

A Study on the Performance and Coverage of Pradhan Mantri Fasal Bima Yojana (PMFBY)

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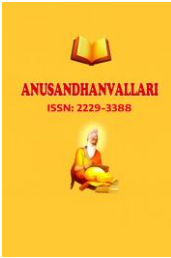
Abstract

The agriculture sector of India is one of the vital sectors supplying constant employment, income and most importantly food security to the nation. As much as this sector is significant to the country equally it is vulnerable also. Continuous weather changes, heat waves and onsets are causing uncertainties in the agriculture sector. To relieve the farmers from such uncertainties and probable losses, Crop insurance is an unavoidable financial support. To reduce the risk of the farmers, the Government of India has implemented different initiatives to bring the states, districts and farmers under agricultural insurance. One of the most widely mentioned and comprehensive government initiatives towards agricultural insurance is Pradhan Mantri Bima Yojana (PMFBY). This study tries to study the performance and coverage of the PMFBY scheme over four years. The results of the study show that there are various challenges to be considered for proper coverage of crop areas and farmers. The study is very inclusive in terms of different crops relating to both Rabi and Kharif seasons.

Keywords: Agriculture, Agricultural insurance, PMFBY.

Introduction:

In India, agriculture production and farming incomes are frequently affected by natural calamities/disasters such as storms, landslides, earthquakes, cyclones, floods, and droughts. These natural calamities frequently impact the agricultural output and the farmer's income. On the other hand, man-made disasters also impact agricultural output and income, such as fire, the sale of unauthentic seeds, fertilizers and pesticides; hiked prices of agricultural inputs etc. All of these uncontrollable occurrences have a negative impact on farmers which reduces the output and farm income. All of these events are beyond the control of the farmers. As agriculture is becoming more commercialized, the amount of loss resulting from such unexpected events is increasing. That is when agricultural insurance is being considered as a crucial tool for successfully and effectively mitigating the risk to productivity and income arising from a variety of natural and man-made occurrences. Agricultural Insurance is a means of safeguarding the agriculturist against monetary losses arising from uncertainties, be it specific or all unforeseen hazards which are beyond the control of the farmers (AIC, 2003). Agricultural insurance plays a key role in strengthening the sustainability of agriculture, reducing risks and promoting the sustainable development of rural life. Agricultural insurance contributes to food security, poverty reduction and economic growth by providing farmers a financial safeguard against unexpected circumstances and facilitating them to invest in their agricultural farms with confidence. The agriculture policy has consistently focused on the need to shield Indian farmers from agricultural variability; despite this fact the country has not achieved much progress in the area of agricultural insurance. However, to realize the full potential of agricultural insurance requires a coordinated effort by governments,



farmers, insurance companies, and other stakeholders to address the issues of affordability, access to information, moral hazard and principal risk. Through efficient policies, capacity-building programs and creative risk management techniques, agricultural insurance can become a powerful tool to create resilient agricultural systems that can resist the risk of a changing climate and world economy.

As per National Agriculture Policy 2000, “Despite technological and economic advancements, the condition of farmers continues to be unstable due to natural calamities and price fluctuations” (S.S & Chand, 2008). Agricultural insurance is one way that farmers can protect themselves from the catastrophic consequences of losses brought on by low market prices or natural disasters, while also stabilizing farm revenue and investment. Crop insurance not only helps farmers resume production but also brings stabilized farm income after a poor cropping year. It lessens the shock of crop losses by offering farmers a minimal level of security. By distributing crop losses across time and space, it enables farmers to increase their agricultural investment. It plays a significant role in safety-net programs.

However, it is essential to understand that crop insurance should be a part of overall risk management strategies. Insurance comes at the end of the risk management process. Insurance is a redistribution of the costs of a few losses among many and cannot prevent overall economic losses. Agricultural insurance is divided into two main categories: single and multi-peril coverage. While multiple-peril coverage protects against numerous hazards, single-peril coverage only covers one. Given the extreme influence of nature on agricultural productivity and the catastrophic effects it has on society at large and farmers specifically, India is implementing a multi-peril crop insurance policy.

The Government of India, in order to help the farmers deal with crop losses, launched its flagship scheme Pradhan Mantri Fasal Bima Yojana (PMFBY). The scheme aims to support farmers in agricultural production by providing reasonable and affordable crop insurance to guarantee extensive risk coverage for crops of farmers against all unavoidable natural risks. It is an agricultural insurance initiative by Government of India which is in line with “One nation-One Scheme. The scheme was introduced in Kharif 2016 which is administered by Ministry of Agriculture and Farmers Welfare. This scheme is the replacement of the previous running schemes and covers yield losses (notified area basis), prevented sowing (on notified area basis), post harvest losses (individual basis), and localized calamities (individual farm basis).

