

POLICY INDUCED FINANCIAL INCLUSION: A CASE OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY) IN UTTAR PRADESH

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ABSTRACT

This paper provides insights into the level of financial inclusion after implementation of PMJDY at the district and village level, in terms of level of utilisation of Basic Savings Bank Deposit account, use of RuPay debit cards and incidence of zero balance in Unnao district of Uttar Pradesh. It also describes the functioning of Financial Literacy Centres (FLCs) and issues/challenges faced in the process of implementation of the Scheme. Overall, it may be said that PMJDY has served the purpose of financial inclusion to a great extent as it has ensured opening of bank accounts of all the households in the study area. However, concerted efforts are needed to address the issues relating to Information and Communication Technology (ICT) in banks, Business Correspondents (BCs) and Financial Literacy Centers (FLCs) so that the tempo gained thus far is sustained and the goal of comprehensive financial inclusion is reached in near future.

Keywords: PMJDY, Basic Savings Bank Deposit Account, RuPay Debit Cards, Financial Literacy Centers.

Introduction

A beginning towards financial inclusion in India was made with formation of cooperative societies of farmers in early years of 20th century. After independence, the country has adopted the route of banking channels to ensure inclusion of masses to the financial system. In tune with this, several initiatives were taken viz., nationalisation of banks, introduction of 'Service Area Approach', 'Directed Lending for

Priority Sectors', 'Self Help Group (SHG)– Bank Linkage Programme', opening of branches in rural areas, coverage of 'unbanked' villages, etc., were undertaken with a view to augment financial inclusion. Although all these interventions made significant contribution to the cause of financial inclusion, these could not achieve the success required to bring the excluded population within the formal financial system in a time bound manner.

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It was in this background that a need was felt to provide policy push from Government of India to accelerate the pace of the process of financial inclusion. The Pradhan Mantri Jan Dhan Yojana (PMJDY) was announced on 14th August, 2014 as a national programme on financial inclusion, encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The objective of PMJDY is ensuring access to various financial services through a savings deposit account with banks like access to need-based credit, remittances facility, insurance and pension, particularly to the excluded sections i.e., weaker sections and low income groups. The provision of all these services is aimed at affordable cost leveraging the use of technology.

The starting point under PMJDY is opening of a Basic Savings Bank Deposit Account (BSBDA), which provides the facility of savings and provision of a Rupay Debit-cum-Automated Teller Machine(ATM) card to operate the account with ease and

convenience at the place of choice and mode like, ATM/Point of Sale (PoS)/Micro ATM, etc. The PMJDY scheme also provided for accidental insurance cover, linked with use of debit card. All these facilities are provided free of charge and without any stipulation of any minimum deposit balances in the bank account. As the Scheme progressed, additional features viz., Overdraft (OD) facility of Rs. 5000/-, micro insurance and pension for unorganised sector were added in steps. There is an effort to 'seed' (connect) these saving bank accounts with the unique identity number named 'AADHAR'.

The progress of the Scheme thus far is remarkable as shown in Table 1:

It may be observed from Table 1 that a total of 30.84 crore accounts have been opened and 23.27 crore Rupay debit cards were issued as on 03rd January, 2018.

This paper provides insights into the level of financial inclusion after implementation of PMJDY in terms of opening of Basic Savings Bank Deposit Account, use of RuPay debit

Table 1: Progress of Pradhan Mantri Jan Dhan Yojana (as on 03.01.2018) (crores)

Banks	Number of Saving Accounts Opened			Rupay Cards Issued	Deposit (Amt.)
	Rural& Semi Urban	Urban & Metro	Total		
Public Sector Bank	13.35	11.54	24.89	18.71	57718.10
Regional Rural Bank	4.20	0.77	4.96	3.64	12353.49
Private Banks	0.60	0.39	0.99	0.92	2195.35
Total	18.15	12.70	30.84	23.27	72266.94

Source: <http://pmjdy.gov.in>.

cards and incidence of zero balance (the bank accounts without any outstanding deposit) at the district and village level. The paper follows the following outlines: After this introductory section, Section 2 describes some relevant details of Unnao district in Uttar Pradesh, where the study was conducted. Interventions under PMJDY at the State level are described in Section 3, while Section 4 deals with district level strategy and implementation of PMJDY. Field survey findings are presented in Section 5 and the analysis of FLCs, one of the pillars of PMJDY, is presented in Section 6. Various issues/challenges faced in the process of implementation of the Scheme at the district and village level are enumerated in Section 7. The final section offers some policy suggestions emanating from the analysis in the paper.

The paper is based on discussions held with officials of Regional Office (RO) of National Bank for Agriculture and Rural Development (NABARD) and the State Level Bankers' Committee (SLBC) and information collected regarding specific initiatives under PMJDY for the selected district. The discussions were also held with the Lead District Manager (LDM) and District Development Manager (DDM) of NABARD of the district concerned as also the officials of the bank branch selected, regarding steps taken for implementation of the Scheme, challenges faced and steps taken to overcome the same.

