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Demystifying Pmfby: Understanding The Scheme And Its Impact In North East India

[1]Serto SophiyaKom, [2]Amod Sharma, [3]Khan Chand, [4]G. Zion and [1]Watisenla Longkumer

[1&2] Department of Agricultural Economics,[3]Department of Agricultural Engineering [4]Department of Agronomy Nagaland University, SAS, Medziphema Campus-797106, Nagaland, India

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ABSTRACT

The Pradhan MantriFasalBima Yojana stands as vital initiatives in Indian agriculture aiming at safeguarding the farmers against the unpredictable risks inherent in agriculture.This article provides an overview of the crop insurance scheme, its objectives, including its features, risks inclusion and exclusion, its coverage structure, premium mechanism, its collaborative efforts between the state and the central government, its insurance companies and farmers. It also provides an outlook of the scheme in North eastern region with its impact on the region within the past 4 years (during 2020 to 2023) on kharif and rabi crops. It also emphasis on the challenges faced with suggestion for policy improvement was recommended.

INTRODUCTION

Agriculture is a highly risky venture mainly due to uncertainty in crop production emanating from natural causes including unpredictable weather events and pest attacks, which leads governments to implement various crop insurance schemes in order to provide economic support to farmers in the event of crop failure.

According to the report of FOA, 2018 Agriculture with its allied sectors is the largest source of livelihoods in India. 70.00 per cent of its rural households still depend primarily on agriculture for their livelihood, with 82.00 per cent of farmers being small and marginal.

Indian agricultural sector still depended mostly on monsoons. It leads to operating risk in cultivation of different crops. To cover the risk which may occur in futurethere is need to some provision.Crop Insurance scheme is the only mechanism available to safeguard against production risk in agriculture (Wahab, 2019). The risk burden of the farmers can be reduced through crop insurance, which is primarily away of protecting farmers against the element of chance in crop production. Crop insurance spreads the crop losses over space and time, provides social security to the farmers, helps in maintaining their dignity, offers self-help, encourages large investments in agriculture for improving crop yield and increasing agricultural production (Singh, 2004).

Crop Insurance is an important mitigation tool to protect the farmers from any unforeseen crop loss caused by natural
calamities. Comprehensive Crop Insurance Scheme (CCIS) was first launched in India in 1985 thereafter, over a period different schemes have been launched, after modification to the previous ones to provide insurance cover for the crop loss. These include National Agriculture Insurance Scheme (NAIS) in 1999, Weather Based Crop Insurance Scheme (WBCIS) in 2007, Modified National Agriculture Insurance Scheme (MNAIS) in 2010. To address the crop risk issues in a holistic manner Pradhan Mantri FasalBima Yojana (PMFBY) was

Overview of the scheme:

Pradhan Mantri FasalBima Yojana (PMFBY) a flagship programme of the Government of India was launched by the Hon'ble Prime Minister of India was launched on 18th February 2016. The scheme is being administered by the Ministry of Agriculture and Farmers Welfare. It is implemented across the country from *Kharif* 2016 season, replacing earlier National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS). The scheme is compulsory for loanee farmers and optional for non-loanee farmers.

It provides a comprehensive insurance cover against failure of the crop thus helping in stabilizing the income of the farmers. The Scheme covers all food & oilseed crops and annual commercial/horticultural crops for which past yield data is available and for which the requisite number of Crop Cutting Experiments (CCEs) are being conducted under the General Crop Estimation Survey (GCES).

launched from Kharif 2026. The scheme is compulsory for loanee farmers availing Crop Loan /KCC account for notified crops and voluntary for others (Pamela and Sharma, 2021). The scheme is implemented by empaneled general insurance companies. The selection of the implementing agency (IA) is done by the concerned State Government through bidding. The balance premium will be equally borne by the State and Central Government (Pamela and Sharma, 2020).

OBJECTIVE:

1. Providing financial support to farmers suffering from crop loss/damage arising out of unforeseen events.

2. Stabilizing the income of farmers to ensure their continuance in farming.

3. Encouraging farmers to adopt innovative and modern agricultural practices.

4. Ensuring flow of credit to the agriculture sector; which will contribute to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.

