

AGRICULTURAL SECTOR AND CROP INSURANCE: THE ORDEAL OF MINOR AND SMALL FARMERS AND THE NEED FOR CHANGE

SURATH CHOUDHURY
4TH YEAR LAW STUDENT

SCHOOL OF LAW, CHRIST (DEEMED TO BE UNIVERSITY)
ADDRESS: 18 BAGHAJATIN ROAD, ASHUTOSH BHAWAN, SILIGURI 734001, DIST DARJEELING, WEST BENGAL.

ABSTRACT:

Agricultural Sector and Crop Insurance: The Ordeal of Minor and Small Farmers and the Need for Change:

“There are two spiritual dangers in not owning a farm. One is the danger of supposing that breakfast comes from the grocery and the other that heat comes from the furnace”¹. Crop Insurance is one of the most important facets of the agricultural sector and it is the duty of the administration that the farmers are kept within the protective veil of insurance.

The paper focuses on the plight of marginal farmers on their pursuit to secure insurances. The paper essentially compares the system that existed prior to 2014 and how the new government has brought about a change in ensuring efficiency in insuring marginal farmers. The paper starts off by analysing the current scenario of insurance in the agricultural sector of India and continues by laying focus on the difference between major farmers and marginal farmers and how marginal farmers are being discriminated upon the matter of securing insurance for their crops. The paper also lays emphasis upon the issue of securing crop insurance for natural disasters like floods, storms, drought among others. The main question that the paper shall look upon is whether the new scheme of Pradhan Mantri Fasal Bima Yojana is actually proving to be efficient or not in ensuring transparency and parity in catering insurance to the small and marginal farmers. The paper finally concludes by giving a roadmap as to how the plight of the small and marginal farmers can be relaxed and how transparency and parity can be ensured in insuring them.

KEYWORDS: *Agricultural Sector, Crop Insurance, Marginal Farmers, Major Farmers, Natural Disasters, Pradhan Mantri Fasal Bima Yojana, Transparency, Small Farmers.*

¹ Aldo Leopold, A Sand Castle Almanac

I. INTRODUCTION:

“There are two spiritual dangers in not owning a farm. One is the danger of supposing that the breakfast comes from the grocery and the other that the heat comes from the furnace”². Agriculture is the backbone of any developing country. India is the fastest growing economy in the world and is hailed in having extraordinary potential. Therefore, it is extremely important for the administration to take care of their farmers. Shockingly, Indian farmers are some of the poorest in the world. They suffer from diverse problems ranging from natural disasters, inadequacy in policies of agricultural development to inadequacy in insurance policies. In a tumultuous country like India where scores of farmers commit suicide the assurance of insurance is of utmost importance. Different Governments be it at the state level or the central have tried to formulate a plan for such an assurance but to no avail since in the implementation aspect such policies have always failed. The current *NDA Government* has come up with the *Pradhan Mantri Fasal Bima Yojana* which is an improvement from the previous policies such as the Incorporation of Farmer Insurance in the Integrated Rural Development Programme by the *UPA I* and the *UPA II Governments*. However, the current policy is suffering from some intrinsic problems which are inherent to India. It is time that a concrete solution is formulated and the assurance of insurance is established for the farmers of this country.

II. THE SITUATION IN DISPLAY:

It is of utmost requirement that a specific everlasting policy be put in place for insurance in the agricultural sector. India is a developing third world country. It is one of the richest countries and at the same time one of the poorest countries in the world. Many scholars have pondered on the question as to why there is such a gulf of difference between the rural sector and the urban sector of the country. The answer lies in the efficiency of administration in these two sectors. The urban sector embodies and represents a developing industrial economy where the scope of hiccups in efficiency of policies and administration is little whereas in the rural sector because of the lack of policies and the lack of accountability the well thought out policies are going lean shaped. The agricultural sector has suffered enough in the last decade or so. There has been scores of instances of farmer suicides³. At the same time the productivity has also been affected because of the loopholes in administration and most importantly because of the dearth of any sense of security⁴. The first policy related to farmer insurance was incorporated in the year 2002 with an initial funding of Rs 1500 Crore from the Government. However with initial success the scheme or the plan did not prove to be

² Aldo Leopold, A Sand County Almanac

³ Why are farmers of India Committing Suicides, 15th March 2018,

<http://www.newindianexpress.com/nation/2018/mar/15/why-are-indias-farmers-committing-suicide-1787539.html>

⁴ Why are farmers of India Committing Suicides, 15th March 2018,

<http://www.newindianexpress.com/nation/2018/mar/15/why-are-indias-farmers-committing-suicide-1787539.html>

efficient because the dearth of cooperation between the State Governments and the Central Government⁵. Cooperation is something which is of great importance in the success of any policy.

