CHALLENGES INVOLVED IN BANKING SYSTEM IN URBAN AREAS OF INDIA

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Abstract : This study has been undertaken to investigate and prove a further gateway to address these issues by the policymakers in the banking system and further leading to the improvement of the banking services offered by the branches located in urban slum areas.

***IndexTerms* – Financial Inclusion, Pradhan Mantri Jan Dhan Yojana, Rupay Cards.**

Introduction

The integration of the world economy through globalization has made trade and finance easy and more reachable across the globe. But, this has led to a serious problem of income disparity, where the economic growth has not been shared equally, and economic crises have widened the gap between rich and poor. (Lagarde, 2014, IMF, 2015a), in international fora, it is prominent in the reform agenda and sustainable development goals emphasize on the gender equality in finances.

Financial inclusion is often considered as critical for bridging this gap of income disparity and brings inclusive growth. Study of (Park and Mercado, 2015) opined that the financial inclusion significantly reduces poverty and lowers the income inequality. Therefore, different policy makers and central banks around the world are developing strategies for financial inclusion. Initially, Financial Inclusion was perceived as inability or difficulty in accessing to financial products and services (Leyshon and Thrift, 1995; Sinclair, 2001; Carbo et al., 2005).Later, term like "usability" of financial services and product was introduced along with access (World Bank, 2008).

The term financial inclusion is not new in term of genesis. Muhammad Yunus from Bangladesh with his pioneering work on microfinance through "Grameen Bank model**"** laid the foundation of Financial Inclusion in Bangladesh. Following the massive success of the Grameen Bank concept it has been widely adopted by many developed and developing countries (Aghion and Morduch, 2000). Further, (Han and Melecky, 2013) in a World bank study supported that the policy makers should bank on synergy between financial development and financial stability for better progress of nation especially in the financial crisis times. The financial inclusion measures the overall volume of their services and efficiency which reflects on the costs to services in terms of access and ensures that development of financial is disseminated throughout the population Sahay and others, 2015a). The financial inclusions provide the firms to invest and for households to smoothen their consumption to build capital over time and help to improve people's livelihoods, it also provides protection against shocks and manages risk.

For a country to develop it is imperative that all the stakeholders of the economy are included in the engine of growth and development. Where, Financial Inclusion can play a fundamental role in sustainable growth and development of a nation by delivering more accessible and affordable financial products and services to wide section of deprived and low income groups. To address the issue of exclusion, a holistic approach needs to be taken where both demand side and supply side factors should be addressed. The demand side factors of financial inclusion pertain to the customer like what are the problems and issues in getting the financial access, socio-economic culture etc. While, the supply-side factors are related to the whole culture of banks, processes and respectability to the poor and disadvantageous people in the society.

This study focuses on supply side problems and issues pertaining to banks located in and around slum areas. Banks have the issue of credit risk enhancement, low volume and frequency of transactions. This calls for enquiry into the genesis. Financial Inclusion not been able to help the person who is coming in fold of back as on so. The gaps are in access, use, and quality of saving accounts in financial institutions and in terms of products like availability of credit and insurance among different segments of economy are still larger(World Bank, 2014; Demirgüç-Kunt and others, 2015), study tries to understand on the services provided by banks in slum areas. As the (World Bank, 2014) points out, concept of inclusion range from access to use of services in providing services at affordable costs to low-income segments of society. Thus the goal for purpose of this paper is to understand and measure the efforts taken by banks in slum areas.

The experience by banks in providing the financial access and services has been provided in a case study manner. The study provides a further gateway to address these issues by the policymakers. Further line of investigations is to be taken to improve the banking services offered by the branches located in urban slum areas.

Literature Review

In India, since the inception of planning central objective was growth with equity, over the year's initiatives taken by RBI is to address on financial inclusion towards growth. The rapid increase by rural and urban areas still experiences difficulties in accessing the formal financial system. The concerns have arisen due to inadequate reduction in poverty, employment etc. The eleventh five year plan also emphasise on the per capita income growth and the role by farming, micro, small and medium enterprises in achieving the objective of inclusive growth towards output and employment generation.

The agenda of the RBI (Mohan, 2006) is to bring large population within the structured financial system. In India, central banks focus towards growth. The perception is large number of people do not have adequate access towards financial sector which could lead to denial of opportunity to grow and prosper therefore, RBI has introduced new measures in expansion of financial coverage in the country. In this fast growing economy, an important issue is to how to sustain and diversify growth so that the risk to growth is diversified across sectors. In this context, they search for potential sources like accessing financial services. Therefore, such sector would unleash the productive capacities and on the other would augment demand on sustainable basis. Against the above backdrop, the paper draws upon theoretical development, country experiences in understanding difficulties and risk involved in banking urban slum areas and address on key issues in two major cities Delhi and Mumbai.