FEATURES OF PMFBY:

Implementing Agency (IA):

The Scheme shall be implemented through a multi-agency framework by selected insurance companies.

Coverage of Farmers:

All farmers including sharecroppers and tenant farmers growing the notified crops in the notified areas are eligible for coverage. The non-loanee farmers are not covered.

Compulsory Coverage:

The enrolment under the scheme shall be compulsory for the following categories of farmers:

- ❖ Farmers in the notified area who possess a crop loan account/KCC account (known as the Loanee farmers) to whom credit limit is sanctioned/renewed for the notified crop during the crop season.
- ❖ Such other farmer whom the government may decide to include from time to time.

Voluntary coverage:

Voluntary coverage may be obtained by all farmers not covered above, including Crop KCC/Crop Loan Account holders whose credit limit is not renewed.

Coverage of Crops:

I. Food crops (Cereals, Millets and Pulses),

II. Oilseeds,

III. Annual Commercial / Annual Horticultural crops.

RISKS TO BE COVERED & EXCLUSIONS:

Following risks leading to crop loss are to be covered under the scheme:

- ❖ **PREVENTED SOWING/PLANTING/GERMINATION RISK**

(On notified area basis):

Table 1 reveal the majority of the insured farmers of a notified area, having intent to sow/plant and incurred expenditure for the purpose, are prevented from sowing/planting the insured crop due to adverse weather conditions, shall be eligible for indemnity claims up to a maximum of 25.00 per cent of the sum-insured.

- **YIELD LOSSES** (standing crops, on notified area basis):

Table 2 reveal the comprehensive risk insurance is provided to cover yield losses due to non-preventable risks, such as Natural Fire and Lightning, Storm, Hailstorm, Cyclone etc; Flood, Inundation and Landslide, Drought, Dry spells and Pests/ Diseases etc.

- **POST-HARVEST LOSSES** (individual farm basis):

Coverage is available up to a maximum period of 14 days from harvesting for those crops which are kept in "cut & spread" condition to dry in the field after harvesting, against specific perils of cyclone / cyclonic rains, unseasonal rains.

- **LOCALISED CALAMITIES** (individual farm basis):

Loss/damage resulting from occurrence of identified localized risks i.e. hailstorm, landslide and inundation affecting isolated farms in the notified area.

- **ATTACK BY WILD ANIMALS**:

The states may consider providing crop loans for covering the crop loss due to attack by wild animals, the risk perceived should be identifiable.

- **EXCLUSIONS**:

Risks and Losses arising out of following perils shall be excluded: War & kindred perils, nuclear risks, riots, malicious damage, theft, act of enmity, grazed and/or destroyed by domestic and/or wild animals, In case of Post-Harvest losses the harvested crop bundled and heaped at a place before threshing, other preventable risks.

LIST OF INSURANCE:

Agriculture Insurance Company of India Ltd
ICICI-Lombard General Insurance Co. Ltd.
HDFC-ERGO General Insurance Company Ltd.
IFFCO-Tokio General Insurance Company Ltd.
Cholamandalam MS General Insurance Company Ltd.
Bajaj Allianz General Insurance Company Ltd.
Reliance General Insurance Company Ltd.
Future Generali India Insurance Company Ltd.
Tata-AIG General Insurance Company Ltd.
SBI General Insurance Company Ltd.
Universal Sompo General Insurance Company Ltd.

The only government insurance company on this list, the Agriculture Insurance Company of India, exited the scheme after making large gains in the first year.

