

Chapter-4: Monitoring and awareness of schemes

4.1 Introduction

Agriculture crop insurance schemes are to be implemented as per the operational modalities of the schemes. The Schemes provided for monitoring by GOI, state governments and IAs through National Level Monitoring Committee, Technical Support Unit, State Level Coordination Committee on Crop Insurance, District Level Monitoring Committee and periodical inspections by IAs. A review of the monitoring mechanism of the schemes revealed the following:

4.2 Poor monitoring by GOI and state governments

4.2.1 Clause 18 of NAIS guidelines provided that the scheme was to be implemented in accordance with the operational modalities as worked out by IA in consultation with DAC&FW. The operation of the scheme was to be reviewed annually. DAC&FW and the IA were also required to prepare periodical appraisal reports on the scheme. Audit observed that no such report was prepared by the DAC&FW/IA even after 14 years of operation of the schemes. DAC&FW informed (January 2017) that the crop insurance schemes are being monitored regularly through various measures. The reply is not tenable as no records of such monitoring including periodical appraisal reports were furnished to Audit.

4.2.2 As per the scheme guidelines of NCIP, an independent and well-equipped Technical Support Unit (TSU) under the guidance of the DAC&FW to monitor the implementation of the crop insurance schemes, product structuring, standardization and benchmarking of products, rationalization of premium rate/subsidy, issuing guidelines for installation and accreditation of weather stations, creation of national grid for statistical data for the purpose and issuance of directives to insurance companies. No such TSU has been established. The PMFBY scheme states that till TSU is formed, AIC will act as TSU. Audit notes, however, that AIC acting as TSU may constitute a conflict of interest since it is also a competitor to the private insurance companies.

4.2.3 NCIP guidelines provided for setting up of a National Level Monitoring Committee (NLMC). However, no NLMC has been constituted.

4.2.4 The scheme guidelines provide for constitution of State Level Coordination Committees on Crop Insurance (SLCCCI) to monitor the schemes. About five *per cent* of the beneficiaries were to be verified by the regional offices/local level offices of the insurance company and the feedback sent to the SLCCCI. Audit observed that in **Assam, Gujarat, Himachal Pradesh, Maharashtra and Odisha**, either meetings of SLCCCI were not held regularly or were delayed, which further delayed the issue of notifications for implementation of insurance in the state.

4.2.5 The scheme guidelines provide for formation of a District Level Monitoring Committee (DLMC) which will provide fortnightly reports of agriculture situation with the details of the area sown, seasonal weather condition, pest incidence, stage of crop failure, if any, to the concerned IAs for assessment of loss and processing of claim payable to farmers. Audit observed, however, that no DLMC was formed in **Himachal Pradesh and Assam**; in **Gujarat and Odisha**, meetings of DLMC were either not held or were not held regularly.

4.3 Poor monitoring by Implementing Agencies

NAIS guidelines stipulate that AIC has access to all relevant records/ledgers at the nodal points/ branches of Banks and FIs. MNAIS and WBCIS guidelines specify the percentage of checks to be exercised by the IAs and cross verification by DLMC for sending feedback to state governments. IAs are required to send feedback to DAC&FW. However, Audit did not notice any instance where AIC had requisitioned or received such records from the nodal points/ branches. Consequently, it is not clear how AIC (in the case of NAIS), and all IAs in the case of other schemes have ensured the correctness of data on which basis funds were being claimed from GOI and state government, particularly when such data was not being maintained by GOI and the state governments.

4.4 Non-provision of government audit of funds released to private insurance companies

GOI and state governments incur substantial financial liabilities on account of premium subsidy and claim reimbursement (in the case of NAIS) and premium subsidy (in the case of other schemes). Such subsidies and claim reimbursement amounted to ₹ 23,400 crore under NAIS, ₹ 2,805 crore under MNAIS and ₹ 6,402 crore under WBCIS during the period covered under audit. The accounts of AIC are subject to audit by the Comptroller and Auditor

General of India (C&AG). It was noticed that in the case of WBCIS alone, the scheme guidelines require IAs (including private insurance companies) to open a separate account for maintaining all transactions under the scheme in the account for audit by the Government Agency. However, DAC&FW has not, till date, taken up the matter of audit of such accounts with the C&AG. There is no provision for audit by C&AG under MNAIS and PMFBY though substantial amount of funds are released under these schemes.

