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PROGRESS OF PRADHAN MANTRI FASALBI MAYOJANA (PMFBY) IN INDIA

Dr. N.Muthu
Assistant Professor of Economics, Devanga Arts College, Aruppukottai, Tamilnadu.

Abstract
In this paper an attempt has been made to examine the objectives and features of the new crop insurance scheme PradhanMantriFasalBimaYojana (PMFBY) in India. This study also attempts to analyse the area and sum insured under this insurance scheme during the period between 2016-17 and 2019-20.PMFBY provides a comprehensive insurance cover against failure of the crop thus helping in stabilizing the income of the farmers and encourage them for adoption of innovative practices.During 2016-17 about 584 lakh farmer enrolments were provided crop insurance for a sum of Rs. 2.03 lakh crore and during 2017-18 about 533 lakh farmer enrolments were provided crop insurance for a sum of Rs. 2.02lakh crore under PMFBY & RWBCIS. There was some decline in coverage in 2017-18, primarily in the category of loanee farmers.Coverage under the scheme has increased to 577 lakh applicants during 2018-19 and 610 lakh farmer applicants during 2019-20.An effective crop insurance system is crucial in cushioning income losses for farmers, financing inputs for agricultural production, and increasing access to agricultural credit to boost agricultural productivity. The existing model, however, has failed to reduce the burden of debt-repayment in the event of crop loss, neither helping to meet the consumption needs nor augmenting income. The government must tackle these fundamental flaws and iron out the policy wrinkles in a scheme that was meant to mobilise financial resources for the agriculturally distressed.

Keywords: PMFBY, Physical achievement and financial progress.

Introduction

India is having one of the largest agriculture depending population in the world. Agriculture is a high-risk profession as most of the farmers depend on rain and the general weather conditions to grow their crops. Hence to protect the framers, the government has been following a prudent agricultural policy including the agricultural insurance policy. In January 2016, the government launched the Prime Minister’s FasalBimaYojana (PMFBY), which is a crop insurance scheme with the objective of eliminating the defects of existing schemes. After detailed discussions with various stakeholders including State Governments, representatives of farmer organizations, Government of India has formulated the new Crop Insurance Schemes viz. Pradhan Mantri FasalBimaYojana (PMFBY), which is being implemented in various States/Union Territories of the country from Kharif 2016 whereas 23 states and 2 Union territories have implemented the scheme in Rabi 2016-17. The Scheme is being implemented through 18 General Insurance Companies including all the 5 Government Sector Companies. Under PMFBY, a uniform maximum premium of only 2% of the sum insured is paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the maximum premium to be paid by farmers is upto 5%. The premium rates to be paid by farmers are very low and the balance of actuarial premium is being borne by the Government, to be shared equally by the State & Central Government (except in North Eastern States where the subsidy sharing pattern between Central and State Government is 90:10) to provide full insured amount to the farmers against crop loss on account of natural calamities.

Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers. This capping in earlier schemes has now been removed. In PMFBY farmers will get claim against full sum insured without any reduction. Central Government has rationalized the Government of India's' subsidy sharing in the view of high premium in select crops and areas and to ensure a detailed analysis of the reasons leading to high premium rates. This needs a detailed examination and necessary course correction by the concerned State Government. Central Subsidy for premium is capped up to 30% for un-irrigated & 25% for irrigated area/crops. Districts with irrigated area more than 50% (from all sources) will be considered as irrigated districts. Further, the sum insured has been equated to Scale of Finance/Notional Value of the crop.

