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ECONOMICS SEC - PROJECT.

TOPIC :- SUBSIDIES IN
FERTILISER.

SUBMITTED BY :-

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BAP/17/411

SUBMITTED TO :-

MS. SAKSHI JINDAL.

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INTRODUCTION

Subsidy management is a keenly debated issue in India. The debate is mainly on equity versus efficiency matters. The neo-liberal philosophy views subsidy as fiscally unsustainable and inefficient, whereas the socialist thought argues that subsidies are essential for maintaining social equity. The dilemma for the government is to choose between social equity and economic efficiency. To have a studied view, it is imperative to go for an empirical analysis on the composition of subsidies, their growth pattern and impact on fiscal deficit. In case of India, food, fertiliser and fuel subsidies, otherwise known as explicit subsidies, account for about 95% of total subsidies. India is the second biggest consumer of fertiliser in the world next only to China. Although the country is the third largest producer of fertiliser, the total availability always falls short of demand and is met through imports.

ACKNOWLEDGEMENT.

"Knowledge is an experience gained in life, it is the choicest possession. This should not be shelved but should be happily shared with others. It is the supreme art of the teacher to awaken joy in creative expression and knowledge". The success of any project is the result of hard work and endeavour of not only a few people and this project is no different. I take this as a prospect to a vow that it was an achievement to have succeeded in my final project. This would not have been possible without the guidance of "Ms. Sakshi Jindal".

ABSTRACT

In India, the budgetary subsidy has increased enormously over time. The present paper attempts to make an assessment of the trend, composition and reasons of increase in fertilizer subsidy. The study observes that the fertilizer subsidies had grown at a sharper rate upto 2008 which has declined subsequently in a relative sense. However, it is still phenomenal and a major part of explicit subsidies in India. The paper argues for a National Policy on Targeting Subsidies. Based on the outcome of the study, certain policy recommendations are made for fiscal discipline by nationalizing subsidies, and target subsidies only to the financially weaker section of the economy, which should be delivered directly to their bank accounts under Direct Benefit Scheme (DBS).

OBJECTIVE OF STUDY

The broader objective of this study is to know the financial performance of fertilizer industry, this objective is sub-divided into :-

- 1) To know growth and the development of fertilizer industry.
- 2) To examine the financial position of fertilizer industry.
- 3) To compare financial position of fertilizer industry.
- 4) To measure the profitability of fertilizer industry.
- 5) To examine liquidity position of fertilizer industry.
- 6) To assess the capital structure of fertilizer industry.
- 7) To know problems and prospects of fertilizer industry.

HYPOTHESIS.

"A hypothesis is a special proposition, formulated to be tested in a certain given situation as a part of research which states what the researcher is looking for."

The following hypotheses have been formulated.

- 1) Null hypothesis :- There is no any significant difference in financial performance in between years and in between companies under study.
- 2) Alternative hypothesis :- There is significant difference in financial performance in between years and in between companies under study.

