



Constraints Faced by the Dairy Farmers and Agencies Involved in Livestock Insurance in Haryana, India

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ABSTRACT

Livestock insurance scheme has been formulated with the twin objectives of providing protection mechanism to the small, marginal and landless farmers against any eventual loss of their animals due to accident or natural death and to attain qualitative improvement in livestock and their products. Despite this, farmers and agencies faced various constraints in involved livestock insurance. From the analysis, it can be concluded that farmers opted for livestock insurance considered major constraints as animals not insured at actual market price and lengthy procedures in completing the formalities to file the claim. The insurance companies considered lack of information about willing farmers and untimely submission of documents for claims as the most important constraint in doing the insurance.

Key words: Adopters, Constraints, Livestock insurance, Risk, Settlement of claims.

INTRODUCTION

Milk is the major product of livestock output accounting for 65% of the value, the production of which is concentrated on small, marginal and landless households. The marginal and small landholders account for about 69 per cent of the total milk production (Birthal, 2008). The value of output of milk group was approximately equal to the total value of output from paddy, wheat and maize taken together (4114 billion). Putting both the facts together hints at that any increase or decrease in the value of output in milk has greater effect on small and marginal producers. Because of small level of production, these households are more vulnerable to any change in value of milk production.

Formulation of livestock insurance scheme

Livestock Insurance Scheme has been formulated with the twin objectives of providing protection mechanism to the farmers and cattle rearers against any eventual loss of their animals due to death and to attain qualitative improvement in livestock and their products. The livestock insurance companies involved in Haryana were both public and private but the public insurers cover more than 80 per cent of livestock insurance. Basic risk covered by livestock insurance is death in consequences of illness or accident, diseases and emergency slaughtering. The amount of premium depends on animals' species, breed, age, level of risk, milk production and current market value. In spite of the concerted efforts put forth by the Government in terms of subsidy in the premium collected, the numbers of milch animals insured, the state of Haryana was second to Kerala with 2.29 per cent (GOI, 2014).

The reasons for its lack of adoption could be related with implementation and efficacy of the scheme, and socio-economic conditions of the farmer. As far the efficacy of the scheme is concern, the earlier study by (Singh *et al.* 2016) found that livestock insurance scheme in Haryana has

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functioned effectively by settling about 87 per cent of the insurance claims on an average and was, also, found financially viable in the short and long run for the insurance companies. This shows that there is nothing wrong with the implementation of the scheme but there may be some constraints which need to be identified and addressed to improve the adoption of livestock insurance by the farmers. Therefore, the present study was taken up with the objective to find out the constraints in implementation and adoption of livestock insurance scheme.

MATERIALS AND METHODS

To meet objectives of the study, data were collected from 150 farmers comprised of 75 each from livestock insurance adopters and non-adopters through probability proportion allocation method from all six blocks of Karnal district of Haryana. The study was targeted at the selected state and the district keeping in view the dairy development in the area and prosperity of the farmers. The data was collected through personal interview method on a pre-tested structured schedule.

The constraints in adoption of livestock insurance were recorded from the adopters, implement agencies and the

insurance companies. The non-adopter farmers were also enquired about reasons for non-adoption and discontinuation. Garrett's ranking technique (Garrett, 2006) was used to rank the constraints where per cent position = $100(R_{ij}-0.50)/N_j$ and R_{ij} is the rank given for i^{th} constraints by j^{th} individual farmer and agency and N_j is the number of constraints ranked by j^{th} individual farmer and agency. The per cent of rank for a single constraint was added for all farmers to give the overall (average) per cent position. It was calculated by dividing sum of per cent position for total sample for a constraint by the number of respondents. The average per cent position was converted to scores by referring to the transmutation table given by Garrett. The ranks were finally assigned on the basis of highest score.

RESULTS AND DISCUSSION

The constraints were analyzed separately for farmers and insurance companies to get the animal insured and settlement of claims. The farmers and insurance companies were interviewed to enlist the constraints faced by them in each category (get the animal insured and settlement of claims) and rank them in term of importance/ severity. As mentioned in Methodology, Garrett's ranking technique was used to rank the constraints.

Constraints Faced by the Farmers

The constraints faced by the farmers were studied separately in livestock insurance policy, buying the policy and settlement of claims. The results have been given in Tables 1 to 3.

Livestock insurance Policy in General

As is evident from the Table 1, in total, there were nine constraints highlighted by the farmers with the Livestock Insurance Policy. 'Insurance not done for actual market value of the animal' was perceived to be the major constraint with mean score equal to 73. It was cited by almost all the respondents and ranked as most serious constraint. Difficulties in transfer of Livestock Insurance Policy during selling or purchasing of animals was the second major constraint with mean score value of 71. The third important constraint in the Policy was found to be the lengthy and cumbersome procedures (mean score 66) involved in getting the animal insured. The next important provision constraining

farmers in Livestock Insurance Policy (fourth rank) was that animal was insured for death only. There were various other instances when either animal loss productivity or get stolen. As a limit to number of animals insured per beneficiary, only two animals can be insured per beneficiary one time for the maximum period of three years. Limit to number of animal insured (mean score 59) was observed as the fifth major constraint.

