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Exploring the impacts of "Pradhan Mantri Jan-Dhan Yojana'- PMJDY, in urban areas, w.r.t. Mumbai

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Abstract: *'Financial Inclusion' can be called as a movement, initiated by various committees of Reserve bank of India, to achieve the goal of bringing the low- income and disadvantaged groups of economy into the ambit of banking and financial services.As part of the National Mission on Financial Inclusion, the Pradhan Mantri Jan-Dhan Yojana- PMJDY, is an integrated approach of Government of India to bring 'universal access' to banking facilities to every house hold, improve financial literacy, access to credit, insurance & pension facilities to every individual. A similar approach was launched in 2011 by the government, which was named 'Swabhimaan', to achieve socio-economic equality by bringing the under-privileged segments into formal banking. The focus of 'Swabhimaan' program was towards provision of banking facilities to rural areas. The bank sathi and bank mithr model enabled the rural households to receive government subsidies and benefits directly. But PMJDY created a comprehensive approach of including every individual and every household of the country, into the banking fold.*
The objectives of the study are:

1. *To understand the role of government and banks in PMJDY scheme.*
2. *To study the implications of the scheme.*
3. *To explore the PMJDY implementation in urban areas, w.r.t. Dharavi, Mumbai.*

The objective of as "Pradhan Mantri Jan-Dhan Yojana'-PMJDY is to eradicate 'financial untouchability', which will eventually help to accelerate growth, fight poverty effectively and bring about social transformation.

Keywords: *BBA (Basic bank account), Financial inclusion, PMJDY, Unbanked, Underbanked*

I. Introduction and definition:

"Exclusion from the banking system excludes people from all benefits that come from a modern financial system. In this (Pradhan Mantri Jan Dhan Yojna) mission, households will not only have bank accounts with indigenous RuPay Debit cards but will also gain access to credit for economic activity and to insurance and pension services for their social security"

Shri Narendra Modi, Hon'ble Prime Minister of India (22nd August, 2014)

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream institutional players

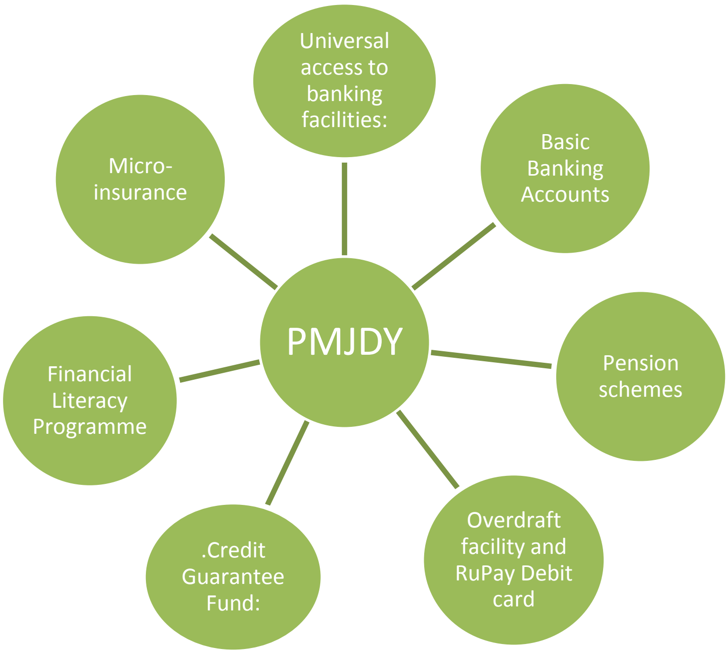
Dr. K.C. Chakrabarty, Reserve Bank of India

In order to reduce the degree of "financial untouchability", and achieve the mega financial inclusion plan with the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage, the "Pradhan Mantri Jan-Dhan Yojana" has been flagged off by the Government which, if effectively implemented, shall accelerate growth, fight poverty effectively and financially empower each individual of Indian economy. PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic bank account for every household, a strong financial literacy drive, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs.100000/-. The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the bank accounts of the beneficiaries and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government.
The United Nations defines the goals of financial inclusion as follows:

- Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance.
- Sound and safe institutions governed by clear regulation and industry performance standards.
- Financial and institutional sustainability, to ensure continuity and certainty of investment.
- Competition to ensure choice and affordability for clients.

