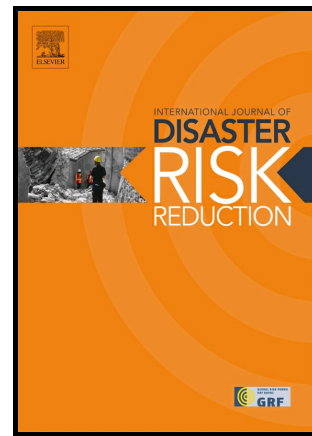


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Risk Perception, Insurance Recognition and Agricultural Insurance Behavior— an Empirical based on Dynamic Panel Data in 31 Provinces of China

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Risk Perception, Insurance Recognition and Agricultural Insurance Behavior – an Empirical based on Dynamic Panel Data in 31 Provinces of China

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Abstract: Farmers' agricultural insurance decision-making is affected by behavioral factors. The paper using provincial panel data in Chinese 31 provinces and GMM dynamic panel data model examined the effect of five group variables on agricultural insurance decision making: risk perception and management, agricultural insurance recognition, trust, affordability and affection in agricultural production. The results show that agricultural insurance affordability, risk perception and management are the major influencing factors; agricultural insurance has the highest elasticity on household net income, which is 9.813, followed by elasticity on year-end total rural power machinery and cash expenditure on health care, which are 7.719 and 5.567 respectively, yet negative. Measures like raising household net income, building sound rural health care system, strengthening governments' subsidy on agricultural machineries, improving the educational level of farmers can effectively boost agricultural insurance demands.

Key words: Agricultural Insurance; Risk Perception; Affordability; Dynamic Panel

1. Introduction

China implemented policy-oriented agricultural insurance in 2004. Since then agricultural insurance market has made significant progress. Agricultural insurance revenue in 2004 was CNY 377 million, and in 2014 this number has climbed up to 32.58 billion, realizing a 56% annual compound rate. However, there is, in aggregate, very little insurance relative to the per capita income of farmers. Agricultural insurance depth (defined by agricultural insurance revenue divided by agricultural output) in China in 2014 is only 0.56%, while the insurance depth of the whole insurance industry is 3.18%, which is 5.7 times of agricultural insurance. Agricultural insurance

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