Malpractices like bribing and redtapism ranked sixth important constraint faced by farmers with the mean score of 49. This may be due to various steps and documents required from public and private agencies to get the animal insured. Poor veterinary services, dominance of Gram Panchayat and poor rural infrastructure were assessed as the least important constraints in the Livestock Insurance Policy. The beneficiaries should always live in the jurisdiction of a Gram Panchayat in order to claim insurance where as poor rural infrastructure and veterinary services in an area compel the farmers to go for livestock insurance to due high incidences of diseases and death.

Constraints in Buying the Insurance Policy

This section investigates the constraints faced by farmer in purchasing the livestock insurance policy. The constraints along with mean score and rank are presented in Table 2. These constraints were making the adoption of livestock insurance difficult. There were ten major constraints faced by dairy farmers in the study area in buying the Livestock Insurance Policy. As per the conditions of the livestock insurance, only high yielding animals can be insured yielding 1500 L milk per lactation on an average. The farmers felt that they were not able to insure the weak animal more vulnerable to diseases and death and hence, the possibility of insuring only selected animals in total herd was cited as a major constraint in purchasing the Policy with mean score of 66. Another constraint which was very close in mean score was lengthy and cumbersome procedure which was also one of the constraints mentioned in the previous section. The other two constraints namely lack of awareness about government subsidies and insurance procedure/ literacy were almost similar in nature and were ranked third and fourth.

Mostly farmer in the village were not either verse with the procedure of livestock insurance or not literate enough

Table 1: Various Constraints faced by the Farmers with Livestock Insurance Policy in General.

Constraints	Percent	Score	Rank
Limit to number of animals insured	31.23	59	5
Only death of animal can be insured	25.87	63	4
Poor veterinary service	63.85	43	7
Lengthy & cumbersome insurance procedure	21.67	66	3
Difficulties in the transfer of the policy	14.06	71	2
Dominance of Gram Panchayat	72.63	38	8
Insurance is not done based on the actual market value	12.82	73	1
Malpractices & redtapism	53.27	49	6
Poor rural infrastructure	83.69	31	9

Table 2: Constraints faced by the Farmers in buying the Livestock Insurance Policy.

Constraints	Percent	Score	Rank
High insurance premium rate (cost of insurance)	71.43	39	6
Lack of delivery mechanism at the doorstep	79.35	34	8
Lack of awareness about insurance policy/ literacy	62.38	44	4
Distant location of the bank/ insurance company	86.34	28	10
Lengthy and Cumbersome procedure	22.76	65	2
Difficulty in communication	83.39	31	9
Lack of service /co-operation from the bank	75.21	36	7
Possibility of Insuring only selected animals	20.95	66	1
Lack of awareness about Government subsidies	43.58	53	3
Apathy of government officials for insurance of animals	65.23	42	5

Table 3: Constraints faced by the Farmers at the time of Claim Settlement.

Constraints	Percent	Score	Rank
Tedious claim intimation process	71.23	39	5
Long formality in settling claim	22.84	65	1
Less amount of claim payment	47.62	51	3
Unsatisfied with risk of indemnity period	34.98	58	2
Delay in visit of insurance agent and veterinarian	79.36	34	6
Lack of familiarity with rules and regulations	62.87	44	4

to understand various provisions in the Policy including subsidy. Such farmers were facing lot of difficulty in getting their animals insured. Thus, insurance products for the rural areas should be simple in design and presentation so that they are easily understood (Raju and Chand 2007). An awareness campaign to these farmers in a systematic way will go a long way in reducing the difficulty in buying the insurance policy. Apathy on the part of government officials for insurance of animals was ranked fifth major constraint with mean score of 42 followed by high insurance premium rate as the sixth important constraint (mean score 39) in going for livestock insurance. Other constraints faced by the respondents were lack of cooperation on the part of banks (ranked seventh), delivery mechanism at the doorstep (ranked eighth) and communication (ranked ninth). Distant location of the bank/ insurance company was adjudged the least important constraint with mean score 28 in the purchase of livestock insurance policy by the farmers.

Constraints in claim settlement

Settlement of claims of the farmers is an important indicator of success of the Livestock Insurance Scheme. But still farmers felt that they face many constraints in the claiming the insurance amount. These constraints along with mean score and rank are presented in Table 3. These constraints were acting as hindrance in the adoption of livestock insurance. As evident from the Table 3, there were six major constraints faced by the dairy farmers at the time of claim settlement in the study area.