III. THE OCCURANCE OF NATURAL DISASTERS:

Natural disasters are one of the main reasons as to why insurance is of urgent requirement. In the recent decade droughts in the states of Madhya Pradesh, Maharashtra, Gujarat and also in some parts of Uttar Pradesh has affected crop production. This has proven to be a huge blow to the farmers of these states. This has led to numerous cases of farmer suicides. The insurance schemes in place have proven to be a failure since more than half of the claims were not accepted⁶. The *National Agricultural Insurance Scheme* of the erstwhile UPA Government along with the *Modified National Agricultural Scheme* has proven to be ineffective. Furthermore, natural disasters like the floods in Assam, Kerala, earthquake in North Bengal and Assam have proven to be disastrous for the agricultural sector of those states. Insurance promised by the Government has proven to be inefficient in reimbursing the farmers. These calls for an entire revamp of the system. May be the revamp is not required in the policy decision but is required in the efficiency aspect of it. Natural disasters are one of the main reasons as to why insurance is of utmost importance and requirement.

IV. THE CHALLENGES FACED BY THE INSURANCE POLICIES:

A. COVERAGE:

According to a report insurance schemes cover only 23% of the farmers of the country. One of the fundamental questions which the policies fail to answer is to adhere to the promotion of such insurance schemes. Illiteracy reigns supreme among the farmers of our country⁷. It is because of this reason that inadequate coverage of such policies is in place. Policies with proper advertisement and awareness measures should be in place so that the inadequacy of the coverage of insurance policies can be addressed to.

⁵ Prevention of farmer Suicides: Greater Need for State Role than for a Mental Health Professional's Role, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5419010/>

⁶ Farm Sector is most at risk from natural disasters: FAO Study, <https://www.livemint.com/Home-Page/zC7nB7mLh5NDQjBeX3MO1L/Farm-sector-is-most-at-risk-from-natural-disasters-FAO-stud.html>

⁷ Didem Tali, Indian rural Farmers Struggle to Read and Write, <https://www.good.is/articles/agricultural-apps-bridge-literacy-gaps-in-india>

B. EXISTENCE OF FRAUDULENT ACTIVITIES:

According to a report certain farmers along with the insurance companies are hand in gloves in siphoning the insurance money⁸. Such instances have taken place in the *BIMARU* states of the country⁹. A reason that can be attributed for such an occurrence is the existence of private insurance companies in such policies. The *National Agricultural Insurance Scheme* under the UPA II Government allowed only 1 public insurance agency to be a part of the policy. Private insurance companies pose a serious threat to the sanctity and accountability of such policies since their sole interest is in making profit. Privatising each and every sector may not be beneficial; some form of Governmental presence is also required to achieve results.

V. THE IMPORTANCE OF THE CONCEPT OF MARGINAL AND MAJOR FARMERS:

It also needs to be contended that a vast difference lies between a marginal and a major farmer. A marginal farmer is someone who is involved in working in an area not going beyond the 2.5 acres mark¹⁰. In another definition marginal farmers are regarded as those who are farming and “Yet Hungry”¹¹. Around half of the world’s hungry are regarded as ‘food poor small farmers’. The state of marginal farmers is pitiable to say the least¹². There is no consistency in their income, the conflict between policies between the State Governments and the Union Government has also contributed to their misery, the occurrence of natural disasters along with the paucity and inefficiency of insurance schemes have all contributed to the misery of the small or marginal farmers. However, one of the major reasons as to why the insurance schemes do not reach the hands of the marginal farmers is the over influence of the major farmers with certain insurance companies. Major farmers are those farmers in India who possess more than 10 acres of land¹³. Such farmers are extremely influential and in most of the cases is hand in gloves with the administrative mechanism along with the insurance companies. One of the reasons that can be attributed to this would be the existence of private companies in the field wherein the business and profit making approach always creeps in and in doing so neglect the requirements of small farmers so that most of the money can be siphoned off to the major or wealthy farmers and at the same time enjoy profits. A strong policy is required to change this.

