IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Agricultural Subsidies And Their Role In Enhancing Agricultural Development In India: A Review.

Sumit Korane[1], Chhitij Raj[2], Pankaj Anawade[3], Deepak Sharma[4]

1. PhD Scholar, Dept of Commerce and Management, School of Allied Sciences, Datta Meghe Institute of Higher Education and Research, Wardha, India
2. Director, Centre of Distance and Online Education, School of Allied Sciences, Datta Meghe Institute of Higher Education and Research, Wardha, India
3. Professor and Dean Academics, Dept of Commerce and Management, School of Allied Sciences, Datta Meghe Institute of Higher Education and Research, Wardha, India
4. Professor, Dept of Commerce and Management, School of Allied Sciences, Datta Meghe Institute of Higher Education and Research, Wardha, India

Abstract:

Agriculture remains a cornerstone of India's economy, sustaining over half of rural households and contributing major part of the national GDP. Despite significant post-independence efforts to enhance productivity through high-yielding varieties, irrigation, fertilizers, and modern machinery, small and marginal farmers often face financial constraints in accessing these inputs. Agricultural input subsidies have been implemented to reduce costs, encourage adoption of modern technologies, enhance farm incomes, and stimulate economic growth. Subsidies have been shown by numerous studies to positively influence productivity and reduce input costs; however, their impact on the alleviation of loan dependency has been found to be limited, with significant gaps in awareness being reported among resource-constrained farmers. Consequently, a need has been emphasized for targeted policy interventions, the establishment of efficient subsidy delivery mechanisms, and the implementation of comprehensive awareness programs, through which inclusive growth, sustainable agricultural development, and the enhancement of rural livelihoods may be achieved..

Keywords: - Marginal farmers, Agricultural productivity, Input subsidies , Loan dependency, Policy interventions, Subsidy awareness, Rural livelihoods, Sustainable agriculture.

Introduction:

Agricultural subsidies have been emphasized globally for over two decades as a means of supporting sectoral growth and development. In India, farmers' self-sufficiency, employment generation, and adoption of modern technologies have been promoted by the government through policies such as price support programs, direct expenditures, and input subsidies, including credit, fertilizers, irrigation, and seeds (1). Productivity

enhancement, food security, market stabilization, and the encouragement of sustainable practices are aimed at through these subsidies (2). While the economy is argued by economists to be burdened by subsidies, their importance for agricultural growth is highlighted by experts. Risks arising from climate variability and market fluctuations are managed by farmers with the help of subsidies, while affordability of food is maintained. Nevertheless, the need has been recognized for careful policy design so that potential downsides such as market distortion, overproduction, or environmental degradation may be minimized (3).

Post-independence policies of Agriculture: -

Evolution of Agricultural Policies in India

India's agricultural sector has been recognized for its remarkable progress, with food self-sufficiency being achieved and certain products even being exported. Agriculture has historically been subjected to extensive regulation, with trade, credit, and input distribution being controlled by both central and state governments. In the post-independence period, policies were implemented that emphasized the expansion of cultivated areas, the introduction of land reforms, the improvement of rural credit institutions, and the assurance of staple food security through regulated trade.

A major shift was witnessed during the Green Revolution (1965–1980), when high-yielding varieties (HYVs), greater use of fertilizers, irrigation, and modern machinery were introduced, supported by institutions such as the Agricultural Prices Commission and the Food Corporation of India. Wheat and rice production were significantly boosted during this period, self-sufficiency in foodgrains was ensured, and substantial growth was fostered in agricultural input industries.

In the post-Green Revolution period (1980–1991), technologies were extended to other crops and regions, and diversification into high-value commodities such as fruits, vegetables, milk, and poultry was encouraged. During the height of the economic crisis in 1991, foreign reserves were reduced to approximately $1 billion, an amount equivalent to the value of merely two weeks of imports. In response to this crisis, a series of reforms were launched, which included reductions in the central government fiscal deficit, substantial liberalization and deregulation of the industrial sector, reforms in trade policy, devaluation and subsequent floating of the rupee, restructuring of the tax system, and the introduction of measures intended to strengthen and improve monitoring of the financial system(1).

From 1991 onward, economic reforms were oriented toward the enhancement of market efficiency, trade liberalization, private sector investment, and improved competitiveness across the agro-food chain. Clear objectives for sustainable growth, equitable development, efficient resource utilization, and greater private sector participation were set under the National Agricultural Policy (2000). Farmers' rights and access to resources were further strengthened through land reforms, digitization initiatives under the National Land Records Modernization Programme, and the enactment of the Land Acquisition, Rehabilitation and Resettlement Act (2011) (4).

