

EXECUTIVE SUMMARY

Over the past three decades, Government of India (GOI) has introduced successive agricultural crop insurance schemes to help the farming community. To this end, GOI introduced the Comprehensive Crop Insurance Scheme (CCIS) in 1985, which was replaced by the National Agricultural Insurance Scheme (NAIS) from *Rabi season* 1999-2000. The Modified National Agricultural Insurance Scheme (MNAIS) was introduced on pilot basis in 50 districts from the *Rabi season* 2010-11, and the pilot Weather Based Crop Insurance Scheme (WBCIS) from *Kharif season* 2007. These two pilot schemes were merged into an umbrella National Crop Insurance Programme (NCIP) from *Rabi season* 2013-14 replacing NAIS. However, NAIS was allowed to be continued in some states, as per their option, upto *Rabi season* 2015-16. From *Kharif season* 2016, GOI introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) and Re-structured WBCIS by replacing NAIS and NCIP.

The Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) under the Ministry of Agriculture and Farmers' Welfare is responsible for budgetary control, release of funds and overall administration of the schemes at the Central level. Funds under the schemes are released by both GOI and state governments to the Agricultural Insurance Company of India Limited (AIC), who had been designated as the sole insurance company (or Implementing Agency) under NAIS and as the channelizing agency through whom insurance premia are remitted to the insurance company (including itself) from GOI and the relevant state government, under the other schemes.

Payment of insurance premium is subsidised to the farmers (over and above the farmers' share) under the schemes, with GOI and the concerned state governments equally sharing the subsidy burden. Claim payments are equally shared by the GOI and the concerned state governments in the case of NAIS (above a threshold to be paid by AIC). In all other schemes, the burden of claim payments is entirely borne by the concerned insurance company.

For the purpose of this report, Audit examined the records of DAC&FW, nine selected state governments, AIC and private insurance companies. The report covers the period from *Kharif season* 2011 to *Rabi season* 2015-16.

Chapter 1 of this report provide background information of the schemes and the audit approach. Chapters 2, 3 and 4 provide audit findings with respect to

financial management, implementation of schemes, monitoring and awareness of these schemes respectively. Important findings are given below:

(A) Financial management

(i) Though DAC&FW invariably released their share on time, instances of delayed release by state governments were observed. Such delays impacted on the release of insurance compensation to affected farmers defeating the objective of providing timely financial assistance to the farming community.

(Para no. 2.2)

(ii) The guidelines were silent on the utilisation of savings, if any, due to difference between premium collected and claims payable by AIC under NAIS and AIC retained the savings.

(Para no. 2.3)

(iii) AIC failed to exercise due diligence in verification of claims by private insurance companies before releasing funds to them.

(Para no. 2.4)

(iv) AIC failed to take reinsurance cover on behalf of GOI and state governments under NAIS despite requirement in the guidelines. At the same time, AIC took reinsurance cover for its own share of claim liability.

(Para no. 2.5)

(v) AIC furnished Utilisation Certificates (UCs) to DAC&FW only at the time of demand for fresh funds and not within a week of release of funds as required in the guidelines.

(Para no. 2.6.1)

(vi) Since implementing agencies did not ensure submission of UCs by Bank/FIs, even the minimum assurance that claims had been distributed to beneficiary farmers is lacking.

(Para no. 2.6.2)

(B) Implementation of schemes

(i) Scheme guidelines did not require the GOI and state governments to maintain databases of insured farmers despite substantial financial contribution by way of premium subsidy (₹ 10,617.41 crore) and claim liability (₹ 21,989.24 crore). Consequently, GOI and the state governments were

dependent on information furnished by loan disbursing branches of Bank/FI and IAs (AIC and private insurance companies).

(Para no. 3.2)

(ii) Coverage of farmers under the schemes was very low compared to the population of farmers as per Census 2011. Further, coverage of non-loanee farmers was negligible.

(Para nos. 3.3.2 and 3.3.4)

(iii) Coverage of small and marginal farmers under the schemes was very low compared to the population of farmers as per Census 2011.

(Para no. 3.3.6)

(iv) No data of sharecroppers and tenant farmers was maintained despite the fact that the guidelines provided for their coverage under the schemes.

(Para no. 3.3.8)

(v) Though the annual budget allocations included specific provisions for coverage of SC/ST category, no data of such coverage and utilisation of funds for this category was maintained.