⁸ Manmohan Singh v Modi: Whose Crop Insurance is Better, 15 January, 2016 <https://www.firstpost.com/business/manmohan-singh-vs-modi-who-gifted-a-better-crop-insurance-to-the-indian-farmer-2585794.html>

⁹ Vishwa Mohan, Centre’s Flagship Crop Insurance sees 15% Drop in Coverage, August 6, 2018, <https://timesofindia.indiatimes.com/india/new-crop-insurance-reports-15-drop-in-coverage-of-farmers-states-which-gave-debt-waivers-see-bigger-decline/articleshow/65277449.cms>

¹⁰ Farmer Definition, May 29, 2009, <https://aaqua.persistent.co.in/aaqua/forum/viewthread?thread=11626>

¹¹ Marginal Farmers: A review of the literature, <https://www.concern.net/sites/default/files/resource/2009/04/3575-marginalfarmers-litreview-publication.pdf>

¹² Moin Qazi, India’s Bitter Seeds: The Plight of Small farmers, February 08, 2017, <https://thedi diplomat.com/2017/02/indias-bitter-seeds-the-plight-of-small-farmers/>

¹³ Farmer Definition, May 29, 2009, <https://aaqua.persistent.co.in/aaqua/forum/viewthread?thread=11626>

VI. THE PRADHAN MANTRI FASAL BIMA YOJANA:

The *Pradhan Mantri Fasal Bima Yojana* was launched by Prime Minister Narendra Modi on the 18th of February 2016. The policy was introduced with the intention of providing the assurance of insurance in the minds of the farmers of the country. *The Pradhan Mantri Fasal Bima Yojana* (here in after the PMFBY) addresses the main lacunas of the previous policies.

One of the main features of the *PMFBY* is the considerable decrease in the premium rates. Only 2% of the premium rates are to be paid by the kharif crop farmers and only 1.5% of the premium is to be paid by the Rabi crop farmers, the rest shall be paid by the Government. Additionally the farmers are also to receive a much higher amount in relation to the original claim.

Including these there is no upper limit on Government subsidy. Even if balance premium is 90%, it will be borne by the Government.

Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers. This capping was done to limit Government outgo on the premium subsidy. This capping has now been removed and farmers will get claim against full sum insured without any reduction.

The use of technology will be encouraged to a great extent. Smart phones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers. Remote sensing will be used to reduce the number of crop cutting experiments.

PMFBY is a replacement scheme of *NAIS / MNAIS*, there will be exemption from Service Tax liability of all the services involved in the implementation of the scheme. It is estimated that the new scheme will ensure about 75-80 per cent of subsidy for the farmers in insurance premium¹⁴.

A. THE REASONS FOR THE EMERGENCE OF THE PMFBY:

One of the main reasons for the issuance of this scheme was the scores of incidents of suicide as mentioned in the initial portion of the paper. According to the official reports at least 678 farmers have committed suicide in the states of Maharashtra, Madhya Pradesh, Uttar Pradesh, Karnataka and even Gujarat. One of the factors that have contributed to this is the prevalence of drought in these regions and the uneven distribution of rainfall. Natural disaster is one of the main reasons of farmer suicide and more so if there is no security provided from the side of the Government then such a trend will continue. It also needs to be mentioned that there has been a shift in the intensity of the south west monsoon in the recent years with uneven rainfall being recorded at many states. Last year according to the reports of the Government 209 districts across 9 states were drought hit. Therefore, to provide a sense of security and that too, a sense of efficient security to the farmers the PMFBY has been implemented.

¹⁴ Pradhan Mantri Fasal Bima Yojana, Vikaspedia, <http://vikaspedia.in/agriculture/agri-insurance/pradhan-mantri-fasal-bima-yojana>

B. ACHIEVEMENTS OF THE PMFBY:

The PMFBY has been immensely successful in its short life span. In the year 2016 the scheme has been successful in covering 366.64 lakh farmers which amounts to 26% of the farmers in India. Also at the same time the target of covering at least 30% of the farmers of the country was achieved by the end of the first half of 2017. Currently, the scheme covers almost 60% of the farmers of the country. The total coverage area stands at 339 hectares of farming land which comprises of almost of half of the farming land in the country. At the same time the insurance scheme has reached the farmers in fluidity which was absent under the previous policies.

C. A COMPARATIVE STUDY BETWEEN THE NAIS AND THE PMFBY:

One of the key aspects of the difference between the *UPA II NAIS* and the *NDA PMFBY* has been the rate at which it has grown and proven to be efficient. The ground reality has proven the efficiency of the *PMFBY*. The *PMFBY* covers yield loss of standing crops, prevented sowing/planting risk, harvest losses and localised risks¹⁵. There will be one insurance company for the entire scheme which is different from the previous scheme since as many as 5 insurance companies were involved with the scheme. The *PMFBY* has given insurance in the amount of Rs69,000 crores (Approximately). The previous scheme was riddled with corruption. Private insurance companies were also involved with the previous scheme which again proved to be a hindrance in the process of providing insurance for farmers. Statistically also the *PMFBY* surpasses the *NAIS* and the ground reality proves that. Therefore, it is safe to say that the intention with the *PMFBY* has been brought forward serves the agricultural sector of the country with success.

