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**Defining Explicit Subsidies and Fiscal Space in
the Context of Fiscal health of States**

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Defining Explicit Subsidies and Fiscal Space in the Context of Fiscal health of States

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India's stagnant revenues and increasing expenditures at State level has been a major fiscal concern. Increasing welfare expenditures and explicit subsidies is an issue of debate of State finances in recent past. With Government of India's stress on need for significant spending on infrastructure and capital expenditure, there is a need to look at the concepts of committed expenditure, Fiscal space and explicit subsidies. It more so important that "subsidies" is always substituted with expenditures on schemes or bypassed in the form of assistance or grants in aid in government accounting system. Shrinking fiscal space and continued COVID-19 pandemic induced welfare expenditure and explicit subsidies are major factors which affect the deterioration of fiscal health of the States. This paper attempts define the committed expenditure in structural way and define explicit subsidies so as to include similar expenditures that are alike subsidies but not classified as subsidies. Overall analyses show that those States which have revenue deficit need to think of not only restricting committed expenditure but also rationalising subsidies. Financing subsidies and welfare expenditure through borrowing is not sustainable in the long run and also result in reduction of expenditure on infrastructure. Thus, there is a need for improving the fiscal space and rationalising the subsidies including in the form of freebies.

1. Introduction

In the process of achieving socio-economic objectives, the governments provides various goods and services to its citizens and organisations. Majority of them are autonomous (in Keynesian sense) and some are subsidised. Historically, welfare expenditures and subsidies (which are often viewed as the converse of a tax) are used as a welfare augmenting instrument of fiscal policy across the world (Srivastava and Sen, 1997). Subsidies per se are not good or bad, but its socio-economic outcomes, impact on economic agents and their fiscal impacts on the government finances makes this topic highly contested. This is more so in the context of deteriorating finances at State level in India.

Expansion of activities by the governments, not only in provision of goods and services but also on investments in infrastructure development at State level has resulted into increasing debt burden in terms of increasing debt service payments like interest payments. Expansion of the public service delivery results into increasing personnel payments like salaries, wages and pensions. All these and other committed expenditures leave very limited fiscal space for welfare expenditures and subsidies from the revenues and result into dependence on borrowings for the revenue expenditure purpose. Keeping in mind the importance of welfare expenditure and subsidies in a developing country like India, this paper attempts to look at the

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fiscal comforts of the States and analyses the scope for subsidies and welfare expenditure at State level and need for their rationalisation.

The paper analyses the State of State finances at State level and defines Fiscal Space in broader sense in the second section. Estimation of explicit subsidies at State level for selected States in the context of available fiscal space is given in third section, followed by broad conclusions in the last section.

2. State Finances and Fiscal Space

The “budget” is the expression of interest and testimony of the government. The fiscal position of the State is presented through budgets primarily to meet accountability and to increase transparency. Ideally, the government design the budget in such a way that optimally allocates scarce resources, after taking into account the socio, economic and political considerations. However, lack of effective expenditure controls threaten macroeconomic stability and fiscal prudence as well as undermines faith in government's effective utilisation and management of public resources. Hence, India adopted fiscal rules in the form of Fiscal Responsibility and Budget Management Act 2003 at central level and same law is ratified and enacted by State level rules.

After the adoption of fiscal rules, major fiscal indicators of the State governments started showing significant improvement. In the FY 2006-07, around 20 States reported revenue surplus and the States reported a consolidated surplus on revenue account (0.3%) for the first time after almost two decades (RBI, 2007-08). However, the global financial crisis had seriously affected the State finances during 2010-11. According to the Reserve Bank of India (RBI) State Finances Report 2021-22, “the States have maintained the consolidated gross fiscal deficit below FRBM limit of 3% of GSDP since 2005-06, except for the years 2009-10, 2015-16 and 2016-17. The deviation in 2009-10 is due to global financial crisis and in 2015-16 and 2016-17 due to Ujwal Discom assurance Yojana (UDAY)”.

The Covid-19 pandemic deteriorated the government's fiscal balances across the world and across the levels of government's (i.e. increase in revenue deficit, fiscal deficit and primary deficits on the one hand and decrease in spending on creation of capital assets on the other). States in India are no exception to fiscal impacts of the pandemic and, hence, their finances have been seriously affected. The State governments are borrowing to finance much of their expenditures. For most of the States, the upper limits of FRBM are crossed in the recent years.

The Indian States were on positive growth trajectory before the pandemic. Though, some States faced the transitional effects of the implementation of goods and service tax in 2017, overall the States were growing healthy. The COVID-19 has brought economies to a halt with lockdowns, loss of lives and livelihoods. The pandemic seriously affected the economic growth of all the States. Some States even registered the negative growth rates in 2020-21 (e.g. Haryana, Jharkhand, Kerala and Maharashtra). The State governments had to respond with additional expenditures on health and to save livelihoods. This increased the expenditure burden on the States exchequer. With opening up the economy in post-lockdown period, most of the State

economies have recovered (V-shaped recovery) and registered a positive growth in 2021-22. The GSDP growth rates in 2021-22 were higher on account of positive recovery and due to base effect.

2.1. Status of Revenue at State Level

Table-1 shows the revenue receipts position of the States, expressed as percentage of GSDP. For general category States, the revenue receipts as percentage of GSDP vary in the range of 10 to 25%. This includes Andhra Pradesh, Odisha, Punjab, Rajasthan, Punjab, Uttar Pradesh and West Bengal. Most of these have shown a reduction in their revenue receipts due to two effects. First, dip in the actual revenues (the numerator affect). Second, ratio is altered due to low GSDP growth (Denominator affect).

Any improvement in the tax-gdp ratio will create additional fiscal space, which is crucial to expand investments into capital infrastructures (Rao and Kumar, 2017). But, unfortunately, in the post-GST scenario, the State's residual tax powers have been limited. At present, State Excise, Stamp and Registration are the only taxes which are generating sizable revenues. Scope to generate additional tax revenues from these sources are marginal as most of the States tapping these residual tax avenues to their full potential (as we can see that many of the States increased excise and stamp duty rates in 2021-22). Under these circumstances, expansion of States' fiscal space from revenue side is challenging. Hence, rationalisation of expenditure is the need of the hour but this does not mean curtailing or reducing expenditure.

Table 1: Total Revenue Receipts as a percentage of GSDP

State	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Andhra Pradesh	13.36	13.12	11.49	11.55	12.84	14.27
Bihar	25.06	24.96	20.91	20.72	24.89	26.39
Chhattisgarh	21.13	20.46	18.52	18.04	20.99	20.31
Goa	15.94	15.92	15.18	14.56	20.40	18.98
Gujarat	9.28	9.11	8.77	7.74	8.39	8.26
Haryana	9.81	9.44	8.90	8.91	10.34	10.70
Jharkhand	19.55	18.37	18.19	17.71	20.34	20.65
Karnataka	11.03	11.17	10.86	9.05	9.25	10.07
Kerala	11.83	11.78	10.94	12.21	13.07	13.41
Madhya Pradesh	18.57	18.10	15.73	14.99	14.69	16.96
Maharashtra	10.36	10.86	10.36	9.94	11.32	11.26
Odisha	19.32	19.97	18.59	19.23	22.15	22.77
Punjab	11.25	12.15	11.40	12.75	13.65	15.14
Rajasthan	15.29	15.12	14.02	13.25	15.84	16.11
Tamil Nadu	9.98	10.66	9.71	9.15	9.35	9.31
Telangana	11.84	11.83	10.81	10.41	13.52	14.85
Uttar Pradesh	19.36	20.85	21.42	17.24	19.83	24.37
West Bengal	13.47	13.24	11.83	11.41	11.46	11.56
Average	14.80	14.84	13.76	13.27	15.13	15.85
SD	4.54	4.48	4.06	3.84	4.92	5.25

Source: Author's Compilation, Basic Data, Finance Accounts, CAG of respective States, and various years

2.2. Level of Expenditures at State Level

There is a consensus in the literature that the States have more expenditure responsibilities than Union Government (Rao, 2005). When there are fiscal rules (FRBM targets), revenue uncertainties (due to GST

implementation) and low revenue collections (due to pandemic or low tax effort), the States took recourse to expenditure compression or expenditure reorientation/switching (RBI, 2022). This trend is clearly visible in revenue and capital expenditures for most of the States as shown in Table 2 and Table 3 respectively.

Revenue expenditures have been linearly growing over time in most of the States. The pandemic created a “ratchet effect” kind of situation. There was fall in revenues but expenditures (especially, revenue expenditure) could not be cut down. Moreover, expenditures grown further due to pandemic control related expenditures. States had to finance the additional expenditures through borrowings, curtailing/reducing capital expenditure, and expenditure switching or reorientation.

When it comes to capital expenditure, States were decreasing capital spending over the study period from 2017 (except States like Uttar Pradesh). In most of the general category States, capital expenditures have been lower at below 5 percent. This has been less than the State’s fiscal deficits, which implies that the capital expenditures have been entirely financed by borrowings, except in cases of revenue surplus, especially in post-pandemic scenario.

Table 2: Total Revenue Expenditure as a percentage of GSDP

State\UT	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Andhra Pradesh	15.42	14.72	14.23	15.05	14.46	15.54
Bihar	21.89	23.66	20.80	22.55	30.36	25.76
Chhattisgarh	19.92	20.25	21.30	19.99	21.25	20.15
Goa	15.20	15.42	15.47	15.41	20.42	18.50
Gujarat	8.88	8.90	8.65	9.10	8.35	8.22
Haryana	11.47	11.05	11.13	11.86	11.74	11.69
Jharkhand	18.88	16.44	17.58	18.69	20.21	18.97
Karnataka	10.69	11.13	10.79	10.17	9.55	10.85
Kerala	14.25	13.99	12.70	15.44	16.61	15.71
Madhya Pradesh	17.93	17.04	16.03	16.87	15.18	17.28
Maharashtra	10.27	10.40	10.98	11.45	12.29	11.94
Odisha	16.29	17.12	18.14	17.56	18.86	20.24
Punjab	13.26	14.71	14.04	15.94	17.17	17.14
Rajasthan	17.52	18.29	17.67	17.60	18.82	17.87
Tamil Nadu	11.46	12.10	11.71	12.42	11.89	11.44
Telangana	11.38	11.32	11.47	12.71	13.14	14.56
Uttar Pradesh	18.49	19.06	17.47	17.38	18.67	22.27
West Bengal	14.47	14.19	13.46	13.68	13.60	13.21
Average	14.87	14.99	14.65	15.22	16.25	16.19
SD	3.62	3.75	3.53	3.44	5.06	4.37

Source: Same as in Table 1.

Table 3: Total Capital Expenditure as a percentage of GSDP

State\UT	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Andhra Pradesh	1.72	2.29	1.27	1.87	1.54	2.29
Bihar	6.17	3.99	2.07	2.94	5.66	3.99
Chhattisgarh	3.54	2.80	2.48	2.58	3.55	3.48
Goa	3.02	3.01	2.22	2.64	7.84	5.21
Gujarat	1.98	1.88	1.57	1.62	1.49	1.63
Haryana	2.12	2.19	2.32	0.77	1.65	2.25
Jharkhand	4.43	3.50	3.08	2.67	2.73	4.13
Karnataka	2.30	2.35	2.20	2.62	1.93	2.31

State\UT	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Kerala	1.25	0.94	1.03	1.61	1.36	1.49
Madhya Pradesh	4.26	3.54	3.12	3.11	3.17	3.97
Maharashtra	1.14	1.36	1.33	1.09	1.81	1.82
Odisha	4.79	4.71	3.71	3.31	3.65	5.38
Punjab	0.50	0.47	3.30	0.81	1.69	1.74
Rajasthan	2.48	2.15	1.47	1.51	2.35	2.61
Tamil Nadu	1.38	1.49	1.43	1.74	1.74	1.73
Telangana	3.19	2.64	1.78	1.64	2.25	2.29
Uttar Pradesh	2.71	3.95	3.51	3.04	5.05	6.05
West Bengal	1.99	2.15	1.32	1.00	1.25	1.93
Average	2.72	2.52	2.18	2.03	2.82	3.02
SD	1.42	1.09	0.83	0.82	1.73	1.40

Source: Same as in Table 1.

2.3. Deficit Profile of the States

Various Union Finance Commissions awarded revenue deficit grants to the States after taking into account of revenue gap, own revenue receipts and tax devolution, revenue expenditure projections. For instance, 14th Finance Commission (FC) awarded Rs. 194821 crore as revenue deficit (RD) grants to eleven States during the award period 2015-16 to 2019-20. The 15th FC recommended for revenue deficit grants of Rs. 294514 crore for seventeen States during the award period 2021-22 to 2025-26. The RD grants will be reported under fiscal transfers and hence, are part of revenue receipts. The RD grants are untied transfers and contributory to enhance the fiscal space to the State. In general, other central transfers (except tax devolutions) are conditional or specific purpose grants and the States cannot have free for their allocation and spending.

