

PERCEPTION OF FARMERS TOWARDS AGRICULTURE INSURANCE SCHEMES IN INDIA

Dr. Apeksha Bhatnagar
Assistant Professor
Amity Business School, AUR, Jaipur

ABSTRACT

Agriculture Insurance is a risk management technique for farmers to save them from the effect of the losses that are occurred due to some unforeseen or unpredictable phenomenon. Unfortunately agriculture has it as a necessity. Agriculture is mostly affected by such factors, as it is dependent on weather for its production. Loss in production results in loss in revenue from the sector. This leads to a number of unfavorable outcomes for the economy such as farmers leaving the sector for their survival, GDP contribution from agriculture is also decreasing that restricts the development of agriculture sector in India, unemployment and poverty. Hence the development of agriculture sector is essential for the development of Indian economy, because agriculture sector provide employment to a major part of population; this sector also is the third largest contributor to Indian GDP. Whatever growth expectations cannot be achieved without developing the agriculture sector. In development of the sector, there are certain issues which can not be eliminated completely, loss in production due to adverse weather conditions is one of those issues. Weather changes are not completely predictable, specially in India which has such a vast variety of weather conditions in different regions, therefore the revenue from the sector cannot be stable, it varies according to the effect of weather conditions. To control the effect of these losses on farmers' financial status, to motivate them to not to leave the sector, Agriculture Insurance schemes were launched. Government has been taking steps in this regard since independence yet these efforts are not successful in mitigating these risks as these risks are uncertain and unpredictable. First Agriculture Insurance was launched in India in 1972. Since then there have been different agriculture insurance schemes implemented in India. These schemes were launched with the aim of compensating the losses occurred in agriculture production, which they could not achieve and the sector is struggling for growth. The researcher wants to find out the reasons for the failure of these schemes and how farmers perceive such insurance schemes. To analyze their perception researcher went to some farmers and some insurance agents.

This paper aims to find out the perception of the end user i.e. farmers towards the agriculture insurance scheme and what they think are the reasons for the failure of these schemes so far. For this research interviewed some of the farmers and people related to administration of agriculture insurance in Udaipur. Responses of farmers and insurance agents were analyzed and conclusion was drawn by qualitative research. Farmers responses on different factors like premium awareness, willingness to purchase the scheme, claim settlement, weather station all three current schemes overall impact and their satisfaction with them was taken.

Key words : Farmers' Perception, Agriculture Insurance

INTRODUCTION

Development of agriculture sector is essential for the development of Indian economy, as a major part of Indian population is dependent on agriculture for its livelihood, this sector also contribute to GDP. The growth expectations cannot be fulfilled without developing the agriculture sector. But this contribution needs to be increased to bring inclusive growth in the country, for which revenue from the sector should be enhanced. This mission cannot be achieved

perfectly because of unpredictable weather, as agriculture production is dependent on weather. The unpredictable weather conditions damage the production hence revenue from the sector cannot be stable or enhance until the effects of adverse weather are managed. Government has been taking steps in this regard since independence yet these efforts are not successful in mitigating these risks, as these risks are uncertain and unpredictable. Agriculture Insurance is one of such efforts, launched in India in 1972. Since then there have been different agriculture insurance schemes

implemented in India. These schemes were launched with the aim of compensating the losses occurred in agriculture production, which they could not achieve. And the sector is struggling for growth. The research wants to find out what exactly is the reason for the failure and how farmers perceive these insurance schemes, what is their opinion regarding these schemes.

OBJECTIVES

- To review agriculture insurance in India
- To review the awareness of farmers about agriculture insurance schemes
- To explore the perception of farmers towards agriculture insurance schemes
- To find out the reasons for the failure of these schemes according to farmers

For above-mentioned objectives, researcher interviewed some of the farmers and people related to administration of agriculture insurance in Udaipur. The paper is based on the responses of the farmers and insurance agents given in an informal interaction with the researcher and review of literature. The researcher used qualitative research to draw the conclusion.

Agriculture Insurance has been the need for India. India has been struggling to develop agriculture sector since independence. Agriculture sector faces a number of issues, which are unavoidable and cannot be eliminated. Production losses due to weather are one of such issues. Agriculture insurance schemes in India lack on this aspect. The mechanism does not fill this requirement, they don't have any way to accurately predict the weather changes, and hence they cannot lessen the losses too.

REVIEW OF LITERATURE

Duhan, A (2017) studied farmers perception towards crop insurance schemes and found out that lack of awareness should be removed and knowledge is essential for better implementation of these schemes, farmers perceive premium to be high and claims to be low. Farmers also want that all crops should be covered not a few selective ones. They don't like time and amount of claim.

