



## TACKLING CHALLENGES IN AGRICULTURE STRATEGIES FOR SUCCESS

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### Abstract

Agriculture and its related activities are of paramount importance to the economy of our country, not only because it gives direct employment to 2/3<sup>rd</sup> of our population but also it is a provider of food, clothing, and other basic necessities of life for the entire population. The erotic natural conditions like floods, rainfall variation, earthquake and cyclone cause more destruction on farm production and reduces the farm income of farmers. The need to protect farmers from agriculture income variability has been a continuing concern to government and other agencies work on agricultural development. Crop insurance, a tool which provides insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities or pests &

diseases and help farmers to stabilize their farm income. This study focus on the marketing and the use of crop insurance schemes to protect farmers from agricultural income variability and sustainable agricultural development

**Key words:** Crop-Insurance, Sustainable, Agriculture.

### Introduction

The occasional suicides of farmers witnessed agricultural distress in the country which arising from the inadequate investment and insufficient public action in recent years. Agriculture, an important economic activity in the country mainly depends on weather. The weather vagaries made agriculture an extreme risky enterprise. The vulnerability of the poor people to the risks, who are dependent on farming which do not provide steady incomes, is well known. Unexpected risks due to natural calamities such as flood, storm, drought etc. will add to their misery. These unexpected events may wipe out their savings and leave them in a demoralized and financially depressed state.

Yet crop insurance is a financial instrument which minimizes the risk in agriculture by



funding crop losses in bad agricultural years. The need to offer insurance services to rural populations in addition to the services of credit and savings for their socio-economic development is recognized by policy makers and regulators. Government run crop yield insurance scheme, procurement at minimum support prices and calamity relief funds are the major instruments being used to protect the Indian farmer from agricultural variability. Crop insurance which considered being a risk management strategy in agriculture only covers fewer farmers (Narayanan et al and suresh kumar et al 2011) and remaining farmers are uncovered from financial credit and insurance.

The purpose of the study is to focus on how was crop insurance marketed in India from the managerial perspective rather than the technological perspective and the use of crop insurance schemes to protect farmers from agricultural income variability and sustainable agricultural development.

### **Why crop insurance marketing is a failure in India**

The current form of Government crop insurance schemes has not achieved success. Raju and Chand (2008) pointed out the same

that farming community at large, does not seem to be satisfied with the partial expansion of scope and content of crop insurance in the form of NIAS over comprehensive crop insurance scheme. The crop insurance was delivered through banks along with crop credit loan. The bank officials are the main source of information to farmers. They are not suitable to make farmers awareness about crop insurance.

The lack of full information on crop insurance schemes among farmers was the major cause of its low coverage and reach Suresh Kumar et.al. (2011). The farmers were dissatisfied with the distribution channel who delivers crop insurance and distributing claim settlement Rathore, Burark and Jain (2011). Claims are assessed by crop cutting experiments in which yield assessment is made in few farms and the results are supposed to represent a large geographical area, usually a taluk. The results are not available for public verification and therefore the objectivity of the experiment is in doubt. The premium rate is uniform for a crop across the whole country while the risk is not uniform nationwide. Suresh kumar et.al 2011 study revealed that social participation and



Education level enhance awareness about innovative products in crop insurance. From reviewing the literatures it is clear that social participation, source of awareness and affordability plays a pivotal role promoting crop insurance among farmers.

### **Need for innovative insurance**

According to the National Agriculture Policy (NAP) 2000, “Despite technological and economic advancements, the condition of farmers continues to be unstable due to natural calamities and price fluctuations”. The nature -dependent occupation exposes rural people to numerous financial risks making them vulnerable to heavy losses. For family, the unfortunate demise or disability due to illness or accident of the principal wage earner can be catastrophic. In such a case, their savings may wipe out and they will be left without any resources to make a new beginning. .Another important observation by Heinz Dollberg (2007) is “the risks faced by the poor are much the same as those for most individuals, but research has shown that they experience those risks with greater frequency and with a relatively greater financial impact.” In the past, insurance as a prepaid risk managing

instrument was never considered as an option for the poor for two reasons.

**Affordability** – Indian agriculture is dominated by marginal and small land holdings. The poor were considered too poor to be able to afford insurance premiums. The amount of premium and also the installments –both were beyond the means of farmers whose incomes are unpredictable.

**Variety of risks-** Often they were considered uninsurable, given the wide variety of risks they face. The failure of crop may occur for wide variety of reasons like pest, lack of rains, invasion by birds or animals, etc. Then the bullocks, tractor and motor also want protection.

### **4A Model of Insurance**

In its broader sense, “Marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others”. In this context the present study was on marketing of crop insurance – a tool for sustainable agricultural development. In lieu of the traditional 4ps model, some of the marketing practitioners are adopting 4As model, which is perceived to be more customer oriented. In the 4As model all the



elements of the 4Ps are defined from the customer point of view.

