SYNOPSIS

STUDY OF THE PROBLEMS AND PROSPECTS IN THE IMPLEMENTATION OF CROP INSURANCE SCHEME IN THE STATE OF MAHARASHTRA

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STUDY OF THE PROBLEMS AND PROSPECTS IN THE IMPLEMENTATION OF CROP INSURANCE SCHEME IN THE STATE OF MAHARASHTRA

1. INTRODUCTION

Agriculture has been the backbone of Indian economy for several centuries. Indian agriculture is characterized by lack of technology, low productivity, under employment, multiplicity of crops, unequal distribution of land, predominance of small farmers, etc. agricultural production therefore is inherently a risky business and farmers face a variety of weather, pest, disease, input supply and market related risks. Given an uncertain income each year, farmers must worry about their ability to repay debt, to meet overhead costs (eg. land rents and taxes) and, in many cases, their ability to meet essential living costs for their families. These same risks are also of concern to agricultural lending institutions.

The prevalence of risk in agriculture is not new and farmers, rural institutions and lenders have, over generations, developed ways of reducing and coping with risk. Although the virtues of these traditional risk management mechanisms are widely recognized they also have their own limitations. They can be costly in terms of income opportunities that farmers forgo. They can discourage investments and technological changes that, while risky, enhance long-term productivity growth. They have limited capacity to spread covariate risks like droughts that affect most farmers in a region at the same time. In theory these limitations would not exist if insurance markets were perfect, but the reality for many risky agricultural regions, insurance markets are poorly developed and they are weakly linked across regions and with urban areas.
2. REVIEW OF RELATED LITERATURE

The major sources of information for this study have been:

a. Shreemati Nathibai Damodar Thackersey Women’s University Library, Pune
b. College of Agricultural Banking, Reserve Bank of India, Library, Pune
c. Agricultural College Library, Pune
d. National Insurance Academy Library, Pune
e. Agriculture Insurance Company of India Limited, Mumbai
g. The researcher tried to study available literature on Crop Insurance from various books, magazines, research papers and newspapers.
h. As studied from the literature on crop insurance it is observed that on the economic front the performance has been pitiable both in terms of the size of the impact of the scheme and equitability of premium collections and claim payments. The researcher also found that crop insurance scheme is having limited reinsurance practices for Agricultural Insurance.
i. Internet browsing – websites of
   www.ccsindia.org;
   www.aicofindia.org
   www.isec.ac.in
   www.IndiaAgristat.com
   www.Maharashtrastat.com
   www.agris.com
   www.censusindia.net
3. CROP INSURANCE SYSTEM IN INDIA

Crop insurance in India has been attempted in embryonic form since the independence and there have been many sporadic efforts to ensure protection of the farming community against losses suffered through natural calamities.

During the period 1979 – 85, a pilot crop insurance scheme was implemented for food crops and oilseeds in selected areas. Based on the experience of the scheme, a Comprehensive Crop Insurance Scheme (CCIS) was evolved and implemented in 1985. Under the CCIS which was in implementation till Kharif 1999, the total number of farmers covered were 7.63 crores with total sum insured Rs. 25,000 crores and the claim paid being Rs. 2303 crores. In order to enlarge its coverage in terms of farmers, crops and forms of risks, the Government launched the National Agricultural Insurance Scheme (NAIS) on June 22, 1999 expanding the scope and content of the CCIS. The scheme is implemented in 21 States and two Union Territories for Kharif – Bajra & Oil seeds, other crops (cereals, other millets & pulses), Rabi – Wheat, other crops (cereals, millets, pulses & oil seeds), Kharif & Rabi – Annual Commercial Annual Horticultural crops. The pilot project on Farm Income Insurance Scheme (FIIS) was introduced from Rabi 2003-2004 season.
4. OBJECTIVES OF THE STUDY

1. To study the evolution of the crop insurance scheme in India
2. To review the current status of National Agricultural Insurance Scheme in Maharashtra
3. To examine the present status and prospects of National Agricultural Insurance Scheme
4. To study causes for shortcomings in implementation and suggest required improvements in respect of National Agricultural Insurance Scheme

5. SCOPE OF THE STUDY

Total farmers covered under the NAIS Scheme (2004-2005) on all India basis in lakhs is (Loanee 70,12,950, Non-loanee 9,58,899) for Kharif Season and (Loanee 22,47,816, Non-loanee 21,60,160) for Rabi Season. Total farmers covered in Maharashtra State 2004-2005 (Loanee – 11.73 lakhs and Non-loanee 8.96 lakhs) for Kharif Season and (Loanee – 0.59 and Non-Loanee 0.82 lakhs) for Rabi Season.