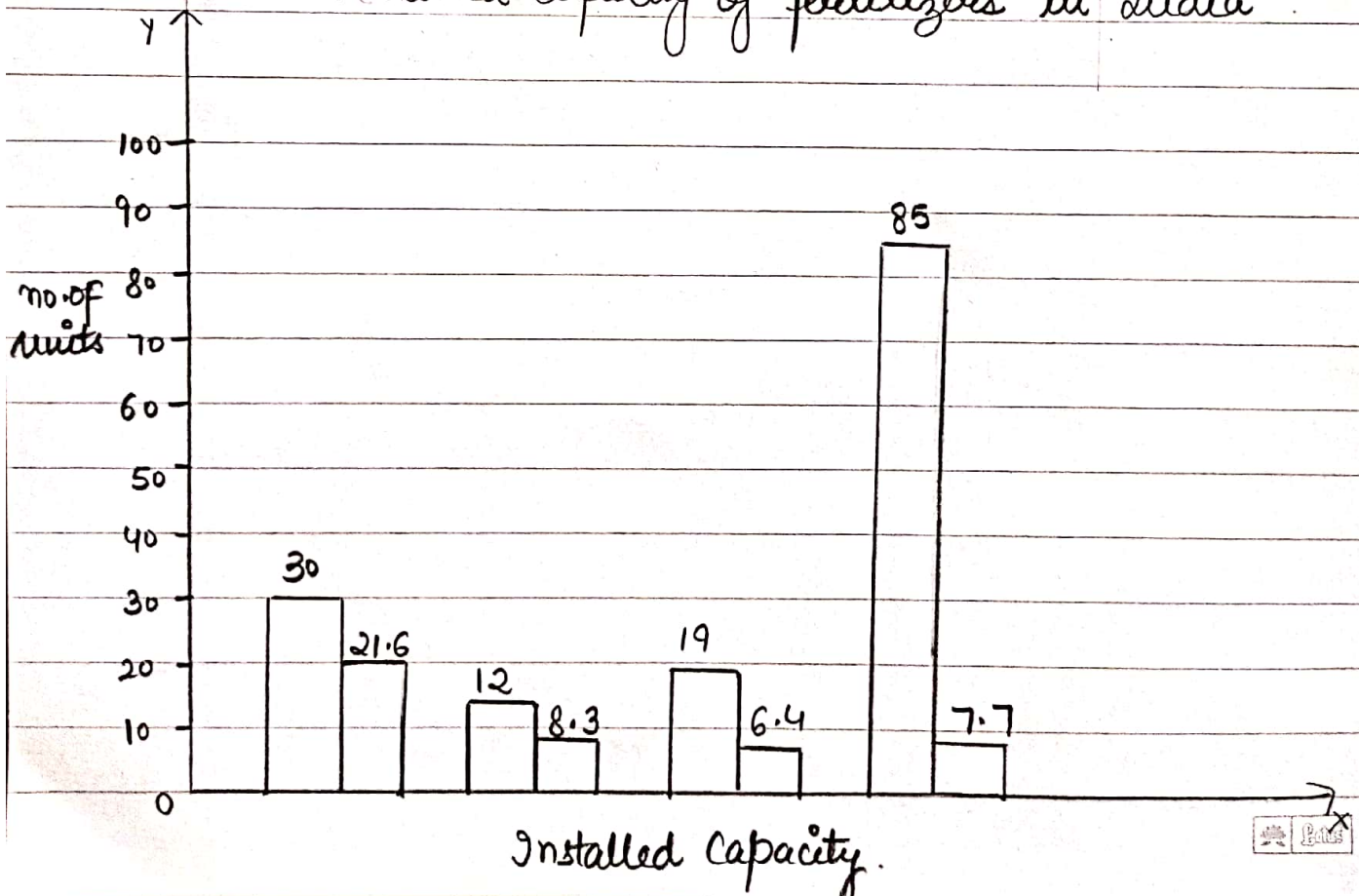
DATA AND METHODS.

The data for the present paper are compiled from different sources like department of fertilizers, Govt. of India, Fertiliser Association of India, Reserve Bank of India, and Union Budgets, Government of India. Relevant analysis is done by using simple tools like ratio analysis.

DATA ANALYSIS

No. of Units	Installed Capacity
30	21.6
12	8.3
19	6.4
85	7.7

Installed capacity of fertilizers in India



LIMITATIONS.

- This study is based on secondary data taken from published annual of fertilizer companies and other publications.
- This study is limited to the selected inputs of fertilizer industry and the findings are not applicable to the whole industry.
- There are many approaches to the measurement of financial performance.
- This research based on fertilizer related commercial activity.
- Researcher has tried best to remain faithful and keen but after all being a human, physical constraints may affect the result and as such the result the analysis may not be percent correct to be relied upon.

CONCLUSION

The paper finds that, despite rapid increase in fertiliser consumption in India, domestic production has not increased at par. So there has been increased import for fertilisers and fertiliser feedstocks. Furthermore, import prices of fertiliser feedstocks such as urea, phosphoric acid, ammonia and sulphur have increased incessantly, whereas the gate prices have not been revised continuously. So, the subsidy amount has increased manifold. The paper, therefore, suggests that in order to achieve fiscal consolidation, the govt. should target subsidy in a better way. Urea pricing may be decontrolled and steps should also be taken to ensure that subsidies are given only to small land holders.

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