Problems in penetration of crop insurance in India: A conceptual study

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Abstract
India has the second largest population in the world and food requirement is very high in India because of the increasing population. In India more than half population depends on agriculture for their livelihood. Crop insurance is protecting farmers from the natural calamities and market risk. In India mainly crops are divided into mainly two types according to the weather condition named as Kharif and Rabi. Crop Insurance is available in India for more than 100 commodities. In India more than 50 years have been passed when first insurance scheme was launched in India, but still farmers not like to purchase crop insurance. In India mainly two types of crop insurance scheme running currently that named as Pradhan Mantri Fasal Bima Yojana (PMFBY) and Weather Based Crop Insurance Scheme (WBCIS). Mainly two type of crop insurance is available in India they are crop yield insurance and crop revenue insurance. The main objective of the paper is to find out the problems coming in the way of penetration of the crop insurance in India. This paper is descriptive in nature and used secondary method of data collection. Main reason in the study which come out from the study for the less penetration of the crop insurance in India is less transparency, illiteracy among the farmers, less knowledge, procedure difficulty, less compensation, delay in compensation, covers only risk (not investment), bad behavior of bank officials, technical difficulty, implementation problem, not inclusion of the all type of crops etc. Some recommendation for the better implementation and penetration of crop insurance in India is also suggested in this paper.

Keywords: Crop, insurance, penetration, compensation, problem etc.

Introduction
In India more than half of the population depends upon the agriculture for the living. Agriculture also contributes more than 15% in India GDP. Crop Insurance is the insurance for the farmers to protect them from losses due to the natural calamities and market risk. Natural calamities are weather change, monsoon, heavy or no rain fall, pests, droughts, floods, cyclone, landslides, earthquake etc. Market risk is reduction in the price of the crops. Insurance divided the risk from one to many. Crop Success mainly depends upon the four factors they are named as water, sunlight, air and soil. Perfect combination of the all factors is necessary crop success. India has the 2nd largest population of the world, so the demand for the food is extremely high. Crop success is extremely important for the India not only for the farmers but also for the common people. In India mainly 3 types of Crops exists:

There are mainly two types of Crop Insurance in India that are named as Crop Yield Insurance and Crop Revenue Insurance. In India First Crop Insurance scheme was launched in the year 1972. In India mainly two schemes are running currently they are Pradhan Mantri Fasal Bima Yojana (PMFBY) and Weather Based Crop Insurance Scheme (WBCIS). Pradhan Mantri Fasal Bima Yojana was started in the year 2016 in whole India and most popular scheme of crop insurance. Main feature of the scheme is very less premium, only 2% premium is on Kharif Crop and 1.5% premium is on Rabi Crop is collected from the farmers. Rest amount in the PMFBY is contributed by the central and state government in equal proportion.

Review of Literature
This review of literature represents the problems of penetration in crop insurance in India study by the different authors. Review of literature of the study is following:
Objective of the Study
The main objective of the study is to find the problem coming in the way of penetration of the crop insurance in India.

Research Methodology
This study is Descriptive in nature. Secondary method of the data collection is used in the study. Various official website, magazine, newspaper etc is used to prepare the paper.

Problems in Penetration of Crop Insurance
In India crop insurance exist from the year 1972, but till now there is very less numbers of farmers who availed crop insurance in India. In India for loanee farmers crop insurance is compulsory, so loanee farmers have to insured their crops. On the other side, very few non loanee farmers in India availed crop insurance because there is no compulsion on them. By this one can interpret that farmers normally don’t prefer the crop insurance. Below are the reasons for less penetration of crop insurance in India:

1. Poor awareness and knowledge level: In India farmers are less aware with the benefits of the crop insurance. Those who are aware have less knowledge or may be wrong information about crop insurance.

2. Less and late settlement of claims: One of the major issues that there is late and less settlement of crop insurance in India. Claim settlement almost takes 9 to 12 months which period is high for the farmers because need for the money is necessary for the fulfillment of basic necessity.

3. Lack of financial literacy among the farmers: In India farmers are less financial literate. They don’t understand the term and condition of the crop insurance. Instead of understanding they try to avoid the crop insurance.

4. Less transparency: There is less transparency in crop insurance term according to the view of the farmers which restrict them to avail crop insurance.

5. Technical and Procedural Difficulty: There is procedural and technical difficulty in crop insurance which also a major issue of crop insurance.

6. Less co-operation and wrong behavior of the banking officials: In India there is very less co-operation and wrong behavior of bank officials also restrict crop insurance in India.

7. Covers only risk can’t be used as investment purpose: Crop insurance covers only risk not used for the investment purpose. This is one of the main reasons found as less penetration of crop insurance in India.