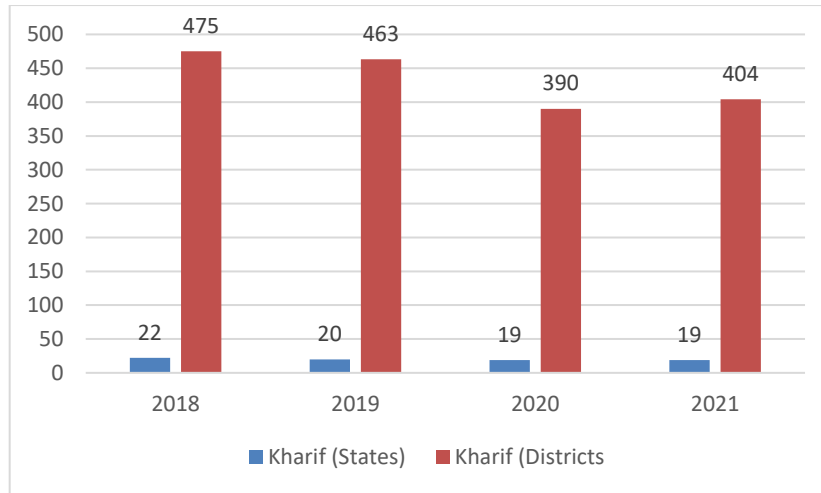
PMFBY has fixed that a uniform premium of only 2% of the value of amount insured must be paid by farmers for all Kharif crops, 1.5% of amount insured for all Rabi crops, and 5% of amount insured for all annual horticultural and commercial crops or the actuarial rate, whichever is lower. The balance premium will be covered up by the government that will provide the farmers full insurance coverage against crop loss due to natural disasters.

Objective and Methodology:

This study tries to study the performance of the Pradhan Mantri Fasal Bima Yojana (PMFBY) scheme towards the inclusivity of the agricultural sector under insurance policies. PMFBY was selected as it is the most comprehensive insurance scheme being implemented by the Government of India. The first objective is to study the performance of the PMFBY and the second objective is to see the coverage of the PMFBY in terms of different types of crops, states, districts and areas. This descriptive research study uses quantitative and qualitative data to attain the stated objectives. The results of this study are based on secondary data collected from the official publications by PMFBY. The data related to the scheme are available till 2021 and it is the latest one available.

Data analysis and interpretation:

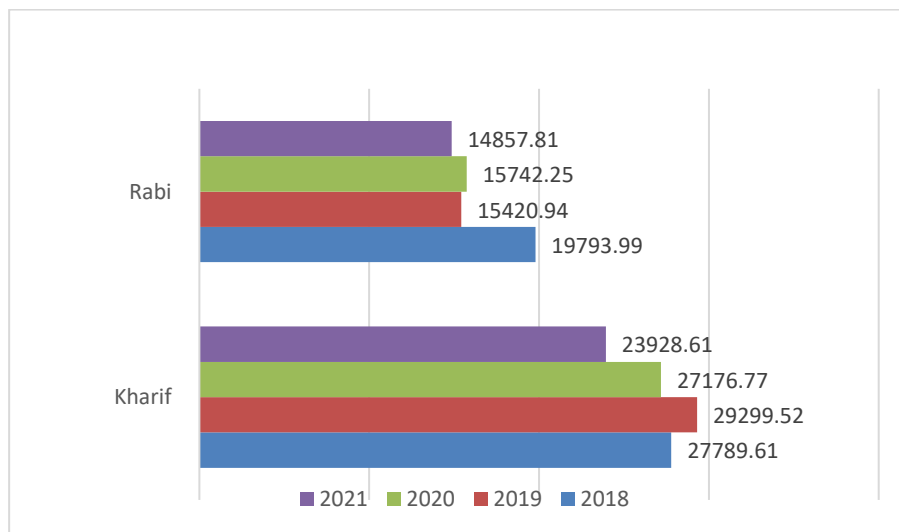
Table No. 1: Farmers’ Participation from 2018 to 2021:



Source:(National Rainfed Area Authority, 2022)

The number of farmers’ participation for the four years i.e. 2018 to 2021 has shown a decreasing trend both in terms of Kharif as well as Rabi seasons. This table has shown a result which is not aimed by the scheme when it was launched in 2016. More participation from the farmers should be increased with proper initiatives which will eventually help in rationalizing the rate of premium price.

