



A Study on Crop Insurance in Rural Area

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ABSTRACT

Universally agriculture is perceived to be synonymous with risk and uncertainty. Crop insurance is one alternative to manage risk in yield loss by the farmers. It helps in stabilization of farm production and income of the farming community. As such it is a risk management alternative where production risk is transferred to another party at a cost called premium. The on going National Agricultural Insurance Scheme is a good step forward to insure risk of millions of farmers whose livelihood depends on the pattern and distribution of monsoon rain in India. However, the penetration of crop insurance is found to be very less. This study is an attempt to understand the existing scenario of crop insurance in india with a special reference to Gujarat. The study on crop insurance in Bharuch district farmers towards this product. The paper further examines the perception of farmers who have availed or not availed crop insurance in various villages of Bharuch district. The study concludes with various suggestions for increasing the awareness level of the farmers for ensuring better penetration of crop insurance in Bharuch district.

Key words: Agriculture, Crop Insurance, National Agricultural Insurance Scheme Farmers Awareness

INTRODUCTION

Agriculture is highly risky venture due to both uncertainty in crop production and volatility in prices. On the one hand, agriculture production depends on various climatic parameters like rainfall, humidity, sunshine and temperature; while variations in these weather indicators, from the requisite quantity needed for the plants at its various growth stages, adversely affect crop yield. The devastation caused to the agrarian economy due to the occurrence of weather-induced natural disasters such as drought, flood, hurricane, cyclone, and hailstorm are well known. Apart from weather risk, unforeseen contingencies like infestation of plant disease and pest attracts very often inflict huge crop losses. On the other hand, agriculture entails a substantial market risk due to wide variation of in the input and output prices. For one, crop prices are more volatile because of difficulties in storage owing to the bulkiness and perishability of the products. For another, demand for agriculture products is relatively inelastic with respect to variations in price and income. As a result, supply shocks are manifested in wide the most significant.

The Government of India has taken many measures to reduce risk and impact greater resilience to agriculture. These include promoting the diversification of cropping patterns, inter-cropping, flood-control, drought-proofing and watershed development for reducing the production risk, and hedging risks. However, in spite of the preventive measures in place, when there is crop failure, insurance is considered the most effective mechanism to compensate farmers for their losses.

Types of Schemes:

Comprehensive Crop Insurance Scheme: (CCIS) (1985-1999) Comprehensive crop insurance scheme was an extension of PCIS. It was made compulsory for loanee farmers and was implemented by GIC. The premium rates were 2 percent of the sum insured for cereals and millets, and 1 percent for pulses and oilseeds. The union government and the state government shared premium and claims in the ratio of 2:1 Small and marginal farmers received 50% premium subsidy. The limit of sum insured was on voluntary basis. The Government of India under the scheme was reimbursing 50 percent of administrative expenses to GIC.

Experiment Crop Insurance Scheme (ECIS) : (RABI 1997-1998) This scheme was introduced on an experimental basis to additionally cover non-loanee small/ marginal farmers in 14 districts of five states. It entailed 100 percent premium subsidy for small/ marginal farmers. The scheme covered 4.55 lakh farmers who paid Rs. 2.84 crore as premium and collected claims worth Rs 37.80 crore. This resulted in a fairly high claim premium ratio of 13.31.

Farm Income Insurance Scheme: (FIIS) (2003-2004) To take care of variability in income arising out of fluctuations in the yield and market price, the government introduced a pilot project, viz. Farm Income Insurance Scheme (FIIS) during Rabi 2003-04 seasons. The objective of the scheme was

not only to project the income of the farmer, but also to reduce the government expenditure on procurement at Minimum Support Price (MSP). The other main objectives were to encourage crop diversification and also to give fillip to private trade, etc.

LITERATURE REVIEW

Rickey Bearden (T. Nelson, 2009), Chairman of NCC's Crop Insurance Task Force (USA): "crop insurance must be developed, delivered and administered as an effective risk management tool and innovative policies must be developed to make crop insurance more useful in various and ever changing production conditions." Bearden, who has been in the agricultural sector for 34 years, considers insurance coverage in Texas as a risk management tool to be as important as any other production input.

