# Assessing the Performance of PMKSY and PMFBY Amid the Ongoing Agrarian Crisis

The budget speech of 2018 stressed the Central Government's commitment to double farmers' income by 2022.While critics have suggested this as an unrealistic goal, the government was confident in achieving the target by 2022. However, with the country passing through a phase of agrarian crisis the discourse has now moved to loan waivers and income transfer plans. The Union Budget for the FY 2019–20 announced the first direct income support to small and marginal farmers in the country costing around `75,000 crore.[1]The agrarian distress is also putting pressure on the government with the election due in May 2019.

In this context, it is important to assess the major schemes that are implemented in the agriculture sector by the ruling NDA government. The two major schemes are Pradhan Mantri Krishi Sinchai Yojana (PMKSY) and Pradhan Mantri Fasal Bima Yojana (PMFBY).

**PMKSY** was launched on July 1, 2015 with the objective of increasing the irrigation coverage and the much-needed command area development (CAD)(last-mile connectivity). All the existing schemes in irrigation were subsumed under PMKSY with an estimated amount of `77,595 crore. Of the total amount, `65,635 crore[2] have been already released**.**

As per the Economic Survey (2017–18), irrigation coverage in India stands at 48.7 percent, which means that Indian agriculture is still highly dependent on monsoon. PMKSY has set the target to complete 99 irrigation projects by December 2019 with the aim of improving the irrigation coverage in the country. However, progress in some of these projects has been stalled and there is no adequate information available to verify the net increase in Irrigation Potential Utilised (IPU).[3]

Out of these 99 projects to be completed before December 2019, 26 of them have a financial progress of less than 70 per cent.[4] Even within those scheduled to be completed by June 2019, seven of them have a financial progress of less than 75 per cent. Overall, 74 out of these 99 have little or no progress in CAD and construction of field canals.

According to reports from the agriculture ministry and parliamentary standing committees, more than 38per cent of 39 projects have not started the CAD and not even one watershed development project out of 8214 projects has reached the closure date.[5]It has also been noted that 30 per cent of the projects have registered less than 50 per cent progress.

The fiscal burden of watershed development projects under the previous Integrated Watershed Management Programme (now a part of PMKSY) between the centre and the state was 90 and 10 per cent, respectively. It was changed to 60–40 under PMKSY which led to states effectively dropping/delaying them. The states showed less interest in CAD because of the problems in land acquisition and some have asked for more funds to complete them. There is also a wide gap of around 22 million hectares between the irrigation potential created (IPC) and the IPU. This means

[1]Interim Budget 2019
[2]Statement by NABARD Chairman Harsh Kumar Bhanwala

[3]*The gross area actually irrigated during reference year out of the gross proposed area to be irrigated by the scheme during the year.*
[4]http://pmksy-mowr.nic.in/aibp/
[5]https://www.prsindia.org/report-summaries/watershed-development-component-pmksy

that increasing the money which is spent on expanding irrigation will not be very productive until the last-mile connectivity is created.

The micro irrigation targets set by the scheme have been met but just a few states account for the progress. Most of the north eastern states have seen zero development. The central budget allocation for the scheme had increased considerably to `9429crore[6] in the year 2018–19. But the focus of the states to deliver short-term benefits as populist measures might affect the much-needed investments in irrigation.

**PMFBY:** The PMFBY is an umbrella crop insurance programme introduced on February 18, 2016. The scheme was designed to help farmers cope with crop losses and it replaced the National Agricultural Insurance Scheme. The scheme had more farmer-friendly provisions, with reduced burden on premium rates and aimed at increasing the coverage. The budget outlay for PMFBY has increased from `12,976 crore in FY 2018–19 (RE) to `14,000 crore in FY 2019–20 (BE).

However, in the FY 2018–19, seven major states have declared drought and all of them barring Odisha are seeking relief funds from the centre. This comes after the definition of the drought was changed and the central assistance to medium-sized droughts was reduced considerably. The relief fund requests are despite the heavy spending in the PMFBY insurance scheme which was supposed to provide the much-needed cover incase of drought or crop damage.

The recent reports suggest that the objective of increasing the number of enrolments (which is down by 17 per cent this year) and the focus on delivering huge profits for insurance companies have made the design impractical. Insurance companies usually collect premiums directly from the banks without any ground assessments of the farms. Using banking infrastructure and forcible enrolment to increase coverage has become counterproductive to the cause.

The recent evaluation by the Union Ministry of Agriculture and Farmers had said that the total area insured under the scheme decreased by 13.27 per cent in 2017–18 and the area insured per farmer in the crop in 2017–18 was 0.02 hectares lesser than that in 2016–17. For the year 2017–18, 91 per cent of the insurance claims in Himachal Pradesh and 86per cent of them in Tamil Nadu have remained unpaid.

However, the premium paid to the companies was higher by 11.6per cent in the previous year while the number of claims was lower. The increase in premiums was due to the cut-off extensions requested by the states. The threshold limits ascribed by the maximum claim are also very low, which means that the farmers will get only a fraction for the loss they incur. The evaluation report had asked the government to consider capping the 'super-normal' profits and reducing the number of participating companies from 18 to 10.

Adoption of modern technology like satellite and drones in the assessment of claims and gradually changing from crop cutting experiments will drastically reduce the number of delays. If the centre allows the states to choose and design their own crop insurance schemes based on their cropping schemes, climate, individual access to irrigation and funds those proportionately, it would be more effective than an umbrella crop insurance programme.

[6]Union Budget 2018–2019

**Going Forward**

The urgency in addressing the problems in both irrigation and insurance has increased due to climate change. Changing weather patterns as a result of climate change have become much more noticeable. The damaging reports from theIntergovernmental Panel on Climate Change(IPCC) and the data from the Meteorological Department, which were presented by the economic survey, suggest that climate change will have a huge impact on farm income. Kharif and Rabi rainfall on an average has declined by 26 and 33mm, respectively. There has also been a rise in the number of hot and dry days during the monsoon season. These effects will reduce farmers' income by 4.3 and 4.1 percent[7] for Kharif and Rabi crops, respectively. If no immediate measures are taken, the income losses in unirrigated areas may rise to 20–25per cent. Increasing anticipatory research is crucial for dealing with the growing farmers' uncertainty which is said to escalate in the forthcoming years.

It is therefore important to improve access to irrigation while promoting efficient usage of water in semi-arid regions. High productivity needs to be matched with lower amount of consumption. Diversification will help and also mitigate the risks in the price shocks/production losses. This points to the need for shifting from crops like rice and sugarcane in places where water consumption is already high. Implementing price policies that reflect the scarcity and value of water is equally important.

Weather-based insurance models catering to particular regions and improving access to irrigation along with encouraging efficient usage of water will be of great help in absorbing the fall in incomes in the long run.

[7]Survey calculations, Economic Survey 2017–18