



drishti

Revamping of Pradhan Mantri Fasal Bima Yojana

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This article is based on “**PM-Fasal Bima Yojana 2.0**” which was published in The Financial Express on 13/08/2020. It talks about the Centre government’s decision to revamp Pradhan Mantri Fasal Bima Yojana in order to ensure quick payment of claims to farmers.

The frequent occurrence of rainfall deficits, dry spells, and the late onset of rainfall due to climate change have underlined the importance of crop insurance for farmers. Citing the significance of crop insurance, the union government had earlier launched the **Pradhan Mantri Fasal Bima Yojana (PMFBY)**.

PMFBY aims to increase production in agriculture by providing support to ensure inclusive risk cover for crops of farmers against all non-preventable natural risks from pre-sowing to the post-harvest stage.

Since the launch of the PMFBY in 2016, millions of farmers have benefited from the scheme. However, in order to ensure more efficient and effective implementation of the scheme, the central government has approved the revamping of the Pradhan Mantri Fasal Bima Yojana (PMFBY).

With the revamped PMFBY 2.0, the government envisages leveraging technology in a comprehensive manner to address the issues impacting timely assessment and payment of claims.

Need for Revamping

- **Non-Voluntary Uptil Now:** PMFBY has until now been a **voluntary scheme only for non-loanee farmers, while mandatory for those availing crop loans from banks.**
 - In the case of loanee farmers, banks have been deducting their share of the premium (2-5%) against loan accounts on a compulsory basis and remitting the same to the insurance companies.
 - Farmers haven't taken kindly to this, not the least as the said companies are neither in direct contact with them and nor do they issue any policy certificates, unlike in car or health insurance.
 - The current scheme, it would seem, has served to provide the insurance to the loans of banks more than the crops of farmers.
- **No Upper Limit of Central Subsidy:** Until now, there was **no upper limit for the central subsidy** and as a result of it the insurers never showed the needed willingness or intention to actively involve themselves in the scheme.
- **Huge Pendency:** There has been a huge **pendency of settlement of state subsidy to the insurance companies, over the last three to four seasons in several states.** This has affected the timely payment of claims.

It will be worth mentioning here that delay in the release of the state share of subsidy is the major reason for the delay in payment of claims to farmers.

PMFBY to PMFBY 2.0

- **Completely Voluntary:** It has been decided to make enrolment 100% voluntary for all farmers from 2020 Kharif.
 - From now on, insurance companies will have to make efforts to create real awareness among farmers about the benefits of crop risk coverage.
 - Crop insurance would, thus, become an informed choice for loanee farmers, just as it already is for their non-loanee counterparts.
- **Limit to Central Subsidy:** The Cabinet has decided to cap the Centre's premium subsidy under these schemes for premium rates up to 30% for unirrigated areas/crops and 25% for irrigated areas/crops.

This will shift the onus to the insurance companies', as they would have to actively seek out farmers and convince them of the importance of crop insurance.
- **More Flexibility to States:** The government has given the flexibility to states/UTs to implement PMFBY and given them the option to select any number of additional risk covers/features like prevented sowing, localised calamity, mid-season adversity, and post-harvest losses.
- **Penalising the Pendency:** In the revamped PMFBY, a provision has been incorporated wherein if states don't release their share before March 31 for the Kharif season and September 30 for rabi, they would not be allowed to participate in the scheme in subsequent seasons.

- **Investing in ICE Activities:** Insurance companies have to now spend 0.5% of the total premium collected on **information, education and communication (IEC)** activities.

A central advisory committee has also been set up with the implementing state governments and insurance companies to ensure uniformity of message across the country and remove gaps in dissemination of information.

Way Forward

- **Awareness Generation:** The changes made in the scheme are welcome but there are some challenges too. **Awareness generation** will be one of the major challenges in the smooth implementation of the scheme.
- **Bringing Behavioural Change:** Apart from this, a lot more needs to be done in bringing about a **behavioural change** regarding the cost of insurance being a necessary input and not a money-back investment.

Conclusion

With the revamping of PMFBY, the entire effort of the government is to ensure transparent and timely assessment of the yield, and quick computation and payment of claims to the farmers, to realise the **goal of Atmanirbhar Krishi in general and Atmanirbhar Farmers in particular.**

Further, the voluntariness and the time-bound implementation of crop insurance under the revamped PMFBY will help it become a **true insurance scheme now.**

Pradhan Mantri Fasal Bima Yojana (PMFBY) and the success story so far

- The Pradhan Mantri Fasal Bima Yojana was launched in 2016 by the Ministry of Agriculture and Farmers Welfare.
- It is a replacement scheme of the National Agriculture Insurance Scheme (NAIS) and the Modified National Agriculture Insurance Scheme (MNAIS)
- Under this scheme there will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%. The rest of the premium will be borne by the Government.
- It aims to provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crops as a result of natural calamities, pests & diseases.
- PMFBY aims to support production in agriculture by providing support to ensure inclusive risk cover for crops of farmers against all non-preventable natural risks from pre-sowing to the post-harvest stage.

- Since the launch of the PMFBY in 2016, millions of farmers have benefited from the scheme. In the first three years, farmers paid Rs 13,000 crore as premium, while they received Rs 60,000 crore as insurance claim under PMFBY.
- The scheme has completed four years and has been implemented in 27 states and UTs. The sum insured has almost doubled under this scheme from Rs 22,000 per hectare to Rs 39,000 per hectare.

Drishti Mains Question

Enumerate the reasons why the Pradhan Mantri Fasal Bima yojana has not been very successful in meeting its objectives. Also, analyse how far the modifications brought up by the government will help in its effective implementation.



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This editorial is based on **“Peace is precious”** which was published in the Indian Express on August 19th, 2020. Now watch this on our Youtube Channel.