

Field Diary: Improving and Expanding Agricultural Micro-insurance for Indian Farmers



Posted by Karina Asbjørnsen and Irene Rivera Calderón in [Public Policy Advisory](#), [Impact Advisory](#)

To learn about Athena's social impact bond supporting Indian farmers to increase micro-insurance uptake, click [here](#).

The Context: Vulnerability Among Indian Farmers

Indian farmers are struggling due to increasingly unpredictable weather conditions, making agricultural endeavors more risky. Given the historical significance of agriculture, the Government of India maintains extensive agricultural insurance schemes throughout the country. Despite decades of experimenting with various index-based crop insurance schemes, less than a quarter of Indian farmers remain without insurance. Additionally, those who do have traditionally struggled to reap the benefits due to design and implementation challenges. As a result, the majority of India's 100+ million farmers remain vulnerable to severe income shocks from crop failures, which seriously affects their well-being.

The Project: Supporting Indian Farmers to Increase Crop Insurance Uptake

Athena is partnering with ITUS, a licensed insurance broker in Telangana, to study the issues limiting uptake of crop insurance. It seeks to use this research to identify ways to increase coverage and improve insurance services. This research will facilitate the design of a Social Impact Bond (SIB) to help finance the expansion of agricultural insurance services in rural areas. Athena and ITUS hope to leverage this innovative financing mechanism to increase insurance coverage among, and improve the services provided to, vulnerable Indian farmers.

Purpose of the Field Visit

Our field visit to Telangana sought to understand the current state of agricultural insurance in India. This involved meeting with various stakeholders: local and state government officials, academics and researchers, insurance company representatives, insurance regulatory agency officials, as well as farmer rights advocates. These findings will inform ITUS' business plans to reach the most vulnerable farmers with effective insurance products.

Key Findings

India's existing subsidized crop insurance schemes automatically insure every farmer that accesses credit from the formal banking system. However, the field visit found that, in practice, many implementation issues hinder the effectiveness of existing insurance schemes. These include:

- **Farmers that have been automatically enrolled in the government schemes struggle to see any benefit from their insurance policies.** Some reasons include: insurance company malpractice, farmer misinformation/misreporting of crops and losses, in addition to increasingly localized weather events. The resulting perceived lack of effectiveness therefore undermines trust in the insurance schemes, severely limiting demand among those farmers who are not enrolled automatically because they do not have bank loans.
- **The lack of insurance (and inability to reap its benefits) results in a severe negative impact on farmers' livelihoods.** As climate change exacerbates crop yield volatility, access to effective, transparent crop insurance is key to safeguarding the livelihoods of 100+ million Indian farmers.
- **Insufficient local networks.** There is a clear need for insurance providers to develop extensive local networks to reach rural farmers and provide an adequate level of customer outreach and support. Due to the structure of the state-mandated insurance schemes, however, insurance companies have little incentive (and no plans) to develop such networks. This presents a clear market opportunity for ITUS to develop the resource infrastructure required to reach Indian farmers.

The Project SRI Social Impact Bond

Based on these findings, the SIB will support ITUS to finance the expansion and improvement of insurance services. Using the state of Telangana as a pilot, we envision the SIB will be used to:

1. **Develop a localized network of insurance agents to reach more farmers.** This will broaden the enrollment time window, integrate service provision and solve the last-mile problem. This would also provide farmers with a designated point of contact and information source for everything related to crop insurance.
2. **Develop improved weather and crop surveillance services,** and make these available to farmers.
3. **Help farmers document and submit their claims when their crops are damaged.** This is a key issue hindering insurance uptake today.
4. **Improve transparency and access to information.** Particularly by providing information about insurance in local languages (which insurance companies rarely do), and also ensuring that farmers receive their insurance certificates and other documentation.
5. **Gather data** to give more farmers access to insurance and credit.

Over the coming weeks, Athena and ITUS will work on refining project details. This will include deciding on the pilot size, along with cost estimation and required funding. Once the proposed financing mechanism is ready, Athena will begin engaging with impact investors to assess market interest in the SIB.

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About Karina Asbjørnsen and Irene Rivera Calderón

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Karina and Irene are both MA students in International Economics and Development, focusing on development finance, at the Johns Hopkins University School of Advanced International Studies (SAIS) in Washington D.C.. Karina's background is in development aid management in Sub-Saharan Africa. Irene works in emerging markets private equity and previously worked in financial regulatory consulting.

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