

**AGRICULTURE CROP INSURANCE
SCHEMES**

**MINISTRY OF AGRICULTURE AND FARMERS'
WELFARE**

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

SEVENTY EIGHTH

SEVENTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

SEVENTY EIGHTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2023-24)

(SEVENTEENTH LOK SABHA)

**AGRICULTURE CROP INSURANCE
SCHEMES**

**MINISTRY OF AGRICULTURE AND FARMERS'
WELFARE**



Presented to Lok Sabha on: 18.12.2023

Laid in Rajya Sabha on: 18.12.2023

**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2023 /Agrahayana, 1945 (Saka)

CONTENTS

	PAGES
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2017-18)	(i)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2018-19)	(ii)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2019-20)	(iii)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2020-21)	(iv)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2021-22)	(v)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2022-23)	(vi)
COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE (2023-24)	(vii)
INTRODUCTION	(viii)
REPORT	
PART-I	
I Introductory	01
A FINANCIAL MANAGEMENT	02
B IMPLEMENTATION OF THE SCHEME	08
C MONITORING AND AWARENESS OF SCHEMES	18
D DELAY IN FURNISHING OF DATA TO AUDIT	22
PART – II	
OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE	24-37
APPENDICES	
I. Minutes of the Sitting of Public Accounts Committee (2017-18) held on 10.11.2017	
II. Minutes of the Sitting of Public Accounts Committee (2018-19) held on 21.05.2018	
III. Minutes of the Sitting of Public Accounts Committee (2019-20) held on 07.11.2019	
IV. Minutes of the Sitting of Public Accounts Committee (2023-24) held on 14.12.2023	

**COMPOSITION OF THE PUBLIC ACCOUNTS
COMMITTEE (2017-18)**

Shri Mallikarjun Kharge - Chairperson

M E M B E R S

L O K S A B H A

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphu Rih
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

R A J Y A S A B H A

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Shri Shantaram Naik¹
20. Shri Sukhendu Sekhar Roy²
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav

¹ Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 28 July, 2017.

² Ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2018-19)

Shri Mallikarjun Kharge - Chairperson

M E M B E R S

L O K S A B H A

2. Shri Subhash Chandra Baheria
3. Shri Sudip Bandyopadhyay
4. Shri Prem Singh Chandumajra
5. Shri Gajanan Chandrakant Kirtikar
6. Shri Bhartruhari Mahtab
7. Smt. Riti Pathak
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Janardan Singh Sigrwal
10. Shri Abhishek Singh
11. Shri Gopal Shetty
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Chanabasappa Udasi
15. Dr. Ponnusamy Venugopal

R A J Y A S A B H A

16. Prof. M. V. Rajeev Gowda
17. Shri Bhubaneswar Kalita
18. Shri Shwait Malik
19. Shri Narayan Lal Panchariya
20. Shri Sukhendu Sekhar Roy
21. Shri C. M. Ramesh³
22. Shri Bhupender Yadav*

³ Elected w.e.f. 6 August, 2018 for filling vacancies.

**COMPOSITION OF THE PUBLIC ACCOUNTS
COMMITTEE (2019-20)**

Shri Adhir Ranjan Chowdhury - Chairperson

M E M B E R S

L O K S A B H A

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

R A J Y A S A B H A

16. Shri Rajeev Chandrasekhar
17. Prof. M. V. Rajeev Gowda
18. Shri Naresh Gujral
19. Shri P. Bhattacharya⁴
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

⁴ Elected w.e.f. 10 February, 2020 in lieu of vacancy caused due to resignation of Shri Bhubaneswar Kalita from Rajya Sabha on 05 August, 2019.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2020-21)

Shri Adhir Ranjan Chowdhury - Chairperson

M E M B E R S

L O K S A B H A

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

R A J Y A S A B H A

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri Bhubaneswar Kalita*
19. Shri Mallikarjun Kharge*
20. Shri C. M. Ramesh
21. Shri Sukhendu Sekhar Ray
22. Shri Bhupender Yadav

¹ Elected w.e.f. 11 February, 2021.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2021-22)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Shri Bhartruhari Mahtab
6. Shri Jagdambika Pal
7. Shri Vishnu Dayal Ram
8. Shri Pratap Chandra Sarangi⁵
9. Shri Rahul Ramesh Shewale
10. Shri Gowdar Mallikarjunappa Siddeshwara⁶
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. C.M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Dr. M. Thambidurai
21. Shri V. Vijayasai Reddy⁷
22. Dr. Sudhanshu Trivedi⁸

⁵ Elected w.e.f. 29.07.2021 *vice* Smt. Darshana Jardosh, MP appointed as Minister of State w.e.f. 07.07.2021.

⁶ Elected w.e.f. 29.07.2021 *vice* Shri Ajay Kumar Mishra, MP appointed as Minister of State w.e.f. 07.07.2021.

⁷ Elected w.e.f. 09.08.2021 *vice* Shri Rajeev Chandrasekhar, MP appointed as Minister of State w.e.f. 07.07.2021.

⁸ Elected w.e.f. 09.08.2021 *vice* Shri Bhupender Yadav, MP appointed as Union Minister w.e.f. 07.07.2021.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

(2022-23)

Shri Adhir Ranjan Chowdhury

-

Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Pratap Chandra Sarangi
7. Shri Rahul Ramesh Shewale
8. Shri Gowdar Mallikarjunappa Siddeshwara
9. Shri Brijendra Singh
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabbhaneni
14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Dr. C. M. Ramesh
20. Shri Vijayasai Reddy
21. Dr. M Thambidurai
22. Dr. Sudhanshu Trivedi

**COMPOSITION OF THE PUBLIC ACCOUNTS
COMMITTEE (2023-24)**

Shri Adhir Ranjan Chowdhury

Chairperson

MEMBERS

LOK SABHA

2. Shri Thalikkottai Rajuthevar Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Vishnu Dayal Ram
7. Shri Pratap Chandra Sarangi
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Shri Brijendra Singh
11. Shri Rajiv Ranjan Singh *alias* Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabbhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Dr. K. Laxman
18. Shri Derek O' Brien*
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

SECRETARIAT

- | | | |
|-------------------------------|---|-------------------|
| 1. Smt. Bharti Sanjeev Tuteja | - | Director |
| 3. Shri Girdhari Lal | - | Deputy Secretary |
| 4. Shri Ashikho Alemo | - | Executive Officer |

* Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24), having been authorised by the Committee, do present this Seventy Eighth Report (Seventeenth Lok Sabha) on 'Agriculture Crop Insurance Schemes' based on C&AG Report No. 7 of 2017 relating to the Ministry of Agriculture and Farmers' Welfare.

2. The C&AG Report No. 7 of 2017 was laid on the Table of the House on 21.07.2017.

3. The Public Accounts Committee (2017-2018), selected the aforesaid subject for detailed examination and took oral evidence of the representatives of the Ministry of Agriculture and Farmers' Welfare on the subject matter on 10 November, 2017. Thereafter, the Public Accounts Committee (2018-19) & (2019-20) continued with the examination of the subject and took further evidence on 21 May, 2018 and 07 November, 2019 respectively. In the subsequent terms during the period (2020-24), the Committee again took up the subject for detailed examination and report.

4. Public Accounts Committee (2023-2024) considered and adopted the Draft Report on the aforementioned subject at their Sitting held on 14.12.2023. The Minutes of the Sittings are appended to the Report.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

6. The Committee thank the predecessor Committees for taking oral evidence and obtaining information on the subject.

7. The Committee would like to express their thanks to the representatives of the Ministry of Agriculture and Farmers' Welfare for tendering evidence before them and furnishing the requisite information in connection with the examination of the subject.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

NEW DELHI:

14 December, 2023
25 Agrahayana 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

REPORT

PART – I

I INTRODUCTORY

The C&AG Report No.7 of 2017 contains significant results of the Performance Audit of Agriculture Crop Insurance Schemes of the Ministry of Agriculture and Farmers' Welfare, Agricultural Insurance Corporation and nine selected States for the five year period commencing from Kharif season 2011 till Rabi season 2015-16.

2. The Public Accounts Committee (2019-20) selected the subject for detailed examination and took oral evidences of the representatives of Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW) under the Ministry of Agriculture and Farmers' Welfare and obtained written replies on the subject. Based on the oral evidences and written replies, the Committee examined the subject in detail.

3. 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.

4. 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 premium are remitted to the insurance company (including itself) 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. Audit examined the records of DAC&FW, nine selected State Governments, AIC and private

insurance companies covering the period from Kharif season 2011 to Rabi season 2015-16.

A. FINANCIAL MANAGEMENT

a) Mechanism for timely release of funds by State Governments

5. Funds are released by GOI and State Governments to AIC on 50:50 basis towards share in premium subsidy under NAIS, MNAIS and WBCIS along with claims over and above 100 per cent of premium collected under NAIS (for food and oilseed crops) to the Implementing Agencies (IAs). In turn, AIC releases to private insurance companies their share of premium subsidy (MNAIS and WBCIS). The schemes are demand driven and funds are released by GOI and State Governments on demand from AIC.

6. As per Audit, 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. 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. AIC failed to exercise due diligence in verification of claims by private insurance companies before releasing funds to them. 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. 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. 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.

b) Savings under NAIS with Agriculture Insurance Company of India Limited (AIC)

7. As per NAIS guidelines issued in July 1999, the IA was required to meet the entire liabilities up to 100 per cent of premium in the case of food crops and oilseeds, and 150 percent of premium in the case of commercial and horticultural crops. Liabilities in excess of these limits were to be shared equally by GOI and the State Governments till complete transition to actuarial regime in a period of five years. Thereafter, all claims up to 150 percent of premium would be met by the IA for a period of three years, the limit of which would increase to 200 percent thereafter. Claims above these limits would be met out of corpus fund to be created with equal contributions of GOI and the State Governments.

