

A Review on Crop Insurance Schemes and Awareness level of farmers in India

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Abstract: Risk is inherent in all business including agriculture. In agriculture risk arises due to failure of crop, natural calamities, weather conditions and so on which are uncontrollable by human beings. Due to this farmers are facing financial losses and not able to earn their lively hood and sometimes commit suicide, to overcome this type of risk Crop insurance is the best solution. The present paper mainly focuses on the awareness level of farmers towards crop insurance, their perception, and the problems they faced during claim settlement which are discussed by various authors. It is found that most of the farmers are aware of the crop insurance but due to high premium cost, and complicated settlement procedure there are not purchasing insurance. And it is suggested that government should simplify the settlement procedure and campaigning regarding crop insurance should be done.

Key Words: Crop Insurance, Awareness, Risk, Farmers Perception.

1. INTRODUCTION:

Development of any country depends upon the growth of all sector of the economy. In India agriculture is main sector for the development of the country. Majority of the population still depend upon agriculture or agriculture related products directly or indirectly for their livelihood. The main drawback in these sector is the failure or loss occurred due to unforeseen circumstances, both Natural and manmade calamities, due to this farmers are facing financing losses and falling into debt crisis. The best way to overcome this problem is agricultural insurance it helps the farmers to reduce the financial losses occurred due to calamities, provides them economic support, stabilizes their farm income, reduces their indebtedness and helps them to reinvest in agriculture. Government of India has implemented various insurance schemes to protect the farmers.

Agriculture Insurance Company of India limited implement various crop insurance schemes such as Pradhan Mantri Fasal Bima Yojana, Restructured Weather Based Crop Insurance Scheme currently and previously it has implemented National Agricultural Insurance Scheme, Weather Based Crop Insurance Scheme and Modified National Agricultural Insurance Scheme. The main objective of PMFBY which is vastly implemented in India is to support sustainable production in agriculture sector by supporting financial to the farmers who are suffering from crop loss, to ensure in continuance in farming by stabilizing their farmer income, encouraging farmers to adopt modern agricultural practices and innovation and also to ensure flow of credit to the agriculture sector, enhancing growth and protective farmers from production risk. The scheme is implemented on an 'Area Approach Basis'.

Another important insurance scheme to minimize the risk that occur due to irregular weather conditions that causes adverse weather conditions resulting in massive losses to the farmers is Restructured Weather Based Crop Insurance. the main aim of the scheme is to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind ,humidity etc. WBCIS uses weather parameters as "proxy" for crop yields in compensating the cultivators for deemed crop losses. Payout structures are developed to the extent of losses deemed to have been suffered using the weather triggers.

National Agriculture Insurance Scheme (NAIS) main aim is to provide financial support to the farmers and stabilized their income in the event of failure of crop due to natural calamities, pests and diseases. And it also encouraged farmers to adopt progressive farming practices providing high value inputs and technology.

2. OBJECTIVE OF THE STUDY:

- To conduct in depth study on Crop Insurance in India
- To study in detail about the awareness level of farmers, Perception towards Crop Insurance.

3. LITERATURE REVIEW:

Kumari, Singh, Mishra, Sinha, & Ahmad (2017) has analyzed how socio economic characteristics have influence on the respondents for adoption of crop insurance schemes. The study was done by collecting primary data from 200 farmers and analysis was done using discriminant analysis by grouping the data through cluster analysis and found that discriminant analysis based on the criteria values of standardized canonical coefficient and correlation matrix recognized that farm size, educational level, awareness and access to source of credit were positive discriminators and age, income level and number of earning members were negative discriminators. It was concluded that socio economic characteristics of farmers have a considerable influence on the adoption of crop insurance schemes and suggested that awareness and benefits of crop insurance should be created among the farmers in order to motivate them to adopt crop insurance to minimize their financial losses. And the insurance agencies should satisfy the farmers by timely payment of indemnity and less burdensome process of documentation.

Jainuddin & Gadhe (2017) has made a comparative study of agriculture insurance schemes which are implemented by the government for managing risk in agriculture. The study was done using secondary data collected from the publications of Agriculture Insurance Company of India Limited and various other sources, descriptive statistics were used for analysis purpose. It was found that National agriculture insurance scheme was largely benefited for the farmers of Maharashtra state and Modified National agriculture insurance, weather based crop insurance scheme were largely benefited for the farmers in Rajasthan State. It was also found that the highest claims were settled and highest area coverage was under NAIS.

