

# Pradhan Mantri Fasal Bima Yojna (PMFBY): A Bunch of Benefits

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## ABSTRACT

Agriculture sector in India faces the risk of loss due to draughts, floods and other natural calamities and thereby it is imperative to protect farmers from any kind of loss and enable them to maintain their financial position for the next crop season. Agriculture and allied activities are of the most important sectors of Indian economy and accounts for nearly 16% of India's gross domestic product (GDP) and provides employment to about half of the workforce of the country. Realizing the importance of agriculture sector various schemes have been launched by government since independence in the interest of farmers of the country. The recently launched scheme is the Pradhan Mantri Fasal Bima Yojna (PMFBY), which is a kind of a "One nation-One scheme" launched in the year 2016. PMFBY provides a widespread insurance cover against failure of the crops and helps in stabilizing the income of the insured farmers.

The present paper is an attempt to study the conceptual framework of the scheme and identifying the benefits of PMFBY in the country. It is a kind of descriptive research highlighting the peculiarities of the scheme and its prospective effects in the betterment of Indian farmers.

## 1. Introduction

It is an undoubted fact that whatever is created will certainly be destroyed. Just like creation can be an act of either the "supreme power" or humans, destruction can also be an act of god or an act of human being, whether deliberate or accidental. Creation is inevitably followed by destruction. Risk is therefore present in life as well as to property. The basic purpose of insurance, whether it is life insurance or general insurance, is to protect the insured from a range of risks which are anticipated. The person who takes the protection for himself or for his property is called the insured or assured and the other person (basically a public limited company) who takes risk by promising to pay for the loss is called an insurer or assurer. There is a legal maxim of "quid pro quo" i.e. something in return and this arrangement between the insured and the insurer is based on a small consideration which is paid by the former to the latter called as the premium.

The above arrangement is known as the contract of insurance which can be defined as "a contract whereby one person, called the "insurer", undertakes, in return for the agreed consideration, called the "premium", to pay to another person, called the "insured", a sum of money or its equivalent on the happening of a specified event". The happening of the specified event must involve some loss to the insured which is called as the risk in the terminology of insurance.

General insurance is a mechanism of some people who are exposed to the same level of risks of suffering damage or destruction to their properties, that are likely to be caused by perils like accident, fire, flood earthquakes etc., coming together and agreeing to share the loss sustained by any one of the members. In other words the loss of the members is spread among all of them.

PMFBY is an innovative scheme for the benefits of farmers which come under the domain of general insurance sector of insurance industry. This scheme is implemented by empanelled general insurance companies. Implementing Agency (IA) is selected by the respective State Government through the process of bidding. PMFBY is essential for farmers availing crop loan facility or opening Kisan Credit Card (KCC) account for notified crops. PMFBY is being administered by Ministry of Agriculture. PMFBY is a scheme which comes under the purview of general insurance sector of insurance industry.

## 2. Objectives of the study

The objectives of this study are as follows:

1. To comprehend the specialties of PMFBY and comparing this scheme with previous ones.
2. To suggest feasible measures for improvement in the structure as well as implementation of the scheme.

## 3. Review of Literature

Following works/studies have been reviewed in given texts which are significant for the study.

**Ranjan Kumar Ghosh (2018)** in his project entitled 'Performance Evaluation of Pradhan Mantri Fasal Bima Yojna (PMFBY)' has depicted the implementation status of PMFBY in the country and has also evaluated its performance in selected states. The researcher has also pointed out hurdles in the governance of PMFBY. The researcher recommended that efforts are required to be made to spread awareness regarding PMFBY and its benefits at the happening of loss of crops due to natural calamities. The researcher pointed out that village panchayats should be actively involved in spreading awareness about the scheme.