Jerry Moran (S. Kuschmider, 2009), Subcommittee Ranking Member, House Agriculture Committee: "The crop insurance program is of significant importance to farmers across the nation. Farmers often tell me they could not continue to function without it. In a report published by CTA and Inter-American Institute for Co-operation on Agriculture (IICA), it is stated that agricultural insurance is critical for any successful agricultural scheme. They also claim that there is considerable scope for the private sector to be involved in this area and key factors in the successful implementation of such schemes include (CTA, 2007)

Shivrami Reddy & Narasaiah (1998), crop insurance is needful to the farmers & it provides financial support to the farmers in the event of crop failure & make them credit worthy for the next crop season. They described the operation of Comprehensive Crop Insurance Scheme in Andhra Pradesh. The national Agricultural Insurance Scheme introduced since Kharif 2000, it appears very slow in taking roots in the southern states. (The Insurance Times, 2001).

Dandekar (1976), found that the crop insurance scheme offered insurance against a chance occurrence. The chance phenomenon underlying a crop insurance scheme is the fluctuations in the output from one year to another or from one crop season to another.

S. S. Raju & Ramesh Chand (2008), opined that agriculture production and farm income in India involves several risks. Crop insurance is the only mechanism available to safeguard against production risk. If the crop insurance program is to be made an important tool in agricultural risk management, the present level of coverage will have to be improved at least by 3-4 folds.

Marcel et al. (2002), with empirical data from the Netherlands, have shown that the participation decision in insurance programs is negatively and significantly associated with the producer's belief regarding the availability of disaster relief in the future.

J. Sunder and Lalitha Ramakrishnan (2015), reveals the extent of preference towards purchase benefits and satisfaction level towards crop insurance. A total of 360 farmers from Kunichampet and Mannadipet in Puducherry district are selected for this study. The study has been made by collecting the response of farmers through structured questionnaire and they are analysed using simple percentage and Anova. The study findings 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.

R. K. Ray (1987), the level of education of among the farmers and their awareness is important to make crop insurance effective. Insurance should be limited to crop yield and not directly cover the income from such yield. The insurance should be limited to a few major crops and to selected areas but with sufficient spread of risk and then gradually extended to other crops and areas. Insurance should cover all major natural hazards. The crop insurance scheme shall be made viable by spreading the risk horizontally by enrolling all the farmers in a locality in the scheme. The scheme should be attractive; credit linked, and should have support facilities like a reinsurance package (Manojkumar K., Shreekumar B., Ajitkumar. G. S., 2003).

Objective of study

- evaluate out reach of crop insurance for selected general insurance company.
- To evaluate the perception about farmers for crop insurance in selected area.
- To suggest measures to overcome implementation of policy measures of crop insurance.

Research design / methodology

RESEARCH DESIGN: Research design specifies the method and procedure for conducting a particular study. For the purpose of study, descriptive research design has been used in finding out the various parameters which gave information about the farmers awareness toward crop insurance.

Population of the study: Farmers of BHARUCH district

SAMPLING METHOD: The study had made use of non-probability sampling method looking at the characteristics of population.

SAMPLING SIZE: A total of 120 respondents were taken as sample of the study

SAMPLING TECHNIQUE: A Simple Random sampling technique was used to get respondents as sample from the entire population. Here farmers of Bharuch district as a respondents taken willing to fulfill the sample of the study.