The collection of data regarding opening of bank accounts, Business Correspondent (BC)

deployment and issue of Rupay card was from the LDM office of the selected district. Field visits were undertaken to one of the bank's branch to ascertain the field level situation from the bank's point of view as also to two villages in the Sub Service Area (SSA). Interviews of villagers (39 respondents randomly selected from each village numbering a total of 78) were carried out through a semi-structured questionnaire to find out their perception and expectations from PMJDY. The field study was conducted in January-February, 2016.

Unnao District, Uttar Pradesh

Unnao district covers an area of 4558 sq. km with large part of it located in the highly fertile and densely populated upper Gangetic plain. There were 1693 villages, 3 municipalities and 15 towns in the district. The district had a population of 31.10 lakh individuals as per the 2011 census and more than 85 per cent population resides in rural areas. About 70 per cent of household were Below Poverty Line and the Schedule Castes constituted a significant portion (30 per cent). The male-female sex ratio was 53:47 and the literacy rate in the district was at only 68.29 per cent. The female literacy was lower than male literacy at 58.54 per cent. About 79 per cent of the total workforce was engaged in agriculture. The district is basically agrarian with 66 per cent of land under agriculture with good irrigation network. The power supply was erratic and inadequate. The district had more than 90 per cent of operational holdings under small and

marginal holdings. The main crops grown in the district are paddy, wheat, maize and pulses. The district is also famous for its horticultural crops of mango and guava.

Banking Network

A brief profile of banking network is shown in Table 2. The banking network in the district comprised 24 commercial banks (21 public sector commercial banks and 3 private sector commercial banks), one RRB viz., Gramin Bank of Aryavart and the District Central Cooperative Bank (DCCB) Ltd., Unnao. There were 210 branches of these banks operating in the district providing all types of banking facilities. The branches of the banks were largely located in rural and semi urban areas. However, a number of branches were concentrated in a few urban areas. 172 Primary Agriculture Credit Societies affiliated to the

DCCB were functioning in the district providing mainly agricultural credit to their members. The branches of Uttar Pradesh Sahakari Gram Vikas Bank, the long cooperative credit structure were also operating in the district.

An Urban Cooperative Bank viz., Hindustan Cooperative Bank Ltd. had also commenced its operation since March, 2015. Out of 26 banks in the district, 23 banks i.e., 22 Commercial banks and one RRB had participated in the implementation of the PMJDY. The banking scenario in the district was dominated by public sector commercial banks. Their branches had the largest presence in the district and made maximum contribution to the bank credit of the district.

The banks were generally carrying out their financial inclusion activities primarily with the help of BCs. The BCs/Customers

Table 2: Banking Network in Unnao District, Uttar Pradesh (As on 31st March, 2015)

S. No.	Banks	No. of Banks	Total Branches	Of which		
				Rural	Semi-urban	Urban
1	Commercial banks, of which	24	134	75	31	28
	Public sector (including State Bank of India and its associates)	21	126	74	27	25
	Private sector banks	3	8	1	4	3
2	Regional Rural Bank (RRB)- Gramin Bank of Aryavart	1	57	51	5	1
3	District Central Coop. Bank (DCCB)	1	19	13	4	2
	All banks	26	210	139	40	31

Source: LDM Office, Unnao District.

Service Points (CSPs) were permitted to open individual accounts, accept deposits and allow withdrawal to a certain limit. These BCs had a fixed point of service in the identified village during scheduled hours. The BCs were engaged by nine public sector banks and a RRB in the district. The banks had also installed ATMs at branches to facilitate withdrawal. RRB and DCCB had no ATMs in the district. The position of BCs and ATMs in the district is shown in Table 3.

Adequate power supply and reliable telecom connectivity were crucial for operations of the bank. Many villages were not electrified. The power supply was inadequate and erratic, particularly in villages. The electricity connection was not available to all the branches in rural areas and 23 RRB branches (out of total 57 branches) were operating upon solar power solely. Even in case of branches having electricity connection, the availability

of power was both erratic and scanty. All the branches sourcing their power from electricity connection had made alternative arrangement of power supply through diesel generator set. The telecom connectivity was generally secured through dedicated leased line connection. However, the same was not feasible in the entire district. As such, many branches did not have efficient and reliable telecom connectivity as they were using Very Small Aperture Terminal (VSAT) technology for branch operations. The error rate was quite common in the use of this technology and it was not very effective during rainy conditions.

Initiatives at State Level, Uttar Pradesh

Government of Uttar Pradesh in August, 2014 advised the Divisional Commissioners and District Magistrates communicating the target of opening of at least one Basic Bank Account for all households. The State

**Table 3: Number of BCs and ATMs in Banks in Unnao District (U.P.)-
(As on 31st March, 2015)**

S.No.	Banks	Banks	Total branches	ATMs	BC/CSP
1	Commercial banks, of which	24	134	134	175
	Public sector (including SBI and its associates)	3	126	126	175
	Private sector banks	21	8	8	0
2	Regional Rural Bank	1	57	0	200
3	District Central Coop. Bank	1	19	0	0
	All Banks	26	210	134	375

Source: LDM Office, Unnao district.

government's intention was to make available the benefits of government schemes directly. They were also advised to ensure constitution of a District Level Implementation Committee (DLIC) under the chairmanship of District Magistrates for proper monitoring. The State government also offered the services of their field level officials to the banks for conducting household surveys on payment basis.

