

PERFORMANCE EVALUATION OF PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) IN WEST BENGAL

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Preface

The present study entitled “Performance Evaluation of Pradhan Mantri Fasal Bima Yojana (PMFBY) in West Bengal” is a part of an All India Coordinated Study and was undertaken at the instance of Directorate of Economics and Statistics, Ministry of Agriculture & Farmers Welfare, Government of India, New Delhi. The task of coordination has been entrusted with Center for Management in Agriculture (CMA), Indian Institute of Management, Ahmedabad.

Agriculture being highly prone to various kinds of risks and uncertainties, there is a necessity to protect the farmers from natural calamities and market failures. The risk confronted by the resource poor small and marginal farmers, who are the majority in West Bengal, is of particular importance as it not only affect the poor farmers but also the whole value chain and consumers. The Pradhan Mantri Fasal Bima Yojana (PMFBY), rechristened as Bangla Fasal Bima Yojana (BFBY) in West Bengal, is in operation since Kharif 2016 and is being provided entirely free of cost to the farmers, except in case of potato and sugarcane.

The present study is an attempt to evaluate the performance of the scheme in West Bengal in terms of issues related to governance, implementation and uptake behavior among the farmers and to make some policy suggestions for its better functioning.

The main objective of PMFBY/BFBY was to promote crop insurance and to provide risk cover to the farmers. The study revealed that so far as promoting crop insurance among the farmers in West Bengal is concerned, the scheme is a huge success as more than 4.1 million farmers were enrolled under PMFBY/BFBY in the very first year of its implementation. So far as governance and implementation issues are concerned, the performance under PMFBY/BFBY is also quite satisfactory. However, there are enough scope for further improvements in future particularly in increasing the awareness among the farmers, ensuring risk cover to the farmers at the time of distress, and in the use of smart technologies in estimating crop loss and in reporting claims.

The task of completion of this study was assigned to Prof. Bidhan Chandra Roy for overall coordination and Vivekananda Datta as Team Leader. Besides Prof Roy and Mr. Dutta, the study team also consist Dr. Bitan Mondal, Dr. Ranjan Kumar Biswas and Mr. K. S. Chattopadhyay. Drafting and analysis of the report was done by the Prof. B. C. Roy, Dr. Sabyasachi Ojha; Dr. R. K. Biswas and Dr. Bitan Mondal. Mr. Nrityananda Maji helped the study team in data entry while typing of the study was done by Munshi Abdul Khaleque and Dibyendu Mondal. Mr. D. Das, P. Mitra, A.R. Patra, B. Singh and S. Hansda helped in the office maintenance.

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A word of appreciation is not enough for the kind of help and cooperation we received from Mr. Sourav Gupta, Administrative Officer, Agricultural Insurance Corporation of India Limited, Kolkata Regional Office, without which the present project would not have been completed. Last but not the least; thanks are due to innumerable respondents in the villages who ungrudgingly took the pain of answering to our questions for hours at end. We thank each one of them for their invaluable support.

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Abbreviations

ADA	Assistant Director of Agriculture
AIC	Agricultural Insurance Company of India Ltd
APR	Actuarial Premium Rate
BAES	Bureau of Applied Economics and Statistics
BFBY	Bangla Fasal Bima Yojana
BLMC	Block Level Management Committee
CAG	Comptroller and Auditor General
CCE	Crop Cutting Experiment
CCIS	Comprehensive Crop Insurance Scheme
CSC	Customer Service Centre
DAC&FW	Department of Agriculture, Cooperation and Farmers Welfare
DLMC	District Level Monitoring Committee
DLTC	District Level Technical Committee
DoA	Department of Agriculture
FGD	Focus Group Discussions
GCA	Gross Cropped Area
GIS	Geographic Information System
GoWB	Government of West Bengal
GPs	Gram Panchayat
IA	Implementing Agency/Insurance Agency/implementing Insurance Agency
IU	Insurance Unit
KPS	Krishi Prayukti Sahayaka
MGNAREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MNAIS	Modified National Agricultural Insurance Scheme
MOA&FW	Ministry of Agriculture and Farmers Welfare
MSP	Minimum Support Price
NABARD	National Bank for Agriculture and Rural Development
NAIS	National Agricultural Insurance Scheme
PACS	Primary Agricultural Co-operative Societies
PCIS	Pilot Crop Insurance Scheme
PMFBY	Pradhan Mantri Fasal Bima Yojana
SI	Sum Insured
SLCCCI	State Level Coordination Committee on Crop Insurance
RST	Remote Sensing Technology
WBCIS	Weather Based Crop Insurance Scheme