During the pandemic, Government of India's Atmanirbhar package had allowed States an additional fiscal deficit of 2 percent over and above 3 percent of Gross State Domestic Product (up to 5 percent) for the year 2020-21 (RE). Of the additional 2 per cent (0.5% unconditional and 1.5% conditional). Conditional component was linked to specific reforms related to distribution of electricity, one nation one ration card scheme, ease of doing business, and urban local bodies.

The 15th FC report recommended relaxations in State borrowing limits to overcome the fiscal impacts of pandemic. The nominal net borrowing limit has been fixed at 4% of GSDP for 2021-22, 3.5% for 2022-23 and 3% for 2023-24 to 2025-26. In addition, 0.5% additional borrowing is allowed on account of power distribution sector reforms for 2021-22 to 2024-25. In addition, The 15th FC recommended that "If a State is not able to fully utilise its sanctioned borrowing limit, as specified above, in any particular year during the first four years of award period (2021-22 to 2024-25), it will have the option of availing this unutilised borrowing amount (calculated in rupees) in any of the subsequent years within our award period."

Table 4 and Table 5 presents the revenue and fiscal deficit position of the States respectively. Most of the States have accumulated revenue and fiscal deficits in 2020-21 and 2021-22. States' with revenue surplus in 2017-18 and 2018-19 have plunged into deficit due to pandemic and shortfall in revenue mobilisation. Another reason for increasing revenue deficit is the expansion of welfare expenditure during pandemic

lockdowns. Continuation of these welfare expenditure beyond pandemic recovery has been a stress on State finances. For States' to return to fiscal sustainability path, the deficits needs to be curtailed and brought down within the range of fiscal rules at the earliest. This can be done either increasing revenues, rationalisation of expenditures or both. Given the limited scope for additional revenue mobilisation at State level, the only option is to rationalise expenditures.

Table 4: Total Revenue Deficit Surplus (+)/Deficit (-) as a percentage of GSDP

State\UT	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Andhra Pradesh	-2.05	-1.59	-2.74	-3.50	-1.63	-1.27
Bihar	3.16	1.31	0.12	-1.83	-5.48	0.64
Chhattisgarh	1.21	0.21	-2.79	-1.96	-0.26	0.16
Goa	0.74	0.49	-0.29	-0.85	-0.02	0.48
Gujarat	0.39	0.22	0.12	-1.36	0.04	0.05
Haryana	-1.65	-1.61	-2.23	-2.95	-1.40	-0.98
Jharkhand	0.67	1.93	0.61	-0.98	0.14	1.68
Karnataka	0.34	0.05	0.07	-1.12	-0.30	-0.78
Kerala	-2.41	-2.22	-1.76	-3.23	-3.54	-2.30
Madhya Pradesh	0.64	1.06	-0.30	-1.88	-0.49	-0.32
Maharashtra	0.09	0.47	-0.63	-1.52	-0.96	-0.68
Odisha	3.03	2.85	0.44	1.67	3.29	2.53
Punjab	-2.01	-2.56	-2.64	-3.19	-3.52	-1.99
Rajasthan	-2.23	-3.17	-3.64	-4.34	-2.98	-1.76
Tamil Nadu	-1.47	-1.44	-2.00	-3.28	-2.54	-2.12
Telangana	0.46	0.51	-0.66	-2.30	0.38	0.29
Uttar Pradesh	0.87	1.78	3.95	-0.14	1.16	2.11
West Bengal	-1.01	-0.94	-1.63	-2.27	-2.15	-1.65
Average	-0.07	-0.15	-0.89	-1.95	-1.13	-0.33
SD	1.64	1.63	1.72	1.38	1.98	1.41

Source: Same as in Table 1.

Table 5: Total Fiscal Deficit Surplus (+)/Deficit (-) as a percentage of GSDP

State\UT	2017-18	2018-19	2019-20	2020-21	2021-22 RE	2022-23 BE
Andhra Pradesh	-4.12	-4.06	-4.11	-5.44	-3.18	-3.64
Bihar	-3.05	-2.62	-2.06	-4.82	-11.31	-3.47
Chhattisgarh	-2.41	-2.61	-5.21	-4.52	-3.81	-3.33
Goa	-2.32	-2.51	-2.52	-3.49	-7.88	-4.71
Gujarat	-1.61	-1.77	-1.51	-2.44	-1.51	-1.64
Haryana	-2.99	-3.14	-4.00	-3.78	-2.99	-2.98
Jharkhand	-4.42	-2.05	-2.50	-3.65	-2.60	-2.46
Karnataka	-2.33	-2.60	-2.36	-3.88	-2.39	-3.26
Kerala	-3.83	-3.42	-2.89	-5.12	0.06	-3.91
Madhya Pradesh	-3.13	-2.60	-3.51	-5.11	-3.70	-4.56
Maharashtra	-1.02	-0.90	-1.97	-2.64	-2.79	-2.50
Odisha	-2.12	-2.04	-3.44	-1.80	-0.38	-3.00
Punjab	-2.65	-3.13	-3.11	-4.17	-5.44	-3.78
Rajasthan	-3.04	-3.78	-3.77	-5.86	-5.18	-4.36
Tamil Nadu	-2.72	-2.90	-3.35	-4.94	-4.17	-3.89
Telangana	-3.53	-3.14	-3.35	-5.06	-3.88	-4.01
Uttar Pradesh	-1.93	-2.22	0.65	-3.18	-3.91	-3.96
West Bengal	-2.97	-3.11	-3.05	-3.43	-3.47	-3.64
Average	-2.79	-2.70	-2.89	-4.07	-3.81	-3.51
SD	0.84	0.73	1.22	1.09	2.53	0.76

Source: Same as in Table 1.

The above analysis highlights the importance of having effective expenditure controls and strict adherence to fiscal rules in the budgets to maintain macroeconomic stability, fiscal prudence, effective and efficient utilisation of public money. Further, improving the tax-GDP ratio is crucial to expand investments into capital infrastructures. In the post-GST scenario, the State's residual tax powers have been limited and the residual taxes have been exploited to the maximum extent.

2.4. Committed Expenditure

Committed expenditure are those which are mandatory on part of the Governments and cannot be avoided. Traditionally these expenditures include Salaries and Wages, Pensions and Debt servicing². With expansion of governance to third tier of governments at local body level, all the grants in aid given to local bodies both statutory and for service provision are treated as committed expenditures.

In this paper, committed expenditures are measured by sum of expenditures on salaries, pensions, interest payments and statutory grants to local bodies. Assuming compliance with various statutory requirements (as per FRBM Act 2003), this paper assumes no revenue deficit and borrowings would fund only capital expenditures. Accordingly, Fiscal Space is defined as net revenue receipts available after meeting the committed expenditures. The committed Expenditure can be defined in the following way.

Committed expenditure 1 (Finance Commission Traditional Definition):

The committed expenditure is calculated as the sum of total Revenue Expenditure on Salaries & Wages (Finance Account), Pensions and other Retirement Benefits (2071) and Interest Payments (2049). This is being historically followed in India.

Table 6: Committed Expenditure 1 as % of Revenue Receipts

State	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	55.23	53.39	60.84	63.48	53.66
Assam	68.8	60.07	63.66	64.24	63.53
Bihar	35.02	34.92	39.02	42.07	36.16
Chhattisgarh	33.11	40.03	50.73	53.33	45.77
Goa	46.8	47.06	49.76	51.77	48.47
Gujarat	35.06	36.26	35.75	42.32	34.26
Haryana	61.49	62.39	68	72.21	67.13
Jharkhand	41.23	40.84	41.25	45.28	39.91
Karnataka	24.6	26.64	29.35	35.5	32.03
Kerala	80.53	72.33	77.53	69.3	81.19
Madhya Pradesh	31.89	33.43	37.7	45.28	40.05
Maharashtra	32.3	29.78	35.09	39.18	35.51
Odisha	36.63	35.88	40.39	39.54	30.22
Punjab	84.75	74.9	79.04	76.75	73.48

² FC definition of committed exp...15th FC Report Page 82.... "Pensions, interest payments and administrative services". + **Annex-FI.13: Committed Expenditure (Interest, Pension and Salary) as % of GSDP**

State	2017-18	2018-19	2019-20	2020-21	2021-22
Rajasthan	55.54	66.17	66.3	73.5	58.77
Tamil Nadu	49.39	56.94	59.88	60.22	53.37
Telangana	47.08	43.34	45.93	51.22	46.75
Uttar Pradesh	40.18	38.32	37.64	45.91	39.91
Uttarakhand	72	68.54	70.71	59.41	55.09
West Bengal	43.04	41.03	46.21	50.55	68.89

Redefined committed expenditure 2:

In addition to the traditional definition, the States are supposed to devolve fund to Local bodies as per the recommendations of the State finance Commission and also that the Union government transfers grants in aid to local bodies through State governments. These grants transferred to local bodies are statutory and State government have no hold on these grants. The redefined committed expenditure 2 is calculated as the sum of traditional committed expenditure 1 and compensation and assignments to local bodies and panchayat raj institutions (3604) by the State Governments and Grants-in-aid from Central Government to local bodies routed through State Budgets. (1601).

Table 7: Committed expenditure 2 as % of Revenue Receipts

State	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	57.39	54.68	63.61	67.39	55.09
Assam	70.56	61.22	70.58	68.12	65.74
Bihar	38.46	38.47	44.1	47.87	39.02
Chhattisgarh	37.52	43.45	55.41	58.06	49.62
Goa	47.34	47.63	51.17	52.41	49.22
Gujarat	37.61	38.63	38.94	46.02	35.89
Haryana	63.8	64.17	70.62	74.99	67.98
Jharkhand	43.66	42.17	46.08	49.59	41.78
Karnataka	30.7	31.8	35.38	42.17	37.08
Kerala	91.01	83.48	86.7	81.49	90.79
Madhya Pradesh	39.45	40.94	45.37	51.35	44.94
Maharashtra	38.78	36.98	42.79	49.84	44.83
Odisha	40.21	39.32	44.76	44.02	33.14
Punjab	87.5	79.18	87.99	90.1	80.41
Rajasthan	58.17	67.74	70.81	77.04	61.6
Tamil Nadu	58.19	67.23	71.97	71.36	65.53
Telangana	48.43	44.9	48.6	53.88	47.87
Uttar Pradesh	47.3	44.7	44.91	55.47	46.78
Uttarakhand	77.42	74.77	78.73	66.69	60.33
West Bengal	47.11	44.05	50.29	55.12	71.83

Apart from these fixed committed expenditures, the States also face another type of committed expenditure on account of inter-governmental fiscal transfers. Apart from the transfers under tax devolution, most of the transfers require States matching grants or comes with conditionalities. Hence, the State's hands are

tied further to that extent. Under Centrally Sponsored Schemes (CSS), the States matching contribution has increased over time. Earlier, it was about 10 to 20 % in the 11th and 12th FC period and gradually increased to 25% in some schemes. By 14th FC period, the States matching share is generally fixed at 40%.

Before 2014, the CSS and Centrally Sector Scheme' (CSS) transfers were routed through society route. To enhance transparency, all the CSS and CS transfers are given in treasury route from 2014. The implication of this can be seen on both revenue and expenditure side. All transfers are now accounted under revenue receipts and hence, revenues will go up to that extent but expenditures are divided and accounted under both revenue and capital expenditures. This resulted in an increase in the revenue deficits and capital accounts (RBI, 2014-15). Another issue that the States face is the timing of central transfer's release. Due to delayed releases till the last quarter of a financial year, States are not able to pump expenditures adequately and face budget execution issues.

Table 8 details the Committed Expenditure under CSS as percentage of total revenues for all States for 2017-18 and 2020-21. These expenditures vary from State to State depending on the implementation of CSS at State level. The share of CSS is low at about 3 to 4% in States like Haryana, Goa and Gujarat and higher by about 15 to 16% in States like Andhra Pradesh and Madhya Pradesh. Amarnath and Singh (2019) analysed the additional gains from higher tax devolution (under 14th FC period) against the additional burden due to the withdrawal of certain CSS and CS schemes and the changes in the sharing pattern of major CSS calling for greater contribution from the States. The study found that increased States share in CSS takes away the gains accrued due to higher tax devolution. This results in the net gains for States to be marginal from the CSS.

Table 8: CSS Expenditure as percentage of Revenue Receipts

State	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh	9.99	9.69	5.91	9.06	8.00
Bihar	21.81	26.96	25.33	24.87	25.20
Chhattisgarh	22.07	15.11	15.84	12.97	12.05
Goa	0.00	0.00	0.00	0.00	0.00
Gujrat	12.18	11.29	13.32	15.89	11.03
Haryana	3.79	6.88	10.99	7.38	7.89
Jharkhand	15.22	14.57	16.48	18.15	11.24
Karnataka	0.00	0.00	0.00	0.00	0.00
Kerala	2.15	3.14	2.00	3.96	2.26
Madhya Pradesh	21.54	16.71	17.90	23.84	15.63
Maharashtra	6.53	5.83	3.06	8.22	5.92
Odisha	19.32	18.93	20.44	18.99	13.75
Punjab	0.00	0.00	0.00	0.00	0.00
Rajasthan	10.87	13.06	14.28	12.47	10.78
Tamilnadu	5.77	11.68	10.81	11.48	10.59
Telangana	7.94	4.53	5.10	6.69	3.48

State	2017-18	2018-19	2019-20	2020-21	2021-22
Uttar Pradesh	9.35	11.89	8.81	13.05	9.18
West Bengal	28.58	13.94	14.97	11.61	0.00

Source: Basic Data from Finance Accounts, CAG – Various years

2.5 Fiscal Space

Fiscal space is defined as the surplus of revenue receipts after meeting the committed expenditure which is mainly from Revenue expenditure. These surplus is to finance the remaining expenditure of Centrally sponsored schemes, State schemes including subsidies. There are quite few subsidies which are part of centrally sponsored schemes.