The Mumbai's contribution to the growth of the Indian economy is significant as nearly 40 percent, it is therefore called as the commercial capital of India, having port, manufacturing industry, financial institutions, trade and service, it represented one of the most diversified and vibrant economies in the country, according to the draft by (BMRDA, 1994).

There are many empirical studies conducted which suggests financial development or financial accessibility can lead to reduction in income disparity and poverty. (Beck et al., 2007;Jeanneney and Kpodar, 2008;Odhiambo, 2009;Inoue and Hamori, 2012;Sehrawat and Giri, 2016).Further, (Chakravarty and Pal, 2012) while examining the income-related inequality in financial inclusion in India reported that the financial exclusion is a severe problem for households across all income groups in India and it is found to be disproportionately higher among the relatively poor households compared to households of higher incomes.

Before 1990, there were many bottlenecks in the banking sector like lack of competition, low productivity and high intermediation cost. After the nationalization of commercial banks in 1969 and 1980credit disbursement increased significantly. However, the financial sector remained undeveloped, the first post-reform year, i.e., 1992-93, reported reduction in the profitability of public sector banks (PSBs) (RBI Report, 1999). Therefore, to strengthen banking sector reach different committees were constituted by Government of India and Reserve Bank of India (RBI) from time to time to understand the main problems and their solutions. In India, a major step towards financial inclusion was adopted by K C Chakrabarty, the chairman of Indian Bank in 2005 with a head start of pilot project in Mangalam village,UT of Pondicherry (now called "Pudduchery"). The village became the first one where all households were banked.

(Usha Thorat, 2007), in her speech stated that Financial Inclusion is of two types; *"one is the exclusion from the payments system –i.e. not having access to a bank account and second is the exclusion from the formal credit markets, requiring the excluded to approach informal and exploitative markets*." Further, (C. Rangarajan, 2008), defined Financial Inclusion "*as a process of ensuring access to financial services and timely and adequate credit at affordable cost to the underprivileged sections of the society*". Whereas, different committees were constituted by Government of India and Reserve Bank of India (RBI) timely to understand the issues and problems pertaining the financial inclusion (Rangarajan Committee,2008; Nachiket Mor Committee,2014;Mohanty Committee, 2015). As per Economic Survey report, (2014–15), the government is keen towards building a trinity of Jan Dhan, Adhar & Mobile (JAM) for dealing the last mile coverage issue of financial inclusion. According to the report by (PWC, 2015), one in six urban cities in India live below poverty line.

Factors influencing Financial Inclusion or Exclusion

(Supriti and Ramanathan, 2002) mentioned about various issues of access to money for the urban poor in Bangalore. The poor preferred short-term borrowings in respect of long-term credit. Informal credit used is of shorter term and could be rotated more easily. While the long term loans provided through normal channels are not that easily rotated. Further, (Kumar, 2005), did a study in Brazil by surveying enterprises as well as urban individuals to study access to financial services in Brazil. The study tried to map the socio-economic characteristics of the respondents with access to financial services. It was found that the person with lower levels of income tend to use public banks relatively more, but as persons become better-off, they tend to prefer private services for transactions.

(Caskey, Duran and Solo, 2006), studied basic financial services provided to lower income groups living in urban centers of both Mexico and the United States. It was found that the unbanked in Mexico observed the cost and availability of financial institutions as some of the problem, while in the U.S. poor saving and financial situation of the individual as some of the barriers towards utilizing the banking services. While, some issues like transaction cost, time, and insecurity were seen in both countries. The issue of trust appears to be another significant controlling factors. It was also reported by (Dimitriadis et al., 2011) who stated that the trust factors play a major role when customer has to pick among alternative banking channels.

(Rupambara, 2007) highlighted the issues and options in urban financial inclusion. The paper discussed about the significance of joint liability group and integrated smart card as some of the methods for resolving the issue of identity proof. While, enabling IT based solutions like customized ATM, mobile phones and Personal Digital Assistants (PDAs) as handheld devices can also help in providing better financial access to the urban poor.

(Jagan Mohan, 2008) statistically compared metro and non-metro urban centres in banking in India and discussed about the contribution of urban centres to the overall banking business. The study analyzed only the supply side data and mentioned that an exponential growth in business has occurred during 2005-2008. The study suggested establishment of the local area banks with relaxed regulations, classification of all small loans as some of the measures to be taken to strengthen the financial inclusion.

