



THE EFFECT OF TIMELY PAYMENT OF AGRICULTURAL INSURANCE COMPENSATION ON INSURED FARMERS' INCOME IN TARABA STATE

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Abstract

A solely empirical study is being conducted to determine whether insured farmers in Taraba State who suffered losses as a result of natural disasters were able to return and carry on with their agricultural businesses the following year. This research study's major goal is to ascertain how timely agricultural insurance compensation payments affect the revenue of covered farmers. Six local government areas in Taraba State—Karim Lamindo, Ardo-kola, Lau, Bali, Gossol, and Wurkari—were chosen for the study by means of practical sampling approaches that cut across the three senatorial districts. The population of the study consists of 3223 insured farmers, which corresponds to all the farmers registered in Jalingo, Taraba State, with the Nigerian Agricultural Insurance Corporation. Using the population as the sample, Taro Yamane's sample size formula produced a sample size of 356. A survey sample technique, which involved the use of questionnaires, was used to collect the data. Only 348 of the about 356 sent questionnaires were returned. Through their various farmers' cooperatives, the microfinance and commercial banks that disbursed agricultural loans and helped the farmers insure their farms with the Nigerian Agricultural Insurance Corporation (NAIC), which offers farm insurance in Nigeria, assisted the researcher in gathering the respondents. At a significance level of 0.05, the chi-square statistical method is utilized to analyze the null hypothesis. The study reveals that timely payment of agricultural insurance compensation has a significant impact on insured farmers' income by safeguarding farmers' incomes through the payment of compensation that allow farmers to continue running their farms the following year regardless of the losses sustained. Some

suggestions were presented, among them is the necessity of providing affordable insurance premiums.

Key words: Agricultural Insurance, Compensation, Insured farmers, Income, Timely Payment

INTRODUCTION

Farmers have recently suffered large losses as a result of natural calamities including floods, droughts, and even diseases that damage livestock and crops (Aina & Omonona, 2012). Akinrinola & Okunola (2014) assert that losses have discouraged peasant farmers from carrying on with agricultural and animal development. Due to the natural hazards to agricultural production, which have raised concerns about farmers' income and resulted in poor or no profit, many farmers express reservations about their ability to pay farming expenditures, provide for their family, and repay any debt (Akinrinola et al., 2014). Agriculture, which is the most significant sector of the Nigerian economy, is the foundation of food security because it has significantly impacted the production of food, raw materials for manufacturing, materials for building shelters, raw materials for textile companies, income generation, growth of Nigeria's GDP, and, most importantly, the provision of jobs for citizens (Otu, 2021). Risk, according to Azubuike (2015), is a significant issue that can be affecting the availability of resources in farming to a greater extent. Despite this, Taraba state was described as an agrarian state by Oruonye & Adebayo (2015), with over 75% of its citizens relying on agriculture as their main source of income. However, these statistics showed that Taraba State had a sizeable agricultural population. Akinrinola et al. (2014) claims that climate change has made farmers in Nigeria's Taraba state more vulnerable to horrific natural disasters like floods, draughts, pest infestations, and other similar events. He continued by saying that things could perhaps worsen in the future, which would harm local residents' finances. Natural disasters devastated young people who were farming in Taraba State's villages. As a result of the damage, loss of their farming investment, and inability to recover losses, they gave up farming and relocated to the cities in search of an easy source of income (Adetomiwa¹, Oladejo, Opeyemi, & Adeyera, 2020). If this keeps happening, there will be a food scarcity, increased unemployment, urban overpopulation, an increase in crime, a reduction in GDP, and obstruction of the value chain for agribusiness. Festus,(2010). In order to stop these ugly trends and the refusal of traditional insurance companies to accept to cover agricultural

insurance risk of farmers as considered to be too risky, the federal government of Nigeria established the Nigerian Agricultural Insurance Corporation (NAIC), tasked with handling farmers' needs by providing agricultural insurance cover to help reduce losses incurred on crops and livestock and ensure adequate formulation (Akintunde, 2015). Farmers can utilize agricultural insurance as a tool to lessen the effects of natural risk (Adetomiwa et al., 2014). The following are the objectives of the Nigerian Agricultural Insurance Corporation, according Akintunde (2015), Akinola (2014), and Adetomiwa et al (2014): (i) To provide farmers with financial support in the event of a climate change-related natural calamity. (ii) To persuade banks to extend loans for agricultural investments. (iii) To boost agricultural productivity by increasing investment in the sector. (iv) To lessen the need for the federal government to provide sporadic assistance in the event of a natural disaster that might have a detrimental effect on agricultural investment. These objectives are consistent with those of Industrial and General Insurance Plc, which include (i) minimizing farmers' financial losses in the event that their crops or livestock fail due to a natural disaster like a flood, drought, windstorm, pest, or disease, and (ii) providing farmers with effective technical advisory services in order to lower their risk of loss. The study "The Effect of Timely Payment of Agricultural Insurance Compensation on Insured Farmers' Income in Taraba State" was created with these objectives in mind. Therefore, in order to keep farmers in the agricultural sector, the study will assess critically whether Nigerian Insurance Corporation should support farmers who suffered a total loss as a result of natural disasters through timely payments of compensation to the farmers.

