

NABARD SCHEME HANDOUTS

TOPIC – Pradhan Mantri Fasal Bima Yojana (PMFBY)



Pradhanmantri Fasal Bima Yojana

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1 What is insurance:

Insurance is a tool to protect you against a small probability of a large unexpected loss. It is a technique of providing people a means to transfer and share risk where losses suffered by few are met from the funds accumulated through small contributions made by many who are exposed to similar risks. Insurance is not a tool to make money but a tool to help compensate an individual or business for unexpected losses that might otherwise cause a financial disaster.

Crop insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise from crop failures/losses arising from named or all unforeseen perils beyond their control.

2 Introduction:

The Pradhan Mantri Fasal Bima Yojana (**PMFBY**) launched by Prime Minister Narendra Modi is an insurance service for farmers for their yields. It was formulated in line with One Nation–One Scheme theme by replacing earlier two schemes National Agricultural Insurance Scheme (**NAIS**) and Modified National Agricultural Insurance Scheme (**MNAIS**) by incorporating their best features and removing their inherent drawbacks (shortcomings). The scheme shall be implemented on **Area Based Approach** which may be a GP, Hobli, or Taluka. It aims to **reduce the premium burden** on farmers and ensure **early settlement** of crop assurance claim for the full insured sum. It is the government sponsored crop insurance scheme that integrates multiple stakeholders on a single platform.

3 About Scheme:

3.1 Launch:

18 February 2016 at Sehore, Madhya Pradesh

3.2 Aim:

To provide a comprehensive insurance cover against failure of the crop thus helping in stabilising the income of the farmers.

3.3 Share:

50:50 by Centre & State

90:10 for NER

- ✓ Premium cost over & above the farmer share was equally subsidized by States & Gol.
- ✓ However, Gol shared **90%** of the premium subsidy for **North Eastern States** to promote the uptake in the region.

3.4 Coverage of crops:

The Scheme covers,

- 1) Oil seeds
- 2) Food crop
- 3) Annual Commercial / Annual Horticultural crops

3.5 Coverage of Farmers:

All the farmers growing notified crops in a notified area during the season who have insurable in the crop are eligible.

Note: From 2020 Kharif onwards the enrollment is made **100% voluntary**

3.6 Implementing Agency:

The scheme is implemented by empanelled general insurance companies.

3.7 Administered by:

Ministry of Agriculture & Farmers Welfare

3.8 Objectives:

- ✓ Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events
- ✓ Stabilizing the income of farmers to ensure their continuance in farming
- ✓ Encouraging farmers to adopt innovative & modern agricultural practices
- ✓ Ensuring flow of credit to the agriculture sector which will contribute to food security, crop diversification & enhancing growth & competitiveness of agriculture sector besides protecting farmers from production risks.

3.9 Coverage of Risks & Exclusions:

Following stages of the crop risks leading to crop loss are covered under the Scheme:

- 1) **Prevented Sowing/Planting/Germination Risk:** Insured area is prevented from sowing/planting/germination due to deficit rainfall or adverse seasonal/weather conditions. (Indemnity claims up to a maximum of **25%** of the sum-insured)
- 2) **Standing Crop (Sowing to Harvesting):** Comprehensive risk insurance is provided to cover yield losses due to non-preventable risks, viz. Drought, Dry spell, Flood, Inundation, widespread Pests & Disease attack, Landslides, Fire due to natural causes, Lightening, Storm, Hailstorm & Cyclone.
- 3) **Post-Harvest Losses:** Coverage is available only up to a maximum period of **two weeks (14 days)** from harvesting, for those crops which are required to be dried in **cut & spread / small bundled** condition in the field after harvesting against specific perils of Hailstorm, Cyclone, Cyclonic rains & Unseasonal rains

- 4) **Localized Calamities:** Loss/damage to notified insured crops resulting from occurrence of identified localized risks of Hailstorm, Landslide, Inundation, Cloud burst & Natural fire due to lightening affecting isolated farms in the notified area.
- 5) **Add-on coverage for crop loss due to attack by wild animals:** The States may consider providing add-on coverage for crop loss due to attack by wild animals wherever the risk is perceived to be substantial and is identifiable.

General Exclusions:

- Losses arising out of war and nuclear risks, malicious damage and other preventable risks shall be excluded.