DATA COLLECTION:

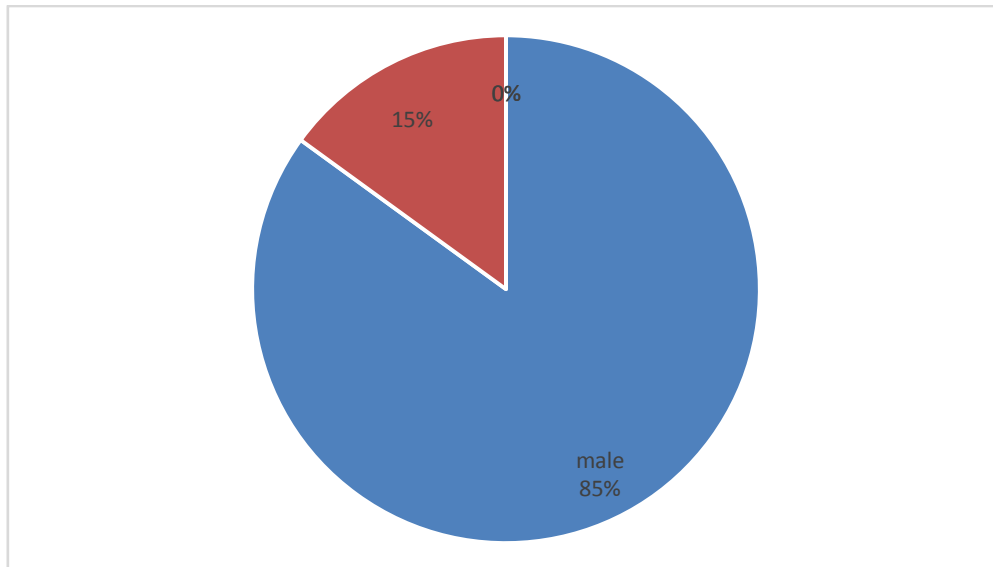
awareness toward crop insurance. However secondary source was also used to understand theoretical background of the topic. Secondary source in the research is collected from the internet.

Data Collection tool: The structured questionnaire was used as data collection tool. The questionnaire are distributed among respondents for self-administration.

Data Analysis and Interpretation

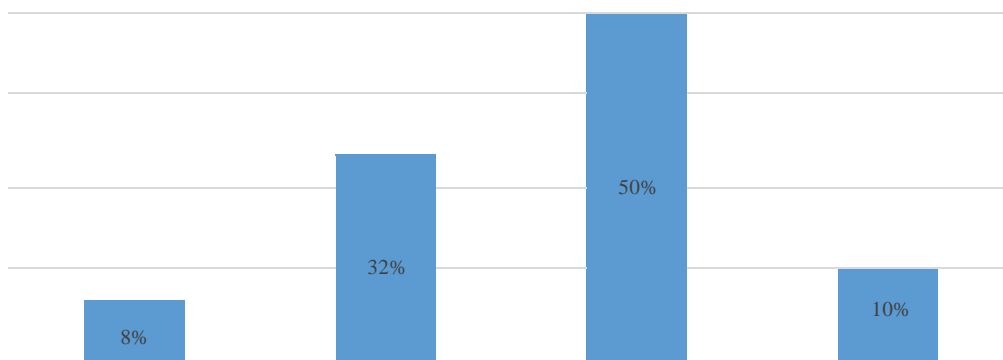
- As we can see pie chart shows that out of 120 respondents 85% respondents are males and 15% farmers are females. This means majority of male farmers in Bharuch district.

1. Gender:



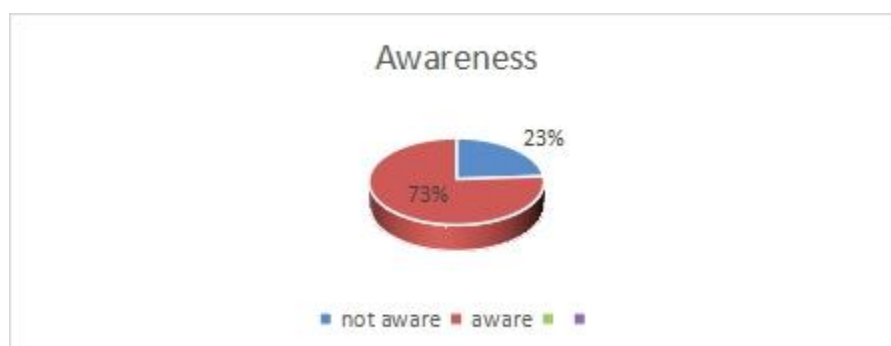
out of 120 respondents 8% respondents are below 25 years age, 32% respondents are belonging age of above 25-40, 50% respondents are belong age group of above 40-55, and 10% respondents have age above 55. below chart shows that majority of the respondents have age group of above 40-55 year.