Table 1. Rate of Insurance Charges payable by the farmers

SN	**Seasons**	**Crops**	**Maximum insurances charges by farmers (% of sum insured)**
1.	*Kharif*	Food and oil seeds crops (all cereals, millet, oilseed and pulses)	2.0 % of sum insured or actuarial rate, whichever is less
2.	*Rabi*	Food and oil seeds crops (all cereals, millet, oilseed and pulses)	1.5 % of sum insured or actuarial rate, whichever is less

3.	*Kharif&Rabi*	Annual commercial crops/ Annual Horticultural crops	5 % of sum insured or actuarial rate, whichever is less

(Source: Guideline of PMFBY. www.pmfby.gov.in)

Table 2. Calendar of season wise activity

SN	Activity	*Kharif*	*Rabi*
1.	Loaning period (sanctioned) for Loanee farmers covered on Compulsory basis.	April to July	October to December
2.	Cut-off date for receipt of Proposals of farmers (loanee & non-loanee)	31 July	31 December
3.	Cut-off date for receipt of yield data	Within a month fromfinal harvest	Within a month from final harvest

The difference between premium rate and the rate of Insurance charges payable by farmers shall be treated as Rate of Normal Premium Subsidy, which shall be shared equally by the Centre and State.

Table 3. State-wise area and gross premium under PMFBY scheme in NE for Rabi

SN	States	Area insured (ha)				Gross premium(in lac)			
		2020	2021	2022	2023	2020	2021	2022	2023
1.	Assam	722.92	364.63	171.38	174.69	20.507.57	9373.89	8771.40	10761.47
2.	Sikkim	0.01	0.01	0.13	0.00	0.07	0.61	3.97	0.00
3.	Manipur	0.01	0.05	0.16	0.43	0.44	0.82	1.73	4.07
4.	Meghalaya	0.00	0.00	0.03	1.00	0.00	0.00	2.17	45.16
5.	Tripura	7.19	15.02	22.98	24.91	181.46	315.41	474.42	508.55

(Source: Ministry of farmers and family welfare, GOI)

Table 4. State-wise details of sum insured and claim paid under PMFBY scheme in NE

SN	States	Suminsured (ha)				Total claim(in lac.)			
		2020	2021	2022	2023	2020	2021	2022	2023
1.	Assam	568536.96	256604.29	182816.98	1044762.31	7424	6086	1027	0
2.	Sikkim	4.40	15.91	109.66	0.00	2.00	0.00	0.00	0
3.	Manipur	5.04	23.48	52.48	123.75	0.00	0.00	80	0
4.	Meghalaya	0.00	0.00	16.65	448.71	0.00	0.00	0.00	0
5.	Tripura	4984.70	10410.04	15875.07	17211.53	43.00	24	0.00	0

(Source: Ministry of farmers and family welfare, GOI)

Table 5. State-wise details of loanee and non-loanee under PMFBY schemes during Rabi

SN	States	Loanee				Non loanee			
		2020	2021	2022	2023	2020	2021	2022	2023
1.	Assam	5163	8203	3683	28112	1165424	567782	260593	371217
2.	Sikkim	2	0	5	0	27	105	1476	0
3.	Manipur	15	0	1	123	0	125	256	374
4.	Meghalaya	0	0	63	0	0	0	4	2490
5.	Tripura	1494	3846	7174	8127	54953	83842	112515	104260

(Source: Ministry of farmers and family welfare, GOI)

Table 6. State-wise details of farmers who benefitted under PMFBY scheme during Rabi

SN	States	Total farmers benefitted			
		2020	2021	2022	2023
1.	Assam	171946	54462	11648	0
2.	Sikkim	6	0	0	0
3.	Manipur	0	0	80	0
4.	Meghalaya	0	0	0	0
5.	Tripura	7210	9085	0	0

(Source: Ministry of farmers and family welfare, GOI)

Table 7. State-wise area insured and gross premium under PMFBY scheme during Kharif

SN	States	Area insured (ha)				Gross premium(in lac)			
		2020	2021	2022	2023	2020	2021	2022	2023
1.	Assam	574.22	309.49	309.49	263.59	15087.24	8669.67	8669.67	8928.61
2.	Sikkim	0.02	0.28	0.28	0.43	0.65	9.59	9.59	8.44
3.	Manipur	0.00	2.46	2.46	3.61	0.00	158.84	158.84	225.47
4.	Meghalaya	0.10	0.00	0.03	14.48	3.73	0.00	2.17	1060.25
5.	Tripura	31.20	37.83	37.83	66.68	538.47	791.35	791.35	1393.33

