Pradhan Mantri Fasal Bima Yojana 2.0
Betrayal of the Initial Promise?

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The union government's flagship programme—the Pradhan Mantri Fasal Bima Yojana—launched in 2016 and revamped in 2020 for providing crop insurance to farmers—needs fundamental and structural changes for its effective implementation. The need of the hour is a more forceful and impactful state involvement in the scheme.

This article is based on a research project carried out by the Unique Foundation, Pune, based on fieldwork (conducted from October 2018 to April 2019) in 17 villages from five districts in Maharashtra. A report based on this study has been published in Marathi titled "Pradhanmantri Pik Vima Yojana: Maharashtra: Ek Mulyamapan" (2020). An English version of the same is under publication.

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As the entire economy has been badly hit by the COVID-19 pandemic and the ensuing lockdown since 2020, it is perhaps only the agriculture sector that has shown a silver lining by registering a positive growth of 3.4% at constant prices in 2020–21, while all the other sectors have caved in. The share of agriculture in gross domestic product (GDP) has reached almost 20% for the first time in the last 17 years (GoI 2020–21). Despite adversities, natural as well as human-made, the performance of agriculture sector has been remarkable and it once again underlines its important place in Indian economy. This is not only because it ensures supply of foodgrains, thereby, ensuring food security to the expansive populace, but also because it is a major source of employment, especially, during the pandemic and the consequent lockdowns, which forced most of the unskilled/semi-skilled labourers to reverse-migrate from cities to villages.

This further underlines the dire necessity that the state should own up the responsibility of the agriculture sector and provide it necessary focus and investment, which has been long overdue. However, the state, on the other hand, seems to be increasingly pushing the sector towards private hands as seen recently through the three controversial farm acts. The union government's flagship programme for providing crop insurance to farmers in distress, that is, the Pradhan Mantri Fasal Bima Yojana (PMFBY), originally launched in 2016 and revamped in February 2020, also seems to point in the same direction.

The Initial Promise

The PMFBY was launched with great fanfare with the objective to increase the farmers' coverage to 50% within three years of its launch. Besides this, the budgetary allocations for the PMFBY were also increased exponentially, compared to the previous National Agricultural Insurance Scheme (NAIS). The budgetary allocations of ₹1,457.32 crore in 2015–16 (for the NAIS) were increased by a whopping 277.41%, thus making it ₹5,550 crore in 2016–17 for the PMFBY. Moreover, attractive features of the scheme, such as very low premium rates for the farmers, central and state governments' commitment to shoulder the burden of remaining premium rate, increased levels of indemnity and inclusion of sharecroppers and tenant farmers, etc, made this initial promise look much robust and convincing.

A number of reports and studies have pointed out the crucial issues plaguing the scheme, such as apathy in publicising and spreading awareness about the scheme on the part of crop insurance companies and administration; farmers finding the process of enrolment complicated and time-consuming; lack of coordination between the various implementing agencies (the government, banks and insurance companies); flawed and lax roles of crop insurance companies and banks; flawed and inaccurate crop cutting experiments (CCEs) (which are vital in determining indemnities); inadequate or delayed payments of indemnities despite attractive amounts of sum insured; private crop insurance companies mainly accruing benefits of the scheme instead of farmers, etc.[1]

The Unique Foundation tried to assess the effectiveness of the scheme in providing crop security cover, especially for the small and marginal famers in drought-prone districts like Beed from the Marathwada region of Maharashtra. It conducted this study across 17 villages from five districts (13 of them from the Beed district). The study tried to probe—which category of farmers are getting benefited by this scheme; whether the benefit has been substantial enough to cover the farmers' risks; whether the beneficiaries are able to recover their minimum production costs and secure minimum financial stability in adversarial events of crop losses.

Through this study we came across various issues of concern, including declining

enrolment of farmers as well as the total insured area; low proportion of indemnities settled in drought-prone areas (such as Marathwada from Maharashtra in general and Beed district in particular); lower proportion of benefits received by small and marginal farmers, compared to large farmers; flawed decision of adopting revenue circle as a unit for determining indemnities; lack of an effective grievance redressal mechanism, and, inadequate and ineffective governmental machinery.

Due to all such issues, there have been widespread farmer protests in some parts of Maharashtra, particularly Parbhani and Beed districts, centred on, but not limited to, the issue of non-compensation from the insurance companies. The farmers' agitations, initially led by the Akhil Bharatiya Kisan Sabha and the Communist Party of India, gradually attracted the attention of other political parties, especially Shiv Sena, which led protest marches to the insurance companies' head offices in Pune and Mumbai. The issue of crop insurance became so vital that it found mention in party manifestos during the assembly elections in Maharashtra (2019) and thus became an electoral issue to a notable extent.

