

Pradhan Mantri Fasal Bima Yojana: Good on Paper, Poor on Execution?



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Lead Essay

Pradhan Mantri Fasal Bima Yojana: Good on Paper, Poor on Execution?

The Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched on 13 January 2016 by the BJP-led NDA government with an aim to support sustainable production in agriculture sector by providing financial support to farmers suffering crop loss/damage because of unforeseen events and stabilising the income of farmers to ensure their continuance in farming. The press release of the launch ended with the following statement: “One Nation – One Scheme: best features of all previous schemes incorporated + all previous shortcomings/weaknesses removed.”¹ However, as critics have pointed out, the PMFBY has not been able to eliminate the limitations of previous crop insurance schemes in India.

Delay in Payment of Subsidies and Settlements

As Harish Damodaran notes,² the PMFBY has been marred with inordinate delays of various state governments in paying timely payments of premium subsidy. Under the centrally-sponsored scheme, the farmer needs to pay a uniform 2 per cent premium rate on the sum insured for all kharif season food-grains and oilseeds, 1.5 per cent for rabi crops and 5 per cent for annual and horticultural crops. The state government pays 50% of the remaining premium (and the remaining is paid by the central government) along with calling bids for the selection of insurance companies, issuing notifications, undertaking crop cutting experiments (CCE) and submitting the data to insurance companies, etc. However, all this work needs to be undertaken within a stipulated time frame, so that farmers can receive their claims within reasonable time.

Alas, as Damodaran notes, most state governments are not working within this time frame. For instance, the states should issue notifications incorporating relevant details – such as crops covered, operating companies, sum insured, actuarial premium rates, etc. – by March for kharif season and by September for rabi. However, Rajasthan issued the notification for kharif 2017 only on July 22, when the bulk of sowing was already completed. Even for the rabi season, the notification came on November 3, when farmers would have finished planting their main mustard crop, thus depriving them from seeking protection against losses due to failed/prevented sowing. Moreover, there is delay by the states in paying their subsidy contributions and furnishing the CCE-yield data to insurance companies. This, Damodaran argues, in turn delays the entire process of claim settlement, since companies will not process claims unless they get their full premium payment and also the crop yield data for loss assessment.

It is important to note that delay in claim-settlements and undertaking CCE has been a general feature of crop insurance schemes in India. In a 2017 paper on impediments to the spread of crop insurance in India,³ Subhankar Mukherjee and Parthapratim Pal analysed data from the National Sample Survey Office’s (NSSO) Situation Assessment Survey of Agricultural Households, 2013. The authors found that one of the important reasons why farmers have low confidence on crop insurance schemes is the delay in payment of claims. The

¹ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=134432>

² <http://indianexpress.com/article/india/pradhan-mantri-fasal-bima-yojana-flagship-crop-insurance-scheme-runs-into-rough-weather-5151805/>

³ <http://www.epw.in/journal/2017/35/commentary/impediments-spread-crop-insurance-india.html>

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authors ascribe this to the lengthy procedure in gauging the extent of crop loss, which is done through CCE. Interestingly, as Damodaran notes, the PMFBY too is faced with delayed CCE for assessment of yield losses.

Region, not Farmer, as the Unit

Mukherjee and Pal note in their paper that since crop insurance schemes are indexed, receipt of claim does not depend on the farmer's individual loss, but rather on the average loss of a region. This loophole has been carried forward in PMFBY. As agricultural expert Devinder Sharma notes, under PMFBY too, a village or a village panchayat has been taken as the unit of insurance. As Sharma notes, this implies that "irrespective of the loss an individual farmer suffers – say from a hailstorm or strong winds – the compensation she will get will be based on the average loss in crop production in a village. This is primarily the reason why farmers were never enthused to take up crop insurance."

Keeping insurance unit at village level also implies that even if the insured farmer has suffered 100 per cent crop loss, she might be ineligible to get any claim at all if there is no loss in sample farms selected for CCE. Hence, this scheme does not guarantee relief for individual farmer in the event of crop loss.⁴

