

Pradhan Mantri Fasal Bima Yojana -An Overview



Agriculture

KEYWORDS :

Suman Devi

Agriculture production and farm incomes in India are frequently affected by natural disasters such as droughts, floods, cyclones, storms, landslides, earthquakes etc. Susceptibility of agriculture to these disasters is compounded by the outbreak of epidemics and man-made disasters such as fire, sale of spurious seeds, fertilizers and pesticides, price crashes etc. All these events severely affect farmers through loss in production and farm income, and they are beyond the control of the farmers. With the growing commercialization of agriculture, the magnitude of loss due to unfavorable eventualities is increasing. The question is how to protect farmers by minimizing such losses. For a section of farming community, the minimum support prices (MSP) for certain crops provide a measure of income stability. But most of the crops and in most of the states, MSP is not implemented. In recent times, mechanisms like contract farming and futures trading have been established which are expected to provide some insurance against price fluctuations directly or indirectly. But agricultural insurance is considered an important mechanism to effectively address the risk to output and income resulting from various natural and manmade events. Agricultural Insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise agricultural losses arising from named or all unforeseen perils beyond their control

India is the land of farmers where the maximum proportion of rural population depends on agriculture. Hon'ble Prime Minister Shri Narendra Modi launched the new scheme Pradhan Mantri Fasal Bima Yojana (PMFBY) on 13th January, 2016. This scheme will help in decreasing the burden of premiums on farmers who take loans for their cultivation and will also safeguard them against the inclement weather. It has also been decided to make the settlement process of the insurance claim, fast and easy so that the farmers do not face any trouble regarding the crop insurance plan. This scheme will be implemented in every state of India, in association with respective State Governments. The scheme will be administered under the Ministry of Agriculture and Farmers Welfare, Government.

Overview of Crop Insurance Schemes so far

Despite of implementing several crop insurance schemes, farmers are yet to get enough protection from risks in farming. The reason for thousands of farmers killing themselves every year is not just because of climatic factors; it is also due to the protection from risks, in terms of crop insurance, is not reaching them when they need it the most. This is because all the crop insurance models put in place so far since 1970s have met with limited or no success. In 1985, the Rajiv Gandhi government had first launched a crop insurance scheme in India called Comprehensive Crop Insurance scheme (CCIS). In 1997, an Experimental Crop Scheme was launched which lasted only for a year. In 1999, the NDA government launched National Agricultural Insurance Scheme (NAIS) to protect the farmers against losses suffered by them due to crop failures on account of natural calamities like; floods, drought, hailstorms, cyclone, pests etc. However, insurance was available for selected crops "notified" crops only. This scheme was open to all

farmers but was made compulsory for those farmers who had taken some kind of farm loans.

The farmers had to pay flat insurance premium depending upon crop type and this premium was subsidized by government. There were several problems in NAIS model. Firstly, this scheme operated on a so called "Area Approach" which means that the states would notify the unit areas of insurance such as Blocks, Mandals, Tehsil etc. The states would notify the areas on the basis of past yield data. Since yield data is crucial for crop insurance, success of this scheme was dependent on the availability of the data. The reliable data was not available with most states. Secondly the states needed to notify the unit areas on the basis of part yield data and Crop Cutting Experiments (CCEs) every year well in advance. Most states did not follow these prerequisites. The result was that Insurance companies started crying foul because payable claims turned out to be several fold higher than the premium charged and subsidy paid. Secondly, it was assumed that the states would share the premium subsidy but somehow most states were reluctant to do so. Under UPA Government, the NAIS was modified and was called Modified NAIS or M-NAIS. In this scheme, the area approach was done away with and the premium would be calculated on actuarial basis. This implies that the higher risk crops would have higher premium. The number of crops under the scheme was increased.

Previously, only Agriculture Insurance Company (AIC) of India was allowed to implement the scheme but now, private insurers were also allowed to implement the modified scheme. Further, the unit area was reduced to be the Gram Panchayat. The MNAIS tried to modify several issues with the crop insurance but still failed to reduce the farmer distress. The key problems of this scheme was that – it covered risks partially, it had higher premium rates (3.5% for Kharif Crops and 1.5% for Rabi Crops), the coverage was capped (this implies that farmers could recover at best a fraction of the total loss). In 2007, the UPA government launched another crop insurance scheme was Weather-based Crop Insurance Scheme (WBCIS). This was another scheme to protect farmers against vagaries of nature such as deficit and excess rainfall, high or low temperature, humidity, etc. This scheme was launched to settle claims in shortest possible time. Both these schemes (MNAIS and WBCIS) were made compulsory for loanee farmers. While former indemnified the cultivators against shortfall in crop yield; later protected against adverse weather conditions. On 13th January, 2016 Prime Minister Shri Narendra Modi in BJP government launched the new scheme Pradhan Mantri Fasal Bima Yojana (PMFBY). This scheme will help in decreasing the burden of premiums on farmers who take loans for their cultivation and will also safeguard them against the inclement weather.

