Pradhan Mantri Fasal Bima Yojana (PMFBY)

What is the issue?

- The government is going to revisit the flagship crop insurance scheme - the Pradhan Mantri Fasal Bima Yojana (PMFBY).
- This is welcomed as it will make this well-intentioned risk-mitigation measure beneficial for the farmers.

What is PMFBY?

- The PMFBY or Prime Minister's Crop Insurance Scheme was launched in 2016.
- It is aimed at reducing agricultural distress at instances of monsoon fluctuations induced price risks.
- It fixes a uniform premium of just 2% to be paid by farmers for Kharif crops and 1.5% for Rabi crops.
- The premium for annual commercial and horticultural crops will be 5%.

What is need for a review?

- The need for a review and revamp of the PMFBY was felt soon after its launch in 2016.
- For the review, a high-level group of ministers (GoM) headed by the defence minister and having the home minister as a member, among others, is set up.
- Having field experts, along with representatives of the stakeholders like farmers, insurance companies, and the state governments as members, could perhaps do a better job.
- This scheme, despite being better than all its predecessors, had failed to impress any stakeholder because of some inherent structural, financial, and logistical deficiencies.

What are the evident dissatisfactions about the scheme?

- The dissatisfaction is evident from the decision of 3 major **agricultural states** to withdraw from it - Andhra Pradesh, West Bengal, and Bihar.
- At least 3 more states are intending to do so - Karnataka, Gujarat, and Odisha.
- They find the cost of running the scheme higher than the benefits from it

- Therefore, they are making alternative arrangements for recompensing the farmers' losses.
- Four **private insurance companies** have also opted out of it, maintaining that it is a loss-making business.
- More companies are likely to quit this business, though the common impression is that the insurers are cornering the bulk of the subsidy given by the government.
- The **farmers** are also discontented with the scheme.

What are the flaws?

- A key flaw in the design of the PMFBY is the involvement of the **states as equal partners** with the Centre for sharing expenses.
- **Defaults** in the payment of their share of funds affect the insurance companies' ability to clear settlement claims promptly.
- Empowering the **states to notify the crops**, the extent of the land, and the maximum sum that can be insured have also contributed to the PMFBY's downfall.
- The states often fix the caps rather low to contain their financial burden, thereby curtailing the scheme's utility for the cultivators.
- Moreover, **allowing banks to insure the crops** of their borrowers is another problematic feature of the scheme.
- The banks usually adjust the settlement amounts against the loans, thus leaving the farmers high and dry.
- The insured cultivators often do not even get to know the details of the transactions.

What could be done?

- As the scheme had envisaged, the use of technology, notably satellite imaging, to expedite the assessment of crop losses should happen to the desired extent.
- The methods used by the state governments to gauge the damage are mostly time-consuming and non-transparent, resulting in trust deficit.
- Therefore, inadequate or non-payment of compensation is the main grudge of the farmers against the scheme.
- If the GoM can suitably address these and other minor, but pertinent, glitches in the implementation of the PMFBY, this vital risk-hedging measure can prove a boon for the farmers.

Source: Business Standard



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