(Source: Ministry of farmers and family welfare, GOI)

Table 8. State-wise details of sum insured and claim paid under PMFBY during Kharif

SN	States	Suminsured (ha)				Total claim(in lac.)			
		2020	2021	2022	2023	2020	2021	2022	2023
1.	Assam	325828.36	183838.50	183838.50	172592.47	5416	5163	5163	1929
2.	Sikkim	23.57	252.78	252.78	217.25	0.00	0.00	0.00	0
3.	Manipur	0.00	1679.35	1679.35	2465.18	0.00	145	145	0
4.	Meghalaya	76.83	0.00	16.65	10575.24	7	0.00	0.00	735
5.	Tripura	21540.03	26118.15	26118.15	46039.36	214	240	240	0

(Source: Ministry of farmers and family welfare. GOI)

Table 9. State-wise details of loanee and non-loanee under PMFBY scheme during Kharif

SN	States	Loanee				Non loanee			
		2020	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
1.	**Assam**	20057	25119	25119	31807	810916	579391	579391	397090
2.	**Sikkim**	55	54	54	0	1	2316	2316	3104
3.	**Manipur**	0	952	952	653	0	1754	1754	3957
4.	**Meghalaya**	129	0	0	59	1	0	0	36278
5.	**Tripura**	11437	15817	15817	14247	194514	236344	236344	254050

(Source: Ministry of farmers and family welfare, GOI)

CHALLENGES:

Data constraints: With just around 45.00 per cent of the claims made by farmers over the last three crop seasons data for the last *Rabi* season is not paid by the insurance companies.

Low pay-out of claims: Only few State governments are paying their share of the premium on time and the Central government doesn't pay its share either. Till they get the premium, insurance companies simply sit on the claims.

Less number of notified crops: The no. of notified crops is less that can avail insurance.

High premium rates: Insurance companies charged high premium rates. If states delay notifications or payment of premiums, or crop cutting data, companies cannot pay compensation to the farmers in time.

Poor capacity to deliver: There has been no concerted effort by the state government and insurance companies to build awareness of farmers on PMFBY. Insurance companies have failed to set up infrastructure for proper implementation of PMFBY. PMFBY is not beneficial for farmers in vulnerable regions as factor like low indemnity levels, low threshold yields, low sum insured and default on loans make it a poor scheme to safeguard against extreme weather events.

SUGGESTIONS:

The following suggestions are recommended for policy improvement:

- Settlement of claims and compensation should be done within the shortest possible time frame.
- Should bring in more transparency in implementation of the programme.
- Possibility may be explored for further reduction of the existing rate of premium.
- Massive awareness campaign is essential to motivate the farmers to go for crop insurance.
- The number of notified crops may be increased on the basis of area specific cropping pattern.
- The settlement of claims, whenever arises, requires the results of the Crop Cutting Experiments and as such, the Departments of Agriculture and Economics & Statistics should come forward to undertake the job religiously so that the benefits really percolate down to the farmers on time.
- Also, the farmers really do not have extra time to run after the officials for completion of formalities for PMFBY registration. Therefore, a strongnetwork of machineries backed by political will is the need of the hour to bringabout a transition in the lives of the farming community.
- **Conclusion**
- It can be concluded that the scheme PMFBY aims to alleviate the financial burden on farmers by providing them with insurance coverage against severe crop losses, thereby safeguarding farmers' livelihoods and preventing distress in agricultural communities.Despite its noble intentions, PMFBY

has faced challenges in terms of timely payouts, bureaucratic delays, and concerns over transparency in premium calculations and claim settlements.The continuation and success of PMFBY depend significantly on the government's commitment in resolving existing challenges and making necessary policy adjustments based on feedback from stakeholders.Ensuring the long-term sustainability of PMFBY requires a balanced approach that addresses the needs of both farmers and insurance providers, promotes agricultural resilience, and encourages private sector participation.While PMFBY has provided vital support to farmers, especially during times of distress, ongoing reforms are essential to enhance its effectiveness, transparency, and sustainability in achieving its goals of protecting farmers' incomes and promoting stability in agriculture.

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