

Role of Pradhan Mantri Fasal Bima Yojana in Agricultural Development: A Study of Telangana

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Introduction

Pradhan Mantri Fasal Bima Yojana (PMFBY) stands out as one of the largest agricultural insurance initiatives globally, designed to protect Indian farmers against risks associated with farming. This program was initiated in early 2016, with a principal characteristic being the highly subsidized and reasonable premium costs for farmers. Under the PMFBY, farmers only need to contribute a minimal premium of up to 2% during Kharif planting, 1.5% during Rabi planting for both food crops and oilseeds, while for annual commercial crops, they are required to pay a maximum of 5%. The disparity between the actuarially calculated premium rates and what farmers pay is equally funded by both the Central and State governments. PMFBY has taken the place of earlier initiatives, including the National Agricultural Insurance Scheme (NAIS) and the revised NAIS. All farmers receiving seasonal crop loans (loanee farmers) are automatically included in the PMFBY scheme, while other farmers have the option to opt into the insurance with a similar net premium burden. The program safeguards against various significant risks, including yield losses resulting from weather conditions, harm from pests, and post-harvest damages, among other factors. This scheme is administered using an 'area approach,' where the insured unit is typically defined at the village panchayat level for the major crops.

India is a land of farmers where the maximum proportion of rural population depends on agriculture and allied activities for their livelihood. However, in the recent years, agricultural GDP share is declining continuously and is about 14% of the country's GDP in the year 2014-15. The fallout this is the widening disparities in the per worker earnings in agricultural and non-agricultural sectors. The per capita agricultural GDP (in current prices) was Rs 25,780 while Non agriculture per capita GDP was Rs. 2,08,696 in 2014-15 thereby indicating that per capita agricultural income was around 12% of per capita non-agricultural income. The ratio of Non-agricultural to Agricultural per capita GDP which was 3.97 in 1999- 2000 increased to 5.38 thereby indicating growing disparity.

In India, Agriculture heavily depends on monsoons with 60% of the cropped area being rain-fed. Given the fact that around 75% of rainfall occurs during June-September period, the fate of the Kharif crops depends on the Southwest monsoon. Farming community in India, thus, remain at the mercy of rain-Gods. The distress faced by farmers is clearly evidenced by large number of farmers' suicide committed during periods of deficit rainfall. According to the Ministry of Agriculture, the total of number of suicides committed by farmers for agrarian reasons in the last three years stands at 3313, with four states - Maharashtra, Telangana, Karnataka and Andhra Pradesh - accounting for 3280 of them. So, this alarming number of farmer suicides in India, is a burning issue not only in India, but also throughout the world.

Any country that is serious about its developmental goals cannot ignore the importance of insuring farmers against unintended losses. Farming is the largest private enterprise of Indians. There are two key differences though: inputs and outputs are plagued with uncertainties of the highest order, unlike any other private business; moreover, the distribution, pricing and value chains are more of public goods, again unlike a traditional private business. Insurance in such a situation, is but a necessity. Moreover, given the low awareness and education level of farmers, it has to be mandatory. Wherever there are private players involved, there has to be an extra dose of regulatory supervision. Agricultural Insurance is a means of protecting the farmer against financial losses due to

uncertainties that may arise from named or all unforeseen perils beyond their control. However, in developing countries, crop insurance has not been very pervasive or successful.

Pradhan Mantri Fasal Bima Yojana (Pmfby) and Its Benefits

Pradhan Mantri Fasal Bima Yojana (PMFBY) is a recently initiated insurance program for crop losses that received endorsement from the Union Cabinet in January 2016. This is a key program aimed at benefiting farmers, launched by the current BJP administration for the enhancement of their welfare. It represents a pivotal change for the agricultural sector in India. This initiative demonstrates the commitment of the current government to address the challenges faced by farming communities in the country and to provide continuous support to those who are essential to the Indian economy. The novel crop insurance program is set to significantly improve the circumstances of farmers. It is an outstanding effort to revolutionize the lifestyle of Indian agriculture.

The initiative is a commendable action undertaken by the government, emphasizing a greater focus on Crop Insurance, which is the most susceptible aspect of agriculture. The program is comprehensive and is bound to assist farmers in our nation during challenging times. This new initiative is essential as the nation is experiencing a drought for the second consecutive year due to insufficient monsoon rainfall, and the government aims to increase insurance coverage for a larger farming area to safeguard farmers from the unpredictability of the monsoon.

It will substitute the current two crop insurance programs, which are the National Agricultural Insurance Scheme (NAIS) and its modified version. This new program will be implemented from the Kharif season that begins in June of this year. It encompasses kharif, rabi, and also annual commercial and horticultural crops. For kharif crops, the premium will be capped at 2% of the total insured amount. For rabi crops, the premium rate will be a maximum of 1.5% of the assured sum. For annual commercial and horticultural crops, the premium will be set at 5%. The remaining portion of the premium will be shared equally by the central government and the respective state governments.

