An Examination of Post-Jan Dhan Yojana Initiatives for Empowering the Marginalized

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ABSTRACT

This study examines post-Jan Dhan Yojana initiatives, specifically the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), to assess their effectiveness in empowering marginalized communities. By comparing nominal and real values, the study examines how inflation affects insurance benefits. Nominal benefits show steady growth, but inflation-adjusted real payouts show sharp swings, indicating a decline in the schemes' true worth. According to key findings, A state-wise analysis reveals significant disparities in enrollment and benefits distribution, highlighting the need for targeted interventions in these regions. This study emphasizes how crucial it is to adapt social security programs in response to changing economic conditions to achieve true financial empowerment.

Keywords: Financial Inclusion, Social Protection, Insurance Payouts, Inflation Adjustment, Marginalized Communities

INTRODUCTION

In today's fast-changing landscape, evaluating the impact of financial inclusion efforts on marginalized communities is becoming increasingly important. Financial inclusion is more than just a tool for economic prosperity; it is also an important instrument for poverty reduction and social fairness. Schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and its linked initiatives, such as the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Pradhan Mantri Suraksha Bima Yojana (PMSBY), are crucial steps towards promoting economic empowerment. These plans have the potential to alleviate vulnerability and improve financial security for marginalized communities by offering low-cost life and accidental insurance.

As financial inclusion gains traction in both academic and practical circles, it is critical to understand the underlying background and significance. PMJDY, which began in 2014, revolutionized millions of Indians' access to banking services. The following launch of PMJJBY and PMSBY broadened the area of financial security by covering life and accident risks for low-income people. However, India's socioeconomic diversity presents obstacles to implementing consistent social security policies, with large variances in population size, administrative efficiency, and regional economic conditions. The effectiveness of these measures in empowering marginalized people is still debatable, especially in light of growing inflation and the true worth of rewards under these schemes.

One critical issue in the field of financial inclusion that needs to be addressed is the influence of inflation and cost-of-living adjustments on the effectiveness of financial security programs. While the nominal payouts under PMJJBY and PMSBY may appear adequate, their true value in the face of inflationary pressures has yet to be discovered. This study addresses these concerns by examining the relationship between scheme payouts and inflation, comparing nominal and real payouts.

LITERATURE REVIEW

Theoretical Framework

The connection between inflation and social security has been extensively studied, with research focusing on its impact on savings, pensions, and government programs. **Neumann (1969)** and **Fortune (1972)** explored the influence of inflation on life insurance savings, suggesting that anticipated inflation may increase policy reserves but leaves the broader relationship between inflation and savings ambiguous. **Swan (1972)** shifted focus to the erosion of social security benefits, particularly within the OASDI program, highlighting how inflation diminishes real benefit values while emphasizing the reliance of beneficiaries on these programs. **Boden (1977)** and **Greytak (1974)** addressed the challenges inflation poses to pension funding and local government expenditures, underscoring the need for adaptive funding strategies to ensure sustainability. Furthermore, **Agell (1993)** examined inflation's broader economic effects, such as wealth redistribution and intergenerational equity, suggesting that indexing social security could mitigate inflationary pressures. **Babbel (1981)** extended this analysis to the Brazilian context, showing that inflation deters life insurance purchases, even with indexed policies. Collectively, these studies illuminate the complex interplay between inflation and social security systems, calling for further research on mitigation strategies and long-term economic impacts.

Social Security and Inflation

Inflation's influence on social security is a critical area of research, particularly in understanding its effects on economic stability and policy responses. **Outreville (2013)** highlights how inflation expectations shape consumer behavior in the insurance sector, emphasizing that rising costs of living reduce the demand for life insurance products. This relationship underscores the income effect's dominance over substitution effects in consumer decisions, revealing the complex interplay between inflation and financial planning tools like insurance. **Béland et al. (2024)** extend this conversation by exploring inflation’s redistributive impacts and policy responses, such as benefit indexation. However, they highlight the lagging nature of social benefits in keeping pace with inflation, suggesting that a global and historical analysis is needed to better understand the adaptability of social policies in the face of persistent inflation. These studies collectively reveal gaps in the integration of inflationary dynamics into social security systems, particularly regarding policy interventions and consumer awareness.

