

Subsidies in India: Evolution & Relationship with Macroeconomic Indicators

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Abstract—Subsidies play important role in development of countries, in protecting consumers from unaffordable prices and make production economically viable for producers. Subsidies in India have changed over time. Subsidies are direct as well as indirect. Agriculture sector is the one with most subsidies. This paper discusses evolution of subsidies over time to various sectors like agriculture, electricity, petroleum, irrigation, insurance, health care, education, etc. Paper also discusses the effect of subsidy on revenue receipt and fiscal deficit over period of time. Attempt is made to determine if there is a relationship between India's GDP and subsidy by regression analysis. It is found that the subsidy affects the GDP and in turn the welfare of the country as well as a measure of Human Development Indicator (HDI). Relation between subsidy and its effects on fiscal deficit and inflation are also determined.

Keywords: Subsidy, Human Development indicator