8. Audit scrutiny revealed that from 1999-2000 (Rabi Season) to 2015-16 (Rabi Season) i.e. in 33 seasons, AIC had accumulated savings of ₹ 2518.62 crore from the collection of premium amount (amount of premium collected ₹14,0561.81 crore less AIC's share of claims paid ₹ 11,538.19 crore). Audit observed that the guidelines were silent on the utilization of savings if any, due to difference between premium collected and claims payable by AIC and as such AIC retained the savings. Audit also noticed that DAC&FW has taken ₹ 200 crore of the savings from AIC under the direction of the Ministry of Finance in the year 2009. DAC&FW has been taking up the matter with AIC and Ministry of Finance to return the savings on the ground that AIC was being reimbursed all operational expenses for implementation of the scheme and there was no justification for AIC to retain the savings. In December, 2009, the Ministry of Finance directed AIC to release ₹ 200 crore to DAC&FW stating that these funds are being drawn "from retained profits/reserves (created out of NAIS activities). In April, 2014 the Ministry of Finance did not agree to permit AIC to release further funds stating that the release of ₹ 200 crore in December, 2009 has been objected by the Auditors and such release of funds will reduce the solvency ratio of AIC as per IRDA's regulations. However, C&AG could not find any such comment of auditor and it was only found that Statutory Audit has only qualified that ₹ 200 crore is being shown as "Advances and other Assets" in the balance sheet of AIC and the amount had not been adjusted against retained profit/reserves. Regarding solvency ratio the audit had observed that the decision to maintain this ratio is to be taken by the shareholders of the AIC (viz. all government insurance companies and NABARD) in consultation with the Ministry of Finance, and is not to be linked with the issue of remitting of savings by AIC to the Government of India. Further, it has been mentioned by the audit that DAC&FW, in January, 2017 have taken up the matter with Ministry of Finance for the remittance of savings to the Consolidated Fund of India.

9. In this regard, during the oral evidence held on 7 November, 2019, Secretary, DAC&FW further stated as follows:

"In certain areas where the crop was good and monsoon was good, there was a saving that goes to the AIC. The AIC kept that amount with them. The C&AG pointed out that this saving should be given back to the Government of India. When this recommendation was taken up with the AIC and DFS, what the AIC is saying is that as per the official guidelines, there is no provision to revert back the savings. We took up the matter again and again with the DFS..... The DFS is saying it is to be returned."

10. When enquired about the progress in the matter, the Ministry in a written reply mentioned as follows:

“AIC has placed the matter before its Board of Directors on 14th November, 2018. Board of Directors of the AIC has suggested to refer the matter to the Ministry of Finance, Government of India with facts and inputs provided by AIC, so that, MOF, GOI can suggest the way forward to close the issue of adhoc payment of ₹200 crore and savings by AIC so that it is brought to a logical conclusion as suggested by C&AG. Accordingly, DAC&FW is preparing a Note for consideration of COS. The request for placing the matter before Committee of Secretaries (COS) has been sent to the Cabinet Secretariat on 22nd January, 2020. Reply in the matter is awaited. The Cabinet Secretariat has been reminded on 20th May, 2020 and 9th July, 2020 in the matter.

c) Release of funds to private companies

11. On being enquired about the guidelines for release of funds to private companies and the actions taken by the Department, the Department stated as under:-

“As per guidelines under MNAIS and WBCIS, all Private Insurance companies were required to submit the provisional/estimated coverage based on the districts allotted to them. After consolidating the data, the demand of 50% of GOI fund was raised and same was disbursed to the Private Insurance companies according to the conditions mentioned in the sanction order of GOI. Further, all Private Insurance companies submitted final business statistics to AIC, based on which AIC demanded GOI subsidy and after receiving it, the same was released to all the implementing empanelled Private Insurance companies in terms of Govt. of India sanction order. At the time of release companies were asked to furnish requisite UCs for the funds already released. Moreover, as AIC was one of the implementing companies, they could therefore not undertake verification of coverage of other insurance companies as other companies have their objections. Further, States being equal partners, were also supposed to verify the coverage of all concerned insurance companies. DAC & FW is of the view that during the period of audit up till Rabi 2013-14, WBCIS and MNAIS were implemented only on pilot basis and covered only a few States. Further, AIC released the subsidy to private companies only after they submitted the entire coverage data to DAC & FW, on the basis of which specific directions to release the funds to private companies were given by DAC & FW, hence the Department is of the view that under the circumstances subsidy was being released as per procedure and there was no deliberate negligence by AIC. Greater due diligence both by the DAC & FW and AIC before releasing funds has been achieved by way of monitoring through National Crop Insurance Portal under the new scheme of PMFBY. The crop insurance portal is now capturing granular data including details of Aadhaar seeded accounts and land record of beneficiary farmers. Now

the entire GOI share of subsidy is released to AIC based on the data available Portal. Further, before AIC releases premium subsidy to other insurance companies and for self, they are required to seek approval of the DAC & FW."

12. Audit in their vetting comments stated as under:-

"Since AIC was the agency for releasing payment to private insurance companies it was responsible to ensure compliance of DAC&FW guidelines issued in October 2009. The AIC did not fulfill its obligations under the guidelines before releasing the final payments to the insurance companies."

d) Reinsurance

13. Audit in their Report has highlighted that as per NAIS guidelines, AIC was required to obtain appropriate re-insurance cover in the international re-insurance market. Audit observed, however, that while AIC had arranged for re-insurance support only for their own share of claims under NAIS, they did not arrange re-insurance support for the share of claims to be borne by GOI and the State governments. Had such re-insurance been provided, liabilities of GOI and the State governments amounting to ₹21,989.24 crore could have been reduced. AIC replied (October 2016) that as regards NAIS (for food and oilseed crops), Governments acted as reinsurers by sharing the risk whenever the claims exceeded the stipulated margin. In so far as actuarially rated products like WBCIS, MNAIS and NAIS (for commercial and horticultural crops) are concerned, where AIC was fully responsible for all the claims, adequate reinsurance protection was availed of. AIC's reply is not acceptable as the scheme (NAIS) guidelines provided that IA (AIC) is responsible for arranging re-insurance support for the entire scheme claims under NAIS and not for the AIC portion alone.

e) Submission of Utilization Certificates (UCs)

14. As per the operational guidelines of schemes, IAs i.e., AIC as well as other empanelled private insurance companies were responsible for providing crop insurance to farmers under the agriculture crop insurance schemes. IAs are not required to deal directly with the loan disbursing points and instead deal only with nodal points (of the concerned Bank/Financial Institutions) mostly at district level. IAs are required to receive details of insured farmers from the nodal points, and calculate the claims, if any. In the case of MNAIS and WBCIS, the private insurance companies forward the claims for premium subsidy to AIC, which in turn, include their own premium subsidy claims and approach GOI and State Governments for release of their shares. In respect of NAIS, AIC approaches GOI and State Governments for their share of premium subsidy and claim liabilities. On receipt of funds from GOI and State Governments, AIC releases the premium subsidy to the private insurance

companies (in respect of MNAIS and WBCIS) and claim amounts (in respect of NAIS) to the nodal points. DAC&FW issued standing instructions (March 2014) to AIC to mandatorily furnish state-wise and company-wise UCs to DAC&FW within a week of release. Audit, however noticed that AIC did not furnish periodic returns, as mandated, to DAC&FW. Instead, AIC furnished UCs only at the time of requirement of fresh funds from DAC&FW. Audit also observed that during the period covered in audit, four States, Assam, Haryana, Maharashtra and Odisha, released funds to all the IAs (AIC and private insurance companies). Of these, two States, viz., Assam and Haryana released ₹1.66 crore and ₹84.21 crore, but did not receive UCs. Out of ₹3,409.33 crore released by Maharashtra, UCs for ₹3,365.86 crore were outstanding. As per National Crop Insurance Programme (NCIP) guidelines, Bank/FIs are required to submit UCs to IAs within 15 days of credit of claims amounts to beneficiary farmers. Audit scrutiny of records of AIC revealed that in many cases Bank/FIs failed to submit UCs to AIC. Consequently, AIC did not have even the minimum assurance from the Bank/FIs that they had distributed the claims amounts to beneficiary farmers.

15. When asked as to why the States of Andhra Pradesh, Assam, Rajasthan and Telangana failed to submit the UCs and the action taken by the Department, the Department explained as under:-

“State Government of Andhra Pradesh has informed that at the time of disbursement of claims to various Nodal Banks under various schemes, AIC had supplied required formats of Discharge Vouchers & Utilization Certificates requesting the banks to return the UCs duly signed after filling required data in respect of confirmation of fund utilisation and AIC is still following-up with the Nodal Banks on regular intervals. But UCs have been received from few banks, due to the reasons like merger of banks and claims were settled on declaration basis without details of individual farmers. Now when pursuing with banks for UCs, the bank officials, particularly who come on transfer, are requesting for farmers list which is not available with AIC. However, the Bankers are being requested to furnish UCs, duly verifying the declaration data furnished by bank. State Government of Rajasthan has intimated that premium subsidy utilisation is monitored by the Department. UCs are collected by the insurance companies from the banks. Instructions given to insurance company, banks and State Level Bankers' Committee (SLBC) to provide pending UCs. In addition to the earlier submitted UCs, ₹75.63 crore UCs has been received from insurance company. Department has been regularly following up through calls/letters in order to collect the pending UCs for the seasons. Other States have been requested to furnish their views/reply. But no response has been received, so far. They have been reminded again. DAC & FW is of the view that as per provisions of

erstwhile scheme of NAIS, MNAIS and WBCIS claims were settled by the concerned insurance companies to the concerned nodal banks. Therefore, UCs are pending from banks and not from the State Governments in these States. 70% of the UCs have been provided by the banks. A list of banks who have not provided the UCs has been provided to the Ministry of Finance by the AIC vide their Email dated 06th November, 2019 for instructions to the banks for early furnishing of UCs. DAC & FW has also forwarded the same to Department of Financial Services vide letter dated 03.12.2019. AIC has also been directed to do rigorous monitoring and arrange to collect UCs through their Regional Offices in a time bound manner. To resolve the issue, AIC has also been directed to raise the matter in State Level Bankers Committee of the concerned States. Further, at the request of Department of Agriculture, Cooperation and Farmers Welfare and AIC, Insurance Division, Department of Financial Services has once again written vide letter No. H-12013/14/2017-Ins.II dated 19th December, 2019 to the CMD/MD/CEOs of Public Sector Banks/NABARD alongwith bank-wise list of pending UCs and requested them to furnish the pending UCs in time bound manner to resolve the issue of pending UCs under NAIS, MNAIS and WBCIS."