Perusal of the table reveals that the long formality in settling claim was the major constraint faced in settlement of claim with mean score of 65. The responses of the farmers regarding more documentation requirements for claim

settlement were also merged with this constraint to calculate score. Most of the farmers felt that the indemnity period is so small (one to three years) which was considered to be less for a healthy animal selected for insurance. That risk can't be perceived and this was ranked as second major constraints (mean score 58). Less amount of claim payment and the lack of familiarity with rules and regulations were considered to the other major constraints in settlement of claim and were ranked third and fourth, respectively.

The constraints namely tedious claim intimation process and the delay in visit of insurance agent and veterinarian were affecting the process of claim settle at the least with mean score of 44 and 39, respectively. The farmers were of the opinion that insurance agents and veterinarians were responding satisfactorily most of the time in case of death of an insured animal.

Constraints faced by the Insurance Companies

The constraints faced by the insurance companies were studied separately in insuring the animals and settlement of claims. The results have been given in Tables 4 to 5.

In the process of insuring the animal

Study on constraints faced by various insurance companies in insuring the animals revealed that the lack of information about the farmer was the first and foremost major constraint in policy selling with the mean score of 72 (Table 4). The officials or the staff working in the village may help the insurance agencies in locating the farmers actually interested in livestock insurance. Difficulties in arranging the documents emerged as the second major constraint with the mean score of 48. This was because of the wider distance among interested farmer, veterinarian and the

Table 4: Constraints faced by the livestock insurance agency in insuring the animals.

Constraints	Percent	Score	Rank
Remoteness of area to be served	84.2	30	5
High operating cost	71.9	39	4
Lack of information about farmers	13.7	72	1
Difficulties in arranging the required documents	54.3	48	2
Low awareness among the dairy farmers	55.0	47	3

Table 5: Constraints faced by the livestock insurance agency at the time of claim settlement.

Constraints	Percent	Score	Rank
High claim ratio	75.5	36	7
Untimely submission of documents	6.36	79	1
Lack estimation of correct value of animal at time of insurance and claim	26.4	63	3
Lack of full proof system of identification/ fraud claims	48.2	51	4
Shortage of insurance agents to attend the cases of insurance	55.5	47	5
Non-adherence of dairy farmers to the rules and regulations of Livestock insurance	15.5	70	2
The death of animal is not informed by the farmers in time.	75.5	37	6

company. The low awareness of dairy farmer about the procedure and criteria for insuring the animals were observed to the third major constraint with the mean score of 47.

The other two constraints were linked to each other. One was remoteness of the area (30) and high operating cost (39). The sprawling nature of villages and the dairy farmers increased operational cost of the Livestock Insurance Scheme. The working of state animal husbandry department, insurance company and the veterinary doctor in synergy will go in a long way to increase the coverage of animals under livestock insurance.

In the process of settlement of claims

There were seven major constraints faced by insurance companies in the study area settling the claims. The untimely submission of documents by the farmers was the major constraint faced by different insurance companies having first rank with mean score of 79. Generally, sale of animal to other farmer was not properly recorded and companies were not informed about it. Thus, the second major constraint was on-adherence of dairy farmers to the rule and regulation of livestock insurance. The third major constraint faced by insurance companies was lack estimation of correct value of animal at time of insurance and claim (with mean score 63). The age of an animal is a critical criterion along with health which decides the value of cattle. Due to the range of breeds in different geographies with different feeding patterns, insurers find it difficult to assess the correct value of cattle. The fourth major constraint was lack of full proof system of identification having mean score equal to 51. The animal insured should be properly and uniquely identified at the time of insurance claim. The ear tagging is considered to be the fool proof as far as possible but the technology varies in putting the tags. The chances of fraud claim increase in the absence of following proper tag putting

technology. Some time farmers do not understand the need and importance of the tag.

The sixth major constraint was information provide about death of animal was untimely. This was mainly by virtue of ignorance in keeping the contact number of officials of the Insurance Company. With the increase of Information & Communication Technology (ICT), the chances of untimely information have drastically reduced in the area. High claim ratio was the least importance constraint for the companies as it has been observed earlier that claim to animal insured and to premium ratios were very low in case of livestock insurance.

CONCLUSION

The study is concluded that farmers opted for livestock insurance considered major constraints as animals not insured at actual market price in insuring the animal and lengthy procedures in completing the formalities to file the claim as major constraints. The insurance companies ranked lack of information about insurance, willing farmers, general and rules and regulation and untimely submission of documents for claims are the most important constraint in doing the insurance. The claim of the farmers that procedures are lengthy to settle the claim was also confirmed by the fact that the companies felt the untimely submission of the documents was the major constraint in the claim settlement. These constraints were overall major constraints in the implementation and adoption of livestock insurance. At the same time, there is need to have regular, reliable and complete database related with livestock health indicators, veterinary services, incidences of diseases, feed and fodder besides population, production and productivity information. This will help the insurance provider to estimate the frequency and severity of loss to calculate accurate premiums. If the companies and government departments

jointly work on modus operandi to remove these constraints, the adoption of livestock insurance can increase further.

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