PMJDY or Pradhan Mantri Jan Dhan Yojana is a nationwide scheme launched by Indian government in August 2014 and its core lies at the development philosophy of *Sab Ka Sath Sab Ka Vikas.* The basic objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration at affordable cost is possible only with effective use of technology. Under the scheme, all 6,00,000 villages will be mapped to the service area of each bank and at least one fixed point banking outlet will cater to every 1000 to 1500 households, known as 'sub service area' or SSA. The SSA's re then serviced through a combination of bank branches and fixed point business correspondents or bank mitrs.

A synoptic outline of PMJDY can be represented as follows:



Source: Author's own compilation

II. Research Methodology:

For the purpose of this study, Sector 1 of Dharavi region, has been selected. The sample size for this survey is 100. The source of the data is primary and the tool used is a questionnaire.
The secondary research includes extensive reference to RBI reports & journals, research articles, and relevant websites.

III. Objectives of the study:

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IV. Literature Review:

Although most countries have a household-level income and expenditure survey which may include some questions on financial access, these surveys collect a broad range of household information, and rarely provide enough detail about financial inclusion to be adequate. Furthermore, household surveys are expensive, and generally only carried out every few years (Kneiding, Al-Hussayni and Mas, 2009).

According to Arundati Bhattacharya, Chairman SBI, choosing a cost effective model for financial inclusion will require banks to significantly free up human resources, apart from using a banking correspondent model. With increase in financial inclusion and digitalization of banking, requirement of cash in the economy will reduce thereby helping in controlling unaccounted money in the economy.
According to Sinha (2013) urban co-operative banks have the potential to complete the objectives of financial inclusion. His study thrusts to make financial inclusion a successful business model, banks have to focus on lowering the cost of transactions by leveraging technology and offering more products of credit to the already included population.

Aishwarya Sigh, Manoj Sharma & Mukhes Sadana, (Feb, 2015) have concluded that assuming few teething problems, PMJDY is well positioned for success. Account access alone will not generate limited impact in the lives of the poor- it is account usage that is important.

Dr Kaur & Singh, (2015) have positioned financial inclusion as a business opportunity to banks and the launch of PMJDY strengthens the resolve that when coordination, dedication, commitment trust, satisfaction and continuity is provided by all constituents and stakeholders, a frame work of construct is created which acts as a dominant force for accomplishment of the mission.

G Madhukar is of the opinion that PMJDY is a mission to eradicate poverty and is expected to bring financial inclusion, financial stability and financial freedom to the poor and underprivileged people in rural, semi- urban and urban areas.

United Nations (2006), in its blue book titled “Building Inclusive Financial Sectors for Development”, defines financial inclusion as the “access to the range of financial services at a reasonable cost for the bankable people and farms”. Basic financial services include savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances.

V. Financial inclusion in Dharavi area:

Dharavi is the second largest slum in Asia is located in central Mumbai and is home to 800,000 to 1 million people in 2.39 square kilometers. This makes it one of the most densely populated areas. It is the literate slum in India with a literacy rate of 69%. Average turnover of business estimated here is $650 million a year (2013-14). The area is divided into 5 sectors for re-development purpose. Dharavi is a combination of 85 different settlements comprising of people from various regions of India like interior Maharashtra, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Bihar as also from West Bengal who have settled here in large numbers. It is a very busy area with many informal economic activities in Micro Small Enterprises and handicrafts. Unlike Mumbai’s other slums, where a large majority of the inhabitants work outside their place of residence, 80% of Dharavi residents work within the slum area. It is a *self-created economic zone* running on cheap labour and encroached land. A study by the society for Promotion of Area Resource Centers, in 2013, estimates that Dharavi has 4902 production facilities, 1036 in textiles, 932 in pottery, 567 in leather, 722 in recycling and scrap metal, 498 in embroidery and 152 in food. In addition, there are 111 restaurants and thousands of boutiques. But the working conditions in this informal sector are very difficult and precarious.

VI. Sample survey & results:

A small sample survey of 100 households was conducted using a close-ended questionnaire. The survey was done in June 2015, just about 10 months after the launch of PMJDY in August 2014. The main purpose of the survey was to identify the awareness of the PMJDY scheme amongst the people of Dharavi. The scheme has been launched nationwide using various types of media, awareness programs by banks, distribution of literacy materials, help of bank mitr, and many more. But the survey has revealed facts where 72% of the households are not aware of the scheme. The main reason being lack of education, fear of approaching banks, and mainly lack of identification cards. Most of the Dharavi residents are migrants and the establishment of identification is the major barrier.

