

Crop Insurance in India

Bodakhe G.M

Agriculture Assistant, Department of Agricultural Economics, SCA, Mirajgaon Ahmednagar, Maharashtra

SUMMARY

Crop insurance in general has not been so successful across the globe in different countries. Policy makers have unrolled various avatars of crop insurance in different times. Considering the unique nature of Indian agriculture and inequitable socio-economic status of Indian farmers, crop insurance has remained a failed attempt in general. Even after repeated revision of the schemes and huge support in the form of premium subsidies for the farmers, crop insurance has failed to produce the desired results. Even after more than decades of existence of crop insurance in some form or the other, it has only reached just a small percentage of the farmers.

INTRODUCTION

Agriculture production and farm incomes in India are frequently affected by natural disasters such as droughts, floods, cyclones, storms, landslides and earthquakes. Susceptibility of agriculture to these disasters is compounded by the outbreak of epidemics and man-made disasters such as fire, sale of spurious seeds, fertilizers and pesticides, price crashes etc. All these events severely affect farmers through loss in production and farm income, and they are beyond the control of the farmers. With the growing commercialization of agriculture, the magnitude of loss due to unfavorable eventualities is increasing. The question is how to protect farmers by minimizing such losses. For a section of farming community, the minimum support prices for certain crops provide a measure of income stability. But most of the crops and in most of the states MSP is not implemented. In recent times, mechanisms like contract farming and future's trading have been established which are expected to provide some insurance against price fluctuations directly or indirectly. But, crop insurance is considered an important mechanism to effectively address the risk to output and income resulting from various natural and manmade events.

Crop Insurance

Crop Insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise agricultural losses arising from named or all unforeseen perils beyond their control (AIC, 2008). Unfortunately, agricultural insurance in the country has not made much headway even though the need to protect Indian farmers from agriculture variability has been a continuing concern of agriculture policy. According to the National Agriculture Policy 2000, "Despite technological and economic advancements, the condition of farmers continues to be unstable due to natural calamities and price fluctuations". Crop insurance is one method by which farmers can stabilize farm income and investment and guard against disastrous effect of losses due to natural hazards or low market prices. Crop insurance not only stabilizes the farm income but also helps the farmers to initiate production activity after a bad agricultural year.

Concept, Types and Benefits of Crop Insurance

Crop insurance is a means of "protecting the farmers against uncertainties of crop yields, arising out of practically all natural factors beyond their control". Crop insurance may be of different types according to different criteria.

The types as per criteria used could be:

- (a) According to Perils insured:
 - (i) Single peril insurance
 - (ii) Named peril insurance
 - (iii) Multi-peril insurance
 - (iv) All peril insurance.
- (b) According to object insured:
 - (i) Single crop insurance
 - (ii) Multiple crop insurance.
- (c) According to basis of administration:
 - (i) Public insurance
 - (ii) Private insurance
 - (iii) Cooperative insurance.

Status of Crop Insurance Schemes in India

Sr. No	Time Frame	Initiative/Scheme
1	1971-1978	First individual Approach Scheme
2	1979-1984	Pilot Crop Insurance Scheme (PCIS)
3	1985-1999	Comprehensive Crop Insurance Scheme (CCIS)
4	Rabi 1999- 2000 to Rabi 2013-14	National Agricultural Insurance Scheme (NAIS)
5	Rabi 2010-11 season	Modified National Agricultural Insurance Scheme (MNAIS)
6	2007-08	Weather Based Crop Insurance Scheme (WBCIS)
7	2009-10	Coconut Palm Insurance Scheme (CPIS)
8	2016	2016 Pradhan Mantri Fasal Bima Yojana (PMFBY)

Issues Related to Crop Insurance

Agriculture in India is varied, diversified and prone to a variety of risks. Most farmers are small and marginal ones. In most areas, agriculture is rain fed, leading to a greater degree of yield variability and risk. Crop Insurance, which aims at addressing yield risk—though necessary for a vast majority of farmers—is subject to structural, design and financial problems. Problems of asymmetry of information—moral hazard and adverse selection—and co-variability are more pronounced in crop insurance than in other forms of insurance. Consequently, crop insurance schemes face many problems. In response to such problems, Schemes based on the area approach were introduced in the 1980s. More recent Insurance Schemes are based on weather, and adopt an area approach. Due to the vastness of the country, large number of small and marginal farmers, and adoption of area-based approaches, several agencies and organizations are involved in crop insurance programs. Hence, coordinated efforts are critical for effective implementation of crop insurance scheme. various issues related to

Crop Insurance such as:-

- Discrepancy in area insured.
- Delay in receiving crop – cutting data and quality and reliability of such data.
- Weather data.
- Crop loan practices.
- Crop insurance premium.
- Settlement of Claims.
- Role of Banks and Agricultural Insurance Companies in the operation of schemes and
- Awareness of farmers regarding various features of the Schemes

Recommendations for Improvement

- After examining the various existing Schemes, the Committee has recommended following measures for improvement in the field of Crop Insurance:
- A web portal should be developed for all States to make land record data be available to financial institutions. Premium rates to be revisited for MNAIS.
- Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) should effectively monitor the compliance of their circulars regarding compulsory crop insurance for loans farmers.
- Insurance companies and banks should play a pro-active role in insuring effective implementation of crop insurance schemes.
- State Governments should insure the use of GPRS-enabled and camera fitted mobile phones etc. while conducting crop cutting experiments.
- An Atlas of critical weather elements for different agro-climatic regions and An Agricultural Insurance Act should be formulated to take care of specific needs of the crop insurance and agricultural insurance in general.

CONCLUSION

The shift from a social crop insurance program with funding from the Government of India to a market-based crop insurance program with actuarially sound premium rates and product design is a major step forward. The improved product and active involvement of private sector insurance markets are expected to lead to significant benefits for farmers, including faster claims settlement, a more equitable allocation of subsidies and lower basis risk. For the product to be pro-poor, small and marginal farmers must purchase the MNAIS product voluntarily, and insurers and government must experiment with cost-effective ways of increasing outreach.

REFERENCES

- Agriculture Insurance Company of India Ltd. (2008):www.aicofindia.org accessed 2006 to 2008.
- Dandekar, V.M (1985): Crop Insurance in India: A Review, 1976-77 to 1984-85, *Economic and Political Weekly*, 20(25&26): A-46 to A-59.
- <http://agricoop.nic.in>
- <https://www.orfonline.org>