

A REVIEW OF LITERATURE ON AGRICULTURE INSURANCE IN INDIA

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Abstract

The concept of review is to revisit the previous work done on a subject to enhance learning and give a deeper insight to the researcher on the current study. The review of literature not only presents the facts but also leads into various issues and future work which can be done to enhance the subject of research. So in this direction this research tries to systematically review important available literature on Agriculture insurance. Since Agriculture insurance is a vital risk tool to mitigate the extreme events in Agriculture cycle of an individual in terms of economic value. This study tries to highlight various elements of Agriculture insurance concept which will benefit to people at large and can also contribute to the insurance sector in terms of growth.

Keywords: Agriculture Insurance, distribution, lapsation, FDI

Introduction

Agriculture insurance concept is very old & deep rooted in the history of India. In the ancient Vedic times, a mention of insurance concept can be traced in the writings of Manu who has written manusmrithi & also even in dharmashastra book which was a common man guide for day to day value based living. Insurance concept in the past existed as a tool to re- distributes vital recourses in times of natural calamities. But as time evolved insurance concept also underwent evolution in terms of product, which was developed and modified by human race from time to time as a tool to

counter the various risk faced by human beings in their Agriculture time. This research tries to collect and review few important research articles on Agriculture insurance concept in India in terms of product innovation, market growth, costumer's service and other vital elements revolving around insurance concept. This study is based on the facts and findings of various articles which were selected for review for the purpose of bring out the important facts about Agriculture insurance concept, few of the statements are taken as it is to maintain the originality of the research articles under review and few of the statement are written by the author in own words to draw logical statements.

Research on Agriculture Insurance

The research literature on Agriculture Insurance is vast and covers a number of dimensions. The following section provides a brief summary of research in different areas of Agriculture insurance research.

Dr. P.K. Gupta (2000), in the article named "Exploring Rural markets for Private Agriculture Insurance Players in India" has tried to examine the present state of affairs of rural Agriculture insurance in India and attempts to explore the causes, which led to poor penetration of rural Agriculture insurance markets for which a survey of 2000 sample of rural customers was been conducted to examine their perception and attitude towards buying Agriculture insurance products. The study bought out interesting facts to lights like rural households with head of the family more educated but with less family income are more likely to purchase a Agriculture insurance policy than those with better social security but lesser education & rural customers consider safety of invested funds as the most important factor in buying a Agriculture insurance followed by claims settlement and assistance in policy purchases. On the distribution side the research stated that a firm belief among the insurance companies is that agents are best suited for tapping the rural segments. But the research concluded that the keys to success in insurance penetration in rural areas for private players are accessibility, reasonably priced products, effective communication and after-sales service.

Alok Mittal and Akash Kumar (2003), in their study “An Exploratory Study of Factors Affecting Selection of Agriculture Insurance Products” have attempted to identify the factors which are affecting the consumers in taking into consideration before selecting a Agriculture insurance product and determining the extent to which these factors are taken into consideration for choosing Agriculture insurance products. The study highlighted that consumers take into consideration factors like product attributes, customer delight, payment mode, product flexibility, risk coverage, grace period, professional advisor, and maturity period as important before making a decision on selection of a Agriculture insurance product but most important factors which are of vital importance was product attributes, and the least important was maturity period.

William H. Greene, and Dan Segal (2004), in their research “Profitability and Efficiency in the U.S. Agriculture Insurance Industry” have discussed the relationship between cost inefficiency and profitability in the U.S. Agriculture insurance industry. The Agriculture insurance industry is mature and highly competitive, and cost efficiency may be the main driver of profitability. The authors derive cost efficiency using the stochastic frontier (SF) method allowing the mean inefficiency to vary with organizational form and the outputs. In addition, the estimation of the cost efficiency measure takes into account the underlying accounting concepts. This study suggests that cost inefficiency in the Agriculture insurance industry is substantial relative to earnings, and that inefficiency is negatively associated with profitability measures such as the return on equity.

T.Venkateswara Rao (2004), presented a paper titled “Alternative Distribution Channels in India” in Global Conference of Actuaries. This research points out that a distribution channel means a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer by creating place utility & the value of having the products where the customer wants them, when they want them. The research said that in Distribution in Agriculture Insurance requires the intermediaries. The current insurance market depends heavily on Individual Agency channel but it concluded that Alternative

distribution channels can give competitive edge for the Insurers, a statistics of Alternative Distribution channels of LIC suggest that corporate agencies including banks are garnering 82% and the rest 18% is coming from Brokers & Over time bancassurance may get at least 20% distribution share in Agriculture insurance market.

