

Policy Report

No. 11

Pradhan Mantri Jan Dhan Yojana: An Analysis of Policy Design and Implementation Gaps

Jayshree Venkatesan



THE HINDU CENTRE

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Politics and Public Policy

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ABSTRACT

This report presents the findings of a primary study conducted across four districts in Tamil Nadu about the implementation of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and its implications for achieving full financial inclusion. The need to conduct the study just prior to the one-year anniversary stemmed from the quick success that banks and the government proclaimed. Given that the programme was quite similar to previous attempts at complete financial inclusion, the stark difference in success came as a surprise and demanded a study.

The study found that several of the problems that earlier attempts at financial inclusion faced, such as bankers acting as large barriers to access, exclusion of the most vulnerable and lack of awareness of programme features, continue to persist even with the PMJDY. These findings have been placed in the context of what has been observed with large government programmes with explanations drawn from theory and secondary literature, wherever relevant. The paper examines both design and implementation gaps, providing possible solutions for re-design and implementation.

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I. Introduction

On August 15, 2014, the Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched with much fanfare by the Indian Prime Minister, Narendra Modi. The programme, in its philosophy, was futuristic and envisaged providing access to a complete suite of financial products, with the savings bank account accompanied with a RuPay card as a pivot. Further, the savings bank account was coupled with an over-draft facility, life insurance policy, and an accident insurance policy - all for no fee to the customer. The programme was operationally launched on August 28, 2014, and even holds a record in the Guinness Book for the maximum number of accounts opened in a single week.¹

By January 2015, the programme claimed near 100 per cent success on the official website (www.pmjdy.gov.in) with district level coverage being published. A data point that stood out was this - the district of Sivaganga in Tamil Nadu was one of the few districts that showed less than 100 per cent coverage (the coverage stood at 99.82 per cent). This was according to the data accessed on January 15, 2015. A second data point that stood out showed that the Nilgiris district in Tamil Nadu had

¹ *The Economic Times.*, 2015. [*Jan Dhan Yojna makes it to Guinness World Records, 11.5 cr Jan Dhan accounts opened*](#), January 21. Last accessed: December 02, 2015.

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100 per cent coverage under the programme. These data points were interesting because Sivaganga district has been known for the highest density of bank branches in the country with a bank branch for every 3500 persons, while Nilgiris is known for forest cover and a predominantly tribal population. So intuitively, it would suggest that the results ought to have been reversed. This piece of statistic, while it cannot be questioned at face value, led me to ask the following questions about the programme. First, what explains variation in the success of the PMJDY across two districts in Tamil Nadu? Second, what does financial inclusion mean to someone who is completely excluded? Third, for persons living in districts with a sparse population, such as the Nilgiris, who might indeed have access to a bank account as a result of the programme, would the large physical distance that they have to traverse (indicated by the low density of bank branches), act as a deterrent to on-going use of banking facilities? And, would there be other barriers to access, which the programme does not factor in its roll out? Finally, and more importantly, what is the real implication of a programme such as the PMJDY on customers? What did customers think of the various features that the PMJDY account provided and how would they use it in their financial lives?

As a precursor to finalising my research design for this project, I decided to visit the branch of a nationalised bank in Chennai to

open a PMJDY account for a friend's housekeeper, Mary.² Mary has an alcoholic husband and supports her family, which includes her two young sons, on a salary of about Rs. 7,000 per month. Her husband is frequently missing and does not contribute to the household income. Should something happen to Mary, her sons would be pulled out of school. Her situation is not dissimilar to several women across India, who could benefit immensely from precisely the kind of facilities that the PMJDY offered, namely insurance and savings.

At the bank branch, an officer handling queries looked completely blank when we enquired about the Jan Dhan Yojana account. The officer quickly recovered her composure, however, and responded that the scheme was “over”. Since I had a print out of a document downloaded from the website of the State Level Banker's Committee (SLBC), I showed it to her and explained that I had checked the websites and the programme did not seem to have a definite end date. This rattled her and she asked around, and after some delay, gave us a regular savings bank account form, which spoke of none of the features promised in a PMJDY account. Mary and I had to escalate the matter by several levels to the branch manager, who incidentally, was also overheard telling the initial officer we contacted, “If people really insist, give them the form, else tell them the programme is over”. During the process of escalation,

² Name changed to protect privacy.

we were told Mary does not have adequate identity proof,³ she stayed in a different service area, and, that the printout I carried was issued by the Indian Overseas Bank (IOB),⁴ and therefore not applicable to the bank we had visited. We managed to get the account opened, since the branch manager realised that I was likely to raise an issue, and said he would use Mary's bank pass book by exercising "banker's discretion" for meeting the Know Your Customer (KYC) requirements. Mary was asked to come the following day with photographs. At this second meeting, Mary, who went alone this time, was asked to pay Rs. 100 but she refused since I had told her she did not have to pay anything. The account was eventually opened, while the RuPay card was issued only about six months later.

The incident caused me to think about several aspects regarding the implementation angle:

- a) What if Mary or anyone else in her place did not have adequate information about the facilities that the account offered?
- b) Where does a customer, like Mary, get information about a programme like the PMJDY?
- c) How is a person from a low income household treated when they visit a bank branch?

³ We were using Mary's joint account passbook with her husband, which had her photograph and address, issued by the same bank.

⁴ The State Level Banker's Coordinator for Tamil Nadu is IOB, hence the circular had their logo.

While official data can claim 100 per cent coverage of households, the actual impact of a programme like the PMJDY on low income households comes from uptake and usage of the services. This is possible only when customers are aware of the features of the programmes and what they, as customers, are entitled to. Further, customers can access such schemes only when delivery systems (Business Correspondents or bank branches) are able to provide these services in a manner that is convenient, reliable, affordable and accessible.⁵

In this study, I studied the impact of PMJDY on the financial inclusion of households across four districts in Tamil Nadu. These districts were selected based on combinations of bank branch presence and Aadhaar (biometric identity) penetration, since physical access and lack of identity proof are often cited as the two biggest barriers to financial inclusion. While the broader impact of my research is on the design and implementation of a policy across India, which attempts to financially include one-third⁶ of the world's poor, I have also restricted my study to understand the following:

⁵ Basu, Priya. [Improving Access to Finance for India's Rural Poor. Washington, DC: World Bank.](#) Last Accessed: December 02, 2015.

⁶ [The World Bank *n.d.* Poverty Reduction and Economic Management \(PREM\)](#) Last accessed December 02, 2015.

In the State of Tamil Nadu, which ranks fairly high for presence of bank branches and access to bank accounts,⁷ how did surveyed households fare vis-à-vis,

- a) Access to banking facilities (in terms of physical access and information regarding products).
- b) Awareness of the PMJDY and its features.
- c) Ease of accessing PMJDY accounts and accompanying facilities.

Since Business Correspondents form an important channel in delivering the PMJDY accounts, I have also tried to understand attitudes to Business Correspondents and the role they play in delivering financial services. The other important factor that determines the success of the PMJDY is the use of the RuPay card. Therefore, I tested awareness of a RuPay Card as well as general attitudes to ATMs/ATM cards.

Essentially, my project seeks to identify why, in spite of the Indian government's best intentions, full financial inclusion remains a distant dream and where large scale programmes such as the PMJDY fail in their implementation. My study is set

⁷ Tamil Nadu ranks 12th in overall access to deposit accounts while it ranks 1st in access to credit. Based on data accessed from Table 2 (Indicators of Banking Outreach and their ranks across states) in Kumar, C. (2011, February 25). [Banking Outreach and Household Level Access: Analyzing Financial Inclusion in India.](#)

around a variety of findings that demonstrate that designing policy is very different from its implementation at the local level, and in order to achieve full financial inclusion, equal attention has to be paid to implementation gaps.

II. Setting the Context

The focus on financial inclusion in policy circles in India has existed in various forms since 1960, and has rapidly been gaining momentum in increasing household savings as a paradigm in the past decade. This has also coincided with global research in the past decade, which indicates that a well-functioning and inclusive financial system results in faster and more equitable growth (Honohan 2004), causing governments across the world to focus on increasing financial inclusion. Despite this focus on increasing access, until very recently, data indicated that only about half the population had access to basic banking accounts (Report of the FSLRC, 2013), with even more limited access to non-asset products like insurance, pension or securities. Further, half of these accounts remained dormant, despite customers having access to them.⁸

Development debates across the world now recognise that access to credit alone cannot be expected to improve the financial well-being of households. Savings and insurance create an important buffer for emergency needs, preventing distress borrowing at high rates of interest, usually from informal sources. This is iterated in the 2014 Global Findex Survey,

⁸ *Financial Inclusion Insights. n.d. India - Country Overview.*
<http://finclusion.org/> Last accessed June 29, 2015.

which explored the idea of financial resilience for the first time⁹. The survey found that people do realise that the ability to come up with funds for unexpected expenses is important. About 56 per cent of the respondents, who said that they would rely on savings, do not save at a financial institution.¹⁰ From a financial service provider's perspective, this provides an opportunity to understand customer needs and design a formal savings product that can be used during an emergency.

While the Reserve Bank of India (RBI) has been driving financial inclusion by a) mandating that banks open a set of branches in unbanked districts in order to receive bank branch licenses for urban areas b) providing Priority Sector guidelines to ensure credit flow to unbanked households and institutions and c) mandating that banks provide access to 'No-Frills Accounts', which provide access to basic banking services, the government through the Department of Financial Services (DFS), has been playing a parallel role to make sure that financial inclusion is achieved.¹¹ For instance, the previous government mandated that the Mahatma Gandhi National

⁹ Demircuc-Kunt, Asli, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research Working Paper 7255, World Bank, Washington, DC.

¹⁰ Ibid.

¹¹ Reserve Bank of India. 2015. [RBI constitutes a Committee on Medium-term Path on Financial Inclusion](#). Press Release. July 15. Last accessed: December 03, 2015.

Rural Employment Guarantee Scheme (MNREGS) payments would be made through bank accounts. The current government has mandated that all Direct Benefit Transfers will be made through bank accounts.

The drive to open bank accounts for everyone has been carried out by previous governments as well, with limited success. In 2005, the Reserve Bank of India launched a No-Frills account where banks were asked to relax their requirements for proof of identity and address for low income customers. The accounts were called “No-Frills” because while the accounts were free, they had a cap on the number of transactions. The actual features and definition of beneficiaries varied from bank to bank. Claims by districts to have achieved 100 per cent financial inclusion were found to be incorrect in research studies. For instance, in Gulbarga, which claimed to be “100 per cent financially included”, about 1/3rd of the households were found to lack access to any bank accounts, while a large share of the accounts opened remained dormant (Ramji, 2009). Further, research from an experimental study in Chennai indicated that in more than half (55 per cent) of the bank branches visited, customers were turned away when they asked for an alternate, affordable savings product (Mowl and Boudot, 2014-15).

The NDA government, under the leadership of Prime Minister Narendra Modi, launched an ambitious programme to provide

a basic banking account to all, under the “Pradhan Mantri Jan Dhan Yojana’ (PMJDY) on August 15, 2014, within three months of being elected to power. The plan envisaged universal access to banking facilities with at least one basic banking account for every household, along with financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get a Rupay debit card, with an inbuilt accident insurance cover of Rs. 1 lakh and a life insurance cover of Rs. 30,000, along with an overdraft facility of up to Rs. 5,000. Further, the definition of basic banking under the PMJDY includes a RuPay debit card and mobile banking facility, the ability to make cash withdrawals and deposits, transfer funds, balance enquiry and generate a mini statement.