A dedicated contact centre with toll free number for PMJDY was set-up by SLBC in Uttar Pradesh. SLBC also printed a pamphlet for creating awareness for the same and all the banks were advised to give wide publicity to the same through their branches, ATMs, etc.

In order to ensure wide publicity of the scheme and secure involvement of all stakeholders, the SLBC, Uttar Pradesh (Convener Bank-Bank of Baroda) organised a State-level programme at Lucknow on 28th August, 2014. Besides, the Chief Minister of the State, all Heads of controlling offices of banks and senior government officials were invited for the programme. SLBC also advised the Lead Banks in the State to organise similar programmes and in particular, secure organising of enrolment camps of Unique Identification Authority of India (UIDAI) for the benefit of people. The State government was actively involved in the implementation of the programme and constituted a 'State Level Implementation Committee' with a view to review the progress and ensure speedy solution to field-level issues in implementation

of the scheme. The Committee was headed by Principal Secretary, Department of Institutional Finance, Government of Uttar Pradesh and had representatives from various government departments, Reserve Bank of India, NABARD, banks and insurance companies. The Committee held its meeting periodically, which was also attended by senior officials of Ministry of Finance, Government of India. The implementation of the scheme in the State was reviewed periodically both at the State level as well as by Government of India.

Government of India reviewed the progress under the scheme from time to time and such review meeting were conducted from September, 2014 to January, 2015. The action points, emerging out of these meetings included opening of bank accounts, issue of Rupay debit cards, reallocation of urban wards so as to include private bank in the exercise, uniform dress for BCs to establish their identity, establishment of grievance redressal mechanism by banks, etc. All the banks were also advised to organise camps at the branch level on each Saturday.

The SLBC also brought out posters providing details of the scheme, a comic book in local language highlighting benefits of a bank account and simplified account opening form for the purpose. The pamphlets issued by Government of India indicating the easy process of opening bank account and various documents required for the same were also circulated among banks for wider dissemination in the State.

District Level Strategy and Implementation of PMJDY

All the households in each of the districts were allocated among banks for complete coverage. Sub Service Areas (SSA) comprising 1000-1500 households were created for this purpose, covering the entire rural areas of the district. The creation of SSA and allocation of the same among rural branches of the banks was a consultative exercise with the banks operating in the district and these were fine-tuned based on experience and feedback received from the bankers. Likewise, wards in urban areas were allocated among banks to ensure universal coverage. The wards were allocated with a view to ensure participation of all commercial banks, including private sector banks, taking into account their operational convenience. The target for completion of the exercise was set as 31st December, 2014 and the district authorities were advised accordingly.

A mega camp was organised at Rural Self Employment Training Institute (RSETI), promoted by Lead Bank, in Unnao on 28th August, 2014 which was inaugurated by the General Manager, Bank of India, the Lead Bank for the district. The Lead bank organised camps at all its branches on this date. The accounts were opened in the camp and passbooks were distributed to the account holders in these camps. Wide publicity was given to these camps. Banners/Posters regarding the scheme were prominently displayed and the events were reported widely in local newspaper.

The branches of the banks displayed banners relating to PMJDY at its premises during the period of campaign. Advertisement was also screened in the local cinema hall.

During the course of the campaign, communications were sent to LDM regarding impending visit of the officials of Department of Financial Services, Government of India to review the progress. This ensured that the momentum was not lost. This also ensured periodical review of the progress in implementation in the district.

Besides the Regional Rural Bank, 19 public sector commercial banks and 3 private sector banks participated in implementation of PMJDY and covered all the 5.90 lakh households in the district.

The Lead bank of the district gave wide publicity through newspapers about inclusion of all households under banking fold in December, 2014 and the District Magistrate issued a certificate on 3rd January, 2015, regarding opening of bank accounts of all households in the district, based on certificates issued by 23 banks which participated in the Scheme.

Coverage of All Households

The banks conducted the survey of households allocated to them through BCs/ Non-Governmental Organisation (NGO) on payment basis, to get details of the families that did not have bank accounts.

Reasons for Opening of Bank Account

The State government's drive for provision of ration card (in the wake of implementation of National Food Security Act guaranteeing minimum amount of food grain) was a great motivator for bringing the villagers to BC point/bank branch. The villagers understood that opening of a bank account was must for ration card/ration entitlements.

