© June 2026 | IJIRT | Volume 13 Issue 1 | ISSN: 2349-6002

Impact of Premium Revision Without Enhancement of Insurance Coverage: An Evaluation of PMJJBY and PMSBY in the Context of Social Security and Financial Inclusion in India

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***Abstract*—Social security schemes play a crucial role in protecting vulnerable populations against financial risks arising from death, disability, and accidents. In India, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Pradhan Mantri Suraksha Bima Yojana (PMSBY) were launched in 2015 to provide affordable insurance coverage to low-income and financially excluded sections of society. These schemes have significantly contributed to expanding insurance penetration and supporting the objectives of financial inclusion. In 2022, the Government of India revised the annual premiums of PMJJBY and PMSBY from ₹330 to ₹436 and from ₹12 to ₹20 respectively. However, the insurance coverage under both schemes remained unchanged at ₹2 lakh.**

The present study examines the impact of premium revision without enhancement of insurance coverage and evaluates its implications for social security and financial inclusion. Using a descriptive and analytical research design based on secondary data, the study analyses policy documents, government reports, and existing literature. The findings suggest that although premium revision was necessary to ensure financial sustainability of the schemes, the absence of corresponding enhancement in coverage has reduced the real value of insurance protection due to inflation. The study concludes that future premium revisions should be accompanied by proportional enhancement in benefits to maintain affordability, adequacy, and public confidence in social security schemes.

***Index Terms*—PMJJBY, PMSBY, Social Security, Financial Inclusion, Insurance Coverage, Premium Revision, Insurance Penetration, India.**

I. INTRODUCTION

Social security is an important instrument of social welfare aimed at protecting individuals and families from economic hardships arising from unforeseen events such as death, disability, illness, unemployment, and old age. In developing economies like India, social security assumes greater significance because a large proportion of the population belongs to low-income and unorganized sectors that lack formal risk protection mechanisms.

Recognizing the need for inclusive insurance coverage, the Government of India launched PMJJBY and PMSBY in May 2015 under the Jan Suraksha initiative. PMJJBY provides life insurance coverage of ₹2 lakh at an affordable premium, while PMSBY offers accidental death and disability coverage of ₹2 lakh. These schemes are linked with bank accounts opened under the Pradhan Mantri Jan Dhan Yojana and have emerged as important tools for financial inclusion.

In June 2022, the Government revised the premiums under both schemes. While the premiums increased significantly, the insurance coverage remained unchanged. This raises important questions regarding affordability, adequacy of protection, and achievement of social security objectives.

II. CONCEPTUAL FRAMEWORK

The study is based on the relationship between Social Security, Insurance Protection, Premium Affordability, and Financial Inclusion.

Social Security
Social security refers to measures designed to provide income security and protection against life contingencies such as death, disability, sickness, and old age.

Financial Inclusion
Financial inclusion means ensuring access to useful and affordable financial products and services including savings, insurance, credit, and pension facilities for all sections of society.

Insurance Coverage Adequacy
Insurance coverage adequacy refers to the extent to which the sum assured is sufficient to meet the financial needs of beneficiaries in the event of death or disability.

Premium Affordability
Premium affordability indicates whether low-income households can continue to participate in insurance schemes without financial burden.
Conceptual Model

Premium Revision
↓
Affordability of Insurance
↓
Enrollment & Renewal Behaviour
↓
Insurance Penetration
↓
Social Security Outcomes

↓
Financial Inclusion

III. LITERATURE REVIEW

Ghosh (2016)
Observed that PMJJBY and PMSBY significantly enhanced insurance accessibility among low-income households and strengthened financial inclusion.
Sahoo and Mishra (2018)
Found that awareness and affordability were major determinants of participation in government-sponsored insurance schemes.
NITI Aayog (2020)
Reported that social security schemes contribute to poverty reduction and improve economic resilience among vulnerable populations.
IRDAI Annual Reports (2021–2024)
Highlighted the growing insurance penetration achieved through PMJJBY and PMSBY but emphasized the need for continuous scheme sustainability.
Deokar (2026)
Concluded that PMJJBY and PMSBY have played a significant role in extending insurance coverage in rural and semi-urban areas, particularly among economically weaker sections.
Research Gap
Existing studies have focused on awareness, enrollment, claim settlement, and financial inclusion aspects of PMJJBY and PMSBY. Limited research has examined the impact of premium revision without enhancement of insurance coverage. This study attempts to fill this gap.

