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The *Pradhan Mantri Fasal Bima Yojana*: India's New Safety Net for Farmers

India's latest crop insurance scheme, announced by the Narendra Modi Government earlier this year, is designed to overcome the many problems encountered in the implementation of previous programmes. The use of technology to assess crop damage, and the recourse to some of the newly introduced mechanisms for curbing leakages in the flow of benefits, appear to have made this new scheme attractive to the farmers.

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In early-2016, the Narendra Modi Government in India announced a new crop insurance scheme by the name of the 'Pradhan Mantri Fasal Bima Yojana' ('Prime Minister's Crop Insurance scheme'), which promises to be a very substantial improvement on the previous crop insurance schemes. Coming at a time when the farmers are facing two consecutive years of drought, the scheme will offer reassuring succour to those in distress due to repeated crop failures. The problem has got compounded with crop damage due to hailstorms in certain pockets of the country. The earlier Modified National Agriculture Insurance Scheme suffered

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from the fact that it barely covered 23% of the farmers and did not address post-harvest losses except when they were caused by cyclones in coastal areas. It also suffered from the inadequacy that the insured amounts were low and attracted a premium in the range of 8% to 12%. Its coverage was based on the cost of inputs and not on the expected income on the crop. The issue which made the farmers most reluctant to enrol was the methodology of assessing the damage to crops, lacking transparency as it did. Another factor that made enrolment unattractive was the delay in the settlement of dues. It was also alleged that the farmers lost a sizeable amount of their compensations in dealing with the official machinery.

In March-April 2015, foul weather destroyed crops across large stretches of northern and western India. The government had to raise the compensation, which was capped at Rs 4,500 per hectare for dryland and Rs 9,000 per hectare for irrigated land, to Rs 6,750 for dryland and Rs 13,500 per hectare for irrigated land, respectively. Even this enhancement proved to be inadequate. In Haryana, for instance, the average wheat yield is about 4.7 tonnes per hectare, the value of which had then been worked out to about Rs 60,000. A farmer would have typically spent Rs 30,000 per hectare but got a compensation of only Rs 13,500 per hectare. This showed the inadequacy of the earlier insurance mechanisms.

In comparison, the new scheme attempts to overcome such inadequacies. While the premium actuarially assessed is still in the range of 10% to 12%, the share payable by the farmer has been capped at 2% for Kharif crops in one farm season. For Rabi crops in another agricultural season, the share of the farmer is capped at 1.50%, as against the actuarial assessment of premium in the 8% to 10% range. For annual and horticulture crops, the cap is fixed at 5%. This implies that the subvention by the government in favour of the farmers will be to the tune of about 80%. While this may appear to be very high, it is very comparable to the trend seen in other parts of the world. It compares very favourably with China where the subsidy to the farmer is also 80%. The comparable figure in the United States is about 70%. The scheme proposes to cover 50% of the cropped area. It is expected that the outgo from the budget will be about Rs 9,000 crore, which is not very substantial considering that it is already spending about Rs 5,000 crore on a disaster relief scheme which is beset with many leakages and has a very low satisfaction rate among farmers.

Whilst the scheme as it is designed appears to be attractive, its success will be contingent on the following factors: First, it emphasises a scientific mechanism of assessing crop damage. It will have to be ensured that the vital equipment for such an assessment is in place, and, if not readily available in the vicinity, can be rapidly mobilised. The assessment methodology talks of using drones, automatic weather stations and low-earth-orbit satellites. Such high technology requires substantial fixed costs upfront, and unless the mechanism is put in place early it will only lead to further dissatisfaction among the farmers and a loss of credibility of the government. The success of the scheme can be measured by the rapidity with which data-gathering can be done to assess crop damage.

The other essential feature which would contribute to the success of the scheme is the manner and speed of settlement of compensation. It has to be recognised that farmers are already heavily indebted due to successive drought years. They also have very low financial holding capacity in case farm incomes do not materialise early. The government has announced payment of compensation through the normal banking channels or the bank accounts which have been opened under the *Jan Dhan Yojana*. (People's Wealth scheme). [Two hundred and twenty million accounts have been opened under the scheme in less than two years of the present government]. If payment is indeed channelled rapidly through these bank accounts the leakage will be reduced. Crop failure-related settlements in countries such as Kenya take only about four days. To enable this mechanism to kick in, the insured fields will have to be properly earmarked and in fact digitised. The plot will then have to be linked with the bank account and connected to the *Adhaar* number (citizen identification system in India). All this will have to be done upfront and put in place at the time when the premium is paid. This will require the entire field machinery to be alert and able to undertake the data collection process in a very short period of time. The government would do well if it puts in place this arrangement by the time the farmer takes the bank loan for his crop inputs and links it to his bank account, otherwise it will merely add to his debt burden. The essential fact is that farmers must get early settlement, or else the scheme will fade away among the many that governments initiate but soon lose track of.

Messages of advantages under new scheme will reach the farmers through multiple efforts. The *Krishi Vigyan Kendras* - institutions for imparting training to farmers and introducing them to new farm technology and sustainable agricultural practices - may play an important role in this regard. Besides, the agriculture ministry has also roped in Information Technology & Communications Ministry to propagate the message through digital medium and mobile phones by spelling out the advantage of the scheme.

Under the new scheme, it was decided that only one insurance company will exclusively be allocated one particular State or two-three areas in a bigger State for at least three years to cover as many farmers as possible.

This move will allow a particular company to set up infrastructure and build rapport with the farmers of the area so that more and more farmers come under the insurance net. All the eleven general insurance companies have reacted enthusiastically towards the scheme, and bids have been invited to ensure their participation.

Government needs to be complimented for designing a scheme which is attractive to the farmers and is at the same time futuristic, in the sense that it relies upon technology which is easily accessible within the country. The factor of timeliness of the settlement, after the crop damage has been assessed, has also been borne in mind and incorporated in the architecture of the scheme. Details regarding sharing of the insurance premium between the Central and State governments have been worked out: 45% each, with the farmer meeting the balance 10%. States such as Maharashtra have already implemented the scheme from 1 April 2016.

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