Fiscal Space is revenue surplus after considering the committed expenditure, which includes Salaries, wages, Interest payments, Pensions, Statutory grants to local bodies (SFC recommendations) and Central grants to rural local bodies routed through State budget (CFC Recommendation) is given in the table 9 below.

Table 9: Fiscal Space as % of Revenue Receipts

State	2017-18	2018-19	2019-20	2020-21	2021-22
Andhra Pradesh*	42.61	45.32	36.39	32.61	44.91
Bihar*	61.54	61.53	55.9	52.13	60.98
Chhattisgarh	62.48	56.55	44.59	41.94	50.38
Goa	52.66	52.37	48.83	47.59	50.78
Gujarat	62.39	61.37	61.06	53.98	64.11
Haryana*	36.2	35.83	29.38	25.01	32.02
Jharkhand	56.34	57.83	53.92	50.41	58.22
Karnataka*	69.3	68.2	64.62	57.83	62.92
Kerala*	8.99	16.52	13.3	18.51	9.21
Madhya Pradesh	60.55	59.06	54.63	48.65	55.06
Maharashtra*	61.22	63.02	57.21	50.16	55.17
Odisha	59.79	60.68	55.24	55.98	66.86
Punjab*	12.5	20.82	12.01	9.9	19.59
Rajasthan*	41.83	32.26	29.19	22.96	38.4
Tamil Nadu*	41.81	32.77	28.03	28.64	34.47
Telangana*	51.57	55.1	51.4	46.12	52.13
Uttar Pradesh	52.7	55.3	55.09	44.53	53.22
West Bengal*	52.89	55.95	49.71	44.88	28.17

Note: * indicates the States having revenue deficit in 2021-22

The table 9 provides the Fiscal Space as a percentage of Revenue Receipts for different States in India from the fiscal years 2017-18 to 2021-22. Fiscal space refers to the capacity of a government to provide resources for public spending after meeting committed expenditure. It is evident that there is significant variation in fiscal space among the States over the years.

States like Kerala consistently had low fiscal space, indicating limited space... On the other hand, States like Karnataka, Gujarat, and Maharashtra had relatively higher fiscal space throughout the years, suggesting a greater flexibility. Of these States only Gujarat has revenue surplus.

It's noteworthy that some States, such as Punjab and Tamil Nadu, fiscal space is declining. It is worth to note that many States having higher fiscal space also have revenue deficit meaning that these State borrow for current expenditure in addition the surplus they have after meeting committed expenditures..

In conclusion, the analysis of the fiscal space data highlights the diverse fiscal capacities among Indian States. States with higher and stable fiscal space have more room for policy manoeuvring, enabling them to invest in infrastructure, social welfare, and economic development. On the contrary, States with lower and fluctuating fiscal space face constraints in their ability to undertake significant public spending initiatives.

3. Subsidies Definition, Conceptual Issues and Measurement

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 Mundie and Rao (1991). Since then, two White Papers on subsidies have been brought out by the Government of India, first in 1997 and the latest in 2004, both emphasizing the need for rationalisation of this significant component of government expenditure. There have been other documents of the government which have expressed similar policy 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).

It is time to arrive at proper definition of Subsidy in the context of Budgetary accounting systems in India.

The Concise Oxford Dictionary defines subsidy as “money granted by the State, public body, etc., to keep down the price of commodities, etc.” This definition of subsidy is convenient from a layman’s perspective. However, from the perspective of an economist it is quite vague. Till date, economists and various eminent institutions have provided their respective definitions of subsidy, but they have been unable to arrive at a universal definition for it.

As Stated by the Central Statistical Organisation (CSO), subsidies are “all grants on current account made by government to private industries and public corporations, and grants made by the public authorities to enterprises in compensation for operating losses when these losses are clearly the consequence of the policy of the government to maintain prices at a level below costs of production. In the case of irrigation schemes, operating loss is classified as subsidy. “(National Account Statistics Sources and Methods 2007)

The definition of subsidy used by the CSO has the following limitations:

1. It includes subsidies received by the producers and importers, but consumer subsidies are excluded from the definition.
2. All subsidies are treated as current expenditure. Capital subsidies are referred to as capital transfers.

According to the Government Finance Statistics, International Monetary Fund (IMF), “Subsidies are current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import.” (Government Finance Statistics Manual 2014)

The subsidies can be categorised as per the institutional sector of the beneficiary:

- subsidies to public corporations,
- subsidies to private sector enterprises and
- Subsidies to other sectors.

The IMF definition includes subsidies payable to producers only, in certain cases, general government units, non-profit institutions serving households and households may receive subsidies in their capacity as producers.

It included subsidies which are paid to the producers only. The subsidies to final consumers are not included.

Subsidies are treated as current transfers and not capital transfers.

The transfers that the Government units make directly to the households as consumers and almost all transfers to non-profit institutions which are serving households are treated as social benefits or transfers not elsewhere classified, according to the reason for payment.

UN SNA

“Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import. They are receivable by resident producers or importers.”

According to their definition, the subsidies are not payable to final consumers, rather the current transfer made to the household as consumers are referred to as social benefits. Also, the grants that the Government makes to enterprises in order to finance their capital formation or compensate them for damage to their capital assets are referred to as capital transfers.

According to UN SNA, the subsidies can be further categorised into Subsidies on Products (includes import subsidies, export subsidies and other subsidies on products) and Other Subsidies on Production.

European System of Accounts (ESA 2010)

According to ESA 2010, “subsidies (D.3) are current unrequited payments which general government or the institutions of the European Union make to resident producers”. Subsidies granted by the institutions of the European Union cover only current transfers made directly by them to resident producer units.

Subsidies are classified into subsidies on products (including import subsidies and other subsidies on products) and other subsidies on production. “Subsidies on products are recorded as negative resources in

the goods and services account of the total economy. Other subsidies on production (D.39) are recorded as resources in the generation of income accounts of the industries or sectors which receive them.”

Some of the items not classified as subsidies include:

- Current transfers from the General Government to households as consumers. These current transfers are treated as social benefits or miscellaneous current transfers.
- Investment grants
- Current transfers between different parts of the General Government as producers of non-market goods and services, except other subsidies on production. These transfers are treated as current transfers within the General Government.

The World Bank provides subsidies under the heading ‘Subsidies and other transfers’. As per the World Bank Databank, “Subsidies, grants, and other social benefits include all unrequited, non-repayable transfers on current account to private and public enterprises; grants to foreign governments, international organisations, and other government units; and social security, social assistance benefits, and employer social benefits in cash and in kind.” The statistical concept and methodology followed is from the International Monetary Fund’s Government Finance Statistics Manual 2014, which undertakes an accumulation accounting method that includes all economic events, not just those events which reflect cash transactions, and their effect on assets, liabilities, revenues and expenses. It includes all changes in stocks as well.

However, this method also has a drawback. In terms of data, for most countries the Central Government Finance data is merged into one account, but for certain countries only budgetary Central Government accounts are available. At times these budgetary accounts may not include all the Central Government units like social security funds. This can lead to creation of incomplete datasets. Additionally, the data on Government revenue and expenses is collected by the IMF and by the Organisation for Economic Cooperation and Development (OECD). The IMF sends questionnaires to member countries to collect the data. In spite of sincere attempts by the IMF to ensure uniform data collection, the statistics usually lack completion, are untimely and incomparable across the nations.

U.S. Congress, Joint Economic Committee (1972)

As per the U.S. Congress Joint Economic Committee subsidies are “financial assistance to special groups in the private sector to get them to do things that, it is argued, are in the public interest.” They stated that the full significance of subsidies for the American economy is unclear, but subsidies are important because they alter private market incentives, reallocate resources within the private sector, change the structure of private markets, and alter the distribution of income and taxpayers bear a huge cost because of the subsidy. The report highlighted the following weakness in the definition of subsidies:

- Federal Subsidies are not organised as per their areas of economic impact and objectives.

- There is a bias towards producer rather than consumer subsidies.
- Most of the content to evaluate the subsidies is hidden from the general public. In most cases, the subsidy programs are renamed as tax incentive, loans and cost sharing.

Mundle and Rao (1991) have presented an empirical definition of subsidies. According to them, “Government subsidies may be defined as the difference between the cost of delivering various publicly provided goods or services (henceforth, services) and the recoveries arising from such deliveries.” Their definition of subsidies is quite broad as it includes subsidies provided to the consumer and to the producer.

In spite of being a relatively complete definition of subsidies, prior to its application on data of Government receipts and expenditure, a number of adjustments made in estimation are still questionable.

1. In this definition, the non-departmental public enterprises or co-operatives are not classified in the Government sector. The Government is inclusive of only those departments which are directly under the Central Government or the Governments of the State in which the study is being conducted. Thus, this makes it a narrow definition.

The general services expenditure of the government is treated as pure public goods and is excluded from subsidies. There are some explicit subsidies provided in the General services like subsidies given to departmental and defence canteens, etc.

However, despite these eliminations, there may still be a range of social services which can be included under pure public services. If these are not removed then the measured value of subsidies may turn out to be larger than the actual value. Therefore, the definition is open ended.

2. Transfer payments are not included to arrive at a measure of subsidy as they cannot be treated as costs incurred in the provision of a service. However, tax expenditure, which are revenue losses incurred while providing tax incentives, are usually treated as subsidies in written works, have been excluded by Mundle and Rao (1991). The exclusion of tax expenditure may underestimate the value of subsidy obtained via this method.
3. Arriving at the actual cost of service delivery is a trivial exercise and assumptions to estimate the annualised cost of capital is debatable.

Mundle and Rao realised that there would be differences in evaluation of items that are to be included while calculating the subsidy. However, the greater concern was that a considerable portion of the GDP was distributed in the form of subsidies. Thus, using the formula developed, Mundle and Rao aimed to quantify the flow of subsidies so as to ensure that the subsidies are distributed to the actual beneficiaries and the process of distribution is transparent.

Kenneth P. Thomas (2011) defines subsidy as, “money given to a firm by government. This can take many forms: cash grants, tax measures, loans at below-market interest rates, loan guarantees, capital injections, guaranteed excessive rates of profit, below-cost or free inputs including land and power, and purchasing

goods from firms at inflated prices. This list is not exhaustive, but includes the type of support used in virtually all subsidies.”

He uses the European Union definition of State aid and the term subsidy interchangeably. It has been specified in the report that this given definition of subsidy is not complete.

Hemlata Rao and Amar Nath H.K. (2003) mention that the Government gives subsidies in two ways - explicit and implicit subsidies. The explicit subsidies are defined as, “money granted by State or public body to individuals/firms or organisations (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”.

In the monograph, the authors have mentioned that the Government also incurs an implicit subsidy. These implicit subsidies give rise to unrecovered costs.

As per **Cees van Beers and Andre de Moor (2001)**, “Subsidies comprise all measures that keep prices for consumers below market level or keep prices for producers above market level or that reduce costs for consumers and producers by giving direct or indirect support”. This definition implies two types of economic policy intervention.

Nonetheless, the authors still exclude external costs from their definition of subsidy due to the following two reasons:

- Subsidies are incurred on account of active Government intervention, however, lack of internalisation of external costs is lack of Government policy.
- External costs have large uncertainty margins and are difficult to evaluate, while subsidies estimates are more reliable.

To Sum-up

The internationally comparable definitions are those prepared by the United Nations Statistics Division, World Trade Organization (WTO), IMF-Government Financial Statistics (GFS), and OECD.

Most of the studies undertaken in India used Mundle and Rao (1991) definition. The Mundle and Rao (1991) definition is derived from the definition of the U.S. Congress, Joint Economic Committee (1972), which define subsidies as “any government assistance, in cash or in kind, to private sector producers or consumers for which" the government receives no equivalent compensation in return”. Apart from the above, there are two important definitions which are proposed by United Nations- System of National Accounts (SNA) and International Monetary Fund (IMF). SNA defines “Subsidies are current unrequited payments that government units make to enterprises”. IMF defines as “Goods and services acquired and transferred in kind without being used by the general government unit in a production process are classified as transfer payments (subsidies, grants, social benefits or other transfers).

This paper limits itself to explicit subsidies and are defined as,

“Explicit payments made in cash or kind to individuals, producers or organisations to alter their price and output decisions of the intermediate and final goods, without any return to the provider of the subsidy. The benefits of explicit subsidies are directly available to the individuals and firms”.