EXECUTIVE SUMMARY

Background

Any successful crop insurance scheme, worldwide, requires government support and finance. According to a recent World Bank survey on crop insurance performed in 65 countries, premium subsidy by the government was found to be the most common strategy to support agricultural insurance market. While crop insurance is essentially a commercial activity, it is common to see that governments also play a role, as governments have an interest from the perspective of maintaining productivity and safeguarding the wellbeing of the farming community. Against this backdrop, introduction of Pradhan Mantri Fasal Bima Yojana (PMFBY) was a welcome step. As compared to previous crop insurance schemes, PMFBY holds a special place due to its wide coverage and for the innovativeness of its designs. The present study is an attempt to evaluate the performance of PMFBY in the state of West Bengal in terms of issues related to governance, implementation and uptake behavior among the farmers and to make some policy suggestions for its better functioning.

Objectives of the study

The specific objectives of the study are:

1. To analyze the governance of PMFBY implementation in West Bengal
 - a. To examine the functioning of different stakeholders dealing with PMFBY in West Bengal
 - b. To study the progress of PMFBY in West Bengal
2. To analyze the uptake behavior among the farmers in West Bengal
3. To recommend suitable policy suggestions for better functioning of PMFBY in West Bengal.

The present study is conducted in the state of West Bengal during 2017-18 and divided into two parts, namely: Governance and implementation of PMFBY in West Bengal; and Understanding uptake behavior. Both the component are carried out more or less simultaneously using mixed method of data collection. While the first part is based on secondary information and feedbacks collected from various stakeholders associated with implementation of PMFBY in the state of West Bengal; the second part is based on field surveys in three districts of West Bengal. The reference year for the study is agricultural year 2016-17 i.e., Kharif-2016 and Rabi-2016-17. The PMFBY was implemented in all the districts of West Bengal, except Kolkata, since its inception and has been rechristened as 'Bangla Fasal Bima Yojna (BFBY)' as it was offered free of cost to the farmers and the state government borne the entire financial liability on account of farmers' share of premiums in addition to its own share. However, all other guidelines and norms remained unaltered. It was offered to all categories of farmers in the state and provided support to 4 major crops in Kharif and 11 crops in Rabi.

Major Findings

The major findings of the study are summarized below.

- As far as promoting crop insurance among the farmers in West Bengal is concerned, the scheme is a huge success as more than 3.06 million farmers were enrolled in the very first season of its implementation, registering an annual growth of 216.1% over the previous year against 5.6% at national level.
- In terms of area coverage too, the PMFBY made an impressive growth in West Bengal with 28.85% area covered during Kharif-2016 and 12.44% during Rabi-2016-17, much higher than the national average in both the season.
- AIC played a very active role in bringing more than 0.54 million new non-loanee farmers, in Cluster-IV, under the purview of PMFBY in the very first season. The total number of enrolment by AIC was around 1.3 million (nearly 42% of state total) and that too just from a single cluster allotted to them.
- The salient features of successful implementation of PMFBY in West Bengal are timely notification with wide coverage of crops; timely constitution of different committees at state/district/block level; following e-tendering & cluster approach in bidding process; and providing crop insurance at free of cost to the farmers.
- Though the performance of PMFBY, in terms of coverage, is quite satisfactory, the implementation of the scheme suffers from several weaknesses.
- Huge enrolment under PMFBY in West Bengal was mainly supply driven rather demand driven. Since it was offered free of cost, since it was mandatory for loanee farmers, and since GPs took special initiatives for mass enrollment; the coverage under PMFBY was very high in West Bengal. In fact voluntary enrollment was only 30% among the loanee farmers and 40% among the non-loanee farmers.
- Further, the coverage is particularly restricted in irrigated areas growing paddy, jute and potato as compared to rain-fed and hilly regions. Poor adoption rate among the non-loanee farmers is also a matter of concern, as they constitute more than 70% of farming community in the state.
- The governance and implementation was more or less in accordance with the stipulated operational guidelines, from pre-notification to enrolment phase. But the main problems was in conducting CCEs and settlement of claims which delayed by more than 6 to 12 months, as government failed to submit yield data and premium subsidy on time. This provided IAs an excuse to delay or deny compensation.
- While submission of yield data was delayed mainly due to failure in conducting huge number of CCEs, the delay in release of premium subsidy was mainly due to limited budget provisions.

