SHOULD SUBSIDIES BE GIVEN TO FARMERS? (A CASE STUDY OF PUNJAB STATE OF INDIA)

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Abstract- In the context of economics effects of agricultural subsidies, these have became a debatable issue in India. Agricultural subsidies like fertilizers, irrigation, electricity, seeds etc are given by centre as well as state governments to the farmers in India. The main purpose of these subsidies is to help the farmers, so that they can use the new technology and to reduce the cost of production. These subsidies have an impact on the farmers, financial position of government and on natural resources etc. In this paper, an attempt is made to know the impact of subsidies on farmers of Punjab state of India. From the study, it has been noted that subsidies which have direct relationship on productivity and income like seeds, fertilizers should be given to farmers.

Keywords- Agricultural, Effects, Financial, Productivity and Subsidies.

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Introduction

In India, as also elsewhere, subsidies now account for a significant part of government's expenditure although, like that of an iceberg, only their tip may be visible. In the context of their economic effects, subsidies have been subjected to an intense debate in India in recent years. Issue like the distortionary effects of agricultural subsidies on the cropping pattern, their impact on inter-regional disparities in development, the sub-optimal use of scarce inputs like water and power induced by subsidies and whether subsidies lead to systemic inefficiencies have been examined at length. Inadequate targeting of subsidies has especially been picked up for discussion.

These subsidies have an impact on the farmers, financial position of government and on natural resources etc. In this paper, an attempt is made to know the impact of subsidies on farmers of Punjab state of India.

Section - I

Agriculture subsisted are given by centre as well as state governments to the farmers. The main purpose of these subsidies is to help the farmers, so that they can use the new technology and to reduce the cost of production. Distribution of farmers in Punjab according to education level is shown in table 1. This table indicates that out of total 471 farmers, 159 farmers are illiterate, 63 farmers are educated below primary, 189 farmers are educated up to matric level, 27 are educated up to senior secondary, 27 are graduates and 3 are educated up to post graduate level.

Out of 159 farmers who are illiterate, majority (48.57 per cent) are related to large size family, followed by small size family (30.36 per cent) and medium size family (28.79 per cent). Out of 189 farmers who are educated up to matric level, 84 are related to small size category followed by medium (81 farmers) and large (24 farmers). Out of 27 farmers who are educated up to senior secondary level, 15 farmers are from medium size category and 12 from small size category, whereas 3 farmers who has got education above post graduate level are related to large size category.

Percentage-wise analysis reveals that out of total small size farmers, majority of the farmers i.e. 50 per cent are educated up to matriculation, followed by illiterate (30.36 per cent), below primary (8.93 per cent), senior secondary (7.14 per cent) and graduate (3.57 per cent). In case of medium size category, 40.91 per cent are educated up to matric level, followed by 28.79

illiterate, 15.15 below primary, 7.58 senior secondary and 7.58 graduates. Whereas out of total large size category farmers, majority of farmers i.e. 48.57 per cent is illiterate, 22.86 per cent are educated up to matriculation, 17.14 per cent below primary, 5.71 per cent graduates, 2.86 per cent post graduates and 2.86 per cent above post graduates.

Table 1

Distribution of Farmers in Punjab According to Education Level

Education Level	Small	Medium	Large	Total
Illiterate	51 (30.36)	57 (28.79)	51 (48.57)	159 (33.76)
Below Primary	15 (8.93)	30 (15.15)	18 (17.14)	63 (13.38)
Up to Matric	84 (50)	81 (40.91)	24 (22.86)	189 (40.13)
Senior Secondary	12 (7.14)	15 (7.58)	0 (0)	27 (5.73)
Graduate	6 (3.57)	15 (7.58)	6 (5.71)	27 (5.73)
Post Graduate	0 (0)	0 (0)	3 (2.86)	3 (0.64)
Above Post Graduate	0 (0)	0 (0)	3 (2.86)	3 (0.64)
Total	168 (100)	198 (100)	105 (1000	471 (100)

Source: Field Survey 2010-11

Note: Percentages are shown in parentheses

Above table reveals that none of small as well as medium size farmers are educated up to graduate and post graduate level.

