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Evaluation of the Willingness to Pay for Crop Insurance among Paddy Farmers in Kurunegala District, Sri Lanka

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Background: Crop insurance is a common risk management tool that helps farmers cope mainly with crop losses. However, its adoption among Sri Lankan paddy farmers remains low.

Objective: This study aimed to investigate the perceptions and Willingness to Pay (WTP) for crop insurance schemes among the paddy farmers in Kurunegala district.

Methods: A total of 248 paddy farmers from Kurunegala district were selected using the stratified random sampling approach. A pre-tested structured questionnaire and choice cards were used for primary data collection. Socio-demographic data, farming-related information, farmers' perceptions and attitudes toward crop insurance were analyzed using descriptive statistics and the Conditional Logit Model (CLM).

Results: The results revealed that the majority of respondents (78%) were males engaged in paddy farming, while the most farmers (63%) earned between LKR 50,000 to 75,000 as monthly household income. According to the results, 91% of farmers agreed that the claim form filling process should be made easier, and 88% believed that all crops must be notified under the insurance schemes, identifying these as the key challenges faced by farmers in adopting crop insurance. The analysis of the choice experiment indicated that farmers have a high Marginal Willingness to Pay (MWTP) for attributes ensuring coverage in the absence of hazards, reflecting a strong preference for comprehensive insurance schemes. However, the assessment method for crop damage revealed a negative coefficient (-13.4; $p < 0.001$), suggesting a need for improvement in loss assessment procedures to enhance the appeal of insurance schemes.

Conclusion: Overall, the findings underscored the importance of implementing comprehensive and responsive crop insurance schemes to improve farmers' resilience to climate change and assure the sustainability of paddy production in Sri Lanka. Improving claiming procedures and loss assessments can help to overcome key barriers, leading to greater adoption of crop insurance and better financial protection for farmers against climate risks.

Keywords: Choice experiment, Crop insurance, Willingness to Pay