



**Biotica
Research
Today**

**Vol 2:9 966
2020 967**

Structure of Agricultural Input Subsidies in India

Satishkumar, M.^{1*}, Sharan Bhoopal Reddy², Ravi Pujari³ and Maruti, K.⁴

¹Dept. of Agricultural Economics, ²Dept. of Soil Science and Agricultural Chemistry, ³Dept. of Horticulture, College of Agriculture, Bheemarayanagudi, Karnataka (585 287), India
⁴Agricultural Research Station, Bheemarayanagudi, Karnataka (585 287), India

 Open Access

Corresponding Author

Satishkumar, M
e-mail: sati.4855@gmail.com

 **Keywords**

Farmers, Fiscal Policy, Incentives, Subsidy Scheme

Article History

Received in 24th September 2020

Received in revised form 28th September 2020

Accepted in final form 29th September 2020

E-mail: bioticapublications@gmail.com

How to cite this article?

Satishkumar *et al.*, 2020. Structure of Agricultural Input Subsidies in India. *Biotica Research Today* 2(9): 966-967.

Abstract

A subsidy is an important instrument of fiscal policy and it is necessary as a production accelerating catalyst for the farmers. The central and state governments provide assistance to the farmers by implementing different schemes. Among them, agricultural subsidy schemes play a major role in improving the socio-economic status of the farmers. There are several agricultural inputs subsidies like fertilizer subsidy, power subsidy, irrigation and credit subsidy etc., and these subsidies acts as incentives for the farmers to do farming.

Introduction

Agriculture sector is undoubtedly most important sector of Indian economy as it provides employment security and food security to the people of the nation. Indian farmers being poor are not in a position to buy expensive inputs. Therefore government started to provide subsidies on various inputs for the benefit of farming community.

The word subsidy is derived from Latin word 'subsidium', which means "coming to assistance from behind". According the Oxford English Dictionary, subsidy is defined as "a sum of money granted by state or a public body to help an industry or business keep the price of a commodity or service low." The groups or individuals getting benefit from the government in the form of a cash payment or a tax reduction is called subsidy. It is given to remove some types of burden by considering the overall interest of the public.

Structure of Agricultural Subsidies

Agricultural subsidies in general are given in several forms to the people in the country. Input subsidies are provided in the form of explicit and implicit input subsidies. Subsidies given for purchasing improved variety seeds, plant protection chemicals, agricultural implements and so on fall under explicit input subsidies. Whereas, fertilizers subsidy falls under implicit subsidy and these subsidy are hidden in nature. Output subsidy and food subsidy are also a part of agricultural subsidies.

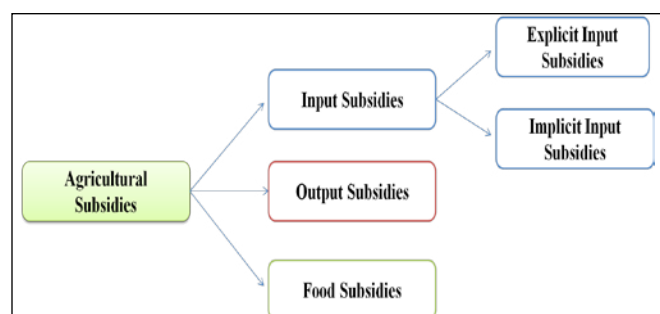


Figure 1: Structure of Agricultural Subsidies in India

Structure of Agricultural Input Subsidies

The extensive subsidies were given on hybrid seeds, pesticides, fertilizers, etc during the period of Green revolution. These subsidies are given with an aim to keep the cost of food grains at minimum, to evade food inflation and to ensure income security of the farmers. The objective of subsidies, by means of creating a wedge between consumer prices and producer costs, lead to changes in demand/ supply decisions (Salunkhe and Deshmush, 2012). The different form of agricultural input subsidies are follows.

Fertilizer Subsidy

The tariffs on the import of fertilizers are lifted by the government in the form of fertilizers subsidies. The chemical and non chemical fertilizers are distributed among the farmers at cheaper cost. Therefore, the fertilizer subsidy is the difference amount between price paid to the manufacture of fertilizer and price received from farmers.

Power Subsidy

The government charges low rates to the farmers for the power supplied. Power is commonly used by the farmers for the irrigation purposes. The power subsidy is given to encourage the farmer to invest in pump sets, bore wells etc. The power subsidy is nothing but the difference between the cost of generating and distributing electricity to the farmers and the price received from farmers.

Irrigation Subsidy

For providing proper irrigation facilities to the farmers, government spends certain amount in the form of irrigation subsidy. The public goods such as canals, dams etc, are constructed by the governments and are charged low prices or no prices at all for their use from the farmers. The irrigation charges recovered from the farmers are deducted from the operating and maintaining cost of irrigation infrastructure to account the irrigation subsidy.

Credit Subsidy

The government provides several banking operations in different regions by advance agricultural loans to the farmers at low interest rates through subsidization schemes. Credit subsidy is the difference between interest charged from farmers, and actual cost of providing credit, plus other costs such as writing-off of bad loans.

Other Input Subsidies

The government also provides subsidy on machinery and equipment for farmers, subsidy for purchasing quality seeds (seed subsidy) and so on.

Conclusion

The central and state governments initiated several agricultural subsidy schemes to assist the farmers of the nation. The Government should encourage subsidies on organic inputs like bio-fertilizers and more assistance should be given for genetic improvement especially pulses as the average productivity in India is very low compared to global average. In case of irrigation, canal water should be properly priced and support should be extended for ground water recharge mechanisms. In case of credit subsidy, the subvention facility should be extended to dairy and other term facilities for agriculture which encourage capital formation in agriculture.

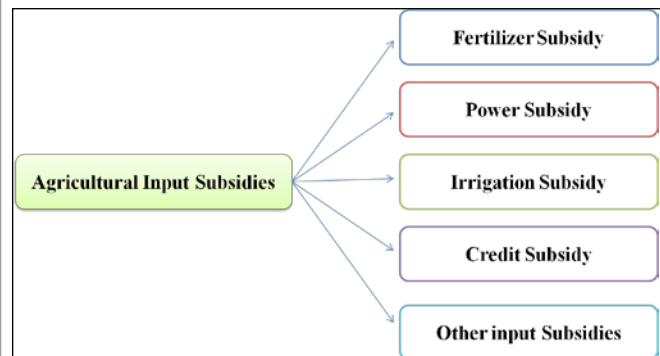


Figure 2: Structure of Agricultural Input Subsidies in India

References

Anonymous, 2006. Rep., Eleventh Five Year Plan on Crop Husbandry, Agricultural Inputs, Demand and Supply Projections and Agricultural Statistics, Planning Commission, Government of India, 18-21.

Salunkhe, H.A., Deshmush, B.B., 2012, The overview of Government subsidies to agriculture sector in India. *J. of Agric. and Veterinary Sci.*, 1(5), 43-47.

www.yourarticlelibrary.com/agriculture/agricultural-subsidies-kinds-of-agricultural-subsidies-in-india.