In the context of Indian budgetary accounting system, The explicit subsidies can be defined as, ‘money granted by State or public body to individuals/firms or organisations to bring down the cost by way of tax exemption, part payment by government, lower interest charges, and cash and kind transfers to individuals’. Thus the Explicit subsidies have been defined to include:

1. Explicit payments made to individuals,
2. Explicit payments made to private organisations or public sector undertakings providing private goods and
3. Explicitly Stated expenditures categorised as subsidies in the budgetary transaction.

Now, there is a need to look at the similarities and differences among all these definitions and explain the definition followed in this paper is broader. Many states in India classify some of the expenditures which are similar to explicit subsidies as grants in aid or assistance. Some of the schemes expenditures such as maternity benefit scheme, mid-day meal scheme and distribution of laptops or tabs or cycles are not shown as subsidies and are shown as expenditures. In our estimation of subsidies, we include all such expenditure which are similar to subsidies (expenditure incurred for provision of Non-Public goods) from the state budgets.

Our definition is limited to explicit budgetary subsidies, but all other definitions includes both explicit and implicit. However, due to high spill-over nature of implicit subsidies, the exact qualification of these implicit subsidies are always questioned.

Both SNA and GFS definitions coverage is limited to producer subsidies (defined as Unrequited Payments to Enterprises) and does not consider consumer subsidies. However, our definition considers both. In that sense, these are broader definitions.

However, there is consensus on certain categories of items across the definitions. First, only current transfers are considered as Subsidies and not capital transfers. But, SNA and IMF limit them to only producers only. Whereas, this paper considers for both producers and consumers. Second, all intergovernmental transfers are included in grants and hence not considered as subsidies in all the definitions. Specific transfers meant for benefiting the individuals or firms are included as explicit subsidies in this paper

3.1 Freebies vs. Subsidies

Over the last few years, many State governments in the country have been providing freebies in the name of subsidy for their political benefit. The recent increase in the ‘freebies facility’ has led to an increase in their share in the total expenditures of the State governments. In some cases, States are borrowing money in order to provide freebies to the citizens of their State. However, these are not two words which can be used interchangeably. Hence, it is essential to distinguish between the two. One significant difference between a subsidy and a freebie is that, subsidies when provided can lead to cost recovery in some cases, but in case of freebies, all the cost is unrecovered cost.

On the basis of various definitions provided by the institutions and empirical literature, it can be said that a well-defined explanation of subsidy can be attained. However, for freebies there is no general agreement. Freebies can be identified as a subset of subsidies. As per the dictionary, a freebie is “a thing that is provided or given free of charge”. This vague definition implies that anything which is provided by the government without incurring any cost can be referred to as a freebie. Although the government’s role consists of providing health, education, minimising inequality, provision of public goods etc. of which all cannot be categorised as a freebie. Some of these ‘freebies’ are required for the good health of the economy. Thus, not all freebies can be categorised as bad. The aim should be to distinguish between the good and bad freebies.

C Rangarajan differentiates the two terms in his article in the Indian Express. According to him, a subsidy refers to “the difference between the price at which the good is procured and the price at which it is sold.” On the other hand, classification of a good or service as a freebie depends on the nature of the good or service in question. He argues that a subsidy is justified only when it is provided on essential and merit goods. Any free provision beyond these two categories of goods is a freebie.

In another article, ‘Accounting for Subsidies’, freebies are defined as a **non-merit subsidy**. Subsidies are referred to as government transfers of money, implicit or explicit, which are used to artificially lower prices. It States, “When deciding whether a certain freebie qualifies as a merit or non-merit subsidy, the lines between the aforementioned goals start to blur. Freebies cannot be defined in a finite context, and the definition varies among geographic and economic contexts.” Additionally, a debt burden which arises due to a freebie can have a negative impact on the State finances as it can threaten the fiscal sustainability of the State.

Vivek Kaul, has defined freebies as, “a good or service offered by a government free to the citizens or below the cost of producing it.” From the perspective of a free market economist, schemes like Public Distribution System and Mahatma Gandhi National Rural Employment Guarantee Scheme are freebies. However, these schemes have proven to be highly beneficial, especially during the time of Covid.

Non-merit subsidies offered by the government or political parties do not bring about long-term benefits are popularly called as freebies.

Niranjan Sahoo and Alok Chaurasia “There are no clear definitions yet, while the freebie debate can be traced back to 1920s' American politics. While the dictionary meaning of the word connotes “a thing that is given free of charges”, it is far more complex than this. Thus, someone’s freebies could be another person’s bare essentials.

The RBI Bulletin, June 2022, emphasises that there is no precise definition for freebies, but differentiating them from public/merit goods is essential. The public/merit goods prove to be beneficial to the economy, whereas provision of free water, free electricity, farm loan waivers etc. which are all referred to as freebies result in price distortion and lack of incentive to work.

3.2 Welfare Expenditure vs. Subsidies

Welfare expenditure pertains to assistance provided by the government to the individuals and households which are in need of upliftment. The government helps those in need by providing financial assistance and support through their programmes. Most of the programmes are based on healthcare, education, unemployment insurance and income support. Welfare expenditure helps to reduce poverty, provide a safety net during economic downturn and improve health outcomes and educational opportunities.

Subsidies are provided by the government to incentivise the production or consumption of certain goods and services. They refer to financial assistance provided by the government to support certain industries or organisations via tax breaks or grants. However, various institutions and literature have defined subsidies in their own manner. Whereas, as compared to subsidies, all economists have reached a general consensus regarding the definition of welfare expenditure. They define welfare expenditure as “public spending in order to reduce the persistence of poverty or inequality in the economy”.

The two terms do seem to have similar meanings as both have the objective to encourage economic activity and support the under-privileged citizens. The only significant difference between the two terms is that welfare expenditure is provided by the government until the impoverished individuals and households in the society are uplifted to the required capacity. Subsidies are instruments which ensure that the benefits of the government programmes reach the intended beneficiaries.

Thus, welfare expenditure is an all-inclusive concept which supports the overall welfare of the individuals and subsidies are target oriented and focussed on specific issues of the economy.

Thus, from the above discussion it can be inferred that there is a thin line between freebies and subsidies and welfare expenditure and subsidies. Whilst, there is a minor difference in between welfare expenditure and subsidies, but when it comes to freebies and subsidies sometimes tend to be used synonymously due to lack of consensus on the meaning of freebies.

3.3 Derived Definition of Explicit Subsidies

In the context of Indian budgetary accounting system, The explicit subsidies can be defined as, ‘money granted by State or public body to individuals/firms or organisations to bring down the cost by way of tax

exemption, part payment by government, lower interest charges, and cash and kind transfers to individuals'. Thus the Explicit subsidies have been defined to include:

1. Explicit payments made to individuals,
2. Explicit payments made to private organisations or public sector undertakings providing private goods and
3. Explicitly Stated expenditure categorised as subsidies in the budgetary transaction.

In this definition of explicit subsidies, the expenditure on public goods (general services), expenditure in the form of provision of services for which cost recoveries are either made or not and grants in aid given to institutions or local bodies for providing services have been excluded.

Explicit subsidies include payments in cash or kind to individuals or organisation without any return. The organizations include State level PSUs, NGOs, and extra departmental wings like corporations for the purpose spending towards explicit payments towards individuals. For instance, assistance given to Electricity boards for free power supply to farmers and poor households and grants give to Road Transport corporations for free travel concessions to certain section of people. However CAG accounting system includes only those expenditures which are explicitly Stated as subsidies and do not cover such grants or assistance towards providing the explicit subsidies.

CAG while preparing the finance accounts of the State provide a Statement on explicit subsidies given by the States (Appendix VI of the State finance accounts). This Statement is expected to bring out all expenditures of the States in the nature of subsidy, rather than only those that are classified as subsidy in the State Budgets (Amarnath and Nayudu 2023). There are instances where States have classified subsidies as 'other expenditure' or 'grant-in-aid' and which have, thus not been reflected in the finance accounts as subsidies. In many cases, the accounts of the recipient of assistance show it as subsidy, and thus, it has been accounted as subsidy by the Audit report (Commercial) of the C&AG but not in the finance accounts. Thus, in some cases, the Statement does not provide a true reflection of the aggregate subsidies provided. To be relevant, it is essential that these Statements provide comprehensive data on all subsidies.

As per the Appendix VI of the Finance Accounts, the explicit subsidies as percent of revenue receipts is around 8 to 20%. The explicit subsidies in finance accounts look to be an underestimate due to its exclusion of other such expenditure on subsidies made through PSUs, local bodies and special purpose vehicles like corporations. To show the magnitude of this underestimation of explicit subsidies, there is a need for holistic and comparable estimation of explicit subsidy at state level by including all such similar expenditures.

The States account the expenditure on subsidies in different way. The first category is exclusively specified as subsidies under an object head. Many times these subsidies are administered through Local bodies or Special Purpose vehicles like Boards and corporations. In such cases the expenditures on subsidies are accounted in different objects like grants in aid non-salary or assistance to Public sector Units. All such

expenditures in the nature of explicit subsidies is carefully collated from the detailed demand for grants of the State budgets in this session and are analysed.

The governments incur the expenditures on general services, social services and economic services. The States also incur expenditures under Centrally Sponsored Schemes (CSS). Therefore these explicit subsidies can be categorised into three categories of General, social and economic services and also under CSS within these categories.

In this section we estimate the fiscal space and extent of fiscal space absorbed by the explicit subsidies for two States of Punjab and Uttarakhand.

4. Punjab

4.1 Fiscal Space of Punjab

The total revenue expenditure in Punjab is around 15% of GSDP during 2018-19 to 2021-22, whereas revenue receipts is around 13% of GSDP resulting huge revenue deficit. The committed expenditure has increased from 9.94% of GSDP in 2018-19 to 11.88 and 10.47% of GSDP in 2020-21 and 2021-22. Increase in committed expenditure has resulted in decline fiscal space from 2.21% of GSDP in 2018-19 to 0.89% in 2020-21 and back to same level of 2.26% of GSDP in 2021-22. However due to increased non committed expenditure 4.78% in 2018-19 to 5.26% in 2021-22 due increase in subsidies and other developmental expenditure, the majority of the revenue expenditure had to be financed by the borrowings. Increase in committed expenditure is visible in all the components of committed expenditure, such as Salaries and wages, pensions, Interest payments and grants in aid to local bodies. Ease in finances and more fiscal space in 2021-22 is due to increase in revenue receipts by 1% of GSDP in FY 2020-21 and 2021-22.

Table 10: Fiscal Space and Explicit Subsidies of Punjab

Figures in Rs. Lakh					As Per Cent of GSDP			
	2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1 Revenue Expenditure	7540370.93	7585963.72	8634462.25	9663652.81	14.71	14.13	15.96	15.73
General Service	3693050.80	3861435.45	4325301.06	4723978.01	7.21	7.19	8.00	7.69
Social Service	1832037.26	1948385.22	2167490.48	2533431.57	3.57	3.63	4.01	4.12
Economic Service	2015282.87	1776143.05	2141670.71	2406243.23	3.93	3.31	3.96	3.92
Grants-In-Aid And Contributions	226466.37	321031.47	597131.12	385868.94	0.44	0.60	1.10	0.63
2 Expenditure Under CSS	309170.52	286430.85	288040.53	367747.96	0.60	0.53	0.53	0.60
General Service								
Social Service								
Economic Service								
Grants-In-Aid And Contributions								
3 Salaries Total	2024795.67	2081084.27	2116068.56	2364483.03	3.95	3.88	3.91	3.85
General Service	739054.99	768217.36	790778.75	879006.41	1.44	1.43	1.46	1.43
Social Service	1048972.60	1086127.69	1114422.84	1262151.88	2.05	2.02	2.06	2.05
Economic Service	236768.08	226739.22	210866.97	223324.74	0.46	0.42	0.39	0.36
4 Subsidies CAG	1336091.45	1016122.25	974759.49	1451561.09	2.61	1.89	1.80	2.36
General Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Social Service	3140.60	2500.14	1000.00	6450.00	0.01	0.00	0.00	0.01
Economic Service	1332950.85	1013622.11	973759.49	1445111.09	2.60	1.89	1.80	2.35
Fiscal Space								
1 Revenue Expenditure	7540370.93	7585963.72	8634462.25	9663652.81	14.71	14.13	15.96	15.73
2 Revenue Receipts	6226908.44	6157474.47	6904818.22	7816830.36	12.15	11.47	12.77	12.73
3 Salaries and wages	2024795.67	2081084.27	2116068.56	2364483.03	3.95	3.88	3.91	3.85
4 Interest Payments	1630589.38	1781016.95	1907751.03	2088352.13	3.18	3.32	3.53	3.40
5 Pensions	1170362.71	1167584.51	1477650.35	1541224.77	2.28	2.17	2.73	2.51
6 3604 Gia To Local Bodies	226466.37	321031.47	597131.12	385868.94	0.44	0.60	1.10	0.63
7 Central Gia To Local Bodies	39754.93	229775.02	324890.80	50440.20	0.08	0.43	0.60	0.08
8 Total Committed Expenditure	5091969.06	5580492.22	6423491.86	6430369.07	9.94	10.39	11.88	10.47
9 Fiscal Space	1134939.38	576982.25	481326.36	1386461.29	2.21	1.07	0.89	2.26

10	Developmental Expenditure	2448401.87	2005471.50	2210970.39	3233283.74	4.78	3.73	4.09	5.26
	GSDP	51250968.89	53703104.60	54085261.20	61422676.33				

Source: Finance Account, CAG, GOI, Various Issues

4.2 Explicit Subsidies in Punjab

Explicit subsidies under various categories are given in Table 12.1 and 12.2. Subsidies under the power sector and various loan waivers are major subsidies in Punjab in addition to expenditure under transport. Punjab Roadways is a departmental commercial undertaking, and losses incurred in operation public transport are an implicit subsidy not considered in this estimate. All the cash transactions (both Revenue and Expenditure) of roadways is included in the consolidated fund of the State. Major explicit subsidies in Punjab include loan waivers and interest subsidies, Old age pensions, assistance to power sector both for covering up losses and free power to households and farmers. Total explicit subsidies has been increasing from 19.22% of Revenue expenditure in 2019-20 to 25.56% in 2022-23. Maximum increase can be seen in Economic services, mainly because of power sector. Share of economic services has increased from 13.79% in 2019-20 to 19.48% of revenue expenditure in 2022-23, Sharp raise can be seen from 2021-22 onwards.