Public Policy, Private Interests

Our study highlighted the fact that both the implementation of the scheme, along with the design and framework has been problematic. The issues plaguing the scheme are much broader, which include utilising public funds/policies for perpetuating private interests. Instead of being beneficial to the farmers, this scheme seems to be a profit-making stratagem for the private insurance companies.

Private insurance companies have dominated PMFBY to a great extent. And the scale of profit-making especially, by the private insurance companies has remained huge at the state as well as the national level. In Maharashtra, during the six seasons (including kharif and rabbi) in 2016, 2017 and 2018, the surplus amount remaining with the insurance companies (difference between the gross premium collected and indemnity disbursed) was ₹5,418.84 crore, as seen from Tables 1 to 6.

Even if the investments made by companies for infrastructure and human resources are taken into account, the scales of profits still appear very huge. Moreover, it was also noticed during the study that the insurance companies were quite negligent towards creating a basic infrastructure, promoting awareness about the scheme, appointing company representatives at tehsil or village levels, setting up grievance-redressal mechanism under the scheme, etc. Thus, the companies have kept their investment costs at the minimum, thereby, trying to raise their profit margins.

It is remarkable to note that in kharif 2019, most of the districts (31) in Maharashtra were assigned to a public sector company, that is, Agriculture Insurance Company of India, as private insurance companies did not participate in the bidding process with enthusiasm. Moreover, the Maharashtra government guaranteed remittance mentions that, as bidders were not available for rabi 2019, for 10 districts in the state (Solapur, Latur, Hingoli, Vashim, Bhandara, Beed, Ratnagiri, Sindhudurg, Gadchiroli and Chandrapur), the PMFBY would be implemented in these districts through some other mechanism (Maharashtra Government 2019). As per reports,

Table 1: Season—Kharif 2016

Sr No	Insurance Company	Kharif 2016				
		Allotted No of Districts	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	IFFCO-Tokio General Insurance Company	06	Private	950.58	423.18	527.4
(2)	Agriculture Insurance Company of India	12	Public	1,470.59	1,044.78	425.81
(3)	Reliance General Insurance Company	11	Private	809.86	118.19	691.67
(4)	HDFC- ERGO General Insurance Company	05	Private	717.18	304.23	412.95

Table 2: Season—Rabi 2016

Sr No	Insurance Company	Rabi 2016				
		Allotted No of District	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	National Insurance Company	34	Public	62.45	32.68	29.77

Table 3: Season—Kharif 2017

Sr No	Insurance Company	Rabi 2017				
		Allotted No of Districts	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	National Insurance Company	06	Public	805.87	430.76	375.11
(2)	Agriculture Insurance Company of India	11	Public	1,302.83	1,263.62	39.21
(3)	Oriental Insurance Company	06	Private	303.74	404.05	(-)100.31
(4)	Reliance General Insurance Company	06	Private	409.94	219.37	190.57
(5)	United Insurance Company	05	Private	655.77	292.29	363.48

Table 4: Season—Rabi 2017

Sr No	Insurance Company	Rabi 2017				
		Allotted No of Districts	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	National Insurance Company	28	Public	208.47	77.04	131.43
(2)	Oriental Insurance Company	06	Private	7.11	1.66	5.45

Table 5: Season—Kharif 2018

Sr No	Insurance Company	Kharif 2018				
		Allotted No of Districts	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	IFFCO-Tokio General Insurance Company	13	Private	1,496.53	509.34	987.19
(2)	ICICI Lombard General Insurance Company	09	Private	586.67	129.95	456.72
(3)	Oriental Insurance Company	08	Private	1,192.31	1,173.67	18.64
(4)	National Insurance Company	04	Public	609.72	420.03	189.69

Table 6: Season—Rabi 2018

Sr No	Insurance Company	Rabi 2018				
		Allotted No of Districts	Insurance Company Sector	Total Premium (crore)	Released Amount (crore)	Balance Amount with Company (crore)
(1)	Future Generali India Insurance Company	05	Private	254.10	21.10	233.0
(2)	Bajaj Allianz General Insurance Company	21	Private	544.95	190.16	354.79
(3)	Bharati AXA General Insurance Company	06	Private	94.06	7.83	86.23

Source: Maharashtra State Government Season-wise various Government Resolutions, 2016–19.

private insurers did not show any interest, despite tenders being issued eight times by the government for some of the most vulnerable and drought-prone districts in Maharashtra (Kakodkar 2020).

