

A STUDY OF AGRICULTURAL CROP INSURANCE POLICIES IN INDIA

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ABSTRACT

Agriculture, like any other enterprise is risk-prone. Being primarily dependent on nature, it is comparatively more prone to risks at production stage and, is also exposed post-the harvest due to price variations. The demand of the time is to convert agriculture as a yieldproducing enterprise, which securities that a package of risk management instruments is positioned. The risk management is real when it can help in minimizing the production and income losses. Indian agriculture dependent on rainy season which is always elastic. It leads to working risk in farming of different crops. Natural disasters may be effect on the yield from agriculture sector. To cover the risk which may arise in future, there is need to some provision and crop insurance is only apparatus available to precaution against production risk in agriculture. For satisfying this need the Government of India has made trials& efforts by introducing various schemes of crop insurance. National Agricultural Insurance Scheme has been launched by National Agricultural Insurance Scheme Corporation of India in 1999-2000.

Keywords: crop insurance; food security; Agriculture in India.financing schemes; India; Pradhan Mantri FasalBima Yojana etc.

INTRODUCTION

Agriculturalinsurance is one of financial tools available for farmers to lessen the impact of unavoidable risk in agricultural. Agricultural production is an outcome of organic activity which is highly sensitive to changes in weather. Important weather variables such as temperature, humidity, rainfall, wind etc. influence the biological process directly or indirectly. As such risk (variations) may be measured in terms of standard deviation or coefficient of variations for yield, prices and income. Agriculture played vital role in economic development of India. At present 70 per cent population of the country dependent on agriculture but Indian agriculture dependent on monsoon which is always flexible. It leads to operating risk in cultivation of different crops. Natural calamities may be effect on the yield from agriculture sector. To cover the risk which may occur in future, there is need to some provision and crop insurance is only mechanism available to safeguard against production risk in agriculture.

In India, more than half the population continues to be dependent on agriculture, and about 67% of the all cultivators are small or marginal farmers who own less than one hectare of land. Further, as in many developing countries, agriculture is highly susceptible to fluctuations

in weather, especially rainfall, which predominantly occurs during the months of June to September (i.e.Kharifseason).

Historically, crop insurance was largely confined to covering damages due to a single peril such as hail, offered by private insurance companies and taken mostly by large farmers for covering non-systemic risks.

THE STATEMENT OF PROBLEM

This study is depending mostly on secondary data. The Government of India has announced the advanced schemes on crop insurance but these schemes are failed to meet the predictable results due to the small policy suggestions, illiteracy of farmers, unsatisfied performance of applying activities as well as partial State and central Government.

THE SIGNIFICANCE OF STUDY

It will be helpful to minor and marginal farmers to protect their interest in crop against natural calamities and getting benefits under this scheme. The present study is significant for potential beneficiaries from those towns which have not much alertness of crop insurance scheme. Based on the past experiences of implementing the Scheme (between 2016-2018), Study Reports of various Research Institutions and feedback received from stakeholders, the Scheme was reviewed and the Revised Operational Guidelines (OGs) were brought into effect from 01st Oct 2018 i.e. from Rabi 2018-19 Season addressing major challenges.

OBJECTIVES OF STUDY

- 1) Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events.
- 2) To study the growth and development of National Agricultural Insurance Scheme.
- 3) To suggest the possible remedies to make this scheme more effective.

SCOPE AND VISION OF VROP INSURANCE SCHEME

The topical scope of this study is limited to growth & performance of National Agricultural Insurance Scheme. Under PMFBY, a uniform maximum premium of only 2% of the sum insured is paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial andhorticultural crops, the maximum premium to be paid by farmers is only 5%. The Premium Rates to be paid by farmers are very low and balance ofactuarial premium is being borne by the Government, to be shared equally by theState & Central Government, to provide fullinsured amount to the farmers againstcrop loss on account of natural calamities.

METHODOLOGY

The case study method has been used in this paper. The paper has made an attempt to analyse the growth & performance of National Agricultural Insurance Scheme from Rabi 2016-2017 to 2020-2021. It is mainly dependent on secondary data but supplemented by the discussion with some officials of banks, insurance companies, academicians & some farmers.

REVIEW OF LITERATURE

This review of literature exposes that there was need of the present study in changing scenario ofagriculture insurance.

According to R. K. Ray (1987), the level of education of among thefarmers 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 crop insurance should link with credit on a compulsory basis. 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 of from one year to another or from one crop season to another. According to Shivrami Reddy & Narasaiah (1998), crop insurance is useful 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 scheme should be attractive; credit linked, and should have support facilities like a reinsurance package (Manojkumar K., Shreekumar B., Ajitkumar. G. S., 2003). 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. The national Agricultural Insurance Scheme introduced since Kharif 2000, it appears very slow in taking roots in the southern states. (The Insurance Times, 2001). G. Venketesh (2008) stated that, in USA, crop insurance is clearly identified as risk management option and Multiple Peril Crop Insurance (MPCI) policies are available for most insured crops.

