

## RATIONALE OF AGRICULTURE SUBSIDIES IN INDIA: A CASE STUDY

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***Abstract:** Agricultural scenario of India is more like a man runs and runs and finds himself in the same place. The precarious positions of farmers on our country side are more dependent on many of the schemes and policies of the government. Even though the contribution of agriculture to GDP is reduced substantially to 18%, the dependence of farmers on agriculture still remains at 60%. Irrespective of the category of farmers like large, medium and small, there is total reliance on subsidy. Subsidies play a crucial role in the growth and development of agricultural sector. This paper explains about the role of subsidies in agriculture and the level of awareness of farmers in the sample area. The findings of the paper show that there is no association between level of education of farmers and awareness of subsidies.*

***Keywords:** Agriculture, subsidies, farmer, awareness*

### 1. INTRODUCTION

Indian farmers by very nature are resource poor can neither afford expensive inputs nor bare the risks of using unfamiliar equipments. Subsidies, in a sense are motivators to our farming community to shift over to high value crops from conventional food crops which are much in demand in world markets. The health and wealth of Indian economy is more dependent on agriculture. The position of agriculture is all pervasive in the sense that one cannot imagine our country without agriculture. This all pervading sector to a great extent is composed of small and marginal farmers who are economically weak and more dependent on various policy measures of the government. Subsidy is a policy adopted by government to support and encourage farmers to continue in the culture of agriculture.

Land and Labor are no longer the predominant factors of agricultural growth. Capital along with monitored subsidies can become a major source of growth (C H Rao, 2001). Indian farmers have meager internal resources and therefore be supported with subsidies (Umallela, 2004). The rate of return to capital is too low

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in India which warrants additional support from government through subsidies (J.P. Singh, 2006). To support the agriculture sector the governments are taking many initiatives to boost the agricultural sector. In the last few years the percentage of production in agricultural sector is increased and at same time percentage of subsidies in agriculture sector also moved positively. The present capital investment in agriculture and allied sectors has witnessed a regularly increasing trend in recent years. (Salunke & Deshmukh, 2014). At present, in India, Central and State governments are providing subsidies on electricity, fertilizers, irrigation (canal water), and other subsidies to farmers. Through cooperative societies in the form of seeds, development of oil seeds, pulses, cotton, rice, maize and crop insurance schemes and price support schemes have been provided for the growth of agriculture.

## **2. OBJECTIVES OF THE STUDY**

1. To study the level of awareness among farmers towards available subsidy schemes.
2. To ascertain the opinion of farmer beneficiaries on subsidies.
3. To check the impact of level of education on awareness level of subsidies.

### **Hypotheses**

H01: level of education of farmers has no association with awareness of subsidy schemes.

H02: Income of farmers is independent of availing subsidies.

### **Methodology**

This paper is based upon both primary and secondary data. The data were collected through a structured questionnaire. It was administered to the targeted respondents in Shimoga district of Karnataka State. The population of the Study consists of farmers of this region. To investigate the experience and opinions of farmers, respondents have been selected on cluster sampling. The primary data has been collected by serving interview schedules to 150 respondents (n=150). Chi-square test is used to interpret the data. To elicit the opinion on subsidies from farmers vary popular schemes like 0% interest, 4% interest, fertilizers subsidy and purchase of new equipment are accorded priority.

### **Agriculture in India**

From the time of independence agriculture has played a dominant role in the growth of Indian Economy. It represents the largest sector in Indian economy and

largest in employment generation. In rural areas many people are dependent on agriculture. For a developing country like India, this sector is an engine of economic growth due to livelihood and food security and its interdependence with industrial sector. In developing nations, economic growth to a great extent depends on agriculture sector (Ranga & Sharma, 2014).

### Agriculture Subsidies in India

The new agricultural technology was in the form of a package programme which included the use of high yielding varieties of seeds, assured irrigation, chemical fertilizers, insecticides and pesticides and machinery (Government of India, 1994-95). Indian farmers being poor are not in a position to buy these expensive inputs. Then India started the scheme of subsidies on purchase of various agriculture inputs to facilitate the farmers (Singh, 1994). In India, at present, centres as well as state governments are providing subsidies on fertilizers, irrigation (canal water), electricity and other subsidies to marginal farmers and farmers' cooperative societies in the form of seeds, development of oil seeds, pulses, cotton, rice, maize and crop insurance schemes and price support schemes etc. Out of these subsidies, at present, the central government pays subsidies to the farmers on the purchase of fertilizers. Fertilizers are an important component of agricultural technology. Whereas initially organic fertilizers were mainly used in the fields, however, chemical fertilizers have played a very important role in enhancing the agricultural production.