(Para no. 3.3.9)

(vi) It was noticed that 97 per cent of the farmers had opted for sum insured equivalent to loan amount under NAIS indicating that either the loanee farmers were intent on covering the loan amount only (in which case, the scheme acted more as loan insurance than as crop insurance) or were not aware or were not informed appropriately by loan disbursing Bank/FIs about the full provisions of the scheme.

(Para no. 3.3.10)

(vii) Even though the schemes provided for notifying the lowest possible unit of defined area, only **Odisha** has achieved this by defining the village as the unit for paddy.

(Para no. 3.4)

(viii) There were delays in issue of notifications, receipt of declaration from Bank/FIs within cut-off dates, delays in receipt of yield data from state governments, delay in processing of claims by IAs, and irregularities in disbursement of claims by Bank/FIs to farmers' accounts.

(Para nos. 3.5, 3.6, 3.11.3 and 3.12)

(ix) Deficiencies were noticed in Crop Cutting Experiments (CCEs) and functioning of Automatic Weather Stations.

(Para nos. 3.7 and 3.8)

(x) There were discrepancies in the data relating to area sown and area insured. Further, the integrity of the data provided by the state governments in this respect and used by AIC was not ensured.

(Para no. 3.10)

(C) Monitoring and awareness of schemes

(i) Monitoring of the schemes by GOI, state governments and Implementing Agencies was very poor as (i) Technical Support Unit (TSU), an independent agency under the guidance of DAC&FW, has not been set up to monitor implementation of the crop insurance schemes, (ii) Periodical Appraisal Reports were not prepared by the DAC&FW despite 14 years of operation of the schemes, (iii) State Level Coordination Committees on Crop Insurance and District Level Monitoring Committees did not carry out the work allocated to them effectively, and (iv) Implementing Agencies also did not carry out the monitoring of the schemes as assigned to them effectively.

(Para nos. 4.2 & 4.3)

(ii) Despite provision of large amount of funds under the schemes to private insurance companies, there was no provision for audit by the Comptroller and Auditor General of India (even though WBCIS provided for oversight agency by independent government agency).

(Para no. 4.4)

(iii) Capping of premium under NCIP, introduced with the aim of restricting the liability of the governments under the schemes, also resulted in loanee farmers being denied their full entitlement.

(Para no. 4.5)

(iv) Two-thirds of the farmers surveyed during audit were not aware of the schemes.

(Para no. 4.6)

(v) Grievance redressal systems and monitoring mechanisms for speedy settlement of farmer's complaints at GOI and state government levels were inadequate.

(Para no. 4.7)

Recommendations:

- i. DAC&FW should introduce a mechanism to ensure that state governments' shares are received in time.
- ii. As the NAIS has been replaced with PMFBY, the issue of adjustment of savings under NAIS is to be taken to its logical conclusion by DAC&FW, Ministry of Finance and AIC.
- iii. DAC&FW should ensure that payments to Implementing Agencies are released only after due verification.
- iv. GOI and state governments should ensure timely submission of UCs to it by Implementing Agencies and by Bank/FIs to implementing agencies so that the insurance benefits to the farming community are better monitored.
- v. GOI and state governments should maintain/have access to comprehensive database of beneficiary farmers for the purpose of monitoring and more effective implementation of insurance schemes to ensure that the benefits of the schemes have reached intended beneficiaries.
- vi. DAC&FW should take effective measures to ensure that large numbers of farmers are brought under the schemes, and more non-loanee farmers are encouraged to participate in the schemes.
- vii. State governments should be encouraged to adopt the village as the defined area for insurance, so that the schemes are appropriately targeted at the farming community.
- viii. DAC&FW should introduce measures (through use of technology where feasible) for more accurate assessment of crop yields.
- ix. DAC&FW and the state governments need to provide a reliable mechanism to ensure that the details of actual area sown are accurate as the amount of insurance claims payable to the affected farmers is dependent on this.
- x. DAC&FW should take more effective measures to ensure that Bank/FIs adhere to the timelines specified in the scheme guidelines.
- xi. The governments have to take steps to ensure that the implementation of the schemes is monitored effectively at all levels.
- xii. DAC&FW is required to provide for audit by the Comptroller and Auditor General of India to ensure that the funds provided by the governments are used efficiently and effectively by the implementing agencies (including private insurance companies).
- xiii. Efforts should be made to reduce the liabilities of the governments under the schemes without reducing the insurance coverage to the farming community.
- xiv. More concerted efforts are required to create better awareness among the farming community on the coverage and benefits of the schemes.