Highlights of PMFBY

- There will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural

- tural crops, the premium to be paid will be only 5%.
- The premium rates to be paid by farmers are very low and balance premium will be paid by the Government to provide full insured amount to the farmers against crop loss in any natural calamities.
- There is no upper limit on Government subsidy. Even if balance premium is 90%, it will be borne by the Government.
- Earlier, there was a provision of capping the premium rate which is low claims being paid to farmers. Now this is removed and farmers will get claim against full sum insured without any reduction.
- The use of technology will be encouraged to a great extent. Smart phones, Remote sensing drone and GPS technologies will be used to capture and upload data of crop cutting to reduce the delays in the claim payment.
- Allocation of the scheme presented in budget 2016-2017 is Rs.5, 550 cores.
- The insurance plan will be handled under a single insurance company, Agriculture Insurance Company of India (AIC).
- PMFBY is a replacement scheme of National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS) and hence exempted from the service tax.

Objectives of the Scheme

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
- To stabilize the income of farmers to ensure their continuous process in farming.
- To encourage farmers to adopt innovative and modern agricultural practices.
- To ensure flow of credit to the agriculture sector.

Coverage of the farmers

All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. The non-loanee farmers are required to submit necessary documentary evidence of land records prevailing in the State Records of Right (RoR), Land possession Certificate (LPC) etc. moreover, applicable contract, agreement details, other documents notified permitted by concerned State Government.

- Compulsory Component - All farmers availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions (i.e. loanee farmers) for the notified crops would be covered compulsorily.
- Voluntary Component - The Scheme would be optional for the non-loanee farmers.
- Special efforts shall be made to ensure maximum coverage of SC/ ST/ Women farmers under the scheme. Budget allocation and utilization under this should be in proportion of land holding of SC/ ST/ General along with Women in the respective state cluster. Panchayat Raj Institutions (PRIs) may be involved for the implementation and also obtaining farmers feedbacks on these crop insurance schemes.
- The Scheme shall be implemented on an 'Area Approach Basis' (i.e., Defined Areas) for each notified crop for widespread calamities. The assumption that all the insured farmers, in a Unit of Insurance, should be defined as "Notified Area" for a crop, face similar risk exposures, incur to a large extent, identical cost of production per hectare, earn comparable farm income per hectare, and experience similar extent of crop loss

due to the operation of an insured peril, in the notified area. The Unit of Insurance can be demographically mapped with region having homogenous Risk Profile for the notified crop.

- For Risks of Localized calamities and Post-Harvest losses on account of defined peril, the Unit of Insurance for loss assessment shall be the affected insured field of the individual farmer.

Implementing Agency

The overall control on implementation of insurance companies will be under Ministry of Agriculture & Farmers Welfare. The Ministry designated empanelled AIC and some private insurance companies presently to participate in the Government sponsored agriculture, crop insurance schemes. The choice of which private company is left to the states. There will be one insurance company for the whole state.

Selection of Implementing Agency may be made for up to three years however, the State government/ UT and the concerned insurance company are free to renegotiate the terms if relevant. This will facilitate the insurance company to establish the credibility among the farmers through investment out of the premium savings in various welfare activities for socio-economic development.

Management and Monitoring of the Scheme

The existing State Level Co-ordination Committee on Crop Insurance (SLCCCI), of the concerned State will be responsible for monitoring of the schemes programme in their state. However, a National Level Monitoring Committee (NLMC) under the chairmanship of Joint Secretary (Credit), **Department of Agriculture cooperation and farmers welfare** (DAC & FW) will monitor the scheme at the national level.

