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# A REVIEW ON PRADHAN MANTRI FASAL BIMA YOJANA

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**ABSTRACT**

Although agricultural GDP accounts for only 16.5 percent of India's GDP, 65 percent of the country's population is farmers who rely on agriculture for a living. "When he loses his hard work to a Natural Calamity," is the worst hardship a farmer faces. To address these issues, the government has implemented crop insurance. However, these crop insurance plans have been around for years, and only about 20-25 percent of farmers have benefited from them. PMFBY (Prime Minister Crop Insurance Scheme) was started by Prime Minister Shri Narandra Modi in 2016 with the goal of insuring at least 50% of farmers. This policy protects against crop loss due to natural disasters and has a lower premium rate. The PMFBY scheme will be discussed in this paper.

## I. Introduction

Prime Minister of India Narendra Modi introduced the Pradhan Mantri Fasal Bima Yojana (Prime Minister's Crop Insurance Scheme) on February 18, 2016. The National Agriculture Insurance Scheme (NAIS) and Modified NAIS (MNAIS) were not adequately serving the needs of farmers prior to the introduction of this programme. The MNAIS insurance pool was small, especially for vulnerable commodities and areas. It was dependent on the amount of crop loans or the cap on the sum insured; crop damage assessment based on crop cutting experiments was time-consuming, and recompense to farmers may take months, if not years.

In 1997-98, an experimental crop insurance plan was implemented in certain regions, covering non-loaned small and marginal farmers cultivating specified crops. The cost of the premium was subsidised. The premium collected was around Rs. 3 crore (US$450,000), with claims totaling Rs. 40 crore (US$5.9 million). (The plan was terminated by the government in 1997-98.)

The Modi administration decided to overhaul everything, and under the new PMFBY, a technical committee in each district determines the "scale of financing" for the sum insured, taking into consideration all of the farmers' expenditures. Premiums are set on an actuarial basis and are not capped. To determine the rates, public and private insurance firms are encouraged to submit bids. Farmers get subsidies for the premiums identified, paying just 2% for kharif crops, 1.5 percent for rabi crops, and 5% for annual commercial crops, including horticulture crops. The remainder is covered by the government, which is split evenly between the federal and state governments. Smart phones, GPS, drones, and satellites will be utilised to improve accuracy, transparency, and speed in assessing damages and resolving claims.

Within the following two–three years, this programme aims to enlist the help of more than half of the farmers. Around 25% of the claims will be remitted directly to the farmer's account. In

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addition, the strategy will stay unchanged. There will be no coverage cap as a result of this. There will also be no limit on the amount of the insured sum that can be reduced.

In kharif 2013, PMFBY insured 35.5 million farmers, compared to 12.1 million in kharif 2013 and 25.4 million in kharif 2015. This is a massive increase: By about 193% compared to kharif 2013 and 40% compared to kharif 2015. The number of non-loaned farmers climbed by more than six times, according to the Press Information Bureau. However, these numbers must be investigated further before we can declare the initiative a success.

Under PMFBY, the area insured grew from 16.5 million hectares (mha) in kharif 2013 to 27.2 mha in kharif 2015. The total insured, which rose from Rs 34,749 crores in kharif 2013 to Rs 60,773 crores in kharif 2015, and now to Rs 1, 08,055 crores under PMFBY, has seen the most dramatic growth. All of these factors indicate that the programme is on track and moving in the right way. India might have half of its cultivated area insured in three to five years if current trends continue.

The administration has recommended that the whole state be served by a single insurance firm. It will primarily be implemented by commercial as well as national farm insurance businesses.

"With the exception of Bihar, the implementation of PMFBY has progressed well across the country. Crop insurance was taken up by 3.07 crore people last year under previous programmes. We estimate 4 crore farmers to sign up for the initiative during kharif season." With the exception of Bihar and Punjab, 22 states have implemented the new crop insurance plan. The PMFBY is now being implemented in the remaining states.

## II. OBJECTIVES OF PMFBY

- To offer farmers with insurance coverage and financial assistance in the event that any of the declared crops fails due to natural catastrophes, pests, or illnesses.
- To ensure that farmers' incomes remain stable in order for them to continue farming.
- To encourage farmers to use creative and advanced farming techniques.
- To guarantee that finance is available to the agricultural industry.

## III. Coverage of Crops

- Food crops (Cereals, Millets and Pulses),
- Oilseeds
- Annual Commercial / Annual Horticultural crops

## IV. Coverage of Risks and Exclusions

**1.** Following stages of the crop and risks leading to crop loss are covered under the scheme.

- **Prevented Sowing/ Planting Risk:** Due to a lack of rainfall or bad seasonal circumstances, the insured region is unable to sow or plant.
- **Standing Crop (Sowing to Harvesting):** Drought, Dry spells, Flood, Inundation, Pests and Diseases, Landslides, Natural Fire and Lighting, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, and Tornado are all examples of non-preventable hazards covered by comprehensive risk insurance.
- **Post-Harvest Losses**: Coverage is offered only for those crops that are permitted to dry in cut and spread state in the field after harvesting against particular risks of cyclone and

ISSN- 2394-5125 VOL 6, ISSUE 02, 2019

cyclonic rains, as well as unseasonal rainfall, for a maximum of two weeks following harvesting.