Table 11 Explicit Subsidies in Punjab

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
(% of Revenue Expenditure)					
Subsidies (bud)	13.36	11.28	14.85	17.61	14.87
Scholarship (bud)	0.68	0.65	0.79	0.74	0.63
Old Age Pensions (bud)	2.86	2.71	4.50	4.71	4.64
Grant-in-Aid (bud)	2.31	2.70	1.88	2.50	2.06
Total Explicit Subsidies	19.22	17.34	22.02	25.56	22.20
General Service	1.73	1.20	0.61	0.41	0.23
Social Service	3.70	3.44	5.50	5.67	5.85
Economic Service	13.79	12.70	15.92	19.48	16.12
Subsidies under CSS	0.01	0.01	0.01	0.02	0.01
(% Revenue Receipts)					
Subsidies (bud)	16.46	14.10	18.36	22.11	18.57
Scholarship (bud)	0.84	0.82	0.98	0.92	0.78
Old Age Pensions (bud)	3.53	3.39	5.56	5.91	5.79
Grant-in-Aid (bud)	2.85	3.38	2.33	3.14	2.58
Total Explicit Subsidies	23.68	21.68	27.22	32.08	27.72
General Service	2.13	1.50	0.75	0.52	0.29
Social Service	4.56	4.30	6.80	7.12	7.30
Economic Service	16.99	15.88	19.68	24.45	20.13
Subsidies under CSS	0.01	0.02	0.01	0.02	0.02

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Punjab

Across different sectors, social welfare occupies major share which includes old age pensions, scholarships to students and other welfare programme subsidies. Barring social welfare, Power sector takes away nearly 67% of total explicit subsidies. Second major sector is agriculture, which included free power supply to farmers at around 36.26% of total explicit subsidies. For detailed subsidy payments to power sector and that are not reimbursed, please refer BOX 1. Under paid Subsidies to Punjab State Power Corporation Limited (PSPCL)..

Table 12: Sector wise Explicit Subsidies in Punjab

	2019-20	2020-21	2022-23 (RE)	2022-23 (RE)	2023-24(BE)
Per Cent of Total Explicit Subsidies					
Agriculture	55.77	49.05	39.74	36.26	39.08
Social Welfare	2.01	3.06	2.06	2.94	1.60
Industry	12.03	13.43	11.25	10.21	4.10
Transport	0.00	0.00	1.40	0.16	0.00
Insurance	0.60	0.22	0.26	0.47	1.82
Loan	4.14	0.32	4.01	3.40	1.43
Power	64.44	68.40	63.19	67.34	66.14
Others	0.00	0.00	0.00	0.00	0.00
<i>Figures in Rs Lakh</i>					
General Services	130879	103586	58619	130187	48209
Social Services	279153	296761	531370	621592	665886
Economic Services	1046218	1096829	1538143	1884258	2287765
Total Subsidies	1456250	1497176	2128131	2636036	3001860

Note: Total Subsidies do not add up to 100 as there some overlapping across sectors. Project for Promotion of Micro Irrigation in Punjab (NABARD RIDF 20) - Loan from NABARD, Scheme For providing assured irrigation water to the waterlogged areas in South western districts (NABARD - RIDF-21) - Loan from NABARD, Debt Relief to Farmers, Assistance to Punjab Agro - Repayment of Loans of Various Banks and Assistance to Punjab State Cooperative Agricultural Development Bank for Repayment of Loan to NABARD (loan Waiver) are repeated in agriculture and loan. Scheme for Power subsidy to Farmers, Solar-Electric Hybrid Community Lift-Micro Irrigation Projects form Canal Outlets in Punjab (NABARD-RIDF-24) and Save Water Earn Money Scheme of Direct Benefit Transfer for electricity to agriculture Consumers are repeated in power and agriculture. Power Subsidy to Industry is repeated in power and industry.

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Punjab

Debt relief given to farmers is one of the major explicit subsidies. Total loan waivers were Rs. 4308 Crore in 2018-19. These loan waivers have been continuous feature though the volume is coming down. Loan waiver to agricultural farmers was a poll promise in 2017. Other than farm loan waivers, assistance to Punjab State industrial development corporation and State Cooperative development bank have been prominent. The total loan waivers was Rs. 773 Crore in 2021-22 of which Rs.590 Crore was debt relief to farmers.

Another major subsidy is in power sector. So far, the major subsidy was free power to farmers, which has been continuously above Rs. 6000 Crore per year during the reference period. The free power to agricultural consumers was around Rs. 6700 Crore in 20121-22 RE. Power subsidies to the industry is around RS. 454 Crore in 2021-22 RE. The cause of concern is the new announcement of free power for up to 300 units by AAP government in 2022-23. The burden of this announcement is not given the budget of 2022-23.

However, as per conservative estimates (see Box 1) by many, this may cost the exchequer an additional Rs 14,337 Crore. (Indian Express, April 19, 2022). One has to wait and see the budget for 2023-24. The State government's promise to reimburse these subsidies costs to PSPCL every year is also an illusion. Nearly 42% of these power subsidies are still pending. In the absence of State government reimbursing these subsidies to PSPCL, the power corporation borrows and the contingent liability of State government increase to that extent. Refer box1 for more details.

DBTs are usually the best way to target the beneficiaries and help reach the benefit directly to the targeted groups. However, some of these DBTs are cost to the exchequer in times of financial crisis. Distribution of Smart Phones amounting Rs. 94 Crore, Assistance to Artisans for repair and replacement of tools to the tune of Rs. 231 Crore, Assistance for marriage Rs. 155 Crore in 2021-22 and provision of free bicycles to all girls going to schools to the tune of 20 Crore in 2018-19 and 2019-20 are the major ones.

Public transport is Departmental Government Undertaking in Punjab compared to other States where they are PSUs in the form of Road Transport Corporation. Transport being a government undertaking, entire revenue and expenditure is met out of consolidated fund of the State. Therefore the losses incurred under public transport are not explicit in nature. Here explicit subsidies include only the travel concessions given to various categories of beneficiaries. Punjab government gives free travel concessions to students, physically handicapped, patients of chronic diseases (Like HIV, leprosy etc.) and journalists. Free travel subsidy is around Rs. 100 to 150 Crore during 2017-18 to 2020-21. For the year 2022-23 an allocation of Rs. 105 Crore is provided.

Debt relief given to farmers is one of the major explicit subsidies. Total loan waivers were Rs. 4308 Crore in 2018-19 and Rs. 773 Crore in 2021-22 of which Rs.590 Crore was debt relief to farmers.

Another major subsidy is in power sector. So far the major subsidy was free power to farmers which has been continuously above Rs. 6000 Crore per year during the reference period. The free power to agricultural consumers was around Rs. 6700 Crore in 20121-22 RE.

It was also observed that the percentage of liable subsidy that has been reimbursed has declined over the years from 68% reimbursed in 2018-19 to 58% in 2020-21.

Arrears of Subsidies to be reimbursed to PSPCL is increasing year after year resulting in to debts of PSPCL which is again guaranteed by the State Government of Punjab, resulting in increasing debt burden of the State.

Free power up to 300 units by AAP government in 2022-23, even with a conservative estimate, may cost the exchequer an additional Rs 14,337 Crore. (Indian Express, April 19, 2022).

Distribution of Smart Phones amounting to Rs. 94 Crore, Assistance to Artisans for repair and replacement of tools to the tune of Rs. 231 Crore, Assistance for marriage Rs. 155 Crore in 2021-22 and provision of free bicycles to all girls going to schools to tune of 20 Crore in 2018-19 and 2019-20 are the major ones.

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Incentives given to industries under industrial policy is to the tune of Rs. 1600 Crore in 2020-21 and have increased to Rs. 2140 Crore in 2022-23BE. Assistance to Punjab Dairy Development Board is between Rs. 7 to 9 Crore during 2019-20 to 2022-23.

BOX 1. Under paid Subsidies to Punjab State Power Corporation Limited (PSPCL)

DISCOMS play an important role in ensuring accessibility of electricity at affordable rates for small consumers such as households, shops and establishments and agriculture as they depend on subsidy. State's subsidy is growing at 15% per annum and 17% of total revenue of DISCOMs. But they range from 22-28% in few States like Haryana, Karnataka, MP and Punjab (PFC, 2020). Although Punjab's DISCOM - PSPCL is performing great on operational (bill efficiency - 89%, collection efficiency -100%, Technical & Commercial losses - 11%) and accountability front, it is still suffering humongous losses. As per Niti aayog's - Turning Around the Power Distribution Sector: Learnings and Best Practices from Reforms Report, DISCOMs in the north eastern States and agrarian States are heavily dependent on government subsidies. Punjab ranks 8TH in the list of Tariff subsidy as a share of DISCOM total revenue for 2018-19 (PFC).

Punjab's Gross energy sold is 48,050 MU and revenue earned is 31714 cr. The breakup is as follows-

	Energy sold	Revenue earned
Domestic	30%	24%
Commercial	6.6%	8%
Agricultural	26%	0%
Industrial	33%	33%
Others	3.3%	-1.25%
Tariff subsidy		35%

Source: Report on performance of power utilities 2020-21, PFC

Agricultural farmers continue to receive free power. Free power result in massive electricity and water use thus eroding the fiscal as well as environmental balances in economy. The amount of arrears including interest on pending subsidy, which has been projected by Punjab State Power Corporation Limited (PSPCL) for agriculture, domestic and industry in Appendix 1

As of 2020-21, Punjab Government has to pay Rs 7930.21 Crore to PSPCL towards subsidies. It was also observed that the percentage of liable subsidy that has been reimbursed has been declining over the years from 68% reimbursed in 2018-19 to 58% in 2020-21. Arrears of Subsidies to be reimbursed to PSPCL is increasing year after year resulting in to debts of PSPCL which is again guaranteed by the State Government of Punjab resulting in increasing debt burden of the State. It is clear from the Appendix table that the subsidies are reduced from that given by the PSPCL by the State government, which again stood above Rs. 100 Crore every which booked into losses of the power corporation.

Further, Punjab Government has announced in Budget 2022 that from July 1, 2022, 300 units of domestic power supply per month will be made free to all citizens of Punjab. According to PSPCL's calculations, if all consumers use the entire 300 units of free power at Rs 5.11 per unit, the total additional subsidy outlay would increase to Rs 11,452 Crore per annum, in addition to fixed charges of Rs 459 core. As such, the total would amount to Rs 11,911 Crore each year. For the approximate 11.55 Lakh consumers who use more than 300 units of power, the yearly subsidy outlay amounts to Rs 2,427 Crore, including fixed charges of Rs 302 Crore. So, the estimated annual subsidy outlay for both the categories (about 73.80 Lakh consumers) would increase to Rs 14,337 Crore. (Indian Express, April 19, 2022)

Raakhi Jagga, "Explained: The cost and benefit of AAP's free electricity scheme in Punjab", Indian Express, April 19, 2022

5. Uttarakhand

5.1 Fiscal Space:

Uttarakhand is doing well not only increasing the revenues but also containing the revenue expenditure so as to have surplus in revenues for capital expenditure purpose. The committed expenditure has been stagnant at around 10% of GSDP. Increase in the revenue and containing the committed expenditure has given the State enough fiscal space for developmental and capital expenditure. The fiscal space has increased from around 3% during the Corvid years to 6.28% in 2021-22.

