

# **FERTILIZERS SUBSIDIES IN INDIA**

## **A CASE STUDY OF EAST ZONE**

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### **ABSTRACT**

There is a need to generate the surplus of agriculture output for the growth and development of the economy. For this purpose, agricultural productivity should be increased, which is based upon the various type of inputs like electricity, fertilizers etc. Indian government is giving the subsidies on different types of inputs of agriculture like subsidies on seeds, fertilizers, electricity and irrigation etc. In this paper, an attempt is made to analysis the growth and distribution of fertilizers subsidies in different states of east zone of India. Results indicate that fertilizers subsidies are concentrated within a few states, thus government should adopt some criteria for giving these subsidies to states.

**Keywords:-** Criteria, Development, Fertilizers, Productivity, Subsidies.

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### **INTRODUCTION**

Substantial additional growth in agricultural production needed to meet the basic necessities of large and growing population. It is also needed to generate agricultural surplus require for economic development with emphasis on employment equity. The bulk of growth is agricultural production will have to come from continuous increase in the productivity of land, yield based growth cannot sustain without removing soil fertility constraints and promote technological change. For both these purposes sustainable growth is fertilizer use is necessary (Halmandage).

The Indian fertiliser industry, given its strategic importance in achieving self-sufficiency of food grains production in the country, has for decades, been under government control. With the objective of providing fertilisers to farmers at an affordable price and ensuring adequate returns on investments to entrepreneurs, a fertiliser policy of providing fertilisers to farmers at subsidised prices was envisaged to induce farmers to use fertilisers. In order to achieve this objective, government introduced the Retention Price cum Subsidy (RPS) scheme, a cost-plus approach, for nitrogenous fertilisers in November 1977 and extended this to complex fertilisers in February 1979. Under the RPS the retail price of fertilisers was fixed and was uniform throughout the country. The difference between the retention price (adjusted for freight and dealer's margin) and the price at which the fertilisers were sold to the farmer was paid back to the manufacturer as subsidy. The RPS did achieve its objective of developing a large domestic industry, achieving near self-sufficiency in

fertiliser production and increasing consumption of chemical fertilisers but it was not free from criticism of fostering inefficiency leading to a huge burden of subsidies (Sharma, Vijay Paul).

The relevant literature is reviewed in detail to understand the nature of the work done on this topic. Kalra, (1993) conducted a study to analyse the growth of fertilizer subsidy in India has come to plashes on intolerable strain on Central Government finances and has raised questions concerning its sustainability in the long term. The study considered the position and effectiveness of Indian fertilizer subsidies both pertaining to equity and efficiency. Fertilizer subsidies in government accounts were shown to be the actual price received by the industry minus the price level dictated purely by efficiency namely the imports price level. This study showed the farmer has in net terms been toned rather than subsidized under the assumption of the free trade scenario. This study concluded that encouraging the expansion of irrigation facilities was a more cost effective and efficient measure in terms of raising the level of agricultural of production. The author suggested that the subsidy as burden on government can be mitigated by improving the efficiency of the fertilized Industry, as well as efficiency of distribution and consumption of fertilizer.

Murgai, (1995) stated that most of India's agricultural subsidies are both inefficient and regressive while the power subsidy to agriculture has been increasing over time, the other input subsidies on fertilizer and irrigation increased over the eighties but has been reduced in the nineties. The fertilizers subsidy increased from 0.3 per cent of gross domestic product in 1981-82 to 1.1 per cent in 1989-90, corrective measures were taken in response to the balance of payments crisis in the early nineties and there was a crores pending reduction in the early years of the nineties in the fertilizer subsidy bill to about 0.7 per cent of gross domestic product. The irrigation subsidy increased from 0.3 per cent in 1980-81 to 0.4 per cent in 1990-91 and by 1999-2000 has fallen back to 0.3 per cent, likely because of the slowdown in irrigation investments. In this study, the author suggested that agricultural subsidies should be replaced by better services and more investments.

From these studies, it may conclude that fertilizers subsidies are a worldwide phenomenon. The main objectives of this study is to show the growth and distribution of fertilizers subsidies in different states of east zone and suggest some ways for giving subsidies.

## **GROWTH AND DISTRIBUTION OF FERTILIZERS SUBSIDIES IN EAST ZONE OF INDIA**

The subsidies of fertilizers of east zone of India during 1980-81 to 2008-09 is shown in table 1. This table shows that in Bihar, these have increased from Rs.17.92 in 1980-81 to Rs. 222.54 in 1990-91 and further increased to Rs.5,512.02 crores in 2008-09. Jharkhand has got Rs.118.12 crores and Rs.598.20 crores in 2005-06 and 2008-09 respectively. In West Bengal, these have risen up from Rs.24.78 crores in 1980-81 and further increased to Rs.6,171.27 crores in 2008-09, whereas in Orissa, these subsidies have gone up by 341.12 per cent in 1985-86,142.64 per cent in 1990-91,79.64 per cent in 1996-97,103.79 per cent in 2000-01,32.27 per cent in 2005-06 and 526.27 per cent in 2008-09 as compared to the predecessor time in given table.

As percentage-wise analysis shows that Bihar has got 3.80 per cent of fertilizers subsidies at country level in 1980-81, whereas Orissa has received 1.42 per cent

and West Bengal has got 5.25 per cent in the same year. In 1990-91, Bihar, Orissa and West Bengal have received 4.80 per cent, 1.54 per cent and 6.04 per cent respectively. Bihar's percentage share has increased from 4.95 in 1996-97 to 5.91 in 2000-01 and declined to 4.54 in 2005-06 and again increased to 5.45 in 2008-09. In Jharkhand, the percentage share has declined from 0.66 in 2005-06 to 0.59 in 2008-09. In Orissa, the percentage share has increased from 1.58 in 1996-97 to 2.15 in 2008-09. It is observed that West Bengal is ahead among all the other states like Bihar, Jharkhand and Orissa during 1990-91 to 2008-09 by consuming maximum amount of fertilizers subsidies. It has got 5.64 per cent, 6.13 per cent and 6.10 per cent in 2000-01, 2005-06 and 2008-09 respectively.