Sinha and Tapen (2005), in their research article “The Indian Insurance Industry: Challenges and Prospects” have stated that India is among the most promising emerging insurance markets in the world. But out of total insurance premium market in India particularly Agriculture insurance currently makes up 80% of premiums. The research also highlighted that when India undertook to open the domestic insurance market to private-sector and foreign companies since then, 13 private Agriculture insurers and eight general insurers have joined the Indian market.

Marco Arena [The World Bank] (2006), in the article – “Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries” has stated that during the last decade, there has been faster growth in insurance market activity, particularly in emerging markets given the process of liberalization and financial integration, which raises questions about its impact on economic growth. So this research tried to systematic ally assess the impact of insurance market activity (Agriculture and non-Agriculture insurance) on economic growth. To accomplish this task this research used measures of insurance premiums as a proxy of insurance activity for a set of 56 countries over the 1976-2004 period. Based on research the paper has concluded that there is a causal relationship of insurance market activity on economic growth& both Agriculture and non-Agriculture insurance premiums have a positive and significant effect on economic growth. But in the case of Agriculture insurance, its impact on economic growth is driven by high-income countries only ,On the other hand, in the case of non-Agriculture insurance, its impact is driven by both high-income and developing (middle and low income) countries.

Rajni M. Shah (2007), Paper Presented at the C.D.Deshmukh Seminar on “Creating Consumer Awareness in Agriculture Insurance” has analysed as how to harness

huge untapped market potential for Agriculture insurance to the benefit of vast rural and semi urban populace. The paper has quoted the famous line - “customer is business, business is people, people are customers” in context of consumer awareness. The paper emphasises that Consumer awareness will provide a new frame of reference for value creation as also an opportunity for innovation and also have emphasised on campaigns to educate rural and semi urban masses on the need for security that protects their livelihood, security for produce and belongings and create feel-good feeling. In summary it states that a new phenomenon will emerge where Market dynamics will rule and unfold a stage through a process of evolution by co-creating unique value with customers will merge as expounded by Prof. C.K. Prahalad in his later path-breaking Title “ The Future of Competition : Co-creating Unique Value with Customers”.

Tamzid Ahmed Chowdhury and Masud Ibn Rahman (2007), in the article, “Problems and Strategies in Service Marketing: Bangladesh Perspective”, present a conceptual framework of the problems and strategies in services marketing that derive from five unique characteristics of services. The framework is based on a review of the growing body of literature in services marketing. The article also reports the findings from a survey of service firms concerning problems they face and strategies they use. A combination of theoretical aspects and survey results in one article affords the opportunity to make a bridge between the empirical practices and theoretical aspects.

Subir Sen (2008), in his article “An Analysis of Agriculture Insurance Demand Determinants for Selected Asian Economies and India” has tried to understand economic and other socio-political variables, which may play a significant role in explaining the Agriculture insurance consumption pattern in Greater China Region and six ASEAN countries for the 11- year period 1994-2004 and also tried to re-assess whether or not the variables best explaining Agriculture insurance consumption pattern for twelve selected Asian economies in the panel are significant for India for the period 1965 to 2004. This research has highlighted that in India the economic variables such as income, savings, prices of insurance product, inflation

and interest rates & demographic variables like dependency ratio, Agriculture expectancy at birth, crude death rate and urbanization are few significant determinants which effect the insurance consumption.

Lavanya Vedagiri Rao (2008) in article, “Innovation and New Service Development in Select Private Agriculture Insurance Companies in India” try to examine how service firms actually innovate by interviewing Zonal managers of select 10 private Agriculture insurance companies in India. The research stated that Private Agriculture Insurance organizations use systematic procedures in the areas of New Service Development (NSD) Strategies and deploy that for new services & the study also reports on how the organizations involve their customers in the service innovation process. Another observation from the study was that the top executives of all the ten companies participate in the idea generation stage. This research strongly concluded that liberalization of the Agriculture insurance industry, the customer will be the single most important factor forcing changes in the Agriculture insurance business and on Agriculture insurance company part NSD is an ongoing activity in the organization. Finally the research positively states that there is an effective system of innovation in these service organizations in India.