**Ruchbah Rai (2019)** in his paper entitled '*Pradhan Mantri Fasal Bima Yojna: An Assessment of India's Crop Insurance Scheme*' has pointed out that although PMFBY being a transformative scheme of its kind has various issues in its execution at state and district level. The researcher has indicated problems in the structure of the scheme along with financial issues. The recommendations of the researcher include increase in funds for rural infrastructure development and use of information technology in implementation of the scheme. The paper also focuses to ensure strict compliance of the scheme with regard to claim settlement to ensure adequate and timely compensation to farmers.

**Bharat Singh Ghanghas (2018)** in his paper entitled '*Awareness of Pradhan Mantri Fasal Bima Yojna among Farmers of Haryana State*' has highlighted that approximately 70% of the farmers were having general information including premium related information about PMFBY. Regarding seasonality, about 40.23% of the farmers were aware and about 34.43% were having information about the risk coverage of the scheme. The researcher has pointed that reason behind high awareness on general and premium related information may be because of compulsory proposals for loanee farmers. As per the research paper, about 93.33% of the farmers took the compulsory proposal for loanee farmers while only 6.67% adopted it on voluntary basis.

**Indrajeet (2016)** in his paper entitled '*Study on the benefits of Fasal Bima Yojna for farmers*' has highlighted the need of crop insurance as an alternative to mitigate the risk of yield loss by the farmers in the country. The author has pointed out the benefits of PMFBY in terms of rate of premium, insurance coverage and post harvest losses. The

researcher has also pointed out that the scheme will increase the insurance penetration in the agricultural sector leading to higher productivity and prosperity.

**Suman Devi (2016)** in her paper '*Pradhan Mantri Fasal Bima Yojna- An Overview*' has highlighted the objectives of the scheme. The paper also points out the coverage of the farmers, implementing agency and talks about management and monitoring of the scheme. A short comparison has been made with earlier crop insurance schemes such as National Agricultural Insurance Scheme (NAIS). The scheme has been critically appraised on the facts that it does not cover the risk and loss caused by wild animals, nuclear risks, riots, theft etc. Challenges in the implementation have also been stated which may crop out because of problems like poor land records, flawed land titles, corruption and so on.

**4. PMFBY: An overview of the scheme**

PMFBY was launched on February 18, 2016 by the present NDA government in its first tenure. The scheme was allocated an initial budget of Rs 5,500 Crores for the year 2016-17. Similarly, an amount of Rs. 9,000 Crore and Rs. 13,000 Crores were allocated for the scheme in the year 2017-18 and 2018-19 respectively and this year the government has allocated Rs. 14,000 Crore in the interim budget for the year 2019-20. The scheme incorporates the benefits of all previous schemes viz. National Agricultural Insurance Scheme (NAIS) and Modified NAIS (MNAIS) and is designed to lessen the burden of crop insurance on farmers. A comparison has been drawn in the following table between NAIS, MNAIS and PMFBY:

S. No.	Feature of difference	NAIS	MNAIS	PMFBY
1	Year of introduction	1999-00	2010-11	2016-17
2	Premium rate	Low	High	Lower than NIAS
3	One season-one premium	Yes	No	Yes
4	Insurance amount cover	Full	Capped	Full
5	On account payment	No	Yes	Yes
6	Localised risk coverage	No	Hail storm, land slide	Hail storm, land slide and inundation
7	Post harvest losses coverage	No	Coastal areas for cyclonic rain	All India for cyclonic and unseasonal rain
8	Prevented sowing coverage	No	Yes	Yes
9	Use of technology	No	Intended	Mandatory
10	Awareness	No	No	Yes
11	Insurance companies	Only government	Govt. and Pvt. both	Govt. and Pvt. both
12	Prevented sowing coverage	No	Yes	Yes
13	Crop insurance app and portal	No	No	Yes
14	Toll free number for grievance redressal	No	No	Yes

**5. Objectives of PMFBY Scheme**

Loss of the crops due to different unfavorable climatic conditions and other disasters was an unfortunate part of the Indian agricultural sector. To protect our farmers' especially marginal and landless farmers against these risks and

uncertainties, it was an essential step to cover them under some institutional government arrangements. Their survival to the minimum cost of earning also requires a guaranteed income from their farm produce. Keeping all these in view the said scheme was initiated by the Government of India.

