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Analysis of the impact of socio-economic factors on the life of farmers of Palakkad district after taking crop insurance scheme

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Abstract

The study examines the nature and scope of Weather-Based Crop Insurance schemes presently being implemented in the country as a 'specialty insurance' and its impact on the farmers (policyholder) in Palakkad. The study discusses the dissatisfaction level of farmers confronting the Weather Based Crop Insurance Scheme, which was hailed as a promising financial innovation in the recent times. The study points out that though the role of crop insurance as a critical risk mitigation tool has been widely appreciated, there has been inadequate policy intervention to overcome the socio-economic status of the farmers.

Keywords: Weather-based crop insurance, policyholder, policy intervention, socio-economic status

Introduction

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product. Agriculture being the function of physical, socio-institutional, techno-economic factors which are dynamic in nature keeps on changing with the basis objective of increasing production and generation of food grain surplus. As per estimates by the Central Statistics Office, the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) was 16.1 per cent of the Gross Value Added during 2014-15 at 2011-12 prices. During Q1 (quarter 1) FY (Financial year) 2016, agriculture and allied sectors grew 1.9 per cent year-on-year and contributed 14.2 per cent of Gross Value Added.

Agriculture in India is highly susceptible to risks like droughts and floods. Farmers and herders have developed risk management strategies to cope with these adverse events, sometimes with the assistance of the governments. It is necessary to protect the farmers from natural calamities and ensure their credit eligibility for the next season. For this purpose, the Government of India introduced many agricultural schemes throughout the country.

Crop Insurance in India: Evolution

The idea of introducing crop insurance has been in existence since the early part of the century, though most of the studies (Dandekar 1976, Agarwal 1980, Ray 1981 & 1985, Rustagi 1988) ^[4, 1] trace it to the post-Independence period. Economist Prof. V. M. Dandekar advocated the introduction of crop insurance on an area approach. His recommendations were responsible for an expert revival of the subject in the country. In 1999, earliest prevailing Comprehensive Crop Insurance Scheme (CCIS) was replaced with a broader based scheme called National Agricultural Insurance Scheme (NAIS). The scheme is available to both borrowing and non-borrowing farmers and covers all food grains, oilseeds and annual horticultural / commercial crops subject to the availability of past yield data for requisite number of years. NAIS brought about some major improvements.

In 2002, the Government of India established Agricultural Insurance Company of India Ltd (AIC), an exclusive company to cater to the insurance needs of the farming community. The Government of India has made experiments and efforts by introducing various schemes of crop insurance such as first individual approach scheme (1972-1978), Pilot Crop Insurance Scheme (1979-1984), Comprehensive Crop Insurance Scheme (1985-1999), Experimental

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Crop Insurance Scheme (1997-1998), Farm Income Insurance Scheme(2003-04), Pilot Scheme on Seed Crop Insurance and National Agricultural Insurance Scheme (1999-2000 onwards), Pilot Weather Based Crop Insurance Scheme (announced in the Union Budget 2007) and Pilot Coconut Palm Insurance Scheme (2009-10).

Agriculture in Kerala

Even though Kerala is one of the smallest states in India with a geographical area of 38862km, Kerala supports a population of the country. The state of kerala falls under per humid and humid climate types except the southernmost pockets of the state and the state and the eastern parts of the Palakkad region which come under moist sub-humid climatic type. The state as a whole experiences megathermal climatic condition, which shows that the crop growth is not inhibited by temperature, but governed by rainfall alone.

Agriculture in Palakkad

Palakkad district is called the “Granary of Kerala”. Palakkad was the principal rice producing region in the Malabar district of the old Madras presidency. Among the five taluks which constitute the present Palakkad district namely Alathoor, Chittoor, Palakkad, Mannarkkad and Ottapalam, rice cultivation was traditionally concentrated in the first three. Palakkad district is blessed with irrigation facilities. Agriculture is the main occupation of the people of Palakkad district. The main crops cultivated are paddy, Coconut, Rubber, Pulses, Areca nut, Tapioca, Ginger, Groundnut, Sugarcane, Cotton etc. Coconut and Paddy occupies the predominant place among the major crops.

Policies Available in Kerala

The weather-based crop insurance scheme (WBCIS) and the modified national agriculture insurance scheme (MNAIS), the two components of the National Crop Insurance Programme of the Union government, are being extended to farmers in the State for the ongoing crop season. Paddy, plantain, cashew, sugarcane, mango, and tapioca are covered under the scheme.