Fortune for the Insurance Industry

Another loophole in the implementation of the PMFBY is that despite claiming huge premiums, private insurance companies have not settled insurance claims of a large number of farmers. For instance, as per the report 'State of India's Environment 2017: In Figures,' while insurance companies collected Rs 9,041.25 crore as premium for Kharif 2016, it paid just 25 per cent (Rs 570.10 crore) of the total claims made (Rs 2,324.01 crore) by March 2017.⁵ The report further noted that under both PMFBY and Restructured Weather-based Crop Insurance Scheme (RWBCIS, launched April 2016), insurance companies honoured just 17 per cent of the total claims raised during the 2016 Kharif season. Out of the total insurance claims of Rs 4,270.55 crore under the two schemes, only Rs 714.14 crore has been paid to farmers by March 2017.⁶

The findings of the report are complimented by an analysis of PMFBY by the Indian Express. As per the RTI responses received by the Indian Express from the Agricultural Insurance Company of India (AIC), the total premium collected under the PMFBY during 2016-17 was Rs 22,437. Against this, the crop loss claims finalised by the insurance companies amounted to Rs. 8,087.23 crore as on July 25, 2017.⁷ Interestingly, insurers did not suffer losses on claims made by farmers either, since, as the analysis notes, 80-85 per cent of the premium is reinsured with reinsurance companies.⁸

⁴ <http://www.downtoearth.org.in/blog/merely-increasing-pmfby-coverage-might-not-help-59620>

⁵ <http://www.downtoearth.org.in/news/insurance-companies-have-not-paid-83-of-farmers-crop-insurance-claims-soe2017-58020>

⁶ <http://www.downtoearth.org.in/news/insurance-companies-have-not-paid-83-of-farmers-crop-insurance-claims-soe2017-58020>

⁷ <http://indianexpress.com/article/india/look-whos-cashing-in-on-crop-insurance-plan-insurance-firms-pradhan-mantri-fasal-bima-yojana-pmfby-4816732/>

⁸ <http://indianexpress.com/article/india/look-whos-cashing-in-on-crop-insurance-plan-insurance-firms-pradhan-mantri-fasal-bima-yojana-pmfby-4816732/>

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The same story was repeated in 2017-18. Damodaran notes that during this period, gross premium collections of insurance companies – both charged to farmers as well as subsidy received from the Centre and state – totalled around Rs 24,450 crore worth. This was even after the delays by states in giving their subsidy contribution. However, as of April 2018, payouts to farmers have totalled merely Rs. 402 crores.⁹

Way Forward

As discussed, various loopholes that characterise crop insurance schemes in India have de-motivated farmers and they have opted to stay away from these schemes. Mukherjee and Pal note in their paper that merely 7.22% farmers were covered under crop insurance in 2012–13 while the average growth rate of crop insurance adoption from 2001 to 2013 was 6.48%. This level of coverage and growth rate made the authors wonder as to how the government plans to double the coverage of crop insurance among farmers to 50% by 2018 – one of the stated goals of the PMFBY.

Thus, the government's priority should be to work in tandem with various state governments to ensure that payments of premium subsidy, issuing notifications, undertaking CCEs, and submitting the data to insurance companies is done in a timely manner. Additionally, the unit of insurance has to be brought down from the village level to the individual farm level, ensuring that guaranteeing relief for individual farmer in the event of crop loss.

Further, private insurance companies should be brought under the purview of the Comptroller and Auditor General (CAG). Arguing in favour of a public audit of these companies, the CAG, in its July 2017 report on crop insurance schemes, noted that private insurance companies are not properly monitored and premium subsidy is released to them simply on the basis of affidavits provided by these companies without checking actual situation on the ground.¹⁰ In a situation where large amount of funds under PMFBY are given as subsidies to private insurance companies, it is imperative that they be monitored and held accountable for the huge gap that arises between premiums collected and claims received by farmers.

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⁹ <http://indianexpress.com/article/india/pradhan-mantri-fasal-bima-yojana-flagship-crop-insurance-scheme-runs-into-rough-weather-5151805/>

¹⁰ <http://www.downtoearth.org.in/blog/merely-increasing-pmfby-coverage-might-not-help-59620>

Headlines

What ails India's courts: Crumbling buildings, poor infrastructure cripple daily functioning

(Raunaq Chandrashekar and Amrita Pillai, *Firstpost*, May 5, 2018)

Physical infrastructure, unfortunately, remains a relatively under-analysed domain in the Indian judiciary; as of 2015, while the Department of Justice recorded 16,513 courtrooms for a working strength of 16,070 judicial officers, in 2016, the Centre for Research and Planning at the Supreme Court recorded a sanctioned strength of 20,558 judicial officers now that only had 15,540 court halls and a shortfall of 8,538 residential units. Further a 2012 report released by the subcommittee of the National Court Management Systems (NCMS), headed by Justice Badar Durrez Ahmed in regard to Infrastructure and Budgeting; it highlighted the need for better infrastructure planning. However subsequent survey of subordinate courts in Delhi and NCR showed that only two of the 12 courts surveyed boasted air-conditioning, three did not have washroom facilities near the courtrooms, while one did not have a designated washroom for women. The numbers only tell half of the truth as most courtrooms which have washrooms didn't have clean or usable ones, particularly for women.

