

PMFBY - A FINANCIAL INCLUSION INITIATE FOR FARMERS' DEVELOPMENT

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Abstract *Agriculture is the base of any country. It is a risky activity because it is done in open field and it takes time to be ready. Risk is an important aspect of the farming business. People involved in the agriculture live in uncertainties. The uncertainties inherent in weather, yields, prices, government policies, global markets, and other factors that impact farming can cause wide swings in farm income. There is an important role of the farmer in the economy of a country. We are large exporter of rice especially of Basmati rice and large producer of wheat. So, we need to protect the farmers from various risks associated with the agriculture. This paper is based on both primary and secondary data. The primary data is collected from the farmers with an aim to know about their views on the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the secondary data is collected from various other sources.*

Keywords *PMFBY, Agriculture, Insurance, Farmer, Risk Management, Risk Reduction*

INTRODUCTION

India is an agriculture-based economy. Maximum population of our country belongs to rural area, which depends on agriculture in any form. Every single farmer of country is the root of our economy. We rely heavily on the work done by our farmers. The crops cultivated by farmers are distributed all over the country and in some cases to other countries too. Although farmers do a great deal of work for us, their own work have no security. Bad weather can lead to damaged crops. It is a 100% loss case for the farmers who rely only on farming. Many poor farmers across the country borrow money for farming and in the scenario when crops are damaged, they find themselves in middle of nowhere. This led the acts like suicide which are unacceptable. We can't let that happen. So, the need of any scheme that could help the farmers was always there. Prime Minister Narendra Modi has announced the scheme "Pradhan Mantri Fasal Bima Yojana" on 13th January 2016. The cutoff date for payment of premium is 31st July for kharif and 31st December for rabi season. Under the scheme, the premium to be paid by farmers has been brought down considerably to only 2 per cent for kharif and 1.5 per cent for rabi crops. If implemented carefully, this scheme alone can help the farmers to great extent. Our farmers are now no longer alone. If the crop damages due to any reason, the government will come forward to help. With the help of crop insurance scheme, there will be some relief for our farmer brothers in risk reduction. Risk is defined as the product of hazard and vulnerability. In other words, it relates to the probability of

a damaging event. In terms of agriculture, the most common risk is heavy rain, lack of rain, drought, flood, damage of crop due to any insects.

Agricultural producers, similar to other businesses, face significant risk. Risk is an important aspect of the farming business. The uncertainties inherent in weather, yields, prices, government policies, global markets, and other factors that impact farming can cause wide swings in farm income. Risk management involves choosing among alternatives that reduce financial effects that can result from such uncertainties. Four general types of risk are described here: production risk, price or market risk, financial risk, and human or personal risk. Production risk derives from the uncertain natural growth processes of crops and livestock. Weather, disease, pests, and other factors affect both the quantity and quality of commodities produced. Price or market risk refers to uncertainty about the prices producers will receive for commodities or the prices they must pay for inputs. The nature of price risk varies significantly from commodity to commodity. The government is helping the farmers by setting the MSP for certain commodities like wheat, gram, paddy, pulses etc. Financial risk results when the farm business borrows money and creates an obligation to repay debt. Rising interest rates, the prospect of loans being called by lenders, and restricted credit availability are also aspects of financial risk. Government is emphasising on the formal banking instead of non-formal banking, to protect the farmers from the clutches of *sahukars*. Because the non-formal banking lending rates are

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very high. Human or personal risk refers to factors such as problems with human health or personal relationships that can affect the farm business. Accidents, illness, death, and divorce are examples of personal crises that can threaten a farm business.

REVIEW OF LITERATURE

According to Gommers (1999), risk is also defined more simply as a loss due to a damaging event. The advantage of this definition is that it can be materialised and measured easily (e.g. loss of agricultural production, loss of income). An acceptable risk is one that individuals, businesses or governments are willing to accept in return for perceived benefits. Local governments usually define the level of acceptable risk by considering information on drought hazards and combining it with economic, social and political factors specific to the area threatened.