(Kamath, 2008) in his study attempted to understand the impact of Micro-Finance Institutions loans to household analyzed the pattern on borrowers of MFI with non-MFI households. (GOI, 2008), examined financial inclusion to vast sections of low income groups and recommend that financial inclusion should access mainstream financial products, banking & payments, generation of employment in rural areas. The report provided an understanding best ways to achieve growth is through financial inclusion.

(Bhanot,Bapat and Bera, 2011**)** while studying the Financial Inclusion of the North East stated that the level of financial inclusion is very low in these areas. The paper suggested income, education, nearness to banks and post offices, Self-help groups (SHGs) awareness and financial information channels as important factors for financial inclusion. While, in hilly areas, receipt of government benefit and area terrain is not individually significant factors. However, the scenario is different in plain areas where factor like recipients of government benefits enhances the financial inclusion.

Also, (Johnson and Nino-Zarazua, 2011) found that both supply and demand side determinants of financial inclusion play a significant role. They found that the access to formal and informal services is associated with key socio-economic characteristics employment and education. Their study suggested age, gender and education as main barrier which could be addressed through innovative financial product design, terms and conditions and their delivery modes. They found that the affordability of services in relation to their income is one of important area to be emphasised and further there is need to systemically analyse the constraints to access.

While (Ramamoorthy and Kadam, 2012), in their primary study on banking services to urban poor at Navi Mumbai city found that the majority (73%) of the respondents who live in slum and small areas were unaware about inclusive financial growth. It was found that the urban poor were mainly interested in basic banking services as none of the respondents was having an account with bank for availing the Loans and Advance account. Majority (72%) of the respondents were also unaware of the no-frill account. It was also reported by some of the respondents that the bankers themselves were not interested in opening no-frill account as it would only increase their cost of operation.

(Kumar, 2013), while assessing the behaviour and determinants of financial inclusion in India, opined that the banking habit of masses are largely associated with the region's socio-economic and environmental setup. While, it was seen that the branch density bears a strong positive effect on financial inclusion initiative and the population density has negative effect on deposit penetration. Further, he reported that the employed people are more active, aware and interested towards the banking activities and higher bank usage and the requirement for financial services increases with increase in income level or standard of living.

(Morgan and Pontines, 2014) in their paper on financial Stability and financial inclusion empirically assessed the effects of various measures of financial inclusion on some measures of financial stability, like bank non-performing loans and bank Z-scores. They reported that financial institutions like banks can embark on financial inclusion as a strategy to reduce their non-performing loans (NPL) and improve their financial stability by lending more to the small and medium sized enterprises (SMEs).

Further, (Hameedu, 2014), analyzed on "Financial Inclusion – Issues in Measurement and Analysis" based on secondary data and suggested that the banks need to develop specific approaches to expand the outreach of their banking services to promote the financial inclusion. The policy makers for financial inclusion need to be receptive towards the socio-economic environmental changes.

(Chandrasekha, 2014), studied the extent of financial inclusion in South India by examining the source of borrowing of rural labour households. The share of outstanding debt banked in the formal institutions by the rural labour increased from 29% to 37%. Further, the study indicated a high reliance on informal money lenders in 2009-10 (2004-05), the four southern states accounted for 65.5% of the outstanding debt of the rural labour households. Another study in urban South Indian states by (Mowl and Boudot, 2014) examined the problems faced by customers in purchasing a low-cost savings product. They reported that in nearly half of the bank branches the customers were denied when they try to negotiate for an alternative saving products. Further, in other half of the cases customers found inconvenience in providing the valid identity or address proof as the banks posed excess identity and address documents demand. This can create significant effort, time and incidental cost problems to the poor customers.

(Clamara, Peña and Tuesta, 2014) expounded that people especially women, young and individuals residing in the rural counterparts are the one who are mostly excluded from the banking system. In comparison to the saving products, loan and mortgages are most preferred, further, the factors like age, gender, education and income level plays substantial role for the financial inclusion. While, for enterprises, the role of education is important for financial inclusion. Similarly, (Fungáčová, and Weill, 2014) found that the factors like income, age, gender and education are related to greater use of formal accounts and formal credit in Chinas compared to other BRICS countries. Although the usage of formal credit is relatively poor in China accounting to huge bank charges, trust issues with banks and poorly developed formal credit channels in China. People there generally prefer borrowing from family or friends rather than from the formal borrowing sources.

