



PRADHAN MANTRI FASAL BIMA YOJANA

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Under PMFBY insurance plan, the premium rate will be 2 % of the actual sum assured amount for Kharif crops and 1.5 % for the Rabi crops. For the commercial and horticulture crops, the premium rate will be 5 %. The remaining share of the premium, as in previous schemes, will continue to be borne equally by the Centre and the respective state governments.

India is an agriculture oriented country with two third of its population dependent upon agriculture for their livelihood with an approximate share of 18% in GDP. But it is not so easy for our farmers to earn secure income from agriculture. Indian agri-business is synonymous with risk and uncertainty because agriculture in India depends upon the natural factors, i.e. adverse weather conditions, flood, drought etc.

Uncertainty of nature leads the farmers to distress. Low productivity, less income and high loans taken for agriculture are forcing some of our farmers to commit suicide. They are living a stressful life even after making others' life stress free by fulfilling their most basic need i.e. food.

Therefore, to cope up with these agro-problems, a risk management tool "Agriculture Insurance" was launched for the farmers. The objective is 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 or diseases.

The list of crops being covered for insurance differs from state to state. Generally quite a few Kharif and Rabi season crops are covered. These crops are insured at the community/block/gram panchayat levels. Agriculture insurance for farmers helps greatly in reducing risk horizontally across the states (a drought in Rajasthan is mitigated by a bumper crop in Andhra Pradesh) and vertically across big and small farmers. In fact, states which have accepted the scheme require that any farmer borrowing from any financial insists take insurance too.

Unfortunately, data shows that only 4 % of the Rabi (winter) crop and 11 % of the more risk-prone Kharif (monsoon) crop holdings are insured so far.

On the positive side, the percentage of the holdings covered is more than the percentage of area covered indicating better penetration among the small land-holders, the most vulnerable farmers. Most of the crops covered were food crops (summer paddy, wheat) indicating that food security is the primary concern for India's small farmers.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

The Hon'ble Prime Minister, Shri Narendra Modi has launched a brand new crop insurance scheme on 13th January, 2016. This crop insurance scheme is called Pradhan Mantri Fasal Bima Yojana (PMFBY) which will be implemented in every state of India, in association with the respective Governments. This crop insurance scheme will be administered under the Ministry of Agriculture and Farmers' Welfare.

The main motto of this new scheme is to provide a more efficient insurance support to the farmers of the country. Govt. has decided to provide low premium insurance cover to the farmers so that they can sustain even if the crop is damaged. This announcement has been made during the Makar Sankranti which is the harvest festival of India, celebrated across the country. It is celebrated as Pongal in the South, Lohri in North and Bihu in Assam. Total budget estimate for flooring this project is estimated to be approximately Rs. 17,600 crore.

Most farmers take loans for buying agricultural seeds, fertilizers, irrigation facilities, pesticides and other agricultural machineries for cultivation of crops. But sometimes unavoidable natural disasters like drought, flood, fire, pest attack etc. strike and destroy the crop yield.

Then farmers are forced to choose the path of suicide as they become unable to cope up with

the burden of debt. There is an alarming number of farmer suicides which is a burning issue, not only in India, but also throughout the world. Reports of near about 3000 farmers' suicide have been reported in India, in the last three years itself. So the Centre has planned to introduce a new crop insurance scheme called Pradhan Mantri Fasal Bima Yojana in the country and rectify the loopholes, present in the existing one.

In the year of 1999, an insurance scheme was launched which was named National Agriculture Insurance Scheme (NAIS). But it had some drawbacks due to which it could not achieve the desired results. It was implemented only in 14 states of India, which are most affected by weather calamities. States like Madhya Pradesh, Uttar Pradesh, Rajasthan etc. were in the list of the affected states. As per NAIS, the insurance premium rates were from 1.5 % to 3.5 % of the net sum assured for all food crops. These food crops included pulses, cereals, oilseeds, grains etc.

Cotton was the most popular commercial crop at that time, which got largely affected by pest attacks. Later, the NAIS was restructured and modified as MNAIS which stands for Modified NAIS. But MNAIS was implemented in only 6 states and thus could not get success. The other failing factors of these past schemes were caps on the sum assured, slow claim process, fraud in the insurance system etc. Also a major setback of this insurance plan was that those farmers who have taken loan for purchasing agriculture machineries, crop seeds, insecticides and pesticides etc. were only given the insurance benefit.

So due to all those disadvantages of the earlier insurance scheme, the Govt. has planned for a new crop insurance scheme that will not only provide insurance to all farmers from crop damage, but also becomes a financial support for them. Under this insurance plan, the premium rate will be 2 % of the actual sum assured amount for Kharif crops and 1.5 % for the Rabi crops. The remaining share of the premium, as in previous schemes, will continue to be borne equally by the Centre and the respective state governments. The sum assured amount is likely to be increased so as to provide a better insurance cover to the farmers.

