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A STUDY ON AGRICULTURAL INSURANCE POLICIES

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ABSTRACT

Agricultural in India is one of the country major occupation. Agriculture producers purchase crop insurance in order to protect themselves against the loss of revenue due to declines in the prices of commodities from the loss of their crops due to natural disasters. Crop insurance is part of agricultural insurance. Agricultural insurance protect the farmers against insurance coverage and financial support to farmers. There are many agricultural schemes that protect the farmers against calamaties.PMFBY is one of the current scheme that is based on Area approach. There may be a uniform premium paid for rabi and kharif crops. We want to create awareness among the farmers regarding agricultural insurance and government should be updated with the land records and good assessment techniques to be maintained by the insurance companies at the stage of crop loss.

Key words: Agriculture insurance, Natural Calamities

INTRODUCTION

Agricultural insurance protects against loss or damage to crops or livestock. It has great potential to provide value to low-income farmers and their communities, both by protecting farmers when shocks occur and by encouraging greater investment in crops. However, in practice its effectiveness has often been constrained by the difficulty of designing good products and by demand constraints.

Agriculture in India is highly susceptible to risks like droughts and floods.It is necessary to protect the farmers from natural calamities and ensure their credit eligibility for the next season.For this purpose ,the Government of India introduced many agricultural schemes throughout the country.

DEFINITION

Insurance is the means by which the risks are shared between many individuals or institutions who face the, so that the event of contingency befalling an individual is compensated for his loss out of the premiums paid by all the insured against it.

Agriculture Insurance is highly susceptible to risks like droughts and floods.It is necessary to protect the farmers for natural calamities and ensure their eligibility for the next season.

Crop insurance is also one of the part of agriculture insurance. It is a type of protection policy that covers agricultural producers against unexpected loss of projected crop yields or profits from produce sales at market.

REVIEW OF LITERATURE

Hazell, Peter B, Carlos Pomareda and Alberto valdes (1986) in their study “Crop Insurance for Agriculture Development: Issues and Experience they discussed that insurers must follow professional insurance practices developing a diversified portfolio of risks that spread geographically and temporally. Management must also have some interest in protecting the reserves not merely serving the agents for public resources.A strong reinsurance program is the best protection against the agriculture insurance programs.

Siddhartha Sinha (2004) in his book titled "Agricultural Insurance In India Scope for Participation Of Private Insurers "he discussed that there is a need to protect the farmers using agriculture policies. As there is a lot of change in economic conditions and technology there were a more rate of farmer's suicides in the country. He discussed that there were more schemes under the agricultural insurance such as National Agricultural Insurance Scheme (NAIS), Comprehensive Crop Insurance Scheme (CCIS).As these schemes covered about only 10% of crop area. The implementing agency has less risk because it does not suffer or face problems .He suggested that crop insurance can be improved by increasing the accuracy and timeliness of crop estimation methods through new technology through participation of private insurers.

J. Sunder and Lalitha Ramakrishnan (2015) in their study the need for protecting farmers from the various risks and hazards was recognized by the Government of India and insurance providers. It is important to evaluate awareness and benefits of the insurance, from time to time, both researchers and policy makers have evinced interest in evaluating them. A pilot study is conducted on a sample of 360 farmers from Kunichampet and Mannadipet in Puducherry district.It revealed that there were constraints like less benefits and dissatisfaction towards claim settlement of crop insurance. Steps are necessary from Government and insurance delivery agents to promote insurance to counter problems like low benefits and dissatisfaction.

Dr. R. Thirumoorthy& V. Geetha(2017) in their study "A Study on Awareness of farmers towards crop insurance in Erode and Namakkal District" they identified that unpredictable climatic change farmer income suffers a lot. Crop Insurance is one of the most innovative, highly appreciated and non-discriminatory banking credit products. Crop insurance plays an important role in agriculture the crop insurance is carried as a credit vehicle in rural areas with the objective of risk dispersal to small, marginal farmers, large farmers & socio economically weaker section of population for the development of agriculture. It is found that four variables such as farmer's gender, educational qualification, farm size, source of knowledge about crop insurance had significant association with level of awareness towards crop insurance.

C. Sindhu & Dr. U ThaslimAriff(2017) in their study" A Study On Farmers Preference Towards Crop Insurance"they discussed that crop insurance is necessary to protect them against financial issues. . It is necessary to protect formers from natural calamities and ensure their credit eligibility for the next season. To encourage the farmers the insurance company should understand the needs of the farmers, as it is related to psychology of farmers and also depends on various factors, which have a direct bearing on climatic changes.A pilot survey is conducted among 100 respondents and found that educational qualification and area of land owned by the employer have significant association with farmers level of preference towards crop insurance.

Yashwanthkumar and Praveen kumar Singh (2018) in their study "To study the influence of Insurance policy on the Agriculture field and Indian economy" discussed that India is a agriculture dependent country.In this they introduced the concept of central system of agriculture by providing insurance to farmer.In this methodology better utilizes the existing benefits and Indian governments Yojanas will implement to the farmer. Each farmer will facilitate with an insurance policy and that various information of the farmer regarding farming conditions will be stored by the government and further essential requirement will provide to the greedy farmer.