Table 13: Fiscal Space and Explicit Budgetary Subsidies in Uttarakhand

	Rs. Lakh				% of GSDP			
	2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1 Revenue Expenditure	3219602	3285880	3709103	3892896	13.98	13.73	15.66	14.30
General Service	1352487	1384447	1482625	1566811	5.87	5.79	6.26	5.76
Social Service	1220934	1259321	1476163	1557284	5.30	5.26	6.23	5.72
Economic Service	646181	642112	750314	768799	2.81	2.68	3.17	2.82
Grants-In-Aid And Contributions	145932	171667	193220	154033	0.63	0.72	0.82	0.57
2 Expenditure Under CSS	390004	396585	441271	305905	1.69	1.66	1.86	1.12
General Service	3136	2856	1694	295	0.01	0.01	0.01	0.00
Social Service	241272	252707	258216	180873	1.05	1.06	1.09	0.66
Economic Service	97270	66480	96161	69779	0.42	0.28	0.41	0.26
Grants-In-Aid And Contributions	48326	74542	85200	54958	0.21	0.31	0.36	0.20
3 Salaries	1152462	1171373	1175515	1234524	5.00	4.90	4.96	4.54
General Service	287944	293583	294261	309960	1.25	1.23	1.24	1.14
Social Service	701143	720518	727602	771070	3.04	3.01	3.07	2.83
Economic Service	163376	157273	153651	153495	0.71	0.66	0.65	0.56
4 Subsidies (CAG)	17351	10398	13863	14508	0.08	0.04	0.06	0.05
General Service	0	0	0	0	0.00	0.00	0.00	0.00
Social Service	0	0	0	0	0.00	0.00	0.00	0.00
Economic Service	17351	10398	13863	14508	0.08	0.04	0.06	0.05
Fiscal Space								
1 Revenue Expenditure	3219602	3285880	3709103	3892896	13.98	13.73	15.66	14.30
2 Revenue Receipts	3121644	3072257	3820436	4305699	13.55	12.84	16.13	15.82
3 Salaries Total	1152462	1171373	1175515	1241734	5.00	4.90	4.96	4.56
4 Interest Payments	447482	450402	477307	493883	1.94	1.88	2.02	1.81
5 Pensions	539621	550692	616771	636446	2.34	2.30	2.60	2.34
6 State - Gia To Local Bodies	145932	171667	193220	154033	0.63	0.72	0.82	0.57
7 Central - Gia To Local Bodies	48487	74522	85200	71510	0.21	0.31	0.36	0.26
8 Committed Expenditure (3+4+5+6+7)	2333984	2418657	2548012	2597605	10.13	10.11	10.76	9.54
9 Fiscal Space (2-8)	787660	653600	1272424	1708094	3.42	2.73	5.37	6.28
10 Developmental Expenditure (1-8)	885618	867223	1161091	1295291	3.85	3.62	4.90	4.76
GSDP	23031366	23924653	23686007	27215948				

5.2 Explicit Subsidy of Uttarakhand

Explicit Subsidies in Uttarakhand have been within the limits of fiscal space and very much limited social services like old age pensions and scholarships. Total explicit Subsidies in the State is very much below 10% of Revenue expenditure. Nearly 70% of the subsidies are in social services and the remaining 30% is under economic services. In this State again the quantum expenditures categorised as explicit Subsidies in budget documents are less than 0.5% of revenue expenditure, whereas, the scholarships, Old age pensions and other grants in aid in nature of subsidies are not treated as subsidies in the budget documents. Total explicit subsidies have increased from 7.68% of Revenue Expenditure in 2019-20 to 9.38% in 2022-23. The increase due to increase in explicit subsidies under economic services, particularly in agriculture sector.

When it comes to sectoral allocation of explicit subsidies, social welfare including old age pensions and scholarships is dominant with nearly 70% of total explicit subsidies. Agriculture sector follows with around 17% of total subsidies. Other sectors are nominal.

Table 14: Explicit Subsidies in Uttarakhand

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
(% of Revenue Expenditure)					
Subsidies (bud)	0.11	0.36	0.38	0.49	0.97
Scholarship (bud)	2.13	2.06	1.81	1.30	0.62
Old Age Pensions (bud)	2.97	3.08	2.78	3.10	3.23
Grant-in-Aid (bud)	2.47	3.61	2.83	5.01	2.83
Total Explicit Subsidies	7.68	9.11	7.79	9.89	7.64
General Service	0.00	0.00	0.00	0.00	0.00
Social Service	5.74	5.93	4.86	6.20	4.59
Economic Service	1.94	3.19	2.94	3.69	3.05
Subsidies under CSS	0.08	0.24	0.23	0.19	0.38
(% Revenue Receipts)					
Subsidies (bud)	0.12	0.35	0.34	0.47	0.89
Scholarship (bud)	2.27	2.00	1.63	1.24	0.57
Old Age Pensions (bud)	3.17	2.99	2.51	2.95	2.99
Grant-in-Aid (bud)	2.65	3.51	2.56	4.77	2.61
Total Explicit Subsidies	8.21	8.85	7.05	9.43	7.07
General Service	0.00	0.00	0.00	0.00	0.00
Social Service	6.14	5.75	4.39	5.91	4.24
Economic Service	2.07	3.09	2.65	3.52	2.82
Subsidies under CSS	0.08	0.23	0.20	0.18	0.35

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Uttarakhand

Table 15: Sector wise Explicit Subsidies in Uttarakhand

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
Per Cent of Total Explicit Subsidies					
Agriculture	16.64	18.14	17.86	17.74	9.33
Social Welfare	9.00	10.80	10.51	25.51	11.88
Industry	3.30	1.67	2.67	3.04	5.49
Transport	0.87	7.15	2.23	1.69	1.71
Insurance	1.05	1.29	2.19	1.78	2.23
Loan	0.00	0.00	0.00	0.00	0.05
Power	0.50	0.07	0.14	0.04	0.13
Others	0.92	0.59	0.78	0.85	6.28
Scholarship	27.69	22.59	23.18	13.10	8.13
Old Age Pension	38.67	33.81	35.69	31.32	42.26
Figures in Rs Lakh					
Total Explicit Subsidies	252231.00	338039.47	303338.2	490687.8	403252.09
General Service	0.23	0.27	0.03	0.25	0.25
Social Service	188497.59	219809.83	189059.45	307469.99	242203.77
Economic Service	63733.32	118229.37	114278.72	183217.56	161048.07

Note: Total Subsidies do not add up to 100 as there some overlapping across sectors Cattle Transport Grant Scheme is repeated in agriculture and transport. National Mission on Micro Irrigation (10%) is repeated in agriculture and power. Incentives on Construction, Development of Chal Khal and Water Bonus Subsidy on Water Conservation is repeated in agriculture and industry.

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Uttarakhand

6. Gujarat

6.1 Fiscal Space:

The fiscal space which is defined as the residual revenues after meeting the committed expenditures is very comfortable in Gujarat. The state being revenue surplus state during the recent past except in 2020-21, and manageable fiscal deficit below 2% of GSDP, can afford for having comfortable welfare expenditure including subsidies. With committed expenditures less than 50% of Revenue Receipts and a revenue surplus, the state of Gujarat has chosen for more developmental expenditure than subsidies at less than 1.5% of GSDP.

Table 16: Fiscal Space and Explicit Budgetary Subsidies in Gujarat

Figures in Rs. Lakh					As Per Cent of GSDP			
	2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1 Revenue Expenditure	13278958	14089891	15070358	16042127	8.90	8.71	9.33	8.28
General Service	4756379	4917164	5207424	5642312	3.19	3.04	3.22	2.91
Social Service	5328528	5919727	6081573	6825417	3.57	3.66	3.76	3.52
Economic Service	3157569	3211483	3742402	3533180	2.12	1.99	2.32	1.82
Grants-In-Aid And Contributions	36482	41517	38959	41218	0.02	0.03	0.02	0.02
2 Expenditure Under CSS	1535578	1902526	2036941	1839312	1.03	1.18	1.26	0.95
General Service	45778	41873	57122	17252	0.03	0.03	0.04	0.01
Social Service	1069437	1438918	1438572	1457117	0.72	0.89	0.89	0.75
Economic Service	420362	421735	538368	364943	0.28	0.26	0.33	0.19
Grants-In-Aid And Contributions	0	0	0	0	0.00	0.00	0.00	0.00
3 Salaries Total	1083647	1094976	1146533	1180457	0.73	0.68	0.71	0.61
General Service	550799	599099	637121	646177	0.37	0.37	0.39	0.33
Social Service	409978	379307	396326	427455	0.27	0.23	0.25	0.22
Economic Service	122870	116570	113086	106825	0.08	0.07	0.07	0.06
4 Subsidies CAG	1726870	1842027	2217788	2233537	1.16	1.14	1.37	1.15
General Service	448	1523	1214	3314	0.00	0.00	0.00	0.00
Social Service	228352	237428	301777	322436	0.15	0.15	0.19	0.17
Economic Service	1497641	1601881	1910194	1907735	1.00	0.99	1.18	0.98
Fiscal Space								
1 Revenue Expenditure	13278958	14089891	15070358	16042127	8.90	8.71	9.33	8.28
2 Revenue Receipts	13600155	14284376	12815566	16682970	9.11	8.83	7.93	8.61
3 Salaries and wages	1083647	1094976	1146533	1180457	0.73	0.68	0.71	0.61
4 Interest Payments	2018336	2244866	2420319	2518778	1.35	1.39	1.50	1.30
5 Pensions	1829544	1766259	1856975	2016026	1.23	1.09	1.15	1.04
6 3604 Gia To Local Bodies	36482	41517	38959	41218	0.02	0.03	0.02	0.02
7 Central Gia To Local Bodies	286341	415344	434850	231400	0.19	0.26	0.27	0.12

		Figures in Rs. Lakh				As Per Cent of GSDP			
		2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
8	Total Committed Expenditure	5254350	5562962	5897636	5987879	3.52	3.44	3.65	3.09
9	Fiscal Space	8345805	8721414	6917930	10695091	5.59	5.39	4.28	5.52
10	Developmental Expenditure	8024608	8526929	9172722	10054248	5.38	5.27	5.68	5.19
GSDP		149215571	161714320	161610636	193706646				

6.2 Explicit Subsidy of Gujarat

Explicit Subsidies in Gujarat have been within the limits of fiscal space and very much limited social services like old age pensions and scholarships. Total explicit Subsidies in the State is around 20% of Revenue expenditure. Nearly 30% of the subsidies are in social services and the remaining 70% is under economic services. Unlike other states, the subsidies in the form of grants in aid, scholarships and old age pensions or assistance is lower than the subsidies categorised as subsidies in the budget. In this State again the quantum expenditures categorised as explicit Subsidies in budget documents are 60% of revenue expenditure, whereas, the scholarships, Old age pensions and other grants in aid in nature of subsidies are not treated as subsidies in the budget documents. Total explicit subsidies have been around 21% of Revenue Expenditure during the reference period.

Distribution of subsidies across various sectors is given in table 18.2. Power sector subsidies to agriculture and industry is around 30% of total subsidies, followed by social welfare (20%). Industrial subsidies have higher share (13%), compared to agriculture (10%).

Table 17: Explicit Subsidies in Gujarat

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
(% of Revenue Expenditure)					
Subsidies (bud)	12.24	13.79	13.16	12.32	14.56
Scholarship (bud)	3.06	3.66	4.13	1.41	3.95
Old Age Pensions (bud)	1.10	1.65	1.80	0.26	0.82
Grant-in-Aid (bud)	3.84	2.67	3.21	2.46	3.85
Total Explicit Subsidies	20.24	21.76	22.30	16.44	23.19
General Service	0.01	0.01	0.02	0.07	0.12
Social Service	7.74	6.85	8.00	3.17	7.66
Economic Service	12.49	14.91	14.28	13.20	15.40
Subsidies under CSS	0.29	0.25	0.17	0.97	1.58
(% Revenue Receipts)					
Subsidies (bud)	12.08	16.21	12.65	11.89	13.93
Scholarship (bud)	3.02	4.30	3.98	1.36	3.78
Old Age Pensions (bud)	1.08	1.94	1.73	0.25	0.79
Grant-in-Aid (bud)	3.79	3.14	3.09	2.37	3.68
Total Explicit Subsidies	19.97	25.59	21.44	15.88	22.18
General Service	0.01	0.01	0.02	0.07	0.12
Social Service	7.64	8.05	7.69	3.06	7.33

Economic Service	12.32	17.53	13.73	12.75	14.73
Subsidies under CSS	0.29	0.29	0.16	0.94	1.51

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Gujarat

Table 18: Sector wise Explicit Subsidies in Gujarat

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
Per Cent of Total Explicit Subsidies					
Debt/Loan/Principal/Interest	1.03	0.60	1.71	0.30	0.91
Power	29.07	29.27	30.68	40.75	28.99
Transport	1.13	1.23	1.73	5.74	2.84
Agriculture	16.14	8.59	7.22	9.89	13.31
Industry	14.52	16.43	12.47	11.14	12.05
Social Welfare	15.77	14.56	17.20	20.46	19.96
Insurance	0.32	3.12	1.37	0.64	0.35
Others	1.60	2.39	1.08	0.95	1.14
Figures in Rs Lakh					
General Services	1753.6	1136.29	3457.04	13730	24124.9
Social Services	1090657	1031669	1283274	600945.8	1522099
Economic Services	1759632	2247106	2290926	2500696	3060388
Total Subsidies	2852042	3279911	3577657	3115371	4606612

Note: Total Subsidies do not add up to 100 as there some subsidies pertaining to more than one sector like power subsidies to agriculture is included in both power and agriculture and so on.