2. Age:



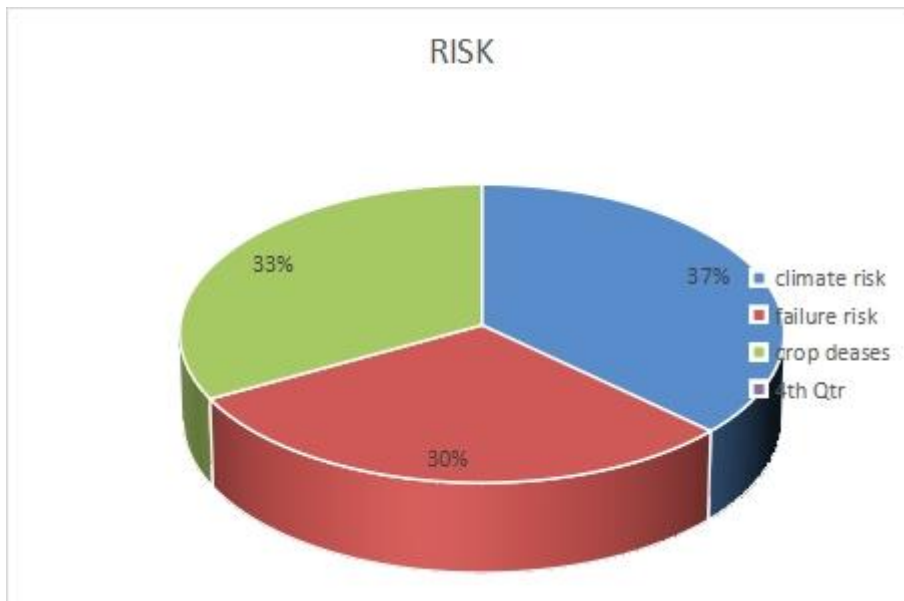
3. Are you aware about crop insurance.?

The awareness among farmers about crop insurance and risk management measures implementation by the government was very high. Out of 120 respondents 73% respondents are aware about crop insurance



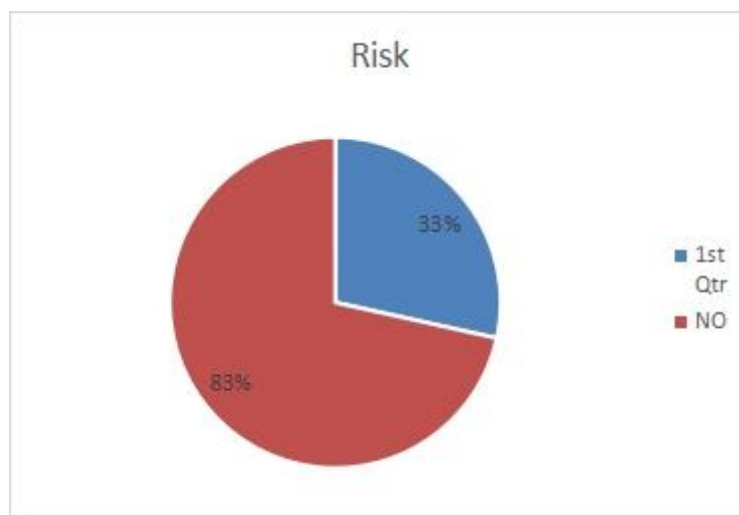
6.Perception of farmers towards important of various risk faced by their insurance ?