The technical and quantitative aspects of measuring inflation’s impact on social security and insurance are also explored in works such as **Brazauskas et al. (2009)** and **Ehiogu et al. (2018)**. Brazauskas et al. examine inflation's effect on reinsurance claims, demonstrating through statistical models that inflation does not significantly alter loss distributions above deductible thresholds. However, their reliance on simulated data highlights the need for real-world validation. Ehiogu et al., on the other hand, analyze inflation's impact on insurance penetration in Nigeria, finding an insignificant relationship, albeit with notable regional disparities. This suggests that while inflation may indirectly affect financial inclusion, macroeconomic variables such as inflation must be coupled with stronger consumer education and regional analyses for more robust policy implications. Both studies highlight methodological challenges and call for advancements in measuring inflation’s nuanced effects on social security systems.

Finally, the broader socioeconomic implications of inflation on social security systems are evident in studies like **Morris (2023)** and **Deb & Sarma (2016)**. Morris examines the financial strain inflation imposes on disabled beneficiaries, advocating for indexing benefits to medical price indices to better address the unique expenditure patterns of vulnerable populations. Similarly, Deb & Sarma focus on the eurozone, where wage and pension indexation schemes are directly tied to national price indices. Their findings indicate significant spillover effects from public to private wage growth, emphasizing the critical role of indexation policies in managing inflation persistence. These works underline the importance of designing adaptive social security mechanisms that address inflation’s redistributive and long-term economic impacts, providing valuable insights into how targeted reforms can enhance economic resilience and equity.

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METHODOLOGY

This study examines data from two social security plans, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY and the Pradhan Mantri Suraksha Bima Yojana (PMSBY), across several Indian states and Union Territories. The research compares the nominal values of claims recorded by the government to their real values, which are inflation-adjusted using the 2017-2023 inflation rate. Data on insurance amount claims paid for both schemes were gathered from government papers and other publicly available sources. The average inflation rate for each state was obtained from the RBI's Handbook of Statistics on Indian States, which falls under the category of CPI-General.

To account for the effect of inflation on distributions under the APJJBY (Claims amount paid under PMJJBY) and APSBY (Claims amount paid under PMSBY) schemes, the inflation index was accomplished using the following formula:

$$\text{Inflation Index}_t = 100 \times (1 + \text{Inflation Rate})$$

The real amounts paid were computed using the inflation index to account for inflationary effects and ensure long-term comparability. The following formulas were used:

$$\text{Real APJJBY} = \frac{\text{APJJBY}}{\text{Infation Index}}$$

$$\text{Real APSBY} = \frac{\text{APSBY}}{\text{Infation Index}}$$

This technique provides an inflation-adjusted assessment of payouts, reflecting their real value over time. The nominal and actual claims for each state and union territory were compared. The analysis distinguishes states with large discrepancies between nominal and real values, indicating major inflationary effects, as well as those with lesser or more moderate variances.

ANALYSIS & RESULTS

Correlation Between Payouts and Inflation

Inflation significantly impacts insurance schemes like the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Pradhan Mantri Suraksha Bima Yojana (PMSBY) by eroding the real value of benefits and increasing operational costs. As the cost of living rises, the fixed coverage amounts under these schemes, such as ₹2 lakhs for PMJJBY and PMSBY, may become insufficient to provide adequate financial security to beneficiaries, reducing their effectiveness in addressing economic shocks. Additionally, inflationary pressures can increase administrative and claims processing costs for insurers, potentially leading to higher premiums in the future. This could limit accessibility for the targeted low-income groups, undermining the schemes' objective of financial inclusion and social protection for the marginalized. Addressing these challenges requires periodic coverage limits and premium rate adjustments to align with inflationary trends.

Year-wise analysis of Nominal vs. Real Payouts Under PMJJBY and PMSBY Schemes

To analyze the data, we looked at the Sum of APJJBY and the Sum of Real APJJBY (nominal and inflation-adjusted values) for each year (2017-2023), as well as the grand totals. Let's break down the trends, patterns, and insights based on the data given: APJJBY (Nominal) represents the total number of claims paid under the APJJBY program in nominal terms each year (without inflation adjustment). Real APJJBY (Inflation-adjusted) refers to claims adjusted for inflation to show steady buying power. APSBY (Nominal) signifies the total amount paid under the APSBY scheme in nominal terms. Real APSBY (Inflation-adjusted) refers to claims adjusted for inflation.

