Syllabus subtopic: Welfare Schemes for Vulnerable Sections of the population by the Centre and States and the Performance of these Schemes

Prelims and Mains focus: about the move; about PMFBY: objectives and criticisms

News: The Union Cabinet approved the revamp of the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme at its meeting.

Key highlights of the meeting

- The Centre has almost halved its contribution to its own flagship crop insurance schemes, slashing its share of the premium subsidy from the current 50% to just 25% in irrigated areas and 30% for unirrigated areas from the kharif season of 2020.

- In another significant step, enrolment in the two schemes has also been made voluntary for all farmers, including those with existing crop loans. When the PMFBY was launched in 2016, it was made mandatory for all farmers with crop loans to enrol for insurance cover under the scheme.

- 58% of farmers enrolled in the schemes are loanees who will no longer have to compulsorily take insurance cover. The numbers of enrolled farmers may go down in the first year, but it will pick up again after that. The Centre would launch an awareness campaign to encourage farmers to voluntarily sign up for crop insurance policies. Coverage under the scheme is now 30% of cropped area, according to government data.

Criticism of PMFBY

PMFBY has come in from flak from a wide variety of stakeholders.

- Farmers groups and opposition politicians have claimed that private insurance companies have made windfall gains on the scheme.
Several major insurers, including ICICI Lombard and Tata AIG, have opted out of the scheme in 2019-20, reportedly due to losses because of high claims ratios. Several States, including Punjab and West Bengal, have refused to participate in the scheme as well.

Revamping PMFBY

- The Centre has made changes to the scheme based on consultations with States and inputs from all stakeholders.

- **Farmers pay a fixed share** of the premium: 2% of the sum insured for kharif crops, 1.5% for rabi crops and 5% for cash crops.

- Currently, the Centre and State split the balance of the premium equally. However, the revamp now reduces the burden on the Centre and increases the share of States.

About PMFBY

- **In April, 2016**, the government of India had launched Pradhan Mantri Fasal Bima Yojana (PMFBY) after rolling back the earlier insurance schemes viz. National Agriculture Insurance Scheme (NAIS), Weather-based Crop Insurance scheme and Modified National Agricultural Insurance Scheme (MNAIS).

- It envisages a uniform premium of only 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%.

- The scheme is mandatory for farmers who have taken institutional loans from banks. It’s optional for farmers who have not taken institutional credit.

Objectives:

1. Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events.
2. Stabilizing the income of farmers to ensure their continuance in farming.
3. Encouraging farmers to adopt innovative and modern agricultural practices.
4. Ensuring flow of credit to the agriculture sector which contributes to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.