



## Beyond the Harvest: Unpacking the Promise and Perils of the Pradhan Mantri Fasal Bima Yojana (PMFBY)

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As climate change accelerates, Indian agriculture faces unprecedented volatility, making institutionalized risk mitigation more critical than ever. The Pradhan Mantri Fasal Bima Yojana (PMFBY), launched in 2016, represents the world's third-largest crop insurance scheme, aiming to shield farmers from pre-sowing to post-harvest losses. While the scheme has achieved historic scale—insuring over 78.4 crore applications and disbursing ₹1.83 lakh crore in claims since its inception—its ground-level efficacy remains heavily debated. This article evaluates the scheme's key findings, highlighting its technological advancements and vast penetration, while candidly examining structural drawbacks such as state-level fiscal defaults, delayed claim settlements, and assessment discrepancies that continue to undermine farmer trust.

### Introduction

For the Indian farmer, staring at the sky has always been an exercise in anxiety. A sudden hailstorm or a delayed monsoon doesn't just mean a poor harvest; it often triggers a cycle of debt and deep agrarian distress. To institutionalize a safety net against this localized and systemic climate risk, the Government of India launched the Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2016.

Designed to replace fragmented and less effective legacy programs, PMFBY aimed to offer comprehensive coverage at a highly subsidized, uniform premium: 2% for Kharif crops, 1.5% for Rabi crops, and 5% for commercial and horticultural crops. The remaining actuarial premium is shared equally between the Centre and the States. Ten years into its implementation, the scheme stands as a massive financial and administrative undertaking. However, evaluating PMFBY requires looking beyond the sheer volume of enrollments to understand how it actually functions as a transformative resilience tool on the ground.

### Key Findings

#### Successes and Structural Shifts

Extensive data from the last few crop cycles, including the 2024–2025 season, reveal several positive shifts in the scheme's operational dynamics:

- **Unprecedented Scale and Voluntary Adoption:** PMFBY has successfully democratized crop insurance. By mid-2025, over 78.4 crore farmer applications had been insured cumulatively. Crucially, the scheme has seen a massive surge in non-loanee farmers (those who haven't taken bank credit and are enrolling voluntarily). In 2024-25 alone, enrollment peaked at 4.19 crore farmers, indicating that a significant portion of the agrarian community is actively seeking out this safety net rather than being forced into it by banks.
- **Technological Integration:** The integration of the National Crop Insurance Portal (NCIP) with the Public Finance Management System (PFMS) through the "Digiclam"

module has streamlined the architecture of payouts. Furthermore, the push toward YES-TECH (Yield Estimation System based on Technology)—which mandates the use of remote sensing, drones, and AI for objective yield estimation—is slowly replacing the archaic, manual Crop Cutting Experiments (CCEs).

- **Income Stabilization:** Empirical research indicates that PMFBY has successfully reduced income volatility for insured farmers. In years of severe monsoon deficit or unseasonal cyclonic rains, the ₹1.83 lakh crore disbursed to over 22.6 crore farmers has served as a critical macroeconomic shock absorber, preventing a complete collapse of rural purchasing power.

### The Drawbacks: Where the Safety Net Frays

Despite its grand design and technological upgrades, the scheme suffers from severe implementation bottlenecks. It is vital to acknowledge these systemic failures, as they directly impact the livelihoods of millions.

- **State Fiscal Defaults and Paralyzed Payouts:** This is arguably the scheme's Achilles' heel. Because the premium subsidy is shared 50:50 between the Centre and the States, if a State government delays its share, insurance companies withhold the entire claim payout. Recent data highlights this stark reality: in Andhra Pradesh alone, farmers lost out on thousands of crores in claims (with an estimated ₹3,138 crore caught in bureaucratic limbo recently) simply because the state government failed to remit its premium share on time.
- **Chronically Delayed Settlements:** PMFBY guidelines mandate that claims be settled within two months of harvest. In reality, farmers routinely face delays of six to fourteen months. For a smallholder farmer, receiving compensation a year late defeats the purpose of insurance, as it leaves them without the capital needed to buy seeds and fertilizers for the immediate next cropping season.
- **Trust Deficit and Assessment Disputes:** While drone and AI integration is underway, thousands of localized damage assessments are still tied to manual estimation. Discrepancies between a farmer's actual field loss and the "average loss" calculated at the village-panchayat level frequently result in meager indemnities—sometimes as low as 10% of the insured sum—leading to widespread protests, as recently seen in Rajasthan and Maharashtra.
- **Insurer Attrition and Monopoly Risks:** The scheme is financially draining for private insurers during consecutive bad weather years. Facing high claim ratios, several private companies have opted out of specific state clusters. This lack of competition creates regional monopolies, disincentivizing insurers from improving local infrastructure, grievance redressal, or farmer outreach.

### Conclusion

The Pradhan Mantri Fasal Bima Yojana is undeniably a vast improvement over the agricultural insurance policies of the past. It has established the necessary digital and financial infrastructure to shield Indian agriculture from the whims of climate change. However, a safety net that deploys too late is scarcely a safety net at all. For PMFBY to evolve from a flawed financial instrument into a robust climate-adaptation policy, administrative accountability must be tightened. Mandating States to deposit their premium shares in advance via ESCROW accounts—a reform recently initiated—is a step in the right direction. Moving forward, the focus must shift from merely increasing enrollment to guaranteeing swift, algorithmic claim settlements. Ultimately, the success of PMFBY will not be measured by the billions of dollars in premiums collected, but by the speed and fairness with which a distressed farmer is made whole again.