16. On being asked whether the Department has initiated any action against AIC for not furnishing the Utilization Certificates within a week of release of funds, the Department submitted as under:-

"Crop insurance schemes are multi-agency schemes and fulfilling the roles and responsibilities though is the responsibility of each stakeholder, this also depends upon fulfillment of responsibility by other stakeholders. In the instant case, to provide UCs within a week, AIC was dependent on other insurance companies and Financial Institutions/banks. On its part, AIC had adhered to the timeliness of UC submission subject to the Financial Institutions/banks and other insurance companies fulfilling their responsibilities. Therefore, AIC had provided provisional UCs during the year, mostly alongwith the proposal for release of funds and audited UCs after completion of the financial year and annual audit of AIC. However, AIC has been asked to adhere to the Operational Guidelines of the scheme and obtain UCs from other insurance companies timely and submit the same timely to DAC &FW. Further, under existing PMFBY insurance companies are crediting the claim amount directly into the farmers' account, to the extent UCs are not required from the banks."

17. Audit in their updated vetting comments stated as under:-

"As per Guidelines of PMFBY, Insurance Companies in consultation with concerned State Governments will transfer claims directly into bank accounts of

eligible farmers, however in case that is not feasible for loanee farmers, the Insurance Companies may transfer claims through bank branches which will credit the claims amount to respective beneficiary loan account positively within seven days. If Bank Branches/ Nodal banks are not able to do so within this time period then they will be liable to pay interest (at prevailing rate of interest for saving account) for the delayed period to the eligible farmers. The Banks shall issue a certificate within 30 days to the insurer that entire money received for settlement of claims has already been credited in to the account of beneficiaries. However, improvement made by the Ministry can be verified during audit.”

B. IMPLEMENTATION OF THE SCHEME

a) Non-maintenance of Data base

18. Under NAIS guidelines, the IAs were only required to provide returns/statistics to GOI (and not the States). Audit observed that IAs did not provide periodic (monthly or quarterly) returns on NAIS to the Governments. Instead statistical data to support their claims were furnished at the time of requirement of funds. No separate requirements regarding furnishing of periodic returns/statistics were issued under MNAIS and WBCIS till they were integrated under NCIP. Thereafter (i.e., from Rabi season 2013-14), IAs were required to furnish monthly progress returns/statistics or any information demanded by the governments. The NCIP guidelines also stipulated that IAs were required to obtain and upload comprehensive detailed of insured farmers on their websites. Audit, however, did not observe any instance of IAs either furnishing monthly progress reports/statistics to the governments even under the NCIP or uploading details of insured farmers on their websites. Audit also did not observe any instance where DAC&FW or AIC verified and analyzed the statistical data at the time of release of funds. Audit highlighted that in the absence of requirement under the guidelines, neither the Governments (GOI and State Governments) nor IAs have any role in maintaining databases of beneficiaries (farmer-wise, crop-wise and area-wise) under any of the schemes despite substantial financial contribution by way of premium subsidy and claim liability. Consequently, they were wholly dependent on the information furnished in consolidated format by loan disbursing branches of Banks/Fl.

19. Regarding efforts for maintaining a consolidated database of beneficiaries and other measures, the Department replied as under:-

“Department has captured village level data of farmers alongwith exhaustive demographic and land details. Various use cases have been envisaged and some are already in practice:

- To rationalize the crop premium and address adverse selection.
- Monitors enrollment numbers year on year basis. Capacity building of channels like Common Service Center (CSC) where they are lagging behind as well as new channels like Post Office are being explored.
- To promote non-loanee enrollment.
- To implement a layer of block chain over the databases and transactions for better tracking of premium, claim payment, application status and remove delays therein.
- To verify the individual land parcel details captured with land record system of State, for better service delivery by removing the need of scanning paper based records.

This all will make the scheme more transparent, easily understandable for farmers and also help in formulation and implementation of risk mitigation schemes for welfare of farmers.”

b) Coverage of farmers

20. Audit scrutiny revealed that coverage of farmers in the country as well as in the nine selected States under the schemes was very low compared to the population of farmers as per Census 2011. While the percentage coverage of farmers in the country for crops covered under Kharif season ranged from 14 per cent to 22 per cent and from per cent to 12 per cent in case of crops covered under Rabi season, the percentage coverage of farmers in nine selected States ranged from 26 per cent to 42 per cent for crops covered under Kharif season and from 9 per cent to 16 per cent in the case of crops covered under Rabi season. Further, coverage of non-loanee farmers was negligible. No data of sharecroppers and tenant farmers was maintained despite the fact that the guideline provided for their coverage under the schemes. Though the budget allocation included specific provisions for coverage of SC/ST category, no data of such coverage and utilisation of funds for this category was maintained. 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. 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 crop w.e.f. Rabi 2010-11. Deficiencies were noticed in CCEs and weather data. 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. There were delays in issue of notifications, receipt of declarations 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, incorrect selection of insurance companies and deficiencies in the performance of insurance companies.

21. The crop insurance schemes were framed to provide insurance cover to the farming community against yield losses. These schemes were to be implemented in the States through the IAs (AIC and private insurance companies) and Bank/FIs operating in the respective States. Review of the implementation of these schemes in the nine selected states revealed non-maintenance of database of farmers, non-coverage of non-loanee farmers, delays in notification at least one month in advance of the commencement of each season, the crops and area covered and also nominate the concerned insurance company. Audit however, observed delays of up to 132 days, 136 days and 171 days in case of NAIS, MNAIS and WBCIS respectively in issue of such notifications by the nine selected States, deprivation of benefits to farmers due to delayed submissions of declarations by the Bank/FIs, lesser or non-monitoring of Crop Cutting Experiments (CCEs), stipulated under the scheme, by agricultural departments of States, deficiencies in the functioning of the working of Reference Weather Stations (s) in test check of records of the States of Andhra Pradesh, Assam, Maharashtra, Rajasthan and Telengana, delay in providing weather data to Agriculture Department.

22. On enquiry as to whether the Department is planning to cover the share croppers and tenant farmers under NAIS, MNAIS and WBCIS, the Department stated as under:-

"Sharecroppers and tenant farmers were eligible for coverage under erstwhile NAIS, MNAIS and WBCIS. But there coverage was very low due to non-availability of documentary proof for their insurable interest required for taking crop insurance. However, as per provisions of Operational Guidelines of the existing scheme i.e. PMFBY all farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. However, farmers should have insurable interest for the notified/insured crops. The non-loanee farmers are required to submit necessary documentary evidence of land records prevailing in the State (Records of Right (RoR), Land possession Certificate (LPC) etc.) and or applicable contract/agreement details/ other documents notified/ permitted by concerned State Govt. in case of sharecroppers/tenant farmers and the same should be defined by the respective States in the notification itself. Further, the Agricultural Land Leasing Act, 2016 prepared by the NITI Aayog and circulated to the States and if adopted by States will facilitate to increase coverage sharecroppers and tenant farmers under PMFBY."

23. Audit in their updated vetting comments stated as under:-

"As per New Scheme, all farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. However, farmers should have insurable interest for the notified/insured crops. The non-loanee farmers are required to submit necessary documentary evidence of land records prevailing in the State (Records of Right (RoR), Land possession Certificate (LPC) etc.) and/or applicable contract/agreement details/other documents notified/permitted by concerned State Government in case of sharecroppers/tenant farmers and the same should be defined by the respective States in the notification itself."

c) **Delay in issue of notification**

24. As per the scheme guidelines, State Governments are to notify area, crop and the insurance company in the area at least one month in advance of the crop season. The audit found that there are delays upto 132, 136 and 171 days in notifications in the nine States audit scrutinized. The Ministry pleaded that the delays were due to administrative reasons and farmers were not affected. The audit report highlighted the fact that due to delay in issue of notification Bank/FIs were not aware of the area and crop covered under insurance and under which insurance company.

25. Under the crop insurance schemes Banks and FIs are required to adhere to the cut off dates notified by the state governments for submission of insurance proposals, liability for declarations received after the cut-off date rests with the bank/FIs and not IAs. Audit mentioned that this delay has given chances to Banks to coordinate with wrong insurance company and non-loanee farmers are not getting the right choice as the farmers approaches the nominated insurance companies at an advanced stage, after knowing the actual status of his standing crop, leading to the insurance companies not accepting the proposal. Audit observed that out of 9 States under scrutiny in case of 6 States Bank/FIs submitted the declarations after the cut-off dates or provided deficient information to AIC resulting in rejection of proposals and consequently about 35,651 farmers are denied getting insurance.

26. Audit scrutiny of records of selected States revealed instances where Implementing Agencies rejected the claims of farmers due to deficiencies in submission of proposals by the Bank/FIs (₹ 37.01 crore); delays of up to 249 days by Bank/FIs in remittance of compensation claims to the bank accounts of farmers (₹ 443.05 crore); non-remittance of compensation claims by Bank/FIs to the accounts of beneficiaries even though the IAs have transferred the funds (₹ 2.54 crore) etc.

27. Audit found that there are instances where certain States have implemented one scheme in one year and another in other years during the period of Audit i.e. 2011-12 to 2016-17. For example Gujarat implemented pilot Modified National Agricultural

Insurance Scheme (MNAIS) only in 2011-12 & 2012-13 and pilot Weather Based Crop Insurance Scheme (WBCIS) only 2011-12. As they did not implement these schemes thereafter, there is no fund release in 2013-14 to 2016-17 under MNAIS and from 2012-13 to 2016-17 under WBCIS. Whereas, they continued to implement the National Agricultural Insurance Scheme (NAIS) in all of these years and fund was released accordingly.

