

Role of Crop Insurance in Sustaining Agricultural Production in India

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SUMMARY

India is an agriculture driven economy. Majorly cultivation in India is monsoon dependent, as a result of which the production in India is very erratic each year, since our country is facing floods or even drought at one or another part of the country each year. The unforeseen climatic disaster along with some biological factors (diseases and pest attack) are the major concern in farmers which create fear in the mind of farmers about their seasonal produce. Due to this Crop Insurance play key role in reducing the variability in net income of farmers and making their income stable. Thus crop insurance is a financial mechanism to minimize the impact of loss in farm income by factoring in a large number of uncertainties which affect the crop yield. Insurance encourage the farmers to adopt progressive farming practices, high value in-put and higher technology in agriculture. The farmers can act more confident in farm business as there is a protection against hazards of farming. Though crop insurance is an essential tool for helping farmers during the period of crop failure but it also have some problems associated with it like lack of transparency, high premium amount, non-payment and delayed claims etc.

INTRODUCTION

The Indian economy is an agriculture driven economy as majority of the population is opting agriculture as their source of livelihood. As per geographical position of our country is considered, India is the southward extension of Asian continent. India's geographical position is unique for agriculture because it provide wide variation of climatic condition within the country. Majorly cultivation in India is monsoon dependent, as a result of which the production in India is very erratic each year, since our country is facing floods or even drought at one or another part of the country each year. The unforeseen climatic disaster along with some biological factors (diseases and pest attack) are the major concern in farmers which create fear in the mind of farmers about their seasonal produce. Here Crop insurance play a key role in reducing this kind of stress in farmers. In fact crop insurance has nothing to do with increasing the net income of the farmers but reducing the variability and maintaining stability in income of the farmers is the major role played by crop insurance. Insurance essentially provide means or ways by which losses faced by many are met by the funds which get collected by the small contributions (premium) made by many who are exposed to same sort of risk. Insurance is tool of transferring and sharing the risk. Crop insurance is a special type of insurance which has exclusively been designed for farmers for protecting them from financial loss arising out of any unforeseen risks which are generally not under the control of farmers. As Indian agriculture is monsoon driven, there is crucial need of insurance in agriculture to reduce the farmers net income variability. There are many risk causing factors in agriculture responsible for causing insecurity in mind of farmer and instability in his income. So there is need of crop insurance as part of risk management tool in agriculture. The factors which make insurance important for the farming community like climate change, weather extremities like drought and floods. Price instability, pest infestation etc.

Pradhan Mantri Fasal Bima Yojana

The initiation of crop insurance in India started after the establishment of Agriculture cooperation in India. The first ever scheme launched was an individual approach made on H-4 variety of cotton in Gujarat state. Afterward many notified scheme came into play like Pilot crop insurance scheme, Comprehensive crop insurance scheme, National Agriculture crop insurance scheme and the presently working crop insurance schemes in our country are Pradhan Mantri Fasal Bima Yojana along with Restructured weather based crop insurance scheme. This Yojana has been approved by cabinet ministry and started to help the farmers to get crop insurance at lower premium rate. It was launched on 18th of Feb, 2016 in a Kisan Mahasammelan at Sehore Madhya Pradesh. Some key feature of this scheme are :

- Biggest ever govt. contribution towards crop insurance program.
- Farmers will have to pay lowest premium rate.

- It is for the first time post harvest losses from cyclones and unseasoned rain have been covered nationally.
- First time emphasis has been given to mobile and satellite technology to facilitate accurate assessment and quick settlement of claims.
- Use of crop insurance mobile-app for easy enrollment of farmers.
- This scheme removes the previous capping on premium
 - There will be uniform premium of only
 - 2% to be paid by the farmers for all kharif crops
 - 1.5% to be paid by the farmers for all rabi crops
 - 5% to be paid for annual and horticultural crops

Crops which are covered include food crops, oilseed, annual commercial/ horticulture crops. The participation for both the loanee and non-loanee farmers in this scheme is purely voluntary. As per the financial year 2019-20 statistics of PMFBY & RWBCIS is considered the total amount of area insured was 501 lakh - Ha, gross premium collected was Rs 32,022 crore, reported claim Rs. 26,893 crore and paid claim was Rs. 25,822 crore.

Beed Model

In the year 2020 Maharashtra Govt. came with the Beed Model by making certain modification in the general guidelines provided by PMFBY. Beed is basically a drought prone area district in the state of Maharashtra. Beed presents a major challenge for any insurance company. The state govt. has a difficult time in getting bids for tenders to implement the scheme in Beed. During the 2020 kharif season, tenders for implementation did not attract any bids from private players. The state govt along with the govt. insurance company implemented that scheme in Beed for the year 2020. State govt. tweaked the guidelines & under the new guidelines, the insurance company provided a cover of 110 % of the premium collected, with caveats :-

- If the compensation exceeded the cover provided, the state govt would pay the bridge amount.
- If the compensation was less than the premium collected, the insurance company would keep 20% of the amount as handling charges and reimburse the rest to the state government.
- In kharif 2020-21 season, Beed reported premium collection of Rs. 803.65 crore.
- Claims stood at mere Rs 8.61 crore.
- The state insurance company reimbursed the state with Rs. 634.41 crore of premium after deducting Rs. 160.63 cr. as handling charges. The reason why Maharashtra is pushing for this scheme is that in most years, the claim-to-premium ratio is low with premium being paid to the company.
- In the Beed Model, the profit of the company is expected to reduce and the state government would access another source of funds.
- So as a result of which CM (Uddhav Thackeray) of Maharashtra requesting Prime Minister for state-wide implementation of Beed Model of crop insurance scheme of Pradhan Mantri Fasal Bima Yojana.

CONCLUSION

Crop insurance to be successful requires public support. This could be in terms of subsidy on premium, meeting part of administrative expenditure, and reinsurance etc. Reforms in financial sector of country, to provide a efficient crop insurance products to farmer, is needed to attain a second green revolution in food production

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