

New crop insurance scheme: onus now on banks to deliver

Will be penalised in case of delay in forwarding PMFBY, premiums to insurers, says official

OUR BUREAU

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Banks can no longer afford to be slack on the crop insurance front with the Centre now fixing more responsibility on them for effective implementation of the Pradhan Mantri Fasal Bima Yojana (PMFBY), a top Agriculture Ministry official said.

Not deducting the PMFBY premium while disbursing crop loans could lead to banks themselves making good the crop losses, if any, suffered by a farmer, Ashish Kumar Bhutani, Joint Secretary in the Agriculture Ministry, said at a PHD Chamber of Commerce and Industry event on crop insurance.

Banks cannot also henceforth delay forwarding the premiums to insurance companies.

"We have put a stop to all this by bringing penal provisions. Banks will be squarely responsible. In case there is crop loss to a loanee farmer who is not in-



sured, the bank will have to make good the losses. The onus is now on banks and insurance companies to deliver," Bhutani, seen as a key architect in designing of the PMFBY, said.

PMFBY — seen as a game-changer for farmers — is the biggest intervention till date by the government in the field of crop insurance. Through the scheme, the Narendra Modi government has sought to provide a complete package for risk mitigation.

Bhutani said PMFBY was not comparable with the earlier crop insurance schemes, highlighting that insurance had been extended to only farm loans worth ₹60,000 crore out of the total farm credit of nearly ₹6.5 lakh crore.

Although crop insurance is compulsory, only 12 per cent of loanees were being covered under insurance.

Part of the problem was that banks were not insuring farmers who fall within the insurance cycle for the notified crops, Bhutani said.

He said that the Centre was trying to bring non-loanee farmers (such as sharecroppers) too within the PMFBY fold. There is a separate committee looking into the land leasing policy. "We should be able to address the aspect of sharecropper also getting the benefit of crop insurance," he added.

Insurer's take

Yogesh Lohiya, Chairman of PHDCCI's Insurance Committee, rued that the 'L1' story (lowest bidder getting the contract) had started to play in PMFBY and insurance companies are killing themselves quoting unviable prices.

"I feel frustrated as to how insurance companies can make claim payments under this circumstance. PMFBY is a wonderful scheme. But implementation is the key," Lohiya said at the event.

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