Empanelment of Insurance Companies (ICs)

When asked to provide State-wise details of Insurance Companies empanelled (Government & Private) under PMFBY, the Department in its written reply submitted as given below-

"18 General Insurance Companies including all the 5 public sector general insurance companies have been empanelled by the Department of Agriculture, Cooperation and Farmers Welfare for implementation of PMFBY in the country. A list of empanelled companies for PMFBY is given below :

PUBLIC SECTOR INSURANCE COMPANIES

1. Agriculture Insurance Company of India Ltd. (AIC)
2. National Insurance Company Ltd. (NIC)
3. New India Assurance Company Ltd. (NIAC)
4. Oriental Insurance Company Ltd. (OIC)
5. United India Insurance Company Ltd. (UIIC)

PRIVATE SECTOR INSURANCE COMPANIES

6. Bajaj Allianz General Insurance Company Ltd. (Bajaj-Allianz)
7. Bharti AXA General Insurance Company Ltd. (Bharti-Axa)
8. Cholamandalam MS General Insurance Company Ltd. (Chola-MS)
9. Future Generali India Insurance Company Ltd. (Future-Generelli)
10. HDFC-ERGO General Insurance Company Ltd. (HDFC-ERGO)
11. ICICI-Lombard General Insurance Company Ltd. (ICICI-Lombard)
12. IFFCO-Tokio General Insurance Company Ltd. (IFFCO-Tokio)
13. Reliance General Insurance Company Ltd. (RGIC)

14. SBI General Insurance Company Ltd. (SBI GIC)
15. Shriram General Insurance Company Ltd. (Shriram GIC)
16. Tata-AIG General Insurance Company Ltd. (Tata AIG)
17. Universal Sompo General Insurance Company Ltd. (USGIC)
18. Royal Sundaram General Insurance company Ltd. (RSGIC)

State/UT Governments select insurance company(ies) from these 18 companies through bidding process on season to season/year to year basis. It has been made mandatory for the States/UTs w.e.f. Kharif 2020 season to select the insurance company for a period of 3 years to establish long term relations and improvement of infrastructure in the field. State-wise details of insurance companies selected by States/UTs from Kharif 2016 season onwards.

IMPLEMENTATION OF THE SCHEME

The Scheme is being implemented by all the 5 Public Sector and 13 Private Sector Empanelled General Insurance Companies. The Companies are selected by the concerned State Governments through a Transparent Bidding Process. The State Government also selects the Crops to be Notified under the Scheme. The Scheme has completed 4 years of its implementation and 5th year is in progress. Details of coverage and claims (as on 14.12.2020) are given in the following table:

Period	Season/Year	Farmer Application insured (Lakh)	Area Insured (Lakh)	Sum Insured	Farmer share in premium	Gross Premium	Reported Claims	Paid Claims	Farmer benefited (Lakh)
2016-17	Kharif 2016	407.6	379.7	128758	2784	15926	10569	10568	115.3
	Rabi 16-17	176	187.6	72522	1263	5844	6205	6190	41
	16-17 Total	583.7	567.3	201279	4047	21770	16773	16758	156.3
2017-18	Kharif 2017	357.7	330.7	124524	2806	18416	18151	18149	140.9
	Rabi 17-18	175.3	177.7	77742	1397	6232	3965	3964	29.5
	17-18 Total	533	508.3	202265	4203	24649	22177	22113	170.4
2018-19	Kharif 2018	344.8	317.4	136754	3144	20926	19503	18606	136.8
	Rabi 18-19	231.4	205.6	93307	1709	8422	9137	8884	80.2
	18-19 Total	576.2	523	230060	4853	29348	28640	27491	217

	Total up to 18-19	1692	1598.60	633605	13102	75766	67530	66362	543.7
2019-2020**	Kharif 2019	420.3	326.3	142597	2998	23370	20842	17763	157.5
	Rabi 19-20	188.5	168.5	74913	1390	8339	4567	3181	23.9
	Total 19-20	608.8	494.8	217510	4388	31709	25409	20943	181.4
2020-21*	Kharif 2020	398.1	261.2	102926	2423	19047	15	15	0.2
Total		2699.80	2354.60	954041	19913	126521	92954	87320	725.3

CONCLUSION

Since 1972 so many schemes of crop insurance havebeen launched in the country but they failed toaffect the farmers and share the risk of farmers.Now days some farmers are committing suicide dueto lack of risk management. And they are selectingthe option of suicide rather than crop insurance.The actual penetration of crop insurance would depend on how and to what extent the farmers perceive it as beneficial to them. Farmers should believe that the terms of the insurance are reasonable, and have the confidence that there would be timely settlement of claims.Hence there is need of serious concern of thisproblem of sharing the risk of farmers and protectingtheir crops against adverseweather and naturalcalamities.

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