It is proposed to take following monitoring measures for effective implementation during each crop season to ensure maximum benefits to the farmers:

- The Nodal Banks intermediaries may collect the list of individual insured farmers (both loanee and non-loanee) with requisite details like name, fathers' name, Bank Account number, village, categories - Small and Marginal group, Women, insured holding, insured crops, sum insured, premium collected, Government subsidy etc from concerned branch in soft copy for further reconciliation. This will be done online once the E platform is put in the place.
- After receiving the claims amount from the concerned Insurance Companies, the financial institutions/banks should remit/transfer the claim amount to the account of beneficiaries within a week. This will be transferred online directly by the Insurance company into the accounts of farmers.
- The list of the beneficiaries (bank-wise and insured area-wise) may also be uploaded on the crop insurance portal and website of the concerned insurance companies.
- About 5% of the beneficiaries may be verified by the Regional Offices/ Local level Offices of Insurance Companies who will send the feed back to concerned District Level Monitoring Committee (DLMC) and State Government/ State Level Coordination Committee on Crop Insurance (SLCCCI).
- At least 10% of the beneficiaries verified by the insurance company may be cross verified by the concerned District Level Monitoring Committee (DLMC) and they should send the feed back to State Government.
- 1 to 2% of the beneficiaries may be verified by the

Head Offices of the insurance company/ Independent Agencies appointed by the Central Government/ National Level Monitoring Committee and they should send the necessary feed back to Central Government.

Moreover, District Level Monitoring Committee (DLMC) already overseeing the implementation & monitoring of the ongoing crop insurance schemes like National Agricultural Insurance Scheme (NAIS), Weather Based Crop Insurance Scheme (WBCIS), Modified National Agricultural Insurance Scheme (MNAIS) and Coconut Palm Insurance Scheme (CPIS) shall be responsible for proper management of the Scheme.

2. CCEs shall be undertaken per unit area of insurance per crop, on a sliding scale, as indicated below:

Sl.No.	Level of Insurance Unit of CCEs	Minimum Sample Size
1	District	24
2	Taluka/Tehsil/Block	16
3	Mandal/Phirka/Revenue Circle/Hobli/ Any other equivalent unit	10
4	Village and village Panchayat	4 for major crops and 8 for other

In order to maintain the sanctity and credibility of CCEs as an objective method of yield estimation, the modalities mentioned below will be followed:

Exclusive web portal and mobile app

The Government of India has recently launched an Insurance portal for better administration, coordination, proper dissemination of the information and transparency for the framers.

An android based “Crop Insurance App” has also been launched which could be downloaded from the website of Crop Insurance, Department of Agriculture cooperation and farmers welfare (DAC & FW).

Losses covered

Apart from yield loss, the new scheme will cover post-harvest losses also. It will also provide farm level assessment for localised calamities including hailstorms, unseasonal rains, landslides etc.

Use of technology

The scheme proposes mandatory use of remote sensing, smart phones and drones for quick estimation of crop loss. This will speed up the claim process. Other features Within next 2-3 years, the scheme aims to bring 50% farmers under the scheme. The settlement of claims will be fastened for the full sum assured. About 25% of the likely claim will be settled directly on farmers account. There will not be a cap on the premium and reduction of the sum insured.

Comparison with earlier crop insurance schemes

The new scheme is different from earlier schemes on the account of following:-

It is open to all farmers but NOT mandatory to anyone. It is optional for loanee as well as non-loanee farmers. It has so far lowest premium. The existing premium rates vary between 2.5% and 3.5% for kharif crops and 1.5% for rabi crops—but the coverage was capped, meaning farmers could, at best, recover a fraction of their losses. The farmers’ premium has been kept at a maximum of 2 per cent for food grains and up to 5 per cent for annual commercial horticulture crops. For rabi crops, it is 1.5%. The balance

premium will be paid by the government to provide full insured amount to the farmers. Since there is no upper cap on government subsidy, even if the balance premium is 90 percent, the government will bear it This scheme provides full coverage of insurance. While NAIS had full coverage, it was capped in the modified-NAIS scheme. It also covers the localized risks such as hailstorm, landslide, inundation etc. Earlier schemes did not cover inundation. It provides post harvest coverage. The NAIS did not cover while the modified NAIS covered only coastal regions.

Critical Appraisal

New crop insurance scheme (PMFMY)has the potential to deal with the vagaries of nature on Indian farming. The premium to be paid by the farmers is kept low when compared with earlier crop insurance schemes. However, the scheme will increase the financial burden on the government and necessary budget allocations should be made. Some states like Punjab may face financial constraints in encouraging famers to take up crop insurance. The scheme also does not address the demand of farmers to cover the risks and losses inflicted by wild animals like elephants and wild boars. The wild animals pose risks to farmers in peripheral areas of national parks and wild life sanctuaries. Besides, losses from nuclear risks, riots, malicious damage, theft, and act of enmity, are all categorized under ‘exclusions’ in the new scheme.

Challenges in Implementation

Success of any government scheme depends on its sincere implementation. The key problems such as poor land records, flawed land titles, corruption etc. are common challenges any crop insurance scheme in India faces. Further, the success of the scheme depends on how sincerely it is implemented by the insurance companies. Further, we need to wait and watch as to how the scheme is monitored and supervised.