

Authors

Sonia Akter
National University of Singapore

Timothy Krupnik
Robert and Patricia Switzer Foundation

Frederick Rossi
International Maize and Wheat Improvement Center (CIMMYT)



The influence of gender and product design on farmers' preferences for weather-indexed crop insurance

Theoretically, weather-index insurance is an effective risk reduction option for small-scale farmers in low-income countries. Renewed policy and donor emphasis on bridging gender gaps in development also emphasizes the potential social safety net benefits that weather-index insurance could bring to women farmers who are disproportionately vulnerable to climate change risk and have low adaptive capacity. To date, no quantitative studies have

experimentally explored weather-index insurance preferences through a gender lens, and little information exists regarding gender-specific preferences for (and constraints to) smallholder investment in agricultural weather-index insurance. This study responds to this gap, and advances the understanding of preference heterogeneity for weather-index insurance by analysing data collected from 433 male and female farmers living on a climate change vulnerable coastal island in Bangladesh, where an increasing number of farmers are adopting maize as a potentially remunerative, but high-risk cash crop. We implemented a choice experiment designed to investigate farmers' valuations for, and trade-offs among, the key attributes of a hypothetical maize crop weatherindex insurance program that offered different options for bundling insurance with financial saving mechanisms. Our results reveal significant insurance aversion among female farmers, irrespective of the attributes of the insurance scheme. Heterogeneity in insurance choices could however not be explained by differences in men's and women's risk and time preferences, or agency in making agriculturally related decisions. Rather, gendered differences in farmers' level of trust in insurance institutions and financial literacy were the key factors driving the heterogeneous preferences observed between men and women. Efforts to fulfill gender equity mandates in climate-smart agricultural development programs that rely on weather-index insurance as a risk-abatement tool are therefore likely to require a strengthening of institutional credibility, while coupling such interventions with financial literacy programs for female farmers.

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