ORIGINAL RESEARCH PAPER

Economics

AGRICULTURAL INPUT SUBSIDIES IN INDIA

KEY WORDS: Input Subsidies, Fertilizer, Power, Irrigation.

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ABSTRACT

Indian government providing income support to the agricultural sector and larger food self-sufficiency for poor consumers. The government of India uses several of policy instruments to achieve those goals. Domestic subsidies to inputs, outputs, storage and consumption to reduce producer costs of production and consumption prices, and transportation. Such as subsidies measures the tariffs, quotas and non-tariff measures to protect the domestic producers from import competition, manage domestic price levels and domestic supply. Since the input subsidies are one of the most expensive aspects of India's food and agriculture policy regime requiring a steadily larger budget share. Indian government gives input subsidies to agricultural sector in an attempt to keep farm costs low and production high. The main intension of Indian government is for the farmers to benefit from/lower cost, but also for them to pass some of the savings on to the consumers in the form of lower than food prices. The Indian government pays fertilizer producer directly in exchange for the companies selling fertilizer lower than market prices. Irrigation and electricity, on the other hand, are supplied directly to farmers by government at price that is below the cost of production. The input subsidies can also produce unintended effects and growth in non- product specific support. In this present study examine the input subsidies and growth in non-product support (power, fertilizers, irrigation) in 1980-81 to 2020-2021. Result of this study is growth in non-product support was increasing significantly. This study based on secondary data collected from various report, ministry of statistics, ministry of agriculture, ministry of agriculture and farmer welfare, directorate of economics and statistics, ministry of finance. Suggest government policy in this study.

Introduction

The input subsidies are one of the most expensive aspects of India's food and agriculture policy regime, requiring a steadily larger budget share. In India achieving food self sufficiency while providing income support to the agricultural sector & poor consumers. The government of India uses varies policy programme to achieve those goals, like domestic subsidies, to inputs (fertilizers, electricity, irrigation, seed, credit, machinery ect.) outputs, (storage). Agriculture commodity storage & consumption costs to reduce producers & consumer price and market system transportation, ect. Measures of subsidies, llike tariffs, quotas, & non- tariff measures to protect domestic price levels, &domestic supply. Input agricultural subsidies in an attempt to keep from costs low and production high, the government of India intension is for farmers to benefit from lower costs means fertilizers, electricity, irrigation ect & lower food prices. Indian government pay fertilizer producers directly in exchange for the companies selling fertilizer at lower than market prices. Irrigation & electricity on other hand are supplied directly to farmers by government of India at prices that are below the cost of production, the India's expenditure on inputs (fertilizer, power, irrigation) growth in non-product support has increased sharply. The government has been implementing several programmes and schemes for promoting sustainable agriculture practices. Some of these are the national mission on sustainable agriculture (NMSA) this mission aims at enhancing food security and production of resources such as land, water, biodiversity & genetics the national initiative on climate resilient agriculture – four main modules includes natural resources management, improving crop production, livestock and farmers , institutional intervention the national agro forestry policy & the soil health card scheme. In additional the national food security mission, mission for integrated development of horticulture & national mission on agricultural extension & technology are being implemented to cover other major aspects of farming. The government subsidy depends on the quantity of food grains distribution through the PDS and the rate of subsidy which in turn is determined by procurement price, handling charges of the food corporation of India & the issue price. The PDS has increased during the 1980s. Untilmid-1960s, the consumer subsidy was incurred on both rice & wheat. Throughout the 1970s the rate for rice, & in the 1980s the position was reversed, during the 1990s the rate of consumer subsidy on wheat has again crossed the rice subsidy rate the consumer subsidy is influenced by procurement price, handling charges & issue price. The large subsidies, their proliferation & unmitigated grown, their poor desigly targeting & extensive linkages, all of these tending to promote inefficiency & wastage of resources also to create adverse implications for income distribution, and the unjustified subsidies leading to heavy macro-economic costs in the farm of large fiscal deficits, pre-emption of resources, pressure on the fiscal system & stiffening of interest rates. The poor cost recoveries in three key areas, namely state electricity boards, irrigation departments & state transport undertaken have been a perennial problem but the issues go for appropriate costing of services they are also considered with organizations managerial maintenance issue.