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Gujarat

7. Telangana

7.1 Fiscal Space:

Telangana is doing well not only increasing the revenues but also containing the revenue expenditure so as to have surplus in revenues for capital expenditure purpose. The committed expenditure is around 10% of GSDP. Increase in the revenue and containing the committed expenditure has given the State enough fiscal space for developmental and capital expenditure. The fiscal space has declined from 6.52% in 2018-19 to 5.89% in 2021-22. Fiscal space in Telangana is around 50% of revenue receipts. Salaries as % of GSDP is stable at 2% of GSDP. However increasing interest payments and pensions in recent past and stagnant revenues at less than 12% of GSDP is reducing the fiscal space. The subsidies expenditure as per budget is less than 10% of revenue expenditure which is an underestimate as subsidies are categorised as assistance or grants in aid.

Table 19: Fiscal Space and Explicit Budgetary Subsidies in Telangana

Figures in Rs. Lakh					As Per Cent of GSDP			
	2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1 Revenue Expenditure	9708307.9	10879788	12321238	13680343	11.32	11.45	13.07	12.12
General Service	3419917.78	3644032.73	3947718.35	4443280.07	3.99	3.84	4.19	3.94
Social Service	3972116.13	4583280.17	4840039.84	5318114.3	4.63	4.82	5.13	4.71
Economic Service	2315747.19	2652474.7	3533480.22	3918949.09	2.70	2.79	3.75	3.47
Grants-In-Aid And Contributions	526.77	0	0	0	0.00	0.00	0.00	0.00
2 Expenditure Under CSS	459337.55	522853.8	675137.22	443674.28	0.54	0.55	0.72	0.39
General Service	7069.05	0	660.81	1630.93	0.01	0.00	0.00	0.00
Social Service	404966.8	490577.94	580745.09	397577.52	0.47	0.52	0.62	0.35
Economic Service	47301.7	32275.86	93731.32	44465.83	0.06	0.03	0.10	0.04
Grants-In-Aid And Contributions	0	0	0	0	0.00	0.00	0.00	0.00
3 Salaries Total	1989098	2088132.5	2124960.3	2640609.2	2.32	2.20	2.25	2.34
General Service	630022.6	654277.52	668740.18	867346.62	0.73	0.69	0.71	0.77
Social Service	1160466.44	1225392.72	1250681.46	1526379.65	1.35	1.29	1.33	1.35
Economic Service	198608.91	208462.3	205538.64	246882.9	0.23	0.22	0.22	0.22
4 Subsidies CAG	630357.32	684567.15	956595.39	1021804.6	0.74	0.72	1.01	0.91
General Service	0	0	0	0	0.00	0.00	0.00	0.00
Social Service	233049.3	218079.21	147493.44	130967.73	0.27	0.23	0.16	0.12
Economic Service	397308.02	466487.94	809101.95	890836.9	0.46	0.49	0.86	0.79
Fiscal Space								
1 Revenue Expenditure	9708307.87	10879787.6	12321238.41	13680343.46	11.32	11.45	13.07	12.12
2 Revenue Receipts	10142016.13	10254381.83	10091435.67	12746859.2	11.83	10.79	10.70	11.29
3 Salaries and wages	1989097.95	2088132.54	2124960.28	2640609.17	2.32	2.20	2.25	2.34
4 Interest Payments	1258628.88	1438555.92	1684135.65	1916141.28	1.47	1.51	1.79	1.70
5 Pensions	1147738.06	1183305.44	1359902.51	1402518.71	1.34	1.25	1.44	1.24
6 3604 Gia To Local Bodies	526.77	0	0		0.00	0.00	0.00	0.00

		Figures in Rs. Lakh				As Per Cent of GSDP			
		2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
7	Central Gia To Local Bodies	157963.13	273153.19	268557	142813.15	0.18	0.29	0.28	0.13
8	Total Committed Expenditure	4553955	4983147	5437555	6102082.31	5.31	5.24	5.77	5.41
9	Fiscal Space	5588061	5271235	4653880	6644776.9	6.52	5.55	4.94	5.89
10	Developmental Expenditure	5154353	5896641	6883683	7578261.2	6.01	6.21	7.30	6.71
	GSDP	85742715	95009049	94281431	112890724				

Source: CAG, Finance Accounts various years

7.2 Explicit Subsidy of Telangana

Total explicit subsidies in broader definition is increasing from 34.27% revenue expenditure in 2019-20 to 38.29% of revenue expenditure in 2021-22. Increasing populism and welfare expenditure may result in increasing subsidies bill to nearly 45% of revenue expenditure by 2023-24. Much of the subsidies are in the form of grants in aid and assistance. Some of these grant in aid are popular Rytu Bandhu, entrepreneurial assistance to SC ST families for minor business activities, assistance for marriage and so on. One can also notice from the categorisation of subsidies only one fifth of total explicit subsidies is categorised as subsidies in the budget.

Sectoral distribution of subsidies again favours economic services unlike in other states where social services dominate. Distributing agricultural implements, seeds, fertilisers and Rytu bandhu schemes, are major subsidies in agriculture and agricultural subsidies are nearly 35 to 40 of total explicit subsidies. These include some loan waivers and interest subsidies. Agriculture is followed by Power subsidies and social welfare. These two sectors include free power to farmers, losses of DISCOMs, assistance to SHGs, women, marriages and Old age pensions.

Table 20: Explicit Subsidies in Telangana

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
(% of Revenue Expenditure)					
Subsidies (bud)	6.29	7.76	7.47	6.94	6.12
Scholarship (bud)	2.79	1.47	1.94	1.77	1.71
Old Age Pensions (bud)	7.06	6.48	5.64	5.63	4.96
Grant-in-Aid (bud)	18.13	20.07	23.24	28.75	32.97
Total Explicit Subsidies	34.27	35.79	38.29	43.09	45.76
General Service	0.03	0.09	0.02	0.00	0.00
Social Service	15.82	12.99	15.80	23.88	26.07
Economic Service	18.41	22.71	22.47	19.20	19.68
Subsidies under CSS					
(% Revenue Receipts)					
Subsidies (bud)	6.67	9.48	8.02	6.82	5.98
Scholarship (bud)	2.96	1.80	2.09	1.74	1.67
Old Age Pensions (bud)	7.49	7.92	6.05	5.54	4.84
Grant-in-Aid (bud)	19.24	24.51	24.94	28.26	32.23

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
Total Explicit Subsidies	36.36	43.70	41.10	42.35	44.73
General Service	0.03	0.11	0.02	0.00	0.00
Social Service	16.79	15.86	16.96	23.48	25.48
Economic Service	19.54	27.73	24.11	18.88	19.24
Subsidies under CSS					

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Telangana

Table 21: Sector wise Explicit Subsidies in Telangana

	2019-20	2020-21	2022-23 (RE)	2022-23 (RE)	2023-24(BE)
Per Cent of Total Explicit Subsidies					
Debt/Loan/Principal/Interest	0.6	0.0	0.3	0.8	1.2
Power	14.0	22.6	21.3	14.7	12.9
Transport	1.3	1.4	1.5	1.1	0.9
Agriculture	42.7	41.0	35.8	30.1	28.5
Industry	1.5	1.2	2.3	2.0	3.5
Social Welfare	11.2	11.6	19.0	34.0	38.4
Insurance	0.0	0.0	0.0	0.1	0.1
Others	0.0	0.1	0.0	0.0	0.0
Total	71.3	77.8	80.2	82.8	85.4
Figures in Rs Lakh					
General Services	3260.74	11306.7	2879.67	723.1	764
Social Services	1721324	1600787	2161882	4127023	5519136
Economic Services	2003450	2797888	3073791	3318330	4166391
Total Subsidies	3728035	4409982	5238553	7446077	9686291

Note: Total Subsidies do not add up to 100 as there some overlapping across sectors.

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Telangana

8. West Bengal

8.1 Fiscal Space:

Declining Revenue receipts and increasing revenue expenditure defines the deteriorating fiscal health of West Bengal. The committed expenditure have increased from 5.83% of GSDP in 2018-19 to 7.08% of GSDP 2020-21. The surpluses from Revenue receipts after meeting committed expenditure has also declined from 7.41 % of GSDP to 5.76% during the same period. With falling comfort level, the state government depend on borrowings to finance the non-committed/ developmental revenue expenditures which include the expenditure on subsidies and welfare programmes. Though the explicit subsidies as given in the budget declined from 1.22% of GSDP in 2018-19 to 1.07% of GSDP in 2020-21. The data for the fiscal year 2021-22 is not yet available from the Finance accounts.

Table 22: Fiscal Space and Explicit Budgetary Subsidies in West Bengal

		Figures in Rs. Lakh				As Per Cent of GSDP			
		2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1	Revenue Expenditure	15637391	16257512	17792128	21015964	14.19	13.79	15.39	15.41
	General Service	5686539	6193131	7068428	7849537	5.16	5.25	6.12	5.76
	Social Service	6876369	7308935	7884656	10247526	6.24	6.20	6.82	7.51
	Economic Service	3025609	2710474	2794094	2883463	2.75	2.30	2.42	2.11
	Grants-In-Aid And Contributions	48873	44973	44950	35438	0.04	0.04	0.04	0.03
2	Expenditure Under CSS	2034266	2139871	1722486		1.85	1.81	1.49	0.00
	General Service	371	88	2302		0.00	0.00	0.00	
	Social Service	1140596	1037855	881567		1.03	0.88	0.76	
	Economic Service	893300	1101927	838618		0.81	0.93	0.73	
	Grants-In-Aid And Contributions	0	0	0		0.00	0.00	0.00	
3	Salaries Total	1491519	1691514	1983970		1.35	1.43	1.72	
	General Service	680430	774554	881172		0.62	0.66	0.76	
	Social Service	557068	650364	762065		0.51	0.55	0.66	
	Economic Service	254020	266596	340733		0.23	0.23	0.29	
4	Subsidies CAG	1340265	970923	1237671		1.22	0.82	1.07	
	General Service	383	94	5		0.00	0.00	0.00	
	Social Service	1057713	678767	914948		0.96	0.58	0.79	
	Economic Service	282169	292062	322718		0.26	0.25	0.28	
Fiscal Space									
1	Revenue Expenditure	15637391	16257512	17792128	21015964	14.19	13.79	15.39	
2	Revenue Receipts	14597525	14291421	14839397	17815935	13.25	12.12	12.84	
3	Salaries and wages	1491519	1691514	1983970	NA	1.35	1.43	1.72	
4	Interest Payments	2891114	3166772	3378151	3667221	2.62	2.69	2.92	
5	Pensions	1606300	1746247	2139374	2667580	1.46	1.48	1.85	
6	3604 Gia To Local Bodies	48873	44973	44950	35438	0.04	0.04	0.04	
7	Central Gia To Local Bodies	392001	537473	632650	NA	0.36	0.46	0.55	

		Figures in Rs. Lakh				As Per Cent of GSDP			
		2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
8	Total Committed Expenditure	6429807	7186978	8179095	6370239	5.83	6.10	7.08	
9	Fiscal Space	8167718	7104443	6660302	11445695	7.41	6.03	5.76	
10	Developmental Expenditure	9207584	9070533	9613034	14645725	8.35	7.69	8.32	
	GSDP	110205366	117909714	115582061	136392586				

8.2 Explicit Subsidies in West Bengal

Explicit subsidies in all forms of expenditure is nearly 20% of revenue expenditure. Nearly half of the explicit subsidies are in the form of assistance and grants in aid. Major portion of subsidies in social services compared to economic services. In the fiscal year 2021-22 explicit subsidies under social service is around 14.03% of revenue expenditure and 4.64% in economic services. Assistance or grants in aid to cultural and religious organisations for the development of Culture and heritage is one of the prominent subsidies under social services. Assistance to craftsmen, handlooms, small industries and fisheries are some of the prominent subsidies in economic services. Other than Old age pensions, and scholarships, various subsidies under social welfare constitute nearly 10% of revenue expenditure, agriculture with 17.86 of revenue expenditure. Surprisingly subsidies under power sector is minimal in West Bengal compared to other states.

