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## **Weather based crop insurance scheme - A study on the awareness of the farmers (Policyholders) towards the scheme in Palakkad district**

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### **Abstract**

The study on farmer's awareness of crop insurance was conducted in Kollengode taluk of Palakkad district in Kerala because the climate of this district is slightly different from the rest of the State, as it is influenced by the presence of Palakkad gap. The district has a tropical climate, with an oppressive hot season and fairly assured seasonal rainfall. Participation in village networks and measures of familiarity with the insurance vendor are strongly correlated with insurance take-up decisions, and risk-averse households are less, not more, likely to purchase insurance. These results may reflect uncertainty about the scheme, and their limited experience with it.

**Keywords:** Crop insurance, Weather based crop insurance Scheme, insurance vendor

### **Introduction**

In a country where agriculture is at the mercy of the vagaries of the monsoon and other factors beyond the control of the farmer, the importance of crop insurance is not in doubt and needs no emphasis. India has a strong claim to have been the birthplace of the idea of weather indexed insurance, with Chakravarti having outlined a detailed proposal for rainfall indexed insurance to be sold across India as early as 1920 (Chakravarti 1920). Although Chakravarti's proposal was never implemented, it is somehow fitting that India was the first developing country to pilot weather indexed insurance and, despite the recent spread of weather indexed insurance programs across the world, at the time of writing more farmers purchase weather indexed insurance in India than in any other country. The weather index insurance market in India is the world's largest, having transitioned from small-scale and scattered pilots to a large-scale weather based crop insurance program covering more than 9 million farmers.

Weather Based Crop Insurance Scheme (WBCIS) is a unique weather based insurance product designed to provide insurance protection against losses in crop yield resulting from adverse weather incidences. It provides payout against adverse rainfall incidence (both deficit and excess) during Kharif and adverse incidence in weather parameters like frost, heat, relative humidity, un-seasonal rains etc. during Rabi season. As such it is not yield guarantee insurance. It allows for speedy settlement of indemnities, as early as fortnight after indemnity period.

### **About Palakkad District**

Topographically, the Palakkad district can be divided into two regions, the low land comprising the midland and the highland formed by the hilly portion. The soil is laterite in the hill and mid regions. Midland is thick with Coconut, Arecanut, Cashew, Pepper, Rubber and Paddy cultivation. Since the district gets the benefit of south west and north-east winds, rainfall is heavy in both the seasons and consequently Palakkad District has extensive paddy fields and completely known as the granary of Kerala. The climate of this district is slightly different from the rest of the State, as it is influenced by the presence of Palakkad gap.

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The district has a tropical climate, with an oppressive hot season and fairly assured seasonal rainfall. The hot season from March to May is followed by the South West monsoon from June to September. October and November form the post-monsoon or retreating monsoon season. The period from December to February is the North East Monsoon season and the rest of the period is generally dry.

**Objective of the study**

With the basic objective of enquiring the potentiality of farmers (policy holders of WBCIS) in Kollengode taluk of Palakkad district in Kerala. This study aims to enquire:

- To analyze the awareness of policy holders towards Weather Based Crop Insurance Schemes.

**Methodology**

The following methods are used in the research process by the researcher to carry out the research work

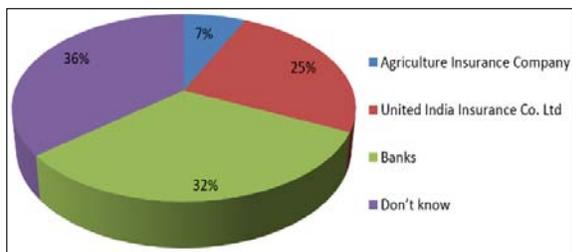
**Method of data collection**

The researcher has used the survey method for the data collection. The primary data was collected by using the structured questionnaires asking 100 selected respondents to get the information for analysis. This research is mostly based on the primary data collected through questionnaires in Kollengode taluk of Palakkad district.

The secondary data were elicited from the text books and reference materials which were assisted the researcher to carry out the work successfully. These data were also collected from the records, reports and journals.

**Method of Analysis**

- The collected data was analyzed in a significance manner to answer the problems and collect information from respondents.
- The percentage calculations were made for the individual questions and the information's collected from the respondents.



**Chart 1:** Awareness about the Name of the Crop Insurance Implementing Institution in India

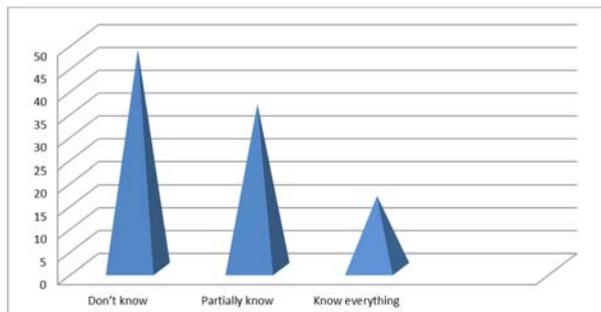
It is evident from Chart-1 that nearly 36% of the respondents don't know which company is implementing the Crop Insurance in India. While one fourth of the respondents felt that United India Insurance Co. Ltd which is servicing Crop Insurance in the district is implementing the Crop Insurance, whereas 32% of the respondents feel that the bank which is processing the loan is implementing the Crop Insurance. Only 7% of the respondents know that Agriculture Insurance Company of India Limited (AIC) is implementing the Crop Insurance.

Agriculture Insurance Company of India Limited (AIC) offers yield-based and weather-based crop insurance programs in almost 500 districts of India. It covers almost

20 million farmers, making it the biggest crop insurer in the world in number of farmers served. Agriculture Insurance Company of India Limited is a limited company headquartered out of New Delhi, India.

