradesh	West Bengal
A. Statutory Corporations															
Amount Invested (Equity + Loans)	17556	9900	2246	38636	120460	48546	8015	16611	15466	12418	15103	74132	381	26722	1595
Cost of Capital Invested	1933	923	1474	4192	14034	5437	929	1659	1820	1376	1701	8266	45	2496	182
Dividend/Interest received	N.A.	N.A.	17	N.A.	44	202	N.A.	15	120	0	N.A.	387	N.A.	N.A.	26
Implicit Subsidy/Surplus (-)	N.A.	N.A.	1457	N.A.	13990	5236	N.A.	1644	1700	1376	N.A.	7879	N.A.	N.A.	156
B. Government Companies															
Amount Invested (Equity + Loans)	55257	26749	5434	254904	9612	76337	51136	19454	26475	76493	24409	20663	46148	106103	71009
Cost of Capital Invested	6084	2493	3564	27657	1120	8550	5927	1943	3116	8475	2748	2304	5459	9910	8095
Dividend/Interest received	N.A.	N.A.	4	919	26	195	284	44	24	59	N.A.	140	2	266	118
Implicit Subsidy/Surplus (-)	N.A.	N.A.	3560	26738	1094	8355	5643	1899	3092	8416	N.A.	2164	5457	9644	7977
C. Joint Stock Companies															
Amount Invested (Equity + Loans)	3014	388	4	491	267	236	460	165	251	125	141	236	193	12	3042
Cost of Capital Invested	332	36	2	53	31	26	53	16	30	14	16	26	23	1	347
Dividend/Interest received	N.A.	N.A.	0	267	3	24	48	6	14	N.A.	N.A.	2	N.A.	N.A.	N.A.
Implicit Subsidy/Surplus (-)	N.A.	N.A.	2	-214	28	3	5	10	16	N.A.	N.A.	24	N.A.	N.A.	N.A.

Table 3.12 (Contd.)

Government Subsidies to Non-Departmental Public Enterprises: States

(Rs. Lakh)

Item/State	Andhra Pradesh	Bihar	Goa	Gujarat	Haryana	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Orissa	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
D. Cooperative Banks and Societies															
Cost of Capital Invested	5215	1939	1010	931	1448	2507	1926	2680	7350	1955	2609	2271	2633	3396	1365
Dividend/Interest received	17	6	18	940	23	46	59	15	115	1	N.A.	15	78	N.A.	34
Implicit Subsidy/Surplus (-)	5198	1933	991	-9	1425	2461	1867	2665	7235	1954	N.A.	2256	2555	N.A.	1331
E. Total															
Amount Invested															
(Equity + Loans)	123137	57841	9222	302612	142765	147503	76230	63053	104732	106682	62826	115396	68982	169199	87617
Cost of Capital Invested	13557	5391	6050	32833	16632	16520	8835	6299	12327	11820	7074	12867	8161	15803	9988
Dividend/Interest received	4560	9	39	2126	95	467	391	80	273	60	314	544	80	266	178
Implicit Subsidy/Surplus (-)	8997	5382	6011	30707	16537	16054	8444	6219	12054	11760	6760	12323	8080	15537	9811
Recovery Rate (%)	33.64	0.17	0.64	6.48	0.57	2.83	4.43	1.27	2.21	0.51	4.44	4.23	0.98	1.68	1.78

Table 3.13 has been computed to allow comparisons between States. Gujarat has the largest total investment in these undertakings (breakup of investment into loans and share capital is not available) followed by Haryana and Goa, despite low recovery rates. Orissa and Rajasthan also stand out because of the large investments (relative to their respective SDP) in these undertakings despite their low levels of per capita SDP; the consequent lower availability of public resources really does not allow them such a luxury. The highest subsidy/SDP ratio is observed in Goa (4.19 per cent) while all the other States have ratios below one per cent. Among the rest, relatively high subsidy/SDP ratios are observed in Gujarat (0.93 per cent), Haryana (0.92 per cent) and Orissa (0.75 per cent), while relatively low ratios are seen in Maharashtra (0.13 per cent), Bihar and Madhya Pradesh (both 0.16 per cent).

Table 3.13
Subsidies to Public Enterprises as Ratios of SDP

<i>State</i>	<i>Amount Invested</i>	<i>Cost of Capital</i>	<i>Dividend/ Interest</i>	<i>Implicit Subsidy</i>
(Percentage)				
High Income States				
Goa	6.43	4.22	0.03	4.19
Gujarat	9.20	1.00	0.06	0.93
Haryana	7.91	0.92	0.01	0.92
Maharashtra	1.15	0.14	0.00	0.13
Punjab	2.42	0.27	0.01	0.26
Middle Income States				
Andhra Pradesh	2.66	0.29	0.10	0.19
Karnataka	4.48	0.50	0.01	0.49
Kerala	4.05	0.47	0.02	0.45
Tamil Nadu	1.64	0.19	0.00	0.19
West Bengal	2.01	0.23	0.00	0.23
Low Income States				
Bihar	1.73	0.16	0.00	0.16
Madhya Pradesh	1.65	0.16	0.00	0.16
Orissa	6.80	0.75	0.00	0.75
Rajasthan	4.75	0.53	0.02	0.51
Uttar Pradesh	2.45	0.23	0.00	0.22
All 15 States	3.07	0.34	0.02	0.33

SUBSIDIES IN SPECIAL CATEGORY STATES

Four special category States could be studied with a view to arriving at estimates of subsidies in these States. For this purpose, their Finance Accounts for 1994-95 which have recently become available, were used. These States are Assam, Jammu & Kashmir, Himachal Pradesh and Tripura. The relevant estimates for the main aggregates are summarised below in Table 3.14.

