

## 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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