28. When enquired as to why there is no uniformity in the implementation of MNAIS and WBCIS, the Department stated as under:-

“Crop Insurance Schemes are demand driven. During the period of C&AG Audit from 2011-12 to 2015-16, up until Rabi 2013-14 the crop insurance schemes being implemented were NAIS which was an administered premium scheme and actuarial premium based MNAIS and WBCIS were being implemented as pilot schemes. In 2013-14, National Crop Insurance Programme (NCIP) was introduced and MNAIS and WBCIS were approved as its full-fledged scheme components and NAIS was proposed to be withdrawn. The scheme guidelines were comprehensive and the scheme implementation demanded more readiness from the States in terms of budget, infrastructure, manpower etc. Moreover, the actuarial premium rates were high for farmers and to keep it from increasing it was capped and correspondingly the sum insured was reduced, which in turn resulted in lower risk coverage/claims if any. States/implementing insurance companies were finding it difficult to cater to the demands of the scheme guidelines. In fact, even in 2013, the States were not in readiness to implement MNAIS and WBCIS as part of NCIP and most of the States including Gujarat did not implement the MNAIS/WBCIS further and continued to implement NAIS with the approval of GOI. Government in the meanwhile also announced review of NCIP and intention to introduce a new scheme; this also affected the implementation of MNAIS/WBCIS in place of NAIS.”

d) Functioning of Reference Weather Stations (RWS)

29. Audit observed that RWS are identified by the SLCCCI out of available Automatic Weather Stations (AWS). The guidelines stipulate that all the equipment, weather sensors, etc., of the RWS should be of standard specifications, installed properly and calibrated regularly as per the guidelines of World Meteorological Organization (WMO)/India Meteorological Department (IMD). The guidelines also provide for certification of weather station equipments, exposure conditions, maintenance, and data quality by an accreditation agency, who may randomly visit some of the weather stations from time to time. Audit had highlighted deficiencies in the functioning of RWSs like non monitoring of RWSs, non-reliability on the accuracy of data collected by RWSs,

non-installation of RWSs, non certification of AWS equipments provided by third party data provider etc.

30. When asked about the measures taken by the Department to improve the functioning of Reference Weather Stations (RWS), the Department stated as under:-

“Normally weather station data is being used for Restructured Weather Based Crop Insurance Scheme (RWBCIS). For this State Government is allowed to set up Automatic Weather Stations in Private Public Participation (PPP) and under Rashtriya Krishi Vikas Yojana (RKVY). State Governments notify the weather stations in notification for implementation of the scheme including weather stations of Indian Meteorological Department and it is the responsibility of the State Government to ensure correctness of data.”

e) Crop Cutting Experiments

31. One of the requirements as per the Operational Guidelines of the Scheme is to obtain accurate and timely yield data based on the stipulated number of Crop Cutting Experiments (CCEs,) at the level of insurance unit which is village/village panchayat for major crops and may be higher unit for minor crops. Against this requirement, the infrastructure and manpower at ground level is hugely deficient in terms of both quality and numbers which is making it difficult the CCEs in such large numbers, which is necessary for timely settlement of claims of farmers.

32. When asked about the efforts to formulate a statistically robust sampling methodology to minimize/substitute the conventional sampling for conduct of Crop Cutting Experiments (CCEs) for estimation of yield been completed, the Department replied as under:-

“Revised Operational Guidelines for PMFBY (Section 20) envisage use of innovative technologies for accurate crop yield estimation and timely settlement of claims. In view of this, this Department (DAC & FW) has had taken following initiatives under PMFBY for smooth implementation of the scheme;

i) Pilot Study on Optimization of Crop Cutting Experiments (CCEs) and Improving Crop Yield Estimation

The study was conducted in 4 Districts in the 4 States (one in each State) during Kharif season for Rice and cotton crop. During Rabi season 2015-16, the study is being conducted in B districts in 4 States (two in each State) of India for Wheat, Rice and Rabi Jowar crop. The States are Haryana, Karnataka, Maharashtra and Madhya Pradesh. In each district, CCEs sites were generated based on various remote sensing data (both optical and microwave) and

Unmanned Aerial Vehicle (UAV) derived vegetation indices. Approximately 250 CCEs were conducted in each District. These data were analysed for understanding the minimum number of CCEs required for getting block level yield with defined accuracy level.

ii) Smart Sampling Technique and Optimization of CCEs (Pilots and implementation)

With a view to reduce total number of CCEs and improving distribution of locations of CCEs to be conducted under PIVFBY, Ministry of Agriculture and Farmers Welfare through IMNCFC had engaged 8 national/ international/private agencies for conducting pilot studies in Kharif 2018 and Rabi 2018-19. Kharif 2018: in 12 States, 23 Districts, 5 Crops (Bajra, Cotton, Maize, Paddy and Soybean). Rabi 2018-19: in 8 States and 23 Districts, 5 Crops (Wheat, Chickpea, Mustard, Paddy, Potato). This Department has formed High Power Committee (HPC) under the chairmanship Additional Secretary, DAC&FW, New Delhi to evaluate results obtained from the pilot studies conducted for optimization of CCEs and Smart Sampling Technique. The Committee comprises representatives from ISRO, MNCFC, CGIAR, NSSO, IASRI, DES and Principal Secretaries (Agri) of selected States. The HPC meeting was convened under the Chairmanship of Additional Secretary, DAC&FW, New Delhi on 15.07.2019 for evaluating results obtained in the pilot studies. It was observed that about 30-75% of the CCEs could be reduced using the technology and distribution of locations for conducting CCEs could be improved significantly. Owing to good accuracy of results obtained in the pilot studies, this Department through national nodal agencies (IVNCFC, SAC, NRSC, State Remote Sensing Agencies) Smart Sampling Technique is being implemented in selected 96 districts of 9 Rice growing States (Andhra Pradesh, Assam, Telangana, Karnataka, Haryana, Uttar Pradesh, Jharkhand, Odisha, Madhya Pradesh) from Kharif 2019. CCEs Optimization approach developed to reduce number CCEs is being implemented in 5 Rice growing States namely Andhra Pradesh, Karnataka, Haryana, Odisha, Madhya Pradesh from Kharif 2019. The Smart Sampling technique is proposed to be implemented for 5 Rabi 2019-20 crops, i.e. Wheat, Rapeseed & Mustard, Sorghum and Rice in selected districts of Andhra Pradesh, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana and Uttar Pradesh.

iii) Gram Panchayat Level Direct Yield Estimation using Technology (Pilots)

For accurate yield estimation and timely settlement of claims, this Department through Mahalanobis National Crop Forecast Centre (MNCFC) has engaged 16

international/national/private agencies for conducting pilot studies to develop technology driven approaches for direct yield estimation at gram Panchayat level. The pilot studies are being conducted in selected 59 districts of 14 States in Kharif 2019. Results of these pilot studies will be submitted in February 2020."

f) **Delay in Settlement of Claims**

33. Audit observed that National Crop Insurance Programme (NCIP) guidelines provided for settlement of claims by the Implementing Agencies (IAs) within 45 days of receipt of Government subsidy for insurance premium and receipt of yield/weather data from State Governments. However, on scrutiny of records of AIC for the year 2011-16, five out nine States took more than 45 days as prescribed in the guidelines. In reply the Department had stated that delay in receipt of weather data, premium subsidy and dispute between State and insurance companies delayed settlement of claims.

34. In this regard, the Department further stated as under:-

"As per provisions of Pradhan Mantri Fasal Bima Yojana (PMFBY) admissible claims are generally paid by the insurance companies within two months of completion of Crop Cutting Experiments/harvesting period subject to availability of yield data and total State share of premium subsidy from concerned State Government within time. However, settlement of claims in some States get delayed due to reasons like delayed transmission of yield data; late release of their share in premium subsidy by some States, yield related disputes between insurance companies and States, non receipt of account details of some farmers for transfer of claims and National Electronic Fund Transfer (NEFT) related issues, etc. Though the provisions have been made in the Operational Guidelines of the scheme for timely release of State Government share in premium subsidy, still there are delays in release of their share by some States. However, Central Government releases its share of premium subsidy in advance to the Agriculture Insurance Company of India Ltd. which is fund routing agency under the scheme, and permits it to immediately use the funds on receipt of share from State Government. Further, this Department is regularly monitoring the implementation of PMFBY including timely settlement of claims through one to one/weekly meetings with States and insurance companies and weekly video conference with all stakeholders. Moreover, provision of penal interest @12% has been made in the Revised Operational Guidelines if the Insurance Company delay the claims or State Government delays its share in premium beyond specified period."

35. When asked as to whether any default has been found and penal provisions been imposed, the Ministry submitted as under:

“Following the launch of PMFBY in 2016, since it was the first year of implementation and the stakeholders were facing several teething issues, this Department extended the cut off dates for debit of premium and remittance to insurance companies. From Kharif 2017 data has to be entered by Banks/other intermediaries directly on portal and there are teething issues faced by them even in this respect. Hence, several relaxation in terms of timeline have been provided to facilitate them. At the same time, to ensure claim settlement is not hampered due to delayed submission of data on portal, this Department allowed insurance companies to settle the claims on the basis of consolidated declarations by concerned banks, but the banks and insurance companies must ensure balance data is uploaded on the portal subsequently. From Kharif 2018, however, a separate window of time will be provided for data reconciliation on the portal, after which data entry on the portal wrt. enrolment will automatically shut down. Till date penal provision has not been applied on any of the State. However, letter has been issued to State Government of Madhya Pradesh asking them to explain why penalty should not be imposed for not releasing its share in premium subsidy for previous seasons. The objective of launching the new scheme PMFBY is to provide a simple and affordable crop insurance scheme to ensure comprehensive risk cover of crops for farmers against all non-preventable natural risks from pre-sowing to post-harvest, provide adequate claim amount and timely settlement of claims. To ensure timely payment of claims to farmers, scheme envisages mandatory use of smart phone/CCE-Agri App for real time transfer of yield data for settlement of claims on national crop insurance portal and transfer of claim amount directly to the beneficiary bank account. Penalty has been imposed on the States who are not using smart phones for collection of CCE data. Provision of payment of 12% by insurance companies for delay in settlement of claims over a prescribed period and on State Governments for delay in release of their share in premium subsidy has been incorporated in Revised Operational Guidelines of the scheme.

g) Coverage of excess sown area

36. Audit had highlighted in some cases insured area was in excess of sown area which indicate that while collecting premium from the farmers by the Bank/FIs it was not ensured that the farmers had actually sown the declared crops for which they availed the crop loan implying thereby that atleast some insurance was for the loan and not for the crop. Audit had also highlighted that the NCIP guidelines stipulate that the loans given for unsown areas will not be covered by the scheme. The farmer will not be entitled to receive compensation merely because the Bank/FIs have disbursed the loans or (in the case of non-loanee farmers) proposals have been submitted. The State

government is required to closely monitor the status during the crop season, through District Level Monitoring Committees (DLMC). The Committee also found that in the test case audit found that in Beed district for Kharif season in 2015 the cultivable area was 66,042 hectare, area sown was 51,397 hectare and area insured was 1,11,615 hectare. Thus, insured area exceeded sown area by 117%. State Bank of India, Beed District Central Cooperative Bank and Bank of Maharashtra paid insurance to farmers twice or thrice on the same crop. The State Bank of Hyderabad intimated about 88 cases of double payment amounting to ₹27.58 lakh to the District Magistrate. While Taluka Agriculture Officer maintain the sowing area report, Banks and Insurance company keep record of farmers and area sown. Beed Central Cooperative Bank has returned ₹57.67 crore to AIC.

