

# “A DESCRIPTIVE ANALYSIS OF PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY) FROM THE YEAR 2016-2020”

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## **ABSTRACT**

India is an Agricultural Country. The agriculture in India is vulnerable of floods and droughts and technology. The credit worthiness of the farmers for the next season is to be ensured by protecting them from natural calamities. Therefore, Indian Government has been introducing agricultural schemes time to time in the Country.

Pradhan Mantri Fasal Bima Yojana (PMFBY) has been launched in recent times to reduce the risk associated with agricultural production in the year 2016.

The previous plans were not very successful due to low penetration and coverage.

Protecting and doubling farmers' income by 2022 is the prime objective and a change to increase farm income by increasing agricultural production is the key policy change of this current scheme. But the scheme has not got much success so as the coverage is far below the expected level.

**The objective of the present study is to analyse the performance of the scheme using secondary data, for the financial years 2016-2017, 2017-2018, 2018-2019 and 2019-2020.**

**Keywords:** Agricultural schemes, Credit eligibility, expected level, lower penetration, risk, Pradhan Mantri Fasal Bima Yojana.

## **BACKDROP OF THE PRESENT STUDY**

For the 58% people of India agriculture is the prime radix of livelihood. The contribution of Indian food industry is increasing massively in the world food trade every year because of the capacity of Indian food industry in the value addition. The world ranking of Indian food and grocery market is sixth largest, accounting for 70% of retail sales. Total agricultural and allied products exports were US\$ 41.25 billion in FY2021.

Indian farmers are in jeopardy due to agricultural losses so there should be an insurance system for cope up the farmers from these losses. Though India has been introducing many insurance systems and making changes in the insurance plans to cover maximum losses of the farmers.

Since history of Insurance system is started from the year 1972 and in the year 1985 CCIS (Comprehensive Crop Insurance Scheme) had been implemented till 15 years and the reforms were made which were based on the area approach linked to the short-term crop credit. The successor to the above scheme was the National Agricultural Insurance Scheme, it was initiated to increase the coverage of farmers, both those with existing loans and those without.

Despite the modifications this scheme failed to cover all the farmers, during kharif season in the year 2016, the Government of India formulated the Pradhan Mantri Fasal Bima Yojana (PMFBY) to discard the issues in previous crop insurance schemes.

## **OVERVIEW: PRADHAN MANTRI FASAL BIMA YOJNA (PMFBY)**

**“The new Crop Insurance Scheme is in line with One Nation – One Scheme theme.”**

PMFBY is a crop insurance scheme that improves upon its predecessors by providing national insurance and financial assistance to farmers in the event of crop failure, stabilising income, ensuring the flow of credit and enabling farmers to innovate and develop modern agriculture. Although, a close assessment of the scheme and its implementation reveals that the PMFBY is suffers from the same problems as the previous schemes.

This scheme includes the best features of all previous schemes and at the same time, all previous shortcomings / weaknesses have been discarded. The PMFBY will supersede the extant two schemes National Agricultural Insurance Scheme as well as the revised NAIS.

### **GOALS OF PMFBY**

- To proffer insurance coverage and financial aid to the farmers in the event of failure of any notified crop as a result of natural calamities, pests & diseases.
- To maintain the stability in the income of farmers for ensuring continuity in farming.
- To motivate farmers to take up inventive and modern farming practices.
- To assure flow of credit to the agriculture sector.

### **FEATURES OF PMFBY**

Farmers will have to pay a uniform premium of only 2% for all Kharif crops and 1.5% for all Rabi crops. For annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%. The farmers paid very low level premium and the remaining premium will be paid by the Government to endow full insurance amount to the farmers against loss of crop due to natural calamities. There is no upper limit for Government subsidy. Even if remaining premium is 90%, the same will be borne by the Government.

The use of technology will be uplifted to a large extent. Smart phones will be used to capture and upload crop harvesting data to reduce the delay in claim payment to the farmers. Remote sensing will be used to reduce the number of harvesting experiments.

PMFBY is a replacement scheme of NAIS / MNAIS, all services involved in the

implementation of the scheme will be exempted from Service Tax liability. It is estimated that the new scheme will ensure about 75-80 per cent subsidy in insurance premium to the farmers.

### **IMPLEMENTATION OF TECHNOLOGY FOR ADMINISTRATION OF THE SCHEME**

In an effort to integrate technology in the implementation and execution of the scheme, the Government of India has designed and developed a National Crop Insurance Portal (NCIP) ([www.pmfby.gov.in](http://www.pmfby.gov.in)). This will bring in better governance and coordination among the stakeholders. Real time dissemination and transparency of information to farmers, states, insurers and banks as well.

