

Income Effects of Cash Subsidy Payment, Social Accounting Matrix Approach: The Fixed Price Multiplier

Topic: Effects of Infrastructure Investments

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The main aim of this study is to measure direct and indirect income effects of cash subsidies on producing activities, factors of production and institutions incomes with the focus on rural and urban households incomes. Assessment in the social accounting matrix model takes place via fixed price multiplier matrix in which the relationship between income injection and income distribution policies is given. Therefore, the 2006 Social Accounting Matrix (prepared by Majlis Research Center in 2012), Census of Population and Housing Census of Iran and subsidies for a fixed monthly payment are employed as main data resources. The results are shown that the effect of cash subsidy on total productions is approximately 1 percent per year, and on income of activities production, income of factors production, and income of institutional accounts are 0/672, 0/786, 2/17 percents respectively. The results also show that the income impact of this policy on rural households is more effective than urban households. Moreover, service, agricultural, home appliances, food and retail seller sectors have greatest influence of the policy in the activity production accounts.

Key words: social accounting matrix, accounting multiplier, constant price multiplier, Cash subsidies