

COVERING THE LAST FIELD

Relevant for: Environment & Disaster Management | Topic: Disaster and disaster management

Excess rains and floods in Kerala, deficit rainfall in eastern and north-eastern India, and associated large-scale crop losses have again highlighted the need for providing social protection to poor farmers. A [highly subsidised Pradhan Mantri Fasal Bima Yojana](#) (PMFBY) was launched in 2016 to provide insurance to farmers from all risks. Aiming to reduce basis risk and premium burden of the farmers, the scheme's total expenses today are almost 30,000 crore. In comparison to earlier schemes, the PMFBY is more farmer friendly, with sums insured being closer to the cost of production. The scheme's linkage with parallel programmes like the 'Jan Dhan Yojana' and 'Digital India' makes it a truly inclusive and welfare-based scheme. The scheme therefore led to increased coverage of 5.7 crore farmers in 2016 and the sum insured crossed 200,000 crore. However, notwithstanding its ambition and intent, the scheme since its operation has been scrutinised more for its misses than its hits.

Some handicaps of the scheme are: outmoded method of crop loss assessment; inadequate and delayed claim payment; high premium rates; and poor execution. Consequently, in 2017, the expansive coverage of the scheme suffered some setback as seen in a drop of nearly one crore farmers in enrolment (about 17%). Such shortcomings have inspired recent announcements such as that of Bihar to start its own scheme, the "Bihar Rajya Fasal Sahayata Yojna".

In order to make the PMFBY a sustained developmental action for a comprehensive climate risk protection for every Indian farmer, the following action points are suggested.

In Tamil Nadu, farmers received 3, 4, 5 and 10 as crop insurance disbursement

Faster and appropriate claim settlement: Timely estimate of loss assessment is the biggest challenge before the PMFBY. The Achilles heel of the PMFBY (and most likely for the Bihar variant) is the methodology deployed for crop loss assessment: the crop cutting experiments (CCEs). CCEs are periodic exercises conducted nationwide every season to determine crop yields of major crops. Sample villages are chosen through scientifically designed surveys, and crops are physically harvested to determine yields. These experiments require huge capital and human resources and have to be done simultaneously all over India in a limited time. Therefore, they have large errors.

To improve the efficacy of the PMFBY, technology use must be intensified. With options such as available today, such as detailed weather data, remote sensing, modelling and big data analytics, the exercise of monitoring crop growth and productivity can be not only more accurate and efficient but also resource saving. Hybrid indices, which integrate all relevant technologies into a single indicator, are good ways to determine crop losses. Their deployment can assist in multi-stage loss assessment and thus provide farmers with immediate relief for sowing failure, prevented sowing and mid-season adversity apart from final crop loss assessment.

The whole process of monitoring can be made accessible and transparent to farmers, policy-makers and insuring agencies alike through an online portal. Immediate claims settlements can be made once this is linked to the process of direct benefit transfers.

Farm friction: on the malaise in agriculture

Universal and free coverage for all smallholders: Farmers' awareness about the scheme and

crop insurance literacy remain low in most States, especially among smallholders in climatically challenged areas in most need of insurance. The complicated enrolment process further discourages farmers. To increase insurance coverage we should think of a system whereby farmers do not need to enrol themselves and every farmer automatically gets insured by the state. This will provide social protection to every farmer if the full premium of smallholders is also paid by the state. It is not an expensive proposition. Currently, farmers pay a capped premium rate of 1.5-2%, while the rest is shared equally between the States and the Centre. At this rate, if today all 14 crore farmers were to be insured under the PMFBY, they would need to pay the premium close to 10,000 crore annually. If no premium is charged from marginal and small farmers (who own less than 2 hectares and account for 12 crore out of 14 crore) and only partial subsidy on actuarial premium is given to others, almost the same revenue can be collected, but in the process, coverage can go up almost 100%. Such differential subsidies are already applicable in urban areas for water and electricity.

Improved and transparent insurance scheme design: Insurance companies are supposed to calculate actuarial rates, and based on tenders, the company quoting the lowest rate is awarded the contract. We have seen rates quoted by companies for the same region and for the same crop varying from 3% to more than 50%. Such large variations are irrational. One reason for such inflated premiums is lack of historical time series of crop yields at the insured unit level. To minimise their risks caused by missing data and to account for other unforeseen hazards, insurance companies build several additional charges on pure premium. Science has the capacity today to characterise risks and reconstruct reasonably long-time series of yields. The premium rates, and hence subsidy load on the government, can come down significantly if we make greater use of such proxies and appropriate sum insured levels.

If such a comprehensive social protection scheme is implemented, there would be opportunities for further rationalisation of subsidies. The government today spends more than 50,000 crore annually on various climate risk management schemes in agriculture, including insurance. This includes drought relief, disaster response funds, and various other subsidies. Climate-risk triggered farm-loan waivers are an additional expense. All these resources can be better utilised to propel farm growth.

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