Kangle, Deshmukh et.al (2016) have done an empirical study on perception of farmers towards agriculture insurance scheme in Amravati District. They tried to establish a relationship between different demographic factors and perception and concluded that these factors like age, education do affect perception of farmers.

Gaudappa, Reddy & Chandrshekhar (2012) studied farmers perception and evaluated awareness of farmer about

agriculture insurance scheme and concluded that there is a need for a separate wing of agriculture insurance in agriculture department. Farmers should be informed about the procedure and mechanism of these insurance schemes.

AGRICULTURE INSURANCE

The discussion for launch of such mechanism had been started just after the independence. Government proposed the first crop insurance bill in 1965, which was rejected by state governments because of the losses they had to incur in implementation of the bill. Government then launched first ever crop insurance scheme in 1972, this scheme followed individual approach. In this approach, losses are recorded by surveying the farmers, which led to unbiased and unfair distribution of claim. This resulted in huge losses for the government, this scheme continued till 1978.

After this failure government launched another scheme in 1979, Pilot Crop Insurance Scheme, it was the first scheme launched on area approach basis and losses were recorded area wise. Complete area was considered to be one block, and losses were recorded by surveying the complete area and observation of the government representatives. This scheme launched in 12 states of India and covered Cereal, Millets, Oil Seeds, Cotton Potato and Chickpea. This schemes covered total 6.23 lakh farmers were covered. The scheme again was a failure because of lack of awareness among farmers, besides the scheme only covered loanee farmers; other small and marginal farmers were excluded from the scheme. This scheme was replaced by the scheme 'Comprehensive Crop Insurance Scheme' in 1985. It was the third attempt of agriculture insurance in India it was launched with Homogeneous area approach, and covered 15 states and two UTs. The scheme was also available on voluntary basis. But it was majorly covered only loanee farmers. This scheme failed because of its coverage again was limited to loanee farmers, same premium rates for all the farmers, very few crops were covered and delay in indemnity payment. National Agriculture Insurance Scheme (NAIS) was launched to replace the former scheme. This scheme was launched in 1999 and still continued. Though NAIS is longest run scheme yet it is not successful completely, majorly because it didn't cover losses due to weather changes. With NAIS Weather Insurance was launched by ICICI, which was re-launched as Weather based Crop Insurance Scheme in 2007. It had private participation and also a mechanism that can cover losses due to weather changes. Weather stations were positioned in different Tahsil and the scheme followed Homogeneous area approach. Poor settlement process, lack of transparency, lack of awareness, poor claim settlement, poor maintenance of weather stations, large unit for recording of losses are few reasons that failed this scheme. Though both these schemes are still

there in India in few of the state but they are not performing very well.

Government launched Modified National Agriculture Insurance Scheme in 2011 which had features of both the scheme NAIS & WBCIS. It is still continued. But performance of this scheme is also not very good. Hence it is essential to launch a better mechanism for risk management in Agriculture and to replace Agriculture insurance in India. The researcher here wants to find out how farmers feel about these risk management technique, and what do they suggest how it should be?

For which the researcher asked few of the farmers and insurance agents in Udaipur some questions e.g. do you know about these insurance schemes. To which farmers said that they know about these schemes though they don't know how do they work and how are they administered? Thought the awareness is there farmers do know about these schemes but they are insured with the help of Cooperative Banks and other government organization from where they have taken loan. Some times insurance agents also come to them to insure them but lack of literacy makes them unable to understand the mechanism.

They were asked what is the source of their information about these schemes; most of them said Cooperative Banks, only few of them are informed enough to know about these schemes, and source of their information is Krishi Vigyan Kendra.

Farmers were also asked that how do they feel about the private participation in agriculture insurance? To this, most of them answered that they don't trust private organizations as they work for profit. They trust government organization more than private ones.

They were asked if they are satisfied with various aspects related to these schemes such as premium, claim settlement, mechanism of these schemes etc. to which they said they are insured through Cooperative Banks, from where they take loans hence they don't know much about these details. But they are not happy with what they get in the name of claim settlement. They don't like the administration too, because there is no transparency. They don't understand the claim settlement process and premium calculation process. Because they think that against the claim settlement amount they get is so less and premium they collect is high. According to them the premium is collected from each farmer but losses are record according to the block, which makes the distribution of claim amount unfair. Besides they are really dissatisfied with the amount they get as claim for losses. Farmers are also unhappy in delay of claim settlement. They think that the premium is very high for them to pay.

Farmers feel WBCIS to be a better scheme than to previous ones as it has the mechanism to cover crop losses because of the adverse weather. This is why they are satisfied with the mechanism. But on the same time they have expressed their dissatisfaction relating to the administration. They say that the station that record weather data is really far away. It doesn't accurately records the data. It is also not maintained properly, this is why their records are either faulty or not there at all.

