A STUDY OF CROP INSURANCE IN TAMILNADU: NAIS AND ITS GROWTH

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Abstract
Agriculture in India depends on monsoon that is usually flexible. The uncertainty will leads operating risk in cultivating various crops. The natural calamities will affect the yield of agriculture sector. To recover from the risks, Crop insurance is the best mechanism to protect the farmers and to compensate the loss that arises from agricultural production. In order to satisfy the farmers, the Government of India had announced and implemented various schemes of crop insurance. National Agriculture Insurance Scheme has been launched by National Agricultural Insurance Scheme Corporation of India since the year 1999-2000. The current paper has made an attempt to understand the origin and development, features and performance of National Agriculture Insurance Scheme in Tamilnadu.

Key words: NAIS, Tamilnadu, Crop insurance, Growth.

Introduction

Risk in agriculture is associated with negative result that arise from imperfectly wrongly expected biological variables like outbreak of pest and diseases, adverse climatic factors like drought, flood and storm, resource risks like non-availability or poor quality of inputs, and price risks, which altogether are not within the control of farmers. In this situation farmers need to be compensated for their financial loss that arises from agriculture field. Crop insurance serves to protect farmers' investment in crop production and thus improves their risk-bearing capacity. It facilitates adoption of improved technologies and encourages higher investment, resulting in higher agricultural production. Further, it spreads the crop losses that occur due to uncontrollable natural factors, over space and time, and helps the farmers make more investments in agriculture. Crop credit insurance also reduces the risk of becoming a defaulter of institutional credit. The reimbursement of indemnities in the case of crop failure enables a farmer to repay his debts and therefore, he/she has not to seek loan from a private moneylender.

REVIEW OF LITERATURE

An agricultural insurance scheme is difficult and complex to execute. Even the private agricultural insurance has not been successful due to failures on the parts of market and government because of the certain reasons (Mark Wenner and Diego Arias,2003).

The crop insurance should link with credit on a compulsory basis. Dandekar (1976) found that the crop insurance scheme offered insurance against a chance occurrence.The chance phenomenon underlying a crop insurance scheme is the fluctuations in the output of from one year to another or from one crop season to another. According to Shivrami Reddy & Narasaiah (1998), crop insurance is needful to the farmers & it provides financial support to the farmers in the event of crop failure & make them credit worthy for the next crop season.

Objectives of the Study

1. To study the origin and development of National Agricultural Insurance Scheme.
2. To analyze the features and performance of NAIS in Tamilnadu.

Agriculture Insurance in India

In India crop insurance has been subsidized by the central and state governments, managed by the General Insurance Corporation (GIC) and delivered through rural financial institutions, usually tied to crop loans. The government has now established a separate. Agriculture Insurance Company with capital participation of GIC, the four public sector general insurance companies, and NABARD. Insurance policies so far have provided crop *yield* insurance. This year pilot programmes are being launched to provide crop *income* insurance. Recently private insurers and the newly formed government Agriculture Insurance Company have executed pilot projects to sell rainfall insurance to farmers, as a substitute for, or complement to crop insurance provided by the government. Some of these initiatives may be partly motivated by the Insurance Regulatory and Development Authority (IRDA) requirement for new entrants to provide coverage to rural and social sectors.

The initial Comprehensive Crop Insurance Scheme (CCIS), implemented during the period 1985-1999, and the subsequent National Agriculture Insurance Scheme (NAIS), since 1999-2000, have had low participation rates and high claims to premium ratio. For example, under the NAIS the covered area is only about 10% of Gross cropped area and the claims to premium ratio till Kharif 2002 is about 4.17. This is a paradox since high claims to premium ratio should make the policies attractive for farmers and induce them to buy coverage. The crop insurance schemes suffer from several problems which are endemic to the nature of the product and delivery mechanism. These include problems of timely and reliable yield measurement, timeliness of claims payments, inadequate risk sharing by the implementing agency and the exclusive reliance on rural financial institutions to deliver the product. Given these problems the private sector is unlikely to offer yield insurance, even in partnership with the government.