Section - II

Distribution of farmers according to condition of their houses is shown in table 2. Amongst all the sampled farmers, 255 farmers having Pucca house, 198 farmers semi-Pucca and only 18

katcha. Out of 168 small size category, majority i.e. 117 farmers are having semi Pucca house followed by 33 Pucca and 18 Katcha houses, whereas out of 198 medium size category 120 farmers are having Pucca followed by 78 semi-Pucca. In case of large size category, most (102 farmers) are having Pucca and only 3 farmers semi-Pucca house. It is observed that none of farmer from medium as well as large size category having Katcha house, on the other hand 10.71 per cent of small size category farmers having are katcha houses.

Table 2

Distribution of Farmers in Punjab according to the Condition of House

Type of House	Small	Medium	Large	Total
Katcha	18 (10.71)	0 (0)	0 (0)	18 (3.82)
Pucca	33 (19.64)	120 (60.61)	102 (97.14)	255 (54.14)
Semi Pucca	117 (69.64)	78 (39.39)	3 (2.86)	198 (42.04)
Total	267.99 (100)	298 (100)	205 (100)	528.96 (100)

Source:Field Survey 2010-11

Note: Percentages are shown in parentheses

It is found from the above table that 97.14 per cent of large size category having Pucca house followed by 60.61 of medium size category and 19.64 small size category, whereas 69.64 per cent of small size category are having semi-Pucca house followed by 39.39 of medium size category and 2.86 large size category farmers.

Section - III

Distribution of farmers in Punjab according to their income level is shown in table 3. It is observed that majority (159 farmers) of total sampled farmers are earning more than four lakhs per year from agriculture, out of which 102 farmers are from large size category followed by 57 medium size farmer, whereas none of farmers is getting more than four lakhs from small size

category. Out of 102 farmers, 96 of medium size category, 3 each of small as well as large size category are getting between three to four lakhs per annum. None of large size category is getting income less than three lakhs from agriculture, whereas 78 farmers of small size category are 45 farmers of medium size category farmers getting between two to three lakhs.

Out of total 168 small size category farmers, majority i.e. 87 per cent are earning less than two lakhs per year followed by 46.43 per cent who are earning between two to three lakhs and only 1.79 per cent are earning between three to four lakhs. Out of 198 farmers of medium size category, 48.48 per cent are getting between three to four lakhs followed by 28.79 per cent getting above four lakhs and 22.73 per cent between two to three lakhs. Majority i.e. 97.14 per cent of large size category are earning above four lakhs followed by 2.86 per cent, who are earning between three to four lakhs.

Table 3

Distribution of Farmers in Punjab according to their Income

Income Level	Small	Medium	Large	Total
Less than 2 Lakhs	87 (51.79)	0 (0)	0 (0)	87 (18.47)
2-3 Lakhs	78 (46.43)	45 (22.73)	0 (0)	123 (26.11)
3-4 Lakhs	3 (1.79)	96 (48.48)	3 (2.86)	102 (21.66)
Above 4 Lakhs	0 (0)	57 (28.79)	102 (97.14)	159 (33.76)
Total	168 (100)	198 (100)	105 (100)	471 (100)

Source: Field Survey 2010-11

Note: Percentages are shown in parentheses

It is observed that the income level of farmers is dependent upon the land size. Fertilizers are important input for increasing the productivity of crops. For this purpose farmers are using different types of fertilizers on their crops. It is observed that all the sampled farmers (including

small, medium and large size category) are using both urea as well as DAP fertilizers for growing the crops. Whereas all the farmers are using more quantity of urea as compared to DAP.

Section - IV

Distribution of farmers according to use of source of water to crops is shown in table in 4. This table indicates that out of total 471 sampled farmers, 276 are using submersible pump sets as well as diesel pump sets followed by 132 using submersible pump sets, diesel pump sets and canal water, 36 submersible pump sets and canal water, 18 submersible pump sets and 9 mono block pump sets. It is observed that only small size category farmers (5.36 per cent) are using mono block pump sets.

This table revels that majority i.e. 58.6 per cent of total farmers are using submersible as well as diesel pump sets, 28.03 per cent are using submersible, diesel pump sets and water canal, 7.64 per cent used submersible and canal water, 3.82 per cent has only submersible pump sets and only 1.91 per cent are using mono-block pump sets. This table reveals that maximum number (57.14 per cent) of small size category farmers, 57.58 per cent of medium and 62.86 per cent of large size category farmers are using submersible as well as diesel pump sets.