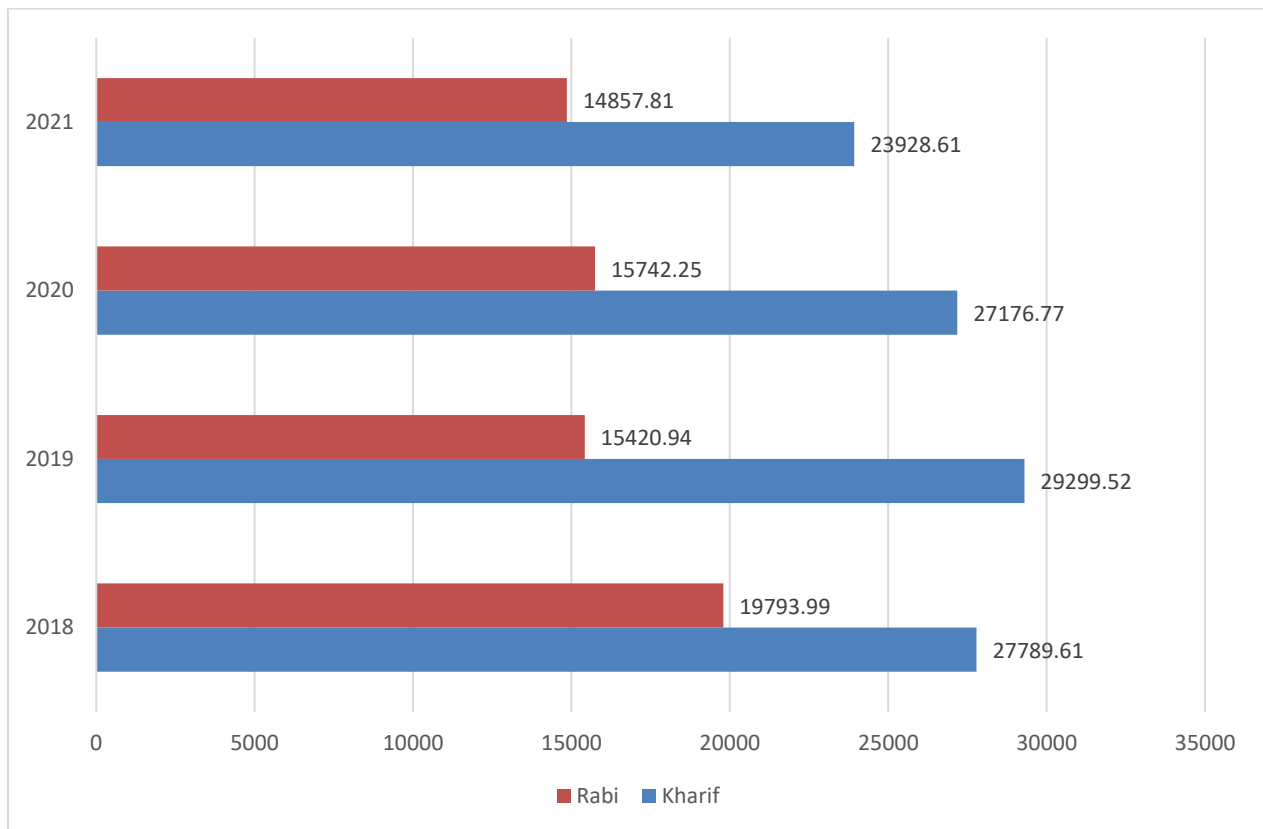
Table No 2: Participation of states’ and districts/UTs’ from 2018 to 2021:



Source:(National Rainfed Area Authority, 2022)

Participation by both the states/UTs and districts of India during the four years do not show a stable increasing or decreasing trend. But when the comparison between the years 2018 and 2021 is conducted it becomes visible that in every category participation has decreased in 2021 in comparison to 2018.

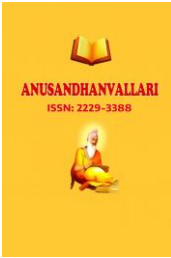
Table No 3: Coverage of area insured under both Rabi and Kharif crops (Area in thousand Hect):



Source: (National Rainfed Area Authority, 2022)

The area covered by PMFBY has shown a decreasing trend in these four years in terms of both the significant crop seasons in India. According to the above-stated data there is a decreasing trend in coverage of districts, states/UTs and areas of crops. Hence PMFBY is not away from challenges in achieving its objectives.

Irrespective of the decreasing trend in the case of coverage area, farmers' participation and states/UTs' and districts' participation there was an increase in premium contribution by the stakeholders like farmers, states/UTs and Centre in the year 2019 as compared to 2018 and in 2021 as compared to 2020 (PMFBY, 2019). This scheme includes crops from both the Rabi as well as Kharif seasons and categorizes the crops based on risk intensity.



Discussion:

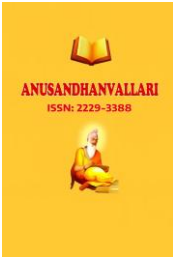
The factors hindering the scheme's development include the need to cover more states, union territories, and districts, as well as increase agricultural production and area in both the Kharif and Rabi seasons. Farmers are also a concern. This is happening regardless of the farmers' commitment to pay, premium rates that are small and consistent across all crops in a season should be reevaluated. Many states are leaving the plan because to the high cost of premiums in comparison to insurance claims. The fact that substantial lawsuits have been settled in only a few states and districts raises concerns about prejudice and futility. This might be owing to the intrinsic distortion that a consistent premium rate imposes, even when agro ecological and overall production settings vary both within and across states. In this context, stakeholders' concerns must be addressed as soon as possible by altering the terms of the government's subsidy/concession offer on premiums to farmers under PMFBY (National Rainfed Area Authority, 2022).

Conclusion:

The PMFBY scheme is not free from challenges and such challenges implement the scheme according to attain the objectives significantly onerous. All issues related to stakeholders (farmers, insurance companies, banks, states and central government departments), crop-cutting matters, localized loss claims, use of technology, transparency, time-bound grievance redressal and payment of claims need to be addressed by adopting scientific analysis of multiple layers of information. An analytics-based interpretation alone can help in structuring a more egalitarian crop insurance scheme.

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