The successful operation of the portal requires responsible participation of various stakeholders who will have the responsibility of updating census coding and revenue/administrative units, AWS code mapping and updating required information/details as per login credential module. During each crop season, the implementing States and Insurance Companies are required to digitize and upload on the web Portal, basic information like notified areas, crops, sum insured, Govt. subsidy, and the premium to be paid by farmers and names of the Insurance Companies applying in the particular insurance unit etc. within the stipulated time. It will be helpful for the farmers and the stakeholders to receive the required information on Internet and through SMS. The state government and the concerned Insurance Company will be responsible for an errors or omissions etc.

Digitization of basic information/notification must be done before issue of tender documents followed by entry of bid Premium rates and name of the selected Insurance Company immediately after finalization of bids and issue of work order.

All the Stakeholders have defined roles and responsibilities on the portal for administration of the scheme and access to the respective modules. The details of operation of the module for each stakeholder are available on the Portal for immediate reference.

Secured credential/login, preferably based on Aadhaar Number and mobile OTP, will be made available on the portal for all stakeholders such as Central Government, State Governments, Banks, empaneled Insurance Companies and their designated field personnel to enable them to login/upload/download the required information.

Insurance companies will not distribute/collect/allow any other proforma/ utility/ web portal etc. to collect the details of the insured farmers separately. However they can provide all necessary assistance by facilitating bank branches to upload the farmer's details on the portal within the prescribed cut-off dates.

All data related to crop-wise, area-wise, historical yield data, weather data, sown area, coverage and claims data, calamity years and actual yield shall be made available on the National Crop Insurance Portal to determine the premium rating, claim calculation etc.

Banks, Financial Institutions and other intermediaries are required to mandatorily transfer the individual farmer's data electronically to the National Crop Insurance Portal.

It is also considered to establish an integrated platform or portal for both PMFBY and Interest Subvention Scheme. The data or the information of both the Schemes shall be auto synchronized to enable real time sharing of information and better monitoring of the program.

Insurance Companies shall compulsorily use technology and mobile applications for monitoring of crop health and Crop Cutting Experiments (CCEs) in coordination with respective States.

The States shall also facilitate Insurance Companies through prior approval of the agency with the use of satellite imagery and drones from which such data can be sourced. This is necessary for better monitoring and grassroots work.

### **FARMERS COVERAGE**

Under this scheme all the farmers are to be covered (sharecroppers+ tenant farmers) who are growing the notified crops in the notified areas.

### **CROPS COVERED UNDER THIS SCHEME**

1. Food crops such as Cereals, Millets and Pulses
2. Oilseeds
3. Annual Commercial / Annual Horticultural crops.

### **COVERAGE OF CROP RISKS**

The following stages of crop risk due to crop loss are covered under the Scheme:

1. Addition of new risks by the State Government is not allowed.
2. The insured area is prevented from sowing/ planting/germination due to less rainfall or adverse weather conditions.
3. Comprehensive risk insurance is provided to cover loss of yield on account of non-preventable risks, viz. droughts, , floods, widespread pest and disease attacks, landslides, natural causes of fires, lightning, storms, hailstorms and cyclones.
4. Coverage is available only for a maximum period of two weeks from harvesting for those crops which are required to be dried in the condition of cut and spread or small bundles in the field after harvesting against specific hazards of hailstorm, cyclone, cyclonic and unseasonal rain.
5. Loss or damage to notified insured crops as a result of occurrence of identified local risks of natural fire due to hailstorm, landslide, flood, cloudburst and lightning affecting individual farms in the notified area.
6. States may consider providing add-on coverage for crop loss due to attack by wild animals, where the risk is considered substantial and identifiable.
7. Losses resulting from war and nuclear risks, malicious damage and other preventable risks shall be excluded.
8. Yield loss damage, assessment for local calamities and post-harvest losses will be done on the basis of individual insured farm level and hence the loss information is required to be recorded by the farmer or nominated agencies.