In Indian context Pradhan Mantri Jan Dhan Yojana(PMJDY) scheme by the Government of India has recently gained lot of attention. As per PMJDY report 2014, it is recognized as a national mission of financial inclusion to provide all households in the country with financial services like basic savings bank account, remittances facility, access to need based credit system, insurance and pension to the excluded poor section of the society. Earlier, financial inclusion efforts targeted limited areas while under PMJDY whole country is to be targeted by providing banking facilities in each Sub-Service area which consists of 1000 – 1500 households in a way that the banks are accessible within a reasonable distance. This was announced for the first time by Prime Minister of India Narendra Modi in his first Independence Day speech on 15th August'2014.

Progressmade Post- Pradhan Mantri Jan Dhan Yojana:It is being found that against the estimated target of opening 7.5 crore bank accounts in the country, more than 11.5 crore bank accounts were opened. The opening of opening 1.8 crores accounts in just a week has been recognized by Guinness World Records also.

As per (World Bank report, 2015), around one third of India's population resides in Urban India and out of which approximately 17% resides in Urban slum (as per Census, 2011). Therefore, addressing their needs is utmost to channelize the engine of economic growth, which can be achieved through more focused financial inclusion measures by banks. This is further supported by (Planning Commission, Report, 2011), which highlighted the need to deliver appropriate financial services in urban India for economic growth considering the trend towards 'urbanization of poverty' with urban poverty rising faster than rural poverty. (United Nations, 2007), reported that within next four decades, some of the world's fastest urbanization will happen in India with 55% of India's population expected to live in cities by 2050, where, both financial intermediaries and financial markets need to ensure that the urban poor are participating towards the growth trajectory**.**

The forgoing literature review highlights the significance of factors influencing the financial inclusion and its significance towards economic growth of urban population. In none of the above study a micro-level investigation is conducted to understand the root-cause of financial exclusion. Further, in the urban areas it is seen that banks are abundantly present; still a larger chunk seems to be excluded from formal financial system. As per the (Census of India, 2011), in Urban India around 32.2% of people are not availing banking services. Therefore, in our study slum areas will be targeted where maximum number of poor and disadvantageous of people is present to assess the problems and issues faced by neighboring banks.

Hence, Delhi and Mumbai have been chosen in our study as a matter of convenience of connectivity and both these metros cities attract huge migratory working population from hinterland who descend in search of better life and job opportunitiesFurther, the major reason, that most of the studies relate to pre-2014 while Pradhan Mantri Jan Dhan Yojana (PMJDY) was not in vogue which has provision of opening of bank accounts as a movement and the landscape of the supply-side approach and attitude is expected to change and hence a fresh study under new regime is warranted.

(Reserve Bank of India, 2015) focused on the provision and the main motives of its committee include deepening and monitoring the progress of financial inclusion in India, to achieve the goal following measures were proposed, full-service electronic bank account, credit products, investment, insurance and risk management. The report highlighted that small businesses operate without the help of financial institutions; most of urban area do not have access to bank account, savings contribution to GDP declined. The committee recommended registering Aadhar card and creation of Financial Redress Agency.

(Crisil, 2013) measured the extension of financial inclusion, parameters used by index take into account on the individual access to financial services rather thatn the loan amount. Parameters used in the index were branch, deposit and credit penetration. The reports provided the finding that in one in two Indians has a savings account and only one in seven Indians access to bank credit, the index level were relatively low in the year 2011 and provide ground on the progress of financial inclusion in urban areas.

The level of financial inclusion in India are measured based on three tangible and critical dimensions. The dimensions are classified into three heads.

1. Branch Penetration:

Number of bank branches per one lakh population. It refers to penetration of ATM

2. Credit Penetration:

Number of loan accounts per one lakh population, number of small borrower loan accounts, number of agriculture advances per one lakh population.

3. Deposit Penetration:

Number of saving deposit

The low penetration of credit is the result of lack of access to credit among the urban areas. The penetration needs to be understood by examining over the years.

(Harpreet Kaur & Kawal Nain Singh, 2015) studied on the trends of financial inclusion with reference to Pradhan Mantri Jan Dhan Yojana and suggest to ensure on under prieviledged and unbanked areas.

(Sonam Kumari Gupta, 2015) highlighted that accounts opened under PMJDY are zero balance only 28% of accounts are active.

(Patanaik, 2015), analyzed that in Bubaneswar only 13.8% has accessto bank account and males of 78.9% were not aware of scheme on zero balance account.