The cost recovery issue to the whole gamut of social & economic services is invidious the role of state & to close forever the most viable & practical option available in the theory of social expenditure of undertaking public programmes & of taxing the rich who appropriate a relatively larger share of the benefit of those programmes. During the 1997-98 the central budget proposals for subsidy reduction are the culmination of a persistent attempt by a section of the bureaucracy to corrode the planning process from within & replace it by a market based system of governance. 1990s the planning commission, overawed by the planning due to the emerging resources crunch, & the national institute of public finance and policy to produce a unrecovered costs of public services in India. 1994-95 unrecovered costs of public services had no basic in economic theory of social expenditure, for the theory provided no operational rules even for the definition of subsidies, determination of their optimum level & composition. The granting of subsidies or recovering user costs on consideration of development priorities, allocate goals or goals of income distribution was for the politicians to decide. The government are classified-public goods, merit goods & non-metric goods public goods like-defense & general administration involving large externalities, are not amenable to usual market pricing mechanism & hence subsidies are not relevant for them. Merit goods are those which qualify for subsidies on the ground that they give rise to substantial externalities and that should be possible to price them nevertheless, imperfectly. Some of the social services like elementary education, public health, sewerage, sanitation & other social welfare schemes for labour, sc, & st ect, economic services like agricultural extension and research, soil, water conservation, bridges, roads the gap between the private valuation of the benefits of such services and their true value to

society, normal market mechanisms are unable to ensure appropriate level of such services and hence subsidies are advocated to provide the necessary corrective. What is the purpose is served by imputing some subsidy to such merit services and bracketing them with unrecovered cost of like power, irrigation and transport, is not known the non-merit goods, do not generate any significant externalities and hence do not justify the conferment of subsidies. Such economic services like, social security and welfare and other social services and economic services like social security and family welfare, and economic services like agriculture and allied activities, co-operation rural development, special area programmes, irrigation and flood control, industries, transport, civil ect.. And other economic services. The size of subsidies are estimated by the national institution of public and finance policy, no. of extraneous consideration such as the level of interest rates, exchange rate for the rupee and revenue expenditure of administrative natures which are more often than not determined rather arbitrarily by the policy predilections of the central and state governments. The budgetary subsidies are measured as the excess of the costs of providing a service over the recoveries from that service. In this present study examine the input subsidies and growth in non-product support (power, fertilizers, irrigation) in 1980-81 to 2020-2021. Result of this study is growth in non-product support was increasing significantly. This study based on secondary data collected from various report, ministry of statistics, ministry of agriculture, ministry of agriculture and farmer welfare, directorate of economics and statistics, ministry of finance. Suggest government policy in this study.

Review of literature

Ashok Gulati & Anil Sharma (1994), they studied the agriculture under GATT: what it holds for India. The main purpose of this study was GATT treaty is to reform world trade which is highly distorted because of direct and indirect subsidies that flow to various sectors of the economy in various countries of the world. The direct and indirect subsidies flows to agricultural sector manifest themselves into distorted world price of agricultural commodities. The deceptive comparative advantage that leads to inefficient use of world resources, which ultimately leads to efficiency and welfare losses around the world development countries provide positive support to their cultivators and their support levels are quite high generally more than 10 percent of the total value of agricultural output.

Deepak Nayyar and Abhijit Sen (1994), they analyses the impact on Indian agriculture of trade policy reform in India and multilateral trade liberalization internationally, highlight the rationale and structure of India's trade policy regime for agriculture over the last three decades significance of the agricultural sector in India's economy & foreign trade on the one hand and the importance of the Indian agriculture in world output and trade on the other comparison of domestic and world prices for selected agricultural product.

Ajit Karnik and mala lavani (1996), they analyze the interest groups, subsidies and public goods: farm lobby in Indian agriculture. Federal and state governments incur large expenditure to provide subsidies to agriculture. The main objective of this paper was to examine the influence of the farm lobby in determining the availability of subsidies and public goods to agriculture. Used parametric and non-parametric test.