Table 1: Data Summary of Schemes Payouts (Year wise)

Year	**Average of Inflation Percentage**	**Sum of AP-JJBY (in Lakhs)**	**Sum of Real JJBY (in Lakhs)**	**Sum of AP-SBY (in Lakhs)**	**Sum of Real SBY (in Lakhs)**
2017	4.55	124602.00	22866.12	20488.00	3763.04
2018	3.78	187990.00	44750.27	34160.00	7945.49
2019	3.56	279052.00	73122.47	66954.00	17697.27
2020	4.67	363538.00	65782.67	80098.00	14451.99
2021	6.99	489624.00	64316.56	93028.00	12244.77
2022	4.66	786942.00	132835.46	146472.00	24432.63
2023	6.09	1264976.00	161433.55	217194.00	27748.28
Grand Total	**4.90**	**3496724.00**	**565107.10**	**658394.00**	**108283.47**

Source: Author's Analysis

In 2017, both APJJBY and APSBY had significant inflation adjustments, implying that nominal figures are substantially higher than real values. This could imply that inflation was relatively high throughout this period. The trend has continued since 2017, with a significant reduction in actual values due to inflation. However, compared to 2017, the nominal values have increased significantly, indicating an increase in claims under both programs. In 2019, nominal values for both schemes continued to rise, but inflation-adjusted values remained much lower, illustrating inflation's continuous influence. The disparity between nominal and real values continues to grow. Although nominal values continue to climb quickly, real values remain significantly lower due to inflation. The data for APJJBY and APSBY are substantially higher in nominal terms, which could be attributed to increased government spending or claims payouts during this time, possibly due to the COVID-19 epidemic. Similar tendencies are replicated in 2020 as an increase in nominal values, while real values show that the influence of inflation is receding. Both schemes continue to grow nominally, showing a continual expansion in their scope or number of beneficiaries. In 2022, nominal values have risen dramatically, particularly for APJJBY, implying either a higher number of claims or enhanced coverage. Inflation, on the other hand, continues to play a substantial role in diminishing real values, even though inflation-adjusted amounts remain relatively large in comparison to previous years. 2023 has the greatest nominal amounts for both schemes, indicating a growing tendency in government claims or payouts. Even though the quantities are the highest observed in recent years, the real values nevertheless represent a significant decline owing to inflation.