Apart from this, the Prime Minister has mentioned that technology will be used in implementation of the scheme to make it a fast, user friendly, efficient and fraud free. This new crop

insurance plan will be functional from the next Kharif season of crop cultivation.

With farmers having been required to pay a premium share of as high as 15 per cent in several areas in the country, there has been a long-standing demand to bring down these rates. The Centre's move to bring down and cap these interest rates is being viewed as a major government policy outreach towards the farmers.

The Centre currently has a bill of Rs 3,100 crore on account of its share of the premium for the 23 per cent crops that are currently insured in the country. Once 30 per cent of the crop comes under insurance cover, the Centre's financial liability is estimated to go up to Rs 5,700 crore. This financial liability is expected to touch a whopping Rs 8,800 crore once the target of bringing 50 per cent crop under insurance is achieved in three years, officials said. As the Centre's financial liability goes up, the bill of the states where the scheme gets implemented will also go up correspondingly.

Under PMFBY, there will no upper limit on government subsidy and even if balance premium is 90 per cent, it will be borne by the government. Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers.

This capping was done to limit government outgo on the premium subsidy. This capping has now been 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 will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers. Remote sensing will be used to reduce the number of crop cutting experiments. The new Crop Insurance Scheme will also seek to address a long standing demand of farmers and provide farm level assessment for localised calamities including hailstorms, unseasonal rains, landslides and inundation.**

Calling it a "historic" decision, Union Home Minister Shri Rajnath Singh said that this scheme will act like a "safety shield" for the farmers and will protect them against the vagaries of nature. "This new crop insurance scheme will have the lowest premium for farmers in the history of independent India. The new scheme has taken care of the

anomalies in the existing two schemes and added new provisions," Singh said.

Agriculture Minister Radha Mohan Singh described PMFBY as an "amrit yojana" and added that the scheme will also cover post-harvest losses.

First meaningful initiative to give financial security to agrarian India

The large number of farmer suicides in India over crop failure has been the most disturbing, distressing and disheartening trend to emerge from the rural hinterland in the last few years. In a country of our size where farmers toil hard to feed a population of 1.25 billion, it is rather ironical that their deaths were reduced to mere statistics and numbers.

Thus, when the Union Cabinet rolled out a revamped, robust and well thought out crop insurance scheme the government not only took a concrete step to alleviate rural distress that has the potential to transform the village-based economy, it also ensured that farming remains a remunerative and rewarding occupation for millions of farmers in the country. While the agriculture sector contributes only 17 per cent to India's overall GDP, farming and allied activities support nearly 60 per cent of the country's population.

Revamping old crop insurance scheme to suit poor farmers

In this backdrop, the Pradhan Mantri Fasal Bima Yojana is an extremely farmer-friendly scheme that has eliminated all complexities in order to meaningfully address crop losses faced by farmers. For one, the premium to be paid by the farmers is extremely low when compared to the insurance plans sponsored by the previous governments.

There will be a uniform premium of only two per cent to be paid by the farmers for all kharif crops compared to 2.5-3.5 per cent earlier, and 1.5 per cent for all rabi crops. The premium for commercial and horticultural crops is now only five per cent while earlier, it was calculated on actuarial basis and was often very high after accounting for all risk factors.

Importantly, the balance premium will be paid by the government to provide the full insured amount to the farmers against crop loss on account of natural calamities. Thus, the flagship crop insurance scheme has done away with the cap on the premium to be

paid by the government that earlier resulted in low claims being paid to the farmers.

Another key feature is that the insurance scheme will provide localised risk coverage and has added a number of natural calamities.

For instance, given that last year, unseasonal rains during March and April had destroyed crops during the harvest season in several states, the insurance plan will now provide coverage for post-harvest losses caused owing to rain and hailstorm across India. Earlier, this was applicable only to cyclone-prone regions.

Further, the insurance scheme also makes provision for compensation if farmers have to skip sowing owing to natural calamities like floods, unseasonal rains, hailstorm and cyclones.

Challenges

At the same time, there are a few challenges. The present Modified National Agriculture Insurance Scheme covers only 37 million (27 per cent) of India's farming households. Given that the premium under the Pradhan Mantri Fasal Bima Yojana is extremely reasonable, the government is already aiming to raise the cover under the scheme to 50 per cent of the farming households.

If this target is achieved, it will ensure that poverty, hunger and death that strike our farmers with alarming regularity see a massive decline in the next few years. The government is already looking to harness technology in an effective manner so that there is no inordinate delay in payment of claims to the farmers.

With over 200 million new bank accounts, a bulk of them in rural areas – already opened under the Pradhan Mantri Jan Dhan Yojana, claims will now be directly transferred to the farmer's bank account and will thus put a curb on leakages.

Conclusion

By all accounts, Pradhan Mantri Fasal Bima Yojana is the proverbial game changer for Indian farmer. The simplified crop insurance plan adds to the list of schemes and policies that aim to make life better for the average Indian. It is time farming became "Safal" with Fasal Bima Yojana.

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