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Paddy farmers' perception and attitude towards risk bearing: a case study conducted in Mullaithevu District

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The effect of climate change and chronic weather conditions bring about untold destruction in agriculture throughout the planet. For such natural disasters, Sri Lanka is no exception to the rule. Mullaitivu is one of the districts, located in the Northern part of Sri Lanka which has been ravaged by war in the last three decades and has been destroyed by the tidal wave in 2004. It also continuously experiences different natural disasters. Thus a solution for the farmers' dilemma has to be proposed and implemented for the community to be both compensated for and to be salvaged from the effects of loss, depression and trauma. Crop insurance is theoretically the most consistent and comprehensive proposal for alleviating the adverse impact of natural hazards. However, Mullaitivu farmers are both wary and hesitant about this facility. Hence, the researchers have taken an effort to assess the paddy farmers' willingness to join and willingness to pay for a crop insurance scheme together with the major objectives of (i) assessing farmers' awareness about crop protection from production risk, (ii) the factors that influence the willingness to join in the risk aversion, (iii) the factors that influence the willingness to pay in the risk aversion and provide suggestions to improve participation of farmers with risk aversion. A structured questionnaire was designed and pretested with selected respondents those who have not joined the crop insurance scheme. Primary data were collected randomly from 265 paddy farmers. Probit regression was used to analyze "the willingness to join behavior". The results revealed that the assets index (at 10% α level), income diversification index (at 1% α level) and awareness index (at 1% α level) have a positive influence and age (at 5% α level), education (at 5% α level), household size (at 5% α level) and farm size (at 1% α level) have a negative influence on "willingness to join behavior" for crop insurance. Multinomial probit regression was used to analyse the "willingness to pay behavior". The empirical result of multinomial probit regression revealed that experience, income diversification index and awareness index (at 1% α level) have a positive influence and age, education and farm size have a negative influence on "willingness to pay behavior". The fact that 67 % of the population is interested in joining the crop insurance scheme indicates that the demand for crop insurance is substantial. Therefore, it would be advisable to give farmers a basic understanding and training on the viability of salvaging themselves from the risks and uncertainties in farming. The Government should arrange training classes, seminars, and extension services which help the farmers to obtain an adequate knowledge about natural disasters, continuous damage, coping strategies and risk aversion mechanisms. Furthermore, the farmers should be encouraged to cultivate other field crops. It is also mandatory that the relevant insurance facilities are located in the district itself so that all the farmers may have easy access to them and a sense of confidence in them.

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