3.10 Defined Area:

- It is Village/Village Panchayat level by whatsoever name these areas may be called for major crops & for other crops it may be a unit of size above the level of Village/Village Panchayat.
- For Risks of **Localised calamities** and **Post-harvest** losses on account of defined peril, the Unit of Insurance for loss assessment shall be the affected insured field of the **individual farmer**.
- For defining a crop as a major crop and deciding the IU level, the sown area of that crop should be **at least 25%** of the Gross Cropped Area in a District/Taluka or equivalent level.

3.11 Premium Rates:

Season	Crops	Maximum Premium Rate payable by farmer (% of Sum insured)
Kharif	All Food grain & Oilseeds crops (all Cereals, Millets, Pulses & Oilseeds crops)	2.0%
Rabi	All Food grain and Oilseeds crops (all Cereals, Millets, Pulses and Oilseeds crops)	1.5%
	Annual Commercial/ Annual Horticultural crops	5%

Kharif & Rabi	Perennial horticultural / commercial crops (pilot basis)	5%
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3.12 Total number of farmers enrolled:

Year	No. of farmer applications enrolled (in Crore)
2018-19	5.77
2019-20	6.12
2020-21	6.13

4 PMFBY 2.0:

In order to ensure more efficient & effective implementation of the scheme, the central government had **Revamped PMFBY** in the **2020 Kharif** season.

4.1 Features:

- **Completely Voluntary:** Enrolment 100% voluntary for all farmers from 2020 Kharif
- **Reporting event:** It also made it convenient for farmer to report crop loss **within 72 hours** of the occurrence of any event - through Crop Insurance App, CSC Centre or the nearest agriculture officer
- Option shall be given to States/UTs to choose Scale of Finance or district level Value of Notional Average Yield (NAY) i.e. NAY* Minimum Support Price (MSP) as Sum Insured for any district crop combination (Both PMFBY/RWBCIS). Farm gate price will be considered for the other crops for which MSP is not declared.
- Provision of claims **up to 25%** of sum insured for **prevented sowing**.
- **"On-Account payment"** up to **25%** of sum insured for mid-season adversity, if the crop damage is reported **> 50%** in the insurance unit.
- **Limit to Central Subsidy:** The Cabinet has decided to cap the Centre's premium subsidy under the scheme for premium rates up to **30%** for unirrigated areas/crops and **25%** for irrigated areas/crops.
- Initially, the pattern of sharing (2016-17) was 49:49:2 (Central, state and farmer's share respectively). Now, the Central share has been capped at 25 per cent for irrigated area and 30 per cent for rain-fed area which leads to a large increase of state share of premium subsidy by 12 per cent.

- **More Flexibility to States:** The government has given the flexibility to states/UTs to implement PMFBY and given them the option to select any number of additional risk covers/features.
- **Investing in ICE Activities:** Insurance companies have to now spend **0.5%** of the total premium collected on information, education and communication (**IEC**) activities.
- Districts having **50% or more irrigated** area will be considered as irrigated area/district (Both PMFBY/RWBCIS).
- Central Share in Premium Subsidy to be increased to 90% for North Eastern States from the existing sharing pattern of 50:50 (Both PMFBY/RWBCIS).
- Flexibility to States/UTs to implement the Scheme with option to select any or many of additional risk covers/features like prevented sowing, localised calamity, mid-season adversity, and post-harvest losses. Further, States/UT can offer specific single peril risk/insurance covers, like hailstorm etc, under PMFBY even with or without opting for base cover (Both PMFBY/RWBCIS).
- For estimation of crop losses/admissible claims, two-Step Process to be adopted based on defined **Deviation matrix**" using specific triggers like weather indicators, satellite indicators, etc. for each area along with normal ranges and deviation ranges. Only areas with deviations will be subject to Crop Cutting Experiments (CCEs) for assessment of yield loss (PMFBY).
- Provisioning of at least 3% of the total allocation for the Scheme to be made by Government of India and Implementing State Governments for administrative expenses.
- Further, Central Government is providing 50% of procurement cost of smart phone along with internet data charges to the States to incentivize them for use of CCE Agri App for reporting Crop Cutting Experiments (CCEs) data on National Crop Insurance Portal (NCIP) with Geo-coded and time stamped data. States implementing the scheme at the Village/ Village Panchayat level for major crops are also entitled for 50% reimbursement of incremental expenses of Crop Cutting Experiments (CCEs). Provision has also been made to share 50% expenses on use of improved technology on receipt of proposal from concerned State Governments. Central Government is also providing 50% of the viability gap funding to the implementing States for establishment of Automatic Weather Stations/Automatic Raingauges network on Public Private Partnership (PPP) mode.