Efforts have been made to make the scheme technology driven with the primary objective to reduce the delays in claim payment to farmers. Capturing of Crop Cutting Experiments (CCEs) data on smart phones/CCE Agriculture App and its realtime transfer on the National Crop Insurance Portal has been made mandatory from Kharif 2017 to ensure transparency and real time transfer of data. Remote sensing will be used to rationalize the number of Crop Cutting Experiments at unit area level. 8 pilot studies on use of innovative technology in CCEs have been completed by the Department which is coordinated by the Mahalanobis National Crop Forecast Centre (MNCFC). A High-Power Committee constituted in the Department of Agriculture, Cooperation and Farmers Welfare has evaluated the results of the 8 pilots and it has been decided to scale up and mainstream the operationalization of these approaches/techniques for paddy crop in 9 States on a pilot basis.14 more pilot studies by the Government, reputed international and national private agencies on direct yield estimation at Gram Panchayat level using technology have been initiated during the year 2020 which are also being coordinated by the MNCFC. Under PMFBY, CCEs has increased manifold. Every year around 70 lakh CCEs need to be conducted to arrive at yield data within a short harvesting window of 15-20 days is a challenging task. Smart Sampling and Two Step Yield Estimation has been adopted under PMFBY implementation to rationalize and reduce number of CCEs to be conducted. This will ensure reduction in CCE numbers without impacting quality of sampling and yield estimation results. Further, new age technology will be used to assess crop health using remote sensing and satellite indices.

SumitGhosh (2019), in his study on "An Analysis of PradhanMantriFasalBimaYojana (PMFBY): Expectations and Reality" , has come to the conclusion that there is a need to promote private sector companies participation in agricultural insurance to increase the penetration of crop insurance This may increase the coverage and viability of insurance schemes. High premium rates have been the cause for not taking up insurance policies. Thus there is a need to lower the premium rates and subsidies the same. Delay in claim settlement is one important concern of crop insurance schemes. Therefore, it has been advised by experts that use of remote sensing technology could reduce the time between damage assessment and claim settlement. Besides that, there is lack of awareness about crop insurance among the farmers. Farmers do not possess any knowledge about the various crop insurance schemes initiated by the government. Therefore measures should be taken to create awareness about crop insurance through various government agencies, NGOs, banks and insurance companies

Methodology

In this paper an attempt has been made to examine the objectives and features of the new crop insurance scheme Pradhan Mantri Fasal BimaYojanain India. This study also attempts to analyse the area and sum insured under this insurance scheme during the period between 2016-17 and 2019-20. For this purpose time series secondary data, required for the study, have been collected from the official website of Ministry of Agriculture and Farmers' Welfare, Government of India

Objectives of PMFBY Scheme

Important objectives of the scheme are;

1. To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases
2. To stabilize the income of farmers to ensure their continuance in farming
3. To encourage farmers to adopt innovative and modern agricultural practices
4. To ensure flow of credit to the agriculture sector

Implementing agency

The Scheme shall be implemented through a multi-agency framework by selected insurance companies under the overall guidance & control of the Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture &Farmers Welfare, Government of India and the concerned State in co-ordination with various other agencies; viz Financial Institutions like Commercial Banks, Co-operative Banks, Regional Rural Banks and their regulatory bodies, Government Departments viz. Agriculture, Co-operation, Horticulture, Statistics, Revenue, Information/Science & Technology, Panchayat Raj etc.

Features of PMFBY Scheme

1. PMFBY will provide a comprehensive insurance cover against failure of the crop thus helping in stabilizing the income of the farmers and encourage them for adoption of innovative practices.
2. The Scheme can cover 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) will be conducted being a part of the General Crop Estimation Survey (GCES).
3. The scheme is compulsory for loanee farmer obtaining Crop Loan /KCC account for notified crops. However, voluntary for Other/non loanee farmers who have insurable interest in the insured crop(s)
4. The Maximum Premium payable by the farmers will be 2% for all Kharif Food & Oilseeds crops, 1.5% for Rabi Food & Oilseeds crops and 5% for Annual Commercial/Horticultural Crops.
5. The difference between premium and the rate of Insurance charges payable by farmers shall be shared equally by the Centre and State.
6. The seasonality discipline shall be same for loanee and non-loanee farmers.
7. The scheme will be implemented by AIC and other empanelled private general insurance companies. Selection of Implementing Agency (IA) will be done by the concerned State Government through bidding.
8. The existing State Level Co-ordination Committee on Crop Insurance (SLCCCI), Sub-Committee to SLCCCI, District Level Monitoring Committee (DLMC) shall be responsible for proper management of the Scheme.
9. The Scheme shall be implemented on an 'Area Approach bases. The unit of insurance shall be Village/Village Panchayat level for major crops and for other crops it may be a unit of size above the level of Village/Village Panchayat.