In theory, the PMJDY is based on fairly strong principles of financial inclusion that cannot be found fault with, i.e., access to a formal financial institution through a savings account and the prevention of dormancy of the account by linking it to other financial products that are of relevance to a low income household such as insurance (both life and accident), and access to emergency credit through an overdraft facility to take care of emergency needs or cash flow smoothing at the household level. In order to minimise the load on a banker in a remote, rural location, the account is also linked to a RuPay card, which can be used for transactions.

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An estimate of the work required to achieve the goals of the PMJDY were outlined in a document released by the Department of Financial Services, where the number of bank accounts to be opened to ensure that every household has at least one account was about 7.5 crores (75 million),¹² across rural and urban areas. The number of accounts opened under the PMJDY as on 31 January 2015 (five and a half months after the launch of the programme) are as shown in Table 1:

Table 1: Number of Accounts Opened Under PMJDY as on 31 January 2015¹³

	Rural	Urban	Number of accounts	Number of accounts with RuPay Card
Public Sector Bank	5,33,00,249	4,51,47,276	9,84,47,525	9,12,32,024
Regional Rural Bank	1,84,89,448	32,97,833	2,17,87,281	1,49,67,614
Private Bank	32,26,397	20,12,086	52,38,483	45,93,161
Grand Total	7,50,16,094	5,04,57,195	12,54,73,289	11,07,92,799

Source: Data compiled from the PMJDY website. www.pmjdy.gov.in.

¹² Government of India. 2014. [Pradhan Mantri Jan-Dhan Yojana - A National Mission on Financial Inclusion](#), Department of Financial Services, Ministry of Finance. Last accessed: June 29, 2015.

¹³ [No of Accounts opened under PMJDY as on 31.01.2015 \(Summary\)](#), Last accessed: December 02, 2015

The campaign was hailed as being hugely successful with the total number of accounts exceeding the estimated number by over three times. While the above data is accompanied with a disclaimer that the data has not been verified by the Department of Financial Services and is based on reports provided by the SLBC, the same Department was also the recipient of a Guinness Record that claimed that they broke a world record in opening the maximum number of accounts in a single week (23 to 29 August 2014), having opened 18096130 accounts during this time. Further, the PMJDY website¹⁴ reveals close to 100 per cent coverage for most districts in India.

Prior to the launch of the programme, only 35 per cent of all adults in India were purported to have access to an account at a formal financial institution (Demirguc-Kunt and Klapper, 2012). The Global Findex report for 2015 reveals that this number has increased to 53 per cent. However, the report also cautions that India has amongst the highest account dormancy rates in the world at 43 per cent, indicating that not all access translates into uptake and usage.

The speed with which the government claimed success also raises other questions about the efficacy of the programme. How did the PMJDY address the issue of lack of identity proof,

¹⁴ Government of India. 2015. [Progress Report: Pratan Mantri Jan-Dhan Yojna](#), Department of Financial Services, Ministry of Finance. Last accessed: June 29, 2015.

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given that Aadhaar coverage is not 100 per cent in the country? How did the programme get bankers, who have acted as barriers to financial access in the past,¹⁵ to open accounts? What should be the parameters that indicate success of a programme like the PMJDY: access or usage?

The success of the PMJDY, should it exist, then provides an interesting case study to understand the following questions.

- a. What factors contributed to the success of the PMJDY, when other programmes failed in the past?
- b. Since the PMJDY provides access to an account that offers more than other accounts, what is the impact on a low income household in rural India that
 - i. Already has an account?
 - ii. Is unbanked?

¹⁵ Mowl, A and Boudot, C., 2014. *Barriers to Basic Banking: Results from an Audit Study in South India*, NSE Working Paper Series No. WP-2014-1. NSE-IFMR 'Financial Inclusion' Research Initiative 2014–2015. Last accessed: June 30, 2015.

III. Key Findings and Policy Implication

Design Challenge: ‘Old wine in a new bottle’

As I have mentioned before, the focus on financial inclusion is not new and has been the policy focus of several governments, with a focus on bank based delivery mechanisms since 1960. In 2005, when the Reserve Bank of India launched the “No-Frills account”, the focus shifted from providing only credit, to providing access to savings accounts as well. Globally, there is an acceptance that access to finance is an important lever for poverty alleviation and policy trends across various countries reflect this ethos. However, achieving financial inclusion is not an easy task and studies in the past have highlighted various barriers that result in financial exclusion. These range from difficulties in physical access, absence of adequate identity and address proof (Ramji, 2009) or the psychological cost of dealing with bankers that act as gatekeepers (Mowl, A.J. 2014). Numerous studies have also revealed that in instances where districts have declared themselves 100 per cent financially included, the reality has been found to be quite different (Ramji, 2009; Thyagarajan, 2008).

In its brochure, the PMJDY presents a neat table that provides a point to point comparison that tries to outline how it has

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improved over previous schemes. The table is provided below for reference.

Table 2: PMJDY’s Comparison with the Earlier Swabhimaan Programme¹⁶

S.No.	Earlier Approach (Swabhimaan)	New Approach (PMJDY)
1.	Villages with population greater than 2000 covered; thus limited geographical coverage	Focus on household; Sub Service Area (SSA) for coverage of the whole country
2.	Only rural	Both rural and urban
3.	Bank Mitra (Business Correspondent) was visiting on only fixed days	Fixed point bank Mitra (Business Correspondent) in each SSA comprising 1000-1500 households(3-4 villages) , to visit other villages in the SSA on fixed days
4.	Offline accounts opening-technology lock in with the vendor	Only online accounts in CBS of the bank
5.	Focus on account opening and large number of accounts remained dormant	Account opening to be integrated with DBT, credit, insurance and pension
6.	Inter-operability of accounts was not there	Inter-operability through RuPay Debit card, AEPS, etc
7.	No use of mobile banking	Mobile wallet and USSD based mobile banking to be utilised
8.	Cumbersome KYC formalities	Simplified KYC/e-KYC in place as per RBI guidelines

¹⁶ Op.cit. [Learning from the past campaign and shift in approach](#), page v. Last accessed: July 06, 2015.

9.	No guidelines on the remuneration of the Bank Mittr (BC). Banks went generally with corporate BCs who used to be less expensive to them	Minimum remuneration of the Bank Mittr (BC) to be Rs. 5000/- (fixed + variable)
10.	A recent RBI survey finds that 47 per cent of the Bank Mittr are untraceable	Viability and sustainability of the Bank Mittr is identified as a critical component
11.	Monitoring left to banks	Financial inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level
12.	Financial literacy had no focus	The rural branches of banks to have a dedicated Financial Literacy Cell
13.	No active involvement of states and districts	State level and District level monitoring committees to be set up
14.	No brand visibility of the Programme and Bank Mittr	Brand visibility for the Programme and Bank Mittr proposed
15.	Providing credit facilities was not encouraged	OD limit after satisfactory operations/credit history of 6 months
16.	No grievance redressal mechanism	Grievance redressal at SLBC in respective states

Source: PMJDY brochure, released by the Department of Financial Services

In its basic design, the PMJDY programme assumes that physical access is the reason for financial exclusion. However,

studies¹⁷ have shown that even if policy directives were to provide a complete banking outlet in every village, transaction costs such as timings when the branch operates, or time taken to assemble documentation can create persistent barriers. Further, there is a high psychological cost when the transaction is unpleasant, which can be the case.¹⁸ The design of the PMJDY programme does little to address any of these issues, even at the outset.

A feature by feature analysis of the points in Table 2 reveals that the programme is not very different from earlier programmes. Further, with the few novel features that have been introduced, the policy makers have failed to think about possible implementation failures.

- 1) Sub Service Area vs. the earlier approach: The PMJDY brochure defines a Sub Service Area (SSA) as one which comprises 1000-1500 households with an average of 3-4 villages. This design feature assumes physical access as a barrier to opening a bank account. My survey clearly shows that even with villages of higher population, it is possible to find households that have fallen through the gaps and do

¹⁷ Mowl, A., 2012. The Role of Transaction Costs in Access to Savings and Credit. *NSE Working Paper Series*, 22-25. doi:2012.

¹⁸ Mowl, A., and Boudot, C., 2014. Barriers to Basic Banking: Results from an Audit Study in South India. *NSE Working Paper Series No. WP-2014-1*. doi:2014-15

not have access to a bank account. Further, with Reserve Bank of India defining branch licensing policy as mandatory opening of 25 per cent of bank branches in unbanked locations, the challenge of physical access is likely to be solved shortly. Also, this is uncannily similar to the Service Area Approach (SAA), which was introduced in 1989 and has been in existence since then, where villages were identified and assigned to bank branches based on proximity and contiguity of service areas.

- 2) Rural and urban focus: All banks, whether located in rural or urban India, have always had the mandate of opening No-Frills Accounts or the Basic Savings Bank Deposit Accounts (BSBDA)¹⁹. The specific words in the circular state the following, “*wherein banks have been advised to offer ‘Basic Savings Bank Deposit Account’ with certain minimum common facilities to all their customers without the requirement of any minimum balance and any charges*”. There is no reference to urban banks being excluded from this mandate. Therefore, the claim that the PMJDY alone exhorts urban bank branches to open such accounts is incorrect.

¹⁹ Refer circular issued by the Reserve Bank of India to all Scheduled Commercial Banks on September 11, 2013 titled [‘Financial Inclusion- Access to banking services-Basic Savings Bank Deposit Account \(BSBDA\)’](#), Last accessed: December 02, 2015.

- 3) Fixed point Business Correspondents (BCs) visiting other villages on every other day: The actual implementation of this is unclear since banks engage BCs who may be either fixed point agents or roving agents, depending on the model that the bank wants to follow. The PMJDY, specifically cannot dictate how BCs operate, since this is governed by the Reserve Bank of India.

- 4) Account opening in CBS: The Reserve Bank of India has been insisting on the shift to Core Banking System (CBS) at all banks since 2008. In a circular dated September 11, 2013, RBI had even provided a timeframe of December 31, 2014 to ensure that all their branches were CBS compliant. Scheduled Commercial Banks, including all public sector banks, were compliant much earlier. Therefore, access to CBS is not a challenge. Banks, however, have been maintaining No Frills Accounts/BSBDA on a different server. The reason is that no-frills accounts have lower savings amounts and do not allow banks to justify the on-going maintenance that is required. A study in the district of Cuddalore (Thyagarajan and Venkatesan, 2008)²⁰ showed that accounts have a fixed cost and a variable cost,

²⁰ Thyagarajan, S., and Venkatesan, J., 2008. Cost-Benefit and Usage Behaviour Analysis of No Frills Accounts: A Study Report on Cuddalore District.

which is a function of the balance that is maintained by the customer. While the actual cost of operating an account on a CBS platform is beyond the scope of this study, insisting that the bank opens a PMJDY account which is likely to fall dormant and increase the banks operating expenses is not a sustainable feature in the long run.

- 5) Account opening to be integrated with DBT, credit, insurance and pension: This is a feature in which the PMJDY differs from earlier programmes. However, as seen through the survey results, this has implementation challenges that the policy design did not foresee.
- 6) Inter-operability through RuPay Debit card, AEPS, etc: This is also a feature that other programmes did not include. While the PMJDY offers inter-operability through the use of a RuPay card, awareness of a RuPay card seems low on the ground, with even official data showing a lag in the issue of RuPay cards to the number of PMJDY accounts opened. Further, in the study conducted, about 73 per cent of the respondents said that they had never used an ATM. There also seem to be a number of myths surrounding the use of an ATM, which need to be addressed if one expects the RuPay card to be used.