Deposits in Account Opened

Generally, the banks collected the filled in account opening forms through BCs/NGOs, which were informally advised not to accept any deposit from public to avoid misappropriation and accounting issues. As the account holder had no stake, there was not much effort on the part of account holder to even ascertain the factual position of opening of account in the bank. Also, there was no system with banks to communicate with the clients regarding opening of accounts. This resulted in most of these accounts being opened with zero balance.

Issue of Passbook

Although the facility of opening the accounts was made available in the villages through various means like branches, Kisan Mitras, BCs, NGO, etc., the issue of passbook was done at the branch level. The non-availability of passbook in sufficient number led to a lot of misinformation among the clients regarding actual opening of bank accounts. The passbook was the only evidence which

could have thwarted any misinformation campaign by politically motivated persons in the villages. Even when bank branches could secure the passbook, printing of the details in the passbook was a major concern due to absence of sufficient printing equipment in the branches and issues related to the availability of power. Rural branches ultimately got these printed at their bank branches/controlling office located at the district headquarters. This exercise took considerable time. Since many of the accounts were opened with zero balances, the account holders also did not evince much interest in pursuing the issue of passbook by branches. The passbooks were issued to account holders only when they visited the branch and demanded for the same, which was considerably a long time. Since passbooks were being printed only when demanded by an account holder, it is possible that many account holders might not have received the passbook even after considerable lapse of time.

Rupay Debit Card - Issue and Use

The number of Rupay debit cards issued in the district was only 57 per cent against the total accounts opened. Incidentally, these were the cards received at branch level and may not have necessarily reached the customer. It was also reported that the time lag between opening of account and receipt of cards from controlling offices of the bank was 3 to 6 months.

Further, while the urban branches of all the banks were active in distribution of

cards, their position was quite serious in rural branches of public sector commercial banks. The account holders lacked knowledge about availability of Rupay card with the account and did not follow up with branches. On the other hand, the branches were also not very keen to ensure that the same reaches the account holder. No serious efforts were put in by the branches of respective banks to ensure distribution of cards. In stray cases, efforts were made to communicate to the account holders in the villages through BC, engaged by the bank. However, even this strategy did not prove successful as BCs were not inclined to take up this responsibility without any remuneration.

At best, this strategy could have worked to a limited extent for villagers residing in the village and having fixed point of BC. As a result, these cards were being deactivated (hot listed) after three months from the date of receipt, making it extremely difficult for the account holder to get the card issued to him/her. For example, a branch of a public sector bank which opened approx. 6,700 accounts under PMJDY had received 5,800 cards. It issued approximately 50 per cent of the total cards received by the branch to the customers and deactivated 1,866 cards. The matter regarding delay in issue of card was highlighted in the District Level Consultative Committee (a district level forum on the pattern of SLBC at the State level) meetings.

There was also lack of awareness among villagers about the use of card. The entire

focus by the banks was on opening of a bank account, and many account holders, having zero or very less balance were not aware of the procedure of withdrawing the money from the bank. The main theme of financial literacy in the district was the Direct Benefit Transfer (DBT) of entitlements and the right of the customer to be provided with a debit card and the complimentary facility of accidental insurance or life insurance were generally not discussed.

There was no information of any insurance claim being settled under Rupay debit card scheme. The account holders interviewed, however, were not aware about the benefit of the card and the mandatory usage within specified time limit for insurance benefits. There were cases recorded of alleged fraud and cheating by misuse of cards. There was a rumour doing the rounds that if they use the card, perhaps, their account would be debited twice or more times. Thus, there was a lower distribution of card and the use of card was almost nil/negligible among PMJDY account holders in the district. The illiterate customers were facing difficulties in remembering four-digit Personal Identification Number (PIN) for using Rupay card for making transactions through ATM as it was enabled for Chip and PIN-based transaction.

Field Survey Findings on PMJDY

To supplement the above discussion on implementation of PMJDY, information was collected from randomly selected households

in rural areas from two purposively selected villages in the district. The ground level survey was aimed at assessing the status of financial inclusion and reason for opening the account/ motivation and role of financial literacy efforts, position of issue of Rupay cards and the trend of deposit in the account opened in the sample villages. The survey also aimed to obtain the feedback on the need of financial services of BSBD accounts/insurance/remittance and utilisation of facilities like Rupay card. The views of respondents on services provided by banks and FLCs were also solicited.

The survey was conducted in two villages: Kanigama and Sardar Sahib within the SSA, allocated to branch of a public sector bank in Mianganj block of the district. The villages were having fixed point BC in these villages and were located around 45 km from the district headquarters. The bank branch was located around 5-6 km from villages. The survey was conducted through an NGO with the help of BCs in the villages. The survey was conducted on a total of 78 families i.e., 39 families in each village. A brief profile of the villages selected is given as under:

Sardar Sahib Village, Mianganj block

Sardar Sahib is a small village located approximately 45 km from Unnao and about 5-6 kms from the branch of a public sector bank. As per the household survey carried out for coverage under PMJDY, there were 334 households in the village and a population of approximately 2,200 people. The number of

persons per household exceeded six. Almost all the villagers practiced farming either as agriculturists or agricultural labourers. The main crops grown were cereal crops viz., paddy and wheat. The general level of awareness regarding government entitlements in the village was quite high as evident from physical and social infrastructure compared to many villages in the district. The village had Reinforced Cement Concrete (RCC) road, electricity connection, a primary and junior school and an anganwadi centre. There were about 250 persons receiving various kinds of benefits like old age pension, etc., regularly through their bank account. About 50 persons had domestic gas connection, their Aadhar number was linked to their bank account and they were receiving subsidy by way of credit to their bank account. However, the availability of adequate power was a serious issue as in case of many other villages in the district.