Agricultural Input Subsidies in India

Subsidies were introduced during the Green Revolution in the 1960s with the primary objective of encouraging the adoption of high-yielding varieties of seeds, fertilizers, and modern farming technologies. Over time, farmers have been assisted through subsidies provided in the form of seeds, fertilizers, electricity, irrigation, crop insurance, machinery, and minimum support prices. (2)

Subsidies are provided by governments with the objectives of reducing the gap between consumer prices and producer costs, stimulating consumption and production, achieving social goals such as income redistribution and population control, and promoting overall welfare through measures like housing and sustenance. (3)

Table: Major Types of Agricultural Subsidies in India (4,5)

Type of Subsidy	Key Features
Seed Subsidy	Certified seeds supplied at reduced rates (50–60% subsidy); R&D on HYVs supported.
Fertilizer Subsidy	Fertilizers like urea provided below market rates; difference compensated to manufacturers.
Irrigation Subsidy	Canals, dams, and tube wells developed; modern irrigation (drip/sprinkler) made available at low cost.
Power Subsidy	Electricity for irrigation provided at nominal rates, much below generation cost.
Export Subsidy	Support extended to promote competitiveness of farm exports and earn foreign exchange.
Credit Subsidy	Institutional loans offered at low interest; loan waivers and risk-sharing mechanisms supported.
Equipment Subsidy	Financial aid provided for machinery like tractors and harvesters under schemes (SMAM, RKVY, NFSM).
Infrastructure Subsidy	Investment in storage, cold chains, markets, and rural roads; access given to farmers at minimal cost.

Objectives and Significance of Subsidies

Subsidies in agriculture are designed to enhance food production, ensure food security for both consumers and producers, and stabilize agricultural markets by moderating price fluctuations. They improve sectoral performance through better returns on investment, foster rural economic development by stimulating demand, and strengthen the competitiveness of agricultural exports. (6)

More broadly, subsidies function as policy tools for reallocating resources, thereby reshaping economic behavior to achieve outcomes considered more desirable than those that would otherwise emerge.(7)

Impact of Subsidies on the Agricultural Sector

- Access to Credit and Loans: Affordable credit has been facilitated, and farmers' financial burden has been reduced.
- Encouraging Sustainable Practices: Environment-friendly methods and resource efficiency have been promoted.
- Investment and Modernisation (8)
- Capital investment and the adoption of modern technologies have been supported.
- Agricultural Finance: Access to credit has been improved, lowering dependence on informal moneylenders.
- Agricultural Production: Farm output has been increased through the provision of subsidized inputs.
- The cropping pattern had changed after receiving subsidies, and the change was in favour of cash crops. (9)
- Irrigation: Expansion of irrigation facilities has been supported through subsidized infrastructure and equipment.

- Technology: Use of modern machinery and improved practices has been encouraged.
- Infrastructure: Rural storage, transport, and market systems have been strengthened with government support.
- Land Fertility: Soil productivity has been sustained through the use of subsidized fertilizers. (8,10)

Importance of Subsidies in Achieving Sustainable Development Goals (SDGs)

1. Ensuring Food Security (SDG 2 – Zero Hunger):
   Access to cheap seeds, fertilizers, and irrigation support has been facilitated, enabling higher food production and the maintenance of affordable prices.
2. Promoting Technology and Modern Farming (SDG 9 – Industry, Innovation, and Infrastructure):
   Adoption of advanced machinery, quality seeds, and modern farming practices has been encouraged, resulting in enhanced productivity and efficiency.
3. Stabilizing Prices and Farmer Income (SDG 1 – No Poverty):
   Market fluctuations have been mitigated through subsidies, ensuring stability in both farm incomes and consumer food prices.
4. Supporting Rural Development (SDG 8 – Decent Work and Economic Growth):
   Rural infrastructure such as roads, storage facilities, and irrigation systems has been strengthened, improving village livelihoods and reducing migration pressures toward urban centres.
5. Encouraging Sustainability (SDGs 12, 13, 15):
   Organic farming, water conservation, and eco-friendly agricultural practices have been incentivized, contributing to the protection of soil, water resources, and biodiversity.
6. Enhancing Global Trade (SDG 17 – Partnerships for the Goals):
   Export competitiveness of Indian agricultural products has been promoted, thereby increasing farmers' earnings and strengthening foreign exchange reserves.
7. Reducing Inequality (SDG 10 – Reduced Inequalities):
   Targeted subsidies for smallholders, women farmers, and marginalized groups have been extended, helping to bridge disparities between resource-rich and resource-poor cultivators. (11)

Impact on Agricultural Development

Agricultural subsidies in India have been pivotal in enhancing productivity, ensuring food security, and supporting rural livelihoods. They make inputs like fertilizers, seeds, irrigation, and electricity affordable, while schemes such as Minimum Support Price (MSP) and crop insurance reduce risks and encourage investment in modern practices. These measures have improved yields, farmer incomes, and overall food availability.

