International Journal of Agriculture and Allied Science July-December: 5(2), 8-10, 2020 ISSN 25826336

CROP INSURANCE SCHEMES IN INDIA-A REVIEW OF PMFBY

Palvi Sharma
MSc. Scholar, Division of Agricultural Economics & Agri-Business Management
Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu

Received September 10, 2020 and Accepted October 15, 2020

The Indian economy is based on agriculture, as agriculture is the primary source of income for the vast majority of the population. India is the southward extension of the Asian continent, according to our country's geographical location. India's geographic location is advantageous to agriculture because it allows for a wide range of climatic conditions inside the country. Because India's agriculture is primarily monsoon-dependent, production in the country is quite irregular each year, as our country experiences floods or even drought in one or more parts of the country each year. Unexpected meteorological disasters, as well as biological causes (diseases and pest attacks), are the main sources of stress for farmers, causing them to be fearful of their seasonal yield. Crop insurance plays an important role in lowering farmer stress in this situation. Crop insurance, in fact, has little to do with boosting farmers' net income; rather, it plays a vital role in minimising unpredictability and ensuring income stability for farmers. Insurance generally provides a means or means by which many people's losses are covered by cash gathered from tiny payments (premium) made by numerous people who are exposed to the same risk. Insurance is a risk-transfer and risk-sharing tool. Crop insurance is an unique sort of insurance developed specifically for farmers to safeguard them against financial loss resulting from unforeseen hazards that are often beyond their control. After scrapping the former insurance systems, such as the Modified National Agricultural Insurance Scheme (MNAIS), Weather-based Crop Insurance Scheme, and the National Agriculture Insurance Scheme, the Indian government launched the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2016. (NAIS). Pradhan Mantri Pradhan Mantri Bima Yojana is the government's flagship agriculture insurance scheme in India, aligned with the One Nation-One Scheme ethos.

KEY WORDS: Crop insurance, PMFBY, hazards, meteorological disaster.

Agriculturalists face a basic risk: weather fluctuation and crop output uncertainty globally. However, due to the extreme reliance of the farm sector on weather conditions and the poor economic condition of the overwhelming majority of farmers, who have extremely limited means and resources to cope with the disastrous consequences of a crop failure, the magnitude and intensity of this is particularly high in India. Given the importance of the agricultural sector to the economy's growth trajectory and the inevitability of climatic aberrations wreaking havoc on crop production, crop insurance's necessity and benefits are hardly debatable. Crop insurance assists in the stabilisation of farm productivity and revenue for farmers. It aids in the efficient allocation of resources in the manufacturing process. Crop insurance is clearly labelled as a risk management strategy. Crop insurance is just too crucial for agricultural progress to be ignored in this way, especially in places prone to drought and recurrent crop failures. After Independence, there will be an Insurance Scheme.

The papers were reviewed at a conference of economists, actuaries, insurers, and agriculture professionals held in Washington, D.C.Crop Insurance in India: Its Beginnings and Evolution - A Historical Perspective Bombay in 1949 and suggested that a pilot be flown. Crop insurance should be implemented right away taken up along the same lines as those suggested in the report of Priolkar.

Crop insurance has been around in India for over a century, but it took decades to develop into tangible, operational plans. Crop insurance did not receive serious consideration until 1947, when the United States gained independence. The Central Committee discussed it in 1947.Two pilot schemes were circulated among States for adoption in 1950 by the legislature. However, due to a lack of resources, states were unable to implement the schemes.