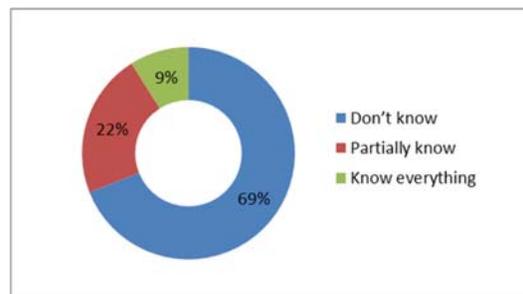
**Knowledge about the Various Components of Insurance**

All the farmers who have availed loan are compulsorily covered under Weather Based Crop Insurance Scheme. The scheme is optional for non-loanee farmers, but by taking a look in Chart-2 it is evident that around 48% of the respondents don't know the insured value of their policy.



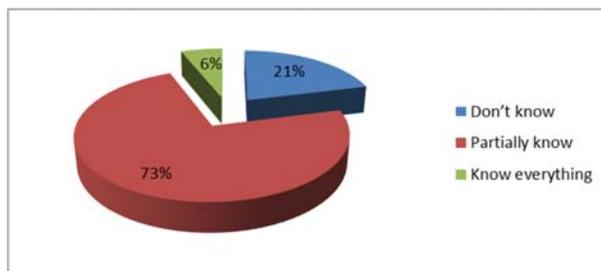
**Chart 2:** Extent of coverage (Insured Value)

The chart 3 shows that around 69% of the farmers from the total respondents don't know how much premium they have paid for the insurance scheme (WBCIS) and only 9% of the farmers know how much premium they have paid, while 22% of the farmers partially remember the amount paid by them.



**Chart 3:** Premium to be paid

The State government has included ginger, pepper, banana, Arecanut, cardamom, Turmeric, cashew, paddy, and sugarcane farmers of Palakkad district under the Weather Based-Crop Insurance Scheme (WBCIS). It is evident from Chart-4 that 73% of the farmers partially know number of crops insured under the scheme and 21% of the farmers from the total respondents don't know the crops insured under the scheme and 6% know all the crops insured in the scheme.



**Chart 4:** Crops covered under the scheme

The Chart-5 shows the sample respondents knowledge about the various procedures adopted by the insurance scheme. It appears that around 83% of the farmers don't know about the procedure of insuring crop, whereas 93% of the farmers

don't know about the compensation determination. Only 6% of the total sample respondents know how the loss is determined whereas only 2% of the sample respondents know about the compensation determination.

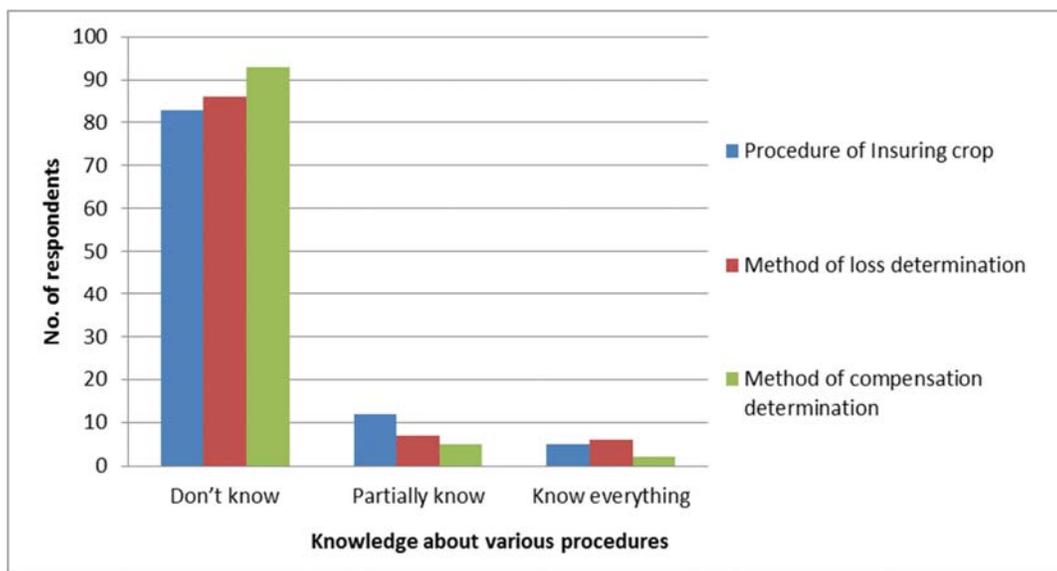


Chart5

In Weather Based Crop insurance Scheme the farmers are eligible for premium subsidy and difference between actuarial rates and premium actually paid by farmers are

borne by the Government (both Centre and State concerned on 50:50 basis).

Component of Insurance	Don't know	Partially know	Know everything
Subsidy on insurance premium by state and central government	93%	4%	3%

From the table it is evident that around 93% of the respondents from the total sample don't know that subsidy on the insurance premium by state and central government. Only 3% of the respondents know about the ration of subsidy provided by the government whereas 4% of the respondent knows that subsidy is provided to them in the premium, but they don't know the correct ratio of it.

**Conclusion**

Weather Based Crop insurance Scheme is available to all kinds of farmers, big or small; loanee or non-loanee; landholders, sharecroppers or tenant farmers. However, loanee farmers i.e. those who have taken farm- loans from financial institutions are covered compulsorily, but still the farmers are having very limited knowledge about the scheme. Panchayati Raj, banks (both cooperative banks as well as commercial banks) Insurance companies should encourage the farmers to take the policy by educating them about the pros and cons of the scheme.

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