The 4As rural marketing mix Availability, Affordability, Acceptability and Awareness have been now universally accepted both by practitioners and the academia, as touchstone for the success of any business strategy in the rural market. What 4Ps is the mainstreaming to marketing. The 4As are for the rural marketing (Dogra and Ghuman). The 4 A's model of Availability, Affordability, Acceptability and Awareness rural marketing mix helps in developing appropriate strategies to tackle the marketing issues for marketing insurance products in rural areas krishmacharyulu and Lalitha, 2011.

## **Availability**

The different agro-climatic region and different cropping pattern throughout India makes crop insurance marketers to design and implement appropriate crop insurance scheme more difficult. The first challenge is to ensure availability of the crop insurance services to rural. India's 6, 38,365 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy.

Ensuring the reach of the insurance products among different groups of rural people is one of the most critical functions. The availability checks where what and how insurance products available to the rural people in India.

**What** – the current form of crop insurance schemes are not acts as a risk mitigating mechanism. The design of crop insurance should be change as risk cope, mitigate and management instrument by considering individual farm risks and issuing appropriate loss amount to individual level farm.

**Where-** the crop is available in banks like regional rural banks, commercial banks and Primary agricultural society. Like life insurance why the service providers are not willing to open satellite branch i.e. small branches in rural areas and appoint local rural agents for crop insurance selling.

**How** - the crop insurance is available to loanee farmers along with crop credit loan and for non loanee farmers in banks with 50 % government subsidy. The bank collects the overall premium and gives insurance in group basis. The problem arises in this is individual risk assessment is not possible. So the individual economic loss in agriculture is



not considered. Thus crop insurance in future will be delivered through regional rural branches in individual basis.

## Affordability

Indian agriculture is dominated by marginal and small land holdings. The poor were considered too poor to be able to afford insurance premiums. The amount of premium and also the installments –both were beyond the means of farmers whose incomes are unpredictable. Nowadays costs of cultivation keep increasing with labor charges, fertilizer, pesticide and irrigation facilities. Crop insurance purchase is also a decision making process in which farmer has to invest to protect their income. The premium rates of NAIS, A.I.C of India is applicable on the sum insured are

Bajra and oilseeds: 3.5 %

Other kharif crops: 2.5 %

Wheat: 1.5%

Other rabi crops: 2.0%

Annual commercial / horticultural crops :  
Actuarial rate

The premium rate is uniform for a crop across the whole country while the risk is not uniform nationwide. The providers

have to concentrate on measuring the risks correctly through agricultural departments and fix the premium according to the risks. So as mentioned earlier the government has to invest adequate money to subsidies more on crop insurance and change farmer decision as crop insurance is in affordable cost to small and marginal farmers. Government has to plan that marginal and small farmers get more subsidy than the large farm farmers.

## Acceptability

It is very important that rural farmers feel that the product is designed as per their needs and delivers effective solutions to their problems. The rural consumers are seeing the value equation more closely than their urban counterparts. Therefore, they must feel the product serves its purpose and then, they are ready to even spend something extra for the product. The service providers has made a tailor made product to rural customers and tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group as well as individual insurance covers. Thus the rural people may show acceptable criteria very soon when the products consists convergent factors which



designed as per needs and delivers effective solutions to their problems. Acceptability covers whether the policies by the insurance companies are complex or not, whether checks the difficult in processing of insurance policies and also the appropriate distribution strategies.

### **Awareness**

Awareness about crop insurance is limited among farmers. Its positively influence famers to buy crop insurance. Hence agricultural extension department of the government should take initiative for promoting crop insurance awareness among farmers. Appropriate institutions including civil society should seriously consider canvassing of crop insurance on agency mode. SHGs both men and women groups are ideal channels for marketing and facilitating weather and crop insurance, which would provide, security to our beleaguered farmers.

**Information and communications technologies are a device set of technological tools and resources used to communicate rural people about to disseminate awareness, create interest and to stimulate enroll intentions of insurance**

**Thamodaran and Ramesh2010. It will reduce cost, increase communication and give real time service to spread agricultural insurance James, 2011**

### **Conclusion**

The erratic and uneven distribution of monsoons has a direct bearing on agriculture. In this scenario of high risk and uncertainty of rain fed agriculture, mitigating the risk of the farmers is an aspect, which the decision makers have to handle with care. This indicates a need for contingent plans that will help to improve handling risky outcomes across individuals. In India, traditionally risk would be managed either privately or through implicit contracts within family network. Another form of risk coping strategy among farmers is income diversification/ crop diversification that will reduce their income variation. For coping with natural risks, crop insurance is one of the mechanisms available to mitigate loss. But it has limitations to large number of farmers. The reach of crop insurance schemes to farmers is less because of inadequate manpower, in appropriate



distribution channel, low awareness, dependency of data from Indian meteorological department (IMD) and adverse selection and moral hazard of individuals. The 4 A's model of Availability, Affordability, Acceptability and Awareness rural marketing mix helps in developing appropriate strategies to tackle the marketing issues for marketing insurance products in rural areas. Designing a robust, profitable rural business model around new, tailored products and services for customers in the rural market is a key to success for crop insurance in rural market.

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