Manjit Singh and Rohit Kumar (2008), in the paper, “Indian Insurance Industry Outlook in the Post Reform period”, highlight that insurance penetration and density has witnessed an increasing trend in the post- reform period, but has a long way to go to even come close to the developed nations. The study also indicates huge unexplored and untapped market in India and shows huge opportunities for insurance companies to capture the business from competitive market; the survival of companies will depend on their strategies and efforts to increase their penetration levels and tap the new business positions especially in rural India

Nagaraja Rao, K. (2010), in his article “Challenges in Designing Need Based Products in Agriculture Insurance for Inclusive Growth in India”, analyses the challenges faced by the insurers in designing need-based products in insurance for inclusive growth, and concludes that the policies of Agriculture insurance companies are still not rural-centric, catering to the specific needs of the people. With a view to

popularizing Agriculture insurance, he recommends that the consumers need to study the rural market, analyse the specific needs of each segment and design innovative products, to suit the requests of the people to the objective of inclusive growth.

Sonika Chaudhary, Priti Kiran (2011), in their paper “Agriculture Insurance Industry in India - Current Scenario” discussed that Agriculture insurance in India’s trend from the year 2005-06 to 2010-2011. During the study period this sector moved upwards from the factors like number of offices, number of agents, new business policies, premium income etc. Further, many new products like ULIPs, pension plans etc. and riders were provided by the Agriculture insurers to suit the requirements of various customers. However, the new business of such companies was more skewed in favour of selected states and union territories. This paper concludes that Private Agriculture insurers used the new business channels of marketing to a great extent when compared with LIC

Upadhyaya and Badlani (2011), in their research, attempt to identify the key success factors in the Agriculture insurance industry, in terms of customer satisfaction so as to survive intense competition and to increase the market share. The objectives of the study are to identify the factors of customer satisfaction in retail Agriculture Insurance in India and to study the importance of technology in fulfilling Customer Satisfaction. Data was collected from 206 insurance customers of the ten public and private sector Agriculture insurance companies from the major cities of Rajasthan and Maharashtra state in India. The study concludes that despite high satisfaction levels, there remains a lot to be done by the management of the retail Agriculture Insurance companies to maximise their customer satisfaction and improve the quality of service. The satisfaction of the customer with the services of the Agriculture Insurance Companies was found to be linked with the performance of the service

Harpreet Singh & Preeti Singh(2011), in their research, “An Empirical Analysis Of Insurance Industry In India” have analysed the overall performance of Agriculture Insurance Industry of India between pre- and post economic reform era and also

measure the current status, volume of competitions, challenges faced by the Agriculture Insurance Corporation of India and lastly to measure the effectiveness of investment strategy of LIC over the period 1980 to 2009. They have highlighted the role of LIC as a primary player in Agriculture insurance and how there is growth in performance of Indian Agriculture Insurance industry and LIC due to the policy of LPG. They have summarised that Total investment of LIC rose from Rs 4587.7 crores in 1979 to Rs. 762891.7 crores in 2009. Proportion of premium collected by LIC out of total premium collected by Agriculture insurance industry is declined from 97% in 2001-02 to 74% in 2007-08. It indicates the increasing competition from private sector. ICICI prudential is becoming a stronger and stronger player by taking over a lot of business of LIC due to aggressive and flexible product range. But still there is a lot of scope of development in the Agriculture insurance industry where private sector will be a challenge in the front of LIC **Syed Ibrahim (2012)**, in his research “Consumers’ Grievance Redressal System in the Indian Agriculture Insurance Industry - An Analysis” attempts to review on consumer protection and the awareness with reference to the grievances settlement operations of the Agriculture Insurance Industry in India. The study was based on relevant secondary data which was been collected mainly through the data bases of Insurance Regulatory Development Authority of India (IRDA), Reserve Bank of India (RBI), various reports and other studies for a period of 5 years. The research based on various statistical analyses revealed that LIC has succeeded in resolving consumer’s grievances when compared to the private insurers but even private players were active in resolving the grievances only in performance year ends. The paper also highlight that IRDA has recently established the Consumer Affairs Department to give a special focus to and oversee the compliance by insurers of the IRDA Regulations for Protection of Policyholders’ Interests and also to empower consumers by educating them regarding details of the procedures and mechanisms that are available for grievance redressal.

