1. **Discuss, why the government efforts towards establishing a successful crop insurance system have failed so far? Can the newly Launched Pradhan Mantri Fasal Bima Yojana reverse the existing dismal state of affairs; analyze the scheme on parameters of stability, inclusiveness and fiscal burden? (150 Words)**

Answer:

- Though India has launched various crop insurance schemes such as First Individual Approach Scheme 1972-1978, Pilot Crop Insurance Scheme (PCIS) 1979-1984, Comprehensive Crop Insurance Scheme (CCIS) 1985-99 which was modified in 1999 as National Agricultural Insurance Scheme (NAIS) followed by Modified National Agricultural Insurance Scheme (MNAIS), Pilot Weather Based Crop Insurance Scheme (WBCIS), and National Crop Insurance Programme (NCIP), but still the farmers have not derived benefits from insurance schemes commensurate with the cost of the premiums they have had to pay (despite government subsidy) due to various reasons:
  a) Procedures for taking out the policies and claiming compensation have been cumbersome.
  b) Delay in receiving crop claim- limited data and quality and reliability of such data due to outdated collection models.
  c) Availability of suitable data to assess the crop loss- India does not have a suitable weather data to assess the crop loss which results in low claims being paid to the farmers.
  d) Crop insurance premium being too meager in amount- the amount that is received is too low to compensate for the loss of the crop.
  e) Other major problem is that of limited land titles-leading to limited farmers' access to crop insurance, given the poor records and the frequent need to bribe officialdom to prove title even when legality is unquestioned.
  f) Big and influential generally corner most of the claims due to political influence and better information about how such schemes work.
- Due to above mentioned Problems, barely 23 per cent of cultivators have till date opted for insurance cover.

How can Pradhan Mantri Fasal bima Yojana improve the situation?

- PMFBY has a potential to reverse the above dismal situation because it has following elements:
  a) Presently farmers have been required to pay a premium share of as high as 15 per cent in several areas in the country; this crop insurance scheme would cap the premium at 2% for kharif crops and 1.5% for rabi crop. This would make it affordable for the farmers to buy crop insurances and therefore this scheme would bring Financial Inclusion as even small Farmers will be able to buy Agriculture Insurance due to meagre contribution in Premiums.
  b) Secondly in Earlier schemes there was a provision of capping the premium rate which resulted in low claims being paid to farmers This capping has now been

removed and farmers will get claim against full sum insured without any reduction.

c) Thirdly, under this scheme use of technology will be encouraged and smart phones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers.

d) Another unique feature is that this insurance scheme will provide localized risk coverage and has added a number of natural calamities. For instance, given that last year, unseasonal rains during March and April had destroyed crops during the harvest season in several states, the insurance plan will now provide coverage for post-harvest losses caused owing to rain and hailstorm across India. Earlier, this was applicable only to cyclone-prone regions.

- Though PMFBY is a sound scheme if we take the Parameters of Inclusion and Stability, however, many critics believe that implementation of the scheme could lead to fiscal burden of whopping Rs 8,800 crore once the target of bringing 50 per cent crop under insurance is achieved in three years, as the Centre's financial liability goes up, the bill of the states where the scheme gets implemented will also go up correspondingly. This could have negative effect on the fiscal consolidation process of the incumbent government.
- Though it would have negative implication on the government finances, however, that price may still be worth paying for a country where only a fifth of farmers have crop insurance coverage. Subsidized premiums and prompt claims settlement enabled by remote sensing and GPS technology - as opposed to patwaris and crop-cutting experiments - should help substantially expand coverage. An increase in the area insured should also bring down premium rates, through spreading of risks across more farmers. That would also help contain the government's subsidy burden.

PRACTICE QUESTIONS

Answer the following Questions

1. What do you understand by Free Space Optical Communication (FSOC) Technology? Critically explain its potential in connecting rural and remote areas in India. (150 words)
2. What are Orphan Drugs? Examine the significance of putting in place a policy framework for such drugs in a developing country such as India. (150 words)