- 7) Mobile wallet and USSD (Unstructured Supplementary Service Data)²¹ based mobile banking to be utilised: The current PMJDY programme also envisages the use of mobile wallets. As previous studies have cautioned, reliability of technologies is essential since customer satisfaction and willingness for repeat use are quickly eroded when technology fails. Further, the cost of bearing such failure can be significantly high for low income customers, who also face the opportunity cost of trying to set right such failure. Strong and responsive customer redressal mechanisms need to be put in place before one can encourage any transition to digital financial inclusion.
- 8) Simplified KYC/e-KYC in place as per RBI guidelines: RBI has simplified KYC and e-KYC before the launch of the PMJDY and the programme cannot take credit for this feature.
- 9) Minimum remuneration of the Bank Mitra (BC) to be Rs. 5,000/- (fixed + variable): The remuneration of a BC has been identified as one of the barriers to non-functioning BCs. The scope of my research excludes a study of

²¹ USSD (Unstructured Supplementary Service Data) is a Global System for Mobile(GSM) communication technology that is used to send text between a mobile phone and an application program in the network. Applications may include prepaid roaming or mobile chatting.

compensation to BCs and what constitutes adequate compensation.

- 10) Viability and sustainability of the Bank Mitra is identified as a critical component: Other than defining the minimum compensation, the PMJDY does little to address the viability and sustainability. My survey revealed about 83 per cent of the respondents did not know of a BC working in their village, because they saw these functionaries as bankers. Further, interaction revealed that the BCs were unaware of the features of the PMJDY and tried to explain these as the “same as no-frills accounts”. This raises two issues about the efficacy of using BCs as a channel for financial inclusion - a) training and quality control of the BC and b) customer protection and prevention of mis-sale by the BC. It is the responsibility of the bank to provide training to BCs. However, there is no framework that is followed by banks to check on the effectiveness of the training and the ability of these BCs to provide information. Further, incentives as an agent, is to push sales, rather than consider a set of products that would make sense for the customer. Since these products lie on the bank’s books, and the perception of the BC is that she is an employee of the bank, banks run a potential reputation risk if they do not put adequate mechanisms in place. From a customer’s standpoint, a bad interaction with the BC can create a high psychological barrier

preventing access to financial services. Further, given that at the start of the PMJDY, 35 per cent of all adults in India were purported to have access to an account at a formal financial institution²² (Demirguc-Kunt and Klapper, 2012), there is a need to hire and train a rather large workforce of BCs. The PMJDY seems to have overlooked this rather fundamental building block in its implementation.

- 11) Financial inclusion campaign in Mission Mode with structured monitoring mechanism at Centre, State and District level: The PMJDY indeed did create multiple structures. However, this does not necessarily translate into better monitoring since the last mile monitoring was still done by engaging BCs, Non Government Organisations and students to collect household level data. As one banker commented, “The Census is a massive exercise and takes more than a year to complete. Is it not unfair to expect us to complete all of this and do our regular job in the span of six months?”. The PMJDY has effectively created a bureaucratic system that is easier to game.

²² Demirguc-Kunt, Asli and Klapper, Leora., *Measuring Financial Inclusion: The Global Findex Database.*, The World Bank, Policy Research Paper., April 2012

- 12) The rural branches of banks to have a dedicated Financial Literacy Cell: Literature shows that financial literacy initiatives in the past have had mixed results. In fact, globally, there is a shift towards financial capability building. In this context, asking banks to start Financial Literacy Cells does not really further the financial inclusion agenda.

- 13) State Level and District Level monitoring committees to be set up: The PMJDY, as a part of the monitoring mechanism, said that the campaign would be run in mission mode with a structured monitoring mechanism at the centre, State and district levels. To understand who conducted the survey that indicated 100 per cent saturation across districts, the SLBC in Tamil Nadu was contacted. Over email response, it was indicated that the “survey was conducted by banks through their employees, BCs, students, NGOs, etc”. In an interview with a rural banker, who requested anonymity, I was also told that in each district an announcement was carried in the region’s Indian language newspaper stating that the district was now 100 per cent saturated, i.e., every household in the State had at least one account, and if anyone did not agree, they should come forward by a date that was indicated in the announcement. Since no one had objected, the district was then declared to be 100 per cent saturated. It should be pointed out that the people, who are most likely to be

excluded, are the ones that are least likely to respond to such an announcement since it assumes everyone is literate or will take the time and effort to counter an official announcement in a newspaper. This has also been outlined in the minutes of the SLBC meeting, held on 22 December 2014²³, and can be accessed on the SLBC website.

- 14) Brand visibility for the Programme and Bank Mitra proposed: In my survey, I found low awareness of both the PMJDY programme as well as Bank Mitra/BMs.
- 15) OD limit after satisfactory operations/credit history of 6 months: The inclusion of the OverDraft (OD) facility was meant to ensure that low income households are able to smoothen their cash flows by having access to an on-tap credit facility. In reality, this has been left to the discretion of bankers and is seldom mentioned to the account holder as a feature, making the inclusion of the feature irrelevant.
- 16) Grievance redressal at SLBC in respective States: The State Level Banker's Committee (SLBC) came into existence under the RBI Lead Bank²⁴ scheme. The role of SLBCs is

²³ [Minutes: State Level Bankers' Committee, Tamil Nadu](#) Last accessed: July 06, 2015

²⁴ The Lead Bank scheme has been in existence since October 1969, when a study group led by Prof. Gadgil, called the Gadgil Study group recommended the structure to rectify two things a) the fact that commercial banks did not have adequate presence in rural areas and b)

to facilitate effective implementation of various programmes, and it is unclear how this committee would play a role in grievance redressal. Including a feature which states this without thinking about implementation is at the very least, an injustice to customers who avail of the programme and seek customer protection.

All in all, there are few features that set the PMJDY apart from earlier programmes, increasing the possibility that it would meet the same end. If financial inclusion is indeed a priority, policy makers would do well to rethink the design features that have caused failure in the past.

The results of my survey conducted across 368 households in four districts in Tamil Nadu showed a low awareness of the PMJDY programme, both among people that already had accounts as well as unbanked respondents. This poor awareness of the programme and its features would translate into poor usage and higher dormancy, as well as higher costs for banks, since these accounts are less likely to be used for savings. From a customer stand point, this also means that they lose out on promised benefits like insurance since these are contingent on the usage of the RuPay card, which may not be used, or even obtained in the first place. The low awareness also points to the

commercial banks lacked the required rural orientation, [Master Circular, Lead Bank Scheme, July 1, 2014](#). Last accessed July 06, 2015

failure of the financial literacy campaigns that is supposed to accompany the PMJDY programme.

Implementation Challenge 1: Bureaucracy of bankers

My survey with 368 respondents across four districts showed that amongst account holders, about 88 per cent had opened their accounts at a time that pre-dated the announcement of the PMJDY programme. Only about 12 per cent of account holders had opened their accounts after August 15, 2014 i.e. the date of announcement of the PMJDY. **None of the respondents that opened their accounts after August 15, 2014 attributed the awareness or account opening to a camp organised by local banks, indicating that banks had low influence on awareness.**

One respondent from Thumbalam, Coimbatore said that she opened an account because a banker came to her doorstep, spoke about a new scheme and the associated Liquefied Petroleum Gas (LPG) subsidy transfer. However, this respondent was not aware of the PMJDY programme and had paid Rs. 500 to get her account opened. A total of 5 respondents said that they had heard of a new scheme, but only one of them was aware of the PMJDY and said she had seen the advertisement on television and had also heard from the local banker. The one benefit that she was clear about that the PMJDY account provided was access to life insurance and

personal accident insurance. She was not sure about the overdraft facility or the insurance amounts involved. About 40 per cent of the respondents had opened their account to avail of either the LPG subsidy or some government benefit.²⁵ Further, across all four locations surveyed, other than three respondents, everyone else had been charged amounts varying from Rs. 100 to Rs. 1000/- to open the bank account. Only 2 of the 42 respondents, who had opened their accounts after August 15, 2014, had seen and recognised the PMJDY account opening form, while 7 of the same 42 respondents were aware of the PMJDY programme. Further, only one of these respondents had heard about the programme from the local bank branch.

The widespread lack of awareness of the PMJDY programme, despite the claim of many camps being held, is explained succinctly by Gupta (2012) in his book titled ‘Red Tape’.²⁶ Gupta describes a camp held to provide pensions where he describes the following incident.

“The whole camp wound up soon thereafter. I wondered how many of the poorest villagers had even heard about this program since it did not appear to have been well

²⁵ The interpretation of government benefit here refers to benefits provided by either the State government or the Central government. There was no attempt made to differentiate between the two.

²⁶ Gupta, A., 2012. *Red tape: Bureaucracy, structural violence, and poverty in India*. Durham: Duke University Press.

publicized. Even if they had learned of it, how many elderly people would have been healthy enough to travel to the block office or would have had the money to take public transportation to get there? These issues did not concern the officials organizing the event. The number of people who showed up overwhelmed them, and they were doing their best to process the applications.”

If one were to draw a parallel with the PMJDY programme, it is easy to see the similarities and understand why a programme that was meant to ensure financial inclusion ends up leaving the most needy and vulnerable out of the net. The fact that the PMJDY has been extremely driven by the number of accounts opened by a bank in a day, shows the extent to which households that are excluded are reduced to a “statistical fact”. Therefore, any positive change in the statistic is seen as a cause for celebration without much thought to the people who get left out.

The handling of finances is almost always accompanied by an implicit power distance, (Hofstede, 1984). Power distance, as defined in cultural studies, is the extent to which less powerful individuals in society accept inequality in power and consider it normal.²⁷ For instance, a customer from a low income

²⁷ Hofstede, Geert., 1984. *Culture's Consequences: International Differences in Work-Related Values* (2nd ed.). Beverly Hills CA: [SAGE Publications](#). ISBN 0-8039-1444-X

household is unlikely to enquire about programmes and is most likely to be spoken down to, or ignored by bankers and s/he will accept this behaviour without kicking up a fuss at the bank branch for poor service. One way to improve uptake of financial services amongst low income households is for policy makers to recognise the high power distance and build incentives that would protect customers from any high handed behaviour on the part of bankers. This would mean rethinking incentives of bankers along with the introduction of strong grievance redressal mechanisms that do not exclude any strata of society. For institutions, this would mean a redesign of their customer service points and service delivery.

Implementation Challenge 2: Quick results come from short cuts

There is a lot that history can teach us from campaigns that were large scale and implemented in haste. In the book, *Seeing like a State*, James Scott describes the 1973 campaign run by Julius Nyerere in Tanzania, called ‘Operation Planned Villages’ that replaced an earlier policy on ujamaa villages.²⁸ The campaign was run in crunch time, unleashing what Scott calls “the full range of standard bureaucratic pathologies”. While the campaign run by Nyerere dealt with re-settlement of villages, there are several similarities to be drawn from just observing the

²⁸ Scott, J. C., 1998. *Seeing like a state: How certain schemes to improve the human condition have failed*. New Haven: Yale University Press

functioning of a modern state. The challenge with running large scale campaigns in a compressed time frame is that the transformations that it wishes to bring about cannot occur unless force is applied, or human subjects are treated like they are functions in an administrative routine. Scott goes on to point out that the response of the bureaucracy is typified by two characteristics: a reinterpretation of the campaign so that it calls for results that are easier to deliver and, to reinterpret the campaign in a way that meets their own corporate interests.