Though the farmers covered are in lakhs the researcher has selected random sample data of farmers for study. Scope of the study was limited to Maharashtra State only. This study was an extensive field survey of farmers, insurance and government officials covering all thirty three revenue districts of the State.
6. OUTLINE OF THE STUDY

The study comprises of seven chapters as follows:

Chapter One is an introduction to the thesis. It outlines an introduction to the study specifying problem identification, objectives, hypotheses, scope, coverage, data sources, significance and division of the study.

Chapter Two describes information/data requirement, sampling design of the study and sources of data collection. It also describes tools and methods used for collecting data, its process and limitations faced by researcher in conducting this study.

Chapter Three focuses on characteristics of Indian Agriculture, Risks involved and management strategies used by farmers in agriculture. It also discusses the need for agriculture insurance and related reviews of agriculture insurance literature.

Chapter Four presents a glimpse of History of crop insurance, progress and performance of various agriculture insurance schemes launched from time to time in India.

Chapter Five discusses about the National Agricultural Insurance Scheme in detail.

Chapter Six discusses on analysis of primary data collected from loanee, non-loanee, and officials from agriculture insurance, financial institutions, experts and government departments. This chapter also puts forth secondary data analysis and interpretation.
Chapter Seven presents conclusions on major findings and policy implications and also suggest changes in working of NAIS to make it more effective in order to increase the awareness, scope and coverage amongst farmers.

7. **HYPOTHESIS**

Though the farmers get the financial support by way of subsidy in premium and financing of a portion of claim from State and Union Government, the existing status of participation of farmers (both loanee and non-loanee) is not adequate and there exists a greater scope for the same by increasing the level of awareness among the Indian farmer.

8. **RESEARCH DESIGN AND METHODOLOGY**

The primary analysis at the state level for Maharashtra is based on crop statistics for the period December 2008 to December 2010 and secondary data analysis covering 21 crop seasons for the period Rabi 1999, Kharif 2000 to Kharif and Rabi 2010, covering all the thirty three districts predominantly engaged in agriculture. The Greater Bombay district (comprising of Mumbai City and Mumbai Sub-urban) has been excluded from the purview of the study.

Sample size consists of Maharashtra State and 33 Districts of Maharashtra. Out of 33 Districts, 26 Districts were covered by personal interviews. The farmers in other 7 Districts viz. Yavatmal, Wardha, Nagpur, Bhandara, Gondia, Chandrapur, Gadchiroli could not be accessed in person due to prevailing social climate and hence were covered by telephone interviews.
In each District two or more Talukas and villages with high and low farmer’s participation, irrigated and non-irrigated area covered under NAIS were selected on random basis to get information about their experiences and views about NAIS. From the identified Taluka / Villages a sample of 5-10 farmers, loanee and non loanee were randomly selected.

Primary data was collected from 355 loanee and 314 nonloanee (small, middle, large) farmers. Data was also collected from 67 District Central Co-operative Banks (Head Office, Branch Offices), 5 Nationalised Banks (Head Office, Branch Offices), 4 Gramin Banks, 7 Primary Agricultural Co-operative Societies and 31 Agricultural Departments (District and Taluka Offices) of Maharashtra State.

Besides, field investigations, the researcher also relied on discussions with experts, Government functionaries from agriculture department, bankers, academicians and farmers representatives. The researcher had the benefit of detailed discussion with the Chairman-cum-Managing Director, Regional Manager and the staff of Agriculture Insurance Company of India Limited on more than one occasion to develop a clear understanding of the dynamics of the scheme since its inception to date.

The researcher made extensive use of statistical (secondary and published) data and detailed information about crop insurance scheme available with Agriculture Insurance Company of India Limited, Mumbai Regional Office. The performance of the scheme was studied crop-season wise and crop-wise in respect of number of performance indicators, namely, farmers covered, area covered, sum insured, premium collected, subsidy to small farmers, claims made and farmers benefitted.
9. **ANTICIPATED DIFFICULTIES**

Primary Data was collected in line with the objectives using a pre-tested structured interview schedule. Data from farmers was collected on household particulars, land holding particulars, annual income, total cost of cultivation, extent and causes of crop loss, awareness of NAIS, reasons for not availing NAIS, measures for loss compensation, from which media farmers require information about NAIS, which insurance service provider would the farmers prefer in availing NAIS, experience about NAIS, suggestions for improving NAIS, premium the farmer is paying, to what extent farmers are willing to bear agricultural losses beyond which the insurance company would pay losses were collected.