Following are the points describing briefly the main objectives of the scheme:

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 and 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.

## 6. Features of PMFBY

The salient features of the scheme are as under:

1. **Coverage of farmers:** The scheme covers farmers who have availed institutional loans through Kisan Credit Cards etc. and are termed as loanee farmers, farmers who avail insurance cover on a voluntary basis termed as non-loanee farmers, tenant farmers and sharecroppers. The scheme is mandatory for loanee farmers.
2. **Coverage of crops:** The responsibility of notifying crops lies on the state governments for both rabi and kharif seasons. The crops will be categorized into major crops and other crops.
3. **Premium rates:** A uniform premium of 2% of the sum insured has been fixed for Kharif crops and of 1.5% of the sum insured has been fixed for Rabi

crop. The rate of premium for annual commercial and horticultural crops is 5% of the sum insured or the actuarial rate, whichever is less.

4. **Insurance unit:** The scheme operates on an area based approach. Insurance unit may be a village or a village panchayat or equivalent unit as notified in the state government notification.
5. **Use of innovative technology:** Use of technology has been encouraged in the scheme. Smart phones have been proposed to be used for capturing and uploading of data to reduce delays in claim disposal of farmers. Remote sensing and drones will be used to reduce the number of crop cutting experiments (CCEs) and also to remove discrepancy in coverage of area.
6. **Cluster approach for insurance company:** A cluster approach will be adopted under the scheme in which a group of districts will be allotted to an insurance company for a period of three years through competitive bidding process.

## 7. State wise performance and farmers benefitted from PMFBY

The following table depicts the position of state wise beneficiaries under the PMFBY in the year of its inception i.e. FY 2016-17:

States/ UTs	Season	Scheme	Area Covered (in lakh ha.)	Gross Premium (Rs. in Lakh)	(Rs. In lakhs) - Claims finalised	(Rs. In lakhs) - Claims Paid	Farmers Covered	Farmers Benefitted
Andaman & Nicobar	Rabi	PMFBY	0.03	1.62	NA	NA	324	0
	<b>Total</b>		0.03	1.62	NA	NA	324	0
Andhra Pradesh	Kharif	PMFBY, RWBCIS	14.37	69818.43	64254.12	55976.78	1623119	1154980
Andhra Pradesh	Rabi	PMFBY, RWBCIS	2.44	16511.16	647.27	NA	150970	0
	<b>Total</b>		<b>16.81</b>	<b>86329.59</b>	<b>64901.39</b>	<b>55976.78</b>	<b>1774089</b>	<b>1154980</b>
Assam	Kharif	RWBCIS	0.37	691.42	501.69	501.69	51749	23370
Assam	Rabi	PMFBY	0.04	173.22	NA	NA	8516	0
Assam	<b>Total</b>		0.41	864.64	501.69	501.69	60265	23370
Bihar	Kharif	PMFBY	13.12	112228.92	28591.46	NA	1484378	182545
Bihar	Rabi	PMFBY	11.9	30085.11	NA	NA	1234482	0
Bihar	<b>Total</b>		25.02	142314.03	28591.46	NA	2718860	182459
Chattisgarh	Kharif	PMFBY	22.88	27182.56	12651.96	12651.96	1399212	94636
Chattisgarh	Rabi	PMFBY, RWBCIS	2.41	5865.01	2330.35	1199.3	153151	26847
Chattisgarh	<b>Total</b>		25.29	33047.57	14982.31	13851.26	1552363	121483
Goa	Kharif	PMFBY	0.01	7.33	2.68	2.68	742	111
Goa	Rabi	PMFBY	0	0.07	NA	NA	13	0
Goa	<b>Total</b>		0.01	7.4	2.68	2.68	755	111
Gujarat	Kharif	PMFBY	25.67	230508.11	32459.68	14271.9	1842337	125753
Gujarat	Rabi	PMFBY	2.75	5542.69	NA	NA	128299	0
Gujarat	<b>Total</b>		28.42	236050.8	32459.68	14271.9	1970636	125753
Haryana	Kharif	PMFBY	11.87	25579.66	23273.75	21825.85	738095	148310