The chart shows that out of 120 respondents 37% respondents says that their crop faced a climate 30% farmers says that their crop failure of risk & 33% of crop disease.



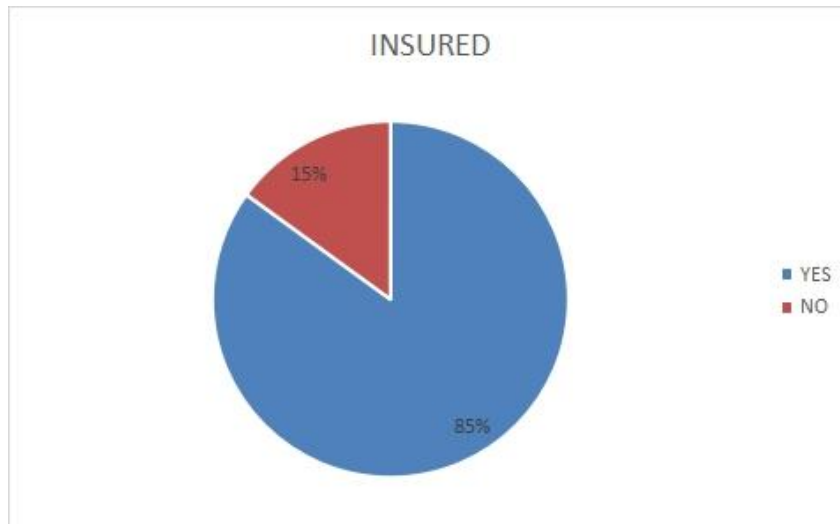
7.Did you faced any problem receiving compensation in crop loss ?

The below chart shows that out of 120 respondents 33% respondents have faced the problem of receiving compensation in crop loss & 67% farmers have not faced any problem receiving compensation in crop loss mostly farmers say



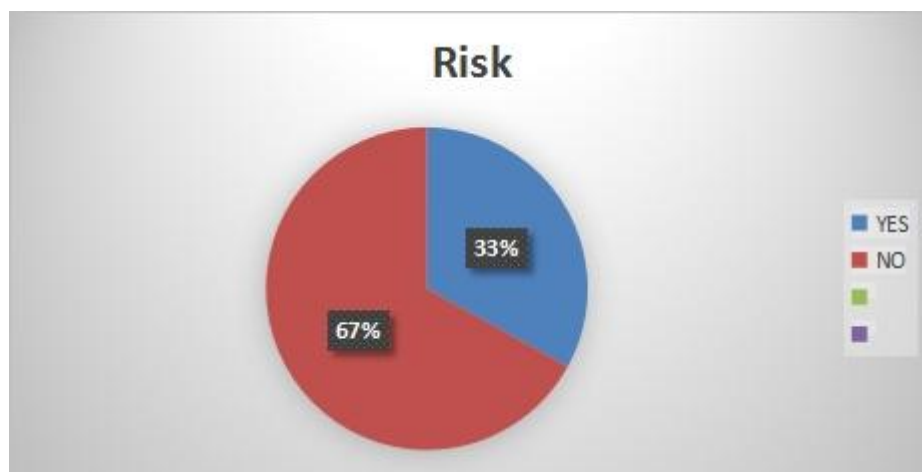
8.Did you know that your crop has been Insured ?

The below chart mainly talks about the respondents know about their crop has insured. Out of 120 respondents it is seen that 85% of farmers know that their crop has insured & 15% farmers don't know



