ROLE OF INSURANCE IN THE DEVELOPMENT OF AGRICULTURE IN INDIA

Pervez Wahab
Asst. Prof. and Research Scholar, Dept. of Applied Economics and Commerce, Mirza Ghalib College, Gaya

ISSN 2277-7733
Volume 8 Issue 2,
September 2019

Abstract

Indian agricultural sector still depended mostly on monsoons. The erratic and uneven distribution of monsoon rains continued unpredictability and hence farmers exposure to risk and uncertainty. In this scenario of high risk and uncertainty of rain fed agriculture, allocating risk is an important aspect of decision making to farmers. About 70% population of our country depends on agriculture but Indian agriculture depends on monsoon. It leads to operating risk in cultivation of different crops. To cover the risk which may occur in future there is need to some provision. Crop Insurance scheme is the only mechanism available to safeguard against production risk in agriculture. In this research paper I am trying to give focus on Agriculture Insurance scheme in India as well as Agriculture Insurance companies. With the passing of Insurance Regulatory and Development Authority (IRDA) Act 1999 Indian insurance sector opened to a healthy competition by entry of new private insurers into insurance business hitherto the area of public sector. Insurance penetration (premium as % of GDP) in India was merely 1.93% showing 0.54% and 1.39% in nonlife and life insurance sectors respectively, which is far below from the 16.54%, 13.35%, 11.28% & 11.17% of South Africa, South Korea, Japan & UK respectively (table 1). Being an agrarian economy, there are immense opportunities in agricultural/rural insurance in India. The new areas like weather insurance, rainfall insurance and cyclone insurance give scope even for new private insurers and reinsures to exploit the opportunities in the niche areas.

***Keywords*:** *Crop Insurance, Agriculture, Population, Insurance Companies*

Agricultures plays a very important role in the development of Indian Economy. As per*Statistics Times;* Agriculture is having second position as contributor in Indian DGP after Service sector. Agriculture sector with allied sector shares 17.32% and GVA is around of 23.82 lakh crore INR. While Services sector's Gross Value Added (GVA) at current prices is estimated at 73.79 lakh crore INR in 2016-17. Services sector accounts for 53.66% of total India's GVA of 137.51 lakh crore Indian rupees. With GVA of Rs. 39.90 lakh crore, Industry sector contributes 29.02%. Contribution of Agriculture sector in Indian economy is much higher than world's average (6.1%).

Agriculture Insurance Company of India Limited.

Agriculture Insurance Company of India Limited **(AIC)**is offering yield-based and vweather-based crop insurance programs in almost 500 districts of India. It is a Public Sector Insurance Company. It covers almost 24 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. It's headquarter is situated in New Delhi, India. AIC aims to provide insurance coverage and financial support to the farmers in the failure of any of the notified crop as a result of natural calamities, pests and diseases to restore their creditworthiness for the ensuing season; to encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology; to help stabilize farm incomes, particularly in disaster years. The plan provides comprehensive risk insurance for yield losses due to natural fire and lightning, storms, hailstorms, cyclone, typhoon, tempest, hurricane, tornado flood, inundation, landslide, drought, dry spells, pests/diseases, etc. AIC was incorporated on 20 December 2002 with an authorized capital of Rs. 1500 crore. The initial paid-up capital was Rs. 200 crores, which was subscribed by the promoting companies, General Insurance Corporation of India GIC (35%), NABARD (30%) and the four public-sector general insurance companies (8.75%) each, viz., National Insurance Co. Ltd., Oriental Insurance Co. Ltd., New India Assurance Co. Ltd., and United India Insurance Co. Ltd.

Under the Umbrella of Agriculture Insurance Company There are so many scheme are introduced for the benefit of Farmers, like Rainfall Insurance Scheme for Coffee (RISC), Bio-fuel Tree/Plant Insurance Policy, Potato Crop Insurance, Rubber Plantation Insurance, VarshaBima / Rain Fall Insurance and Pradhan Mantri fasalbima yojana (PMFBY) and several other scheme.

How does the insurance scheme for farmers work?

To take advantage of the crop insurance scheme, the interested farmers have to register themselves with the insurance provider company. The registration of marketing surplus at the sowing of crop is essential for crop insurance. The insurance company offer the appropriate coverage scheme which includes minimum support price guarantee or market price from past. Farmers are required to pay the premium for any type of price insurance. In the initial stages, government shares the burden of premium payment. During harvest, if the notified market price falls below guaranteed price, then the insurance company pays the compensation.

Various insurance coverage available to farmers

The insurance schemes for the farmers have been evolved to provide benefits to the farmers. Some of the policies cater to both the personal and property need of the farmers. The basic requirements of the farmers are covered in the farmers insurance scheme. Here is a list of the coverage provided to the farmers under such policies.

Loss or damage caused due to fire or natural disaster such as flood, storm, tornado, cyclone, earthquake etc.; Loss or damage to the property of the insured farmer; Coverage for personal accident which includes the insurer and the family members; Cover for loss or damage of tractor; Cover for loss of pump set; Coverage for loss/ damage caused by power failure

Some very popular Insurance Scheme for Agriculture are as follows-

Pradhan Mantri Fasal Bima Yojana (PMFBY): The Scheme has been introduced from Kharif 2016 replacing National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS) and is being implemented by AIC and other empaneled insurance companies. PMFBY aims at supporting sustainable production in the agriculture sector by way of- a) Providing financial support to farmers suffering crop loss/damage arising out of unforeseen eventsb) Stabilizing the income of farmers to ensure their continuance in farmingc) Encouraging farmers to adopt innovative and modern agricultural practicesd) Ensuring flow of credit to the agriculture sector; which will contribute to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.

Coverage: The scheme is compulsory for loanee farmers obtaining Crop Loan / KCC account for notified crops. However, voluntary for Other/non loanee farmers who have insurable interest in the insured crop(s).

National Agricultural Insurance Scheme (NAIS): The National Agricultural Insurance Scheme (NAIS) was introduced from 1999-2000 replacing the erstwhile Comprehensive Crop Insurance Scheme (CCIS). The main objective of the scheme is to protect the farmers against crop losses suffered on account of natural calamities such as drought, flood, hailstorm, cyclone, fire pests and diseases.

The new scheme is available to all the farmers—loanee and non-loanee—irrespective of their size of holding. It envisages coverage of all the food crops (cereals, millets and pulses), oilseeds and annual horticultural/commercial crops, in respect of which past yield data is available for adequate number of years.Among the annual commercial/horticultural crops—seven crops, namely, sugarcane, potato, cotton, ginger, onion, turmeric and chilies, are covered. The premium rates for Bajra and Oilseeds are 3.5 per cent of sum insured or actuarial rates whichever is less while for cereals, other millets and pulses, the premium rates are 2.5 per cent of sum insured or actuarial rates whichever is less.In the case of commercial and horticultural crops, actuarial rates will be charged. Small and marginal farmers will be entitled to subsidy of 50 per cent of the premium charged from them to be shared equally by State/UT and Central Government. The subsidy in premium will be phased out over a period of five years.The Agriculture Insurance Company of India Ltd. implements the National Agricultural Insurance Scheme (NAIS). At present the scheme is being implemented by 24 states and 2 UTs. Up to March 2012, since inception, claims of about Rs 24,246 crore have been paid against premium income of about Rs 7,580 crore benefitting about 511 lakh farmers of the country.

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