George (1996), he studied the public distribution system and policy, production incentives to farmers and amount of food subsidy the distribution system relate to three aspects. The total consumer subsidy depends on the quantity of food grains distribution through the PDS and the rate of subsidies which turn is determined by procurement price, handling changes of the food corporation of India and the issue price.

EPW Research foundation (1997), this research paper analyze the distorted perceptions: government subsidies and fiscal crisis. The subsidies has not only a weak theoretical basis but it fails to take cognizance of the significance of dynamic externalities in a whole range of social and economic services which make public intervention a necessary conditions for vibrant economic growth. Imputing some subsidy to such merit services and bracketing them with unrecovered cost of power, irrigation and transport. Non-merit goods do not generate any significant externalities and hence do not justify the conferment of subsidies.

Methodology

This study based on secondary data collected from various report, ministry of statistics, ministry of agriculture, ministry of agriculture and farmer welfare, directorate of economics and statistics, ministry of finance, ministry of chemicals & fertilizers, department of fertilizers & fertilizer association of India. Used statistical tools and Data will be collected from 1980-2020.Suggest government policy in this study.

Result and Discursions:

Growth in non-product specific support (NPSS) to major inputs (fertilizers, power and irrigation) in India (1980-81to 2002-2003) (Rs in Million)

Years	Fertilizers	Power	Irrigation	Total
1980-81	-	36.8	41.2	78.0
1981-82	23.3	44.7	45.8	113.8
1982-83	8.2	58.3	54.2	120.7
1983-84	21.5	76.7	63.2	161.4
1984-85	121.2	99.7	72.5	293.4
1985-86	142.2	130.4	74.4	347.0
1986-87	-7.2	170.6	107.8	271.2
1987-88	52.7	253.5	197.2	503.4
1988-89	189.7	300.7	235.4	725.8
1989-90	285.8	359.4	230.9	876.1
1990-91	455.8	462.1	257.1	1175.0
1991-92	350.7	588.4	286.8	1225.9
1992-93	326.1	734.4	328.8	1389.3
1993-94	335.2	895.7	344.1	1575.0
1994-95	788.9	1120.0	395.4	2304.3
1995-96	964.2	1383.8	441.2	2794.4
1996-97	963.2	1558.5	443.9	2965.6
1997-98	815.9	1902.1	465.6	3183.6
1998-99	831.4	2249.6	493.7	3574.7
1999-2000	620.7	2627.1	521.8	3769.6
2000-01	726.1	2881.4	549.5	4157.0
2001-02	673.4	3197.9	577.6	4448.9
2002-03	699.7	3567.5	605.6	4972.8

Source: Ministry of agriculture, government of India.

since 1980-81 the growth in non-product specific support to major inputs like irrigation and power, fertilizers during 1980-81 the growth in power 36.8 million rupees and irrigation was 78.0 million in 1981-1982 the fertilizer growth was 23.3 million (Rs) power was 44.7 Rs and irrigation was 45.8 million rupees. During 1982-1983 fertiliser decline 8.2 million in grown in non-product power was 58.3 million and irrigation was 54.2 million rupees. The power and irrigation increasing, the total growth in non-product was during 1980-81 was 78.0 million rupees in 1981-1982 growth in non-product like such inputs irrigation, fertilizers and power was 113.8 million rupees it increase to compare the previous year. During 1983-84 total growth in non-product was 161.4 million rupees in fertilizers was 21.5, power was 76.7 million irrigation was 63.2 million the fertilizers slowly increasing during the 1984-1985 the total growth in irrigation, fertilizer and power was 293.4 million rupees subsequently hade sloppy increase to total growth in non-products. In 1985-86 growth of fertilizers was 142.2 million and the growth of fertilizers subsequently had a sloppy decrease to -7.2 million in 1986-1987 to 52.7 million in 1987-88. In 1985-86 growth of power was 130.4 million & the growth of power had a sloppy increase to 170.6 million in 1986-87, and the irrigation growth of 1985-86 was 74.4 had a sloppy increasing to 107.8 million rupees in non-product growth in 1986-87. Total non product growth was 271.2 million rupees. In 1988-89 growth in 1988-89 growth in fertilizer of non-product was

189.7 million and irrigation growth was 235 million rupees power was 300.7 million the power growth in non-product support was increasing significantly to compare the irrigation & fertilizers inputs since in 1989-1990 growth of fertilizer was 285.8 million and the growth in irrigation and power subsequently had a sloppy increase to 230.9 million of irrigation & 359.4 million of power in 1989-1990. The total growth in non-product during 1989-1990 was 876.1 million rupees. The total of fertilizer irrigation, power was year to year it will be increasing very high.