- Another important reason for delay in payment was due to doubtful claims and incomplete documents submitted by the farmers during both enrolment as well as during reporting loss/claim.
- Though government officials claims a good level of awareness about PMFBY, the results of field survey shows a complete lack of awareness among the sample farmers. In fact nearly 70 % of the non-insured farmers not even heard the name of PMFBY.
- Even the farmers who heard the name of PMFBY or BFBY were not aware of the various features of the scheme. There was sheer lack of awareness, among 95% respondents about specific features of the scheme.
- Implementing IAs, barring AIC, have been found not to play an active role and their presence at local level was very poor. The GPs and banks played a crucial role in increasing the number of enrolment but not so during settlement of claims or explaining the features of the scheme.
- From the very first season of PMFBY, e-bidding was mandatorily practiced using clustering of district approach. But there was apprehension regarding lack of transparency in the e-bidding process.
- The actuarial premium rates (APR) were quite high during Rabi 2016-17 as compared to Kharif-2016. In many cases it was below the threshold level of 2%. during Kharif, but as high as 38.61% during Rabi. With the APR being quite high, IAs have found a good business opportunity under PMFBY, in West Bengal with overall claim to premium ratio being 57.73%.
- While PMFBY promised use of smart-phones, remote sensing images, GIS data, and drone technologies to carry out faster assessment of crop losses, the BAES & DoA failed to use such smart technologies to effectively reduce the number of CCEs.
- So far as claim settlement is concerned, the performance of PMFBY in West Bengal is particularly very poor where insurance companies collected Rs.730 crores in premium and the estimated claim settled till July, 2017 was less than Rs. 1 crore, which increased to Rs. 421 crores by the end of January, 2018. Therefore, during first year of implementation, PMFBY has proved to be a scheme most efficient when it comes to collection of premium, but not at all so in payment of claims.
- In-spite of not having any claim, 80% respondent farmers consider the scheme better than any previous crop insurance schemes they availed but two-third of them expressed their dissatisfaction regarding poor implementation of the scheme.
- The most demanded suggestion was for a more pro-active role on the part of GPs in dissemination of adequate information and help in claim settlement process. Other major suggestions were, simplification of enrollment and claim settlement process, need for direct contact with the IAs, timely payment of compensation, etc.

Policy Recommendations

The policy recommendation calls for an integrated approach involving all the stakeholders with multi-pronged emphasis on the larger issue of improving governance, implementations, and impact of PMFBY scheme in the state. Several initiatives have already been taken, during post 2016-17 period, by the concerned stakeholders. Few more policy suggestions are:

1. Awareness drive: Government and other stakeholders need to generate awareness about the benefits of PMFBY/BFBY among all categories of farmers, so that the farmers should take up crop insurance in an informed manner rather than taking it as a free lunch. Therefore, strategies for effective awareness campaign and mechanism for a transparent and accountable system of speedy payment of compensation should be evolved.
2. Technological intervention like digitization of land records to ensure genuine enrollment and faster claim settlement process; encourage on-line enrolment and claim settlement through Common Service Centres (CSC); use of smart technologies in effectively reducing the number of CCEs and to improve its reliability; and development of a dedicated, interactive and user friendly portal with regional languages.
3. Rational policy initiatives like introducing a nominal processing fee for enrollment through CSCs, which may be reimbursed to their account if all documents submitted for enrolment and claims found in order; introduction of no claim bonus for cash crops and horticultural crops, and for non-loanee farmers; expanding the role of GPs beyond enrollment; setting up own insurance firm by the state government in order to check the oligopolistic behavior by the private IAs; and extending free insurance cover, under BFBY, to horticultural crops too; in order to promote crop diversification in the state.
4. To ensure transparency and accountability, government must encourage long term bid under e-tendering; and improve monitoring and grievance redressal mechanism. There should be strict compliance of timelines with regard to submission of yield data by the DoA and timely compensation to farmers.
5. Improving delivery mechanism by ensuring presence of IAs at GP level and direct contact with the farmers; capacity building in terms of technological infrastructure and manpower; monitoring claim settlement process; and simplification of procedures.