To draw parallels with the PMJDY, for a moment imagine the bureaucrats of Scott's example to be replaced by centralised monitoring teams set up within the programme, as well as bankers. The minutes of the SLBC meetings and information from the PMJDY website clearly indicate the tendency to track numbers. When dealing with scale, one would argue, this is the simplest metric. The obsession to track success in the metrics is further manifested in an urgency to send out a certificate by the SLBC, and the race between various States to say that they have achieved 100 per cent saturation. This is the tendency that Scott refers to as "*calling for results that are easier to deliver.*"²⁹ The reality is of course, very different from the reported results and this difference stems from the reinterpretation of programme goals to focus on strictly quantitative metrics of performance.

²⁹ *ibid.*

One only has to look at the example of the Union Territory of Pondicherry to see implications of such reinterpretation, where the government went a step further to say that since they had 100 per cent financial inclusion under the PMJDY, they would begin their Direct Benefit Transfer (DBT) of Rs.300 a month into these new accounts, to replace the 10 kilos of free rice per family. While numbers showed that intended beneficiaries received the benefits, the reality was a scurry from pillar to post to get these benefits.³⁰ Similar initiatives in Rajasthan, failed in the past because the truly needy were not getting the benefits. Access to the accounts through ATM cards also creates a gender disparity since women tend not to go to the ATM, sending their husbands and sons instead. Further, if the programme were to be scaled nationwide, what would happen to the many households that are currently excluded from the PMJDY? As Scott points out, *“the greater the pretense of and insistence on an officially decreed micro-order, the greater the volume of non-conforming practices necessary to sustain that fiction”*. Policy makers would do well to realise this aspect early and acknowledge the gaps in implementation.

³⁰ Narayan, Swati., 2015. [Puducherry In A Unique JAM](#), *The Huffington Post*, Last accessed: September 21, 2015.

Implementation Challenge 3: Lack of local knowledge

Large programmes and policies often fail because they do not account for the local context in the implementation of the policy. With delivery of financial services, this can be as minute a detail as taking work timings of the local population into account. When you are a daily wage labourer, a day spent at the bank, is tantamount to loss in pay. In Udayarpalayam village, which comprises weavers and agricultural labourers, there were several who were engaged in the MNREGS and stated that they lost a day each time they visited the branch to collect their wages from the MNREGS. Further, due to security reasons, the sole ATM in the village only functioned during bank timings, making it irrelevant to furthering access. These are challenges that are easily rectified if the bankers understood the lives of the customers they are meant to serve.

Scott calls this kind of knowledge *mētis*; a word which comes from the ancient Greeks where Odysseus was frequently praised for his *mētis* and for using it to outwit his enemies and making his way home.³¹ While the word translates loosely to cunning, it means much more such as the use of knowledge gained from experience, and familiarity with a specific local context. The only way to refine this knowledge is to use it continually. The importance of *mētis* for bankers and financial service providers cannot be undermined, since the sale of financial products, just

³¹ Scott, James., *Seeing like a State*, op cit.

like any other product requires human interaction and understanding the customer's behaviour. This can differ vastly depending on the local context and this is where the importance of *mētis* arises. Particularly for low income households, much of their financial behaviour and choices need to be understood at great length before delivering financial services and products. For instance, it is still unclear why households continue to choose informal savings products like chit funds when they have access to a savings bank account. Getting bankers to develop and hone their *mētis* might well be the solution to reducing account dormancy and making the programme a success.

Policy recommendations

It has only been a year since the launch of the PMJDY and there is still time to make the programme a success. The following are a set of recommendations to modify the design and implementation of the PMJDY that could help the programme meet required results.

1. Tracking complaints can result in better compliance

For a low income customer, there are several aspects about banking that can appear daunting. Possibly the biggest factor is the uncertainty of processes around opening and operating their account. This leads to a dependence on an intermediary, like a local contractor who handles the

MGNREGS payments, and facilitates account opening. However, once the account is opened, it is used as a mere transaction account, often to just withdraw payments received as government benefits. In several cases, the reluctance to ask bankers any questions can translate into avoiding opening the account.

One way to encourage uptake and usage and prevent dormancy is to set up a dedicated customer query desk at bank branches where customer questions are responded with patience. Documenting these queries can help banks understand recurrent fears in customer minds and refine their communication over a period of time. While customer complaints are documented by several banks as a compliance requirement, understanding the root of the complaint can result in higher efficiency and transactions, making even low income accounts viable for banks. This would mean moving beyond tracking just the number of complaints, to diagnosing the cause that these complaints may be a symptom of.

2 Bureaucracy is a no-no

Ensuring that the implementation of the PMJDY is a success requires a massive change management initiative across the banking system. Reducing bureaucracy is a must and can be initiated through a series of on-going training,

redesigning incentives and tracking customer satisfaction levels. In the current scenario, when RBI has provided approval to 23 new institutions including 2 universal banks, 11 payment banks and 10 small finance banks, this would also help older banks deal with increased competition.

3 Rules for liability accounts

Stuart Rutherford in his work, “The poor and their money” states that there are three ways in which low income households save i.e. they save up, save down or save through. Saving up implies that households put away small sums of money until it accumulates into an amount that is large enough to meet an expense. Saving down is a loan where a lump sum amount is accessed immediately for an expense. Saving through is when households access a lump sum amount of savings at some point during a series of savings. The best example of an instrument that allows households to save through is a chit fund. Of the three routes, saving up is often the hardest to achieve for low income households because there are few financial instruments that allow them to save in amounts and at frequencies that are compatible with their small, irregular and unpredictable cash flows. In a focus note published by Microsave³², Ramji and Jos, pointed out that most bank accounts are designed keeping in mind

³² Ramji M and Jos, 2011. A *Microsave Focus Note*. Last accessed: December 02, 2015

the ‘save up’ route, while saving down or saving through are the most compatible with their lives.

Behavioural economics attempts to provide theories to explain how low income households evaluate their costs and benefits to make economic decisions. This includes theories of hyperbolic discounting i.e. valuing immediate gains over future gains (Laibson, 1997) or tunnelling as a result of cognitive load, attention depletion and decision fatigue (Mullainathan and Shafir, 2013).³³ However, behaviour can be addressed as is seen through field experiments in Peru with Juntos. Karlan (2010)³⁴ through field experiments in Peru, Bolivia and the Philippines, found that reminders to save increased the likelihood that the account holder would reach his/her savings goal by 3 per cent and increased the total amount participants saved in the bank by 6 per cent. In fact, research also shows that people may even be willing to save, if it means the convenience of paying at their doorstep. This shows up repeatedly in the work of Rutherford with Safesave, as well as by Karlan and Yin (2005)³⁵ in an experiment in the Phillipines.

³³ Mullainathan, S., and Shafir, E. 2013. *Scarcity: Why having too little means so much*

³⁴ NBER WORKING PAPER SERIES [Getting to the Top of Mind: How Reminders Increase Saving](#). Last accessed: December 02, 2015

³⁵ Ashraf, N., D. Karlan, and W. Yin. 2005, “Deposit Collectors,” Yale University Working Paper No. 930

Based on a literature review, some basic design principles should be kept in mind while designing products for low income households, which are listed here.

Principle 1:³⁶ Low income households need to save small, variable amounts whenever they have money (i.e. keeps in mind their erratic cash flows).

Principle 2:³⁷ Low income households are often willing to pay to have their deposits collected, even when they have an overall negative return. Principal protection seems more important than inflation adjusted returns.

Principle 3:³⁸ Low income households value a rhythm to the collection. Even on days that they do not pay the collection agent, it is important to meet the household and remind them. This also helps build trust in the agent.

Principle 4: Low income households need different savings products (wallets) for planned vs. unplanned expenses. For planned expenses (events like marriages, etc), “hard to access” seems to be valued. While for unplanned expenses, immediate access is critical.

³⁶ Rutherford, S. 1999, *The poor and their money*

³⁷ Ibid.

³⁸ Ibid.

Principle 5: Immediate use of a product increases uptake and usage over time. To overcome delays, Cashpor allowed customers to use the accounts as soon as they opened, allowing KYC to be done post-facto. If the KYC was not correct/updated after a period of 45 days, the account would be frozen.

Principle 6:³⁹ Seeing progress made towards a financial goal visually can provide positive reinforcement and helps build trust on the financial service provider/their agents.

Principle 7:⁴⁰ Reminders provided at a high frequency can ensure higher usage of liability products.

Principle 8: Products must be designed so clients can save down and save through. Safe Save has interesting products that can be used as benchmarks.

Principle 9: Psychological cost of transactions can be reduced if there are well defined transaction times based on the value being withdrawn or deposited. This is particularly relevant in the case of branch based model. For example, ensuring a withdrawal of up to Rs. 5000 cannot take more than 10 minutes.

³⁹ Juntos model

⁴⁰ Juntos model

Principle 10: Incentivise both clients and front line officers appropriately for increased uptake and usage of liability products.

4. **Financial capability vs. financial literacy**

Most policies, including the PMJDY, focus on financial literacy as a means of providing information to customers. In the current implementation, one finds basic awareness of the programme lacking. If one were to assume that this can be overcome over a period of time through mandatory financial literacy programmes, it still does not address the larger issue of dormancy of accounts. Reducing financial vulnerability of low income households is possible if one also overcomes institutional barriers to use of financial products and services. This is precisely what financial capability tries to achieve over financial literacy, by enabling not just the '*ability to act*', but facilitating the '*opportunity to act*'.

Financial capability forms an important part of the FI2020 agenda and requires multiple stakeholders to take responsibility to successfully develop financially capable customers. This will allow first time entrants in the financial system to benefit from products and prevent exploitation as a result of misuse or mis-sale of financial products.

IV. Research Methodology

In a press note⁴¹ released on December 4, 2014, the Ministry of Finance claimed that the State of Madhya Pradesh had 100 per cent saturation, i.e., every unbanked household had at least one bank account as on 30 November 2014. Further, the States of Goa, Kerala, Tripura and the Union Territories of Chandigarh, Puducherry and Lakshwadeep had already covered all households under PMJDY with at least one bank account per household. In contrast, Tamil Nadu, which has one of the highest bank branch densities in India, claimed to have only 87 per cent coverage.

The scope of this study is limited to the State of Tamil Nadu for multiple reasons. The State has a fairly high bank branch density, literacy levels that are above the national average and a State government that has strong social security schemes. Given the State government's own schemes, many of which have already relied on bank account penetration, the likelihood of the PMJDY succeeding in Tamil Nadu was the highest, making it simpler to identify possible factors for success. Further, if something is not working in Tamil Nadu, with all its positive factors, the likelihood of failure in other geographies with higher barriers to access is much higher.

⁴¹ Op.cit. [Progress of Pradhan Mantri Jan-Dhan Yojana](#) Last accessed: June 30, 2015

On March 23, 2015, the State Level Banker's Committee in Tamil Nadu held a meeting where the minutes revealed that District Collectors had issued 'saturation certificates' across the State.⁴² A saturation certificate is a document that indicates that they have covered all households with bank accounts i.e. every household has at least one bank account.

Around the same date, on March 17, 2015, the Supreme Court issued an order, reiterating an earlier interim order issued on September 23, 2013 that the Aadhaar card is not compulsory and no person can be denied any benefits or suffer for not having an Aadhaar card⁴³. The Supreme Court order is of great relevance to the financial inclusion puzzle, since the lack of sufficient identity proof is considered to be one of the biggest barriers to access to banking facilities, especially for low income households. While the PMJDY programme allowed bankers to be lax about this criterion, even relying on a letter from the local authorities, it is important to assess if the absence of an identity proof created barriers to access for customers.