**Table 1**  
**State-Wise Distribution of Fertilizers Subsidies in East Zone in India**  
**during 1980-81 to 2008-09**

(In Rs. Crores)

East Zone							
Years/ States	1980-81	1985-86	1990-91	1996-97	2000-01	2005-06	2008-09
Bihar	17.92 (3.80)	105.39 (5.84)	222.54 (4.80)	403.32 (4.95)	811.12 (5.91)	807.38 (4.54)	5,512.02 (5.45)
Jharkhand	-	-	-	-	-	118.12 (0.66)	598.20 (0.59)
Orissa	6.69 (1.42)	29.53 (1.64)	71.65 (1.54)	128.70 (1.58)	262.29 (1.91)	346.93 (1.95)	2,172.72 (2.15)
West Bengal	24.78 (5.25)	85.89 (4.76)	280.01 (6.04)	459.91 (5.64)	891.59 (6.50)	1,089.15 (6.13)	6,171.27 (6.10)

Source:(1) Government of India, Fertilizers Association, Fertilizer Statistics, various issues, New Delhi.

(2) Government of India, Economic survey, union Budget, various years.

Note: (1) Fertilizers subsidies are calculated by multiplying the consumption of fertilizers (in 000 tonnes) with subsidy per tonne at national level

(2) Percentages are shown in parentheses

The fertilizers subsidies per hectare in east zone of India during 1980-81 to 2006-07 are shown in table 2. This table reveals that in all the states of this zone the fertilizers subsidies per hectare have been increased during pre and post liberalisation periods at different rates. West Bengal is leading among all the other states followed by Bihar and Orissa during 1980-81 to 2006-07.

In West Bengal, these subsidies have increased from Rs.32.66 in 1980-81 to Rs.321.65 in 1990-91 and further increased to Rs.2,777.40 in 2006-07. In Bihar these have increased from Rs.16.14 in 1980-81 to Rs.211.19 in 1990-91 and further increased to

Rs.1,654.23 in 2006-07. Whereas in Orissa, these have risen up by 314.54 per cent in 1985-86, 155.66 per cent in 1996-97, 113.45 per cent in 2000-01 and 232.26 per cent in 2006-07.

As percentage-wise analysis reveals that in Bihar, the percentage share has risen from 2.90 in 1980-81 to 5.02 in 1985-86 and declined to 4.27 in 1990-91 and further declined to 3.44 in 2006-07, whereas in Orissa, the percentage share has increased from 1.38 in 1980-81 to 1.60 in 1985-86 and declined to 1.50 in 1990-91 and again increased to 2.30 in 2006-07. Jharkhand has got 1.28 per cent in 2006-07, whereas West Bengal has received 5.87 per cent, 6.50 per cent, 4.54 per cent and 5.78 per cent in 1980-81, 1990-91, 2000-01 and 2006-07 respectively.

**Table 2**  
**State-wise distribution of Fertilizers Subsidies in East Zone in India**  
**during 1980-81 to 2006-07**

(In Rs./ Hectare)

East Zone						
Years/ States	1980-81	1985-86	1990-91	1996-97	2000-01	2006-07
Bihar	16.14 (2.90)	100.14 (5.02)	211.19 (4.27)	395.20 (2.97)	805.60 (3.74)	1,654.23 (3.44)
Jharkhand	-	-	-	-	-	613.15 (1.28)
Orissa	7.69 (1.38)	31.87 (1.60)	74.30 (1.50)	155.66 (1.17)	332.26 (1.54)	1,103.96 (2.30)
West Bengal	32.66 (5.87)	107.46 (5.38)	321.65 (6.50)	504.48 (3.80)	975.95 (4.54)	2,777.40 (5.78)

Source:(1) Government of India, Fertilizers Association, Fertilizer Statistics, various issues, New Delhi.

(2) Government of India, Economic survey, union Budget, various years.

(4) Government of Punjab, Statistical Abstract, Various years.

Note: (1) Fertilizers subsidies per hectare of states are calculated by multiplying the consumption of fertilizers (in Kgs) per hectare with subsidy per kg.

(2) Percentages are shown in parentheses

## MAJOR FINDINGS AND POLICY IMPLICATIONS

During research, it is observed that in all the states of east zone, the fertilizers subsidies have been increased in absolute terms during the study period. As post liberalisation period (2008-09) is compared to pre-liberalisation period (1990-91), it is found that in Orissa, these have increased more than thirty times, in Bihar twenty four times and in West Bengal twenty two times. As state-wise analysis shows that West Bengal has got 1.26 times more of fertilizers subsidies and 1.11 times in 1990-91 and 2008-09 respectively as compared to Bihar.

In case of fertilizers per hectare, it is found that in all the states of east zone, the fertilizers subsidies have increased in absolute terms during pre as well as post liberalisation periods. In Orissa, these have increased the maximum i.e. near about fifteen times, in West Bengal near about nine times and in Bihar near about eight times in the year 2006-07 as compared to the year 1990-91. West Bengal has got near about two times more of fertilizers subsidies than that of Bihar during pre as well as post liberalisation periods, whereas Bihar has received near about three times more of fertilizers subsidies and 1.49 times more of fertilizers subsidies in 1990-91 and 2006-07 respectively as compared to Orissa. The results indicate that fertilizers subsidies are concentrated within few states, as a result centre government should adopt some criteria for giving the fertilizers subsidies to different states.

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