4.5 Impact of capping of premium in MNAIS and WBCIS

NAIS guidelines provided for payment of subsidised premium by farmers (except for commercial and horticultural crops in the case of medium and large farmers), with GOI and the state governments reimbursing claims for the full amount of sum insured (up to threshold yield). The subsidised premium payable by farmers under NAIS varied, depending on crop. Under MNAIS and WBCIS, the percentage of actuarial premium on sum insured (as estimated by insurance companies), was categorised into different slabs, and the subsidised premium payable by farmers was determined on slab basis. In order to limit the liability of GOI and states governments for payment of the balance premium, DAC&FW capped the maximum rates of total premium payable, which resulted in proportionate reduction of the sum insured to match the capped premium levels. Consequently, the share of premium paid by the farmer as proportion of sum insured, increased, due to reduction of sum insured. In other words, despite paying the higher premium, the farmer was reimbursed lower amounts of claims due to capping of sum assured. However, Audit noticed that this capping has since been removed in the newly introduced PMFBY.

4.6 Lack of awareness of crop insurance schemes in farmers

Scheme guidelines require adequate publicity to be given in all the villages of the notified districts/ areas. All possible means of electronic and print media, farmers' fairs, and exhibitions including SMS messages, short films, and documentaries shall be utilized to create and disseminate awareness, benefits and limitations of the Scheme among the cultivators and the agencies involved in implementing the Scheme. Agriculture/Cooperation Departments of the States in consultation with Insurance Companies shall work out appropriate Plan for adequate awareness and publicity three months prior to the start of coverage period.

In order to assess the awareness, participation and adoption of crop insurance schemes, the extent to which these schemes benefitted the farmers and the problems faced by them, Audit conducted a survey of 5,993 farmers in the

selected villages of selected talukas/districts of the selected states and it noticed that:

- i. Out of 5,993 farmers surveyed, 4,819 (80 *per cent*) were loanee farmers and 883 (15 *per cent*) were non-loanee farmers. Remaining 291 (5 *per cent*) did not opt for any crop insurance scheme mainly due to
 - a) receipt of insufficient compensation in previous years,
 - b) unaffordable premium rates.
- ii. Out of 5,993 farmers surveyed, only 2,232 (37 *per cent*) were aware of the schemes and knew the rates of premium, risk covered, claims, loss suffered, etc., and the remaining 63 *per cent* farmers had no knowledge of insurance schemes highlighting the fact that publicity of the schemes was not adequate or effective.

State-wise details of survey/feedback from the farmers have been indicated in **Annex-X**.

4.7 Absence of grievance redressal system

Test check of records in **Andhra Pradesh, Assam, Haryana, Gujarat, Maharashtra Odisha and Telangana** revealed that no institutional mechanism existed to redress the complaints of aggrieved farmers on the implementation of the schemes.

Conclusions

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 of 14 years of operation of the schemes, (iii) SLCCCI and DLMC 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.

Even though huge funds under the schemes were provided to private insurance companies, there was no provision for audit by the Comptroller and Auditor General of India to ensure proper utilisation of funds by these insurance companies. Though capping of premium under NCIP restricted the liability of

the governments under the schemes, the loanee farmers were deprived of full benefits of the insurance coverage. There was lack of awareness among the

farmers as 67 per cent of the farmers surveyed during audit were not aware of the schemes. There is no proper grievance redressal system and monitoring mechanism for speedy settlement of farmer's complaints at GOI or state government levels.

Recommendations

- i. GOI and state governments need to take steps to ensure that the implementation of the schemes is monitored effectively at all levels.
- ii. Provision for audit by the Comptroller and Auditor General of India needs to be incorporated in the schemes to ensure that the funds provided by GOI and state governments are used efficiently and effectively.
- iii. Efforts should be made to reduce the liabilities of the governments under the schemes without reducing the insurance coverage of the farming community.
- iv. More concerted efforts are required by all the stakeholders in the schemes to create better awareness among the farming community on the coverage and benefits of these schemes.

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