Particulars of the applicability of the scheme for crops in various districts have been specified by the State Level Coordination Committee on Crop Insurances. Agricultural Insurance Company of India Ltd., a Union government enterprise, is the implementing agency. While farmers who have taken agriculture loans from banks and approved financial institutions are covered under the scheme, for others it is voluntary. The scheme is being implemented jointly by the Union and the State governments.

Weather Based Crop Insurance

The sheer size of the population involved in agriculture and the fact that 60 per cent of the crop production is done under rain-fed conditions highlight the extreme dependence of the Indian agriculture on the weather. Severe weather events (drought, flood, extreme temperatures, high wind velocity) can have a devastating impact on the livelihood of farmers and on the wider population that depend on the sector. Weather Based Crop Insurance is a mechanism for providing effective risk management aid to those individuals and institutions likely to be impacted by adverse weather incidences. The most important benefits of Weather index insurance are,

- Trigger events like adverse weather events can be independently verified and measured.

- It allows for speedy settlement of indemnities, as early as fortnight after indemnity period.
- All growers, May it be Small/Marginal, Owners or Tenants/Sharecroppers can buy this weather insurance.

Objective of the study

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

- The socio-economic status of the policy holders in Palakkad district.

Methodology

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

Method of data collection

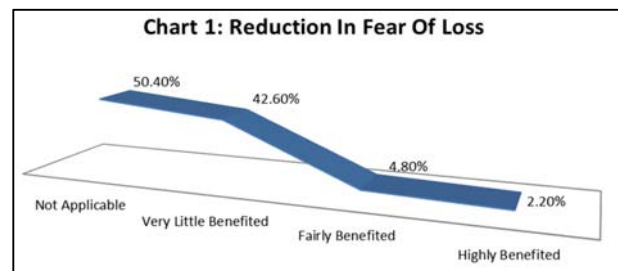
The researcher has used the survey method for the data collection. The primary data was collected by using the structured questionnaires asking 500 selected respondents to get the information for analysis. This research is mostly based on the primary data collected through questionnaires in 13 community development blocks 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

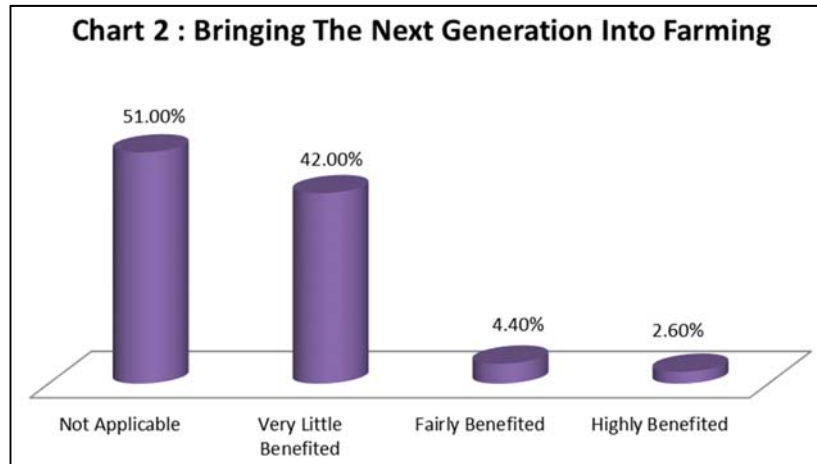
- The collected data was analyzed in a significance manner to answer the problems and collect information from respondents.
- The percentage calculations were made for the individual questions and the information’s collected from the respondents.

Socio-Economic Factors

Socioeconomic factors are the social and economic experiences and realities that help to mold one's personality, attitudes, and lifestyle. It is a combined economic and sociological measurement of a person's work experience and of an individual's or family's economic and social position in relation to others, based on income, education, and occupation. The factors can also define regions and neighborhoods.