The uplands of northern Thailand are ideal for this type of study because the mountainous terrain creates unequal opportunities for agricultural development within a relatively small geographical area. A few decades ago, rice was the main crop grown virtually everywhere. Yet current land use patterns are much more diverse and include rice alongside many high-value crops such as maize, soybean, vegetables, fruits and flowers (Rerkasem, 1998; Vanwambeke, Somboon, & Lambin, 2007). The business-related factors indicate that larger farms and farms with grain production as primary crop to a greater extent use insurance. Farmers with high level of diversification do not use crop insurance to the same extent as less diversified. This indicates that farmers with high risk expose are more likely to acquire insurance. The design of the insurance product is also found to be important for the insurance decision. Farmers that use insurance perceive that their yield level is higher than the average for their region. They also perceive a higher level of yield risk compared to uninsured farmers. The social factors, age, education and years of farming as well the farmers' risk preferences do not indicate any statistically significance for the crop insurance decision (Branstrand, 2014). The farmers act in a world subjected to continuous changes and the farmer as a decision maker faces different risks each day (Boehlje & Eidman, 1984). Crop insurance has been used for a long time and was developed over 200 years ago and insurance policies in the agricultural sector are quite similar to any other insurance (Smith & Glauber, 2012). There are many factors that affect the grain farmer's risk and income, which then affect farmers' choice in different situations that involve risk. It

may for example be undesirable rain, decreased prices, machinery problems and political changes (Hardaker *et al.*, 2004). The insurance provisions in a country are a function based on the state's willingness to subsidise. A higher level of economic wealth in a country usually provides a higher level of insurance cover than developing countries. The reason for this phenomenon is the range of infrastructure. Developed countries tend to have greater access to data and information which is a requirement in order to offer stable insurance policies (Raviv, 1979).

OBJECTIVE OF STUDY AND DATA COLLECTION

The aim of this study is to examine the underlying factors that are associated with crop insurance decisions among farmers in Haryana. Furthermore, the aim is to investigate their perceptions about crop insurance scheme PMFBY. The primary data is collected with the help of a questionnaire from the farmers from the various villages of Karnal, Kurukshetra, and Yamunanagar districts of Haryana. The data is collected from 100 farmers. The data is collected from 3 districts which represent their circle, as Haryana is divided into three circles/ clusters for crop insurance. The Kurukshetra district is in cluster-1, Karnal district is in cluster-2, and Yamunagar district is in cluster-3. And the secondary data is collected from the various journals, magazines, newspapers, books, and government websites.

DATA ANALYSIS

Table 1 shows the demographic information about the respondents farmers. In this study, 100 farmers are included, out of which 90 are from the villages and 10 are from the *deras/* farmhouse. 71 respondents have farming on their own land while 22 have farming on their own and rented land. In this study, mainly small farmers are included, who hold the land less than 5 acres. Such farmers are 65 out of 100. Maximum 46 respondents are in the age group of 40-50 years and 79 respondents have income less than Rs. 5000, from sources other than farming, which indicates marginal conditions of the farmers. Fifty-four respondents are literate up to twelfth standard and 33 farmers surveyed are graduate. The farmers got the information about the PMFBY from various sources like family, friends, neighbors', advertisements, bank officials etc. The study also shows that the advertisements and bank officials played an important role in spreading the information about the PMFBY.

Table 1: Demographic Information of the Respondents

Particulars	No. of Respondents (%)	
Residential Status	Village residents	90
	Dera/ farmhouse residents	10
Land Status	Owned	71
	Rented	7
	Owned and rented	22
Land (in Acres)	Up to 5	65
	5-10	27
	10-20	5
	20 above	3
Age Group	20-30	23
	30-40	21
	40-50	46
	Above 50	10
Income Level (Monthly) other than crop	<5000	79
	5000-10000	16
	Above 10000	5
Education Level	Illiterate	8
	Up to 10+2	54
	Graduate	33
	Postgraduate	5
Information about Crop Insurance	Family members or relatives	24
	Friends or neighbors	13
	Panchayat members	8
	Bank officials	27
	Advertisements	28

Source: Data collected by authors

Table 2: Farmers' Views on PMFBY

S. No.	Statements	SA(5)	A(4)	N(3)	D(2)	SD(1)	Total	Mean
1	Crop production expose to great risk	70	24	6	0	0	464	4.64
2	Well aware about crop insurance	56	19	18	7	0	424	4.24
3	Crop insurance is important risk reduction tool in crop production	41	29	16	14	0	397	3.97
4	Crop insurance premium is affordable	49	30	11	7	3	415	4.15
5	Crop insurance is important because of re-payment of debt and expenses	23	18	42	12	5	342	3.42
6	Crop insurance is not relevant due to low yield	38	29	24	9	0	396	3.96
7	Crop insurance provide good protection to my yield	24	26	16	28	6	334	3.34
8	It is easy to take crop insurance	59	24	14	3	0	439	4.39
9	Easy process of claim	21	17	18	24	20	295	2.95
10	Claim is settled on time by crop insurance company	19	21	35	18	7	327	3.27
11	Insurance company people describe the premium and claim process clearly	39	30	8	17	6	379	3.79
12	Crop covered under PMFBY are enough	20	38	14	15	13	337	3.37