Policy Implications and Recommendations

The successful execution of the Pradhan Mantri Fasal Bima Yojana (PMFBY) is vital for boosting agricultural stability and promoting the welfare of farmers in Telangana. Although the program has the capability to considerably decrease risks related to production and income fluctuations, its effectiveness is predominantly influenced by the structure of the policy, the efficiency of administrative functions, and the engagement of farmers. Considering the current challenges and possibilities, numerous policy recommendations and implications are proposed to enhance the significance of PMFBY in the advancement of agriculture in Telangana.

To begin with, enhancing outreach and educating farmers is critical to boost enrollment and understanding of PMFBY. Numerous small and marginal farmers are not sufficiently informed about insurance benefits, premium costs, claims processes, and the advantages of the program. Government bodies ought to implement consistent awareness initiatives at the village level, utilizing agricultural extension agents, farmer producer groups, self-help collectives, and local governmental bodies. Information should be shared in clear terms and in local languages, employing various channels like community gatherings, radio broadcasts, mobile apps, and social media. Elevating financial understanding among farmers will foster confidence in the initiative and promote voluntary engagement.

Secondly, optimizing the processes for claim evaluation and settlement utilizing digital technologies can improve clarity and effectiveness. Hold-ups in evaluating yield and processing claims frequently diminish the impact of crop insurance. Implementing tools like remote sensing, satellite pictures, drones, and mobile reporting systems can enable precise and prompt evaluation of

agricultural damages. Enhancing digital systems at both district and mandal tiers will curtail administrative lags and facilitate quicker compensation. Swift resolution of claims permits farmers to bounce back from setbacks promptly and get ready for the upcoming planting season without incurring debts.

Thirdly, merging PMFBY with additional state agriculture assistance initiatives can establish a more holistic risk management system. Crop insurance ought to be associated with programs regarding credit availability, irrigation, soil health improvement, and subsidies for inputs. This alignment guarantees that insured farmers obtain additional assistance aimed at boosting productivity and sustainability. For example, connecting PMFBY with agricultural loan initiatives can motivate banks to confidently provide financing, while collaboration with irrigation and climate-adaptive farming projects can help mitigate the risk of crop losses over time.

Ultimately, expanding the scope of PMFBY to encompass a broader array of crops is highly significant for the varied agricultural practices in Telangana. The region grows an array of crops including cotton, rice, corn, pulses, oilseeds, and various horticultural products, many of which encounter risks unique to their locality. Increasing the coverage to cover additional regional and premium crops will guarantee fair protection for farmers situated in various agro-climatic areas. Additionally, this will promote the diversification of crops by lowering the monetary risks linked to the farming of uncommon or high-yield crops.

Benefits for Agricultural Development

Risk Mitigation and Income Stability

A major impact of the Pradhan Mantri Fasal Bima Yojana (PMFBY) on agricultural growth in Telangana is its effectiveness in alleviating risks and ensuring consistent farm earnings. The agricultural sector in the region faces significant threats from climate fluctuations, such as unpredictable rainfall, droughts, flooding, and pest attacks. These challenges frequently lead to failed crops and substantial financial hardship for farmers. PMFBY offers monetary compensation for these setbacks, helping to lessen the financial unpredictability linked to farming. By securing income assistance in tough circumstances, the initiative boosts the resilience and assurance of farmers. Reliable income safeguards motivate farmers to persist with their cultivation efforts, even after setbacks, which helps avoid forced migration and the abandonment of farming practices. This income reliability aids in the continual agricultural endeavors and the prolonged advancement of the sector.

Encouraging Technology Adoption

PMFBY facilitates the embrace of contemporary farming technologies and superior agricultural methods in Telangana. With insurance protection against possible financial setbacks, farmers become more inclined to invest in high-quality inputs and innovative approaches. The provision of prompt insurance payouts provides farmers the financial resources necessary to implement high-yield and disease-resistant seeds, effective irrigation methods such as drip and sprinkler systems, and soil health management techniques. These advancements boost resource utilization, lessen production uncertainties, and increase crop yields. Additionally, the security provided by insurance alleviates farmers' concerns over complete financial ruin, fostering the willingness to explore new crops and refined farming techniques. Consequently, PMFBY aids in the advancement of technology and improves the overall productivity and sustainability of agriculture within the region.

Credit Flow and Investment

Another significant advantage of PMFBY is its beneficial influence on the flow of agricultural credit and investments. Crop insurance minimizes the lending risks related to the agricultural sector, encouraging banks and financial institutions to be more inclined to provide loans to insured farmers. Enhanced access to institutional credit allows farmers to timely acquire vital resources such as seeds,

fertilizers, machinery, and irrigation tools. The greater availability of credit also aids in the expansion of arable land and the shift toward high-value crop cultivation. By promoting investment in the agricultural sector, PMFBY enhances productivity, boosts farm earnings, and fosters overall agricultural progress in Telangana. Consequently, the initiative is essential in reinforcing the financial stability of the agricultural industry and advancing sustainable growth.