10. The Loss assessment for crop losses due to non-preventable natural risks will be on Area approach.
11. In case of majority of insured crops of a notified area are prevented from sowing/planting the insured crops due to adverse weather conditions that will be eligible for indemnity claims upto maximum of 25% of the sum-insured.
12. However losses due to localized perils (Hailstorm, landslide & inundation) and Post-Harvest losses due to specified perils, (Cyclone/Cyclonic rain &Unseasonal rains) shall be assessed at the affected insured field of the individual insured farmer.
13. Three levels of Indemnity, viz., 70%, 80% and 90% corresponding to crop Risk in the areas shall be available for all crops.
14. The Threshold Yield (TY) shall be the benchmark yield level at which Insurance protection shall be given to all the insured farmers in an Insurance Unit Threshold of the notified crop will be moving average of yield of last seven years excluding yield up to two notified calamity years multiplied by Indemnity level.
15. In case of smaller States, the whole State shall be assigned to one IA (2-3 for comparatively big States). Selection of IA may be made for at least 3 years.
16. The designated / empanelled companies participating in bidding have to bid the premium rates for all the crops notified / to be notified by the State Govt. and non-compliance will lead to rejection of company's bid
17. Crop Cutting Experiments (CCE) shall be undertaken per unit area /per crop, on a sliding scale, as prescribed under the scheme outline and operational guidelines. Improved Technology like remote sensing. Drone etc. will be utilized for estimation of yield losses.
18. State governments should use Smart phone apps for video/image capturing CCEs process and transmission thereof with CCE data on a real time basis for timely, reliable and transparent estimation of yield data
19. The cost of using technology etc. for conduct of CCEs etc. will be shared between Central Government and State/U.T. Governments on 50:50 bases.
20. There will be a provision of on account claims in case of adverse seasonal conditions during crop season viz. floods, prolonged dry spells, severe drought, and unseasonal rains.
21. On account payment up to 25% of likely claims will be provided, if the expected yield during the season is likely to be less than 50% of normal yield.
22. The claim amount will be credited electronically to the individual Insured Bank Account.
23. Adequate publicity needs to be given in all the villages of the notified districts/areas

Progress of PMFBY scheme

The scheme was very well received by the farming community as 27 States and Union Territories opted for the scheme in one or more seasons. The coverage in the first year of the scheme (2016-17) was 30% of Gross Cropped Area (GCA). This was the highest coverage in the history of crop insurance in India. Further, voluntary participation of non-loanee farmers has increased substantially (more than 6 times) as compared to earlier schemes and has reached 37% of total coverage under the scheme in 2019-20. This has been a major achievement under the scheme. To facilitate this, alternate mechanisms for coverage of non-loanees were put in place which included access through Common Service Centers (CSCs) and encouraging direct enrolment on the portal. However, the scheme has been made voluntary for all farmers including loanee famers from Kharif 2020 season.

Table-1: Progress of PradhanMantriFasalBimaYojana (PMFBY) &Restructured Weather Based Crop Insurance Scheme (RWBCIS)from 2016-17 to 2019-20

Particulars	2016-2017	2017-2018	2018-2019	2019-2020
Farmers applications insured (Lakh)	583.7	533.0	576.8	610.2
Area insured (Lakh Hectares)	567.3	508.3	523.0	496.5
Sum insured (Rs.in Crores)	2,03,121	2,02,265	2,30,060	2,17,709
Farmers share in Premium (Rs.in Crores)	4,042	4,189	4,853	4,403
Gross premium (Rs.in Crores)	21,573	24,635	29,348	31,719
Reported claims (Rs.in Crores)	16,775	22,117	28,643	25,273
Paid claims (Rs.in Crores)	16,760	22,113	27,633	23,485
Farmers applications benefited (Lakh)	156.3	170.4	218.1	210.2
Claim ratio	77.8	89.8	97.6	79.7