The services of BC were available to the villagers from 9 am to 2 pm. The maximum withdrawal permitted at BC level was Rs. 20,000 and there were number of actual withdrawals for this amount. The average number of transactions was 10 with about Rs. 40,000 being transacted on a daily basis. The average remuneration of BC was about Rs. 4,000 per month.

Kanigama Village, Mianganj block

Kanigama is a large village located approximately 40 km from Unnao and about 3-4 kms from the bank branch. There were 739

households in the village with a population of about 6,000 individuals as per the survey conducted for the exercise of financial inclusion under PMJDY. The number of persons per household was about eight. Agriculture is the main livelihood of the people in the village. Although many households had electricity connection, electricity supply was erratic and inadequate. A number of persons had worked under MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and so had account with the bank before the present exercise was undertaken. Some people were receiving benefits directly to their account in respect of various government entitlements.

The BC had fixed point operations in the village and was having an average of 10 transactions per day for amounts aggregating Rs. 15,000-20,000. He was receiving an average monthly commission of Rs. 3,000/-.

The summary of responses received from sample households in Unnao district is presented in Table 4.

The major findings of village level survey as shown in Table 4 are as under:

- (i) It was found that all the respondent households were having bank accounts, wherein 65 per cent of respondents have opened their accounts as a result of PMJDY, which was quite good. Thus, the basic objective of ensuring bank account for all households has been achieved in the selected villages. The situation was, however, not similar in both the villages.
- (ii) In order to achieve one account per household, the field level officials focused on opening of account of the head of family. Being a patriarchal society, the accounts were opened primarily for the male members.
- (iii) The age profile of people who opened the account suggested that the accounts were opened in respect of the people who were in their earning age. The number of accounts opened for students and those in old age were quite few.
- (iv) The education level of the account holders indicated that people who were having low level of education also understood the importance of bank accounts. Most of the respondents in selected villages were either illiterate or had not received education even up to high school level.
- (v) The major occupation of the account holders was agriculture, which was primarily reflective of the occupational pattern in the villages.
- (vi) FLC of Lead Bank (Bank of India) had held camps in these villages and further efforts were made by the BC to create awareness about the scheme. The necessity of a bank account for direct transfer of benefits in respect of entitlements under various government schemes and availability of bank account in the village itself were the mainstay of

Table 4 : Summary of Responses on PMJDY, Unnao District, U.P.

S. No.	Variables	Village 1 (Kanigama)	Village 2 (Sardar Sahib)	Total
1.	Number of respondent households	39	39	78
2.	Accounts opened under PMJDY	22 (56 per cent)	29 (74 per cent)	51 (65 per cent)
3.	Accounts with male members as the head of family as	28 (72 per cent)	31 (79 per cent)	59 (76 per cent)
4.	Account opened for persons within ages 20-50	31 (79 per cent)	33 (85 per cent)	64 (82 per cent)
5.	Account of illiterate or education up to high school	29 (74 per cent)	32 (84 per cent)	61 (78 per cent)
6.	Agriculturist	31 (79 per cent)	32 (82 per cent)	63 (81 per cent)
7.	DBT or inward remittance as purpose for opening of account	2 (5 per cent)	2 (5 per cent)	4 (5 per cent)
8.	Persons already having bank account before launch of PMJDY	20 (52 per cent)	10 (26 per cent)	30 (38 per cent)
9.	Account opened under PMJDY for existing account holders	3 (7 per cent)	0 (0 per cent)	3 (4 per cent)
10.	Persons making transaction in the account opened	18 (46 per cent)	25 (65 per cent)	43 (55 per cent)
11.	Receipt of Rupay Card	10 (26 per cent)	10 (26 per cent)	20 (26 per cent)
12.	Use of Rupay card even once	4 (11 per cent)	7 (17 per cent)	11 (14 per cent)
13.	Awareness about Insurance facilities under PMJDY	22 (56 per cent)	32 (82 per cent)	54 (69 per cent)
14.	Major source of awareness about PMJDY - BC	17 (42 per cent)	27 (68 per cent)	44 (56 per cent)
15.	Knowledge of existence of FLC	2 (5 per cent)	4 (10 per cent)	6 (8 per cent)

all such campaigns. The survey found that almost all the persons who opened their account were convinced with the need for the same. However, very few people accepted that the accounts have been opened for this reason and almost all responded mentioned the need for

savings as the reason for opening the bank account. There was no coercion or cash incentive to account holders for opening the account.