Role of the Pradhan Mantri Fasal Bima Yojana (PMFBY) on Agricultural Development in Telangana

The Pradhan Mantri Fasal Bima Yojana (PMFBY) serves a crucial function in fostering agricultural progress in Telangana by shielding farmers from risks associated with their crops and maintaining income stability. Farming in Telangana relies heavily on rainfall from the monsoon and is frequently impacted by issues such as droughts, floods, pest infestations, and various other natural disasters. These unpredictable factors render agriculture perilous, particularly for smaller and marginalised growers. PMFBY mitigates this danger by offering insurance protection against crop losses and providing financial assistance in unfavorable circumstances.

By ensuring the stability of farm incomes, this initiative allows farmers to persist with their agricultural operations even following crop failures. This assurance of financial safety promotes investment in superior resources like enhanced seeds, fertilizers, and advanced farming methods, leading to increased productivity and sustainable agricultural advancements. Additionally, PMFBY facilitates improved access to formal credit, as banks and financial entities perceive insured farmers as lower risk.

The rejoining of PMFBY by the Telangana government in 2024 reflects its commitment to strengthening farmer welfare and improving risk management in agriculture. Affordable premium rates and government subsidies make the scheme accessible to a wide range of farmers. Overall, PMFBY contributes significantly to agricultural development in Telangana by enhancing resilience, reducing economic distress, and supporting long-term growth of the state's agrarian sector.

Challenges in Implementation in Telangana State

Although the Pradhan Mantri Fasal Bima Yojana (PMFBY) provides numerous advantages, several obstacles still hinder its successful execution in Telangana. A primary concern is the lack of awareness and accessibility regarding crop insurance options, especially for small and marginal farmers. Numerous farmers do not possess sufficient information about how to enroll, the process of premium payment, how to file claims, and the details of coverage. This lack of information frequently results in minimal participation and underuse of the program, particularly in distant rural regions.

Furthermore, another significant hurdle is the sluggishness in processing claims. Complications in procedures, dependence on conventional crop-cutting trials, and coordination challenges among insurance firms, revenue officials, and agricultural agencies often impede the evaluation of crop losses. Slow compensation diminishes the program's impact, as farmers need prompt financial assistance to get ready for the upcoming planting season or to settle agricultural debts.

Moreover, coverage deficiencies can occur due to inaccuracies in localized weather information and crop yield assessments. Fluctuations in rainfall and damage to crops within small geographic zones are not always properly documented, resulting in some affected farmers missing out on compensation. In a state like Telangana, which exhibits diverse agro-climatic conditions, accurate evaluations are vital.

Addressing these challenges through improved awareness programs, digital monitoring tools, and efficient administrative coordination is essential to maximize PMFBY's contribution to agricultural development in Telangana.

Conclusion

Crop insurance is important in a country like India with millions of farmers largely dependent on monsoon for the success of their crops. Monsoon also has a bearing on the production costs and agricultural production in respect of irrigated areas too in the country. The need for crop insurance has to be seen in the light of improved security for farmers and an overall boost to the agricultural sectors in particular, the rural economy at large and growth of the country in general. There is a gross mismatch between the risk associated and the profit margins in the agricultural economy making it necessary for subsidy inputs to the farmers through the Governmental mechanism.

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is essential for ensuring the stability of farm earnings and fostering resilience in agriculture within Telangana. Farmers in the region often deal with unpredictable weather events such as erratic rainfall, droughts, floods, and pest outbreaks, which pose considerable risks to both production and earnings. PMFBY provides financial support for losses incurred due to these challenges, serving as a safeguard that minimizes the economic hardships faced by farmers and aids in averting situations of crisis. The initiative enhances the welfare of farmers by guaranteeing income assurance during tough times and facilitating prompt recovery following crop failures. This financial assurance motivates farmers to persist with their agricultural work and to invest in superior inputs, better seeds, fertilizers, and advanced farming techniques. Consequently, PMFBY supports growth in productivity and promotes sustainable agricultural progress in the state of Telangana. The re-entry of the state into the scheme reflects the government's commitment to strengthening risk management mechanisms and protecting the livelihoods of farming communities. However, the long-term success of PMFBY depends on effective implementation, timely settlement of claims, and greater awareness among farmers. Enhancing transparency, leveraging digital technologies, and improving coordination between government agencies and insurance providers can further strengthen the scheme's impact. Increased farmer participation and inclusive coverage will ensure that the benefits of PMFBY reach small and marginal farmers, thereby reinforcing the resilience of Telangana's agrarian economy and supporting long-term agricultural growth.

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