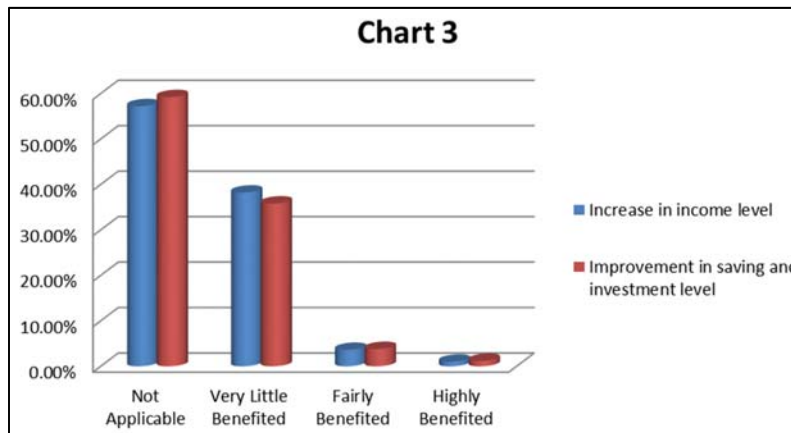


Among the main advantages flowing from the crop insurance, an official of the U.S. Federal crop Insurance Corporation said that it is “fundamentally for the purpose of creating catastrophic insurance and is intended to ensure a minimum return to the farmer which enables him stay in business in case of severe loss”. From the Chart 1 it is justifiable that Government insurance is not enough for the protection of the individual farmer and his continued income and buying power.



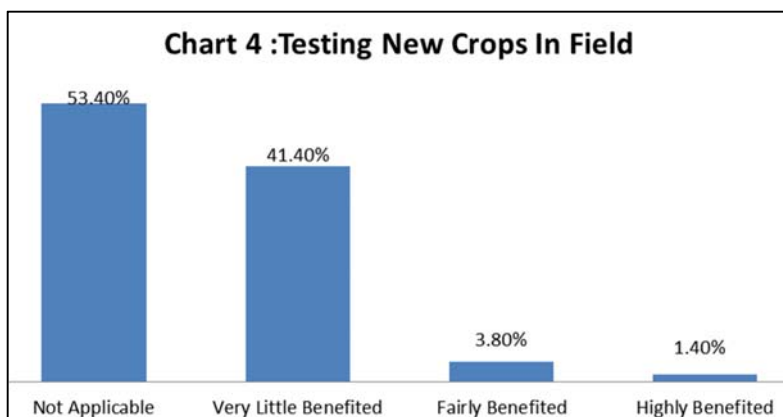
In India even if the young people wanted to go into farming, they find the money gained in it as most awful. Farmers are saddled by impossible debts incurred to pay for seeds, tractors, fertilizers and pesticides. They are committing

suicide as many as 2, 00, 000 by count. The Chart.2 shows that less than 8% of the farmers succeeded in bringing their next generation into farming because of crop insurance.



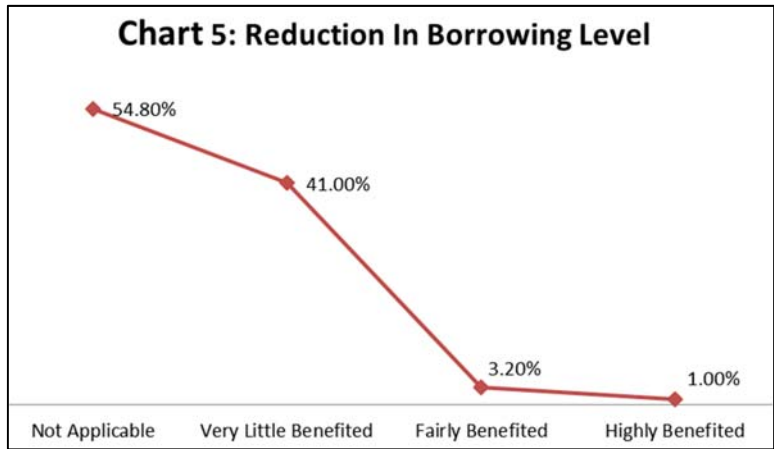
A farmer household earns incomes from various sources. The most important source is through cultivation of crops in either the land possessed by the household or in a land leased by it. The other sources of income include wages and salary. The most common source of these wages is through

agricultural labour in farms owned by other households. Through Chart 3, it can be easily observed that WBCIS is not helpful to the farmers to improve their earnings and investment in any way.



