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PMFBY – The Implementation Challenges

What is the issue?

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- PM Fasal Bima Yojana (PMFBY) is an all encompassing crop insurance scheme that was touted relieve farmers of their uncertainties.
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- But its implementation has been patchy and widespread delays in payment have been defeating the very purpose of the scheme.
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What are the statistics?

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- PMFBY crop insurance covers losses at every stage, "from sowing to post-harvest" and was intended to insulate farmers from the strain of crop failures.
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- PMFBY insures for production costs for various crops, and farmers having to pay about 2% of total estimated production value as insurance premium.
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- An additional amount is pitched by the government (subsidy) for every policy to make the scheme financially viable for insurance companies.
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- The amount to be paid by the government is decided based on the risk assessment done for various crops and regions – which presently accounts for approximately 50% of the total.
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- **The Numbers -** Insurance companies collected premiums of Rs 22,180 crore in 2016-17 and Rs 24,454 crore in 2017-18 under PMFBY.
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- But they disbursed only Rs 12,959 crore in claims for 2016-17 and have paid out just over Rs 400 crore for the last crop year so far.
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- There is an argument that 2016 and 2017 were normal monsoon years

(thereby resulting in lower payouts), and that claims might go up in calamitous years.
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- However, this assertion doesn't correlate with the field reports, and it appears that PMFBY is faltering to delivering what was promised.
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What are the teething troubles?

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- The 2017 kharif crop's harvesting was over by December, but farmers have thus far got only Rs 402 crore of payments.
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- This is against the estimated claims of Rs 13,655 crore by state government and Rs 1,759 crore approved by insurance companies.
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- Even for the 2016-17 crop year, there is a difference of Rs 1,474 crore between the payments approved and actually made.
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- The delay in payments is defeating the very purpose of the scheme, which is to reduce the financial distress and save them from the crutches of moneylender.
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- Timely payments are critical to enable farmers settle previous borrowings and access formal credit for the next sowing.
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What is the way forward?

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- 50% of the PMFBY premium subsidy is borne by the state governments that are also responsible for determining yield losses.
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- As insurance deserves higher priority that fertilizer and other agri-support, it makes sense for the centre to fund the entire subsidy amount.
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- This will provide for better coordination in subsidy transfer to the insurers and also make claim disposals swift.
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- The Centre can further link release of subsidy to the states adhering to

prescribed operational schedules for assessing the extent of crop failure.
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- Also, extensive employment of remote-sensing technology for sampling of fields and capturing survey data with time and date stamping is required.
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Source: Indian Express

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