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Agriculture Subsidy Expenditures in Karnataka

Shilpa Sree R[1], Dr. Medhavini S Katti[2]

Abstract

India's most of the population depends on agriculture sector but agriculture investment should include improvements in land, equipment, development of natural resources & development of human and social capital & physical capital formation. Human capital is the stock of knowledge, expertise or management ability. It is directly influenced by educational training. The upshot of current economic thinking is that the agricultural subsidies expenditure is useful or not. The main objectives of subsidies is two, that keeps food grains low and avoids food inflation & the latter ensures farmers income security. This paper basically focuses on agriculture subsidies expenditure in Karnataka and to know the distribution of various subsidies. This study is based on secondary data collected from Budget estimation India, ministry of Agriculture and finance, directorate of economics & statistics, economy survey.

Key words: *Agriculture, Annual budget, Expenditure, subsidies.*

I. Introduction:

Improving the production capacity of agriculture in developing countries through productivity increases is an important policy, subsidies programme, goal where agriculture represents an important sector in the economy. The agricultural sector was provides livelihood security directly & indirectly to a significant portion of the population of all developing countries, especially in rural areas, where poverty is more thus, a growing agricultural sector contributes to both overall growth & poverty alleviation.

The difference between actual and technically feasible yields for most crops implies great potential for increasing food and agriculture production through improvements in productivity, even without further advances in technology. The subsidies are very important for growth of farmers in India. Indian govt. introduced subsidies on fertiliser, electricity, irrigation all inputs sand output subsidies and various subsidies programmes. Indian government spends every year lot of money expenditure for growth of agriculture sector. The agro-climatic factors may exacerbate the asymmetry of agricultural investment, as is the case when the land is suitable only for a particular crop. Other forms of investment, such as tractor and farm machinery have few other alternative uses besides agriculture while human & social capital particular to agriculture may not adapt well to other sectors. The

[1] *SHILPA SREE R. RESEARCH SCHOLAR, DEPARTMENT OF STUDIES IN ECONOMICS, VIJAYANAGARA SRI KRISHNADEVARAYA UNIVERSITY, BALLARI. shilparvskub@gmail.coms*
[2] *Dr. MEDHAVINI S KATTI. ASSOCIATE PROFESSOR, DEPARTMENT OF STUDIES IN ECONOMICS, VIJAYANAGARA SRI KRISHNADEVARAYA UNIVERSITY, BALLARI. medarpote@gmail.com*

farmers can moved around to the most profitable enterprise, while in general the later can be modified to produce more profitable products. Due to this fixity of agricultural assets & uncertainty it entails, farmers are often reluctant to invest in equipment, land improvements or human capital.

The agricultural investment is likely to be negative depreciation is higher than gross investment because agriculture investment is irreversible; farmers only invest during years when profits are high and borrowing costs are low. Public expenditures on agriculture include short term costs as well as long term investment. Influence of agriculture and subsidies in whish subsidies on infrastructure have their sources in the green revolution extensive subsidies were given at that time on hybrid seed, fertilisers and pesticides. Back ground of the subsidies the green revolution refers to a set of research & development of technology transfer initiatives occurring between the 1930s and 1960s that increased agricultural production worldwide, particularly in developing world, beginning most markedly in the late 1960s. The invitations resulted in the adoption of new technology including high yielding varieties of cereals, wheat and rice is association with chemical fertiliser and agrochemical and using involving irrigation and new methods of cultivation, including mechanisation. Theoretical background subsidies are used to modify market outcomes especially to take account of positive externalities. Subsidies effect the economy through the commodities market by lowering the relative price of the subsidised commodity. It's generally on increase in demand with an indirect tax, the price of the taxed commodity increases, and the quantity at which the market for that commodity is cleared falls other things remaining the same. Taxes appear on the revenue side of government budgets, and subsidies on the expenditure side. Another one theory is marginal social cost and marginal social benefit to determine the second best optimal subsidy. The main objectives of subsidies is two, that keeps food grains low and avoids food inflation & the latter ensures farmers income security. This paper basically focuses on agriculture subsidies expenditure in Karnataka and to know the farmers distribution of various subsidies. Used statistical tools like table, this study is based on secondary data.

II. Review of Literature

Ashok Gulati (1988), effective incentives and subsidies for groundnut cultivators in India this paper quantifies region specific effective incentives for groundnut during the 1980s by estimating the normal protection co-efficient, effective subsidy coefficient, under importable and exportable hypothesis. Ashok Gulati & G.D. Kalra (1992), from they studied the fertilizer subsidies: issues related to equity and efficiency. This article was suggested that farmers, fertilizer industry and consumers of food grains all seem to be benefiting from this subsidy in one way or the other & in varying degrees. Vidya Sagar (1991), this study explained the fertilizer pricing, are subsidies essential? What will be the impact of the increase in fertilizer prices on agricultural production? The consumer is benefits from fertilizer subsidies lowering of output price due to the new technology package of which fertilizer is an important component. The benefits have been gone to consumer of food grains whether he is a small or marginal farmer growing for a self consumption of lower, middle income, urban consumer who benefits from the public distribution system. The major benefits have been the economy to able to manage food security and public distribution function. Ashok Gulati, Ruth Menzeu- Dick, K.V. Raju(2005), this article focuses on the financial &

