



## Issues with PMFBY

**For Prelims:** Pradhan Mantri Fasal Bima Yojana Scheme, States opting out of PMFBY.

**For Mains:** Government Policies & Interventions, E-Technology in the Aid of Farmers, Issues in PMFBY, Direct and indirect subsidies.

### Why in News?

Maharashtra is the latest state to threaten to withdraw from the [Pradhan Mantri Fasal Bhima Yagna \(PMFBY\)](#) if the changes suggested by it were not taken into consideration.

- **Gujarat, Bihar, West Bengal, Andhra Pradesh, Telangana and Jharkhand** have opted out of the scheme because of **low claim ratio and financial constraints**.

### What is PMFBY?

- It is a central-state scheme, introduced in the **2016-17 kharif season**.
- It aims **to cushion farmers against crop loss**.
- The central and state governments pay more than 95% of the premium amount while **the farmer bears 1.5-5% of the premium**.
- As extensive usage of technology is used to settle the claims of farmers within a stipulated time period, **farmers are required to fill loss reports online which are validated by insurance companies before the compensation amount is paid** directly in their accounts.
- Prior to 2020, **the scheme was mandatory for farmers who availed institutional finance**, but that was changed and made voluntary for all farmers.

### What are the Issues in PMFBY?

- **Financial Constraints of States: The financial constraints of the state governments and low claim ratio during normal seasons are the major reasons** for non-implementation of the Scheme by these States.
  - States are **unable to deal with a situation** where insurance companies compensate farmers less than the premium they have collected from them and the Centre.
  - The State governments **failed to release funds on time** leading to delays in releasing insurance compensation.
  - This defeats the very purpose of the scheme which is to provide timely financial assistance to the farming community.
- **Claim Settlement Issues: Many farmers are dissatisfied with both the level of compensation** and delays in settlement.
  - The role and power of Insurance companies is significant. In many cases, **it didn't investigate losses** due to a localised calamity and, therefore, did not pay the claims.

- **Implementation Issues:** Insurance companies **have shown no interest in bidding** for clusters that are prone to crop loss.
  - Further, it is in the nature of the insurance business for entities to make money when crop failures are low and vice-versa.
- **Identification Issues:** Currently the **PMFBY scheme doesn't distinguish between large and small farmers** and thus raises the issue of identification. Small farmers are the most vulnerable class.

## What changes has the Maharashtra government proposed?

- **Share in Premium:**
  - Maharashtra has proposed a share in **premium collected from insurance companies during a non-payout or normal year.**
- **Beed Model:**
  - It called for the **Beed model**, which was first experimented during kharif 2020,
  - under this model, **insurance companies provide cover to an extent of 110% of the premium collected.**
  - In case the compensation amount exceeds this, **the state government will bridge the amount.**
  - In case the compensation amount is less than the premium collected, **the company will refund 80%** of the funds to the state government and keep 20% for its administrative expenses.
    - The model was **implemented by the government-run Agricultural Insurance Company.**
- **Accountability for Insurance Companies:**
  - The state has also sought **more accountability from insurance companies.**
  - Farm leaders have asked for **necessary infrastructure to be set up while implementing the scheme**, and the usage of technology to help eradicate human interference.

## Way Forward

- Insurance companies **should bid for a cluster for about three years, so that they get a better chance to handle** both good and bad years. The bids should be closed before the onset of the kharif/rabi season.
- Instead of paying subsidies under this, **the state government should invest that money in a new insurance model.**
- The Beed model will reduce the state's subsidy burden but it has to be seen if it is benefitting the farmers.

PYQ

With reference to "Aam Admi Bima Yojana", consider the following statements: (2011)

1. The member insured under the scheme must be the head of the family or an earning member of the family in a rural landless house hold.
2. The member insured must be in the age group of 30 to 65 years.
3. There is a provision for free scholarship for up to two children of the insured who are studying between classes 9 and 12

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Ans: (c)

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