There are two dimensions that are important for complete financial inclusion: access and usage. Access is further determined by ease of obtaining identity proof and physical

⁴² [Minutes: State Level Bankers' Committee, Tamil Nadu](#) Last accessed: July 06, 2015

⁴³ *The Hindu*, 2015. [Don't insist on Aadhar, warns SC](#), March 17. Last accessed: December 02, 2015

access to bank branches. In order to make sure that customers selected could be mapped on a spectrum with respect to the two parameters for access, a matrix (see Fig. 1) was created that classified the 32 districts in Tamil Nadu into low and high categories with respect to Aadhaar card coverage⁴⁴ and bank branch presence.⁴⁵ The median Aadhaar card coverage as on 12 March 2015 in Tamil Nadu was 69.90 per cent,⁴⁶ while the median bank branch presence was 225. Chennai was excluded from the data set to prevent a bias since it represents an urban location and has a significantly high number of bank branches. For the purpose of constructing the matrix, a number less than the median for the State was classified 'low', while any above the median was classified as 'high'.

The combination of high/low bank branch presence and Aadhaar penetration are as follows:

1. Low bank branch presence - low Aadhaar penetration:
Tiruvannamalai district
2. High bank branch presence - low Aadhaar penetration:
Coimbatore district

⁴⁴ The Aadhaar penetration data was accessed on March 12, 2015 from www.portal.uidai.gov.in

⁴⁵ Indian Overseas Bank. n.d. [The presence of bank branches in various districts](#). State Level Banking Committee, Tamil Nadu. Last accessed: March 12, 2015.

⁴⁶ Aadhaar penetration for a district was calculated by dividing the total Aadhaar accounts by the total population of the district (Census 2011).

3. Low bank branch presence - high Aadhaar penetration:
Ariyalur district
4. High bank branch presence - high Aadhaar penetration:
Tiruchirappali district

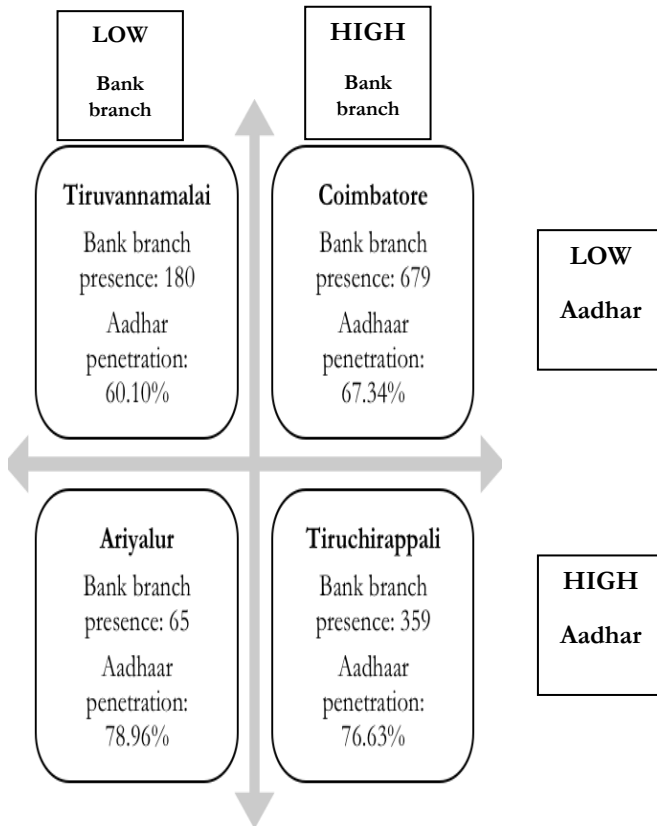


Fig. 1: Matrix to Select Districts in Tamil Nadu

PMJDY: AN ANALYSIS OF POLICY DESIGN AND IMPLEMENTATION GAPS

Within each of the districts, the block and village were selected at random from a list that was obtained from the State Level Bankers' Committee (SLBC) website that listed villages, which had a population size of over 1600 persons, along with the nearest bank branch. A set of 100 households were surveyed in each of the chosen villages, where the households were also selected randomly. The selection was restricted to villages that had a population over 1600 persons and not lower; since at lower populations, it becomes unviable from a business point of view to set up bank branches in a village. This in turn could create difficulty in accessing the bank branch due to distance, lack of frequent transport, or other reasons, and introduce a bias in the research design. The population numbers were obtained from the Census 2011 website (www.census2011.co.in). Also, using the data from the SLBC website ensured the physical presence of a bank branch in the vicinity of the village, so physical access, or the lack of it, cannot be cited as a reason for excluding households from the PMJDY. Exclusion, if it existed could therefore only be voluntary. The low density of bank branches in the district could translate into fewer visits to the bank branch, or a higher customer to bank officer ratio, but not absolute exclusion.

The choice of districts that had low and high Aadhaar penetration was also deliberate, since it would help reveal what banks use as an alternative when an Aadhaar card was not

available, and if the lack of an Aadhaar card acted as a barrier to access. Given the recent Supreme Court ruling, and the fact that the PMJDY provided relaxation in identity norms by permitting local governments to issue I.D. letters, the Aadhaar card should ideally not present a barrier to access. The villages where the surveys were conducted were as shown in Table 2 below.

Table 3: Details of Surveyed Locations⁴⁷

District	Block	Village	Population ⁴⁸
Tiruvannamalai (pilot)	Polur	Vasur	1911
Tiruvannamalai (pilot)	Polur	Venmani	1572
Tiruchirapalli	Musiri	Thumbalam	4333
Ariyalur	Udayarpalayam	Thandalai	5390
Ariyalur	Udayarpalayam	Kattathur	3928
Coimbatore	Pollachi	Thimmanguthu	2393

During the pilot study, the survey was conducted across two villages since at the time of the visit, several households were found locked. In Ariyalur district, Thandalai and Kattathur were covered for the same reason.

⁴⁷ Data downloaded from www.slbcn.com, Retrieved on March 15, 2015.

⁴⁸ Population numbers are based on Census 2011 data.

Defining the Questionnaire

The questionnaire gathered information across four sections that covered the following factors:

Section 1: Possession of a bank account (either self or family member)

Section 2: This section was administered only to account holders and gathered data on the following:

- a. Details of bank accounts
- b. Date when the account was opened
- c. Account opening related questions:
 - i. Ease of opening an account
 - ii. Reasons for opening an account
 - iii. Documents submitted
 - iv. Possession of Aadhaar card (added post pilot)
 - v. Documents submitted to get an Aadhaar card (added post pilot)
- d. Awareness of PMJDY and its features

Section 3: This section was administered to respondents who did not have access to any bank account to determine reasons for the exclusion. Awareness of the PMJDY was tested with this set as well.

Section 4: This section was administered to all respondents to determine

- a. Awareness and usage of physical banking facilities such as
 - i. Bank branch
 - ii. Business correspondents
 - iii. ATMs

The questionnaire had a set of open ended and closed ended questions. In selecting respondents, there was no attempt made to segment the customer base since the PMJDY programme aimed to provide at least one account to every household. Further, since the villages selected had a population less than 6,000 persons, it was assumed that these should have had priority in the roll out of the programme. Also, the official website of the PMJDY showed 100 per cent saturation, and from a research point of view, the question to be answered thus was, 'Was the assertion made about 100 per cent coverage, in fact real?'

The primary data collection technique used was the questionnaire that was administered to 68⁴⁹ households in the district of Tiruvannamalai, during the pilot and refined before being administered to 300 households across three districts in

⁴⁹ 70 households were surveyed in all, but 2 households were disqualified since the person possessing the account was not at home, and the respondent did not provide any answers in other sections of the questionnaire

PMJDY: AN ANALYSIS OF POLICY DESIGN AND IMPLEMENTATION GAPS

Tamil Nadu. Besides this, unstructured conversations were held with three bankers, who requested anonymity. This was mainly to understand implementation and challenges from a qualitative standpoint and refine questions in the questionnaire. In the villages where surveys were conducted, similar unstructured conversations were conducted with respondents, to gather information on the local context and add to the richness of data that the questionnaire captured. Data from these conversations was noted down and not voice recorded since several of these conversations took place informally at tea stalls, or while conducting the survey with surveyors. Unstructured interviews were also conducted with two Business Correspondents who happened to be visiting one of the villages at the time that the survey was being conducted.

While conducting the survey, it was ensured that respondents did not live right next door to each other. Further, no two respondents belonged to the same household. In case houses were found locked, the surveyors went to the next house where respondents were available. Therefore, the survey did not focus on any particular community or location within a village.

Since the survey focused on the customer's view point, it was not thought necessary to interview Lead District Managers in any of these districts. The State Level Bankers' Committee is headed by the Indian Overseas Bank, and an attempt was made

at the start of the research study to meet the officials and understand how they had issued the saturation certificates, methodology used for the survey, etc. I was told that the bank officials were busy and to send an email with questions. The email received a short response to every query raised, while follow up emails sent in April and May, requesting for a meeting did not receive any response. All minutes of the SLBC meetings are available on the official website and have been accessed for information, wherever relevant.

V. Analysis and Learning from the Pilot

The questionnaire was piloted in Tiruvannamalai district in Tamil Nadu which is considered to be industrially backward and has relatively low bank branch presence as well as Aadhaar penetration. Of the total of 68 respondents from the Polur Taluk, 46 respondents belonged to Venmani village, while 22 resided in Vasur village. Slightly over half (54.41 per cent) of the respondents surveyed, during this phase, stated that they worked in agriculture.

62 of the 68 respondents possessed bank accounts, while only 6 of those surveyed stated that they did not have a bank account.

Households that had accounts

Awareness of PMJDY benefits

Of the 62 respondents that had accounts, only 4 had opened their accounts after the launch of the PMJDY. However, none of these respondents seemed to be aware of any camps held by banks in their local areas in the recent past. On being asked the reason for opening an account, we were told that the account was opened to avail of government benefits. Only one of these four respondents was aware of the PMJDY programme and said he had seen the PMJDY account opening form when it was shown to him, but said that his account opening form was not available in Tamil. He was also not aware of the RuPay card and

said he had heard of the programme from a bank official and had come across information on television. This respondent stated correctly that the programme offered a zero balance account with a Rs. 5,000/- over draft facility. There was confusion on the insurance facility and he stated that the programme also offered a life insurance cover of Rs. 100,000/- and did not know about the accident insurance cover.⁵⁰ This respondent also had to pay Rs. 500 as account opening charges to open his account at the bank.

None of the four respondents, who had opened accounts after the launch of the PMJDY, were aware of a Business Correspondent (BC)/Bank *Mitr* (friend) in their village, and also were not aware that a bank account could be opened by a BC. 3 out of the 4 people said that there was no ATM in the village itself, and had never used an ATM before.

Of the 62 respondents, who had opened their bank accounts before the launch of the PMJDY, close to half had opened the account to “avail of government benefits”. None of the respondents had ever heard of a RuPay card and only eight of the 62 respondents had heard about the PMJDY. Of the eight persons, three had seen an advertisement on television, two had

⁵⁰ In reality, the programme offers a life insurance cover of Rs. 30,000 and an accident insurance of Rs. 100,000.

heard from friends, while the remaining had heard about the programme at the local bank branch.

Responses to the benefits of a PMJDY account varied considerably, even amongst the eight who had heard of it. Four of the 8 respondents said it was a zero balance account and did not know about any of the other benefits. One person mentioned life insurance alone, while another respondent mentioned life and accident insurance. The remaining three mentioned combinations of the zero balance account with the overdraft, insurance and/or pension. There was a lot of confusion about the amounts that were available as overdraft or insurance and almost all of these respondents expressed a lack of awareness, or guessed incorrectly. Other than one person, every one of these 8 respondents was aware of ATM facilities and used the facility.