Table 23: Explicit Subsidies in West Bengal

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
(% of Revenue Expenditure)					
Subsidies (bud)	5.35	6.74	8.45	7.44	4.90
Scholarship (bud)	1.38	1.19	1.61	1.85	1.73
Old Age Pensions (bud)	2.75	2.03	2.71	3.38	3.89
Grant-in-Aid (bud)	7.00	4.73	6.00	6.89	7.50
Total Explicit Subsidies	16.48	14.68	18.77	19.55	18.01
General Service	0.04	0.11	0.10	0.11	0.11
Social Service	12.67	10.59	14.03	14.55	10.71
Economic Service	3.77	3.98	4.64	4.89	7.19
Subsidies under CSS					
(% Revenue Receipts)					
Subsidies (bud)	6.08	8.08	9.97	8.95	5.61
Scholarship (bud)	1.57	1.42	1.90	2.22	1.98
Old Age Pensions (bud)	3.13	2.43	3.20	4.07	4.45
Grant-in-Aid (bud)	7.97	5.67	7.07	8.30	8.60
Total Explicit Subsidies	18.74	17.60	22.14	23.54	20.63
General Service	0.05	0.13	0.11	0.13	0.12
Social Service	14.41	12.69	16.55	17.52	12.27
Economic Service	4.28	4.78	5.48	5.89	8.24
Subsidies under CSS					

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of West Bengal

Table 24: Sector wise Explicit Subsidies in West Bengal

	2019-20	2020-21	2021-22	2022-23 (RE)	2023-24(BE)
Per Cent of Total Explicit Subsidies					
Agriculture	16.64	18.14	17.86	17.74	9.33
Social Welfare	9.00	10.80	10.51	25.51	11.88
Industry	3.30	1.67	2.67	3.04	5.49
Transport	0.87	7.15	2.23	1.69	1.71
Insurance	1.05	1.29	2.19	1.78	2.23
Loan	0.00	0.00	0.00	0.00	0.05
Power	0.50	0.07	0.14	0.04	0.13
Others	0.92	0.59	0.78	0.85	6.28
Scholarship	27.69	22.59	23.18	13.10	8.13
Old Age Pension	38.67	33.81	35.69	31.32	42.26
Figures in Rs Lakh					
Total Explicit Subsidies	252231.00	338039.47	303338.2	490687.8	403252.09
General Service	0.23	0.27	0.03	0.25	0.25
Social Service	188497.59	219809.83	189059.45	307469.99	242203.77
Economic Service	63733.32	118229.37	114278.72	183217.56	161048.07

Note: Total Subsidies do not add up to 100 as there some overlapping across sectors.

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of West Bengal

9. Rajasthan

9.1 Fiscal Space:

Rajasthan is doing well not only increasing the revenues but also containing the revenue expenditure so as to have surplus in revenues for capital expenditure purpose. The committed expenditure has been stagnant at around 10% of GSDP. Increase in the revenue and containing the committed expenditure has given the State enough fiscal space for developmental and capital expenditure. The fiscal space has increased from around 3% during the Corvid years to 6.28% in 2021-22.

Table 25: Fiscal Space and Explicit Budgetary Subsidies in Rajasthan

Figures in Rs. Lakh					As Per Cent of GSDP			
	2018-19	2019-20	2020-21	2021-22	2018-19	2019-20	2020-21	2021-22
1 Revenue Expenditure	16677319	17648510	17830941	20979001	18.30	17.67	17.49	17.22
General Service	5436406	5618630	6014384	6540637	5.96	5.63	5.90	5.37
Social Service	6568692	6831323	7400960	8505366	7.21	6.84	7.26	6.98
Economic Service	4672212	5198551	4415591	5932994	5.13	5.21	4.33	4.87
Grants-In-Aid And Contributions	8	7	7	4	0.00	0.00	0.00	0.00
2 Expenditure Under CSS	1801082	2000601	1674820	1982139	1.98	2.00	1.64	1.63
General Service	6211	4475	3644	4059	0.01	0.00	0.00	0.00
Social Service	1149878	1000962	1082368	1027661	1.26	1.00	1.06	0.84
Economic Service	644993	995164	588808	950420	0.71	1.00	0.58	0.78
Grants-In-Aid And Contributions	0	0	0	0	0.00	0.00	0.00	0.00
3 Salaries Total	4913735	4848887	5107013	5660162	5.39	4.86	5.01	4.65
General Service	939530	918366	966060	1057283	1.03	0.92	0.95	0.87
Social Service	3704832	3675270	3867365	4317696	4.06	3.68	3.79	3.54
Economic Service	269370	255249	273585	285179	0.30	0.26	0.27	0.23
4 Subsidies CAG	2153962	1899000	1482849	2336392	2.36	1.90	1.45	1.92
General Service	379	680	1468	697	0.00	0.00	0.00	0.00
Social Service	355	534	110	211	0.00	0.00	0.00	0.00
Economic Service	2153228	1897786	1481271	2335484	2.36	1.90	1.45	1.92
Fiscal Space								
1 Revenue Expenditure	16677319	17648510	17830941	20979001	18.30	17.67	17.49	17.22
2 Revenue Receipts	13787302	14011381	13430788	18392005	15.13	14.03	13.17	15.10
3 Salaries and wages	4913735	4848887	5107013	5660162	5.39	4.86	5.01	4.65
4 Interest Payments	2169520	2364327	2520181	2810046	2.38	2.37	2.47	2.31
5 Pensions	2039626	2076131	2243962	2339135	2.24	2.08	2.20	1.92
6 3604 Gia To Local Bodies	8	7	7	4	0.00	0.00	0.00	0.00
7 Central Gia To Local Bodies	216371	632655	475550	519550	0.24	0.63	0.47	0.43
8 Total Committed Expenditure	9339261	9922007	10346714	11328897	10.25	9.94	10.15	9.30
9 Fiscal Space	4448041	4089374	3084074	7063109	4.88	4.09	3.03	5.80
10 Developmental Expenditure	7338058	7726503	7484227	9650104	8.05	7.74	7.34	7.92
GSDP	91151946	99867879	101944203	121819345				

9.2 Explicit Subsidy of Rajasthan

Total Explicit subsidies in Rajasthan has increased from 34314 Crore in 2018-19 to 47222 Crore in 2021-22RE. One can notice sharp rise in explicit subsidies in 2021-22RE onwards. Rajasthan is again a revenue deficit state and the explicit subsidies are equivalent to revenue deficit or little more. With huge committed expenditures and little fiscal space, whatever subsidies implemented by the State are met from borrowed funds.

Some of the major explicit subsidies in Rajasthan are Loan waivers, Assistance or grants in aid to Power Corporation, medical insurance and free medicines.

Loan Waivers of which loan waivers to farmers have increased from Rs. 3370 Crore in 2018-19 to 3964 Crore in 2021-22 RE. Including other loan waivers to SHGs and PSU total loan waivers stood at RS. 4022 Crore in 2021-22 RE.

Huge assistance is given to power distributing companies in Rajasthan, which includes free power given to farmers and domestic consumers up to consumption of 100 units and compensation for losses incurred by the power corporation and distribution companies toward s losses incurred by them. Total power subsidies is around RS. 22000 crore during the reference period.

The public transport system in Rajasthan is by a PSU- Rajasthan State Road Transport corporation. Total assistance given to Public transport including metro services has increased from Rs. 485 Crore in in 2018-19 to RS. 888 Crore in 2021-22 RE. Subsidies on free travel concession given various kind people like journalists, physically disabled is around RS 255 crore in 2021-22 RE and assistance Metro Rail Project and city transport services limited is Rs. 220 Crore in 2021-22 RE.

Among other subsidies, majority of the subsidies are under CSS schemes like PMAY, Horticulture mission, Health insurance, scholarships etc. Of the State sponsored notable subsidies are distribution of Scooty (two wheelers) to the students (Around Rs. 16 crore), to farmers for crop loss (around Rs. 900 Crore), Grants to Gaushalas for protection of cows (Rs. 650 Crore), Dairy cooperatives under sambal Yojana (Rs. 230 Crore) and assistance to Rajasthan Medical Services corporation for free medicines (Rs. 377 Crore)

Table 26: Major Explicit Subsidies in Rajasthan

In Rs. Lakh

	2018-19	2019-20	2020-21	RE 2021-22	BE 2022-23
Total Loan Waiver	339346	454504	452290	402220	148200
Of which Agriculture loan waiver	337000	454108	451728	396449	142400
Total Scholarships	137149	177883	166326	217267	247365
Of which Technical and Medical Scholarships	97533	117518	80019	110128	125248
Total Power Assistance	2120373	1864402	1426425	2277992	2282571
Of which power free power			3112	14565	9199
Of which loss and theft of power	1016	1717	3069	122810	3531
Total Transport	48500	49255	38727	88841	65710

	2018-19	2019-20	2020-21	RE 2021-22	BE 2022-23
Of which free travel concession	21000	17500	7990	25500	25500
Other Subsidies	786056	966114	1077828	1735879	2117759
Of which					
CM Chiranjivi Health Insurance Scheme - Public Health Insurance Scheme	15371	77047	35000	146340	222800
Grant to Gaushalas--Animal Husbandry Department	24058	46245	56548	63358	72400
Additional grants for micro irrigation through Horticulture Department				10000	50000
Assistance to Rajasthan Medical Services Corporation	19780	17842	29323	37700	40700
Chief Minister Milk Producer Sambal Yojana		10000	9750	15000	28000
Grant to Rajasthan Medical corporations for Free Medicine Distribution Scheme	13105	10766	16948	17300	19300
Assistance to Zilla Parishads / District level Panchayats --Rural B. P. L. Housing	20964	19748	12758	15015	11370
Additional assistance for Green houses through Horticulture Department	1403	1091	759		10000
Indra Women Power scheme --Rehabilitation of Victim Women	440	5500	8000	8501	8983
Indira Gandhi Urban Credit Card Scheme -2021-- Assistance under Indira Gandhi Urban Credit Card Scheme				800	5000
Grant for Dev-Narayan Scheme (DBT for Different projects)	2289	1620	241	2360	3558
Total Explicit subsidies	3431423	3512157	3161597	4722199	4861605
Total Revenue Receipts	13787302	14011381	13430788	18943149	21497724
Revenue Expenditure	16677319	17648510	17830941	22512084	23846579
GSDP	91167414	99905036	101332301	119613711	133441000
Revenue Deficit	-2890017	-3637130	-4400153	-3568936	-2348856

Source: Detailed Demand for Grants, Budget Documents of Respective years, Government of Rajasthan

10. Conclusions

It is evident from the analysis that explicit subsidies categorised as subsidies in budgetary accounting of the States, exclude similar expenditures and are categorised otherwise as Grants In aid, Assistance to PSU and implementing agencies and sometimes as general expenditure for purchase scooties or laptops for distribution to the beneficiaries. Holistic estimation from detailed demand for grants of the State Budgets reveal the explicit subsidies are under estimated both by CAG reports and budget documents.

The committed expenditure is defined to include certain statutory expenditures like Grants in Aid or devolution of revenues to Local bodies. With Assumption of no revenue deficit, the fiscal space is shrinking across the States resulting into borrowings funding the revenue expenditure requirements.

Of the six States studied in this report, Punjab has no fiscal space to fund welfare expenditure and subsidies. The borrowings are funding the non-committed revenue expenditure. Whereas Rajasthan is comfortable with revenue surplus and subsidies are limited few welfare schemes. Power sector is one the major economic services where the subsidy burden is high in Punjab. Short reimbursable of Subsidy bill to power corporation by the Government of Punjab is increasing the debt burden of Power corporation.

Therefore it is necessary to redefine and measure both subsidies and fiscal space at State level.

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Appendix I Details of Energy Subsidy of Agricultural , Domestic And Industrial Consumers in Punjab (in Rs Lakh)

YEAR	2018-19				2019-20				2020-21			
PARTICULARS	Agric ulture Secto r	Do mes tic & Oth ers	IND UST RIA L	TO TA L	Agric ultur e Secto r	Domest ic & Others	IND UST RIA L	TO TA L	Agric ultur e Secto r	Dom estic & Othe rs	IND UST RIA L	TOT AL
Receivable as on previous year	3581 41	114 093	0	472 234	3732 23	66452	9821 1	537 886	3811 37	9749 0	7896 8	5575 95
Subsidy for the year as per actual consumption	5873 75	142 798	1455 17	875 690	6127 35	18638 5	1479 64	947 084	7588 62	1943 17	1558 83	1109 062
Subsidy reduced for previous FY in T.O. next FY	- 1209 8	0	0	- 120 98	- 2591 3	0	0	- 259 13	- 3683	0	0	- 3683
Total subsidy receivable	9334 18	256 891	1455 17	133 582 6	9600 45	25283 7	2461 75	145 905 7	1136 316	2918 07	2348 51	1662 974
Subsidy received during the year	6328 82	210 619	6014 0	903 641	6060 27	15965 2	1737 33	939 412	6056 20	1610 30	1990 44	9656 94
Interest received/recovered on delayed payments	7268 6	201 79	1283 5	105 700	3851 5	8242	1283 5	595 92	6663 7	2142 1	7683	9574 1
Receivable as on current year	3732 22	664 51	9821 2	537 885	3925 33	10142 7	8527 7	579 237	5973 33	1521 98	4349 0	7930 21
Budget												
% of Liabe subsidy reimbursed	67.80	81.9 9	41.3 3	67.6 5	63.1 2	63.14	70.5 7	64.3 8	53.3 0	55.1 8	84.7 5	58.0 7
Imputed rate of Interest on Delayed payments	20.30	17.6 9		22.3 8	10.3 2	12.40	13.0 7	11.0 8	17.4 8	21.9 7	9.73	17.1 7

Source: Annual Financial Statements of Power State Power Corporation Ltd (url : 2018-19, 2019-20 & 2020-21)

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