

A PERSPECTIVE OF CROP INSURANCE IN INDIA APPROACHES & CHALLENGES

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ABSTRACT

The farming community in India continually faces risks in crop production due to natural calamities right from the time of sowing to harvesting. Floods may wash away the growing fields, droughts may wither plants, diseases may attack during crop growth and hailstorms may wipe out months of farmers' labour and likely production in a single stroke. The yield uncertainty prevents farmers from maximizing production and discourages credit institutions from advancing loans for agricultural purposes. Further, the risk bearing capacity of majority of our farmers is limited due to scarce resources and small holdings. They cannot withstand risks which are disastrous in nature. A serious crop failure means not only the loss of farm income but also the loss of investment for the next crop season. This leads to their indebtedness. The risk burden of the farmers and the agricultural lenders can be reduced through crop insurance, which is primarily a way of protecting farmers against the element of chance in crop production. Crop insurance spreads the crop losses over space and time, provides social security to the farmers, helps in maintaining their dignity, offers self-help, encourages large investments in agriculture for improving crop yield and increasing agricultural production. Moreover, the liability of the Government to bear the cost of relief measures to the farmers following crop failure is reduced to some extent as through crop insurance the farmers themselves contribute to their relief.

KEY WORDS: Crop Insurance, Agriculture, Loans, Risk.