Low awareness and uptake

Given that awareness of the programme features was low, even during the pilot, one can imagine that uptake of the programme would be low. Earlier in the paper, I make a reference to the inherent power distance in the delivery of financial services. The unwillingness to provide complete information, or ensuring that the intended beneficiary understands what is due to him/her can also be a way to make the power distance persist. Policy makers must take a closer look at this as an important implementation challenge and think of ways to overcome this

barrier. This could be through an elaborate change management system that looks to shift the culture within financial institutions, which includes customer empowerment initiatives and rethinking incentives.

Barriers to banking

A small set of people (seven of the 68 respondents), had faced issues when they tried to open an account. The most cited issue was repeated visits to the bank branch. An interesting insight was that people, who had opened their accounts under the previous MNREGS, had found the account opening easier since their contractor usually dealt with the bank, and not the

Velu's case

During the pilot, one of the respondents, Velu, who did not have any account was interviewed at length and said that he had migrated from a neighbouring village since his wife's family lived here. Neither Velu nor his wife had an identity proof, which was acting as a barrier to accessing a bank account. On being asked why they had not applied for an Aadhaar card, Velu responded by saying they had tried, but were asked for proof of identity and address proof even for getting the Aadhaar card issued. In the absence of any of these documents, Velu felt that he would never be able to open a bank account.

While this was an isolated case where the absence of identity proof was a barrier to opening the account, the incident points to the lack of ease in obtaining identity proof, and the current state of ambiguity between the judiciary and financial institutions regarding Aadhaar, which has to be accounted for, if we are to ensure financial inclusion for all.

individuals themselves. Slightly less than half of the respondents (45.6 per cent) stated that they had to pay to get their accounts opened.

Based on the interaction with the respondents in the pilot, a few questions were added to the pilot study.

- a) Respondents were asked if they possessed an Aadhaar card.
- b) Respondents were also asked what documents they needed to submit to get their Aadhaar card.
- c) Respondents were also asked if they had been asked to pay to open their bank accounts, and if so, how much.

VI. Evidence from the Survey

A total of 100 households were surveyed in each of Tiruchirapalli, Coimbatore and Ariyalur taking the total to 300 households surveyed after the pilot phase. Including the 68 households in the pilot, a total of 368 households were surveyed across 4 districts in Tamil Nadu. In this section, a detailed analysis of the various sections of the questionnaire is presented

Occupational Analysis

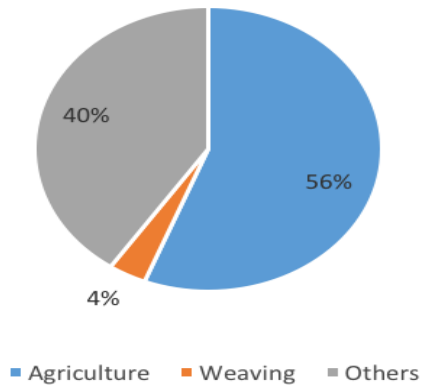


Fig. 2: Split of Occupations across 368 respondents

More than half of the population surveyed was engaged in agriculture, while about 4 per cent of those surveyed were involved in weaving. The category of ‘others’ referred to largely service based professions such as teaching or bus driving. The

involvement in professions such as agriculture and weaving, which are seasonal in nature, meant that these respondents were also MGNREGA beneficiaries, which was observed in their responses.

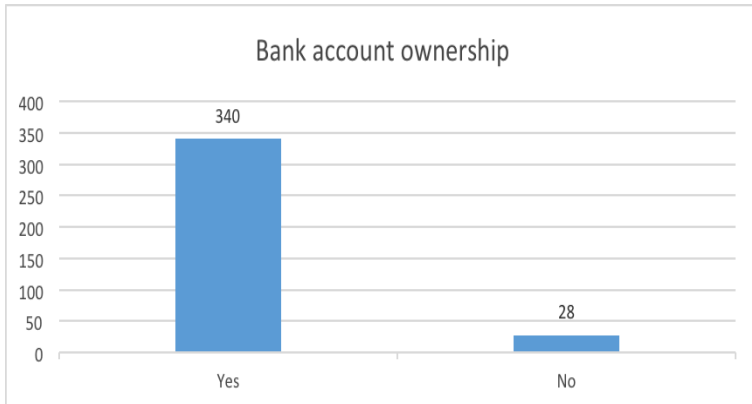


Fig. 3: Bank account ownership

Next, respondents were asked if they had a bank account. About 92 per cent of the respondents said that they had a bank account, while the remaining did not.

“I don’t have an account”

Of the 28 respondents that stated that they did not have bank accounts, when asked for reasons, several emerged. Respondents were allowed to provide more than one reason to this question, which was posed with multiple options, along with the option of an open ended response, if they wished.

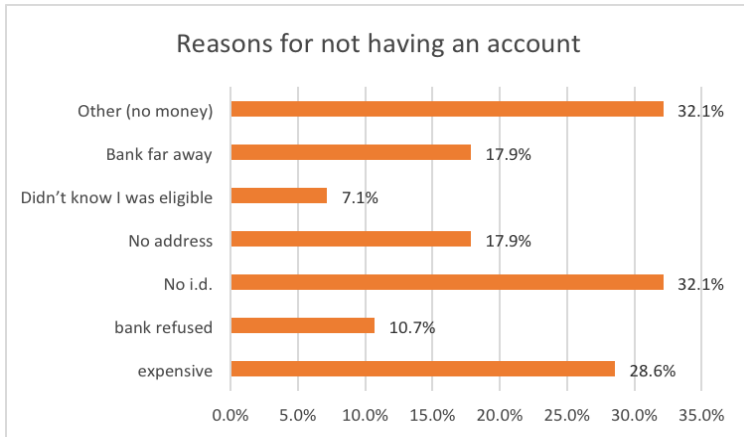


Fig. 4: Reasons for not having a bank account

- 60.7 per cent of the answers pointed to the feeling that opening an account was expensive or that they did not have the money.
- A further 7.1 per cent did not even know that they were eligible to possess an account indicating the level of disempowerment amongst customers.
- 60.7 per cent of the customers, who did not have an account, had tried to open an account at some point, but had been explicitly turned down by the branch and/or informed that they lacked the requisite address and/or proof of identity.
- 17.9 per cent of the customers did not possess an account for the distance and the inconvenience it posed.

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- Seven per cent of the financially excluded respondents, were aware of the PMJDY and had either seen the advertisement on television or heard from other sources.

One respondent, who had seen the advertisement on television said he did not have an account because he was too poor to have one, but had visited the local bank branch to ask for a PMJDY account. On being asked why his account was not opened even after his visit, he said he never got a response from the local bank branch. The remaining 93 per cent of the respondents, who did not possess an account had never even heard of the PMJDY programme.

The feeling of disempowerment, or the high psychological costs due to lack of documents or distance to the bank branch, are not uncommon in previous cases of exclusion. Given the recurring pattern, policy makers must begin to address these challenges which will, otherwise, continue to act as barriers to access.

Account related

Respondents that had accounts were asked which banks they maintained these accounts with. Of the 368 households, 22 held accounts with multiple banks. The spread of accounts across various banks is as follows.

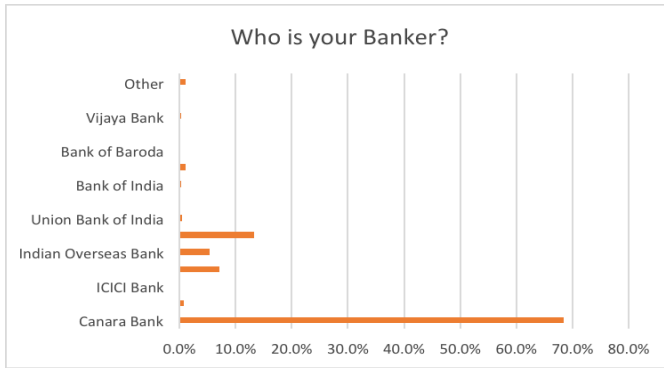


Fig. 5: Who is your Banker?

Close to 70 per cent of the accounts held by respondents were opened at Canara Bank. While Canara Bank is the lead bank for Coimbatore district, the popularity of the bank in other districts as well, is striking. Of the 339 respondents who said they had at least one account, 252 had an account with Canara Bank. The distribution of Canara Bank account holders across the four districts is shown in Figure 6 below.

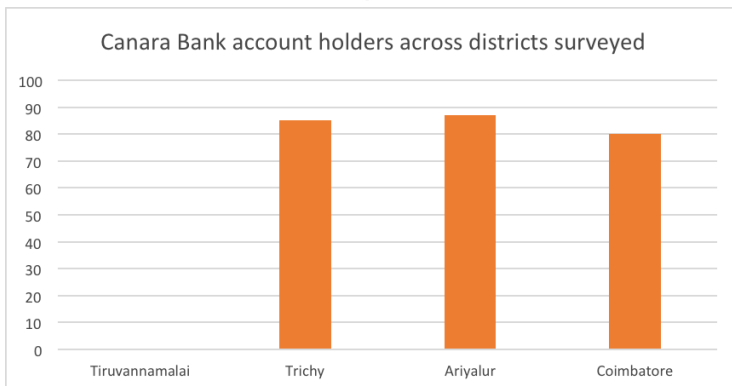


Fig.6: Canara Bank Account Holders in Surveyed Districts

The data show that of the respondents who possessed accounts, over 80 per cent of them, (excluding Tiruvannamalai district), had accounts in Canara Bank. In Tiruvannamalai district, Canara Bank was not present in proximity of the villages surveyed. The data is interesting because it indicates that in areas where Canara Bank has a presence, they seem to have a higher penetration amongst bank account holders. Second, it should be pointed out that Canara Bank is the Lead Bank⁵¹ only for Coimbatore district.⁵² However, even in districts that have other lead banks, Canara Bank seems to have achieved higher penetration amongst account holders.

Customer experience with Canara Bank indicates that not all banks that implemented the PMJDY can be assessed in the same manner. The success of implementation of the programme relies heavily on the interest taken by the local bankers and the importance given to meeting actual financial inclusion targets as opposed to mere reporting.

Canara Bank has also been quoted as being the leader of the Financial Inclusion implementation plan on the PMJDY website.⁵³ Besides the location of the bank branches in remote,

⁵¹ [Details of Lead Banks for Tamil Nadu](#) Last accessed: July 05, 2015.

⁵² *Lead Banks came into existence for districts after the Gadgil Study Group submitted a report to the Reserve Bank of India in 1969. These guidelines were reviewed in 2009.* [RBI Master Circular – Lead Bank Scheme](#) Last accessed: July 05, 2015.

⁵³ *Canara Bank, Financial Inclusion Division* [Operationalising Zero Balance Accounts](#) Last accessed: September 21, 2015

rural geographies where there was no other bank branch presence, Canara Bank seems to have taken a number of steps to ensure that the culture of the bank is welcoming. Respondents who banked at Canara Bank explained that the branch manager was helpful and approachable. The Bank Mitras also seemed more aware of the PMJDY programme and shared cordial relations with customers in the villages they visited. An analysis of secondary data sources⁵⁴ indicates that Canara Bank has been focusing on rural development in multiple ways since 1982, as result of which the achievement of the PMJDY targets was a result of long drawn out efforts. For most other banks, the programme, however seemed to force a change in approach. While the study of the difference in culture between banks is outside the scope of this study, this particular aspect must be studied at length and learnings from the experience captured for other banks to follow suit. The list of lead banks in the four districts that were included in this survey are provided in Table 4 below.

⁵⁴ *Canara Bank Corporate Social Responsibility* [Canara Bank Centenary Rural Development Trust \(Cbcrd Trust\)](#) Last accessed: December 02,2015.