- (vii) Only 55 per cent of the respondents indicated that they were performing

transactions in bank account. This partly explains the reason for zero balances in the bank accounts.

- (viii) There were serious issues regarding receipt of Rupay debit cards by account holders. Only 26 per cent of account holders had received the card. The account holders were not very sure that Rupay card would be issued to them as the accounts were opened with zero balance and hence felt that there was hardly any use for them.
- (ix) 55 per cent of Rupay cardholders used their card at least once. The use of card by them varied widely in the selected villages (30 per cent and 70 per cent). There was absence of awareness about insurance facility linked to the use of card.
- (x) About 70 per cent people were aware about insurance facility available to the account holders. However, there was general misunderstanding that all the account holders are automatically covered on the opening of account itself, whereas such facility is linked to the use of Rupay debit card as per PMJDY guidelines.
- (xi) The account opening exercise under PMJDY owes its success largely to BCs located in the villages that helped in creating awareness about PMJDY. 56 per cent of the respondents identified BCs as the source of information for PMJDY. The other sources of knowledge indicated were village pradhan (head), neighbour and bank.
- (xii) Although FLC managed by the Lead bank which covered the selected villages had organised camps in the area, the existence of FLC was known to very few (less than 10 per cent). The villagers recognised that FLC counselors' are an extended arm of the bank and lacked any knowledge of the functioning of FLC.
- (xiii) Only 14 per cent of the respondents highlighted the issues regarding poor telecom connectivity, non-functioning of ATM as also non-availability of the facility of ATM after business hours of the bank.

Functioning of FLCs

The importance of financial literacy has received greater recognition after the onset of intensified financial inclusion efforts. With PMJDY as an integrated and comprehensive financial inclusion programme, the role of different players has been cut out in the mission document itself.

In Uttar Pradesh, financial literacy initiatives have been taken by various stakeholders viz., Reserve Bank of India (RBI), NABARD and SLBC as also the FLCs established in the district. As a part of policy of ensuring financial literacy establishments near the villagers, an effort is being made to establish financial literacy centres at the block level. NABARD has provided financial support by

way of reimbursement of capital and operating expenses of the FLCs set-up by Lead Bank, cooperative banks and RRBs in various districts of the State. This has helped establishment of FLCs in all the districts in the State. RBI has also provided financial literacy material to the Lead Bank offices and conducted awareness programmes at the district level.

FLC at District Level in Unnao

Keeping in view low level of general literacy in the district, the financial literacy assumes even greater importance. The district had two FLCs, managed by the Lead Bank i.e., Bank of India and the Regional Rural Bank viz., Gramin Bank of Aryavart. The details are as under:

FLC of Lead Bank

The FLC of Lead Bank i.e., Bank of India, was situated on the outskirts of the city about one km from a national highway. The location was not accessible through any public transport and lacked any prominence. In fact, it was located in an area not having many public places or residences either. There was no signboard on the road indicating existence of the centre. However, the centre was known to public through trainees of RSETI, managed by the Lead Bank, which was operating in the same campus.

The FLC was having separate place with reasonable infrastructure like some chairs for the visitors and an almira to store literature. A banker retired from the Bank of India was hired

on yearly contract as Counsellor and was with FLC for more than a year. His timings were 12 noon to 04.30 pm on week days. However, no vehicular support for mobility or telephone to enable public to contact the FLC was available. The Counsellor had to depend entirely upon the Lead District Manager for his field visits, although as per his contract, the counsellor was required to undertake field visit once a week. The Counsellor would share his personal mobile number, if requested, by any one.

The walk-in customers were very few e.g., only five persons visited during October, 2014, when the PMJDY was being implemented in the district quite aggressively. The location of the centre and the timing were a major hindrance for walk-in customers to approach the FLC.

The activities of Counsellor were mainly to conduct camps in the Sub Service Area allocated to the bank viz., Bank of India. The counsellor was maintaining a register of camps organised by him in different villages and has reported to have visited more than 50 villages covering 12 blocks during August, 2014 to November, 2014 for creating awareness for implementation of PMJDY. The camps were organised with the help of branches of Bank of India and BCs engaged by the bank and in coordination with LDM.

FLC of Garmin Bank of Aryavart

The Gramin Bank of Aryavart had its Regional Office located in Unnao city and

the FLC managed by the bank was operating through the same premises. However, there was no signboard indicating existence of the FLC in the premises. The seating arrangement of a Counsellor was such that it was difficult to distinguish him/her from regular employees of the bank and there was no board /poster/ name plate to suggest the existence of a FLC. There was no seating arrangement for a visitor.

A retired banker from a public sector bank was hired on yearly contract as Counsellor and was with FLC since December, 2013. There was no telephone to enable public to contact the FLC. However, he was sharing his personal mobile number to the public and a fixed amount was also paid to him. The Counsellor was provided bank's vehicle or permitted in exceptional case to hire a vehicle for activities assigned to him.