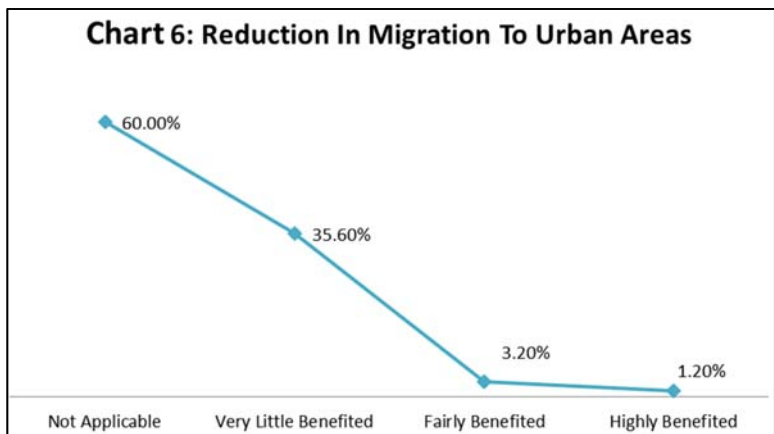
The State government has included ginger, pepper, banana, Arecanut, cardamom, Turmeric, cashew, paddy, and sugarcane farmers of Palakkad district under the Weather Based-Crop Insurance Scheme (WBCIS). The analysis from

Chart.4 also shows that crop insurance is not acting as a motivation tool to those farmers who are indulged in the cultivation of unlisted crops in the crop insurance scheme, to test listed crop in their field.



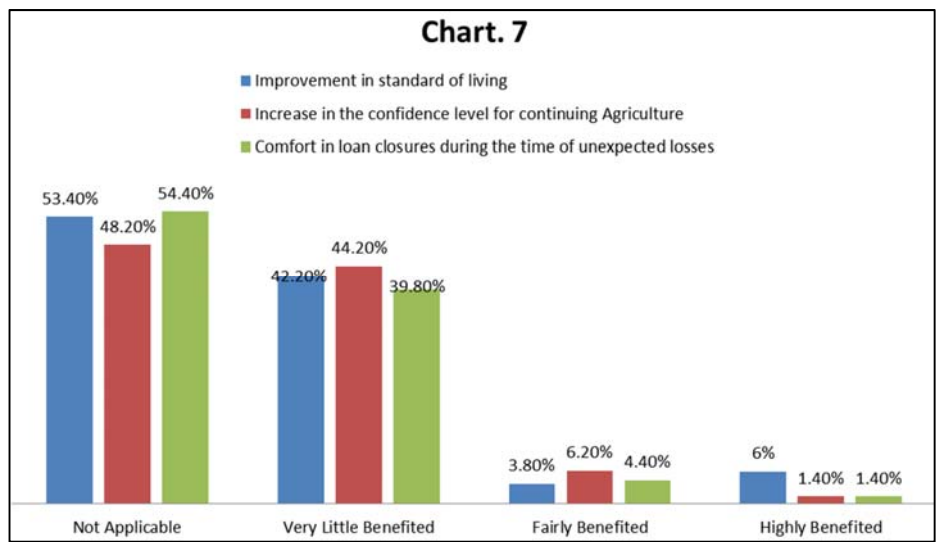
The farmers required credit to meet the expenditure for raising the crops on land till the crops are harvested is construed as production or short term credit for seasonal agricultural operations. Farmers often talk about the high and rising costs of inputs, including water, seeds and

pesticides. Marginal farmers rely chiefly on moneylenders, while those with bigger landholdings go to banks. Chart 5 shows that prevailing WBCIS has not made any difference in the borrowing level of farmers.



Large urban centres are recognized as engines of economic growth since economic activities, communication services, educational and health services, scientific and technological innovations are concentrated in them. Urban centres also provide vital links to the rural areas and are instrumental in rural development. In rural area the prevalence of the caste

system, joint families, traditional values, the diversity of language and culture, the lack of education and the predominance of agriculture and semi-feudal land relations are there. Thus, it is a fact that Indian migration is predominant within state. Chart 6 shows that WBCIS is not well enough to convince the farmers from migration.



From Chart. 8 it is visible that more than 80% of the farmers believe that WBCIS has neither made any improvement in the standard of living, nor it has increased the confidence level of farmers for continuing in agriculture. At the time of unexpected losses in the farming too it has not supplemented a great help to the farmers for a loan closure.

Conclusion

Crop insurance is one among the plethora of risk management tools presently being implemented in the country. Crop insurance is a prominent risk-containment step that will have a critical role in bringing forth sustainable and all-round progress of the rural economy. Critically analyzing the issues confronting by the Weather Based Crop Insurance Scheme, the study points out that it has not become the ultimate solution for the farmer's problems. The shortcomings need to be successfully addressed so as to make crop insurance an effective risk mitigation tool for farmers.

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