Haryana	Rabi	PMFBY	9.08	10668.95	690.01	232.17	585418	1871
Haryana	<b>Total</b>		20.95	36248.61	23963.76	22058.02	1323513	150181
Himachal Pradesh	Kharif	PMFBY, RWBCIS	0.4	640.03	597.62	232.82	134613	29468
Himachal Pradesh	Rabi	PMFBY, RWBCIS	0.89	6367.49	207	NA	203002	0
Himachal Pradesh	<b>Total</b>		1.29	7007.52	804.62	232.82	337615	29468
Jharkhand	Kharif	PMFBY	3.53	26527.56	3065.86	7.54	828346	56513
Jharkhand	Rabi	PMFBY	0.21	607.69	NA	NA	42323	0
Jharkhand	<b>Total</b>		3.74	27135.25	3065.86	7.54	870669	56513
Karnataka	Kharif	PMFBY, RWBCIS	14.05	96477.4	75924.52	62464.84	1738729	490077
Karnataka	Rabi	PMFBY, RWBCIS	16.83	57324.81	NA	NA	1179497	0
Karnataka	<b>Total</b>		30.88	153802.21	75924.52	62464.84	2918226	490077
Kerala	Kharif	RWBCIS	0.21	858.95	1690.41	1588.66	31532	20329
Kerala	Rabi	PMFBY, RWBCIS	0.32	2397.1	NA	NA	20972	0
Kerala	<b>Total</b>		0.53	3256.05	1690.41	1588.66	52504	20329
Madhya Pradesh	Kharif	PMFBY, RWBCIS	71.93	299293.68	68515.53	9470.84	4046868	510747
Madhya Pradesh	Rabi	PMFBY, RWBCIS	58.21	106182.6	NA	NA	3051561	0
Madhya Pradesh	<b>Total</b>		130.14	405476.28	68515.53	9470.84	7098429	510747
Maharashtra	Kharif	PMFBY, RWBCIS	67.26	409104.12	205786.16	205781.99	10988632	2802414
Maharashtra	Rabi	PMFBY, RWBCIS	6.61	61718.08	NA	1934.38	828210	14148
Maharashtra	<b>Total</b>		73.87	470822.2	205786.16	207716.37	11816842	2816562
Manipur	Kharif	PMFBY	0.09	359.26	195.91	127.25	8366	8358
Meghalaya	Kharif	PMFBY	Neg.	3.05	NA	NA	63	0
Meghalaya	Rabi	PMFBY	Neg.	1	NA	NA	26	0
Meghalaya	<b>Total</b>		NA	4.05	NA	NA	89	0
Odisha	Kharif	PMFBY	12.58	53270.95	42301.39	40043.23	1766427	157939
Odisha	Rabi	PMFBY	0.69	582.36	NA	NA	55231	0
Odisha	<b>Total</b>		13.27	53853.31	42301.39	40043.23	1821658	157939
Pondicherry	Rabi	PMFBY	0.07	277.82	NA	NA	8829	0
Rajasthan	Kharif	PMFBY, RWBCIS	73.97	200853.27	33561.8	33383.64	6130420	560023
Rajasthan	Rabi	PMFBY, RWBCIS	28.85	48171.26	32.83	32.83	3077018	504
Rajasthan	<b>Total</b>		102.82	249024.53	33594.62	33416.47	9207438	560527
Sikkim	Rabi	PMFBY	Neg.	1.19	NA	NA	512	0
Tamil Nadu	Kharif	PMFBY	0.31	1016.07	0.16	0.16	16056	1
Tamil Nadu	Rabi	PMFBY	12.57	97592.86	147647.67	121326.09	1519107	444700
Tamil Nadu	<b>Total</b>		12.88	98608.93	146456.76	121326.25	1535163	444701
Telangana	Kharif	PMFBY, RWBCIS	5.93	23392.54	12621.8	NA	703075	136728
Telangana	Rabi	PMFBY, RWBCIS	3.23	7690.48	250.19	NA	255020	0
Telangana	<b>Total</b>		9.16	31083.02	12710.05	NA	958095	136728
Tripura	Kharif	PMFBY	0.01	5.04	8.34	8.34	1881	502
Tripura	Rabi	PMFBY	0.06	39.36	NA	NA	14526	0
Tripura	<b>Total</b>		0.07	44.4	8.34	8.34	16407	502
Uttar Pradesh	Kharif	PMFBY,	30.08	60101.56	43850.43	42805.83	3395779	877058

