



Pradhan Mantri Fasal Bima Yojana

For Prelims: Pradhan Mantri Fasal Bima Yojana (PMFBY), Zero Premium, Subsidies, Crop Insurance.

For Mains: Pradhan Mantri Fasal Bima Yojana, Government Policies & Interventions

Why in News?

Recently, Union Ministry of Agriculture and Farmers Welfare stated that it is open to taking pro-farmer changes in [Pradhan Mantri Fasal Bima Yojana \(PMFBY\)](#) in response to the recent [climate crisis](#) and rapid technological advances.

What is PMFBY?

▪ About:

- Launched in 2016 and is being administered by the **Ministry of Agriculture and Farmers Welfare**.
- It replaced the **National Agricultural Insurance Scheme (NAIS)** and Modified National Agricultural Insurance Scheme (MNAIS).

▪ Eligibility:

- Farmers including sharecroppers and tenant farmers growing notified crops in the notified areas are eligible for coverage.

▪ Objectives:

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

▪ Premium:

- There will be a **uniform premium of only 2%** to be paid by farmers for all [Kharif crops](#) and **1.5% for all Rabi crops**. In the case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%.
- Premium over and above these limits is shared by the Central and State Governments on 50:50 basis except in North Eastern Region where it is 90: 10.
- There is **no upper limit** on Government subsidies. Even if the balance premium is 90%, it will be borne by the Government.
 - Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers.
 - This capping has now been removed and farmers will get a claim against the full sum insured without any reduction.

▪ Scope:

- PMFBY is currently the **largest crop insurance scheme in the world** in terms of farmer enrolments, averaging 5.5 crore applications every year and third largest in terms of premium received.
- During the arduous seasons of 2017, 2018 and 2019 marred by weather extremities, the

scheme **proved to be a decisive factor in securing livelihoods of farmers wherein claims paid ratio** in several states averaged more than 100 % against the gross premium collected.



What are the Recent Changes?

- The scheme was **once mandatory for loanee farmers, but 2020**, the Centre changed it to make it optional for all farmers.
- The Centre decided in February 2020 to limit its premium subsidy to 30%** for unirrigated areas and 25% for irrigated ones (from the existing unlimited). Previously, the central subsidy had no upper limit.
- Recently introduced **Weather Information and Network Data Systems (WINDS)**, Yield Estimation System based on Technology (YES-Tech), Collection of Real Time Observations and Photographs of Crops (CROPIC) are some of the key steps taken under the scheme to bring in more efficiency and transparency.

What were the Issues Related to the Scheme?

- Financial Constraints of States:** The financial constraints of the **state governments and low claim ratio** during normal seasons are the major reasons for non-implementation of the Scheme by these States.
 - States are unable to deal with a situation where insurance companies compensate farmers less than the premium, they have collected from them and the Centre.
 - The State **governments failed to release funds** on time leading to delays in releasing insurance compensation.
 - This defeats the very purpose of the scheme which is to provide timely financial assistance to the farming community.
- Claim Settlement Issues:** Many farmers are dissatisfied with both the level of compensation and delays in settlement.
 - The role and power of Insurance companies is significant. In many cases, it didn't investigate losses due to a localized calamity and, therefore, did not pay the claims.
- Implementation Issues:** Insurance **companies have shown no interest in bidding for clusters that are prone to crop loss.**
 - Further, it is in the nature of the insurance business for entities to make money when crop failures are low and vice-versa.

Way Forward

- Union of Agri-Tech and rural insurance can be the **magic formula for [financial inclusion](#)**, enabling a trust in the scheme.
- **[World Economic Forum's Global Risk Report 2022](#)** categorizes extreme weather risk as the second largest risk over the next 10 years period. Therefore, it becomes imminent to provide a safety net to the farmers to protect their financial position and encourage them to continue farming and ensure food security.
- There is a **need for comprehensive rethinking among states and the central governments to further resolve all the pending issues** around the scheme so that the farmers could get benefit from this scheme.
- Further, rather than paying subsidies under this scheme, the state government should invest that money in a new insurance model.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. With reference to 'Pradhan Mantri Fasal Bima Yojana', consider the following statements: (2016)

1. Under this scheme, farmers will have to pay a uniform premium of two percent for any crop they cultivate in any season of the year.
2. This scheme covers post-harvest losses arising out of cyclones and unseasonal rains.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (b)

Source: TH

PDF Refernece URL: <https://www.drishtias.com/printpdf/pradhan-mantri-fasal-bima-yojana-8>