Source: Data collected and calculated by authors

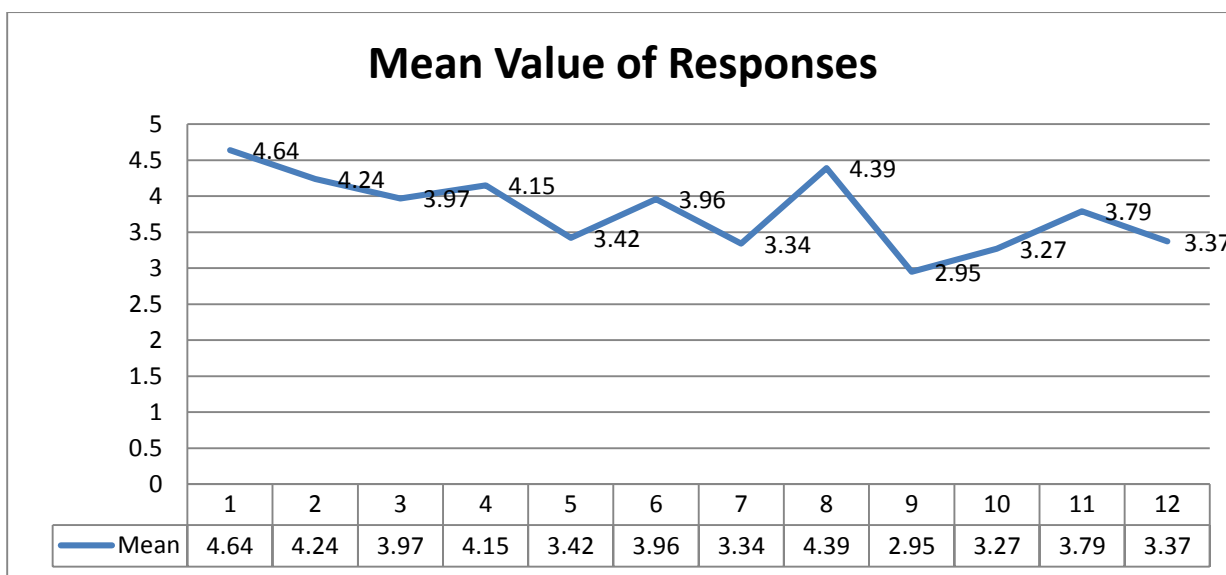


Fig. 1: Farmers’ Views on PMFBY (Mean Values)

Table 2 provides the farmers’ view about the PMFBY. Seventy per cent farmers strongly agree and 24 per cent agree that the crop production is a risky business. Fifty-six per cent farmers are well aware about the crop insurance scheme PMFBY, just 7 per cent farmers were not aware about the schemes in depth. Maximum farmers believed that crop insurance scheme helps them in reducing their crop risk. They also agree that crop insurance is important because it helps in repayment of debt and expenditure made on the crop during the season, in case of loss of the crop. But some farmers were not agreeing because they said that the amount of sum insured is not up to the mark of the price of the crop. Their view was that the insurance amount is not equal to even 50 per cent of the expected revenue of the crop and it is quite difficult to repay the expenditure made on crop with the help of insurance amount. The farmers also blame that the insurance is not relevant to their crop due to the low yield from the insurance. But farmers agree that it is easy to adopt the crop insurance scheme. The respondents were divided in equal response in case of insurance claim settlement. Around 44 per cent respondents do not agree with the easy claim procedures. Forty per cent farmers agree that the companies settle the insurance claim on time. The farmers were agreeing that the bank officials or insurance company’s employees explain the process and benefits of the crop insurance clearly and in depth. Twenty-eight per cent respondents were not agree with the crops covered under the PMFBY. They want that maximum crops must be included under the insurance scheme. Table 2 also describes that the highest mean value is 4.64 for the statement that crop production exposes to great risk. The second highest value of mean is 4.39 for the statement that it is easy to take crop insurance. The lowest value of mean is 2.95 for the statement regarding easy process of insurance claim, which shows that

the trend of disagreement towards this statement. Except this statement, all statements have mean values more than 3; so it is an indication that the farmers are near to agree or strongly agree to the given statements of the study.

CONCLUSION

This scheme will benefit the farmers of the whole country. It will reduce the suicide rate of the farmers, as their financial problems will be addressed. As natural disaster is the most common cause of crop destruction, this scheme covers the loss occurred due to it. The result shows that farmers indicate insurance premium as important factor in the adoption of the crop insurance. This may be interpreted that they perceived the insurance premium as high or that they do not have information about the price of insurance. The farmers are using the services of crop insurance, but they want addition of more crops, low premium, enhanced insurance claim, easy process of documentation, and timely claim settlement.

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