Table 1: Word Cloud for Crop Insurance in India
This is the word cloud of the crop insurance in India. Main words are highlighted in the cloud and representing their importance.

Table 2: Types of Crops

<table>
<thead>
<tr>
<th>Type of Crops</th>
<th>Kharif Crop</th>
<th>Rabi Crop</th>
<th>Zaid Crop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivated in</td>
<td>April and May</td>
<td>October and November</td>
<td>March</td>
</tr>
<tr>
<td>Harvest in</td>
<td>October and November</td>
<td>April and May</td>
<td>July</td>
</tr>
<tr>
<td>Main Item</td>
<td>Rice, Cotton, Bajra, Jawar, Maize, Orange, Watermelon, Tomato, Sugarcane, Groundnut etc.</td>
<td>Gram, Wheat, Tobacco, Rapeseed, Mango, Mustard, Lemon, Almond, Onion, Potato, Radish etc.</td>
<td>Cucumber, Bitter Ground, Pumpkin etc.</td>
</tr>
</tbody>
</table>

Table 3: Review of Literature

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Year</th>
<th>Author</th>
<th>Title</th>
<th>Findings (Problems in Penetration of Crop Insurance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2008</td>
<td>Ghosh &amp; Yadav</td>
<td>Problems and Prospects of Crop Insurance: Reviewing Agricultural Risk and NAIS in India</td>
<td>Financial Performance, insurance Coverage, late claim settlement, difficult procedure etc.</td>
</tr>
<tr>
<td>2</td>
<td>2013</td>
<td>Kumar</td>
<td>Crop Insurance – Tribulation and Prospects of Farmers with reference to Muzvid Krishna District</td>
<td>Less transparency, late claim settlement, less compensation amount, high premium rate, lack of knowledge etc.</td>
</tr>
<tr>
<td>3</td>
<td>2016</td>
<td>Sarangi &amp; Panigrahi</td>
<td>Crop insurance, the backbone of Indian farming community- issues and challenges</td>
<td>Technical problem, implementation issue, lack of transparency, uniformity in premium rate, late settlement, administration cost etc.</td>
</tr>
<tr>
<td>4</td>
<td>2017</td>
<td>Nain</td>
<td>A Study of Farmer’s Awareness on Agriculture Insurance Scheme in Southern Haryana</td>
<td>Premium rate, involvement of the companies with participants, lack of transparency, procedure to get insured, coverage of crops etc.</td>
</tr>
<tr>
<td>5</td>
<td>2017</td>
<td>Reddy</td>
<td>Weather Index Based Crop Insurance in Karnataka: A Study with special reference to Food Crops</td>
<td>Poor quality input supply, lack of agriculture research, lack of government support, poor warehousing facility etc.</td>
</tr>
<tr>
<td>6</td>
<td>2018</td>
<td>Bhatnagar</td>
<td>Perception of Farmers towards the Agriculture Insurance Scheme</td>
<td>Lack of awareness, lack of financial literacy among the farmers, weather condition, corruption in the officials, high premium etc.</td>
</tr>
</tbody>
</table>
Conclusion
India has the 2nd largest population in the world and food demand in India is very high. Crop Success is highly important for the food requirement of the people and livelihood of farmer. In India there is more than 50 years has been passed when first insurance scheme was introduced in India, but till now there is less awareness in the farmers and there is lot misunderstanding among the farmers related to the crop insurance scheme. In many studies it is also found that the farmers who avail the crop insurance most of them found dissatisfied with the scheme. Main reason in the study which come out for the less penetration of the crop insurance in India is less transparency, illiteracy among the farmers (especially about financial matter), less knowledge, official procedure difficulty, less compensation amount, delay in compensation (even sometimes deny to give compensation because of unnecessary reason), covers only risk (not investment), bad behavior of bank officials, technical difficulty, procedural issues, implementation problem, not inclusion of the all type of crops etc.

Recommendation
It is the requirement of the time to take some important step. According to the results of the study following recommendation can be followed for the better penetration of crop insurance scheme in India:

- Make Procedure Easy to follow for the farmers can be worked to increase the penetration of the crop insurance in India.
- Transparency in the all the terms and conditions is always a major issue and it is the requirement of the time to work on to this. By making transparent and easy understandable policies the dream to insured each farmer of country could be achieved.
- One more step can be taken by the government that could be to make insurance not only risk cover but also used as investment purpose. But to follow this may be government has to increase the premium rate and it may be negatively impact the farmers.
- Spreading education and awareness could be one possible solution. Some separate recruitment could be done for this and bank officials should also instruct not to misbehave with the farmers.
- Speedily claim settlement is really effective measure that should be considered.

References
11. https://pmfby.gov.in/