The walk-in customers were almost negligible and whenever the Counsellor was available on the premises, the officials of the banks were using his services for their routine banking work, or the visitors to the bank for any enquiries/ clarification were directed to him to enable branch officials to save their time. The absence of any information about existence of FLC was a major hindrance for walk-in customers to approach the FLC.

The RRB was observing a weekly 'Non Public Business Working Day' (a day when the bank is not open for public for normal banking transaction and the staff are expected to go out of the branch for business development,

monitoring, etc.). Most of the village camps were being organised on such days. This ensured active participation of the officials of branches of the bank. The BC and other socially active persons in the villages were also roped in by the Counsellor for making the village camps a success. The activities of the Counsellor included training of clerical and junior grade officers of the bank.

The FLC was used as a part of strategy for implementation of PMJDY by the RRB and the FLC organised camp on each Saturday in the Sub Service Area allocated to it. About 60 camps were organised by FLC during August, 2014 to November, 2014 for creating awareness about PMJDY. Besides, the Counsellor followed up with branches and business correspondents for ensuring opening of account by the villagers. The Counsellor also helped in organising camps in two villages for enrolment under Aadhar, so as to help villagers secure document for opening of bank account.

Issues/Challenges in Implementation of PMJDY

As indicated earlier, the objective of PMJDY is ensuring access to various financial services to the excluded sections, i.e., weaker sections and low income groups at an affordable cost. The penetration had to be deep, which envisaged effective use of technology, which in turn, necessitated existence of functional infrastructure. But the banks faced many issues and challenges in implementation. The major issues and challenges are discussed below:

Scarcity of Printed Material

Since the accounts to be opened were in large numbers, there was a general scarcity of printed material like account opening forms, passbook, etc., required for opening of account. The issue of shortage of account opening forms was tackled by the banks as they accepted the uniform account opening form published in the local newspapers by way of advertisement by the Government of India and also permitted photocopy of the bank's usual account opening forms for use by the clients. It took some time for branches to ensure smooth supply of account opening forms.

Back Office Requirement

The account opening was not a smooth exercise as a large number of accounts were opened under the Scheme. The back office requirement to ensure opening of the account in technology platform of the banks at branch level could not be augmented. The application forms collected from the field or the branch were sent to the controlling offices of the bank, located at the district headquarters or a nearby district for making necessary entries in the bank's Core Banking Solution (CBS) system. This led to time lag of up to 3-4 weeks between submissions of filled in forms by the clients and actual opening of account in the bank.

Power Supply

The level of electrification in the villages varied substantially. In UP, all the villages are not electrified. Even in electrified villages,

the power supply is inadequate and erratic. The BCs were finding it difficult to even keep their laptops or computers fully charged for operations because of inadequate power supply. The BCs were relying largely on solar power. As mentioned earlier, the operations of branches and ATMs were seriously affected because of poor electric power supply.

Telecom Connectivity Issues

The quality of telecom connectivity was generally not good outside the district headquarters. Therefore, the BCs were using prepaid mobile dongle (data card) of multiple telecom operators to secure availability of telecom connectivity for their banking operations. As reported by the respondents during the study, the BCs were unable to transact any business even during their limited business hours for at least on 5-6 days in a month. Most of the branches in rural/semi-urban areas were equipped with VSAT technology for business operations. They were also facing problems in getting uninterrupted connectivity. Generally, they had connection problems for at least 2-3 days in a month. The ATMs were generally located along with bank branches except for a few off site ATMs at the district headquarters. The ATMs in semi-urban areas were generally connected with VSAT, even where branches had dedicated lease line for their operations. They faced similar problems and were non-functional very frequently.

Business Correspondents (BC)

Some of the banks covered in the study had engaged the services of BCs for village level operations. Some respondents in the study villages felt that BCs by banks were not deployed in adequate number. Further, wherever BCs were in position, at times, adequate support was not available from linked branch in terms of financial limit, monitoring and technical troubleshooting for handheld device. The BCs were being paid the remuneration purely on the basis of transactions. The POS machine provided to the BCs enabled them to make transaction only in respect of accounts opened by them as also in the accounts opened by parent branch, where Aadhar seeding was affected. Many of the accounts opened under PMJDY were zero balance accounts providing hardly any scope for transaction. Most of the BCs were able to secure a monthly remuneration of Rs. 3,000-4,000 per month, which was not considered adequate by them. The banks had not engaged them for any other activities like mobilising of loan applications, issues of notice for recovery, etc., which could have helped them secure better remuneration. The banks had a major challenge in securing continuity of their services, as some of the BCs were leaving the job due to low remuneration.