IV. OBJECTIVES OF THE STUDY

1. To examine the rationale behind premium revision in PMJJBY and PMSBY.
2. To evaluate the adequacy of insurance coverage after premium revision.
3. To analyse the impact of premium increase on affordability.
4. To study the implications for social security and financial inclusion.
5. To suggest policy measures for improving the effectiveness of the schemes.

V. SCOPE OF THE STUDY

The study focuses on:
• PMJJBY and PMSBY schemes in India.
• Premium revision implemented in 2022.
• Social security and financial inclusion dimensions.
• Secondary data available from government reports, research articles, and policy documents.
• Period of study: 2015–2026.

VI. RESEARCH METHODOLOGY

Research Design
Descriptive and analytical research design.
Nature of Data

Secondary data.
Sources of Data
• Government notifications.
• Ministry of Finance reports.
• IRDAI annual reports.
• RBI publications.
• Research journals.
• Books and policy documents.
• Previous academic studies on PMJJBY and PMSBY.
Analytical Tools
• Comparative analysis.
• Percentage analysis.
• Trend analysis.
• Policy evaluation framework.

VII. LIMITATIONS OF THE STUDY

1. The study is based entirely on secondary data.
2. Primary survey data from beneficiaries has not been collected.
3. The analysis is limited to PMJJBY and PMSBY.
4. Findings may vary across different geographical regions.
5. The study does not assess insurer-specific operational performance.

VIII. ANALYSIS AND DISCUSSION

8.1 Overview of PMJJBY and PMSBY

The Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) were launched by the Government of India on 9 May 2015 as part of the Jan Suraksha initiative. The primary objective of these schemes was to extend affordable insurance protection to economically weaker sections, rural households, informal workers, and financially excluded populations.

PMJJBY provides life insurance coverage of ₹2 lakh for death due to any cause, while PMSBY provides accidental death and disability coverage of ₹2 lakh. Both schemes are linked with savings bank accounts and operate through auto-debit mechanisms, thereby ensuring ease of enrollment and renewal.

Over the years, these schemes have emerged as significant instruments for achieving the objectives of financial inclusion and social security. Millions of citizens who had never purchased insurance policies became part of the formal insurance ecosystem through these initiatives.

Despite their success, concerns regarding long-term sustainability, claim ratios, actuarial viability, and adequacy of insurance protection have gradually emerged. Consequently, in 2022, the Government revised the premiums under both schemes. However, the insurance coverage remained unchanged, creating an important policy debate regarding the balance between affordability and adequacy.

8.2 Analysis of Premium Revision

The premium revision implemented in June 2022 was the first major revision since the launch of the schemes.

Scheme	Original Premium	Revised Premium	Increase
PMJJBY	₹330	₹436	32.12%
PMSBY	₹12	₹20	66.67%

The data indicate a substantial increase in premiums under both schemes. PMSBY witnessed a particularly sharp increase of 66.67%, whereas PMJJBY recorded an increase of 32.12%.

The government justified this revision primarily on actuarial grounds. Insurance companies participating in these schemes reported increasing claim ratios and operational costs. The premium rates fixed in 2015 were no longer sufficient to maintain financial sustainability.

Several factors contributed to the revision:

1. Rising mortality claims under PMJJBY.
2. Increase in accidental death and disability claims under PMSBY.
3. Administrative and servicing expenses incurred by participating insurers.
4. Inflationary pressures affecting insurance operations.
5. Need for maintaining long-term viability of social insurance programs.