However, the overuse of subsidies—particularly for fertilizers and electricity—has led to soil degradation, groundwater depletion, and ecological imbalance due to monoculture patterns encouraged by assured procurement. Rising costs and climate uncertainties further limit the benefits for smallholders.

From a market perspective, subsidies help stabilize prices and reduce production costs, thereby benefiting both farmers and consumers. Yet, distortions such as overproduction, inefficiencies in procurement, and limited crop diversification undermine long-term sustainability.

Socially, subsidies provide relief to small farmers but often disproportionately benefit wealthier farmers, deepening rural inequalities. Environmentally, they contribute to resource depletion and biodiversity loss.(12–14)

Challenges and Future Directions

Implementation challenges include fiscal burden, leakages, weak targeting, and exclusion of tenant farmers. To address these, reforms must focus on better targeting through Aadhaar-linked systems, expansion of Direct Benefit Transfers (DBT), and linking subsidies to sustainable practices such as drip irrigation, soil health, and crop diversification.

Future policy should gradually shift subsidies from consumption support to productivity- and conservation-oriented investments in infrastructure, technology, and market reforms. A sustainability-centred, targeted approach will ensure that subsidies empower small farmers while safeguarding natural resources.

Conclusion

Agricultural subsidies in India are both essential and problematic. They ensure food security, stabilize farmer incomes, and promote rural development, yet they also contribute to ecological degradation, market distortions, and fiscal burdens. Their effectiveness is further weakened by faulty implementation, with benefits often diverted by intermediaries.

Recent reforms such as direct cash transfers aim to improve targeting and give farmers greater autonomy, though expanding cropped areas continue to dilute their impact. Scholars emphasize that subsidies must be redesigned to be transparent, targeted, and environmentally sustainable, with regular impact assessments and a stronger focus on regenerative practices.

Ultimately, subsidies cannot function as stand-alone solutions. Their integration with research, infrastructure, capacity-building, and market-linked incentives is necessary to transform them into instruments of long-term agricultural growth and farmer prosperity.

References:-

1. Mullen K, Orden D, Gulati A. Agriculture Policies In India. IFPRI [Internet]. 2005; Available from: https://www.researchgate.net/publication/5056873_Agricultural_policies_in_India

2. Dubbolu M, Patil DrS. Economic Impact of Agricultural Subsidies on Small and Marginal Farmers: A Case Study of Chickballapur Taluk, Karnataka. IJFMR. 2025;7(2):7.

3. Kumar S. Impact of Subsidies on Agriculture Sector in India. 2020;1(2).

4. Gupta DAK. Impact Of Government Subsidies On Agricultural Productivity And Market Performance. 2025;13(7).

5. Dr. Medhavini S Katti. The Role of Subsidies in the Development of Agriculture. Journal For Basic Sciences. 2022;22(12).

6. Amaglobeli D. Agricultural Producer Subsidies. IMF Notes. 2024 Aug;2024(002):1.

7. Schwartz G, Clements B. Government Subsidies. Journal of Economic Surveys. 1999 Apr;13(2):119–48.

8. Madhu P. IMPACT OF AGRICULTURAL SUBSIDIES ON FARM INCOME AND PRODUCTIVITY: A CASE STUDY. 2022;9(2).

9. Chandel BS. AGRICULTURAL SUBSIDIES: CURSE OR BOON? -A REVIEW.

10. Anand R, Sah DU. IMPACT OF SUBSIDIES ON INDIAN AGRICULTURAL SECTOR: AN ANALYSIS. 2020;7(5).

11. Atapattu A, Ranasinghe CS, Shashi Udumann. Sustainable Agriculture and Sustainable Development Goals (SDGs. IGI Global, Hershey PA, USA 17033.

12. Dasyal HB, Gangshetty R. Impact of agricultural subsidies on agricultural development in India.

13. Bhagyalakshmi M. RATIONALE OF AGRICULTURE SUBSIDIES IN INDIA: A CASE STUDY.

14. Muttalageri SK, Biradar DRR. Agricultural Subsidies In Karnataka: An Analysis Of Its Impact On Farmars. 2012;9(1).