**ANALYSIS OF STATE WISE COVERAGE OF PMFBY FROM THE YEAR 2016 TO 2020**

**Table 1. FY 2016-2017**

FY 2016-17 - PMFBY & RWBCIS Combined - State Wise Business Statistics as on 31.08.2021								
State/UT Name	Farmers Insured (in Lacs)	Area Insured (Lac hectares)	Total Sum Insured	Share of Farmers (Premium)	Total Premium	Total Claims Reported	Total Claims Paid	Farmers Benefitted (Lacs)
A & N Islands	0.003	0.003	0.47	0.002	0.02	0.15	0.15	0.003
Andhra Pradesh	17.757	15.599	8,648.25	199.846	803.59	943.77	943.77	8.987
Assam	0.603	0.418	244.79	4.971	8.64	5.37	5.37	0.236
Bihar	27.142	24.841	11,805.40	204.588	1,416.04	347.85	347.85	2.161
Chhattisgarh	15.491	21.621	6,458.22	121.671	289.25	159.97	159.97	1.377
Goa	0.008	0.005	5.80	0.068	0.07	0.03	0.03	0.001
Gujarat	19.799	30.206	12,016.65	243.193	2,274.62	1,267.22	1,267.22	6.800
Haryana	13.362	20.852	11,785.75	196.528	363.42	296.94	296.94	2.245
Himachal Pradesh	3.799	1.294	929.15	31.097	71.63	45.18	45.18	1.004
Jammu & Kashmir	-	-	-	-	-	-	-	-
Jharkhand	8.793	3.718	2,002.21	39.630	271.41	31.09	31.09	0.598
Karnataka	29.465	24.781	9,369.41	235.188	1,344.56	2,093.83	2,093.83	19.013
Kerala	0.774	0.531	332.48	7.210	33.14	43.74	43.73	0.551
Madhya Pradesh	74.608	120.928	36,897.20	723.948	3,777.97	2,043.88	2,043.88	13.820
Maharashtra	118.838	71.322	24,019.94	682.594	4,596.45	2,317.90	2,317.90	29.294
Manipur	0.084	0.091	36.94	0.739	3.59	1.96	1.96	0.084
Meghalaya	0.001	0.000	0.47	0.013	0.04	0.03	0.03	0.000
Odisha	18.202	13.187	7,262.35	142.625	539.08	432.74	432.74	1.688
Puducherry	0.085	0.074	33.99	0.225	2.88	7.55	7.55	0.043
Rajasthan	93.557	104.847	17,909.30	377.388	2,564.29	1,917.45	1,917.45	29.010
Sikkim	0.006	0.001	0.46	0.007	0.01	0.11	0.11	0.002
Tamil Nadu	14.625	12.098	6,058.54	106.730	1,101.40	3,648.15	3,648.15	12.922
Telangana	9.741	8.240	5,185.03	96.514	274.87	179.60	179.60	2.250
Tripura	0.118	0.028	17.64	0.292	0.39	0.71	0.71	0.037
Uttar Pradesh	72.893	65.115	29,097.16	529.389	1,170.68	574.58	574.58	11.879
Uttarakhand	2.616	1.324	921.39	19.561	41.59	27.47	27.47	0.618

West Bengal	41.333	19.955	12,071.41	113.541	704.16	421.69	421.69	11.903
GRAND TOTAL	583.7	561.1	203,110	4,078	21,654	16,809	16,809	156.5
<i># Information is based on declarations received from Implementing Insurance Companies and is currently being verified by the Department of Agriculture, Cooperation and Farmers Welfare, Government of India with concerned State Governments</i>								
<i>## Some claim settlements are pending due to issues such as payment failure, pending State subsidy, discrepancies in yield data etc.</i>								

## Results and Discussion

Gross premium collection in 2016-2017 was Rs. 21,654 crores.

The amount of claims paid by the insurance companies is Rs. 16,809 crore and 156.5 lakh benefitted farmers in 2016-2017.