As can be seen in the case of Beed district, claims to premium ratio for farmers were high in kharif 2018 at 245%. It was 89.4% in kharif 2019, when the all-India ratio was 65%. Two successive years of far-below-normal monsoon rainfall in Beed district have deterred insurance companies from coming forward for kharif 2020 (*Financial Express* 2020). Finally, the Maharashtra government, with the help of the centre, had to rope in public sector AIC for providing insurance for Beed district for three consecutive years. The state government has floated a special model for Beed district. While the liability of the centre remains capped as per revamped PMFBY guidelines, the insurance company will assume liability only up to 110% of the premium collected and if the claims exceed beyond that, the state government will shoulder the responsibility (Wadake and Jayan 2020).

This brings forth the perils of excessive reliance on private insurance companies for running a public scheme and highlights the need of roping in public sector insurance companies, especially in highly vulnerable regions. The interest of private insurance companies in the scheme can thrive only till they see a profit-making potential and turn their backs on the scheme once they sense recurring losses. Four major private insurers, namely ICICI Lombard, Tata AIG, Cholamandalam MS, and Shriram General Insurance, have opted out of the PMFBY, for both the kharif and rabi seasons of the 2019–20.

Hence, considering the limits of market-led solutions, it becomes necessary to underline the public nature of the scheme. The government must own up its responsibility and while assuming the role of ultimate controller, it has to clearly delineate and limit the role of private players, including insurance companies, banks, and weather-related companies like Skymet. Moreover, the government must have a strict check on these private agencies and monitor whether they are fulfilling their responsibilities or not.

However, as the proposed changes in the PMFBY indicate, instead of owning up responsibility and accountability of the scheme, the government seems to be shirking away from it. The following proposed changes appear to testify this.

The Revamped Scheme

After a mixed track record of the scheme at the national level, the union cabinet approved some significant changes in the PMFBY in February 2020. The changes have been touted to be so vital that the "improved" scheme is being referred to as PMFBY 2.0! The government has released the revamped operational guidelines on 17 August 2020, which have come into effect since kharif 2020.

The major changes include: making the scheme completely voluntary for all farmers (in its previous version, the scheme was compulsory for all the loanee farmers), capping the central government's subsidy share to the premium rates below 30% for unirrigated areas/crops and 25% for irrigated areas/crops (earlier, there was no upper limit on the central government's share of the premium subsidy), allocation of business to insurance companies for three years, flexibility for state governments to select any/many additional risk covers, not allowing states to implement the scheme in the case of delay in paying their share of premium subsidy beyond a certain limit, increasing the centre's share in premium subsidy to 90% for north-eastern states and adopting technology solutions for CCEs.

The government has also indicated that a separate crop insurance scheme will be prepared, especially for 151 districts which are highly water-stressed, including 29 districts which are doubly stressed because of low income of farmers and drought.

Implications of the 'Revamp'

The repercussions of these changes would unfold eventually, but at this juncture, one can welcome some steps, such as the decision to allocate business to the insurance companies for three years. Here, the companies would be able to undertake an in-depth study of the agricultural scenario and climate pattern in the concerned area. They can set up offices on a long-term basis and create awareness about the scheme, while guiding the farmers and addressing their grievances at the local level in an efficient manner. This would also bring about a positive transformation in the insurance company's accountability. A separate scheme for drought-prone districts and increasing the central government's premium subsidy share to 90% for north-eastern states are also welcome steps.

However, there are apprehensions that these modifications inadequately address some of the fundamental issues in the framework and implementation of the PMFBY. Even these welcome moves may turn out to be cosmetic changes, without genuine transformation at the ground level.

First of all, making the scheme completely voluntary for all farmers amounts to taking a complete U-turn from the initial promise and the commitment to steadily increase the number of insured farmers to 50%. At the national level, the number of loanee farmers participating in the scheme is much higher than the non-loanee farmers as, earlier, this scheme was compulsory for them. At the national level, the average proportion of loanee farmers has been around 66% and the average proportion of non-loanee farmers has been around 34% for kharif season during the last four years from 2016 to 2019. The same for rabi season has been around 72% and 28% respectively for loanee and non-loanee farmers from 2016 to 2019.

The situation in Maharashtra is different from the national trend as the proportion of non-loanee farmers participating in the PMFBY is much higher than the loanee farmers. In the state, the average proportion of loanee farmers has been around 25% and the average proportion of non-loanee farmers has been around 75% for kharif season during the last four years from 2016 to 2018. The same for rabi season has been around 19% and 81% respectively for loanee and non-loanee farmers from 2016 to 2018.