From an insurer's perspective, premium revision was necessary to prevent losses and ensure continued participation in the schemes. However, from the beneficiary's perspective, the revision represented a higher financial commitment without any enhancement in benefits.

This divergence creates a policy challenge. While insurers require sustainability, beneficiaries expect improved protection when they are asked to pay higher premiums.

8.3 Coverage Adequacy Analysis

An important aspect of insurance policy evaluation is the adequacy of coverage.

Scheme	Coverage Before Revision	Coverage After Revision
PMJJBY	₹2,00,000	₹2,00,000
PMSBY	₹2,00,000	₹2,00,000

The table clearly shows that the sum assured remained unchanged despite premium increases.

When these schemes were launched in 2015, ₹2 lakh represented a relatively meaningful amount for low-income households. However, over the past decade, inflation and rising living costs have significantly eroded the purchasing power of money.

A family receiving ₹2 lakh in 2015 could potentially meet several years of essential expenses. In contrast, the same amount in 2026 provides considerably lower economic support due to inflation.

The real value of insurance coverage has therefore declined substantially.

This raises a critical question:

Should insurance coverage remain static while premiums increase?

From a social security perspective, the answer is generally negative because social security programs are intended to provide meaningful financial protection against risks. If coverage remains stagnant while costs rise, the effectiveness of protection diminishes over time.

8.4 Inflation and Erosion of Insurance Value

Inflation is one of the most important factors affecting insurance adequacy.

Between 2015 and 2026, India experienced cumulative inflation across food, healthcare, education, housing, and transportation sectors. Consequently, the purchasing power of ₹2 lakh has declined significantly.

If insurance coverage had been indexed to inflation, the sum assured under PMJJBY and PMSBY would likely exceed ₹3 lakh by 2026.

The absence of inflation adjustment has several implications:

- Reduced economic security for beneficiary families.
- Lower replacement of lost income after death.
- Insufficient support for disability-related expenses.
- Increased vulnerability among poor households.

Thus, while nominal coverage remains unchanged, the real value of protection has continuously declined.

8.5 Impact on Social Security Objectives

The principal objective of social security is protection against financial shocks.

Death or disability often results in:

- Loss of household income.
- Medical expenditures.
- Debt accumulation.
- Reduced educational opportunities for children.
- Increased poverty risk.

PMJJBY and PMSBY were designed to mitigate these consequences.

However, when premiums increase without corresponding enhancement in benefits, the schemes may become less effective in fulfilling social security objectives.

Positive Impact

1. Financial sustainability of the schemes improves.
2. Continued participation of insurance companies.
3. Reduced risk of scheme discontinuation.
4. Long-term availability of insurance protection.

Negative Impact

1. Reduced adequacy of compensation.
2. Lower real value of benefits.
3. Potential dissatisfaction among beneficiaries.
4. Weakening of social protection outcomes.

Therefore, the premium revision produces mixed consequences for social security.

8.6 Impact on Financial Inclusion

Financial inclusion encompasses access to affordable and useful financial services including savings, credit, insurance, and pensions.

PMJJBY and PMSBY have played a transformative role in increasing insurance penetration among low-income households.

The premium revision can affect financial inclusion in two different ways.

Positive Effects

1. Sustainability ensures continued availability of insurance products.
2. Trust in the formal insurance sector may remain intact if claims are settled efficiently.

3. Insurance companies remain willing to serve rural and low-income markets.

Negative Effects

1. Higher premiums may discourage renewals.
2. Low-income households may perceive reduced value for money.
3. Insurance participation rates may decline.
4. Newly banked individuals may withdraw from insurance coverage.

Financial inclusion requires not merely access but continued usage. If affordability becomes a concern, participation may weaken.