**Table 2: FY 2017-2018**

FY 2017-18 - PMFBY & RWBCIS Combined - State Wise Business Statistics as on 31.08.2021								
State/UT Name	Farmers Insured (Lakh)	Area Insured (Lakh hectares)	Total amount Insured	Share of farmers (Premium)	Rs. Crore			Farmers Benefitted (Lakh)
					Total Premium	Total Reported Claims	Total Paid Claims	
A & N Islands	0.004	0.002	0.47	0.002	0.03	-	-	-
Andhra Pradesh	18.317	20.666	10,798.25	248.760	1,272.08	743.86	740.18	7.149
Assam	0.553	0.412	252.79	5.146	11.90	1.18	1.18	0.022
Bihar	23.031	21.247	9,943.70	179.328	1,028.82	401.52	401.52	2.184
Chhattisgarh	14.743	21.220	6,895.99	132.897	361.88	1,391.40	1,391.40	6.587
Goa	0.005	0.004	4.46	0.048	0.05	0.01	0.01	0.000
Gujarat	17.628	25.479	11,975.45	385.721	3,014.27	1,076.75	1,075.83	3.898
Haryana	13.417	19.074	12,086.41	207.778	452.08	895.98	895.98	3.248
Himachal Pradesh	3.817	1.107	769.94	30.505	77.51	64.71	64.71	1.470
Jammu & Kashmir	1.590	1.493	500.14	8.830	40.53	9.84	9.84	0.189
Jharkhand	11.955	2.902	1,495.20	28.262	211.93	47.21	47.21	1.392
Karnataka	20.855	18.062	8,723.24	234.633	1,830.52	856.84	856.84	6.193
Kerala	0.559	0.479	301.33	6.335	25.89	10.96	10.96	0.381
Madhya Pradesh	70.280	118.171	42,055.79	795.735	4,663.15	5,879.88	5,879.88	24.721

Maharashtra	102.746	57.761	19,460.96	508.943	4,255.14	3,293.81	3,292.50	53.815
Manipur	0.091	0.187	49.77	0.747	1.94	0.67	0.67	0.036
Meghalaya	0.031	0.013	18.40	0.553	0.69	0.02	0.02	0.000
Odisha	18.947	13.536	7,326.06	145.274	820.42	1,820.13	1,818.55	7.533
Puducherry	-	-	-	-	-	-	-	-
Rajasthan	91.093	100.389	23,528.03	502.063	2,704.22	2,242.38	2,242.38	31.429
Sikkim	0.015	0.003	2.94	0.064	0.06	0.04	0.04	0.001
Tamil Nadu	15.091	10.912	6,598.64	119.680	1,185.88	2,058.79	2,057.27	10.109
Telangana	10.966	10.526	7,305.14	188.893	677.87	648.50	648.50	4.402
Tripura	0.117	0.030	21.14	0.593	0.74	1.00	1.00	0.027
Uttar Pradesh	54.210	46.136	20,196.88	375.417	1,322.06	380.87	380.87	5.848
Uttarakhand	2.224	1.176	859.67	18.813	67.84	39.45	39.45	0.703
West Bengal	40.384	16.720	11,110.78	79.043	642.16	261.59	261.11	5.505
GRAND TOTAL	532.7	507.7	202,282	4,204	24,670	22,127	22,118	176.8
<i># Information is based on declarations received from Implementing Insurance Companies and is currently being verified by the Department of Agriculture, Cooperation and Farmers Welfare, Government of India with concerned State Governments</i>								
<i>## Some claim settlement is pending due to issues such as payment failure, pending State subsidy, discrepancies in yield data etc.</i>								

### Results and Discussion

The gross premium collection increased from Rs. 21,654 crore in 2016–2017 to Rs. 24,670 crore in 2017–2018, increasing by Rs. 3,016 crore.

The amount of claims paid by the insurance companies is Rs. 16,809 crore in 2016-2017, an increase of 20.70 per cent to Rs. 22,118 crore in 2017-2018, mainly due to reduction in the number of insured farmers.

The amount of claims increased in only 4 states during 2017-2018.

The data shows that the gross premium collection amount by the insurance companies was higher than the claims paid, indicating that the insurance companies are making profit.

The number of farmers benefiting increased in only four states during 2017-2018. Thus, some states performed better with respect to number of farmers' insured, total area insured and gross premium collection.

**Table 3: FY 2018-2019**

FY 2018-19 - PMFBY & RWBCIS Combined - State Wise Business Statistics as on 31.08.2021								
State/UT Name	Farmer Applications Insured (Lakh)	Area Insured (Lakh hec.)	Sum Insured	Farmers Share in Premium	Gross Premium	Reported Claims	Paid Claims	Farmers Benefitted (Lakh)
A & N Islands	0.007	0.006	2.69	0.013	0.24	0.09	0.01	0.000