***Source**: Annual Report 2020-21, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India.*

During 2016-17 about 584 lakh farmer enrolments were provided crop insurance for a sum of Rs. 2.03 lakh crore and during 2017-18 about 533 lakh farmer enrolments were provided crop insurance for a sum of Rs. 2.02lakh crore under PMFBY & RWBCIS. There was some decline in coverage in 2017-18, primarily in the category of loanee farmers. The announcement of Debt Waiver Schemes in two big States namely, Maharashtra and Uttar Pradesh made more than 36 lakh farmers in Kharif 2018 season that had availed croploan, ineligible for the crop insurance as fresh loans were not drawn. At the same time, Direct Benefit Transfer(DBT) was introduced by the Government in April 2017, to help farmers receive claims directly in their bank accounts, which made registration through Aadhar number mandatory. This was a deliberate step by the Government to weed out ghost /duplicate beneficiaries and help genuine farmers through Aadhar based verification and it resulted in further decreasing the number of loanee farmers under the scheme.

Coverage under the scheme has increased from 533 lakh farmer applicants in 2017-18 to 577 lakh applicants during 2018-19 and 610lakh farmer applicants during 2019-20, which is despite the withdrawal of Bihar State from the scheme from Kharif 2018 season and West Bengal State Government from Kharif 2019 season. The State Governments of Andhra Pradesh, Gujarat, Telangana and Jharkhand have also not implemented the scheme in 2020.In spite of overall good monsoon during the first three years of implementation of PMFBY, the claim ratio was about 77.8%, 89.8 %, and 97.6% in 2016-17, 2017-18 and 2018-19 respectively. Provisional claim ratio for the year 2019-20 is at 79.7%.

Expenditure on PMFBY and RWBCIS Schemes

Keeping in view the risks involved in agriculture and to insure the farming community against various risks, the Ministry of Agriculture & Farmers Welfare introduced a crop insurance scheme in 1985 and thereafter brought improvements in the erstwhile scheme(s) from time to time based on the experience gained and views of the stakeholders, States, farming community etc. The insurance schemes currently under implementation are the Pradhan Mantri Fasal BimaYojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme (RWBCIS).The total funds released by the Government of India during last 5 years under PMFBY and RWBCIS are given in table.2. The total expenditure under PMFBY and RWBCIS in India has been more than 11 thousand crores during 2016-17 and it has increased to 12.64 thousand crores during 2019-20 by increasing 14.33 per cent compared to 2016-17.

Table-2: Funds released under PMFBY and RWBCIS insurance schemes

Year	Funds released (Rs. in Crores)
2016-17	11054.63
2017-18	9419.79
2018-19	11945.48
2019-20	12638.32

Source: Annual Report 2020-21, Department of Agriculture, Cooperation and Farmers' Welfare, Ministry of Agriculture and Farmers' Welfare, Government of India.

Conclusions

An effective crop insurance system is crucial in cushioning income losses for farmers, financing inputs for agricultural production, and increasing access to agricultural credit to boost agricultural productivity. The existing model, however, has failed to reduce the burden of debt-repayment in the event of crop loss, neither helping to meet the consumption needs nor augmenting income. The government must tackle these fundamental flaws and iron out the policy wrinkles in a scheme that was meant to mobilize financial resources for the agriculturally distressed. Insurance companies and regulators need to take a hard look at the efficacy of the PMFBY scheme. Claims are not being honoured and insurance companies are making high profits without the benefits trickling down to the farmers. Left unchecked, this will erode the credibility of the financial sector. Without a credible financial sector, the solvency positions of rural banks will be at stake. This, in turn, will impact rural-lending and can lead to a further decline in agricultural productivity. If modern insurance must reach the last farmer, the current issues have to be addressed to ensure that the subsequent scheme improves upon the PMFBY. The substantial income allocated to this scheme calls for better enforcement and transparency. By riding on an insurance model backed by private and public partnership along with technological advancements, the PMFBY scheme can include and protect the vulnerable farming population, by not only acting as an insurance scheme but also leading to the financialisation and formalisation of the economy.

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