Table 4: List of Districts Included in the Survey and Associated Lead Banks

District	Lead bank	Number of branches of the associated lead bank across TN ⁵⁵
Tiruvannamalai	Indian Bank	932/9,214 branches
Tiruchirapalli	Indian Overseas Bank	1,153/9,214 branches
Ariyalur	State Bank of India	940/9,214 branches
Coimbatore	Canara Bank	812/9,214 branches

Source: [Website of the State Level Banker's Committee](#)

The last column in Table 4 above indicates the total number of branches of that bank across Tamil Nadu expressed as a fraction of the total number of bank branches in the State. This data point is particularly interesting for analysis, since it shows that the number of bank branches does not necessarily translate into better financial inclusion efforts. Indian Overseas Bank, followed by the State Bank of India, have the highest number of bank branches in Tamil Nadu. However, Canara Bank seems to perform better at financial inclusion in terms of customer experience. Indian Overseas Bank is the Lead Bank for Tamil Nadu, and should ideally have led the initiative. This data raises questions on the Lead Bank structure, and what that means for financial inclusion.

⁵⁵ [State Level Banker's Committee](#) Last accessed: July 05, 2015.

Amongst account holders, about 88 per cent had opened their accounts at a time that pre-dated the announcement of the PMJDY programme. Only about 12 per cent of account holders had opened their accounts after August 15, 2014 i.e. the date of announcement of the PMJDY. In the first few months after the launch of the PMJDY, banks had organised camps to facilitate account opening. One should note that none of the respondents who had opened their account after August 15, 2014 had done so at one of these camps.

A total of five respondents said that they had heard of a new scheme, but only one of them was aware of the PMJDY and said she had seen the advertisement on television and had also heard from the local banker. The one benefit that she was clear about that the PMJDY account provided was access to life insurance and personal accident insurance. She was not sure about the over-draft facility or the insurance amounts involved. Further, about 40 per cent of the respondents had opened their account to avail of either the LPG subsidy or some government benefit.⁵⁶ Further, across all four locations surveyed, other than three respondents, everyone else had been charged amounts varying from Rs. 100 to Rs. 1000/- to open the bank account. Only two of the 42 respondents, who had opened their accounts after August 15, 2014, had seen and recognised the

⁵⁶ The interpretation of government benefit here refers to benefits provided by either the State government or the Central government. There was no attempt made to differentiate between the two.

PMJDY account opening form, while seven of the same 42 respondents were aware of the PMJDY programme. Further, only one of these respondents had heard about the programme from the local bank branch.

Respondents were also asked what documents had to be submitted at the time of opening their account. After the pilot, an additional question was added that checked if the household had an Aadhaar card, to assess if lack of possession of the Aadhaar card posed problems in inclusion.

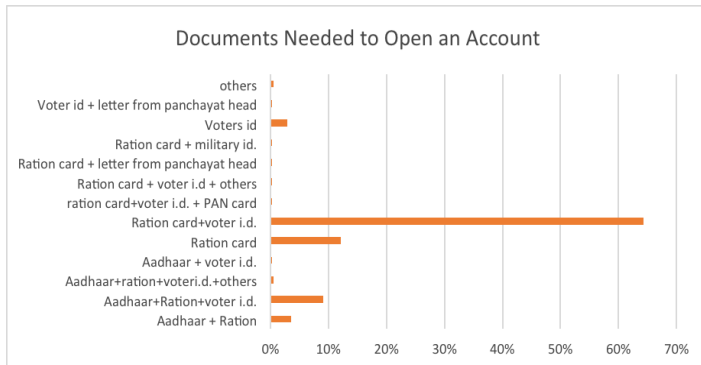


Fig. 7: Documents Needed to Open an Account

The most commonly cited documents to open an account were a ration card and voter ID.

Of the respondents that had accounts, the respondents from the pilot were excluded for this section of the analysis. For the remaining locations, two additional questions were added to

understand how many people had an Aadhaar card and what documents had to be submitted to get the card.

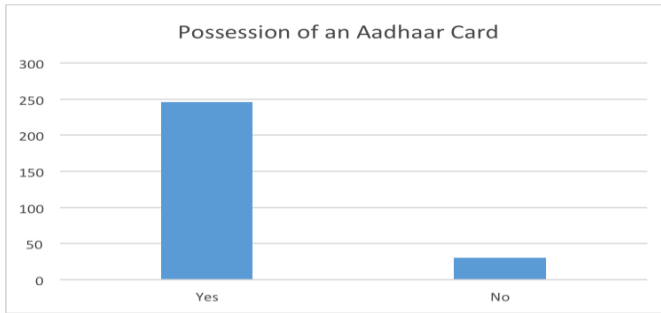


Fig. 8: Possession of an Aadhaar Card

Of the respondents who did not possess an Aadhaar card, 60 per cent belonged to Tiruchirapalli, 17 per cent belonged to Ariyalur, while 23 per cent were from Coimbatore.

One of the parameters used to select the geographies for this study, as outlined earlier in this paper, was the official Aadhaar penetration numbers. According to the official figures, Tiruchirapalli showed 76.63 per cent penetration, Ariyalur had 78.96 per cent penetration while Coimbatore had 67.34 per cent Aadhaar penetration. The assumption was that the absence of an Aadhaar card could pose a barrier to banking. The numbers and the lack of correlation between Aadhaar card holders and account holders indicates that the Aadhaar card does not present a barrier to banking in most cases, since households had voter i.d. and ration cards. However, the Aadhaar card, being a unique i.d. could have prevented the same person from opening multiple PMJDY accounts across various

bank branches to avail of benefits. Since Aadhaar coverage is not absolute and it cannot be mandatory to have an Aadhaar card, bankers today have no way of tracking duplicate PMJDY accounts. Therefore, while the number of PMJDY accounts might be large, it does not translate into one for every household. This is an important statistic and the policy designers must remember that the excluded households from the PMJDY are possibly the most vulnerable and the ones that needed the benefits.

Overall Awareness and Experience of the PMJDY Programme

In order to assess knowledge of the PMJDY programme and customer's experiences, the questionnaire had a set of questions to test awareness of:

- a) Camps held by banks
- b) Problems faced in opening bank accounts
- c) Payment demanded, if any, to open accounts
- d) PMJDY account opening form, along with any recognition of having seen the form
- e) PMJDY programme and various sources of information
- f) RuPay Card

Awareness of camps held by banks was rather low and only about 10 per cent of respondents knew of such initiatives. Respondents were, however, encouraged to choose multiple

answers, if they were aware of more than one bank conducting such camps.

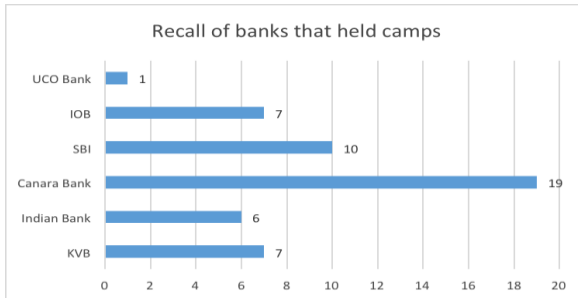


Fig. 9: Recall of Banks that had Conducted Camps to Open Accounts

As seen from the Figure 9, recall about camps held by Canara Bank was the highest. Further, this recall came from across all four locations where the survey was conducted.

Thirty of the 368 respondents did not provide a response when asked if they had faced any problems in opening accounts. Of the remaining 338 who did provide a response, 330 stated that they did not have any problems. Only 8 persons said that they faced issues of any kind. While this seems like a number that is significantly low compared to previous research studies (Mowl and Boudot, 2014), which cited that in more than half (55 per cent) of the bank branches visited, customers faced challenges,⁵⁷ this data point should be seen in conjunction with others. For

⁵⁷ Mowl, A., and Boudot, C. (2014). Barriers to Basic Banking: Results from an Audit Study in South India. *NSE Working Paper Series No. WP-2014-1*.

instance, the low awareness levels of the PMJDY suggests that either bankers did not make an effort to inform customers about the campaign or did so in a manner that was complex or prevented customers from seeing the relevance of this account to their lives.

A further insight is available when one looks at responses to the next question that checked if the respondents had been asked to pay anything while opening the account. Again, 28 of the total 368 respondents preferred not to respond to the question. However, of the 340 who did provide a response, 302 said they were asked to pay, while only 38 said they did not have to pay anything. The amounts paid ranged from Rs. 100 to Rs. 1,000.

In their research, both Mowl and Boudot⁵⁸ refer to verbal and written communication made by banks where account opening forms and marketing collateral provided by banks were not provided to the customers, despite indicating that they did not know to read or write in English. As a part of the survey, we showed an account opening form that was downloaded from the official PMJDY website, which was in English to check if people could recognise the logo at the very least. Of the 368 respondents, 28 did not provide any response when asked if they had seen the form. The surveyors were asked to leave the response column blank in such a case, since we interpreted this as the respondents being unsure or unable to recall the

⁵⁸ *ibid.*

programme. About 86 per cent of the respondents said that they had not seen the form, while 6 per cent showed recognition. Of the respondents who said they did not recognise the form, about 11 per cent said they had heard of the programme.

In various unstructured interviews with customers who had accounts, we asked about information that had been provided by the bank. This was usually a passbook, with instructions written in English again. Even customers, who held accounts, were not clear on the features of their account and as a result ended up paying charges that can be significant for a low income household. For instance, they were not aware that withdrawing from an ATM other than their bank's ATM more than five times can attract a charge. In several instances, the ATM that was available in the village did not belong to the bank that they had an account

Rani got her account opened and thought she had a zero balance account. Her account was opened more than two years ago, and she visits the bank branch rarely. She said that on the few occasions she had to visit the branch, her whole day would get wasted since she had to wait for a long time. She had deposited Rs. 1,000 in her account to save for some household expenses. When she visited the branch the last time to get her passbook updated, she saw that her account had seen a debit of Rs. 112 every month, leaving very little money in her account. She tried asking the banker and they explained it as "bank charges" because she had not maintained an Average Quarterly Balance (AQB) of Rs. 5,000. Rani thought she had a zero balance account, but was in fact holder of a Rs. 5,000 account on which she was paying high bank charges for no fault of hers.

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with, so such charges were fairly common. Since this was discovered in the pilot phase, an additional statement was added when checking on people's perception of ATMs to check if they knew about charges that were payable when they withdrew money from an ATM other than their own bank's ATM. It was also interesting to note that the words "Pradhan Mantri Jan Dhan Yojana" are Hindi words and people in rural Tamil Nadu were not familiar with these terms, which possibly contributed to the low awareness. In 2 locations that were being surveyed, we also met Business Correspondents who were doing their rounds. While we checked if people were familiar with 'Business Correspondents' or 'Bank *Mitr*' (*friend*), responses indicated a low awareness. We realised that Business Correspondents are perceived as bankers by customers.

This is important for banks to realise and ensure that the Business Correspondents they engage are well versed with the products they deliver, since they are, in effect, brand ambassadors.

Even the Business Correspondents were unable to say the words 'Jan Dhan Yojana', instead referring to it as 'Jal Dhal' or 'Jal Dhan' or some variation of this. The phrase 'Modi account' drew some recognition, but they were both unclear about the features and assured us that it is the same as a No-Frills Account. Neither had seen a PMJDY account opening form, but had conducted a survey to check if households in the village had an account. At this point, both displayed nervousness and asked us repeatedly if they would be "penalised" for providing

any response to us. They also assured us that they had been operating in the area for years and “everyone in the area had an account”. When we said we had found some people who did not have accounts, the explanation was that they were possibly “migrants” and possibly did not have identity proof.