Primary data from AICIL, Implementing Agency, participating Banks and Agriculture Departments were collected on number of farmers participation, difficulties in servicing NAIS to farmers, role played by bank in awareness and publicity of NAIS, does servicing non-borrower farmers give an opportunity to the bank for developing / expanding business relationship, reasonable premium a farmer can pay, does crop insurance provides collateral security to bank loan portfolio, In bank’s opinion which insurance service provider(s) is best suited for non-loanee farmers, how are claims paid, bank’s experience in settlement of claims, suggestions for increasing awareness of NAIS and suggestions for improvement in National Agricultural Insurance Scheme.

The farmers in 7 Districts viz. Yavatmal, Wardha, Nagpur, Bhandara, Gondia, Chandrapur, Gadchiroli could not be accessed in person due to prevailing social climate and hence were covered by telephone interviews.
The responses relevant to the subject matter of study which were received from various respondents were analysed and the inputs / responses which were given by the respondents being irrelevant to the subject matter of study were not considered.

Having considered the implication of the cost and availability and other related resources, the researcher was solely engaged for the study.

Random Sampling, instead of Cluster Sampling, design, was adopted keeping in view the nature and scope of the population to be studied by the researcher.

10. SIGNIFICANCE OF THE STUDY

The farming community at large does not seem to be satisfied with the partial expansion of scope and content of crop insurance scheme in the form of National Agricultural Insurance Scheme (NAIS) over Comprehensive Crop Insurance Scheme (CCIS). There are issues relating to its operation, governance and financial sustainability. After extensive reviewing and gathering perceptions of the farming community in Maharashtra on the performance of NAIS, some modifications have been suggested in its designing to make it more effective and farmer- friendly.

1. Reduction of Insurance Unit to Village Panchayat Level
2. Threshold/Guaranteed Yield
3. Levels of Indemnity
4. Extending Risk Coverage to Prevented Sowing / Planting, in Adverse Seasonal Conditions
5. Coverage of Post-harvest Losses
6. Service to Non-loanee Farmers
7. Premium Sharing by Financial Institutions

Despite launching the crop insurance scheme in a modified form in the country, National Agricultural Insurance Scheme has served very limited purpose. The coverage in terms of area, number of farmers and value of agricultural output is very small, payment of indemnity, based on area approach, miss affected the farmers outside the compensated area, and most of the other schemes are also not viable. If crop insurance programme is to be made an important tool in agricultural risk management, the present level of coverage of crop insurance will have to be improved, at least by 3-4 fold. This expansion can only occur with improvements in and broad-basing of the scheme. Every suggested improvement has financial implications and affects the concerned insurance practices.

As regards insurance practices, some of the improvements need to be carefully considered before incorporating in the programme. This requires renewed efforts by the government in terms of designing appropriate mechanisms and providing financial support to agricultural insurance programme. Providing of similar support to the private sector insurers would help in increasing the insurance coverage and improving the viability of insurance schemes over time. With improved integration of the rural countryside and communication network, the unit area of insurance could be brought down to ‘village panchayat level’. Insurance products for the rural areas should be simple in design and presentation so that they are easily understood. There is lot of interest in the private sector to invest in general insurance business. This opportunity can be used to assign some reasonable targets to various general insurance companies to cover
agriculture insurance and to begin with, it could be equal to the share of agriculture in the national income.

11. LIKELY CONTRIBUTION OF THE STUDY TO KNOWLEDGE

The researcher would like to reiterate the basic objective of ensuring that ultimately the risks of Indian agriculture are pooled, shared and transferred to international capital and reinsurance markets through appropriate market-based instruments like reinsurance, catastrophe bonds and alternative risk transfer mechanisms. The results of this research can be of immense value to the insurers for providing farmers with technical assistance and advice aimed at maximizing their production.

The government in developing countries such as in India whether central or state, cannot bear all losses arising out of risks in agriculture. Their involvement must necessarily stand restricted to enhancing the coping capacities of the farming communities, institution building, stepping in, in times of catastrophic losses and correcting imbalances to which the agricultural sector is exposed to from time to time on account of its inherent vulnerability.

The study therefore can be of direct benefit to the government in number of ways –

- It can facilitate implementation of a consistent National Agricultural Policy.
- It can be used as a vehicle for more rational land use by laying emphasis on certain types of crops, certain farming practices etc.
• It can reduce the need for government of administering adhoc disaster relief programmes.

The researcher believes that government initiatives on these lines to strengthen the agricultural sector’s risk management capabilities will lead to ushering in a sustainable and remunerative agriculture.

12. **SCOPE FOR FUTURE RESEARCH**

a) To design new crop insurance scheme for farmers.

b) At present there are limited reinsurance practices for agricultural insurance, though a lot of work has been done on technical issues none has yet used the wealth of material available to permit decision-makers and insurers to design and launch crop insurance schemes that are useful risk-transfer devices for farmers while also being financially sustainable.

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Signature of the Student