37. To a query on action taken by the Department to resolve the issue of insuring area in excess of sown area, the representative of the Ministry, during oral evidence held on 21st May, 2018, informed the Committee as under:

“Now, we have taken care of the issue of unsown area through remote sensing technology. We have a Mahalanobis Centre for Crop Forecasting. Sir, We have rectified and with additional data we will further rectify and then such situation will not occur.”

38. The Department further stated as under:-

“Area insured is sometimes inflated due to various reasons like inconsistency in furnishing the sown area data by the States, tendency of farmers to declare high value crops or crops having historically high claims, non-change of crops in banks data for loanee farmers etc. In some instances as in Rajasthan, Madhya Pradesh, Bihar investigation were also carried out to identify the ghost beneficiaries and appropriate action taken by the concerned State Government.

Therefore, to address the issue under the new scheme of PMFBY provision has been made that Area Discrepancy will be applied only to those major crops for which Normal area sown data at the Block/Taluka level shall be provided by Mahalanobis National Crop Forecast Centre (MNCFC) based on the remote sensing data etc after factoring the areas remains unsown and failed germination/plantation due to adverse climatic conditions and shall be made available on National Crop Insurance Portal. No other data from any source including State Govt. will be considered. If the difference between insured area and sown area provided by MNCFC is greater than 30% at Block/Tehsil/ Taluka, all Insured Units (IUs) of such Block/Tehsil/ Taluka will fall under acreage discrepancy category and should be treated as having ‘excess’ insurance coverage. Accordingly excess insured area shall be treated as un-insured and

corresponding farmer's premium will be forfeited and the same will be surrendered to Technology Fund of GOI and may be utilized for leveraging technology in PMFBY for improvement of technology/research/Impact assessment etc and towards assistance to States for cost of incremental CCEs Premium subsidy refunded by ICs due to application of ACF shall be refunded to Central/State Govt. in ratio of 50:50.

However, to eliminate such instances and to develop a fool-proof system an integrated crop insurance portal has been developed to capture all information for better monitoring and transparency alongwith linking of Aadhar and land records for deduplication and use of satellite data/drones for verification of areas sown."

39. Audit in their updated vetting comments stated as under:-

"As per PMFBY, Area Discrepancy will be applied only to those major crops for which Normal area sown data at the Block/Taluka level shall be provided by MNCFC based on the remote sensing data etc. after factoring the areas remains unsown and failed germination/plantation due to adverse climatic conditions and shall be made available on National Crop Insurance Portal. No other data from any source including State Governments will be considered."

C. MONITORING AND AWARENESS OF SCHEMES

a) Need for strengthening of the monitoring mechanism

40. Audit noted that 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.

41. Audit observed that 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.

42. When asked as to whether there is any provision for fixing responsibility in the monitoring mechanism/operational guidelines against the erring officials, the Department stated as under:-

“Specific monitoring mechanism was not available under NAIS. However, provisions were made in MNAIS/WBCIS regarding monitoring mechanism. State Level Coordination Committee on Crop Insurance (SLCCCI) of the concerned State had been made responsible for monitoring of the Scheme in its State. However, a National Level Monitoring Committee (NLMC) under the Chairmanship of Secretary, DAC & FW is presently looking after the scheme at national level. Further the role and responsibilities of each stakeholder have been clearly mentioned in the Operational Guidelines of the scheme. To ensure transparency, accountability and timely payment of claims to farmers, provisions regarding payment of interest @12% to farmers by insurance companies for late settlement of claims and by States to insurance companies for late remittance of premium subsidy have been incorporated in revised Operational Guidelines. Day to day monitoring system has further strengthened under PMFBY with:-

- Weekly Video Conferences,
- One to one meetings on State specific issues with States and insurance companies concerned.
- Weekly meeting of insurance companies.
- Integrated crop insurance portal also provides an effective real time monitoring tool for all stake holders.”

43. In this regard, the Department further stated as under:-

“While accepting the observations of the audit regarding specific monitoring mechanism under erstwhile schemes, improvements made under PMFBY have been highlighted in the reply of the DAC & FW. Provisions are also being made to disburse all admissible claims directly to the bank accounts of eligible farmers through Crop Insurance Portal with PFMS for better transparency and accountability.”

44. Audit in their updated vetting comments stated as under:-

“In PMFBY, provisions are made to disburse all admissible claims directly to the bank accounts of eligible farmers through Crop Insurance Portal with PFMS for better transparency and accountability. Further, for implementation and execution

of the Scheme, the Govt. of India has designed and developed a National Crop Insurance Portal (NCIP) (www.pmfby.gov.in) which is expected to bring in better administration and coordination amongst stakeholders viz. Farmers, States, Insurers and Banks as well as real-time dissemination of information and transparency.

Review and Monitoring Committee at State and District levels is set up under the chairmanship of Principal Secretary (Agriculture/Cooperation) and District Collector respectively for periodical review (preferably monthly) of implementation of Scheme and also verify the coverage etc. Integration of National Crop Insurance Portal with IT infrastructure of Insurance Company for seamless and real-time data flow of following stages to the Insurance Companies, direct integration of National Crop Insurance Portal with the IT system of respective Insurance Companies is established.”

b) Lack of awareness

45. Audit observed that 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. Audit found that 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.

46. Noting that more than 85 percent of farmers are small and marginal farmers including SC/ST, when enquired about the steps taken to ensure targeted delivery and create awareness of stakeholders of the scheme, the Department stated as under:-

“To enhance the awareness about Pradhan Mantri Fasal Bima Yojana (PMFBY) among all the stakeholders Government regularly undertake comprehensive publicity and awareness programme to educate the farmers about the benefit of crop insurance schemes. After launch of PMFBY during 2016, 525 one day seminar/kisan fairs were organized at various Krishi Vigyan Kendras (KVKs) throughout the country. Further, under the Central Sector Scheme of "Mass Media Support to Agriculture Extension Scheme (MMSAE)", Government is doing publicity and creating awareness about schemes of the Department including PMFBY. Audio Visual spot on PMFBY is being telecast/broadcast

through DD, DD Kisan and AIR under sponsored programme of Mass Media Scheme from time to time. PMFBY is also one of the focused area for Krishi Kalyan Abhiyan, implemented in two phases during Kharif 2018 and Rabi 2018-19 in the selected aspirational districts. The campaign focused on disseminating information through group meetings of farmers, training of functionaries and leveraging the potential of Gram Sabhas in respective Gram Panchayats. In addition, several communications have also been sent to the public representatives including Members of Parliament, representatives of Panchayati Raj Institutions etc. to encourage farmers to take benefit of the scheme. Thereafter, in addition to above Government has also taken several initiatives including active involvement of all stakeholders especially States and implementing insurance companies for conduct of publicity campaign/awareness programmes including organization of camps in the rural areas to build farmer awareness about crop insurance schemes. Insurance companies have been asked to utilize 0.5% of gross premium collected by them for publicity and awareness generation. Other activities for awareness generation involve the publicity of features and benefits of the scheme through advertisements in leading National/local News Papers, telecast through audio-visual media, distribution of pamphlets in local languages, participation in agriculture fairs/mela/goshti, dissemination of SMS through Kisan Portal/national crop insurance portal and conduct of workshops/ trainings of State officials, financial institutions and farmers. For non-loanee farmers since crop insurance is optional, the Common Service Centres (CSCs) and online enrolment have been activated to provide the services besides traditional modes like banks and insurance intermediaries. Due to the efforts made by the Government coverage of non-loanee, for whom the coverage is voluntary, has increased from 5% under erstwhile schemes to 34%, which shows the acceptability of the scheme on voluntary basis. Similarly, all implementing States also undertaking publicity and awareness of the scheme by organizing camps, fairs/melas/goshtis, door to door campaign through field functionaries of extension, agriculture, revenue department, Agriculture Technology Management Agency (ATMA). Maharashtra Government has also undertaken Samrudh Shetkari Abhiyan - a campaign for all farm related schemes including PMFBY at village level, between 25th May to 10th June i.e. at the beginning of Kharif 2019 season. Farmers' training was organized in 17909 villages of the State during this abhiyan....”

47. Audit in their updated vetting comments stated as under:-

“Improvements have been made by the Ministry under PMFBY over the erstwhile schemes. As per guidelines an adequate publicity needs to be given in all the

villages of the notified districts/areas. All possible means of electronic and print media, farmer's fair, exhibitions, SMS, short films, and documentaries shall be utilized to create and disseminate awareness about provisions and benefits of the Scheme among the cultivators and the agencies involved in implementing the Scheme. Agriculture/Cooperation Departments of the State shall work out appropriate plan for awareness generation and publicity on an on-going basis from three months prior to the start of coverage period. Similarly, Insurance Companies will conduct Publicity and Awareness immediately on receipt of award of work. All the publicity material/information should necessarily be uploaded on the National Crop Insurance Portal along with coverage/frequency/duration date etc."