Sangkyun Park(2018) in his paper "Screening ability of private insurers in crop insurance program" he scrutinized the structure of crop insurance program and tested the screening ability of private insurers.Hefinded that pay out rates are low for reinsurance funds.The federal government could improve the effectiveness and efficiency of Crop Insurance program by restructuring its delivery system.It estimated the economic significance of private insurers screening advantage and showing the economic significance is similar in good crop years and bad crop years.

ZauraFadhliani, Jeff Luckstead, Eric J Wailes(2018) in their paper "The impact of multiperil Crop Insurance on Indonesian rice farmers and production"the paper analysed the risk averse effect of Indonesian rice farmers located in Tuban and Gresik regencies of the East Java Province.It conducted the pilot insurance program and done a comparative statistics for changes in coverage level and premium subsidy on input use in to coupling ,insurance and wealth effects.The results revealed that insurance effect for coverage levels is positive.The numerical analysis showed that MPCI crop insurance results in a reduction in expected yield for coverage levels above about 82.5% for both regencies.Higher subsidy rates amplify the reduction in input use and yield.

HOW AGRICULTURE INSURANCE POLICY HELP THE FARMERS

Agricultural Insurance Company Of India Limited(AIC) a public sector insurance company that offers yield-based and weather-based crop insurance programs in almost 500 districts of India. It covers almost 20 million farmers, making it the biggest crop insurer in the world in number of farmers served. Agriculture Insurance Company of India Limited is a limited company headquartered out of New Delhi India. AIC aims to provide insurance coverage and financial support to the farmers in the failure of any of the notified crop as a result of natural calamities, pests and diseases to restore their creditworthiness for the ensuing season to encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology to help stabilize farm incomes particularly in disaster years.

The insurance policies help the farmers to protect against the thunderstorms, followed by unseasonal rains. It mitigates the risk in agricultural sector and have direct implication on agriculture productivity and farmer welfare.

OBJECTIVES

The following are the objectives

1. To study the stage level development of Insurance schemes.
2. To suggest the measures to increase the awareness of agriculture insurance schemes.

RESEARCH METHODOLOGY

As the study is confined only to the policies/schemes that were raised for agriculture and it is also confined to what measures that were used to implement the agriculture schemes successfully in the country.So there is no need to use any statistical tools and methods to analyse the data.

AGRICULTURE INSURANCE SCHEMES

Agriculture is highly susceptible to risks like droughts and floods. It is necessary to protect the farmers from natural calamities and ensure their credit eligibility for the next season. For this purpose, the Government of India introduced many agricultural schemes throughout the country

First Individual Approach Scheme 1972-1978

Different forms of experiments on agricultural insurance on a limited, ad-hoc and scattered scale started from 1972-73 when the General Insurance Corporation (GIC) of India introduced a Crop Insurance Scheme on H-4 cotton. In the same year, general insurance business was nationalized and, General Insurance Corporation of India was set up by an Act of Parliament. The new corporation took over the experimental scheme in respect of H-4 cotton. This scheme was based on "Individual Approach" and later included groundnut, wheat and potato. The scheme was implemented in the states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu and West Bengal. It continued up to 1978-79 and covered only 3110 farmers for a premium of Rs.4.54 lakhs against claims of Rs.37.88 lakhs.

Pilot Crop Insurance Scheme (PCIS) 1979-1984

A study was commissioned by the General Insurance Corporation of India and entrusted to Prof. V.M. Dandekar to suggest a suitable approach to be followed in the scheme. The recommendations of the study were accepted and a Pilot Crop Insurance Scheme was launched by the GIC in 1979, which was based on Area Approach for providing insurance cover against a decline in crop yield below the threshold level. The scheme covered cereals, millets, oilseeds, cotton, potato and chickpea and it was confined to loanee farmers of institutional sources on a voluntary basis. The premium paid was shared between the General Insurance Corporation of India and State Governments in the ratio of 2:1. The maximum sum insured was 100 per cent of the crop loan, which was later increased to 150 per cent. The Insurance premium ranged from 5 to 10 per cent of the sum insured. Premium charges payable by small / marginal farmers were subsidized by 50 per cent shared equally between the state and central governments. Pilot Crop Insurance Scheme–1979 was implemented in 12 states till 1984-85 and covered 6.23 lakh farmers for a premium of Rs.195.01 lakhs against claims of Rs.155.68 lakhs in the entire period.

Comprehensive Crop Insurance Scheme (CCIS) 1985-99

This scheme was linked to short term credit and implemented based on the homogenous area approach Till Kharif 1999, the scheme was adopted in 15 states and 2 UT‟s. Both PCIS and CCIS were confined only to farmers who borrowed seasonal agricultural loan from financial institutions.CCIS was implemented till kharif 1999 and it covered 763 lakh farmers for a premium of Rs. 404 crores against claims of 2303 crores.

The major short comings of the scheme were area approach, coverage confined to loanee farmers, uniform premium rate for all the farmers and regions, coverage of few crops and time lag for indemnity payment.

