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AN OVERVIEW OF CROP INSURANCE IN INDIA

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SUMMARY

Transitioning from a government-funded social crop insurance programme to a market-based crop insurance programme with actuarially sound premium rates and product design is a significant step forward. Farmers should get significant benefits from the improved product and active participation of personal sector insurance markets, including faster claims settlement, more equal subsidy allocation, and lower basis risk. In addition, crop coverage schemes can be implemented more efficiently with the aid of newer technology, such as GPRS-enabled and digicam-equipped mobile phones.

INTRODUCTION

Everyone is in danger when the agriculture sector is threatened. Without safeguards to assist farmers in quickly recovering from losses, the food supply gets stifled, and society suffers as a result. Droughts, floods, cyclones, typhoons, landslides, earthquakes, and other natural disasters often disrupt India's agricultural production and farm income. The vulnerability of agriculture to these disasters is exacerbated by epidemics and man-made errors such as fire, the sale of phoney seeds, fertilizers, pesticides, price falls, and so on. Most of these operations significantly impact farmers, resulting in manufacturing and farm profit losses, and are beyond their control. The importance of loss due to unfavourable circumstances grows as agriculture becomes more commercialized. Mechanisms such as agreement farming and futures buying and selling have been introduced in recent years, and they are expected to give some protection against fee changes, either directly or indirectly. On the other hand, agricultural insurance is seen as a critical instrument for effectively dealing with the risks to output and earnings posed by various natural and man-made activities.

NEED FOR AGRICULTURAL INSURANCE IN INDIA

Natural disasters primarily harm poor farmers in developing countries. Crop insurance also protects farmers against the loss of crops due to natural disasters, extreme weather, or revenue loss due to the agricultural market's price fluctuations. A farmer who struggles with his plough will be assured that, in the case of a disaster, he will at least receive some return.

ADVANTAGES OF CROP INSURANCE

1. INCOME SECURITY: It protects farmers from crop failure-related losses. It's a tool that farmers can use to manage yield and pricing concerns.

2. MINIMAL DEBTS: Farmers will be able to repay their loans with the help of crop insurance, even if their crops fail.

3. TECHNOLOGICAL PROGRESS: Insurance firms can also provide knowledge on reducing losses, which can benefit farmers. Furthermore, the Internet of Things (IoT) can aid in technological growth.

4. NEW AGRICULTURAL TECHNIQUES: Crop insurance ensures economic interest by guarding against loss. In exchange, farmers can adopt innovative agricultural techniques and test novel crop-protection strategies.

According to the Fourth Plan, "many challenges exist for farmers due to failure due to drought, floods, and other natural calamities." This danger is likely amplified in the context of large investments in fertilizers, insecticides, improved seeds, and other inputs that the Fourth Plan may recommend for widespread usage. The agency of crop coverage may be one of the most important approaches to alleviating misery arising from herbal catastrophes."

IS GOVERNMENT NECESSARY TO SPONSOR AGRICULTURAL INSURANCE PROGRAMMES?

Given the enormity of agriculture risks –production and price – an actuarially fair insurance premium may not be feasible or appealing to farmers. Therefore, subsidies from the government are required to entice farmers.

Agriculture risks must be reduced by extending canal and other surface water irrigation systems and developing an integrated national market for agricultural products.

PAST EXPERIENCE IN CROP INSURANCE

1. First Ever-Individual Approach Scheme

From the beginning of the seventy's decade, different experiments on crop insurance were undertaken on a limited, ad-hoc and scattered scale. The first crop insurance program was introduced in 1972-73 by the 'General Insurance Department of Life Insurance Corporation of India on H-4 cotton in Gujarat. Later, the newly set up General Insurance Corporation of India took over the experimental scheme and subsequently included Groundnut, Wheat and Potato and implemented in Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka and West Bengal.

2. Pilot Crop Insurance Scheme (PCIS) – 1979

The research was commissioned by GIC and entrusted to famous agricultural economist Prof. V.M. Dandekar based on the background and experience of the aforementioned experimental crop insurance schemes. Prof. Dandekar, a pilot, provided all of the advice. As a result, the plan became entirely dependent on "location strategy." ii. Cereals, millets, oilseeds, cotton, potato, and gramme were all included in the strategy. iii. The scheme became available to loanee farmers on a first-come, first-served basis.

3. Comprehensive Crop Insurance Scheme (CCIS)

With the active cooperation of State Governments, the Government of India created a Comprehensive Crop Insurance Scheme (CCIS) with effect from April 1st, 1985, based on the experience gained from implementing PCIS.

4. Experimental Crop Insurance Scheme (ECIS)

Attempts were occasionally made while the CCIS was operating to amend it as the states required. From Rabi 1997-98, a system known as the Experimental Crop Coverage Scheme was introduced, which was implemented in 14 districts across five states. Due to administrative and financial issues, the programme was cancelled after one season. The programme benefited 454555 farmers. The value insured increased to Rs.168.11 crores, with claims totalling Rs.37.80 crores against a top class of Rs.2.84 crores.

5. National Agricultural Insurance Scheme

In response to state requests to expand the scope and substance of CCIS, the country implemented a broad-based National Agricultural Insurance Scheme (NAIS) in Rabi 1999-2000, with the following goals.

a. To give farmers insurance coverage and financial assistance if any of the notified crops fail due to natural disasters, pests, or illnesses.

b. Encourage farmers to use progressive farming practices, high-value inputs, and advanced agricultural technology.
c. To assist in the stabilization of farm income, particularly during calamity years.

PRESENT SCENARIO OF CROP INSURANCE

Pradhan Mantri Fasal Bima Yojana

The new Crop Insurance Scheme adheres to the One State, One scheme theme. It combines the best features of all prior systems while eliminating any previous flaws or drawbacks. In addition to the revised NAIS, the PMFBY will replace the current two schemes: the national Agricultural Coverage Scheme and the National Agricultural Insurance Scheme. (www.vikaspedia.in)

TARGETS

- To offer insurance coverage and financial guidance to the farmers within the occasion of failure of any of the notified crops because of natural calamities, pests & diseases.
- To stabilize the earnings of farmers to ensure their continuance in farming.
- To encourage farmers to adopt progressive and cutting-edge agricultural practices.
- To ensure to go with the flow of credit to the agriculture region.

Farmers may be required to pay a consistent premium of merely 2% for all Kharif vegetation and 1.5% for all Rabi vegetation. The top rate to be paid by farmers in the case of annual industrial and horticultural crops could be as high as 5%. The premium rates to be paid by farmers are very low, and the government might pay the balance top rate to give farmers the entire insured amount in the event of crop loss due to natural calamities.

CONCLUSION

Transitioning from a government-funded social crop insurance programme to a market-based crop insurance programme with actuarially sound premium rates and product design is a significant step forward. Crop coverage Schemes can be implemented more efficiently with the aid of newer technology, such as GPRS-enabled and digicam-equipped mobile phones. A comprehensive programme of capability development tailored to the needs of stakeholders such as country government officials, insurers, and critical government agencies involved in Crop Insurance Schemes should be established. Farmers should also get significant benefits from the improved product and active participation of personal sector insurance markets, including faster claims settlement, more equal subsidy allocation, and lower basis risk.

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