CHALLENGES IN IMPLEMENTATION OF AGRICULTURE INSURANCE SCHEMES

- **Lack of Awareness**

First and foremost challenge in front of Insurance Providers is lack of awareness, which they need to win over in order to implement these schemes. Farmers are mostly from rural areas, it is difficult to reach them and make them aware about such effort, so that they can take these schemes on voluntary basis.

- **Lack of Financial Literacy**

Financial Inclusion has been the need for the nation these farmers are now included in financial system of India by way of their bank accounts, they should be trained and taught about these schemes and their benefits.

- **Unpredictability of Weather**

India has got wide variety of weather conditions; these conditions affect the agriculture production. Changes of weather should be predicted properly and accurately. For this there is no mechanism.

- **Suitable Approach**

These schemes either followed individual approach or area approach. Both the approaches are faulty. Former has the chance of corruption at farmers' end and later has the chance of corruption or unfair distribution at insurance provider's end.

- **Reliable source of data collection**

Data collection is quite essential for the betterment of these schemes, rural and distant areas are difficult to reach at the time of data collection. Fair and unbiased techniques should be used but it will require so much money, which cannot be recovered by farmers obviously.

- **Corruption**

To reach a farmer in rural area insurance provider has to use cooperative banks, Patidar, agents etc., more channels of communication can distort the message same happens to agriculture insurance chances of corruption are more in such cases.

- **Cost**

Farmers cannot pay high premium not to insure them and properly administered these schemes, maintain the weather stations, increasing the number of weather stations, data collection, awareness programs require huge amount of money which either government has to bear or the insurance provider.

The above challenges are found out from the interaction with insurance agents, and observation of the researcher.

CONCLUSION

Farmers are not aware enough about these schemes. They aren't satisfied with these schemes they think that they are being cheated and they don't trust private participation, they don't get enough claim amount. They are not happy with the mechanism, neither with their administration. They want a better mechanism and management of these schemes. They want more transparency in these schemes. They don't want private participation they want government companies.

LIMITATIONS OF THE STUDY

- The study is based on informal survey
- This survey too was of few farmers
- The finding cannot be generalized.

REFERENCES

- Agriculture Finance Corporation Ltd. Mumbai (2011) Impact Evaluation of Pilot Weather Based Crop Insurance Scheme (WBCIS), submitted to Department of Agriculture and Food Cooperation, Ministry of Agriculture, Government of India, retrieved from <http://www.afcindia.org.in/>
- Agriculture insurance of India (n.d.) Introduction & Business Profile, retrieved from <http://www.aicofindia.com>
- Clarke, Mahul, D.J., O., et al (2012), Index Based Crop Insurance Product designing and ratemaking-A Case of

Modified NAIS in India, TheWorld Bank Policy Research Working Paper 5986, available at <http://ssrn.com/abstract=2016751>

- Clarke, Mahul, D.J., O., et al. (2012), Weather Based Crop Insurance in India, World Bank Policy Research Paper 5985, retrieved from www-wds.worldbank.org
- Department of Agriculture & cooperation (2014), Report of committee to review the implementation of Crop insurance schemes in India, India
- Duhan, A. (2017), Farmer's Perception Towards Crop Insurance, International Journal of Research in Applied, Natural and Social Sciences ,6(8), India pp 1-6
- Economic survey (2013-14), Agriculture and food, chapter 8, retrieved from India budget: indiabudget.nic.in/survey.asp
- Golait, Pradhan, R.B., N.C. (2008), Relevance of Weather Insurance in India, CAB Calling (January-March 2008), 32(1), College of Agriculture Banking, RBI, Pune, pp37-41, retrieved from www.cab.org.in
- Goodwin, Mahul, B.K., O., (2004), Risk Modeling Concepts Relating to the Design and Rating of Agricultural Insurance Contracts, World Bank Policy Research working Paper 3392, retrieved from elibrary.worldbank.org
- Goudappa, Reddy, Chandrashekhar, S.B., B.S.,S.M., (2012), Farmers Perception and Awareness about Crop Insurance in Karnataka, Indian Research Journal of Extension Education, (2), India
- Kangale, Deshmukh, Deshmukh, P.D., A.N., S.A., (2016), Farmers Perception Towards Crop Insurance Scheme, International Research Journal of Agricultural Economics and Statistics, 7(2), India
- Mahul, Verma, O., N., (2012), Improving Farmers' Access to Agricultural Insurance in India, The World Bank Policy Research Paper 5987, retrieved from <http://elibrary.worldbank.org/>