		RWBCIS						
Uttar Pradesh	Rabi	PMFBY, RWBCIS	33.23	61442.12	910.93	518.05	3626243	18799
Uttar Pradesh	<b>Total</b>		63.31	121543.68	43936.32	42844.82	7022022	895857
Uttarakhand	Kharif	PMFBY, RWBCIS	1.01	2555.97	1668.57	1277.02	175245	50630
Uttarakhand	Rabi	PMFBY, RWBCIS	0.33	1631	51.9	4.94	87357	4126
Uttarakhand	<b>Total</b>		1.34	4186.97	1720.47	1281.96	262602	54756
West Bengal	Kharif	PMFBY, RWBCIS	15.7	27027.58	10064.03	0.93	3061023	234483
West Bengal	Rabi	PMFBY	5.18	46116.05	NA	NA	1068643	0
West Bengal	<b>Total</b>		20.88	73143.63	10064.03	0.93	4129666	234483
All States	Total Kharif		385.35	1667503.46	661587.87	502423.97	40166687	7664975
All States	Total Rabi		195.89	566989.91	152768.15	125247.75	17298926	510995
All States	<b>Grand Total (Kharif+Rabi)</b>		<b>581.24</b>	<b>2234493.37</b>	<b>814356.03</b>	<b>627671.72</b>	<b>57465613</b>	<b>8175970</b>

(Source: data.gov.in)

In the FY 2016-17, the total area of both kharif and rabi crops covered under the scheme was about 581.24 lakh hectares. The gross premium collected from the farmers under the scheme was Rs. 22,344.93 Crores. The gross direct premium collected by all general insurance companies in the year 2016-17 within and outside India was Rs. 1,30,971.00 crores. The premium collected under PMFBY was approximately 17% of the premium collected in the FY2016-17.

Out of Rs. 8,143.56 Crores of the finalized claims from the insurers, Rs. 6,276.72 Crores was paid to the beneficiaries. The table also shows that about 5.75 crores were covered under the scheme and about 81.76 lakhs were benefitted from the scheme.

## 8. Recommendations and Conclusion

An efficient crop insurance scheme is very much imperative to compensate the income loss of farmers due to various natural and man-made disasters and financing of inputs for agricultural production. Crop insurance is crucial for

security of farmers which in turn will lead to a boost in the agricultural sector of the economy. The said scheme PMFBY will definitely benefit the farmers with low premium rates and wide coverage of insurance crops. The scheme also provides coverage to the post harvest losses which was not fully covered in the erstwhile schemes. A comparative study reveals that the PMFBY is undoubtedly a better scheme so far as compared to the earlier ones in the field of crop insurance. But, in a country like India, designing and launching a scheme like PMFBY is not an ultimate end in the betterment of farmers of the country. The fruits of the scheme can be harvested on its successful implementation only. The existing and unaddressed problems in the field of agriculture such as flawed land titles, poor land records and corruption in disposal of claims are some of the familiar challenges that are present since a long time and will create hurdles in successful implementation of the said scheme. Therefore, strict monitoring and supervision of the scheme is required on the part of the government enabling each and every corner of the farmers community to take the benefit of the said scheme in fullest sense.

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