Read More: <https://www.firstpost.com/india/what-ails-indias-courts-crumbling-buildings-poor-infrastructure-cripple-daily-functioning-4456905.html>

Date Accessed: 06.05.2018

Governance and Development

GOVERNANCE

2.8 lakh were to deliver IRCTC services, only 38,500 registered so far

(Shyamlal Yadav, *The Indian Express*, May 7, 2018)

After government statements claiming that 2.92 lakh common service centres (CSCs) delivering a range of services across the country including e-ticketing services for the railways have been established, IRCTC last month stated that only 38,500 Retail Service Providers (RSPs) had registered so far for IRCTC services through CSCs. Despite the government sanctioning the registration of 1 lakh RSPs via Special Purpose Vehicle (SPV) CSC E-Governance Services India Limited in June last year, the process remained slow and only 38,000 have registered so far. IRCTC officials have voiced their concerns that in the current pace and procedure, it will take another 2-3 years to meet the initial target and have asked the Ministry to ensure the registration of all RSPs by this month.

Read more: <http://indianexpress.com/article/india/2-8-lakh-were-to-deliver-irctc-services-only-38500-registered-so-far-5166155/>
Date Accessed: 07.05.2018

HEALTH

India Leads in Vaccine Production but Not in Vaccination

(Jo Chopra, *The Wire*, April 30, 2018)

Despite being the highest producer of vaccines in the world, over 60,000 children under five die every year in the country from vaccine-preventable diseases and lack of vaccination. Universal vaccination in public health care system has long been neglected by the government, with India having one of the highest preventable childhood mortality rate. Recognising 24-30 April as World Immunisation Day, the UN has declared universal immunisation as one of the pillars of the strategic plan for achieving the UN's Millennium Development Goals, averting 2-3 million deaths and disabilities every year. However, this remains a distant dream for India as a study conducted by the University of Michigan has revealed that only 18% of India's children receive the full three-dose course of the vaccine against diphtheria, pertussis and tetanus (DPT), and only a third get the measles vaccine by the recommended age of 10 months. Religious and cultural beliefs of parents, illiteracy and poor record keeping have been attributed as the primary reason behind poor implementation of the vaccination programmes.

Read more: <https://thewire.in/health/india-leads-in-vaccine-production-but-not-in-vaccination>
Date Accessed: 07.05.2018

UNICEF lauds UP govt for immunising every child against encephalitis: New report traces history of AES in Gorakhpur

(Rishiraj Bhagawati, *Firstpost*, May 6, 2018)

At the recent UNICEF's India chapter, the Uttar Pradesh government was lauded for its efforts "to immunise every child" against Japanese Encephalitis (JE) and Acute Encephalitis Syndrome (AES). This comes just months after reports of over 1,300 deaths in the state-run BRD Medical College in Gorakhpur alone in 2017, with most deaths linked to encephalitis. Moreover, weeks before UNICEF's recognition, a report was published in the *Journal of Medical Entomology*, titled "Acute Encephalitis Syndrome in eastern Uttar Pradesh, India: Changing Etiological Understanding", that had conducted a detailed review of academic studies done on the seasonal outbreaks of AES in Gorakhpur over three decades had highlighted an efficiency of vaccination drives that was undertaken in the state in recent years. As per a compiled report, it was after the 2005 outbreak that the government introduced vaccines against JE in Gorakhpur, as part of a mass vaccination campaign targeting children between ages 1 and 15 years. According to Manoj Murhekar, the corresponding author of the report and scientist at National Institute of Epidemiology under the Indian Council of Medical Research (ICMR), "Our surveys in 2015 showed that three in four children received at least one dose of vaccination against JE. Now if UNICEF says every child has been immunised, it is quite possible that it is the case; it is the result of several special campaigns to increase the coverage of the vaccination drives," he said.