Crop Insurance Schemes Implemented in Tamil Nadu

National Agricultural Insurance Scheme (NAIS)
Implemented from Kharif 2000 onwards
All the districts covered
All the crops covered and notified at Firka Level

Modified National Agricultural Insurance Scheme (MNAIS)
Implemented from Kharif 2011 onwards
3 districts on pilot basis

Weather Based Crop Insurance Scheme (WBCIS)
Implemented from Kharif 2008 onwards in 8 districts and now extended to 11 districts

National Agricultural Insurance Scheme (NAIS)

Keeping in view the demands of States for improving scope and contents of CCIS, abroad-based National Agricultural Insurance Scheme has been introduced in the country from Rabi 1999-2000 with the following objectives.

a. To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases.
b. To encourage the farmers to adopt progressive farming practices, high value inputs and higher technology in Agriculture.
c. To help stabilize farm incomes, particularly in disaster years.

Features of NAIS

The major features of NAIS being implemented from Rabi 1999-2000 are

i. Insurance coverage to farmers in the event of failure of any of the notified crops as a result of natural calamities, pests and diseases;
ii. All farmers including share-croppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage;
iii. The sum insured (SI) may extend to the value of threshold yield of the insured crop at the option of the insured farmers. However, a farmer may also insure his crop beyond the value of threshold yield level up to 150 per cent of average yield of notified area on the payment of premium at commercial rates.
iv. Premium rates for different crops will range from 1.5 to 3.5 per cent of the sum insured or actuarial rate, whichever are less.
v. Fifty per cent subsidy in premium in the case of loanee farmers and 55 per cent in the case of non- loanee farmers is allowed in respect of small (≤ 2 ha) and marginal (≤ 1 ha) farmers, to be shared by the Government of India and the concerned state/ Union Territory (UT) government.

vi. The scheme would operate on the basis of “Area Approach” ie., defined areas for each notified crop for widespread calamities, as well as on an individual basis for localized calamities such as hailstorm, landslide, cyclone and flood. The “defined area” (i.e., unit area of insurance) may be a Gram Panchayat, Mandal, hobli, circile, Firka, Block, Taluka, etc., to be decided by the state/UT government.
vii. The state/ UT government will plan and conduct the requisite number of crop cutting experiments(CCEs) for all the notified crops in the notified insurance units in order to assess the crop yield.

Performanec of NAIS

The coverage of farmers under NAIS from 1999 to 2007 revealed that Maharashtra was at the top in terms of the number of farmers covered with 17.2 per cent share in the total farmers covered in India. In this regard, the share of Tamil Nadu was only 0.9 per cent. In terms of claims made, Gujarat stood first with 24.9 per cent of the total claims settled in India and the share of Tamil Nadu state was only 1.5 per cent. The number of farmers benefited accounted for 26.3 per cent of the total number of farmers covered under the scheme in Tamil Nadu, while the corresponding figure for the country as a whole was 25.3 per cent. The shares of claims made to the sum insured during 1999 – 2007 were 9.4 per cent for Tamil Nadu and 8.9 per cent at all-India level.

In 2005-06, the number of farmers covered under NAIS was 167.2 lakhs in India, accounting for 13.8 per cent of the total farm households (1208.2 lakhs in 2000-01). In Tamil Nadu, the number of farmers covered under NAIS was 1.36 lakhs during 2005-06 and this accounted for 1.74 per cent of the total farm households in the state (78.6 lakhs in 2000-01), which was far below the national coverage.

It is observed that the coverage of non-loanee farmers under NAIS during 2000 was only 0.81 per cent of the total farmers covered in Tamil Nadu and it increased to 64.42 per cent during 2007. During 2000-2008, the non-loanee farmers were 45 per cent of the total farmers in Tamil Nadu covered under NAIS. The share of claims settled to these non-loanee farmers to total claims for this period was 58 per cent. This shows the increasing participation of the non-loanee farmers in the crop insurance scheme.

Conclusion

Regardless of numerous efforts made by various crop insurance agencies to address the crop insurance related issues faced by the farmers, the success has been limited. The experience shows that agricultural insurance has fared poorly, at least in part, because of problems related to moral hazards and adverse selection resulting from asymmetric information. Therefore, better information dissemination is required to control the adverse selection and moral hazards and access to such information should be at a nominal cost. Traditional crop insurance based on individual yields and field inspections are expensive to administer in India due to a large number of marginal and small farms. Appropriate measures should be adopted to refine and update the existing insurance products so as to make them more effective and useful under different farming situations.

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