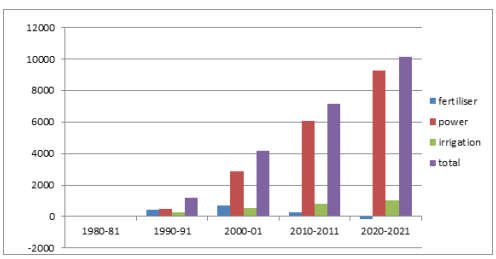
Growth in non-product specific support (NPSS) to major inputs (fertilizers, power and irrigation) in India (2003-2004 to 2020-2021) (Rs in million)

Year	Fertilizer	Power	Irrigation	Total
Pre- WTO regime (1985-1986 to 1994-1995	29.72*$	26.18**	17.49**	24.74**
Post- WTO regime (1995-1996 to 2002-2003)	5.38**	14.82**	4.95**	8.39**
2003-2004*	583	3856.58	624.77	5064.44
2004-2005	537.56	4175.62	649.75	5363.02
2005-2006	492.12	4494.62	674.73	5661.60
2006-2007	446.68	4813.64	699.71	5960.18
2007-2008	401.24	5132.66	724.69	6258.76
2008-2009	355.8	5451.68	749.67	6557.34
2009-2010	310.36	5770.70	774.65	6855.92
2010-2011	264.92	6089.72	799.63	7154.50
2011-2012	219.48	6408.74	824.61	7453.08
2012-2013	174.04	6727.76	849.59	7751.66
2013-2014	128.6	7046.78	874.57	8050.24
2014-2015	83.16	7365.80	899.55	8348.82
2015-2016	37.72	7684.82	924.53	8647.40
2016-2017	-7.22	8003.84	949.51	8945.98
2017-2018	-53.16	8322.86	974.49	9244.56
2018-2019	-98.60	8641.88	999.47	9543.14
2019-2020	-144.04	8960.90	1024.45	9841.72
2020-2021	-189.48	9279.92	1049.43	10140.30

Note: $: refer to 1987-1988 to 1994-1995, *Future projections. ^: during pre & post-WTO regimes.

Source: Ministry of Agriculture, Government of India.

Growth in non-product specific support (NPSS) to major inputs (fertilizers, power and irrigation) inIndia (1980-81 to 2020-2021) (Rs in million)