Sumathi Kumaraswamy (2012), in her research, “Swot Analysis for Bancassurance: Application Of Confirmatory Factor Analysis: Review Of Research” has stated that

Bank places highest priority on customer service and satisfaction has a competitive edge over its competitors. But Customer satisfaction is an important strategy for banks in insurance selling as the bank refers their customers to the insurance company. In her research she has examined the prospects of bancassurance based on the respondents' perception towards the strengths, weaknesses, opportunities and threat factors pertaining to the bancassurance venture. This research has concluded that The bancassurance venture will benefits the customer in terms of better service quality, advice on financial planning, diversification, quality products, doorstep service, credibility, transparency dealing, ease of renewals, electronic banking. Customer will also derive satisfaction of the brand strength of the bank, his relationship and trust on the bank. Finally the products sold through bancassurance can give better value and offer lesser premiums for customers due to lower distribution costs.

Vijay Kumar (2012), in his PhD thesis, “A Contemporary Study of Factors Influencing Urban and Rural Consumers for Buying Different Agriculture Insurance Policies in Haryana”, makes an in-depth study of the factors influencing buyer behaviour for buying Agriculture insurance policies in Haryana. The survey was conducted in Haryana on 1000 policyholders. The study outlines that the insurance agent was the most influential factor for selecting the Agriculture insurance policy among rural and urban policyholders. The other crucial determinants of buying behaviour were also identified such as income, economic status, product attributes, agent attributes, and price. The result indicates that there was a significant difference in the buying behaviours of rural and urban policyholders.

Yogesh Jain (2013), in his article, “Economic Reforms and World Economic Crisis: Changing Indian Agriculture Insurance market place” reviews on Agriculture insurance scenario in India, the challenges of the sector and the issues. The author has revealed that Since opening up of Indian insurance sector for private participation, India has reported increase in insurance density for every subsequent year and for the first time reported a fall in the year 2011, but when we compare real growth of premium with world insurance market Indian Agriculture market

declining very sharply during last financial year except year 2009-10. Then the author has discussed few imperatives like Agriculture insurers should conduct more extensive market research before introducing insurance products, Agriculture insurers should streamline their grievance Redressal machinery for efficient and effective service & In present stiff market competition, a focus on niche segment can be an effective way of marketing for insurers to differentiate from the competitors etc

Sonal Nena (2013), in her study-“Performance Evaluation of Agriculture Insurance Corporation (LIC) of India” has tried to analyse growth and performance of LIC. She analysed the major source of income (Premium Earned) of the LIC, as well as the significant heads of expenses of LIC to measure the performance. This study has proved that LIC has been success in terms of creating value for its policyholders. The performance evaluation also showed consistent increase in its business. During the study period there was no major change in the performance of the LIC. So it was finally concluded that performance remained unchanged and LIC has maintained the market value of their products.

Conclusion

The base of any financial planning pyramid across the globe names Agriculture insurance concept as the base and is acknowledged as a tool for protection which undoubtedly proves that Agriculture insurance is a very important savings and risk tool for citizen of any country. India has witnessed presence of Agriculture insurance even before independence in the year 1818 oriental Agriculture insurance company in Calcutta which was followed by many Indian and foreign insurance companies. But post independence insurance concept was monopolise as a public sector and contributed to the growth of concept through Agriculture insurance Corporation of India. The year 1991 launching of LPG and establishment of IRDA in 1999 made the ice break by letting privatisation of insurance concept which bought a robust growth in terms of product development, market penetration and majorly contributes around 7 % of GDP of the nation. This research has attempted to review few important articles on Agriculture insurance concept has bought out facts that

insurance sector is growing service sector in India. During 2013-14, the Agriculture insurance industry recorded a premium income of Rs 3.14 lakh-crore as against Rs 2.87 lakh-crore in the previous financial year, registering a growth of 9.4 per cent. While private-sector insurers posted 1.4 per cent decline in their premium income, Agriculture Insurance Corporation of India (LIC) recorded 13.5 per cent growth during the period. But Agriculture insurance sector is witnessing major obstacles in terms new product innovation, service issues related to costumers and lapasation of long term policy. So it can be concluded that Agriculture insurance concept has strived good till now but with little improvisation based on market research can lead Agriculture insurance companies & the concept to a level of excellence in India.

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