D DELAY IN FURNISHING OF DATA TO AUDIT

48. It has been brought to the notice of the Committee that the details of funds received by Agriculture Insurance Company of India Limited (AIC) as contribution from State Government for implementation of Schemes during 2011-12 to 2016-17 was provided by Department of Agriculture & Cooperation and Farmers Welfare (DAC&FW) after completion of the performance Audit.

49. When asked about the reasons for delay in providing details of funds received by AIC as contribution from State Government for implementation of Schemes during 2011-12 to 2016-17, the Department stated as under:-

"The entire data was available with AIC, therefore, they were asked to furnish the data regarding contribution received from State Government. Due to the reasons like time taken by AIC to compile and re-conciliation of data with its respective Regional Offices and State Governments and also the late demand (almost at the end of their study) by the Audit Party, furnishing of said data to the Audit Party was delayed.

50. Audit contended as under:-

"The reply of the Ministry that data from State Government was sought by the Audit Party at the end of the Performance Audit is incorrect as –

a) Performance Audit was conducted from 19th April, 2016 to 16th February, 2017 and the audit requisitioned information from DAC&FW during 1st April, 2016 to 30th September 2016 *vide* various memoranda issued to the DAC&FW.

b) *Vide* audit memo no.9,10,11,12&13 issued to the Department in July 2016, the fund released by State Governments under different heads for implementation of different kind of schemes was requisitioned. However, reply was not furnished even after issuing reminder on 16.08.2016.

c) In December 2016, an audit memo was again issued to the department vide which the actual expenditure incurred by GOI and each implementing State/UT during the period 2011-12 to 2015-16 for implementation of different kind of schemes was also requisitioned. Information was not provided despite issuing reminder in February 2017. Hence, the data was not made available to audit till the finalisation of PA."

51. The Ministry clarified as under:-

"It is informed that the specific information i.e. "details of funds received by Agriculture Insurance Company of India Limited (AIC) as contribution from State Governments for implementation of Schemes during 2011-12 to 2016-17" was asked by the Inspecting Team vide Special Audit Memo No.4 dated 06.02.2017 i.e. just 10 days before the completion of Audit and the same was forwarded to AIC on 08.02.2017. AIC replied to the memos vide its letters dated 14 & 15 February, 2017 and the same was forwarded to the Inspecting Team immediately by the Division. However, the basic information relating to the crop insurance schemes was immediately furnished to the C&AG Audit Team during formal/ informal discussions about the scheme. Replies/information relating to Audit Memo No. 9-12 dated 18.07.2016 were given on 12.09.016 on receipt of information from AIC/concerned State Governments."

PART II

OBSERVATIONS / RECOMMENDATIONS OF THE COMMITTEE

INTRODUCTORY

Over the years, the Government of India had been introducing successive agricultural crop insurance schemes, with such variations vis-à-vis the pre-existing scheme, as felt appropriate to help the farming community. In 1985, the Comprehensive Crop Insurance Scheme (CCIS) was introduced, which was replaced by the National Agricultural Insurance Scheme (NAIS) from 1999-2000 and further modified in 2010-11. A Weather Based Crop Insurance Scheme (WBCIS) was also introduced on pilot basis in 2007. These Schemes were merged into an umbrella programme, namely, National Crop Insurance Programme (NCIP). In 2016, the Government introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) and re-structured WBCIS by replacing NAIS and NCIP.

Audit examined the records of the Department of Agriculture & Farmers Welfare, selected State Governments, Agriculture Insurance Company (AIC) covering the period from Kharif season 2011 to Rabi season 2015-16 and pointed out various shortcomings in the implementation of the agricultural crop insurance schemes in the C&AG Report no. 7 of 2017 on the subject "Agriculture Crop Insurance Schemes". Audit had pointed out deficiencies in financial management like delay in release of funds by the State Governments, ambiguity in the guidelines on utilization of savings, lacunae in verification of insurance claims by private insurance companies, failure of AIC to take reinsurance cover on behalf of Government and States, delay in furnishing of Utilisation Certificates (UCs) by AIC, failure to ensure submission of UCs by Banks/FIs, etc. Audit had also found irregularities like non-maintenance of database of insured farmers, sharecroppers and tenant farmers, ST/SC category farmers by Government and States, low coverage of farmers (loanee as well as non-loanee) under the Schemes; delays in issue of notifications, receipt of yields data, processing claims by implementing agencies, deficiencies in crop cutting experiments and functioning of Automatic Weather Stations, discrepancies in data on area sown and area insured, shortfall in monitoring the implementation of the Schemes and spreading awareness on schemes etc. The observations and recommendations of the Committee are enumerated in the succeeding paragraphs.

Mechanism for timely release of funds by State Governments

1. The Committee note that under NAIS, MNAIS and WBCIS, funds were released by GOI and State Governments to AIC on 50:50 basis towards share in premium subsidy along with claims over and above 100 per cent of premium collected under NAIS (for food and oilseed crops) to the Implementing Agencies (IAs). In turn, AIC released to private insurance companies their share of premium subsidy (MNAIS and WBCIS). Audit scrutiny revealed that though Department of Agriculture & Farmers Welfare (DAC&FW) invariably released their share on time, instances of delayed release of the subsidy by State Governments were observed. The Committee observe that in view of the fact that the very basis of the funding pattern designed under schemes required GOI and State Governments to release their share in premium subsidy along with claims, any delay by State Governments would have surely impacted the release of insurance claim to affected farmers, thereby defeating the very objective of providing timely financial assistance to the farming community which faced partial or full failure of crops due to natural calamities, pests and disease. The Committee, while expressing the view that the DAC&FW should have played a proactive role to impress upon the States to scrupulously follow the guidelines of the erstwhile schemes, are hopeful that necessary steps have been taken to ensure timely release of funds by the State Governments in the implementation of the PMFBY, which is currently operational.

Savings under NAIS with Agriculture Insurance Company of India Limited (AIC)

2. The Committee note that in terms of NAIS guidelines issued in July 1999, the IA (GIC till March 2003 and AIC thereafter) was required to meet the entire liabilities up to 100 percent of premium in the case of food crops and oilseeds, and 150 per cent of premium in the case of commercial and horticultural crops. Liabilities in excess of these limits were to be shared equally by GOI and the State Governments till complete transition to actuarial regime in a period of five years. Thereafter, all claims up to 150 per cent of premium would be met by the IA for a period of three years, the limit of which would increase to 200 per cent thereafter. Claims above these limits would be met out of a corpus fund to be created with equal contributions of GOI and the State Governments. However, the guidelines were silent on the utilization of savings, if any, due to difference between premium collected and claims payable by AIC. Audit observed that during the period of operation of NAIS (from Rabi season 1999-2000 to Rabi season 2015-16, i.e., 33 seasons), AIC had accumulated savings of ₹2,518.62 crore, from the collection of premium (amount of premium collected: ₹14,056.81

crore less AIC's share of claims paid: ₹ 11,538.19 crore) and due to the absence of guidelines regarding the fate of savings retained the same. Audit also noticed that the Ministry of Finance directed AIC in December 2009 to release ₹200 crore to DAC&FW stating that these funds were being drawn from the retained profits/reserves (created out of NAIS activities) of AIC as a prelude to the recasting of the scheme and stopping the excess premium of individual States being appropriated as profits by AIC. The Committee were apprised that consequent upon objection by the Audit on retention of saving by AIC, the DAC&FW took up the matter with AIC and Ministry of Finance to return the savings on the ground that AIC was being reimbursed all operational expenses for implementation of the scheme, and there was no justification for AIC to retain the savings. As per the information made available to the Committee by the DAC&FW, the matter was under consideration. While hoping that a decision may have been taken on the matter by now and the issue of adjustment of savings under NAIS has been taken to its logical conclusion by DAC&FW, Ministry of Finance and AIC, the Committee express optimism that a system for utilization of savings would have been evolved by now. The confusion over retention of savings by AIC was created due to absence of specific guidelines in this regard. The Committee are hopeful that the Ministry have taken necessary measures to plug the loopholes, found in the erstwhile schemes, in the new scheme and a well deliberated rule/provision regarding utilization of premium have been incorporated in the guidelines on implementation of the PMFBY. The Committee wish to be apprised of the necessary details in this regard.

Release of funds to private companies

3. As per the operational guidelines of schemes, IAs i.e., AIC as well as other empanelled private insurance companies were responsible for providing crop insurance to farmers under the agriculture crop insurance schemes. Further IAs were required to receive details of insured farmers from the nodal points (of the concerned Bank/Financial Institutions), and calculate the claims, if any. In the case of MNAIS and WBCIS, the private insurance companies forward the claims for premium subsidy to AIC, which in turn, include their own premium subsidy claims and approach GOI and State Governments for release of their shares. In respect of NAIS, AIC approaches GOI and State Governments for their share of premium subsidy and claim liabilities. On receipt of funds from GOI and State Governments, AIC release the premium subsidy to the private insurance companies (in respect of MNAIS and WBCIS) and claim amounts (in respect of NAIS) to the nodal points. However the Committee note that the Agriculture Insurance Company (AIC) released ₹3,622 crore as premium subsidy to 10 private

insurance companies without compliance to any of the guidelines. In reply Ministry contended that AIC released the subsidy to private companies only after they submitted the entire coverage data to DAC & FW, on the basis of which specific directions to release the funds to private companies were given by DAC & FW and hence subsidy was released as per procedure and there was no deliberate negligence by AIC. The Department had also submitted that AIC being one of the implementing agencies could not undertake verification of coverage of other insurance companies as other companies had their objections. The Committee are discontented over the stand of the DAC&FW for not undertaking verification of coverage of other insurance companies, and feel that AIC, being the agency for releasing payment to private insurance companies, was responsible for exercising due diligence before releasing the payments and ensure compliance to the operational guidelines of schemes. The Committee are of the view that necessary directions ought to have been issued to the implementing agencies, including empanelled private insurance companies, to mandatorily undertake physical verification of details of claims of insured farmers from the nodal points before release of fund. Further the Committee recommend that a timeframe may also be fixed for periodic evaluation of the performance of all empanelled insurance companies.