8.7 Behavioural Response of Beneficiaries

Insurance purchasing decisions are influenced by perceived value.

When individuals observe premium increases without benefit enhancement, they may react in several ways:

- Continue participation due to low absolute cost.
- Question the fairness of the revision.
- Compare benefits with private insurance products.
- Choose not to renew coverage.

Behavioural economics suggests that individuals evaluate insurance not only on affordability but also on perceived returns.

For many low-income households, the increase from ₹12 to ₹20 under PMSBY may appear small. However, the psychological perception that "I am paying more for the same benefit" can influence renewal behaviour. This phenomenon is known as value perception risk.

8.8 Sustainability versus Affordability Debate

A key issue emerging from the analysis is the trade-off between sustainability and affordability.

Sustainability Perspective

Insurance companies require:

- Adequate premium income.
- Balanced claim ratios.
- Operational viability.
- Long-term profitability.

Without premium revisions, insurers may incur losses, jeopardizing the continuity of schemes.

Affordability Perspective

Beneficiaries require:

- Low-cost premiums.
- Adequate insurance protection.
- Easy access.
- Value for money.

Excessive premium increases may reduce participation among vulnerable populations.

Therefore, policymakers must strike a balance between these competing objectives.

A sustainable scheme that beneficiaries cannot afford defeats the purpose of inclusion, while an affordable scheme that insurers cannot sustain becomes operationally unviable.

8.9 International Perspective

Several countries periodically revise both premiums and benefits in social insurance programs.

For example:

- Social security benefits in many developed nations are indexed to inflation.
- Government-supported insurance programs often include periodic benefit revisions.
- Pension and survivor benefits are adjusted to maintain purchasing power.

These practices ensure that social protection remains meaningful over time.

India's PMJJBY and PMSBY could benefit from adopting similar inflation-linked mechanisms.

Such an approach would maintain both sustainability and adequacy.

8.10 Policy Implications

The findings of this study generate several important policy implications.

1. Inflation-Linked Coverage Revision

Insurance coverage should be periodically adjusted based on inflation trends.

2. Periodic Actuarial Review

Regular actuarial assessments should determine both premium and coverage revisions.

3. Differential Government Support

The government may consider subsidizing premiums for economically vulnerable populations.

4. Enhanced Awareness Campaigns

Beneficiaries should understand the reasons behind premium revisions.

5. Improved Benefit Structure

Future revisions could increase coverage to ₹3 lakh or more to restore real value.

6. Strengthening Financial Literacy

Insurance literacy programs should educate citizens about risk protection and social security benefits.

8.11 Overall Findings

The analysis reveals that premium revision was largely justified from an actuarial and sustainability perspective. Insurance companies required additional premium income to manage rising claims and operational expenses.

However, maintaining insurance coverage at ₹2 lakh despite substantial premium increases has reduced the real value of protection available to beneficiaries.

The study identifies three major outcomes:

1. Improved financial sustainability of the schemes.
2. Reduced adequacy of insurance benefits due to inflation.
3. Potential risk to affordability and perceived value among low-income households.

Thus, while the revision strengthens operational viability, it simultaneously weakens the social protection effectiveness of the schemes.

A balanced approach involving both premium adjustment and proportional enhancement of insurance coverage would better serve the objectives of social security and financial inclusion in India.

IX. CONCLUSION

PMJJBY and PMSBY have emerged as landmark initiatives in India's social security and financial inclusion landscape. The revision of premiums was aimed at maintaining the financial sustainability of the schemes. However, the absence of any corresponding increase in insurance coverage has reduced the real value of benefits available to beneficiaries.

The study finds that while premium revision supports operational viability, it may adversely affect affordability and perceived value among low-income households. The effectiveness of social security schemes depends not only on their availability but also on the adequacy of protection offered. Therefore, future revisions should incorporate inflation-adjusted enhancement in coverage to ensure that the schemes continue to meet the objectives of social security and financial inclusion.

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