operational aspects of major & medium canal irrigation the problem and the option to turn them around. This article contribute to reform that will improve the performance of Indian irrigation through an extent of fiscal pressures on irrigation management and their relationship to irrigation system performance. D.K. Ratha & Atul Sarma (1992), they analyze the "price subsidies & irrigation investment in India: macro implications. The author explained how would macro variables price and national income behave if fertilizer subsidies are totally withdrawn? What would be impact on this variable if fertilizer (input) subsidies are withdrawn & food (output) subsidies are increased by an equivalent amount? And how would the impact the investment on irrigation is stepped up by an amount equivalent to the fertilizer subsidies withdrawn. Devinder Sharma(2004), he studied WTO and agriculture: green box subsidies grated in the name of environment protection & preservation and for agricultural research and development. In this subsidies are termed non trade distorting because of the ability of only rich countries to provide for such supports. In developing countries do not have the financial resources to pore any threat to the protection provided through green box. Varinder jain (2006), author explained the political economy of the electricity subsidy: evidence from punjab. Naveen M Torayeh (2011), studied the effect of reducing European & American subsidies an agricultural exports of developing countries.

III. Result and Discursion

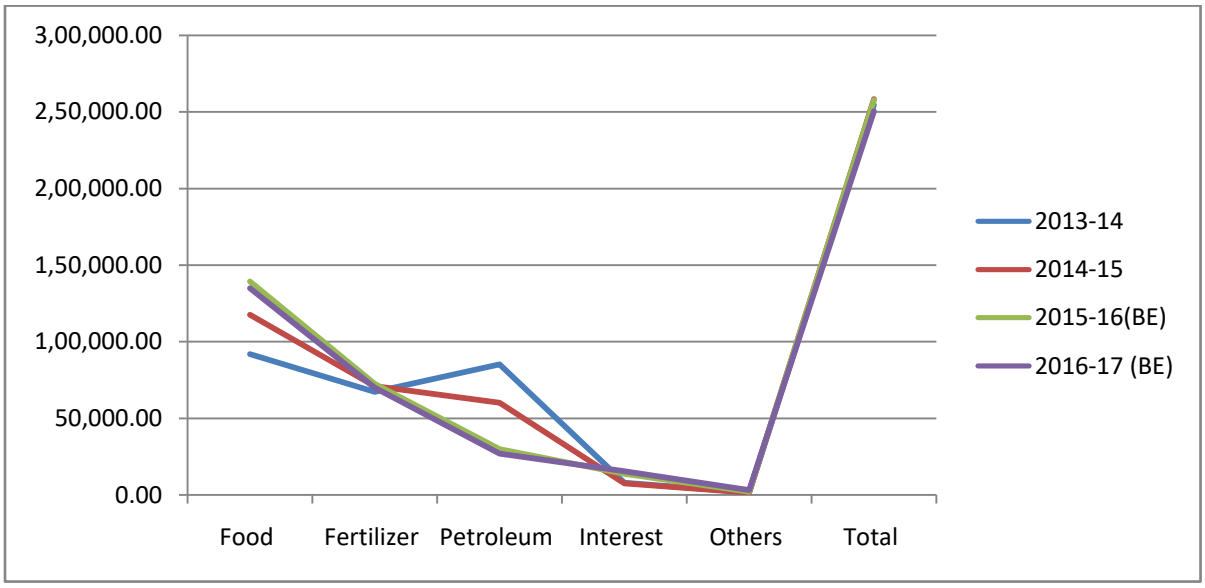
The central Subsidies Bill (Rs. In Crore)

Subsidies	2013-14	2014-15	2015-16(BE)	2016-17 (BE)
Food	92,000.00	1,17,671.16	1,39,419.00	1,34,834.61
Fertilizer	67,338.77	71,075.62	72,437.58	70,000.00
Petroleum	85,378.16	60,268.82	30,000.00	26,947.00
Interest	8,137.19	7,632.28	13,808.27	15,523.29
Others	1,777.72	1,610.01	2,136.32	3,128.03
Total	2,54,631.84	2,58,257.89	2,57,801.17	2,50,432.93

Source: Govt. of India expenditure budget. *BE: Budget estimates

The above figure shows the central food subsidies steadily increasing trend in recent years it has risen from Rs. 92,000.00 crore in 2013-14 to Rs. 1,34,834.61 crores in 2016-2017. Fertilizer subsidies increasing from Rs. 67,338.77 crore in 2013-14 to Rs. 70,000.00 crore in 2016-17. The highest subsidies government spends by food subsidies in India. There are major agriculture subsidies like as fertilizer, electricity, irrigation ect. This subsidies

can be distributed among individuals according to a set of selected criteria that is farmer merit list, income level and difference social group ect. This subsidies growth trend has been increasing because of initiates taken by the government to make agriculture a sustainable and investment in agriculture sector is high. The total central subsidies bill increasing from 2013-14 to 2016-17 in our Indian economy. The current year 2020-2021 the budget allocation of the fertilizer subsidies is Rs. 79,998 crore and food subsidies is in Rs. 75,000 crores, irrigation subsidies is Rs. 1.6 crore.



