A bank account for Mary

The PMJDY celebrates success on its website, but thousands of Marys remain outside the banking system. This won't change unless the scheme alters both design and implementation

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A few months ago, when the Pradhan Mantri Jan Dhan Yojana (PMJDY) was still being spoken of as a success for the largest number of accounts opened in a day, earning the government a Guinness world record, I visited the branch of a nationalised bank to open a PMJDY account for a friend's housekeeper, Mary. Mary's story, like that of many women in India, is one of domestic abuse by an alcoholic husband, who drank away her meagre income, leaving her constantly in debt, coping with feeding and educating their two sons and running the household. The PMJDY with its bundled savings account, overdraft facility, life insurance and personal accident insurance was exactly what Mary, and several women like her, needed.

However, officials at the bank we visited seemed to have different ideas. We were shunted from one desk to another with a range of excuses for denying Mary an account. The excuses ranged from "the programme has ended", "she lives outside the service area of the branch" (Mary lived in a slum which would not, in any case, be part of a service area of any branch), to "she does not have an Aadhaar card". When I showed a circular issued by the State Level Banking Committee to all banks in Tamil Nadu about the programme, I was brushed off by one bank employee who explained that it was not applicable to this particular nationalised bank since the logo on the circular was not theirs. The officials allowed Mary to open an account only when we escalated matters to the branch manager.

ILLUSTRATION: SATWIK GADE

Beyond reach

It has been exactly a year after the PMJDY was announced. Several States have claimed 100 per cent coverage of households and by now most banks have taken down the PMJDY banners. While the PMJDY celebrates the government's success on their official website, there are thousands of "Marys" who remain excluded.

The World Bank's latest Global Findex study says the number of people accessing a formal bank account in India increased from 35 per cent in 2013 to 53 per cent in 2014. However, we need to consider three things. First, the increase in ownership of accounts is still only 18 per cent. Second, dormancy of accounts is also amongst the highest in India at 43 per cent, indicating that not everyone who has an account uses it. Third, and most importantly, this still leaves close to half the country's population out of formal financial institutions. The PMJDY is attempting to financially include the poorest in India. However, the problem of financial inclusion is not just one of access, but also of uptake. Given the sheer numbers of those excluded, it is virtually impossible for any one programme to create full financial inclusion. The PMJDY rests on the assumption that pressurising banks to open a savings account under the programme would solve the problem of access, while dormancy is addressed by bundling other financial services such as overdraft facilities and insurance.

This is a naïve assumption. My research across 368 households in four districts in Tamil Nadu over the last six months, shows that there are several barriers to banking, chief being the lack of awareness of the programme and its features, among bank employees, business correspondents as well as households surveyed.

In Tamil Nadu, the Hindi words "Jan Dhan Yojana" were referred to as Jal Dhal, Jal Dhan or some variation thereof, amongst the few who did know about it. Second, as Mary's case illustrates, there is a reluctance amongst bank officials to open an account for the very poor for reasons that range from apathy to ignorance to arrogance. Third, the account only allows for access to the overdraft facility at the discretion of the banker and both overdraft and insurance can only be accessed subject to transactions on the RuPay card that accompanies the account. In reality, several households have not received these cards. Fourth, since Aadhaar is not mandatory and does not have universal coverage, there is no single identity document that can help banks track duplicate accounts. So while banks are reporting a large number of accounts opened, this statistic does not mean that the households which really need these accounts are getting them.

In Tamil Nadu, State welfare programmes and the high number of bank branches have resulted in a higher number of financially included households compared to States like Bihar or Assam. For instance, my study showed that 88 per cent of the households had access to a bank account before the PMJDY was launched. In fact, after the PMJDY was launched, amongst the households surveyed, there was only a four per cent increase in accounts. About eight per cent had no accounts and did not even know about the programme. Unfortunately, this is precisely the set of people that would have benefited the most from the features that the account promised.

Excluding the neediest

If Tamil Nadu, with all its positive indicators, still has a financially excluded population, it is safe to say that in other States of India without similar social and welfare schemes or extensive banking networks the level of exclusion can be far higher.

With several State Level Banking Committees across India claiming that all households in their State have access to at least one bank account, these excluded households are going to be treated as invisible. Every single government in India since the 1960s has been trying to get the poor to bank. Every single such programme has also failed to facilitate full financial inclusion for exactly the same reasons that are plaguing the PMJDY. The poorest, financially-excluded households experience routine violence in just the denial of their identity, because they often lack any identity proof. These are families that would starve if the sole breadwinner, who is usually engaged in daily wage labour, falls ill or dies.

Amy Mowl and Camille Boudot, researchers who authored an audit study on financial inclusion in South India, tell us that the biggest barriers the poor face are banks and bank officials themselves. Across India, banks do not provide information about their products, and forms are seldom in the local language. Poor customers at bank branches are treated disrespectfully. A person I interviewed said, "We are treated like dogs at the bank branch." This is exacerbated by the power distance between a bank employee and a low income customer from a remote, rural location.

Poor people are not seen as viable customers by banks. They are instead seen as clients, thrust upon the banks by the government's regulatory schemes and requirements. Catering to a low income customer needs more effort from banks. It means understanding their context, devising and recommending products that are relevant and ensuring that banks empower the customer sufficiently to use these products. This takes time and effort, which banks are unwilling to spend.

Chasing targets

The government is equally to blame for the shoddy implementation of the PMJDY. In the urge to show rapid success, the number of accounts opened in a day becomes the badge of merit. This allows banks to reinterpret it so that they can show maximum success.

The architects of the PMJDY first need to acknowledge its current flaws, both in design and implementation. Second, policy makers need to determine what causes bankers to behave in the manner they do and incentivise them to act differently. Third, policy makers need to engage in building awareness and financial capability for low income households. Unless this happens, Mary and several like her will continue to remain excluded.

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