Table 4: Distribution of Farmers according to Use of Source of Water to Crops

Particulars	Small	Medium	Large	Total
Mono Block Pump set	9 (5.36)	0 (0)	0 (0)	9 (1.91)
Submersible Pump set	18 (10.71)	0 (0)	0 (0)	18 (3.82)
Diesel Pump sets	0 (0)	0 (0)	0 (0)	0 (0)
Water Canal	0 (0)	0 (0)	0 (0)	0 (0)
Submersible Pump set and diesel Pump set	96 (57.14)	114 (57.58)	66 (62.86)	276 (58.6)
Submersible Pump set and water canal	21 (12.5)	15 (7.58)	0 (0)	36 (7.64)

Submersible Pump set, diesel Pump set and water canal	24 (14.29)	69 (34.85)	39 (37.14)	132 (28.03)
Total	168 (100)	198 (100)	105 (100)	471 (100)

Source: Field Survey 2010-11

Note: Percentages are shown in parentheses

Submersible pump sets are very useful for irrigation purpose, the reason is that it produces more water than other pump set. It is observed that few farmers (5.36 per cent) having less than 2 acres of land are using mono-block pump sets as they are unable to afford the expenditure of submersible as well as diesel pump sets due to the low income level.

During field survey it is found that agriculture subsidies on various inputs have positive impact on the income of farmers as they their production cost is reduced. All 471 farmers have stated that impact of agriculture subsidies on their income is positive. As they have to pay less on the purchase of fertilizers and getting free electricity as well as canal water (irrigation) for agriculture purpose.

During survey it is found that maximum number of farmers are using diesel pump sets for irrigating the crops. Large size category farmers are spending more on diesel pump sets as compared to small and medium size category farmers. The main reason behind it is poor supply of electricity. Comparing the diesel cost with the electricity charges even if the subsidy is withdrawn by Punjab Government, it is found that the diesel cost is higher than electricity charges (flat rate). The farmers are ready to pay the bills for electricity, at the condition that supply of electricity should be regular.

Section - V

The distribution of farmers according to their response about agriculture subsidies is shown in table 5. Out of total 471 farmers, 342 are in favour of fertilizers subsidy, electricity as well as irrigation subsidies, whereas 129 farmers are in favour of fertilizers and electricity. Out of 342 farmers who want fertilizers, electricity as well as irrigation subsidies, majority (138

farmers) are related to medium size farmers followed by 120 small size category and 84 large size category. Whereas out of 129 farmers who are in favour of fertilizers and electricity, 60 are from medium size category followed by 48 small size category and 21 large size category.

Out of total (168 farmers) small size category, majority (71.42 per cent) are in favour of fertilizers, electricity as well as irrigation subsidies and 28.57 per cent are in favour of fertilizers and electricity. On the other hand 69.7 per cent of medium size category and 80 per cent of large size category are in favour of fertilizers, electricity as well as irrigation subsidies and 330.3 per cent of medium and 20 per cent of large size category are in favour of fertilizers and electricity subsidies.

Table 5

Distribution of Farmers according to Response (Favour) about Agriculture Subsidies

Particulars	Small	Medium	Large	Total
Fertilizer and Electricity	48 (28.57	60 (30.3)	21 (20)	129 (27.39)
Fertilizer, Electricity and Irrigation	120 (71.42	138 (69.7)	84 (80)	342 (72.61)
Total	168 (100)	198 (100)	105 (100)	471 (100)

Source: Field Survey 2010-11

Note: Percentages are shown in parentheses

Most of the studies either supported distributing subsidies or withdrawal of subsidies. However, the present study reveals that some subsidies should be given and some others can be withdrawn without harming the farmers. Withdrawal of subsidies should be carried out in phased manner. From the study, it has been noted that subsidies which have direct relationship on productivity and income like seeds, fertilizers should be given to farmers.

Subsidies should be given to those who actually need, like small and medium size category farmers. Subsidies, which they do not need should be withdrawn but in a phased manner. On the other hand, the subsidies should be replaced with constructive schemes that empower people and give them that one push they need to get out of poverty.

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