STATEMENT OF THE PROBLEM

The Nigerian Agricultural Insurance Corporation (NAIC) was established by the Federal Government to promote the Nigeria Agricultural Insurance scheme and was tasked with the responsibility of indemnifying crop and livestock farmers who suffered total loss due to natural disasters like flood, drought, diseases, etc. in order to keep them in the agricultural industry. Recent reports indicate that Taraba State's crop growers have experienced significant losses from drought and flooding on their farms. Additionally, it was noted that some insured farmers who experienced losses and received compensation from NAIC continue to find it simple to recover from those losses, which encourages them to return to farming the following year. While other farmers with uninsured farms find it challenging to recoup from their losses, as a result of which they are reluctant to return to farming the next year out of dread of the unexpected. Does this imply

that the amount of compensation they receive will significantly affect the extent of their losses? And was their compensation paid without any delay? This prompted the researcher to investigate the effect of timely payments of agricultural insurance compensations the on the income of covered farmers.

OBJECTIVES OF THE STUDY

The main objective is:

1. To identify the effect of timely payment of agricultural insurance compensation on insured farmers' income in Taraba State

RESEARCH QUESTIONS

1. What are the significant of timely payment of agricultural insurance compensation to insured famers' income that suffered total loss?

RESEARCH HYPOTHESIS:

In order to attain the purpose of this study, the following hypothesis is formulated to guide the researcher:

1. There is no significant effect of timely payment of agricultural insurance compensations to insured farmers' income that suffered losses to return to farming the following year.

REVIEW OF RELATED LITERATURE

CONCEPTUAL ISSUES OF AGRICULTURAL INSURANCE

A form of policy known as agricultural insurance covers risks that extend beyond those posed by crops and livestock. Forestry, aquaculture, high-value (high pedigree) animals, and greenhouse crops are also affected (Atlas Magazine, July 2022). To safeguard all biologically based agricultural production resources, including crops, livestock, aquaculture, equines and bloodstock, forestry, and greenhouses. Roman (2018) defines agriculture insurance as a policy. It is the protection of livestock and agricultural crops from certain natural dangers (such pests, wind, flood, and drought). Farm insurance is designed to safeguard both people and companies involved in agricultural output, claims David (2008). Agriculture insurance premiums have increased by roughly four times in the little more than ten years (2005 to 2014). A financial tool called agricultural insurance is utilized to transfer the production risks associated with farming while paying a premium to a third party. Consequently, agriculture insurance is the most important strategy for minimizing the harmful effects of natural disasters. The predictability and severity of losses frequency are greatly increased when similar

exposure from several farmers is aggregated (Atlas Magazine, 2022). Agricultural Insurance plan is a communal system or plan that uses basic risk pooling principles to reduce economic uncertainty (Akinrinola et al., 2014).

THE NIGERIAN AGRICULTURAL INSURANCE CORPORATION

The Federal Government of Nigeria formed the Nigerian Agricultural Insurance Corporation, a completely owned insurance company, specifically to provide agricultural hazards insurance coverage to Nigerian farmers. The Nigerian Agricultural Insurance plan was created in November 1987, and the Nigerian Agricultural Insurance Company Limited was created in June 1988 with the responsibility of ensuring the complete and effective operation of the plan. Thanks to the enabling Act 37 of 1993, it later became a corporation and has since helped countless Nigerian farmers. (NAIC , 2020). NAIC is the acronym for the Nigerian Agricultural Insurance Corporation. The act specifies the Corporation's duties as (a) carrying out, managing, and administering the Agricultural Insurance Scheme established by section 6 of this Decree; (b) lowering the premiums charged on specific crops and livestock policies with grants obtained from the Federal and State Governments and the Federal Capital Territory, Abuja; and (c) encouraging farmers to remain in the agricultural sector.