Distribution of respondents according to employment

Employment	Total respondents	%
Part time/full time	30	29.7
Contractual	5	5.0
Business/self employed	65	64.4
Unemployed	1	1.0
	101	100.0

There is employment potential in the area, which implies almost every respondent is employed and is earning. Most of the house –holds have more than one earning member but do not have a bank account.

Distribution of savings to bank and other available sources

	Yes	% of respondents
Usage of savings		
Deposit in bank	38	37.6
Buy gold	0	0.0
Keep cash	4	4.0
Spend on consumer goods	15	14.9
No savings	32	31.7
Not answered	12	11.9

Out of 100 households only 38 are having a bank account. 31 % of the households do not have savings in spite of earning. Constraints for financial inclusion are: Lack of awareness about financial system and products/services, inappropriate products, feasibility of products, irregular and/or less income, lack of trust in banks.

Awareness of govt schemes and Usage of mobile for payments & remittances

	Awareness of govt schemes	%	**Usage of mobile**	%
YES	28	27.7	100	99.0
NO	73	72.3	1	1.0
	101	100.0	101	100.0

There is 100% usage of mobile in the area for all purposes of communication. But the residents are not availing it for mobile banking concept because of lack of awareness. The table very clearly shows, that 72% of them do not know about the government schemes, whether it is PMJDY or any other. The *bank mitr or business correspondent model* of banks for financial inclusion is not being employed for effective inclusion, in this area.

Ranking of parameters of bank account

	Bank account	%	Personal loan	%	Credit card
Not at all important	17	16.8	62	61.4	78
Important	55	54.5	27	26.7	14
Very important	29	28.7	11	10.9	8
Not answered	0		1	1.0	1

The parameters of accessibility to bank and services of bank were rated on basis of importance. 54% of the respondents felt that having a bank account is important and 17% felt bank account is not important because there are parallel modes to keep cash and remit cash. Out of the 100 respondents 29% marked bank account as very important for savings and remittances. 62% of respondents mentioned loan from bank as unimportant because there are money lenders and friends who can help them and who are easy to approach without any formal documentation. But 26% felt that loan from banks is easier because there is documentation which is a proof of loan.

VII. Conclusion

The PMJDY scheme of the government, with support from all banks and participation of many supporting agencies, is trying hard to bring in the under privileged into the financial inclusion circuit. The major barriers to financial inclusion, as identified in the survey of Dharavi, are lack of financial understanding or information, poor people’s low income and erratic cash flow, lack of suitable products and processes from formal financial service providers that cater to the needs of poor people. Most of the schemes of government for financial inclusion focused on rural areas, but the PMJDY scheme intends to focus on rural as well as urban areas. With the help of bank mitr or business correspondents, banks need to penetrate the services into the urban areas. it is important to note that the inclusion process can be expedited by many more financial literacy programs.

All the benefits such as financial inclusion, financial stability and financial freedom are expected to get through the PMJDY, to the poor and the underprivileged people in rural, semi-urban and urban areas. *Banking* *on Change should inspire and catalyze further action by governments, banks and donors alike to break down the barriers to financial inclusion for poor people.*

Tables :

Table 1. Pradhan Mantri Jan - Dhan Yojana (Accounts Opened as on 18.11.2015)
(All Figures in Crores)

Bank Name	RURAL	URBAN	TOTAL	NO OF RUPAY CARDS	AADHAAR SEEDED	BALANCE IN ACCOUNTS	% OF ZERO -BALANCE-ACCOUNTS
Public Sector Banks	8.33	6.75	15.08	13.42	6.97	21,157.45	36.01
Regional Rural Banks	2.97	0.50	3.46	2.47	0.96	4,629.32	34.97
Private Banks	0.44	0.29	0.73	0.64	0.23	1,152.83	41.10
Total	11.73	7.54	19.27	16.54	8.15	26,939.60	35.96

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs

Table 2:

"Key observation of Dharavi survey"

Parameters	% of no awareness/ Not having
Not aware about the Pradhan Mantri Jan Dhan Yojana	72.28%
Not aware of the Rupay Debit card	95.05%
Not aware that banks are opening 'no frills' or 'zero balance' account, with minimum paper work	62.38%
Not having insurance	62.38%

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