Crop insurance was discussed again during the formulation of the Third Five-Year Plan (1961-1966), but the Working Group on Agriculture was opposed to its inclusion. In October 1965, the Indian government decided to draught a Crop Insurance Bill and a model crop insurance programme. The Bill and the Model Scheme were referred to an Expert Committee in March 1970, which was chaired by Dr. Dharm Narayan. However, due to the financial burden, the Committee decided against introducing crop insurance. Prof. V. M. Dnadekar, a well-known economist, reviewed the expert committee report and strongly urged for the implementation of crop insurance based on an area approach. Firstly 'Individual' approach is used in this programme (1972-78) Experiments on crop insurance on a small, sporadic, and ad hoc scale. The Life Insurance Corporation of India's General Insurance Department developed a Crop Insurance Scheme for H-4 cotton in 1972-73.Based on the "Individual Approach," and later expanded to incorporate new crops such as groundnut and potato, as well as new states. General insurance was nationalised in 1972, and the General Insurance Corporation of India (GIC) was established by an Act of Parliament. PCIS stands for Pilot Crop Insurance Scheme (1979-84). GIC commissioned Prof. V.M. Dandekar, a distinguished agricultural economist, to conduct a study based on the preceding tests. PCIS was developed by GIC in 1979, based on Prof. Dandekar's proposals. PCIS was based on a homogeneous 'Area' strategy, with coverage limited to loanee farmers and on a voluntary basis. The maximum sum covered was initially set at 100 per cent of the crop loan, but this was later raised to 150 per cent. Risk is pooled in a 2:1 ratio between GIC and state governments. Premiums for Small / Medium Businesses will be subsidised by 50%.Farmers on the fringes, aided by the government. Governments and the central government are split 50:50 basis. CCIS stands for Comprehensive Crop Insurance Scheme (1985-99) CCIS was created as a result of the extension of PCIS, and it was made mandatory for farmers who took out crop loans to cultivate food crops and oilseeds. The maximum sum covered was initially limited to 100 per cent of the crop loan, with a per-farmer top limit of RS. 10,000, which was later increased to 150 per cent. Cereals and millets premiums were 2% of the sum insured, whereas pulses and oilseeds premiums were 1%. The central and state governments each funded 50% of the premium for small/marginal farmers. Premiums and claims are split in a 2:1 ratio between the Centre and the States. CCIS was a collaborative endeavour comprising the federal government, state governments, banking institutions, and the Government Investment Corporation (GIC).

2. Mandatory Component

All farmers who take out Seasonal Agricultural Operations (SAO) loans from financial institutions (i.e. loanee farmers) for the notified crop(s) will be covered.

3. Voluntary Contribution

Non-loanee farmers will be able to opt out of the scheme.

4. Non-loanee farmers in the PMFBY area(s) can participate in both PMFBY and other notified schemes. Farmers that do not have a loan can participate in the programme.

Coverage of Oil Seed Crops

Crop for food, Crops grown on an annual basis for commercial or horticultural purposes, pilots for coverage can be taken for perennial horticultural crops in addition to perennial cropswhich yield estimating methodology is offered as a standard

MATERIALS AND PROCEDURES

All major databases, including Scopus, Web of Science, ProQuest, AGRICOLA, AGRIS, and Google search engines, were used to conduct a literature search. Annual reports from the Ministry of Agriculture and Farmers Welfare, Government of India, were also used to compile data. To incorporate the Indian context, the search keywords were "Crop Insurance" OR "Agriculture Loans" OR "National Agriculture Schemes" AND "India," and the relevant articles were collected.

The findings were gathered through government ministry websites and yearly reports, and the findings are addressed in the results and discussion section. Secondary data on number of farmers covered, area covered, premium collected, sum assured and claims settled at state level were obtained from the official website of PMFBY.

Table-1: Physical and financial performance of PMFBY for the financial year 2019-20

FY 2019-20 - PMFBY & RWBCIS Combined - State Wise Business Statistics as on 31.08.2021								
State/UT Name	**Farmers Application s Insured (Lakh)**	**Area Insured (Lakh ha)**	**Sum Insured**	**Farmers Share in Premium**	**Gross Premium**	**Reporte d Claims**	**Paid Claims**	**Farmer Applicatio n s Benefitted (Lakh)**
			Rs. Crore					
A & N Islands	0.001	0.001	0.32	0.002	0.03	0.00	-	-
Andhra Pradesh	27.884	19.873	15,031.92	0.172	1,474.73	1,259.01	1,254.03	13.533
Assam	10.027	5.615	4,033.73	57.099	142.44	17.27	-	-
Bihar	-	-	-	-	-	-	-	
Chhattisgarh	40.177	24.346	9,032.42	180.861	1,245.79	1,314.60	1,296.59	15.025
Goa	0.009	0.001	0.96	0.022	0.04	0.01	0.01	0.001
Gujarat	24.810	29.438	16,143.17	467.959	3,614.98	354.89	111.67	0.927
Haryana	17.111	22.505	5,132.97	268.803	1,221.72	932.26	927.45	5.552
Himachal Pradesh	2.840	0.941	746.68	30.711	83.07	64.60	58.01	1.505
Jammu& Kashmir	-	-	-	-	-	-	-	-
Jharkhand	10.921	6.451	3,739.05	2.792	356.02	25.46	-	-
Karnataka	21.316	21.668	9,830.01	253.480	2,276.33	1,357.79	1,215.35	6.869
Kerala	0.581	0.372	307.80	6.117	72.50	85.90	85.90	0.457