Food Fertilizer, basically for import substitution and push fertilizer consumption, Irrigation (Hugh investments, Hydel power generation and Flood control), Power subsidy, Crop insurance, Subsidized Priority lending (NABARD, PSU banks, RRBs), Minimum Support Pricing, Subsidized Inputs and Welfare schemes under rural development.

### 3. DATA ANALYSIS AND INTERPRETATION

**Table 1**  
**Demographic analysis of respondents**

<i>Particular</i>		<i>No. of respondents</i>	<i>%</i>
Age	20-30 years	26	17
	31-40 years	75	50
	41-50 years	30	20
	Above 51 years	19	13
	<b>Total</b>	<b>150</b>	<b>100</b>
Sex	Male	106	71
	Female	44	29
	<b>Total</b>	<b>150</b>	<b>100</b>

*contd. table 1*

<i>Particular</i>		<i>No. of respondents</i>	<i>%</i>
Marital status	Married	111	74
	Unmarried	39	26
	<b>Total</b>	<b>150</b>	<b>100</b>
Education	No formal education	74	50
	School level	35	23
	College level	26	17
	Profession level	15	10
	<b>Total</b>	<b>150</b>	<b>100</b>
Monthly Income	Below 5000	48	32
	5001-10000	49	33
	10001-15000	22	15
	15001-20000	16	10
	Above 20000	15	10
	<b>Total</b>	<b>150</b>	<b>100</b>

**Table 2**  
**Other sources of income**

<i>Particular</i>	<i>No. of respondents</i>	<i>%</i>
Depend on Agriculture only	110	73%
Business	30	20%
some members are doing GOVT/PVT Job	10	7%
Total	150	100

**Table 3**  
**Awareness of different Government Schemes**

<i>Schemes</i>	<i>Yes (No. of Respondents)</i>	<i>No (No. of Respondents)</i>
Interest Subsidy loan scheme given by Govt and Cooperative Banks	110 (73%)	40 (27%)
Kisaan Credit cards	120 (80%)	30 (20%)
Fertilizer subsidy scheme	110 (73%)	40 (27%)
Bhoo Chetan	60 (40%)	90 (60%)
Rastriya Krishi Vikaas Yojana	50 (33%)	100 (67%)
Subsidized agriculture seeds	120 (80%)	30 (20%)
National Insurance Scheme	130 (87%)	20 (13%)
Oil falm development scheme	30 (20%)	120 (80%)
Maize Production scheme	45 (30%)	105 (70%)
Yashashwini	140 (93%)	10 (7%)
Mahila Priyadarshini Scheme	15 (10%)	135 (90%)

**Table 4**  
**Beneficiaries of the subsidies**

<i>Subsidy</i>	<i>Yes</i>	<i>No</i>	<i>Not aware</i>
Subsidize crop loan of 4% interest	125 (83%)	15 (10%)	10 (7%)
Subsidies crop loan of 0% Interest	5 (3%)	140 (93%)	5 (4%)
Fertilizer subsidies	110 (73%)	30 (20%)	10 (7%)
Subsidies on purchasing the new agriculture equipments	130 (87%)	10 (7%)	10 (6%)

H01: level of education of farmers has no association with awareness of subsidy schemes.

H11: level of education of farmers has association with awareness of subsidy schemes.

**Table 5**  
**Cross tabulation of level of Education and Awareness of Interest Subsidy loan scheme given by Government and Cooperative Banks**

	<i>Yes</i>	<i>No</i>	<i>Total</i>
No formal education	55	19	74
School level	24	11	35
College level	21	5	26
Profession level	10	5	15
Total	110	40	150

Chi-square calculated value is 1.6185 and table value for 3 d.f at 5% level of significance is 7.81 and as  $1.6185 < 7.81$  implies that there is no association between level of education and awareness of subsidy schemes given by government and cooperative banks.