AGRICULTURAL INSURANCE POLICIES OPERATED BY NIGERIAN AGRICULTURAL INSURANCE CORPORATION

The following types of agricultural insurance policies are provided by the company, according to Nigerian Agricultural Insurance Corporation (2020): NAIC Poultry Insurance, to start. (ii) Cattle insurance. NAIC Crop Insurance (iii). In their 2020 booklet, Industrial and General Insurance Plc lists the following agriculture coverage that they provide: (i) Multi-Peril Crops Policy (ii) A poultry insurance policy. (iii) Insurance for fisheries or fish farms. (iv) a policy for plantation fire insurance. (v) A farm all risk insurance policy and a livestock insurance policy. Anyanwu, (2015), Bayero & Abbas, (2017), Ogungbemi, & Awoniyi, (2017), among others, highlighted numerous insurance policies in their various scientific studies that were created to protect farmers and other agricultural stakeholders from a range of risks and unanticipated events. NAIC offers the following major product categories: (i) Crop insurance shields clients against crop output losses brought on by pests, diseases, drought, flooding, and other calamities.

EMPIRICAL REVIEW OF THE IMPACT OF NIGERIAN AGRICULTURAL INSURANCE CORPORATION ON FARMERS INCOME

In their empirical study, Falola, Ayinde, and Agboola (2013) claim that the Nigerian Agricultural Insurance Scheme is an effective way to transfer production risks associated with farming to a third party and consequently increase farmers' revenue. In his empirical study, Epetimehin (2011) argued that the Nigerian Agricultural Insurance Corporation is a beneficial tool for reducing the losses that farmers incur as a result of natural calamities like floods, droughts, and pest and disease outbreaks. In an empirical study he conducted, Akintunde (2015) asserted that the Nigerian Agricultural Insurance Scheme had made it possible for farmers to obtain loans to finance their investments and enable the purchase of cutting-edge farm machinery and tools in order to increase and sustain their productivity. Farmers that participate in agricultural insurance programs and contact extension personnel have access to loans from financial institutions, according to an empirical study by Adetomiwa (2020) and Akintunde (2015). Having agriculture insurance is advantageous; it lessens farmers' concerns and stress.

According to Akinrinola et al.'s (2014) empirical findings, farmers' investment levels increased as a result of taking part in the insurance program. This can be ascribed to the fact that one goal of the insurance program is to make farm loans more accessible to them. The following effects of agricultural insurance corporations on farmers are identified by Akinrinola et al. (2014) in their empirical study: (a) it guards farmers against financial ruin once they experience any of the insured risks for which indemnity (compensation) is provided. In addition to being able to continue his business, the farmer also benefits from increased revenue stability; (b) agricultural insurance gives farmers the chance to get farm financing. (c) it facilitates better planning and project implementation. It also serves as a guarantee to banks and other financial institutions that lend money for agricultural purposes that the money will be repaid. (d) Farmers are more confident using new technologies and investing more in agriculture as a result. The Nigerian Government created the Nigerian agriculture Insurance Scheme (NAIS) in 1987 after realizing the advantages of agriculture insurance. In their empirical study, Ademola, Adjoji, and Akangbe (2019) say that the Nigerian Agricultural Insurance Corporation (NAIC) is essential in offering insured farmers in Nigeria risk management options. In order to safeguard farmers from potential losses brought on by natural catastrophes, pests, illnesses, and other hazards connected with farming

activities, NAIC offers a variety of insurance solutions specifically designed for the agricultural sector.

METHODOLOGY

In order to ascertain the effects of timely payments of agricultural insurance compensations on insured farmers income, Taraba State, which comprises of sixteen (16) local government areas, was chosen as the study location. However, six local government areas are chosen for the study based on the number of farmers who have their farms insured with the Nigerian Agricultural Insurance Corporation, Jalingo, Taraba State, using practical sample methodologies. These local governments are Karim Lamindo, Ardo Kola, Lau, Bali, Gossol, and Wurkari, and they are dispersed throughout Taraba State's three senatorial districts. 3223 farmers who are now registered members of the Nigerian Agricultural Insurance Corporation in Jalingo, Taraba State, are the study's population. In this study, the distribution of the questionnaires was done using simple random sample techniques. Through their farmer cooperatives, the microfinance and commercial banks that disbursed agricultural loans and helped the farmers insure their farms with the Nigerian Agricultural Insurance Corporation (NAIC), which offers farm insurance in Nigeria, assisted the researcher in gathering the respondents. Using Taro Yamane's sample size formula, the researcher produced a sample size from the population of 356. Only 348 out of the 356 surveys that were sent were returned. With the use of the statistical software SPSS, the demographic data was evaluated using basic percentages, and the chi - square was performed to determine whether the null hypothesis should be accepted or rejected at the 0.05 level of significance. Along with the information from secondary sources, a structured questionnaire was created to collect primary data. Through pilot testing and validation using three experts from the statistics department, the reliability and validity of the research instrument was examined. The effect of timely payments of agricultural insurance on famer's income was evaluated using the data gathered in order to determine whether the farmers could resume farming the following year.