Reinsurance

4. The Committee note that as per NAIS guidelines, AIC was required to obtain appropriate re-insurance cover in the international re-insurance market. However, AIC had arranged for re-insurance support only for their own share of claims under NAIS, it had not arranged re-insurance support for the share of claims to be borne by GOI and the State Governments. In this regard, AIC stated that as regards NAIS (for food and oilseed crops), Governments acted as reinsurers by sharing the risk whenever the claims exceeded the stipulated margin. In so far as actuarially rated products like WBCIS, MNAIS and NAIS (for commercial and horticultural crops) were concerned, where AIC was fully responsible for all the claims, adequate reinsurance protection was availed of. The Committee observe from the reply of AIC that while the scheme (NAIS) guidelines provided that IA (AIC) was responsible for arranging re-insurance support for the entire scheme claims under NAIS and not for the AIC portion alone, the reply of AIC was conspicuously silent on the observation of Audit on reduction of liabilities of GOI and the State Governments to the extent of Rs.21,989.24 crore, if the re-insurance cover was obtained. In view of the fact that huge financial support could have been provided as pointed out by Audit in the wake of seeking re-insurance cover in the international re-insurance market, the issue of divergence of guidelines by AIC needs to be enquired into. The

Committee, therefore while emphasizing the need for devising a robust compliance mechanism, desire that reason for failure to comply with the NAIS guidelines be identified and appropriate action taken against the erring officials responsible for it.

Submission of Utilization Certificates (UCs)

5. The Committee note that DAC&FW issued standing instructions to AIC in March, 2014 to mandatorily furnish state-wise and company-wise UCs to DAC&FW within a week of release. Further, National Crop Insurance Programme (NCIP) guidelines require Bank/FIs to submit UCs to IAs within 15 days of credit of claims amounts to beneficiary farmers. Audit scrutiny revealed that AIC did not furnish periodic returns, as mandated, to DAC&FW. Instead, AIC furnished UCs only at the time of requirement of fresh funds from DAC&FW. As regards the guidelines for submission of UCs by Banks/FIs, Audit observed that in many cases Bank/FIs failed to submit UCs to AIC. Regarding reason for failure to furnish Utilization Certificates by AIC within a week of release of funds as required by the Department, the Department stated that Crop insurance schemes are multi-agency schemes and fulfilling the roles and responsibilities was the responsibility of each stakeholder, this also depended upon fulfillment of responsibility by other stakeholders. Moreover, on its part, AIC had adhered to the timelines of UC submission subject to the Financial institutions/banks and other insurance companies fulfilling their responsibilities. In the opinion of the Committee, AIC cannot shy away from the responsibility of furnishing UCs in a time bound manner by merely placing the onus on the Banks/FIs. The Committee therefore, while expressing surprise over the manner the funds were released without verifying the requirements based on any documentary proof, stress on the need to evolve a mechanism to ensure strict compliance of guidelines of the PMFBY for timely submission of UCs for enabling maximum utilization of funds for the benefit of the farmers.

Non maintenance of Data base

6. The Committee note that under NAIS guidelines, the IAs were only required to provide returns/statistics to GOI (and not the States). Audit observed that IAs did not provide periodic (monthly or quarterly) returns on NAIS to the Governments. Instead statistical data to support their claims were furnished at the time of requirement of funds. No separate requirements regarding furnishing of periodic returns/statistics were issued under MNAIS and WBCIS till they were integrated under NCIP. Thereafter (i.e., from Rabi season 2013-14), IAs were required to furnish monthly progress returns/

statistics or any information demanded by the Governments. The NCIP guidelines also stipulated that IAs were required to obtain and upload comprehensive details of insured farmers on their websites. However, Audit had pointed out that IAs did not furnish monthly progress reports/ statistics to the Government even under the NCIP nor upload details of insured farmers on their websites. Moreover neither DAC&FW nor AIC verified and analyzed the statistical data at the time of release of funds. According to the information made available to the Committee, DAC&FW admitted in December 2016 that beneficiary data was not available with them or the IAs and that the same were maintained by the banks. In view of the fact that prior to 2013-14, under the schemes, IAs were required to provide periodic (monthly and quarterly) returns on NAIS to the Governments, the Committee are constrained to observe that IAs failed to meet this guideline and instead they furnished statistical data to support their claims at the time of requirement of funds. Regrettably, the IAs continued to deviate from the stipulated guidelines even after 2013-14 which sought them to obtain and upload comprehensive details of insured farmers on their websites. In light of the fact that the fund requirements were assessed based on the beneficiary data, the Committee are of the view that the methodology adopted by DAC&FW to ascertain the authenticity of the statistical data provided by the IAs needs to be examined. The Committee also feel that absence of specific guidelines on role of DAC&FW or IAs in maintaining the database of beneficiaries (farmer-wise, crop-wise and area-wise) led to such a situation where substantial financial contribution was made by the Governments and their agencies without confirming whether it reached the intended beneficiaries. In view of the above, the Committee are constrained to observe that the erstwhile schemes were not formulated taking into consideration the very basis of targeted beneficiaries. The Committee are hopeful that database of beneficiaries (farmer-wise, crop-wise and area-wise) is updated and made available on real time basis on the online portal that has since been made operational, and is accessible to DAC&FW, IAs and Banks/FIs. The Committee would also like to be apprised of the measures taken towards ensuring real time updation of data.

Coverage of farmers

7. Audit scrutiny revealed that coverage of farmers in the country as well as in the nine selected States under the erstwhile schemes was very low compared to the population of farmers as per Census 2011. While the percentage coverage of farmers in the country for crops covered under Kharif season ranged from 14 per cent to 22 per cent and from 8 per cent to 12 per cent in case of crops covered under Rabi season, the percentage coverage of farmers in nine selected States ranged from 26 per cent to 42 per cent for crops covered under Kharif season and from 9 per cent to 16 per cent in the case of crops covered under Rabi season. Further, coverage of non-loanee farmers was negligible. No data of sharecroppers and tenant farmers was maintained despite the fact that the guidelines provided for their coverage under the schemes. Audit also observed that though the budget allocation included specific provisions for coverage of SC/ST category, no data of such coverage and utilisation of funds for this category was maintained. According to the information furnished to the Committee, some of the factors attributable to low coverage of farmers were lack of awareness about the schemes among the farming community and delays in settlement of claims to farmers. Taking note of the fact that the percentage of coverage of farmers under the schemes was very low despite the fact the entire insurance claim liabilities of the farmers were being borne by the Governments, the Committee are of the considered view that the factors attributable for the poor performance of the schemes are required to be identified and appropriately addressed. The Committee, while seeking to be apprised of the percentage of farmers covered under the PMFBY, also desire to be apprised of the remedial measures taken by the Department and its implementing agencies to further improve the performance of the ongoing scheme so that maximum numbers of farmers are covered under the scheme.

Delay in issue of notification

8. The Committee note that as per operational guidelines of the erstwhile schemes, State Governments were required to notify the crop, area and insurance company one month in advance of each crop season and also nominate the concerned insurance company. However, the Committee found that there were delays of up to 132 days, 136 days and 171 days in case of NAIS, MNAIS and WBCIS respectively in issuance of such notifications by the nine States selected by Audit. Explaining the reasons, the Department stated that the delays were due to administrative reasons. While taking exception to the prolonged administrative delays leading to non issuance of notifications of important nature, the Committee desire that appropriate action may be taken against the officials.

responsible for the delay. The Committee would also like to point out that insurance scheme benefits can only be availed by those farmers who had taken loans for notified crops in notified areas. Moreover, in the absence of notification, Banks and FIs would be unaware of basic information like insurance covered crops, areas covered and insurance company which would in turn impede the intended beneficiaries from availing the benefits of the schemes on time. The Committee would, therefore, stress on impressing upon the State Governments to ensure issue of notifications of insured crops and areas covered, under the PMFBY, along with details of the nominated insurance companies in a time bound manner.

Functioning of Reference Weather Stations (RWS)

9. The Committee find that Restructured Weather Based Crop Insurance Scheme (RWBCIS) which empowers the State Level Coordination Committee on Crop Insurance (SLCCCI) to select some Automatic Weather Stations (AWS) as Reference Weather Stations (RWS) aims to mitigate the hardship of the insured farmers against the likelihood of financial loss on account of anticipated crop loss resulting from adverse weather conditions relating to rainfall, temperature, wind, humidity etc. Further, RWBCIS uses weather parameters as “proxy” for crop yields in compensating the cultivators for deemed crop losses. Audit scrutiny revealed that there were glaring deficiencies in the functioning of the RWS like non monitoring of RWSs, non-reliability on the accuracy of data collected by RWSs, non-installation of RWSs, non-certification of AWS equipments provided by third party data provider etc. According to Audit, such deficiencies led to delay in providing weather data to Agriculture Department. In this regard, the Department had pointed out that State Governments specify the weather stations in the notifications for implementation of the schemes which include the weather stations of Indian Meteorological Department and it is the responsibility of the State Government to ensure correctness of data. Notwithstanding the fact that the role of monitoring the functioning of RWSs and ensuring accuracy of data collected rests with the State Governments, the Committee are of the view that DAC&FW should also play a proactive role and impress upon the State Governments to review the functioning of all Reference Weather Stations (RWSs) and also undertake inspections for necessary updations so as to ensure accurate weather predictions. The Committee would also like to be apprised of the measures taken towards ensuring real time updation of data/information, received from the RWSs, on the website of the Department concerned.