- **Localized Calamities:** Loss/damage caused by specified localised threats of hailstorm, landslide, and flooding impacting isolated farms in the notified region.

**2.** General Exclusions: Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.

## V. PREMIUM RATES

| S.No | Season | Crops | Maximum Insurance charges payable by farmer (% of Sum Insured) |
|---|---|---|---|
| **1** | Kharif | Food & Oilseeds crops (all cereals, millets, & oilseeds, pulses) | 2.0% of SI or Actuarial rate, whichever is less |
| **2** | Rabi | Food & Oilseeds crops (all cereals, millets, & oilseeds, pulses) | 1.5% of SI or Actuarial rate, whichever is less |
| **3** | Kharif & Rabi | Annual Commercial / Annual Horticultural crops | 5% of SI or Actuarial rate, whichever is less |

## VI. SHARING OF RISK

Risk will be shared by IA and the Government as follows:

In the event of catastrophic losses computed at the national level for an agricultural crop season, insurance companies' liability is limited to 350 percent of total premium collected (farmer share plus government subsidy) or 35 percent of total Sum Insured (SI) of all insurance companies combined, whichever is higher. Losses beyond this ceiling at the national level in a crop season will be covered by a 50:50 contribution from the Central Government and the affected State Governments.

## VII. SETTLEMENT OF CLAIMS

- **Coverage through Banks:** - Individual Nodal Banks will be given the claim amount as well as other details. Individual farmers' accounts will be credited, and the names of the recipients will be displayed on the notice boards of the local banks. Individual farmer claim credit details will be sent by the banks to IA and will be put into the consolidated data repository.
- **Coverage through other insurance intermediaries:** The claim amount will be released electronically to the individual Insured Bank Account.

## VIII. PUBLICITY & AWARENESS

All villages in the designated districts/areas must receive enough publicity. All available electronic and print media, farmer's markets, exhibits, SMS messages, short films, and documentaries will be used to build and distribute knowledge of the Scheme's benefits and limits among farmers and the agencies engaged in its implementation. Three months prior to the commencement of the coverage period, the states' agriculture/cooperation departments, in conjunction with IA, would devise an acceptable plan for proper awareness and publicity.

## IX. SERVICE TAX:

PMFBY is a replacement scheme of NAIS / MNAIS, and hence exempted from Service Tax liability of all the services involved in the implementation of the scheme.

## X. Role of State/UT Governments

The SLCCCI's composition may be adjusted from time to time to ensure that all interested parties, including farmers, are represented in the scheme's implementation. To establish a review and monitoring committee at both the State and District levels, chaired by the Principal Secretary (Agriculture/ Cooperation) and the District Collector, respectively, to conduct periodic reviews (preferably monthly) of the scheme's implementation and to verify coverage and other factors on a random basis to ensure that the scheme is properly covered. The District Level Monitoring Committee (DLMC) will also send biweekly crop condition reports and periodic updates to the related insurance company on seasonal weather conditions, loans disbursed, area farmed, and so forth. The DLMC will also keep an eye on how CCEs are conducted in districts.

## XI. IMPLEMENTING AGENCY (IA)

The Scheme is being implemented by preferred insurance companies through a multi-agency framework under the overall monitoring and direction of the Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW), Administered by the department of Agriculture & Farmers Welfare (MoA&FW), Government of India (GOI), and the concerned State, in collaborated with different other agencies such as commercial banks, cooperative banks, regional rural banks, and their regulatory authorities.

## XII. UNIT OF INSURANCE

The Scheme will be implemented on a 'Area Approach basis,' i.e., Defined Areas for each notified crop for widespread calamities, based on the assumption that all insured farmers in a Unit of Insurance, to be defined as "Notified Area for a crop," face similar risk exposures, incur to a large extent, identical cost of production per 3 hectare, earn comparable farm income per hectare, and experience similar crop loss due to the operation of an insured peril, in the notified area.

## XIII. Conclusion

The damage evaluation has to be done by eye-inspection. Drones may easily have been used, but they were not. Smart phones were supposed to be given to field officials under the rules, but they were not. States were required to pay premiums to firms in advance, although this was not always done. As a result, only a small percentage of impacted farmers have received compensation to far. All of this is depressing. A bold policy may

ISSN- 2394-5125 VOL 6, ISSUE 02, 2019

not deliver completely unless it is accompanied by efficient execution. The PMFBY is costing the government more than Rs 16,000 crores, but certain states' "chalta hai" mentality might derail the show. It is vital to have a PMFBY advocate who is completely committed to the concept in order to accomplish smooth execution. Only then will it be able to truly assist the peasantry.

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