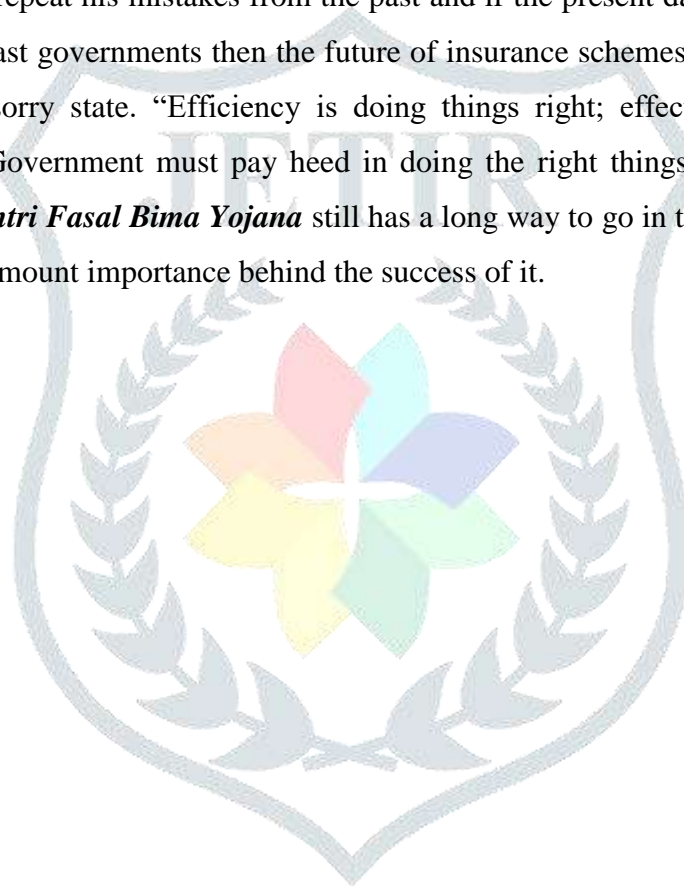
VII. CONCLUSION:

The health of the country is determined by the health of its farmers. Therefore, it is of utmost importance that the government looks after its farmers with proper care. The assurance and the security that comes with insurance schemes is something which is extremely beneficial and is something which is required to be implemented with proper care and vision. One of the lacunas that India faces is that the implementation of any policy is extremely lethargic in nature. We can take the *Jan Dhan Yojana* for example wherein the implementation process is still going on after the announcement of it back in 2014. The bureaucracy in India needs a revamp so that the implementation of policies can be effectuated with efficiency and care. Insurance policies in the agricultural sector from the very inception have suffered from inefficiency and blatant corruption. The accountability of the bureaucracy is something which needs to be questioned and at the same time the intent with which the Governments over the years have announced and sought to implement these policies needs to be re-evaluated and lessons needs to be learned from those.

¹⁵ Pradhan Mantri Fasal Bima Yojana Analysis, January 22, 2016, <https://www.jagranjosh.com/articles/pradhan-mantri-fasal-bima-yojana-analysis-1453464451-1>

The **PMFBY** is a very good policy. At least it is a policy which is aimed at the proper service towards the farmers of our nation. The **PMFBY** has addressed the efficiency aspect of the insurance schemes in the agricultural sector and at the same time it has also addressed the proper implementation aspect along with the differentiation between small and marginal farmers which were absent in the previous schemes. Insurance schemes in India have been present from 1984 but in no time in history has a scheme been perfect in ensuring what it was designed for. The **PMFBY** has initiated its objective well and there are statistical reports to back this but one thing that must not be forgotten is that in no time in the near future should the intensity and conviction of the administration lower so that evils in the form of corruption, inefficiency, siphoning off money, fraud can be prevented. The start of the **PMFBY** has been tremendous.

However, only a fool will repeat his mistakes from the past and if the present day government fails to learn from the mistakes of the past governments then the future of insurance schemes in the agricultural sector is bleak and shall be in a sorry state. “Efficiency is doing things right; effectiveness is doing the right things”¹⁶. Therefore, the Government must pay heed in doing the right things in a pious and committed manner. The **Pradhan Mantri Fasal Bima Yojana** still has a long way to go in the future; the attitude of the government will be of paramount importance behind the success of it.



¹⁶ Peter Drucker