Figure 1: Total Nominal APJJBY

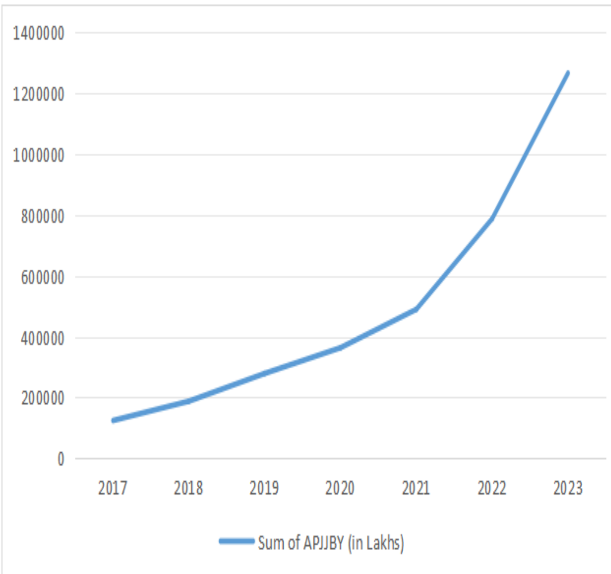

Figure 2: Total Real APJJBY

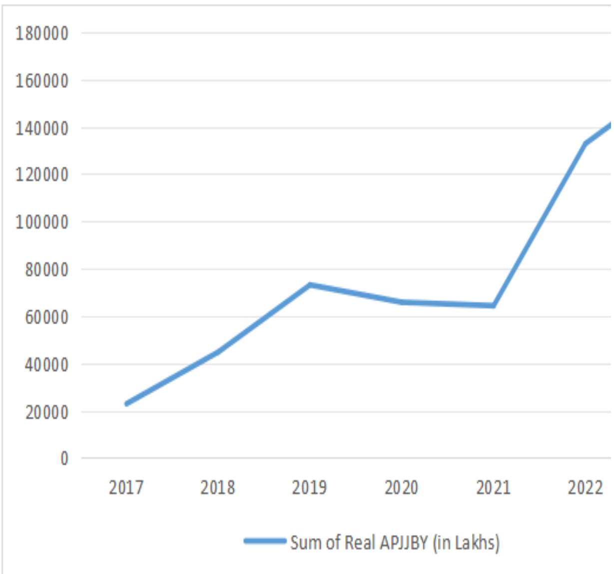

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Figure 3: Total Nominal APSBY

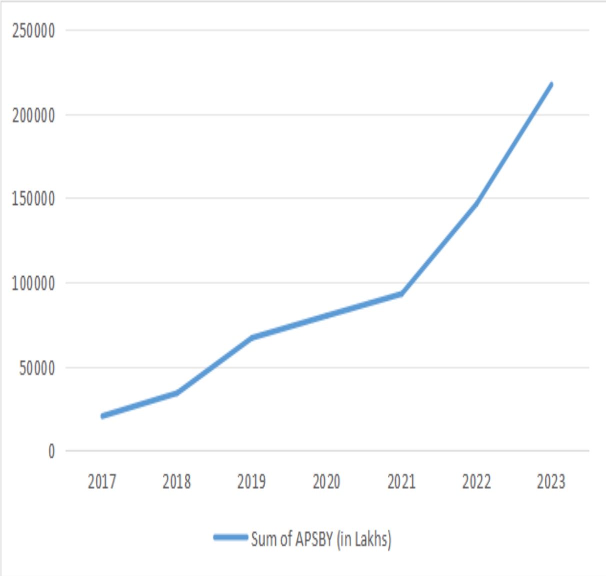
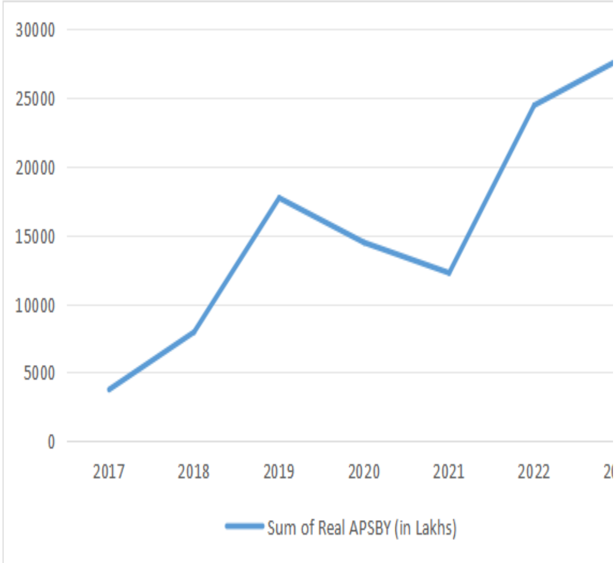


Figure 4: Total Real APSBY



Source: Author's analysis

Inflation has caused actual prices to be significantly lower than nominal ones over the years. This demonstrates that inflation-adjusted data provide a more accurate representation of the real impact of these programs in constant terms. Both APJJBY and APSBY have had continuous nominal increases over the years. The rise in nominal claims could be attributed to an increasing number of beneficiaries, an increase in claims, or inflationary pressures. Both schemes had considerable increases in nominal amounts in 2022 and 2023, particularly APJJBY. This could be attributed to several things, such as increasing claims or government action during these years. The real numbers are significantly lower, demonstrating that the increase in nominal claims may be offset by inflation, emphasizing the significance of using inflation-adjusted figures to get a more realistic view of the schemes' financial impacts.

