



Impact of agricultural subsidies on agricultural development in India

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Abstract

The nation's growth and prosperity depend significantly on the agriculture sector. However, Indian agriculture is not keeping up with the rest of the world. The government supports the agricultural industry through subsidies to increase farmer independence, create jobs, and encourage small-scale producers to use modern inputs and technologies, which is essential for Indian farmers today. In every nation, agricultural subsidies are crucial to the growth of the agricultural sector. The government of India is currently subsidizing agriculture through direct and indirect subsidies. Agriculture financing encourages poor farmers to grow their income and promotes the creation of agricultural supply chains that will be able to feed 9 billion people by the year 2050. Our work in agriculture financing provides clients with the opportunity to support long-term environmentally friendly investments that encourage sustainable agriculture, agri-food supply chains, and market-based financial services. The need for food will rise by 70% by 2050; investments of at least \$80 billion per year will be required to meet this demand. The present analysis is based on secondary data from researchers and government-published sources.

Keywords: Agriculture, subsidies, finance, development

Introduction

One of the most current topics of discussion globally is agriculture subsidies. Every nation has provided a sizable portion of subsidies to the agriculture sector for growth for more than twenty years. And there is growth in the agricultural sector, supported by a wealth of evidence. But in the modern day, every nation strives to lower the number of agricultural subsidies to lessen the burden on the economy. In this situation, the Government of India plays a significant role in developing the agricultural sector. The government's hard work supported agriculture for farmers' self-sufficiency and employment generation, and small-scale manufacturers adopted modern technologies and inputs that reduced price precariousness and improved farmhouse incomes. For this, the government has taken significant steps for the price and accessibility of import-export policies and national policies such as price sustenance programs, direct expenditures, and input subsidies such as credit, fertilizer, irrigation seeds, etc. Input subsidies and product price support are most significant for the upliftment of agriculture by the government.

Objectives

1. To know the role of Agricultural Subsidies in Agricultural Development in India.
2. To know the financial institutions in agriculture development.

Methodology

This research paper is based on secondary data, descriptive in nature, and qualitatively based. For this paper, the researchers consulted secondary sources such as books, research articles, policy documents, reports published by government and non-government organizations, online databases, and discussions. And policy documents of various committees appointed by the government of India, Annual reports of the Ministry of Agriculture and Finance sector in India.

Review of Literature

Soumaya Bermouna and Junrong Li (2014) ^[14] As discussed in this paper, the instruments are in place to protect and support the agricultural sector and assess them against Chain's World Trade or Generation (WTO) commitments.

This paper contributes an overview of the developments in Chain's agricultural subsidy policies and expenditures on major agricultural subsidy programs: subsidy for purchasing agricultural machinery and the improved seed variety program. This paper overviews the future consequences and tendencies of chains of agricultural subsidy schemes.

Gajendra Singh (2015) ^[9] provides an interesting and, in many respects, very amazing account of the growth of agricultural mechanization in India in this study. Over the past 60 years, India has advanced from having acute food shortages to one in which it is now a significant exporter of various industrial goods, notably agricultural tractors. It also now exports a variety of food commodities. Roughly 50% of the population still relies on agriculture and lives in rural regions, making up roughly two-thirds of the total.

Harshal Anil Salunkhe (2016) ^[3], the government annually subsidizes farmers. The bureaucratic procedure is crucial in how subsidies are given to farmers. Despite offering several incentives to farmers, the Indian government has not yet attained 100%. According to the farmer, this is an issue with the allocation method. This work examines the administrative procedure for distributing agricultural subsidies in India. Both primary and secondary data were used in this investigation. By transferring subsidies directly to farmers' accounts, the government eliminates the need for a middleman and minimizes leaks in the distribution process.

Meaning of agriculture subsidy

The government gives a subsidy to help small-scale and marginal farmers improve their productivity. Classifying a financial exchange as a subsidy is possible if it is not directly related to paying for the service. A national or local government may provide financial support through subsidies. Still, the phrase also refers to aid provided by private citizens or non-governmental organizations, although these are typically referred to as gifts. When we discuss agricultural subsidies, we refer to a type of financial assistance provided by the government to farmers and other persons working in the agribusiness industry to supplement their income. Agriculture receives subsidies in two main ways: directly and indirectly.