Madhya Pradesh	78.929	112.682	32,030.72	629.279	3,758.65	5,905.48	5,811.75	30.546
Maharashtra	145.642	79.223	30,282.21	868.432	6,353.77	6,755.92	6,747.05	87.895
Manipur	0.033	0.026	17.34	0.347	1.26	1.14	1.14	0.032
Meghalaya	0.006	0.003	2.31	0.086	0.09	0.18	0.18	0.005
Odisha	48.769	18.688	12,197.35	241.876	2,132.85	1,177.91	1,139.48	12.078
Puducherry	0.120	0.092	62.30	-	4.18	7.16	-	-
Rajasthan	85.260	96.935	34,909.48	734.677	5,060.10	4,920.44	4,920.31	25.574
Sikkim	0.000	0.000	0.08	0.002	0.00	-	-	-
Tamil Nadu	38.705	14.072	9,329.88	168.419	1,923.39	1,090.13	1,056.84	13.213
Telangana	10.335	11.347	8,459.17	239.487	880.75	402.28	-	-
Tripura	0.364	0.061	37.17	0.756	1.07	0.81	0.80	0.077
Uttar Pradesh	46.947	35.572	16,743.95	321.955	1,304.82	1,116.75	1,092.74	9.343
Uttarakhand	2.127	1.135	968.53	28.208	113.71	103.18	103.17	0.949
West Bengal	-	-	-	-	-	-	-	-
GRAND TOTAL	612.9	501.0	219,040	4,502	32,022	26,893	25,822	223.6
* 2019-20 claims yet to be fully reported								
# Information is based on declarations received from Implementing Insurance Companies and is currently being verified by Department of Agriculture, Cooperation and Farmers Welfare, Government of India with concerned State Governments								
$ Majority of claim settlement is pending due to pending State subsidy and/or pending yield data. Some claims are also pending due to issues such as payment failure, discrepancies in yield data etc.								

CONCLUSION:

The farmer was not reimbursed for individual crop losses, but had to be treated as part of a larger group in the area, with the village panchayat being the unit of computation.

Within panchayats, there was a vast range of soil types, cultivation conditions, and even rainfall, so the average hides a huge range in agricultural output. Even though the panchayat's average was normal, some farmers may lose their whole crop. As a result, insurance units should be gradually reduced to individual farm levels in order to reduce farmers' output risk. Crop insurance should be made mandatory for both impoverished farmers who do not have access to risk-mitigating technologies and have no capacity to withstand risk. There Delay in processing of claims settlement due to lack of data and manpower should be properly check and measures have to be taken to make improvement.

REFERENCE:

Rao, K. N., 2012, Agriculture risk management through Insurance. Outlook and Situation Analysis for Food Security, AIC, Ministry of Agriculture and Cooperation, Krishi Bhawan, New Delhi.

Government of India (2004): “Report of Joint Group” on Review of Crop Insurance, Ministry of Agriculture, GoI, New Delhi. India Development Gateway, Weather Based Crop Insurance Scheme (WBCIS), Dandekar, Vinayak Mahadeo. 1985. Crop insurance in India: A review, 1976–1977 to 1984–1985. Economic and Political Weekly. pp. A46–A59. Available online: https://www.epw.in/journal/1985/25-26/review-agriculture-uncategorised/crop-insurance-indiareview-1976-77-1984-85.html (accessed on 28 February 2022).

Ghosh, Ranjan Kumar. 2018. Performance Evaluation of Pradhan Mantri Fasal Bima Yojana (PMFBY): Part I: “Governance Analysis”. Ahmedabad: Indian Institute of Management Ahmedabad (IIMA).

Ghosh, Sumit. 2019. An Analysis of Pradhan Mantri Fasal Bima Yojana: Expectations and Reality. International Journal of Advanced Science and Technology 28: 788–94