Indian Economy · GS - III

Given the vulnerability of Indian agriculture to vagaries of nature, discuss the need for crop insurance and bring out the salient features of the Pradhan Mantri Fasal Bima Yojana (PMFBY).

EXAM YEAR	PAPER	SUBJECT
2016	GS - III	Indian Economy

MARKS	WORD LIMIT
12.5	~200 words

Answer Hint

Agricultural risk; crop insurance; monsoon variability; farmer income protection; PMFBY; premium subsidy; technology-based assessment; claim settlement

Model Answer

Introduction

Indian agriculture is exposed to droughts, floods, cyclones, hailstorms, pests and diseases. Crop insurance helps farmers manage production risks and reduces the financial impact of crop losses.

Need for Crop Insurance

- **Income protection:** Compensates insured farmers for eligible crop losses.
- **Credit security:** Reduces risks faced by agricultural borrowers and can support continuity of credit.
- **Investment incentives:** Greater risk protection can encourage farmers to invest in improved seeds and technology.
- **Rural stability:** Helps prevent severe crop losses from triggering distress borrowing and asset sales.
- **Disaster resilience:** Provides financial support following specified natural calamities and other covered risks.

Salient Features of PMFBY

Launched in 2016, the Pradhan Mantri Fasal Bima Yojana aimed to provide affordable crop insurance with improved claim settlement.

- **Farmer premiums:** Prescribed premium rates are capped for notified crops and seasons; the balance of actuarial premium is subsidised by the government according to scheme rules.
- **Coverage:** Covers notified crops and eligible farmers, subject to applicable enrolment and scheme conditions.
- **Risks covered:** Includes specified risks such as prevented sowing, standing-crop losses from covered non-preventable risks, and certain post-harvest losses and localised calamities under defined conditions.
- **Technology:** Promotes remote sensing, smartphones and other tools to improve crop-loss assessment and claim processing.
- **Implementation:** Operates through state governments, insurers and designated institutions under scheme guidelines.

Challenges and Improvements

Delayed claims, gaps in crop-cutting data, limited awareness and uneven state participation have affected outcomes. Better data, timely premium payments, transparent assessments and effective grievance redressal are essential.

Conclusion

PMFBY can strengthen farmers' resilience, but effective insurance requires reliable loss assessment, prompt claims and continuous improvement in implementation.

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