



## 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**

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