Agricultural Microinsurance for Sri Lanka:
Exploring the Feasibility of Farmers’ Organizations as a Stakeholder for Insurance Delivery

Shirantha Heenkenda
Department of Economics, University of Sri Jayewardenepura
shiran@sjp.ac.lk, shiranheen@gmail.com

The main objective of this study is to explore the feasibility of farmers’ organizations as a vehicle for microinsurance delivery for paddy crop cultivated by small-scale farmers in Sri Lanka to protect against risk of production loss caused by natural disasters. Principal Components Analysis, a form of factor analysis is used to elicit the capacity of farmers’ organizations as a stakeholder of the insurance supply chain using household level data from Ampara District in Sri Lanka. The results show that the farmers’ organization is most widespread and very close institutional setup for paddy farmers. Farmers’ organizations are capable of handling financial activities with transparency, and have healthy financial habits and those farmers participate actively in farmers’ organization activities. This study provided clear policy insights into the design of institutions channel that foster cooperation, and of the characteristics of farmers’ organizations. To assist in the farmer organization’s financial activities, the postal network can act as financial intermediaries in circumstances where the microinsurers do not have an outlet or branch networks in their target area. For developing the linkages between farmers and microinsurers, the public-private partnership model can be used for microinsurance supply to paddy farmers in Sri Lanka. In this context, multi-stakeholder partnerships should be made imperative for paddy farmers’ insurance delivery aimed at widespread coverage or large-scale implementation.

Key words: Farmers’ organizations, Financial intermediaries, Insurance delivery, Microinsurance