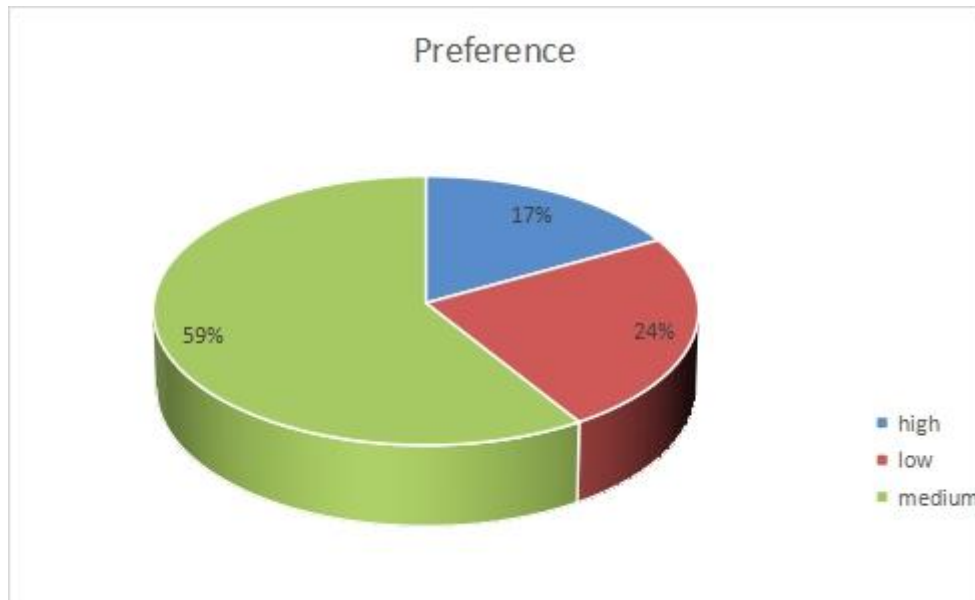
9. During the last agriculture year which risk factor did you face ?

Mainly risk factor in agriculture, the below chart shows that out of 120 respondents mostly farmers say that they faced a risk of variability in rainfall, 82% respondents faced a risk of variability in rainfall, 16% farmers faced risk of fire & only 2% respondents faced risk of flood.



Preference toward crop insurance ?

This figure totally shows that 59% of farmers are medium preference toward crop insurance are due to lack of knowledge and awareness and second reason is that they are not able to understand and they don't give any specific reason for not preference toward crop insurance, 17% farmers high preference toward crop insurance & 24% farmers are low preference toward crop insurance.



FINDINGS

From this study it is found that few Farmers have full awareness about Crop insurance.

From the study it was found out of 120 respondents that majority of the farmers are male (85%) and less numbers of females (15%) are farmers.

Majority of respondents like 33% respondents are graduate, 29% have passed HSC qualification and 15% respondents have post- graduation degree.

A large number of respondents (50%) were at the age of above 40-55 years.

Farmers acquire information from various sources including Field/co worker(29%), Kishan sabha (27%),Television (17%), Newspaper (17%)and insurance agent(10%). Mass media play an important role in disseminating information about various insurance products or schemes implemented by the public sector and the private insurance companies.

The study brings out that the adoption of crop insurance by farmers is very poor with only few of the sample farmers insuring their crops in kharif and rabi season.

Based on the results, it is clear that the extension mechanism needs to play a pivotal role in creating awareness about crop insurance. For a financial product like insurance, awareness creation plays a pivotal role in achieving large-scale adoption. 'Basis risk' needs to be reduced by way of improving the triggers of crop loss estimation.

It is found that many Farmers are don't know what is crop insurance because of lack of awareness and difficult to understand.

This study found that risk associated with crop insurance are moderate.

Out of 120 respondents 91% Farmers are satisfied with their crop insurance scheme and only 9% Farmers are not satisfied with their crop insurance scheme.

We found that there Gujarat exists PRADHAN MANTRI FASAL BIMA YOJNA.

CONCLUSION

_ From the study it is cleared that the natural disasters like cyclone, storm and variation in rainfall are the major risks in the study area.

the study showed the importance of making the procedure for applying for crop insurance simple for non-loan farmers, for whom insurance is voluntary.

Self-help groups and micro-finance institutions can also play an important role in educating people about the need for and benefits of agricultural insurance.

The government can encourage farmers to insure their crop, as insurance acts as a guarantee for investment and can serve as collateral when obtaining credit from institutional sources.

RECOMMENDATION

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