Andhra Pradesh	24.447	18.891	11,291.80	261.780	1,094.02	1,890.05	1,885.76	16.167
Assam	0.740	0.491	316.44	2.038	13.22	2.79	2.79	0.080
Bihar	-	-	-	-	-	-	-	-
Chhattisgarh	15.703	22.746	7,869.38	160.878	888.95	1,087.56	1,087.56	6.564
Goa	0.003	0.003	3.25	0.033	0.03	0.10	0.10	0.000
Gujarat	21.710	26.112	13,676.83	402.563	3,141.39	2,778.08	2,777.89	13.925
Haryana	14.425	20.549	13,742.45	237.963	856.46	946.79	944.89	4.223
Himachal Pradesh	2.690	0.900	725.44	29.724	79.43	55.00	55.00	1.272
Jammu & Kashmir	1.537	1.106	1,365.61	16.909	76.67	26.24	26.24	0.197
Jharkhand	12.935	6.295	3,496.70	20.122	397.39	684.93	21.11	0.577
Karnataka	19.882	22.380	9,696.71	272.568	1,855.59	2,947.50	2,946.94	13.834
Kerala	0.570	0.432	315.83	6.153	35.92	26.74	26.74	0.402
Madhya Pradesh	74.210	129.302	47,346.74	920.904	5,494.60	3,777.21	3,776.74	22.630
Maharashtra	148.343	90.650	30,352.17	791.667	6,117.10	6,069.36	6,063.04	81.534
Manipur	0.015	0.008	5.22	0.104	0.21	0.00	0.00	0.000
Meghalaya	0.009	0.009	4.42	0.103	0.14	0.22	0.22	0.004
Odisha	20.985	14.854	8,740.84	172.659	1,121.50	1,169.97	1,169.97	6.579
Puducherry	0.101	0.081	46.65	-	2.69	0.45	0.45	0.005
Rajasthan	71.793	77.568	29,381.83	616.900	3,621.10	3,466.65	3,466.65	20.929
Sikkim	0.002	0.001	1.14	0.027	0.03	0.00	0.00	0.000
Tamil Nadu	24.644	13.394	8,250.83	148.724	1,469.43	2,656.32	2,656.32	18.938
Telangana	7.991	9.920	6,185.04	155.998	545.55	587.31	148.90	0.588
Tripura	0.021	0.003	2.06	0.048	0.09	0.02	0.02	0.002
Uttar Pradesh	61.270	51.343	21,887.96	399.869	1,418.86	469.16	469.16	6.255
Uttarakhand	1.928	1.089	866.09	20.993	75.06	72.38	72.38	0.849
West Bengal	51.274	17.678	14,024.29	134.375	730.47	535.52	529.92	7.088
GRAND TOTAL	577.2	525.8	229,598	4,773	29,036	29,250	28,129	222.6

# 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

## Some claim settlement is pending due to issues such as payment failure, pending State subsidy, discrepancies in yield data etc.

## Results and Discussion

Gross premium collection increased from Rs. 24,670 crore in 2017-2018, 29,036 crore in 2018-2019, an increase of 12.23 percent.

The amount of claims paid by the insurance companies is Rs. 22,118 crore in 2017-2018, an increase of 8.62 per cent from Rs. 28,129 crore in 2018-2019, mainly due to reduction in the number of insured farmers.

The amount of claims increased in more than 10 states during 2018-2019.

**Table 4: FY 2019-2020**

FY 2019-20 - PMFBY & RWBCIS Combined - State Wise Business Statistics as on 31.08.2021								
State/UT Name	Applications Insured (Lakh)	Area Insured (Lakh hec.)	Total Insured	Share of Farmers in the Premium	Gross Premium	Total Claims Reported	Claims Paid	No. of Farmers Benefitted (Lakh)
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	15,132.97	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

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Department of Agriculture, Cooperation and Farmers Welfare, Government of India with concerned State Governments

## Some claim settlement is pending due to issues such as payment failure, pending State subsidy, discrepancies in yield data etc.

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## Results and Discussion

Gross premium collection increased from Rs. 29,036 crore in 2018-2019. 32,022 crore in 2019-2020, an increase of 6.62 percent.

The amount of claims paid by the insurance companies is Rs. 28,129 crore in 2018-2019, which decreased to Rs. 25,822 crore in 2019-2020 due to reduction in reported claims.

The gross premium collection amount was more than the claims paid, indicating that the insurance companies are making profit.

## CONCLUSION

Since independence, the Government of India has introduced various crop insurance schemes to maintain the income level of the farmers. At present, there are two crop insurance schemes operating in India, namely, the Pradhan Mantri Fasal Bima Yojana and the restructured Weather-Based Crop Insurance Scheme.

To make it more successful and farmer friendly some new features have been added like voluntary participation for all farmers, business allocation to insurance companies for three years instead of one, linking with Aadhar card, payment of subsidy should be timely.

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