Crop Cutting Experiment

10. The Committee note that one of the requirements as per the Operational Guidelines of the Schemes is to obtain accurate and timely yield data based on the stipulated number of Crop Cutting Experiments (CCEs) at the level of insurance unit which is village/village panchayat for major crops and may be a higher unit for minor crops. Against this requirement, the Committee note that the infrastructure and manpower at ground level is hugely deficient in terms of both quality and numbers making it difficult to undertake CCEs in such large numbers, thereby delaying timely settlement of claims of farmers. Towards this end, the Committee have been informed by the Department that the Revised Operational Guidelines for PMFBY (Section 20) envisage the use of innovative technologies for accurate crop yield estimation and timely settlement of claims and initiatives like Pilot Study on Optimization of Crop Cutting Experiments (CCEs) and improving Crop Yield Estimation, Smart Sampling Technique and Optimization of CCEs (Pilots and implementation), Gram Panchayat Level Direct Yield Estimation using Technology (Pilots) etc. While acknowledging the significance of the initiatives taken by the Department, the Committee also feel that immediate necessary action may be taken to provide adequate manpower and infrastructure at the ground level and stress on the need to involve local farmers in CCEs. Further, while emphasizing the need to ensure that the Crop Cutting Experiment (CCEs) techniques/methods employed by the Departments concerned are accurate to gauge the impact and extent of crop failure, the Committee recommend that best practices of CCEs of different States may also be emulated across the country to have accurate and timely data on crop yield.

Delay in settlement of claims

11. The Committee note that National Crop Insurance Programme guidelines mandated settlement of claims by Implementing Agencies within 45 days of receipt of Government subsidy and receipt of yield/weather data from State Governments. Audit scrutiny of records of AIC revealed that during 2011-16, five out of the nine selected States took more than the prescribed time of 45 days with delays of up to 1,069 days in processing claims. The Committee have been informed that there were delays in settlement of claims due to non-receipt of subsidy share of State Governments, litigations, verification of claims by State Governments, reconciliation, booking errors etc. Taking serious note of the inordinate delays of up to 1,069 days, much beyond the stipulated period of 45 days in processing the claims, the Committee are constrained to observe that the basic objective of the Schemes to provide timely benefit of insurance claim to the farmers who were at risks like natural calamities, pests and disease that lead to

partial or full failure of crops was denied. In this regard, the Committee would express the view that insurance coverage premium received from the farmers be reimbursed proportionately along with interest accrued, in the event of non-receipt of fund share from State Governments. The Committee, while being hopeful that all necessary actions have been taken to ensure implementation of the guidelines of the new scheme in true spirit, would emphasize on ensuring that the prescribed time limits for settlement of claims are adhered to without fail. In this regard, the stakeholders concerned are also to be issued strict guidelines for effective implementation of the scheme.

Coverage of excess sown area

12. The Committee note that as per NCIP guidelines, loans given for unsown areas was not covered by the scheme. However, Audit observed that in the Beed District, Maharashtra, for Kharif season in 2015, against the cultivable area of 66,042 hectare, the area sown and insured was 51,397 hectare and 1,11,615 hectare respectively. Thus, insured area exceeded sown area by 117% which led to double and triple payment of insurance to farmers on the same crop. Considering the fact that the Taluka Agricultural Officer maintains the report on the sowing area, Banks and insurance company keep record of farmers and area sown, the Committee fail to fathom the basis of the huge variation in the details of areas sown vis-à-vis insured. In this regard, the Committee have been informed that the Department had rectified and resolved the issue of insurance coverage of unsown area through remote sensing technology operated by the Mahalanobis National Crop Forecasting Centre. While taking note of the efforts of the Department, the Committee are hopeful that the data published by the Mahalanobis National Crop Forecasting Centre are also made available to all Departments/Stakeholders concerned seeking feedbacks/inputs. The Committee recommend that details of cultivable area, sown area, farmers etc. are also made available on a common platform to ensure easy access for all stakeholders. The Committee also recommend that the State Governments concerned closely monitor the status during the crop season, through their District Level Monitoring Committees (DLMC). The Committee also desire to be apprised of the concrete action taken by the Department in this regard.

Need for strengthening the Monitoring mechanism

13. The Committee note that as per Clause 18 of NAIS guidelines, the scheme was to be implemented in accordance with the operational modalities as worked out by IA in consultation with DAC&FW and the operation of the scheme was to

be reviewed annually. Further, 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. No Technical Support Unit (TSU) under the guidance of the DAC&FW was established 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. According to DAC&FW, the crop insurance schemes were being monitored regularly through various measures. Even the State Level Coordination Committees on Crop Insurance (SLCCCI) and District Level Monitoring Committee (DLMC) were not constituted. In the opinion of the Committee, since Government of India and State Governments incur substantial financial liabilities on account of premium subsidy and claim reimbursement under the schemes, the monitoring mechanism should have been made more effective and robust. The Committee would like to caution that non-constituting a robust monitoring committee would cast doubts on the efficacy of the system of disbursement of funds as no appraisal reports are prepared, data maintained and feedback obtained from the concerned implementing agencies. The Committee, therefore recommend that the monitoring mechanism should be strengthened so as to ensure that every penny of the Government is duly accounted for.

Lack of awareness

14. Audit observed 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 informed appropriately by loan disbursing Bank/FIs about the full provisions of the scheme. Further, 63 per cent of the farmers surveyed during audit were not aware of the schemes. In view of huge proportion of farmers surveyed found to have been unaware of the schemes, the Committee are constrained to observe that Departments concerned have failed in adequately disseminating information on the agricultural insurance schemes to the farmers. With a view to reach out to targeted farming community in right earnest, the Committee are of the view that all measures should have been taken to disseminate the benefits of the schemes both through print and electronic media and Melas/workshops organized as part of awareness campaign. Further, to ensure better coordination and prompt redressal of grievances of farmers, the Committee recommend that the possibility

of nominating local public representatives as members to the State Level Coordination Committees on Crop Insurance (SLCCCI) and District Level Monitoring Committee (DLMC) may be explored.

Non-furnishing of data to Audit

15. It has been brought to the notice of the Committee that despite repeated requests for furnishing details of funds received by Agriculture Insurance Company of India Limited (AIC) as contribution from State Government for implementation of Schemes during 2011-12 to 2016-17, the same was not provided to the Audit by Department of Agriculture & Cooperation and Farmers welfare (DAC&FW). In reply, the Department stated that due to reasons like time taken by AIC to compile and re-conciliation of data with its respective Regional Offices and State Governments and also the delayed demand (almost at the end of their study) by the Audit Party, furnishing of said data to the Audit Party was delayed. The Committee are of the opinion that the onus of timely furnishing requisite data lies with the Department and the AIC and thus basic data like details of fund contribution of State Governments should be readily available with the nodal implementing agency, i.e the AIC and the Department. The Committee, therefore desire that in future both the Department and the insurance companies should timely provide data/records as and when sought by Audit for effective scrutiny.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

16. The Committee note that in 2016, the Government introduced the Pradhan Mantri Fasal Bima Yojana (PMFBY) and re-structured WBCIS by replacing NAIS and NCIP. PMFBY which aims to provide a comprehensive insurance cover against failure of the crop thus helping in stabilising the income of the farmers covering all Food & Oilseeds crops and Annual Commercial/Horticultural Crops for which past yield data is available and for which requisite number of Crop Cutting Experiments (CCEs) are being conducted under General Crop Estimation Survey (GCES). The Committee also note that as per revised operational guidelines of PMFBY, various initiatives have been envisaged to address some of the shortcomings noticed during the implementation of the previous schemes. The remedial measures taken by the Department *inter alia* include collection of details of individual insured farmers (both loanee and non-loanee) like name, fathers' name, Bank Account number, Aadhaar number, village, categories – small and marginal/SC/ST/women, insured acreage, insured crop(s), sum insured, premium collected, Government subsidy etc. and submission of electronically using web form or Core Banking Solution Integration module along with

electronic submission of crop wise consolidated declarations on or before final cutoff date by Bank branches/Common Service Centers/ intermediaries; developing a National Crop Insurance Portal (NCIP) to facilitate better administration and coordination amongst all stakeholders viz. farmers, States, insurers and banks as well as real-time dissemination of information and transparency; making available Yield data based on CCEs online on National Crop Insurance Portal (NCIP) to the concerned Insurance Company by the State Government within a month from the date of final harvest of individual crop; payment of interest @12% to farmers by insurance companies for late settlement of claims and by States to insurance companies for late remittance of premium subsidy to ensure transparency, accountability and timely payment of claims to farmers, day to day monitoring system with weekly video conferences, one to one meetings on State specific issues with States and insurance companies concerned, weekly meeting of insurance companies, making of provisions to disburse all admissible claims directly to the bank accounts of eligible farmers through Crop Insurance Portal with PFMS for better transparency and accountability; comprehensive publicity and awareness programme to educate the farmers about the benefit of crop insurance schemes through electronic and print media, farmers' fair, exhibitions, SMS, short films, documentaries etc.; utilization of 0.5% of gross premium collected by Insurance companies for publicity and awareness generation; activation of Common Service Centres (CSCs) for non-loanee farmers and online enrolment to provide the services besides traditional modes like banks and insurance intermediaries. While appreciating the initiatives taken by the Department under PMFBY, the Committee hope that the shortfalls and deficiencies found in the implementation of the earlier Schemes have been adequately addressed and corrective measures taken in regard to the ongoing Scheme. To ascertain the effectiveness of the new scheme viz. PMFBY, the Committee recommend that a study covering the aspects of enrolment in crop insurance by farmers, coverage of States, insurance claims made *vis-a-vis* settled, amount of interest paid to farmers by insurance companies for late settlement of claims and by States to insurance companies for late remittance of premium subsidy since its inception may be undertaken so that gaps are identified and necessary corrective actions taken for effective implementation of the scheme. The Committee are of the considered view that this will go a long way in achieving the intended objective of supporting sustainable production in agriculture sector by way of providing financial support to farmers suffering crop loss/damage arising out of unforeseen events; stabilizing the income of farmers to ensure their continuance in farming; encouraging farmers to adopt innovative and modern agricultural practices and ensuring flow of credit to the agriculture sector which will contribute to food

security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks. In addition to above, while emphasizing on the need for concerted effort to provide insurance coverage to every vulnerable farmer across the Country, the Committee desire that alongwith benefits of technology viz. Aadhar linked land records, DBT facilities, the Department may also explore the possibility of integrating data base of Kisan Card, Soil Health Card etc. for easing the delivery mechanism.

NEW DELHI:
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Agrahayana 1945 (Saka)

ADHIR RANJAN CHOWDHURY
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Public Accounts Committee