DATA ANALYSIS

Demographic Data of Respondents

Table 1: Distribution of Respondents Gender

Frequency Table

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	222	65.4	65.4	65.4
	FEMALE	126	34.6	34.6	100.0
	Total	348	100.0		

Source: Field Survey, 2023

The above shows that 65.4 percent of the respondents were male, while 34.6 percent were female from the various locations that served in the study which shows that the majority of the respondents who made responses through the questionnaires are male

The above chart illustrates that the numbers of males as respondents is higher than that of females. This indicates that most of the farmers that gave their responses in this research work were males.

Table 2

Table 2: Distribution of Respondents by Age

AGE	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-35	118	32.7	32.7
	36-55	185	51.2	83.9
	56 or above	58	16.1	100
	Total	348	100.0	

Source: Field Survey 2023

Table above shows that 32.7 percent of the respondents were between the ages of 18-35, 51.2 percent were respondents between 36-55 of age and 16.1 percent were responded between 5andabove. This indicates that between the ages of 36 – 55 has the highest number of respondent

The above chart signifies that between the ages of 36 – 55 years has the highest number of respondents.

Table 3: Distribution of Respondents by Locations

LOCATION	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	RURAL	190	54.3	54.3
	URBAN	158	45.7	100.0
	Total	348	100.0	100.0

Source: Field Survey 2023

The above table explains that 54.3 percent of the respondents are in rural areas, and 45.7 percent are in the urban areas. This signifies that more of the respondents dwelled in the rural areas than the urban areas.

Ho2: There is no significant effect of timely payments of compensations to insured farmers' income that suffered loss to return to farming the following year.

Timely Payments of Compensation is A Way of Support to Insured Farmers that Suffered Losses Due to Natural Disaster * Access to Affordable Insurance Premiums is A Way of Support to Insured Farmers. Cross-tabulation

Count	ACCESS TO AFFORDABLE INSURANCE PREMIUMS IS A WAY OF SUPPORT TO INSURED FARMERS		Total	
	YES	NO		
TIMELY COMPESATION FOR CROP LOSSES DUE TO NATURAL DISASTER IS A WAY OF SUPPORTS TO INSURED FARMERS	YES	298	14	312
	NO	5	31	36
Total		303	45	348

Chi-Square Tests	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	204.822 ^a	4	.000
Likelihood Ratio	138.365	4	.000
Linear-by-Linear Association	148.194	1	.000
N of Valid Cases	348		
a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .01.			

The above table shows that Chi-Square test carried out on the data was significant at the 0.000 level (2-tailed $p < 0.005$) of significance. ($\chi^2 = 204.822$, $df = 4$) so we concluded that there is significant effects of timely payment of compensation to insured farmers to enable them return to farm the following year.

The above chart shows that timely payments of agricultural insurance compensation to farmers that suffered losses on their farms as a result of natural calamity is a great support to the farmers.

DISCUSSION AND FINDINGS

Findings from the research study shows that the respondents agreed that timely payments of agricultural insurance by the Nigerian Agricultural Insurance Corporation have significant effect on farmers' income, and insured farmers that suffered severe losses on their farms as a result of natural disaster could be able to remain in agric – business the following year through the compensations paid by Nigerian Agricultural Insurance Corporation. Therefore, with this, jobs will be created, gross domestic product (GDP) will increase, there will be adequate food production that will ensure food security, income will increase both for individuals and the nation, there will be available raw materials for use by industries and many more.

CONCLUSION

The study concludes that the majority of the farmers sampled were male and that the farmers in the study area were in their middle age range of 36 to 55. These farmers were located in both urban and rural locations, with a greater proportion of the sample in rural areas. Using chi-square statistical analysis, it was

determined at the conclusion of the study that timely payments of agricultural insurance compensations to farmers had contributed to raising their income and enabling them to continue operating farm operations.

RECOMMENDATIONS

1. The government and other stakeholders should increase farmer awareness to encourage increased participation in Taraba State's agricultural insurance program.
2. The government and the Nigerian Agricultural Insurance Corporation should provide farmers with affordable insurance premiums to encourage farmers' participation in the program.
3. The government and the Nigerian Agricultural Insurance Corporation should ensure prompt payment of compensation to insured farmers who suffered loss as a result of natural calamity.

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