Namdev, Awasthi, Khare, & Raghuvanshi (2016) has studied about the performance and coverage of NAIS in the state of Madhya Pradesh. It has also been studied about the problems faced regarding the implementation of the crop insurance, its impact on the production level and security of farm income. Secondary data collected from annual progress report of the implementing agency are considered as the relevant macro level parameters for the study. The study also revealed that due to repeated failure of monsoon there is an increase in the acceptance of the scheme. It suggested for block wise commercial crop statistics for collecting the data.

Swain (2016) has analyzed the performance of two insurance schemes namely National Agricultural Insurance Scheme and Weather Based Crop Insurance based on their financial performance, coverage of area, operational efficiency and protecting of farmers during the crop loss. A study was conducted using primary and secondary data comprising of 200 samples from two districts in western odisha. It was concluded that the performance of WBCIS is better than NAIS due to its higher adoption rate, more farmers were benefited from it, premium was low, claim payment is faster and frequent indemnity payment. And it was also suggested for multi- peril crop yield insurance schemes, simpler procedure for applying for crop insurance for non loanee farmers, to appoint insurance agents, speedy procedure for claim settlement, and to create awareness about the benefits of the schemes among the farmers.

Arabi (2016) has investigated the role of insurance in the economic growth in sudan. Two models of economic growth, the first one growth proxied by per capita income to unemployment in an inverse relationship, insurance premium per individual and average years of educational attainment. And the second model was interchanged insurance density by insurance penetration. Granger causality revealed unidirectional relation runs from insurance penetration and insurance density to economic growth indicating a very weak long run and found that insurance affects the economy positively.

Rathod, Chavan, & Rathod (2016) has conducted analysis on awareness and perception of farmers with regard to weather based crop insurance scheme by collecting primary data from 120 respondents from selected villages in Nagpur district of Maharashtra. It was found that majority of farmers were aware about the insurance scheme, credit provided under insurance and benefits of insurance but unaware about the insurance has risk management tool and which agency are providing and implementing insurance, types of risk that are covered under the scheme. And it was also found that most farmers had perceived that the claims settlement procedure was dependent on companies' interpretation and it was a complicated procedure for understanding.

Jadhav, Sasane, & Bange, n.d.(2015) has made a study on farmers perception of crop insurance schemes by conducting a survey using primary data in pune district of Maharashtra. The data collected was grouped into three categories by equal interval method and Mean was the stastical tool that was used to analyze the data. It was found that the perception of farmers towards crop insurance was very low. It was suggested to create vast awareness among farmers through mass media communication , seminars, farmers rally, exhibitions , advertisements etc. it was also suggested that to increase the percent of indemnity level so that many farmers adopt the crop insurance scheme.

Epetimehin (2011) has studied about the major two types of risks farmers face during agricultural production namely price risk and production risk. It was discussed that how agricultural insurance may help the farmers from financial losses. The paper also discussed about the various agricultural insurance products available and also analyzed how agricultural insurance had economic impact on the economy. It was suggested that to improve the agricultural yield, government should find out the problems faced by farmers in agriculture and provide immediate remedial measures. It was also suggested that government should encourage banks and financial institutions for granting loans at low interest rates, while considering the repayment eligibility of the farmer.

4. RESEARCH METHODOLOGY

It is an exploratory study conducted on the basis of findings, suggestions and conclusion of different journals, reports and magazines, in order to gain in depth knowledge on Crop Insurance in India.

5. FINDINGS:

- It is found that socio economic factors have influence on farmers for adopting crop insurance schemes.
- It has been found that adoption rate is higher for WBICS then NAIS because of low premium and frequent indemnity payment.
- Insurance has a positive effect on the economy.
- The study revealed that farmers perceive that claim settlement procedure is complicated and time consuming.
- It is revealed that insurance act as a shield to farmers to reduce indebtedness

6. SUGGESTION:

From the study it can be suggested that government should initiate more awareness programmes to educate and motivate farmers about how they can minimize their risk and overcome financial losses by adopting crop insurance. It should also simplify the claim settlement procedure and there should be timely payment of claims by insurance companies. It is also suggested for multi peril crop yield insurance schemes and simplify the procedure for crop insurance by non loanee farmers.

7. CONCLUSION:

Crop insurance is an important tool for the government to protect the farmers from crop loss and stabilize their income. Adoption rate for crop insurance can be increased by creating awareness about the benefits and minimization of risk in cultivation for the farmers. Proper training regarding the adoption of latest technology, way of cultivation to increase the production, adoption of Insurance which protect the farm income and help the farmers to reinvest in farming would lead to the development of the economy in a country like India where agriculture is still predominated.

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