State-wise analysis of Nominal vs. Real Payouts Under PMJJBY and PMSBY Schemes

The state-level comparison of APJJBY demonstrates significant fluctuations between nominal and actual values, primarily due to inflation. In places like Andhra Pradesh, the nominal value is ₹600,544 lakhs, but the real value is ₹85,337.34 lakhs, indicating significant inflation. Uttar Pradesh's nominal worth is ₹403,244 lakhs compared to ₹64,153.37 lakhs in real terms, indicating a significant reduction owing to inflation. Gujarat and Maharashtra had nominal values of ₹272,480 lakhs vs ₹47,238.31 lakhs and ₹265,752 lakhs vs ₹41,862.44 lakhs, respectively, highlighting the significant impact of inflation. On the other hand, despite their tiny size, states such as Sikkim and Chandigarh exhibit significant inflationary effects. Sikkim has a notional worth of ₹1,230 lakhs compared to ₹190.66 lakhs in actual terms, while Chandigarh has a nominal value of ₹3,716 lakhs that decreases to ₹638.93 lakhs when adjusted for inflation. Kerala (₹28,282 lakhs nominal vs ₹4,558.21 lakhs real), Tamil Nadu (₹146,656 lakhs nominal vs ₹22,706.08 lakhs real), and West Bengal (₹101,468 lakhs nominal vs ₹14,929.12 lakhs real) have a more moderate impact of inflation, with less pronounced differences between nominal and real values.

The APSBY data show significant discrepancies between nominal and actual values at the state level, owing primarily to inflation. In states like Andhra Pradesh, the nominal value is ₹77,986 lakhs, but the real value drops drastically to ₹12,095.61 lakhs, demonstrating a large inflationary effect. Uttar Pradesh shows a huge gap, with a nominal worth of ₹60,950 lakhs compared to ₹9,732.24 lakhs in real terms. Maharashtra and Gujarat experience significant inflation, with nominal values of ₹94,418 lakhs vs ₹14,037.86 lakhs and ₹36,812 lakhs vs ₹6,753.87 lakhs, respectively, suggesting a decrease in actual worth. In Karnataka (₹35,766 lakhs nominal vs ₹6,025.79 lakhs real), Rajasthan (₹41,662 lakhs nominal vs ₹7,579.59 lakhs real), and Tamil Nadu (₹41,098 lakhs nominal vs ₹6,372.63 lakhs real), inflation still has a noticeable impact but not as stark as in the previous states. In locations like Chandigarh (₹1,190 lakhs nominal vs ₹206.08 lakhs actual) and Sikkim (₹98 lakhs

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nominal vs ₹15.37 lakhs real), the inflation effect is still considerable despite the lesser figures. In states with lower nominal values, such as Meghalaya, Nagaland, Mizoram, and Tripura, inflation has a greater proportional impact, despite the smaller overall financial scale.

