

Subsidy Syndrome in Indian Agriculture

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A progressive agriculture serves as a powerful engine of economic growth of any country. It helps in initiating and sustaining the development of other sectors of the economy. In view of this, after independence the Government of India adopted a positive approach and specific programmes like subsidy interventions to stimulate agricultural production and make inputs affordable to farmers who cannot buy them, owing to poverty, lack of access to credit and inability to insure against crop losses. The word subsidy is derived from the Latin word “subsidium”: a subsidy literally implies coming to assistance from behind. An agricultural subsidy is a governmental subsidy paid to farmers and agribusinesses to supplement their income, manage the supply of agricultural commodities, and influence the cost and supply of such commodities. Also Subsidies are often criticized for their financial burden; on the other hand there is a fear that agriculture production and income of farmers would decline if subsidies are curtailed. As compared to post-liberalization period (2006-07) with pre-liberalization period (1990-91), it is observed that in India, subsidies have increased 8.32 times, whereas productivity increased by only 1.1 times. The survey estimated that about 54 percent of the wheat and nearly 50 percent of the sugar meant for the poor never get there because of “leakages,” which is a euphemism for theft and inefficiencies in the distribution system (OECD, Economic Survey of India, 2011). Government should keep aside its motive to please voters or strengthen the vote bank, it should frame rational policy in which small size category farmers, who are not actual beneficiaries of subsidies, could get higher subsidies by implementing various strategies like JAM trinity. Investing in agriculture rather than subsidizing agriculture, direct transfer of subsidy to farmers, targeting and rationing of subsidies, step up domestic production capacity, effective extension services to promote balanced use of nutrients by farmers etc.

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