Awareness of the PMJDY account

In order to assess awareness of the PMJDY programme and its features, both account holders as well as non-account holders were asked the same set of questions. Respondents were asked if they were aware of the PMJDY account, sources of information of the account, specific account features (to check if they knew of the various benefits the account provided in addition to offering a savings account), specific benefits i.e. amount of overdraft, amount of life insurance, personal accident insurance, eligibility for loan (if any). The question about the overdraft and loan were asked separately to check on customer perception of the two facilities.

Additionally, those respondents that did not hold any bank account were asked if they had asked for an account under the PMJDY, who they had asked and why their account was not opened.

A total of 339 of the 368 respondents possessed accounts at the time of conducting the survey.

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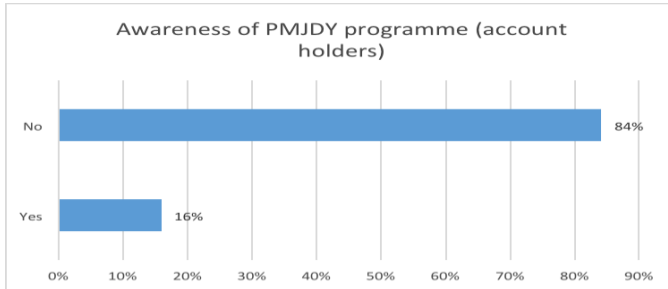


Fig. 10: Awareness of the PMJDY Programme Amongst Existing Account Holders

Only 16 per cent of existing account holders had heard about the PMJDY programme while 84 per cent said that they had never heard about it. The awareness was even lower amongst respondents that did not hold any account with a bank. Only 7 per cent of the respondents that did not hold accounts said that they had heard about the PMJDY programme, while 93 per cent said that they had never heard about it.

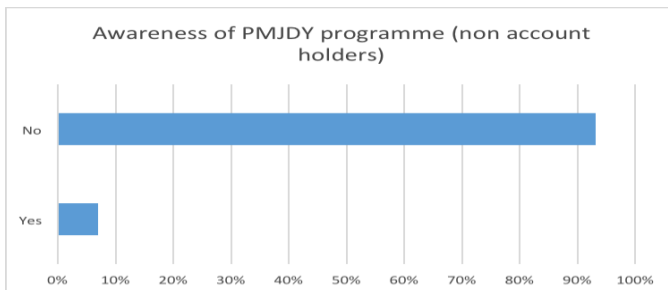
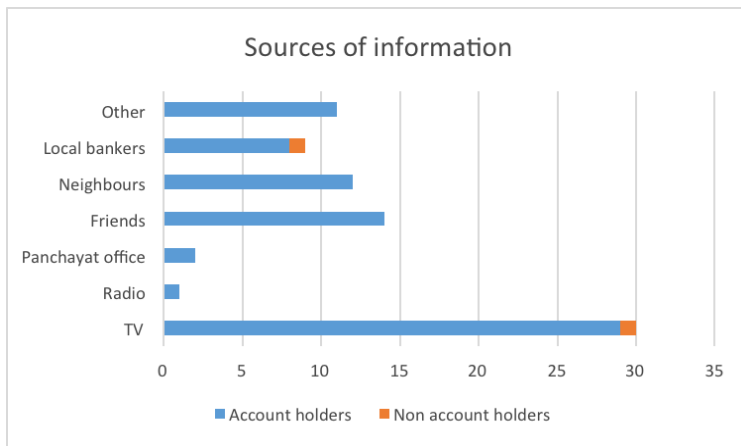


Fig. 11: Awareness of the PMJDY Programme Amongst Non-Account Holders

The SLBC in Tamil Nadu has claimed 100 per cent success having issued saturation certificates in all districts. The issue of the certificate indicates that all households in every district has at least one member who has a bank account. The respondent data, on the other hand, indicates low awareness of the programme and clearly has a small number that do not have any bank accounts. Since these are the households that would benefit the most from a PMJDY programme, one should reconsider the success that the SLBC has been only far too quick to own.



**Fig. 12: Sources of Information
(Account Holders and Non-account Holders)**

The respondents, who did not possess any bank account but were aware of a PMJDY account, were also asked if they had tried to open a PMJDY account, and why they did not eventually get the account opened. One of the respondents did

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not specifically ask for a PMJDY account since he thought he would not be able to meet the minimum balance requirements, although he was not clear on what the minimum balance would be. The other respondent, from Ariyalur, had enquired at the local bank branch, but did not get any response from the banker.

Existing account holders were asked about the benefits that the PMJDY account offers, to understand if they saw any differences. If they did see vast benefits, then it would make sense for a large number of people that currently have a basic savings account to ask for a PMJDY account. Respondents were allowed to choose multiple options in their responses. In the data analysis, all combinations have been considered to ensure that perception of bundled benefits is not lost.

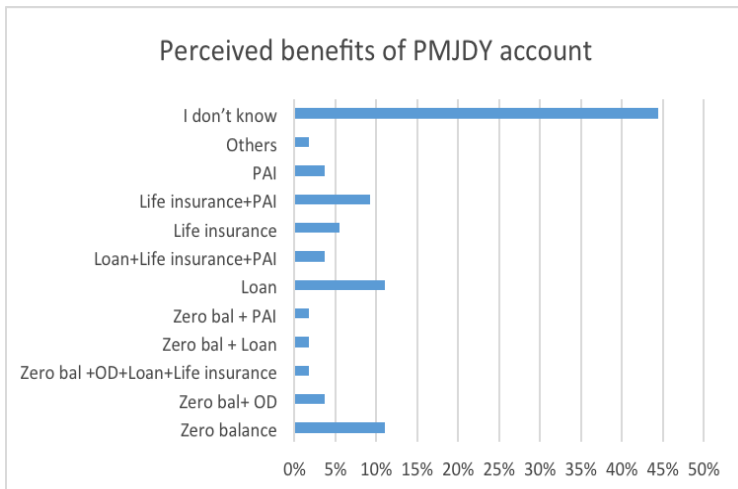


Fig. 13: Perception of PMJDY Account Benefits

Forty-four per cent of the respondents, who had accounts, said that they did not know what benefits were offered by a PMJDY account. Equal proportion of respondents thought it was a zero balance account or offered loans. About 9 per cent said that the account offered a life insurance and personal accident insurance benefit. One respondent said that the account offered access to a zero balance account along with loan, overdraft and life insurance. **Not a single respondent was able to provide the entire list of benefits correctly.** The questionnaire also posed questions on the amount of benefit available, but respondents either guessed or said they did not know the answer.

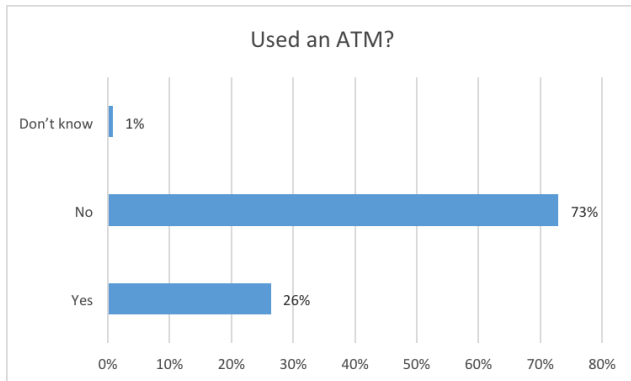
In the last section of the questionnaire that was administered to all 368 respondents, questions were posed to test access to 3 channels for financial inclusion i.e. the Business Correspondent, local bank branch and ATM.

When asked if there was a Business Correspondent near their home, about 83 per cent of the respondents replied in the negative. However, during the survey, we met two Business Correspondents (BCs) and realised that customers perceive the BCs as 'bankers' and therefore the BC related questions and their responses have been disregarded in this study.

Respondents were asked how frequently they visited a branch to determine if the accounts they held were dormant or not. More

than half (55 per cent) of the respondents visited the bank branch once a month. About 26 per cent visited the bank branch only once a year, while 8 per cent never visited the branch.

Given the importance of a RuPay card in the success of the PMJDY, the last set of questions that were asked were to assess familiarity with using an ATM and reactions to statements regarding ATMs.



**Fig. 14: Response to the question
“have you ever used an ATM?”**

The small percentage of respondents who said they did not know said ‘I don’t know what an ATM is’

Respondents were also asked to state “true or false” to a set of statements that were read out to them i.e.:

a) You can withdraw money from your account at an ATM

- b) You have to pay interest on the money you withdraw at an ATM
- c) You have to pay charges for the money you withdraw from another bank’s ATM, but you can withdraw for free from your own bank’s ATM (this was added after the pilot when we realised that respondents did not understand the charges they were paying to transact at ATMs)
- d) I can only use an ATM during bank hours

In some cases, respondents said they did not know or refused to answer to a specific statement saying they didn’t know these things. All of these have been classified as “don’t know” for the purpose of the analysis. Since statement c) was not part of the pilot questionnaire, for the purpose of analysis, while calculating the percentage of respondents, the 68 respondents from the pilot were excluded.

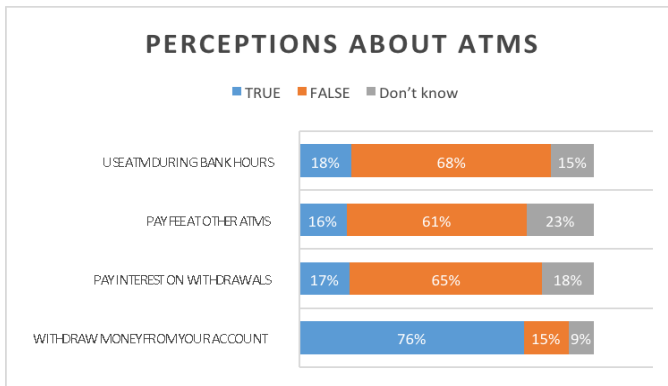


Fig. 15: Perceptions about ATMs

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The successful implementation of the PMJDY depends on the use of the RuPay Card that accompanies each account. However, unless the multiple myths surrounding the use of ATMs are addressed, the RuPay card may remain unutilised.

VII. The Way Forward

Just over a year since the launch of the PMJDY, SLBCs across most States have been claiming a 100 per cent saturation across districts. As with any large scale programme, implementation challenges are inevitable and the audit of 368 respondents across 4 districts in Tamil Nadu throws light on some of these. The challenge is not that there exist implementation gaps, but that there has been a self-laudatory tone adopted by the policy makers, government and banks in a short span. Any programme of this scale can only be achieved by continuous titration based on field insights, and a year is far too short for any refining of processes or implementation.

If indeed the government is serious about financial inclusion, it must accept that it is a long term goal and only laying strong foundations can help achieve the vision inherent in the programme design. Second, approaching the agenda of financial inclusion with a stick approach and forcing bankers to achieve strict targets cannot translate into inclusive growth. If anything, this forces bankers to take short cuts and report results that would allow them an escape from reporting any further on the programme. One must accept that there is a strong economic rationale for inclusive growth that extends beyond the limited agenda of the elected government to show short-term results.

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The Reserve Bank of India recognises this and has taken several steps to make sure financial inclusion is a key focus area. Banks should be made aware by the Reserve Bank, of their role in achieving this vision, and not expected to achieve quick results for the current government, that mean little to low income households. Lastly, most banks, having declared their achievements have taken down their PMJDY banners at their branches. In fact, with the recent launch of small finance banks, there is a tremendous opportunity to use a government backed programme like the PMJDY to achieve financial inclusion. Hopefully, this time with better incentives and implementation in order.

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