Figure 1: Statewise Total Nominal APJJBY

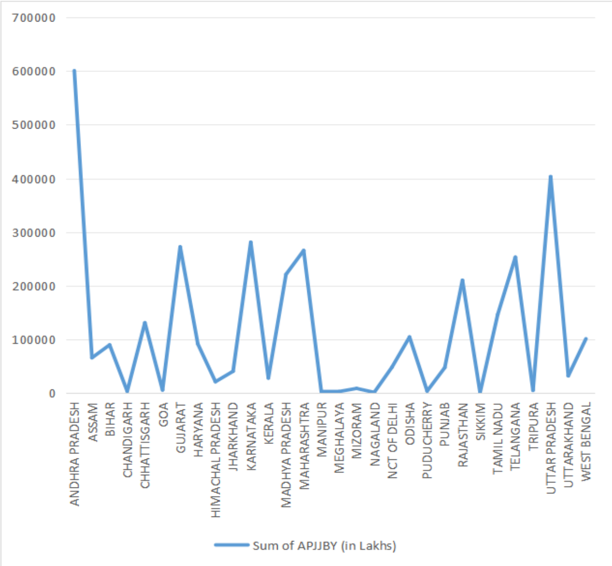


Figure 1: Statewise Total Real APJJBY

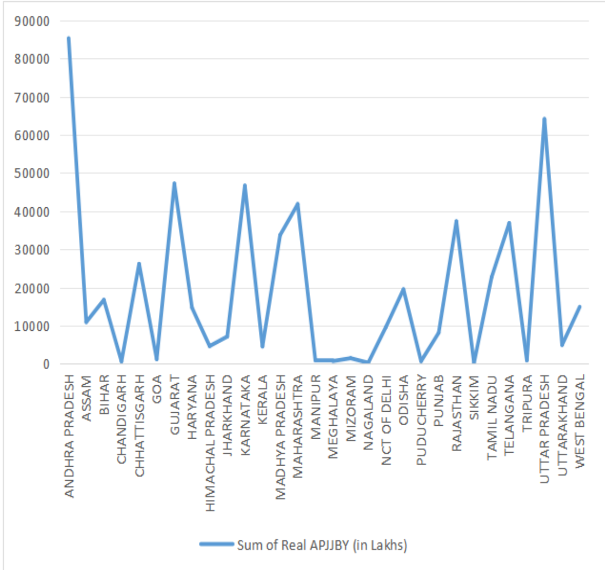


Figure 1: Statewise Total Nominal APSBY

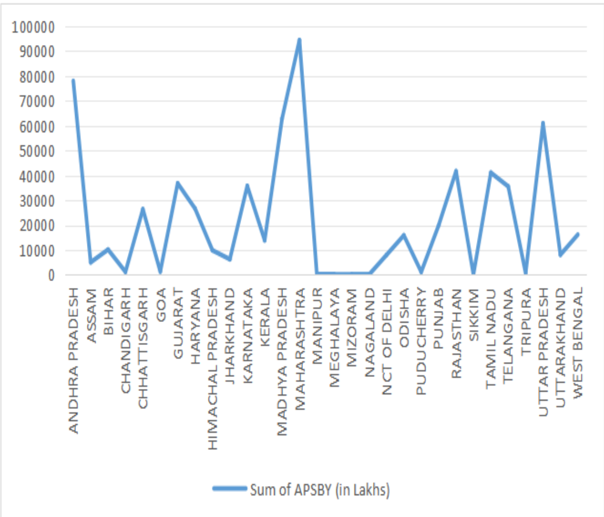
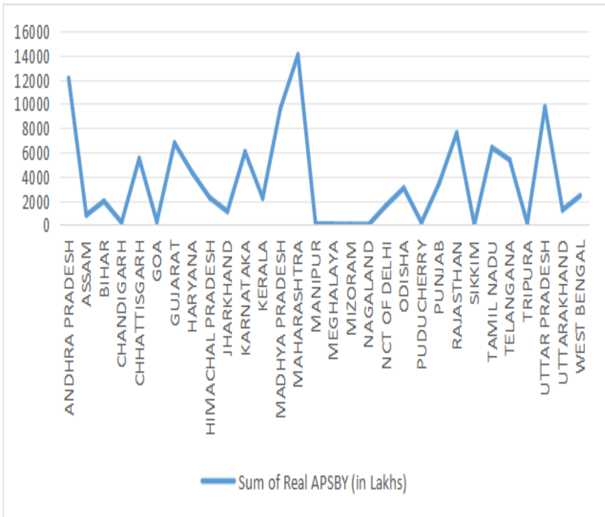


Figure 1: Statewise Total Real APSBY



Source: Author's analysis

Table 2: Data Summary of Schemes Payouts (Statewise)

State/ Union Territory	**Sum of APJJBY (in Lakhs)**	**Sum of Real APJJBY(in Lakhs)**	**Sum of APSBY (in Lakhs)**	**Sum of Real APSBY (in Lakhs)**
Andhra Pradesh	600544.00	85337.34	77986.00	12095.61
Assam	66026.00	10946.60	5036.00	812.36
Bihar	90010.00	16757.21	10154.00	1950.96
Chandigarh	3716.00	638.93	1190.00	206.08
Chhattisgarh	131276.00	26179.41	26392.00	5462.49
Goa	6026.00	1215.69	1330.00	269.40