Read More: <https://www.firstpost.com/india/unicef-lauds-up-govt-for-immunising-every-child-against-encephalitis-new-report-traces-history-of-aes-in-gorakhpur-4457919.html>

Date Accessed: 06.05.2018

Governance and Development

TELECOM

India's Draft Telecom Policy Needs to Bridge the Gap Between Intent and Execution

(Anubha Sinha, *The Wire*, May 6, 2018)

The Department of Telecommunications (DoT) has released a draft new telecom policy, titled 'Draft National Digital Communications Policy 2018' last week which primarily seeks to improve broadband connectivity, accelerate development of next-generation technologies and institute measures for data sovereignty, security and safety. The policy identified 'Connect India', 'Propel India' and 'Secure India' as its three pillars. It also proposes several favourable institutional and regulatory changes and simplifies obtaining of permissions. Additionally, the policy proposes a few consumer-oriented changes such as establishing a 'Telecom Ombudsman' and a centralised web-based complaint redressal system although it does not reveal the DoT's approach to net-neutrality nor data protection and privacy. The author feels that retention of the 'light-touch' licensing frameworks may prove to be a barrier to innovation in the field. However, the actual implications can only be gauged when legislative and policy actions to support these strategies are taken.

Read more: <https://thewire.in/tech/india-draft-telecom-policy>

Date Accessed: 07.05.2018

LAW AND JUSTICE

SC nudge for speedy probes

(*The Telegraph*, May 6, 2018)

The Supreme Court has recently directed the Union home ministry to place before it data relating to all criminal cases in the country where investigations have been pending for more than a year. The bench of Justices A.K. Goel and Indu Malhotra has asked the Centre to talk to all the states and evolve a plan for disposing of such cases "in a proposed time-frame", observing that speedy trial is an "implicit right" to life and liberty under Article 21. "We direct the ministry of home affairs to have interaction on the subject with all the central and state investigating agencies on or before May 31, 2018," the bench said. Fixing the next hearing for July 3, the court said investigations sometimes remained pending for an "unduly long time" and stressed the "clear need for timelines".

Read More: <https://www.telegraphindia.com/india/sc-nudge-for-speedy-probes-228444?ref=india-new-stry>

Date Accessed: 06.05.2018

ENVIRONMENT

Selling India's Natural Wealth

(Editorial, *Economic & Political Weekly*, May 5, 2018)

The Ministry of Environment, Forest and Climate Change has recently released a draft National Forest Policy (NFP) which will replace the existing one that came into effect 30 years ago in 1988. Some of the key provisions include setting up public-private partnerships to regenerate "degraded" forests with less than 40% tree cover keeping in mind the "climate-smart value chains" for forest products, and expresses concern at the low productivity of forests. However, as per past experience such partnerships have led to monocultures, to planting fast-growing exotic species that replace indigenous varieties and that the end result has been an industrial plantation and not a natural forest. Furthermore it has driven away forest dwellers and nomadic communities that are entitled to these common resources. Besides this, the policy also fails to address other issues affecting forest loss. A right to information (RTI) application by two environmental lawyers, Ritiwik Dutta and Rahul Choudhary, in 2013 revealed that 135 hectares of forestlands are lost every day to developmental projects like dams, mines and road building. Unfortunately, the government seems to be only interested in extracting the maximum revenue from any natural resource, whether it is land, forests, or water.

Read More: <http://www.epw.in/journal/2018/18/editorials/selling-indias-natural-wealth.html>

Date Accessed: 06.05.2018

India and the World

INTERNATIONAL AFFAIRS

China here to stay in Indian Ocean, its military movement cause for concern: Navy chief Sunil Lanba

(Rahul Singh, *Hindustan Times*, May 7, 2018)

India's senior most military commander has voiced his concerns over China's growing military movements in the Indian Ocean and what it might mean for India's strategic position in the Indian Ocean Region (IOR). A fleet of 50 combat-ready Indian warships is carrying out round-the-clock surveillance for identifying any extra regional deployments by the Chinese military. In the light of increasing Chinese military assertiveness globally and their use of 'debt trap diplomacy' to expand its influence into India's immediate neighbourhood, the IOR remains a major concern for India. The Navy chief also emphasised on the need for India to sharpen its naval edge and become a more versatile sea power in the coming years.

Read more: <https://www.hindustantimes.com/india-news/china-here-to-stay-in-indian-ocean-its-military-movement-cause-for-concern-navy-chief-sunil-lanba/story-9IXNkSBEhTOetMPEx3qZ8I.html>

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