

Pradhan Mantri Fasal Bima Yojana (PMFBY): Evolution, Performance and Challenges

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ABSTRACT

The Pradhan Mantri Fasal Bima Yojana (PMFBY) is a key reform in India's agricultural risk management system, providing insurance coverage against crop losses due to natural calamities, pests, and diseases. With low premium rates and wide coverage, the scheme aims to stabilize farmers' income, promote improved practices, and enhance food security. It has expanded significantly, covering millions of farmers and utilizing technologies such as digital platforms and direct benefit transfer for efficient implementation. Evidence indicate that PMFBY has helped reduce income variability and improve farmers' resilience to climate risks. However, issues like delays in claim settlement, declining participation in some regions, and limited farmer awareness continue to affect its performance. Strengthening coordination, transparency, and awareness is essential for improving its effectiveness.

INTRODUCTION

The Pradhan Mantri Fasal Bima Yojana (PMFBY), launched in 2016 by the Government of India, represents a significant reform in India's agricultural risk management framework. The scheme was introduced to provide comprehensive insurance coverage to farmers against crop

losses caused by natural calamities, pests, and diseases, thereby reducing the financial vulnerability of the farming community. It replaced earlier schemes such as the National Agricultural Insurance Scheme (NAIS) and Modified NAIS, which were constrained by issues like high premium rates, delayed claim

settlements, limited risk coverage, and low farmer participation.

PMFBY is built on the principle of “One Nation-One Scheme,” ensuring uniformity in implementation across states while allowing flexibility to address local agricultural conditions. The scheme integrates multiple stakeholders, including farmers, insurance companies, financial institutions, and state governments, through a centralized digital platform that enhances transparency, efficiency, and accountability (Ministry of Agriculture & Farmers Welfare, 2025). By leveraging technology and policy reforms, PMFBY aims not only to provide financial protection but also to promote stability, investment, and long-term sustainability in Indian agriculture.

Objectives and Key Features of PMFBY

The primary objective of PMFBY is to stabilize farmers’ income and encourage them to adopt innovative agricultural practices. The scheme aims to ensure financial support to farmers in the event of crop failure and to maintain the flow of credit in the agriculture sector. It also seeks to enhance food security and agricultural sustainability in India. One of the most important features of PMFBY is its uniform and low premium structure. Farmers are required to pay only 2% of the sum insured for Kharif crops, 1.5% for Rabi crops, and 5% for commercial and horticultural crops, while the remaining premium is shared between the central and state governments. The scheme covers all farmers, including sharecroppers and tenant farmers, and includes risks such as prevented sowing, post-harvest losses, and localized calamities like hailstorms and landslides (IAS, 2024)

Growth and Coverage Since 2016

Since its inception, PMFBY has witnessed substantial expansion in terms of coverage and outreach. According to official data from the

Ministry of Agriculture and Farmers Welfare, the scheme has insured 78.4 crore farmer applications cumulatively up to 2024-25, reflecting its large-scale adoption. The number of farmers enrolling annually has shown fluctuations but remains significant, with around 4.19 crore farmers enrolled in 2024-25, marking a 32% increase from the previous year (MoAFW, 2024).

The expansion is also evident in the increasing participation of non-loanee farmers, whose coverage has grown substantially over time. Their share has reached nearly 55% of total coverage in recent years, indicating improved voluntary adoption of the scheme. This shift is important because earlier crop insurance schemes were largely dependent on compulsory enrolment of loanee farmers.

Financial Performance and Claim Settlement

PMFBY has mobilized significant financial resources since its launch. The total claims paid to farmers have exceeded ₹1.83 lakh crore, benefiting over 22.6 crore farmers (PIB, 2025). This indicates that the scheme has played a critical role in providing financial relief during crop failures and stabilizing farm incomes.

The claim settlement process has improved over time with the adoption of digital technologies such as the National Crop Insurance Portal, remote sensing, drones, and smartphone-based crop cutting experiments. These innovations aim to reduce delays and improve transparency. However, delays still occur due to factors such as late submission of yield data by states and administrative bottlenecks.

Technological Advancements and Reforms

One of the distinguishing features of PMFBY is its increasing reliance on technology. The integration of satellite imagery, drones, and

mobile applications has enhanced the accuracy of crop loss assessment (Bhushan *et al.*, 2021). The use of Direct Benefit Transfer (DBT) ensures that compensation is directly credited to farmers' bank accounts, reducing leakages and improving efficiency.

In 2020, the scheme underwent significant reforms, including making participation voluntary for all farmers and allowing states greater flexibility in implementation (Gulati *et al.*, 2020). These reforms were intended to improve efficiency and reduce the financial burden on states. Additionally, efforts have been made to improve transparency in premium bidding and to introduce performance-based incentives for insurance companies.

Impact on Farmers and Agriculture

PMFBY has had a positive impact on reducing income variability and enhancing financial security for farmers. Research studies show that insured farmers experience lower income fluctuations compared to uninsured farmers, demonstrating the scheme's effectiveness in mitigating agricultural risks (Raju & Chand, 2018; Gulati *et al.*, 2020). The scheme has also encouraged farmers to adopt improved agricultural practices by reducing the fear of crop failure (Bhushan *et al.*, 2021).

Moreover, PMFBY plays a crucial role in addressing climate risks, which are becoming increasingly severe due to changing weather patterns. By providing a safety net, the scheme contributes to the resilience of the agricultural sector (Gulati *et al.*, 2020; Bhushan *et al.*, 2021).

Current Status (2024-25)

As of 2024-25, PMFBY remains the largest crop insurance scheme globally in terms of farmer coverage and area insured. The scheme has shown signs of recovery in enrolment after

a period of decline, with increasing participation of non-loanee farmers and improvements in technological integration.

However, the government continues to review and refine the scheme to address emerging challenges. Recent policy discussions have focused on improving efficiency, enhancing transparency, and ensuring timely claim settlement. The continued success of PMFBY will depend on better coordination between central and state governments, improved awareness among farmers, and further technological advancements.

Key Challenges

Despite notable progress, the Pradhan Mantri Fasal Bima Yojana (PMFBY) continues to face several critical challenges that affect its overall effectiveness. One of the major concerns is the declining participation of farmers in certain states, particularly after the scheme was made voluntary, leading to reduced coverage and risk pooling (Gulati *et al.*, 2020). Additionally, delays in claim settlement remain a persistent issue in some regions, often due to late submission of crop cutting experiment data and administrative inefficiencies, which undermines farmers' trust in the scheme (Raju & Chand, 2018). There are also significant awareness gaps among farmers regarding scheme provisions, premium rates, and claim procedures, limiting its accessibility and benefits (Bhushan *et al.*, 2021). Furthermore, delays by state governments in releasing their share of premium subsidies to insurance companies create bottlenecks in claim processing, further exacerbating dissatisfaction among farmers. These challenges highlight the need for improved coordination, timely implementation, and stronger awareness campaigns to enhance the performance of PMFBY.

CONCLUSION

The Pradhan Mantri Fasal Bima Yojana represents a landmark initiative in India's agricultural policy aimed at protecting farmers from production risks. Over the years, it has expanded significantly in scale and scope, providing financial assistance to millions of farmers across the country. While the scheme has achieved notable success in terms of coverage and claim disbursement, challenges such as delays, regional disparities, and awareness gaps persist. Going forward, strengthening institutional mechanisms, enhancing transparency, and leveraging technology will be critical to improving the effectiveness of PMFBY. With continuous reforms and better implementation, the scheme has the potential to play a transformative role in ensuring sustainable and resilient agriculture in India.

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