Gujarat	272480.00	47238.31	36812.00	6753.87
Haryana	91862.00	14716.29	26634.00	4321.70
Himachal Pradesh	21478.00	4644.12	9850.00	2233.60
Jharkhand	40912.00	7143.10	6250.00	1104.57
Karnataka	281136.00	46690.87	35766.00	6025.79
Kerala	28282.00	4558.21	13880.00	2217.37
Madhya Pradesh	221302.00	33730.74	62838.00	9589.33
Maharashtra	265752.00	41862.44	94418.00	14037.86
Manipur	3280.00	914.92	250.00	60.43
Meghalaya	3164.00	722.78	156.00	35.36
Mizoram	9030.00	1478.63	218.00	32.73
Nagaland	1626.00	274.43	52.00	8.66
Nct Of Delhi	48250.00	9619.25	7952.00	1600.76
Odisha	104716.00	19525.83	15866.00	3037.60
Puducherry	4058.00	701.22	1164.00	190.88
Punjab	47834.00	8158.23	19880.00	3410.16
Rajasthan	210324.00	37335.77	41662.00	7579.59
Sikkim	1230.00	190.66	98.00	15.37
Tamil Nadu	146656.00	22706.08	41098.00	6372.63
Telangana	253356.00	36872.36	35544.00	5367.66
Tripura	5326.00	904.62	722.00	117.53
Uttar Pradesh	403244.00	64153.37	60950.00	9732.24
Uttarakhand	32360.00	4960.57	8074.00	1234.16
West Bengal	101468.00	14929.12	16172.00	2406.71
Grand Total	**3496724.00**	**565107.10**	**658394.00**	**108283.47**

Source: Author’s analysis

The analysis highlights the significant impact of inflation on total claims. Similar to the APJJBY statistics, nominal figures overstate the scheme's perceived financial magnitude, disguising the underlying inflation-adjusted effect.

DISCUSSION & CONCLUSION

When distributions under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) were analyzed from 2017 to 2023, there was a considerable difference between nominal and real payouts. The nominal values for both schemes (APJJBY and APSBY) have risen dramatically over time, but inflation has drastically lowered the real values, particularly in 2020-2023. For a more accurate and meaningful assessment of the true financial impact, real (inflation-adjusted) figures are required. The significant increase in claims in recent years (especially in 2022 and 2023) suggests either scheme expansion or increased claims payouts, while inflation-adjusted numbers show that inflation's influence on the real worth of claims continues to erode over time.

The nominal amounts provide a better picture of the total claims paid under the APJJBY scheme, but when inflation is factored in (Real APJJBY), the values are much lower. The states/UTs with higher inflation adjustments (such as Andhra Pradesh, Uttar Pradesh, and Maharashtra) exhibit a distinct discrepancy, indicating that inflation has had a significant impact on the reported figures. This inflation-adjusted perspective is critical for determining the true financial burden or cost of the programs in terms of actual purchasing power over time. To summaries, inflation has a significant impact on reported totals, and real values are a more realistic depiction of claims paid under the schemes in terms of their current economic impact.

Similarly, for APSBY, the disparity between nominal and real values is stable across most states, and inflation significantly reduces the total value of claims. When inflation is factored in, states with big nominal totals such as Andhra Pradesh, Uttar Pradesh, Maharashtra, and Gujarat show a significant decline. By using real values, we get a more accurate depiction of the claims' purchasing power over time, allowing us to better analyse the financial impact of the schemes. States like Andhra Pradesh and Uttar Pradesh experience the most extreme inflation effects, although smaller states and areas with lower nominal totals (such as Sikkim and Nagaland) nonetheless experience a considerable relative decline in inflation-adjusted amounts. This inflation-adjusted study provides a more accurate and realistic picture of the effectiveness and budgetary impact of various programs across the country.

Several significant factors are responsible for the observed outcomes. First, PMJJBY and PMSBY's static coverage limitations, which were established at the time of the schemes' launch, have not been updated regularly to reflect inflation. The real value of these fixed benefits has decreased due to the steady rise in the cost of living, making them less useful in meeting the financial demands of low-income groups in times of crisis. Second, the financial viability of the programs is further limited by the likelihood that inflationary pressures have raised insurers' administrative expenses. These results demonstrate how important it is to regularly update the coverage amounts and premium rates to keep the schemes current and functional. The intended objectives of social safety, financial inclusion, and financial security for underprivileged communities could be compromised in the absence of such modifications.

Policymakers ought to consider a dynamic adjustment system that links coverage amounts to an inflation index to improve the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)'s ability to provide financial stability in the face of growing inflation. Insurers might be encouraged to use cost-effective claims processing technologies to reduce administrative costs and enhance social protection. Finally, increasing awareness and making these programs more accessible, particularly in poor and rural areas, could increase their reach and improve their overall effect on financial inclusion.

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