Opening of Branches and ATMs

The new rural branches of various banks were mostly opened on main road and in the town/block headquarters or away from the

villages. This did not solve the problem of villagers as many of them still had to travel long distances to reach the branch, even after opening of these branches. For example, out of 13 branches of different banks in the block, Purwa block had 8 branches located at the block headquarters. Hasanganj block had 6 (out of 13) and Nawabganj had 8 (out of 18) such branches of various banks located in the vicinity of each other at the block headquarters. The situation was similar in almost all the blocks in the district. Regarding ATMs, even though the district had a total of 134 ATMs of various banks, most of these were located in district/ block headquarters, leaving the villages. The Gramin Bank of Aryavart had maximum number of branches in the district, but without an ATM.

Keeping Accounts 'Live'

The issue of opening zero balance account and then keeping it 'live' (operational) has been of paramount importance in the context of PMJDY, because if the account is not kept 'live' by some transaction, it can become 'dormant' and it would lose most of the benefits. The Scheme provided for opening of accounts with zero balance and many of these accounts continued without any operation. Many villagers were not keen to operate the account as the BCs with their fixed point location and limited hours of operation were inaccessible to them at the branch. Many of them had opened the account expecting credit of some entitlements from government

which had not materialised. The banks had undertaken drive to reduce the number of zero balance accounts. However, such initiatives have received limited success.

Policy Suggestions

The following policy suggestions are based on the foregoing analysis for better implementation of PMJDY:

1. As the Scheme was implemented primarily by the public sector commercial banks and the regional rural banks, private sector commercial banks had played a very limited role and that too was restricted only to urban areas. Cooperative banks were not allocated any responsibility for coverage of any sub service area or ward under the Scheme as many of them were not under Core Banking Solution (CBS) platform. However, there has been change in licensing policy in the context of financial inclusion and new players in the private sector are joining. All rural cooperative banks have been brought under CBS architecture and efforts are being made to bring the remaining urban cooperative bank also under the fold.

Therefore, new banks and existing cooperative banks need to be allowed a space so as to play a meaningful role for ensuring comprehensive financial inclusion under PMJDY. Although the approach of public sector banks and RRBs for universal coverage of all households has helped secure at least one bank

account per household to a great extent, there is a possibility of a few households being left out because of the absence of adequate financial literacy. Besides, as the PMJDY aims at coverage of all adults and students, the new players and cooperatives may be required to pitch in their efforts. It is recommended that District Level Consultative Committee (DLCC) may earmark specific areas for these players in their area of operation for coverage of all adults and students and review their performance at DLCC and Block Level Bankers Committee.

2. The ground level realities regarding distribution of Rupay card do not present very encouraging scenario. The arrangements for distribution of cards require serious rethink as existing arrangements of distributing the same through branches or by registered post have not helped the cause. It is suggested that the banks may organise village level camps or engage the services of BC/ villagers for ensuring distribution of cards. Once the cards have been delivered to the account holders, the banks may provide the facility of generating the PIN over mobile telephone through toll free number of customer care centre of the banks. The National Payment Corporation of India may also be requested to provide a toll free contact number to help customers seek reliable information regarding Rupay cards.
3. One of the important reasons for lower use of Rupay cards was absence of

awareness regarding the facility of accident insurance available to the account holders with use of Rupay cards. There is a need to create awareness in this regard so as to remove general misunderstandings prevalent in rural areas that the insurance facility is available with the opening of bank account. The ground level institutions engaged in creating awareness/financial literacy like rural bank branches, Financial Literacy Centres, NGOs, farmers clubs, community resource persons, etc., may be roped in for this purpose.

4. The issue of opening zero balance account and then keeping them live has been of paramount importance in the context of PMJDY. Although the banks devoted a lot of energy in opening of accounts, similar enthusiasm was lacking for mobilisation of deposits from account holders. As the reduction in number of zero balance accounts was primarily pushed by target approach of controllers of individual banks, it is suggested that rural branches may be requested to launch deposit mobilisation campaigns in villages. The rural branches of banks observing weekly Non-Public Business Working Day as per RBI guidelines may earmark at least one such day in a month specifically for this purpose.
5. The implementation of PMJDY was led by Business Correspondents at the ground level. The issues concerning them like their location, arrangement between corporate BC and its agent, the types of activity permitted by banks, monitoring of their activities, the conditions stipulated by banks for engaging a BC and overall viability of operations would require serious attention.
6. The functioning of FLCs established by banks would require substantial improvement in view of the utmost importance of financial literacy initiatives for financial inclusion. The absence of awareness about their existence and FLC counsellors acting as an extended arm for the sponsoring bank, wherever they were set-up, are among major hurdles in them playing the desired role. As such, it is suggested that in order to create awareness about existence of FLCs in the district, the LDM/ BLBC convenors may be requested to invite FLC counsellors to the DLCC and BLBC meetings. The counsellors may share their activity plan in these meetings which would help in ensuring their activities in service area/sub service area of other banks as well. Further, as a part of monitoring of activities of FLCs in the district, the DDM of NABARD may be requested to submit a quarterly report covering aspects relating to the location and timing of the centres, available infrastructure support, activities carried out by them and difficulties faced by them to the regional offices of NABARD. Based on this feedback, RBI and NABARD may take-up any follow-up measures with concerned banks.

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