Expenditure on annual plans, centrally sponsored and centrate plan schemes 2017-18 (Rs. In Crore)

Year	State plan	Centrally sponsored & central plan scheme (GOI) share
2002-03	8163.91	806.49
2003-04	8619..45	737.56
2004-05	11888.72	766.32
2005-06	12678.29	941.53
2006-07	18308.69	1122.3
2007-08	17226.91	1487.05
2008-09	22576.74	1829.19

2009-10	26944.10	1477.68
2010-11	31154.44	1572.35
2011-12	38450.00	1620.50
2012-13	39764.00	3208.00
2013-14	48038.88	4234.16
2014-15	61844.28	1142.99
2015-16	71951.14	769.15
2016-17*RE	85932.67	851.56
2017-18*BE	206196.25	11826.40

Source: State Budget. *RE: Revised estimates, *BE: Budget estimates.

The above table explain that percent of funds allocation in annual plan for agricultural sector. The budget provides additional funds to several ongoing for enhancing agriculture production, irrigation management, higher farm credit and improving post harvest storage and processing infrastructure the expenditure in annual plan is increasing year by year. The expenditure on annual state plans from Rs. 8163.91 crore in 2002-2003 & the expenditure on annual central plan was Rs. 806.49 crore. In 2010-11 the state plan allocation of irrigation expenditure was Rs. 31154.44 crore and central expenditure was Rs.1572.35 crores increasing slowly central irrigation and agriculture expenditure. In 2017-18 the annual expenditure of state plan is Rs. 206196.25 crore and central plan of expenditure is Rs.11826.40 crores. The above table shows for slow growth rate for agriculture sector and less contribution in GDP of India and increasing planning expenditure. Before the planning period agriculture was in deplorable condition. The farmers were generally in taken high debt to the village money lenders. They were having small and scattered holdings. They hold neither the money nor the knowledge to use proper equipment, good quality seeds and chemical fertilizer. Except in certain area they are dependent upon rainfall productivity of land as well as of labour had been declining and was lowest in the world.

Public Investment in Irrigation in Karnataka (Rs. In Crores)

Year	Major & Medium project	Minor irrigation work	Total
1998-1999	1719.80	89.17	1808.97
1999-2000	2027.27	107.92	2135.19

2000-2001	2595.09	121.18	2716.27
2001-2002	2547.17	103.16	2650.33
2002-2003	2689.96	110.58	2800.54
2003-2004	2308.08	129.88	2437.96
2004-2005	3531.24	203.96	3735.20
2005-2006	3579.39	194.19	3773.58
2006-2007	3951.75	354.70	4306.45
2007-2008	2058.41	353.11	2411.52
2008-2009	2020.85	395.94	2416.79
2009-2010	2939.40	594.08	3533.48
2010-2011	3470.17	823.85	4294.02
2011-2012	4666.06	1100.38	5766.44
2012-2013	6107.94	1027.10	7198.30
2013-2014	8007.34	1025.10	9086.04
2014-2015	10000.90	1297.96	9032.77
2015-2016(RE)	9913.29	1249.31	11162.60
2016-2017(BE)	12620.92	1251.90	13872.82
2017-2018	15853.31	997.63	16850.94

Source: Economic survey of Karnataka 2017-18.

The above table shows during 1998-99 the public investment in irrigation major and medium project was Rs. 1719.80 crore and minor irrigation work investment was Rs. 89.17 crore and total amount of public investment in irrigation was Rs.1808.97 crore spent by government of Karnataka. In 2000-2001 total amount of public investment was Rs. 2716.27 crore and in 2010-11 total amount of investment in irrigation sector was Rs. 4294.02 crores it's slowly increasing major and medium, minor irrigation investment in agricultural sector. In 2017-18 major

and medium public irrigation investment is Rs. 15853.31 crores and minor irrigation was Rs. 16850.94 crores, it is increasing. At same time population in India is increase in year 1980-81 was 68.52 crore, & 84.39 crore in 1991, 102.70 crore in 2001 & 121 crore in 2012. These all data clearly shows that public investment in agriculture sector is increasing slowly from 1998 to 2017-18 & gross cropped area also increasing.

IV. Conclusion

India has very huge arable area and lot of investment in agriculture in last few years. But there is large number of decrement was shows in provision of fund towards agriculture sector in five years plan and annual budgets in accordance with agriculture subsidies. The amount of agricultural subsidies is increasing year by year but at the same time total cultivated agricultural land & investment also increasing. This above thing is responsible for slow growth of agriculture in India and less contribution in GDP of country. The Indian govt. launched various subsidies scheme to improve agriculture production function. The Indian canal irrigation is in very bad shape both financially and physically falling priority in resource allocation, coupled with increasing cost of canal construction was decreasing the creation of new irrigation potential but a bigger problem lies in the increasing neglect of the existing canal network.

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