H02: Income of farmers is independent of availing subsidize crop loan of 4% interest

H12: Income of farmers is dependent of availing subsidize crop loan of 4% interest

**Table 6**  
**Cross tabulation of Income level and availing subsidize crop loan of 4% interest**

	<i>Yes</i>	<i>No</i>	<i>Not aware</i>	<i>Total</i>
Below 5000	42	4	2	48
5001-10000	41	5	3	49
10001-15000	17	3	2	22
15001-20000	12	2	2	16
Above 20000	13	1	1	15
Total	125	15	10	150

Chi-square calculated value is 0.553024 and table value for 8 d.f at 5% level of significance is 15.507 and as  $0.553024 < 15.507$  can be concluded that income of farmers is independent of availing subsidize crop loan of 4% interest.

H03: Income of farmers is independent of availing subsidize crop loan of 0% interest

H13: Income of farmers is dependent of availing subsidize crop loan of 0% interest

**Table 7**  
**Cross tabulation of Income level and availing subsidize crop loan of 0% interest**

	Yes	No	Not aware	Total
Below 5000	1	46	1	48
5001-10000	1	46	2	49
10001-15000	1	19	2	22
15001-20000	1	15	0	16
Above 20000	1	14	0	15
Total	5	140	5	150

Chi-square calculated value is 1.291355 and table value for 8 d.f at 5% level of significance is 15.507 and as  $1.291355 < 15.507$  can be concluded that income of farmers is independent of availing subsidize crop loan of 0% interest.

H04: Income of farmers is independent of availing Fertilizer subsidies

H14: Income of farmers is dependent of availing Fertilizer subsidies

**Table 8**  
**Cross tabulation of Income level and availing Fertilizer subsidies**

	Yes	No	Not aware	Total
Below 5000	38	7	3	48
5001-10000	34	12	3	49
10001-15000	17	3	2	22
15001-20000	14	3	1	16
Above 20000	14	3	1	15
Total	110	30	10	150

Chi-square calculated value is 0.706196 and table value for 8 d.f at 5% level of significance is 15.507 and as  $0.706196 < 15.507$  H04 is accepted. Income of farmers is independent of availing Fertilizer subsidies.

H05: Income of farmers is independent of availing Subsidies on purchasing the new agriculture equipments

H15: Income of farmers is dependent of availing Subsidies on purchasing the new agriculture equipments as in table 9.

**Table 9**  
**Cross tabulation of Income of Farmers and Availing subsidies on purchasing new equipment**

	Yes	No	Not aware	Total
Below 5000	41	4	3	48
5001-10000	40	4	5	49
10001-15000	18	2	2	22
15001-20000	16	0	0	16
Above 20000	15	0	0	15
Total	130	10	10	150

Chi-square calculated value is 1.0697 and table value for 8 d.f at 5% level of significance is 15.507 and as  $1.0697 < 15.507$ ,  $H_0$  is accepted. Income of farmers and availing Subsidies on purchasing the new agriculture equipments are independent.

#### 4. FINDINGS

1. The study found that 73% of the respondents are aware of Interest Subsidy loan schemes given by Government and Cooperative Banks, whereas 27% of the respondents are unaware of the scheme.
2. It is found from the study that 80% of the respondents have availing the Kisaan Credit cards
3. The study found that 93% of the respondents are aware of the yashashwini scheme and 7% are not aware of the scheme.
4. It is found from the study that 87% of the farmers are aware of National Insurance Scheme and 13% of the farmers are unaware of the schemes.
5. 83% of the respondents availed subscribe crop loan at 4% interest and 10% have not availed loan and 7% are unaware of the scheme.
6. There is no association between level of education and awareness of various subsidy schemes given by government.
7. Income of farmers is independent of availing subsidies.

#### 5. CONCLUSION

A rational subsidy approach in our tradition bound agrarian environment can be better through development subsidies. Instead of induced subsidies like low interest loans, policies must be made appropriately to see that subsidies will reach small and marginal farmers. During survey it is found that maximum number of farmers

are aware about some schemes but some of the schemes are not updated and not known to farmers. May be there is a lack of Subsidy information provided by official. There is an urgent need to create awareness of all schemes where easily farmers can avail the service. Therefore government must develop Subsidy Information System to educate farmers and Documentation procedures, to avail subsidy must be made farmer friendly.

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