The pre-WTO regime in 1985-86 to 1994-95 the growth of fertilizer, irrigation and power. During 1990-1991 and 1991-92 the fertilizers was decreasing 455.8 million to 350.7 million rupees. Power was increase 462.1 million to 588.4 million and irrigation growth in non-product increase 257.1 million to 286.8 million rupees the total growth in non-product was irrigation, fertilizers, power was increase 1,175.0 million rupees. In 1993-94 the growth of fertilizer was 326.1 million & power was 895.7 million, irrigation was 328.8 total growths in non-product was 1575.0 million in rupees. The pre-WTO period in 1994-1995 the growth of non-product of fertilizer was 788.9 million, power was 1120.0 million irrigation was 395.4 million power was sloppy increase, the total non-growth product was 2304.3million rupees so year to year the growth of non-product was increasing significantly. The post WTO regime (1995-96 to 2002-03) the post WTO growth of non-product was in 1995-96. Growth of non-products in fertilizer was 969.4 million rupees and power was 1383.3 million rupees and irrigation was 441.2 million the total grow of non-product was 2794.4 million rupees. In 1996-97 to 1999-2000 the growth of non-product was increasing continuously of fertilizer, irrigation, and power. In 2000-01 the total growth of non-product was 4157.0 millions. During 2001-2002 the power non-product growth was increased that was 3197.9 million rupees. Fertilizer was decreased to compare the previous year 673.4 million & irrigation was 577.6 million the less non product growth was irrigation the very high non-product growth was power rather than fertilizer. In 2002-03 the total non-product growth was 5064.44. In 2004-2010 the growth of non-product in power, irrigation was regularly/continuous increasing the fertilizer non product was decreasing 2005-2010. The total non-product growth was in 2005 was 5363.02 million rupees in 2010- 6855.92 million rupees it's increasing. In 2010-11 and 2015-16 the growth of non-product of fertilizer was 264 million in 2010-11. In 2015-16 was 37.72 million rupees in growth of non-products in fertilizer subsequently hade sloppy increase to fertilizer non-product growth to compare the post WTO period and pre-WTO period the fertilizer non-product growth was significantly decreasing in the year of 2010-2016. The power non-product growth was 2010-11 to 2015-16 significantly continuous increasing & the irrigation non-growth was increasing. The total non-growth product was 2015-16 8647.40million rupees in 2016-17 to future estimation of non-product growth of fertilizer -7.72 million in 2020-21 the growth of fertilizer non-product negatively increasing in 2016-17 to 2020-21 and the power and irrigation non-product growth was positively increasing in 2016-2020. The overall total growth of non-product fertilizer, irrigation, power was 8,945.98 million rupees and the cost subsequently had a sloppy increase to 10140.30 million rupees in 2021. During 1980-81 to 2020-21 total fertilizer growth in non-product was 12,361.58 million rupees, total irrigation non growth is 123,331.92 million rupees, irrigation growth is 15,067.8 million rupees.

Conclusion

Indian economy has moved on a high growth path. India's current account deficit declined from about 1 percent of GDP last year to 0.3 percent of GDP in the first half of 2016-17. The growth in non-product of fertilizer, was -7.72 million rupees in 2016-17 the product growth was decreasing world economy faces considerable uncertainty in the after mater of major economic and political developments during the last year. The growth in non-product support was increasing it has been increasing the economy burden, even after providing fertilizer subsidy, power subsidy and irrigation subsidy facilities give to small farmers they are getting high productivity and production in agricultural sector. The economic burden also decreasing and the country growth rate and employment also increasing. When the growth in non-product was high there is insufficient product and large amount of fiscal imbalance will be araised so it is a big problem in Indian economy. So agricultural subsidies is very important for farmers Indian farmers are facing finance problem, marketing problems and so on... Our government failed to gain profit as per the investment because Indian agriculture is gambling with mansoon and facing problems in heavily new technologies a making use of it. Indian government target for agricultural credit in 2017-18 has been fixed at a record level of 10 lack crore rupees and farmers will also benefit from 60 days interest waiver announced on 31 Dec 2016 and to ensure flow of credit to small-farmers, governments to support NABARD for computerization and integration of all 63,000 functional primary agriculture credit societies with the crore banking system of district central cooperative bank. This will be done in 3years at an estimated cost of 1,900crores rupees fasal bima yojana scheme will be increased from 30 percent of cropped area in 2016-17 to 40 percent in 2017-18 and 50percent in 2018-19. Provision budget 9000 crore rupees and introduced a new mini labs in krishivigyan Kendra's 648 krishivigyan Kendra's in the country specially for soil sample testing lot of farmers don't have awareness this government's schemes and prime minister announced the long term irrigation fund already set up in NABARD to be augmented by 100 percent to take the total corpus of this

funds to 40,000 crores. Through government provided power subsidies given to agriculture it fails to reach rural farmers in this reason the growth in non-product was increasing. The subsidies that are given by the government as non-product specific support in terms of fertilizer, power and irrigation had experienced a regular increase that specifics how sensitive the government was in the matter of fertilizer, power and irrigation to prolife the agricultural sector. The continuous increase of irrigation, power and fertilizer has channelize the researcher's concern over the government's policies & measures to uplift the agricultural sector which provides employment for more than 60 percent of the working population in India which contribution a less share to the economy the prospects for future the data give a clear picture of the importance of to be given in the budget for the agricultural sector in the near future & reduce the non-product growth in economy.

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