4.2 Use of Technology under PMFBY:

1) Crop Insurance App:

- ✓ Provides for easy enrollment of farmers
- ✓ Facilitate easier reporting of crop loss **within 72 hours** of occurrence of any event

2) Latest Technological Tools:

- ✓ To assess crop losses, satellite imagery, remote-sensing technology, drones, artificial intelligence and machine learning are used
- ✓ **YES-TECH Manual** is a comprehensive guide developed after extensive testing and piloting in 100 districts of India. It facilitates the implementation of YES-TECH, a technology-driven yield estimation system, offering methodologies, best practices, and integration insights for accurate yield assessments at the Gram Panchayat level.
- ✓ On the other hand, the **WINDS Portal** is a centralized platform that hosts, manages, and processes hyper-local weather data collected by Automatic Weather Stations and Rain Gauges at Taluk/Block and Gram Panchayat levels. The portal enhances risk assessment and decision-making in crop insurance, agriculture advisories, and disaster mitigation, supporting the agricultural sector and rural economy.
- ✓ **Weather Information Network Data Systems (WINDS)** portal and AIDE mobile app and unveiling of Yield Estimation System, based on Technology (YES-TECH) Manual, in New Delhi today, 21 July 2023.

3) PMFBY Portal:

- ✓ For integration of land records.

5 Way Forward:

- **Rationalising waivers & service delivery:** Loan waiver schemes announced by state governments along with mandatory Aadhar linkage should be rationalised to enable PMFBY of greater coverage
- **Enable Timely Compensation:** There has been reports of delayed compensation by some of the states.
- **Bringing Behavioural Change:** Apart from this, a lot more needs to be done in bringing about a behavioural change regarding the cost of insurance being a necessary input and not a money-back investment.
- **Streamlining with Similar Schemes:** PMFBY needs to be streamlined with state crop insurance schemes and schemes like Restructured Weather Based Crop Insurance Scheme to include more risk areas not covered under them.
- **Proper Implementation:** Successful implementation of PMFBY is an essential benchmark in agricultural reform in India to make farmers self-sufficient in times of crisis and support the creation of an Aatmanirbhar Kisan.

6 Steps taken to increase its coverage

Due to efforts made by the Government, coverage under the scheme has been increasing year-on-year and farmers are subscribing to the scheme voluntarily rather than because of subscription of bank loans. Government has taken various measures like (a) increase in tenure **to 3 years for selection** of insurance company through bidding process; (b)

introduction of **three alternative risk models viz.** Profit and Loss Sharing, Cup and Cap (60-130), Cup and Cap (80-110) under which if no claim is made then a portion of the premium paid by the state will go into the state treasury itself; (c) infusion of improved technology i.e. introduction of **National Crop Insurance Portal (NCIP)**, **Yield Estimation System based on Technology (YES-TECH)**, **Weather Information Network and Data System (WINDS)**, **Collection of Real time Observations and Photographs of Crops (CROPIC)**, integration of State Land Records with NCIP, Digiclim module on NCIP to work out and settle the claims directly to farmers account using Public Finance Management System (PFMS); (d) increased IEC activities etc. to improve the implementation and coverage under the scheme.

7 **Recent News:**

- **'Meri Policy Mere Hath'** - a doorstep distribution drive to be launched to deliver crop insurance policies to farmers
- Around **85%** of the farmers enrolled with the scheme are **small & marginal farmers**
- Smt. Nirmala Sitharaman during her **2022-23 budget** speech on the **use of drones** for crop insurance will further strengthen the integration of technology for smooth implementation of the scheme on the ground.
- **'Fasal Bima Pathshala'** to be organized across the country under **'Kisan Bhagidari Prathmikta Hamari'** campaign from 25th April to 1st May 2022
- Penalty provisions **@12%** per annum for late settlement of claims by insurance companies & late release of funds by State Governments have also been stipulated under the scheme.
- **MoA&FW** signs MoU with **UNDP** for strategic partnership on Agriculture, Crop Insurance & Credit
- Farmers paid **Rs 21000** crore premium under PMFBY, they have received more than **Rs 1.15 lakh** crore as compensation as on **12 May, 2022**
- **Under sprint campaign** from 25th April-1st May 2022, all Implementing Insurance Companies to organize 'PMFBY- Fasal Bima Pathshala' at Block/GP/village on all 7 days of campaign period with participation of at least 100 farmers.
- Integration of land records with the PMFBY's **National Crop Insurance Portal (NCIP)**, Crop Insurance mobile app for easy enrollment of farmers, remittance of farmer premium through NCIP, a subsidy release module and a claim release module through NCIP are some of the key features of the scheme.
- **Budget Allocation - 13,625 cr (10% increase)**
- Union of agri-tech and rural insurance can be the magic formula for financial inclusion, enabling a trust in the scheme. 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. To address farmer grievances in real time, an integrated help line system is under beta testing in Chhattisgarh.