Experimental Crop Insurance Scheme (ECIS) 1997-98

As demanded by various states from time to time attempts were made to modify the existing CCIS. During 1997, a new scheme, namely Experimental Crop Insurance Scheme was introduced during Rabi 1997-98 season with the intention to cover even those small and marginal farmers who do not borrow from institutional sources. This scheme was implemented in 14 districts of five states. The Scheme provided 100 per cent subsidy on premium. The premium and claims were shared by Central and State Governments in 4:1 ratio. The scheme covered 4.78 lakh farmers for a sum insured of Rs.172 crores and the claims paid were Rs.39.78 crores against a premium of Rs.2.86 crores. The scheme was discontinued after one season and based on its experience National Agricultural Insurance Scheme was started.

National Agriculture Insurance Scheme(NAIS)/RashtriyaKrishiBimaYojana(RKBY)

To enlarge the coverage in terms of farmers (loanee and non loanee both)more crops and more risks National Agriculture Insurance Scheme(NAIS)-(RashitryaKrishiBimaYojana) was introduced in Rabi 1999-2000 season in the country.The scheme was available to all the farmers –loanee and non-loanee both irrespective of their size of holding.

This scheme is being implemented in 23 states and 2 Union Territories. It covers all the food crops (cereals, millets and pulses), oilseeds and annual commercial/horticultural crops, in respect of which past yield data is available for adequate number of years. The premium rates are ranging between 1.5% and 3.5% per cent (of sum insured) for food and oilseed crops. In the case of commercial/horticultural actuarial rates are being charged. Under the scheme, at present, 10% subsidy in premium is available to small & marginal farmers.

Under NAIS, during the last thirty three crop seasons (i.e. from Rabi 1999-2000 to Rabi 2015-16) about 2691 lakh farmers have been covered over an area of 3887 lakh hectares insuring a sum amounting to Rs. 461238 crore. The claims to the tune of about Rs. 50610 crore have been paid as against the premium of Rs. 14009 crore benefiting about 779 lakh farmers. The scheme was withdrawn after Rabi 2015-16.

Pilot Modified National Agricultural Insurance Scheme (MNAIS)

The modified NAIS has been formulated, incorporating the necessary changes/modifications in consultation with States to remove the deficiencies and make it more comprehensive and farmer friendly. With the introduction of the modified scheme, it is expected that an increased number of farmers will be able to manage risk in agriculture production in a better way and will succeed in stabilizing farm income particularly at the times of crop failure on account of natural calamities. Scheme was being implemented on actuarial basis but subsidy in premium up to 75% of Sum Insured was provided to farmers. Modified NAIS was approved for implementation on pilot basis in 50 districts during the remaining period of 11th Plan from Rabi 2010-11.

Pradhan MantriFasalBhimaYojana(PMFBY)

Pradhan MantriFasalBimaYojana (PMFBY) has been approved in place of MNAIS/NAIS for implementation from Kharif 2016 season.The scheme was launched on 18 February 2016 by Prime Minister Narendra Modi. PMFBY provides a comprehensive insurance cover against failure of the crop thus help in stabilizing the income of the farmers. The objective of the scheme is to provide financial support to farmers suffering loss or damage out of unforeseen events to ensure the flow of credit to agriculture sector which will contribute to food security crop diversification and enhancing growth and competitiveness to stabilize the income of farmers to ensure their continuance in farming. All farmers are eligible under this scheme the liability of farmer is limited to proportionate sum Insured of damaged crop's area and documentary evidence required to claim assessment under this scheme.The Scheme is implementing on an 'Area Approach basis'.PM want to increase the number of insured farmers from 20 to 50% in the next two to three years. Levels of Indemnity under this crop insurance scheme is 70%,80%,90% corresponding to high moderate and low risk level areas.The sum insured per hectare under this scheme is same for both loanee and non-loanee farmers. The insurance charges for kharif crops, Rabi Crops, kharif and rabi crops are 2%,1.5%,5%of Sum insured(SI).

IMPORTANCE OF AGRICULTURE INSURANCE

According to report of the Food and Agricultural Organisation of United Nations (FAO) agriculture is the single most affected sector by droughts, absorbing on average about 84% of economic impact. The measures were taken to protect the agriculture sector.It is the financial security provided to the farmers on payment of premium.

LIMITATIONS/IMPACT OF CROP INSURANCE POLICIES

As the agriculture production and farm incomes are effected by natural disasters such as droughts, floods, cyclones, storms, landslides and earthquakes and the farmers do not pay total premium regarding the policy.A portion of premium paid by the federal government

As the significant number of farmers are illiterate or unaware of agriculture insurance policies.A lack of awareness of the benefits might influence the willingness of a farmer to opt them.

MEASURES TO INCREASE THE AWARENESS LEVEL OF CROP INSURANCE

The schemes were not able to bring in enough number of farmers under crop insurance due to high premium, lack of land records, low awareness and absence of coverage for localised crop damage. The Assessment of the damaged crops has also been a major bone of contention for farmers as well as insurers. The government has suggested using new age technologies such as remote sensing, drones for faster and accurate measurement of damages to crops .

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