Hence, the new measure of making this scheme voluntary for the loanee farmers will not have much impact on the state, but it is likely to trigger a decline in the number of insured farmers at the national level. And, therefore, the self-proclaimed target of increasing the number of insured farmers to 50% may remain a distant dream. Already, there

has been a steady decline in the number of insured farmers and insured area due to the issues being faced by the farmers, with regard to the scheme. Few states are also opting out of the PMFBY to start their own state-level schemes; recent examples being Andhra Pradesh and Gujarat.

The data published on the PMFBY portal confirms this observation. The number of participating states/union territories in the PMFBY has declined from 22 in 2018 to 19 in 2020; the number of participating districts has declined from 475 in 2018 to 391 in 2020; the number of farmers has declined from 2,16,62,951 in 2018 to 1,67,94,805 in 2020; and the area insured has declined from 27,703.16 thousand hectares in 2018 to 26,981.68 thousand hectares in 2020 for the kharif season.

Similarly, for the rabi season, the number of participating states has declined from 21 in 2018 to 18 in 2020; the number of districts has declined from 486 in 2018 to 389 in 2020; the number of farmers has declined from 1,46,84,729 in 2018 to 99,96,773 in 2020; and the area insured has declined from 19,716.52 thousand hectares in 2018 to 15,721.02 thousand hectares in 2020 (GoI nd).

Another change relates to the capping of the central government's subsidy share to the premium rates below 30% for unirrigated areas/crops and 25% for irrigated areas/crops. During the announcement of the PMFBY in 2016, the government had boasted about the fact that there was no upper limit on the central government's share of the premium subsidy. Now, going back on that initial promise and capping the centre's share of the premium subsidy will surely have an adverse impact, as it would increase the burden on the state governments in those cases and would hamper the indemnity to be received by farmers. This again amounts to the shirking of responsibility on the part of the central government.

Another modification is the provision to prohibit states from implementing the scheme, in the case of delay in payments of their share of premium subsidy beyond a certain limit. This will ultimately prove to be a punitive measure for the farmers in such states, rather than the concerned state governments. It may provide them an opportunity to evade their responsibility.

One more modification made in PMFBY 2.0 is the use of new technologies for yield estimation, such as remote sensing technology and smart sampling techniques, along with rationalisation and optimisation of CCEs. The revamped operational guidelines elaborate upon a two-step yield estimation process, in which the first step would be to assess/categorise the crop loss incurred due to adverse climatic conditions, pest infestations, etc, based on technical parameters (remote sensing, weather, field survey, etc). The next step would be to conduct the required number of CCEs only in those areas where the crop loss situation is "severe" or "moderate." Areas with "mild" or "normal" crop loss will have a reduced number of CCEs (GoI 2020). Recently (February 2021), the agriculture ministry has received approval from aviation regulator Directorate General of Civil Aviation for flying drones to capture images of rice and wheat fields in 100 districts to assess crop yields at the gram panchayat level under the PMFBY, as informed by union minister Narendra Singh Tomar. This is the first remote sensing technology-based largest pilot study conducted so far in the country for crop yield estimation (*Economics Times* 2020).

However, even though these new methods relying on innovative technologies, including artificial intelligence, are being projected as a panacea for all the ills of the yield estimation, in reality these methods may not have the desired results due to two factors. Similar methods are being utilised for drought assessment since 2016, which have proved to be unsatisfactory, because these techniques are yet underdeveloped and block/taluka (not the village) is considered as the unit of assessment. Due to these factors, many deserving villages were excluded from the list of drought-hit villages. Therefore, the state government had to declare drought in these villages after actual field inspection. Second, the data collected through remote sensing and other innovative technologies remains outside the purview of the farmers' verification or cross-examination (Navale 2020). Without any robust data verification mechanism, relying on private players for employing these methods and collecting data may face the similar risk of data being tweaked in favour of the insurance companies for maximising their profits.

In Conclusion

Thus, instead of tackling the fundamental and structural issues afflicting the effective implementation of the scheme, some of the new changes may completely wash out the small gains that could have accrued to the distressed farmers. When the need of the hour is more forceful and effective state involvement, this kind of dodging the responsibility on its part definitely amounts to a step in the opposite direction.

NOTE

1 The following studies and reports have highlighted the problem in design and implementation of PMFBY: Tiwari et al (2020); Ranjan Kumar (2018, 2019); and Vineet (2017).

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