A farmer is paid for growing a crop without a positive subsidy, with the amount often based on the crop's yield or volume. Negative subsidies encourage farmers to avoid producing a certain crop or commodity. To minimize the amount of dairy sold on the open market, for instance, farmers may receive subsidies if they choose not to raise dairy cows due to excessive milk output. India has advanced significantly in recent decades in terms of agriculture. Many of the millions of small agricultural families who support India's agriculture and economy deserve recognition for this achievement. Support for policies, production techniques, public spending on infrastructure, and technological advancement for crops, cows, and fisheries have suggestively helped grow food production and accessibility.

Agriculture finance

In India, agricultural lending has been significant in supporting farm production. Even though the reach and volume of agricultural loans have grown over time, some flaws have compromised the viability and sustainability of

these organizations. The Indian government finances agriculture by offering subsidies to farmers. It is beneficial to Indian farmers because 11% of the country's population works as farmers, and 11% of those farmers have land but are unable to finance their operations adequately. Farmers can operate through subsidized financing. The agriculture sector primarily requires three sources of financing. i.e., short-medium and long-term financing.

Table 1: Information about Finance towards Agriculture sector\

Sl. NO	Years	Target	Achievement
1	2009-10	325000	384514
2	2010-11	375000	468291
3	2011-12	475000	511029
4	2012-13	575000	308025
5	2023-24	4503097	

Source: Department of Agriculture &Cooperation ministry of agriculture, government of India

Production

One of the world's top producers of agricultural products is India. In India, different crops are produced differently depending on the geographic region. India is second in the world for producing groundnuts, cotton, sugarcane, and rice. It is also the second-largest producer of fruits and vegetables, contributing 8.6% and 10.9%, respectively, to global fruit and vegetable production.

Table 2: Food grain production during the recent years (million tonnes)

Crops	Years		
	2019-20	2021-22	2021-22*
Rice	118.87	124.37	130.29
Wheat	107.86	109.59	106.84
Nutri/Coarse Cereals	47.75	51.32	50.90
Pulses	23.03	25.46	27.69
Foodgrains	297.50	310.74	315.72
Oilseeds	33.22	35.95	37.70
Sugarcane	370.50	405.40	37.70
Cotton	36.07	35.25	31.20
Jute & Mesta#	9.88	9.35	10.32

Source: Department of Agriculture and Farmers Welfare

Agriculture production in India has unceasingly increased in the last few years. In 2015-16, the gross annual production of all crops was 300 million tonnes & in the year 2021-22, it was 361.60 million tonnes. As we compare Tables 1 & 2, we easily find that the amount of subsidies increases while the production level of agricultural goods also increases. It shows that subsidies help to increase agricultural productivity.

Technology

One of the most important aspects of the development of any industry is technology. Farmers have started using new technology recently, accelerating India's technical advancement. Most of the traditional farming techniques have been replaced by cutting-edge technology. For instance, most farmers now use water recycling for irrigation instead of conventional water supply to their fields. Machines are being used more and more for seeding and harvesting.

Table 3: Year wise sale of tractors and power tillers

Year	Tractor Sales (N.O.s)	Power Tiller Sales (Nos.)
2011-12	5,35,210	60,000
2012-13	5,90,672	47,000
2013-14	6,96,828	56,000
2014-15	5,51,463	46,000
2015-16	6,26,839	48,882
2016-17	5,80,000	45,200
2017-18	7,96,873	51,680
2018-19	8,97,548	51,523
2019-20	7,85,059	46,476

Source: Annual Report 2020-21

The table makes it obvious that agriculture is utilizing new technology. Only government incentives for purchasing agricultural production machinery may make these changes practicable. The government offers up to 30% subsidies to purchase agricultural equipment in India. This reward encourages farmers to purchase more farming equipment.

Conclusion

India plays a significant role in the nation's development and has a huge arable area. The previous few years have seen significant investment in the agricultural sector. The agricultural sector's contribution to GDP has been declining over the past few years, but at the same time, investment is helping to boost the sector's production. Agricultural subsidies significantly influence the growth of India's agriculture industry. Without subsidies, the agriculture sector would be exceedingly challenging to develop. The study demonstrates that subsidies affect India's agriculture economy negatively and favorably. Agricultural subsidies are important for the agricultural industry, but they cannot fully benefit the users because of poor management, corruption, and intermediaries in the distribution chain. So that the benefits truly reach people in need, the government needs to implement this better. As subsidies delay growth and negatively impact the economy, funds should also be allocated to enhancing agricultural practices, educating farmers, building a stronger infrastructure for trade, and improving the economic climate.

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