- 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.
- The increase in acceptability of the scheme amongst the farmer can be ascertained from the fact that share of non-loanee, marginalized and small farmers increased by **282% since the inception of the scheme in 2016**.
- During 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. For example, States of Chhattisgarh (2017), Odisha (2017), Tamil Nadu (2018), Jharkhand (2019) received 384%, 222%, 163% and 159% of claims ratio against gross premium.
- Maharashtra government, after getting the green signal from the Centre, has decided to implement the Pradhan Mantri Fasal Bima Yogna (PMFBY) in the format of what is known as the **“Beed Model”**.
- Some States/UTs like Bihar, Telangana, Andhra Pradesh Jharkhand, West Bengal and Gujarat have opted out of the scheme after implementing it for some seasons due to their own reasons like perception about risk and financial constraints.
- Since inception of the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2016-17, coverage under the scheme has been around **30% of Gross Cropped Area (GCA)** in the States/UTs who are implementing the scheme.
- The revised Operational Guidelines for PMFBY which came into effect from 1st October 2018 have inter-alia provided that the insurance companies should compulsorily spend **atleast 0.5%** of the total gross premium collected by them for Information, Education and Communication (IEC) activities.
- **Claims to premium ratio** under Pradhan Mantri Fasal Bima Yojana (PMFBY) and other crop insurance schemes have dropped to around 50 per cent in 2021-22 against about 61 per cent in 2020-21.
- **Telangana** is Planning to rejoin PMFBY soon in Kharif 2023
- In past 8 Years of implementation of Pradhan Mantri Fasal Bima Yojana (PMFBY) – **56.80 crore farmer applications** have been enrolled and over **23.22 crore farmer applicants received claims**. During this period, nearly Rs. 31,139 crore were paid by farmers as their share of premium against which claims of over Rs. 1,55,977 crore have been paid to them. Thus, for every 100 rupees of premium paid by farmers, they have received about Rs. 500 as claims.
- Pradhan Mantri Fasal Bima Yojana (PMFBY) is a **demand driven scheme** and is **voluntary** for the States as well as farmers.

- The number of farmer applications has grown **33.4% and 41% year-on-year during 2021-22 and 2022-23**, respectively. Further, during the year 2023-24, there is an increase of 27% in terms of farmers enrolled under the scheme so far.
- Also 42% of total farmers insured under the scheme in FY 2023-24 **are non-loanee farmers.**
- The **third largest insurance scheme globally** in terms of premium, the PM Fasal Bima Yojana launched in 2016, shields farmers from crop loss or damage arising out of unforeseen events. The PMFBY is successfully fulfilling the objectives of the scheme including providing financial support to stabilize income of farmers especially in natural calamity hit seasons/years/areas.
- PMFBY is a **Central Sector Scheme**, therefore, no State/UT-wise allocation and release is made under the scheme.
- The scheme is regularly reviewed in consultation with stakeholders especially to address the challenges faced in its operational implementation. The major improvements made include making the scheme voluntary for all farmers, **compulsory use of at least 0.5% of the gross premium** collected by insurance companies for **Information, Education and Communication (IEC)** activities; intensive use of technology, change in financial sharing pattern from 50 : 50 between Central and State Government in NER to 90:10; long term i.e. **3 year contract to insurance companies; freedom to States to choose risk cover** as per requirements; use of technology etc.
- The number of States that implement the Centre's flagship crop insurance scheme PMFBY **may jump to 22 as Jharkhand and Telangana are likely** to start enrolment for the ensuing kharif season. While discussions with Bihar is at an advanced stage for its return, Gujarat is yet to make up its mind..

REFER LECTURE FOR ANALYTICAL QUESTION