Table 3.14
Special Category States: Estimates of Aggregate
Subsidies and Surpluses for Four States: 1994-95

<i>State</i>		<i>Total Cost</i>	<i>Total Receipts</i>	<i>Subsidies/ Surplus (-)</i>	<i>Recovery Rate (%)</i>
Assam	(Subsidy sectors)	3611.36	40.55	3570.79	1.12
	(Surplus sectors)	1.63	264.70	-263.08	-
Himachal Pradesh	(Subsidy sectors)	1438.71	83.25	1355.46	5.79
	(Surplus Sectors)	7.12	28.28	-21.16	-
Jammu & Kashmir	(Subsidy sectors)	2687.09	94.44	2592.66	3.51
	(Surplus sectors)	0.01	0.01	0.00	-
Tripura	(Subsidy sectors)	688.56	17.45	671.11	2.53
	(Surplus sectors)	0.37	2.71	-2.34	-

It is apparent that the subsidies are relatively high and the recovery rates are relatively low as compared to the non-special category States. Also, the surpluses are comparatively small. In the case of Assam, the ratio of surplus to subsidy at 7.37 is comparable to the non-special category States.

PROJECTIONS FOR 1994-95

15 Major States

In order to construct a comprehensive profile for government subsidies of the Central and State governments taken together, we need to take the 1993-94 estimates for the 15 States forward to 1994-95, and also add estimates for the special category States that have been left out. This exercise has been done in two parts. First, the 1993-94 estimates for the 15 States are projected for 1994-95 in the following manner.

On the cost side, the annualised component of the fixed cost, consisting of depreciation and interest cost has been computed on an actual basis. This could be done, using 1993-94 Finance Accounts, by adding current investment to the capital stock at the beginning of 1993-94 according to the relevant categories (e.g., physical assets, equity, loans) to arrive at the capital stock figures at the beginning of 1994-95. Then depreciation and interest rates are applied to calculate the fixed cost component of total cost.

In order to work out the variable cost (i.e., revenue expenditure) and revenue receipts, we have derived relevant projection factors using RBI data actuals for 1993-94 and 1994-95 pertaining to the concerned fifteen States for social and economic services as separate aggregate categories. These factors are:

$$\lambda_1 = \text{Revenue expenditure 1994-95/Revenue expenditure 1993-94 (for 15 States)}$$

$$\lambda_2 = \text{Revenue receipts 1994-95/Revenue receipts 1993-94 (for 15 States)}$$

$$\lambda_3 = \text{Interest receipts 1994-95/Interest receipts 1993-94 (for 15 States)}$$

λ_1 , λ_2 and λ_3 are calculated separately for social and economic services. This provides projections for cost, receipts and subsidy aggregates for social and economic services. Individual services within social services and economic services are then derived for 1994-95 on a pro-rata basis, i.e., by applying the relevant proportions from 1993-94.

Special Category States

For four special category States, estimates of subsidies have been worked out utilising our methodology on the basis of Finance Accounts data for 1994-95. These States are: Assam, Himachal Pradesh, Jammu & Kashmir and Tripura. Their summary sheets, indicating estimated subsidies are presented in Annexures 22 to 25. The relevant estimates are then blown up for the remaining States by the proportionate size of the budgets of these States relative to the four States included in the sample, where the budget size is measured by aggregate revenue expenditure of these States. Since Delhi is excluded from the Central budget in its Finance Accounts of 1994-95, it is included in this part of the exercise. Together, these steps provide aggregate subsidies for all States.

All State Subsidies

The projected figures for all-State subsidies for 1994-95 are summarised in Table 3.15.

Table 3.15
All-State Government Subsidies: 1994-95

<i>Services</i>	<i>Total Cost</i>	<i>Total Receipts</i>	<i>Subsidies</i>	<i>Recovery Rate (%)</i>
Merit Goods/Services	27358.16	251.57	27106.59	0.92
a. Social	18951.71	114.25	18837.46	0.60
b. Economic	8406.45	137.32	8269.13	1.63
Non-Merit Goods/Services	71933.68	5285.83	66647.85	7.35
a. Social	28420.59	610.11	27810.48	2.15
b. Economic	43513.09	4675.72	38837.37	10.75
Merit Plus Non-Merit				
a. Social	47372.30	724.36	46647.94	1.53
b. Economic	51919.54	4813.04	47106.50	9.27
Total Subsidies	99291.84	5537.40	93754.44	5.58

These estimates have been used for constructing an all-India profile of subsidies for 1994-95, which is discussed in the next chapter.