Thus the study tends to understand on the mission statement of Pradhan Mantri Jan Dhan Yojana in the major slum areas in Delhi and Mumbai and difficulties faced by Banks.

Research Methodology

Pradhan Mantri Jan-Dhan Yojana is the National Mission Program for financial inclusion to ensure that urban slum areas access to financial services, namely on banking/savings, remittance, credit, insurance, pension etc. The accounts are opened in any bank or Business Correspondent outlet with zero balance. If the customers wish to get cheque book they need fulfil the minimum balance criteria. The scheme has substantial growth in number of accounts opened as shown in Table-1 &2 of Maharashtra and UttraPradhesh. In global scenario, it is important to understand on the sections of the scheme and goal of inclusive growth. The national mission is to concentrate on individual household and to keep accounts active. The challenge of the banks is the conversion of the non-operative accounts into operative and focus the nation towards financial literacy programme. The PMJDY scheme is helpful for both urban and rural area people in getting government financial services. The study tends to highlights on the banks performance of the two major cities Mumbai and Delhi and difficulties faced by banks and risk involved in servicing in slum areas of Mumbai and Delhi.

The below table provides the details based on the category of bank, total beneficiaries, in urban/rural area, number of bank branches, RuPay cards and balance in their accounts.

Table-1

Pradhan Mantri Jan - Dhan Yojana
(Beneficiaries as on 07.06.2017)

(All figures in crore)

Bank Category	**Total Beneficiaries**	**Beneficiaries at rural/semi-urban centre bank branches**	**Beneficiaries at urban/metro centre bank branches**	**No. of RuPay cards issued to beneficiaries**	**Balance in beneficiary accounts**
Public Sector Bank	23.19	12.67	10.52	17.91	50777.34
Regional Rural Bank	4.70	3.99	0.70	3.54	11679.33
Private Banks	0.92	0.56	0.37	0.85	2092.49
Total	28.81	17.22	11.59	22.29	64549.16

Source:PMJDY.GOV.IN

Table-2

State-wise **Pradhan Mantri Jan - Dhan Yojana**

S.No	**State Name**	**Beneficiaries at rural/semi-urban centre bank branches**	**Beneficiaries at urban/metro centre bank branches**	**Total Beneficiaries**	**Balance in beneficiary accounts (in crore)**	**No. of RuPay cards issued to beneficiaries**

1	Delhi	110054	106083	216137	35.82	174503
2	**MAHARASHTRA**	**12277093**	**13182366**	**25459459**	**3175.12**	**18320427**
	Grand Total	**12387147**	**13288449**	**25675596**	**3210.94**	**18494930**

Source: PMJDY.GOV.IN

This study focuses on banks in proximity to following major slum areas in Delhi and Mumbai respectively:

Table-3

Cities and Regions Selected for Study

S.No	Cities	Regions Selected
1	**Delhi**	Mangolpuri Khurd Pooth Kala Kirari Sultanpuri
2	**Mumbai**	Borivali Dahisar

In this study, banks are selected in a way that they must be located within 5 Kms of distance to the above-mentioned slum areas. As, also, suggested by Pradhan Mantri Jan Dhan Yojana mission document, (2014)that banking outlets to be provided within 5 KM distance. Both nationalized and private banks were contacted, with a view to get response from at least 10 banks each from Delhi and Mumbai. Purposive sampling technique was used to select these bank branches. Bank branches are selected in such a way that an equal representation of each of the nationalized and private sector banks is part of the sample.

In total, 23 banks, gave positive response out of 26 being contacted, 12 and 11 each from Delhi and Mumbai respectively. Branch Managers were interviewed with an open-ended questionnaire with the objective to get better overview on the problems and risk involved with the poor slum inhabitant as bank customer.

Results and Discussions

It is found from the study that in most of the bank branches the frequency of deposit and withdrawal is poor. While, the one who come for cash transactions are not regular. The result of this studies will be discussed in two parts: **Borrowing & Borrowing Behaviours and Banks Efforts, Risk & Difficulties.**

Borrowing and Borrowing Behaviours

Credit provided under overdraft facility (OD) of Pradhan Mantri Jan Dhan Yojana (PMJDY)was found to be very less used because as per PMJDY mission document (2014),to avail OD facility customer needs to have a satisfactory credit/ operations history, but the transaction record of such customers were seen inconsistent due to which very few become eligible for the same. While, most of the time the purpose for credit from bank is described as below in Table 4:

Table 4 : Borrowing Behaviour (inclusive of both Private & Public Banks)

S.No	**City**	**Loan Purpose**
1	Delhi	Marriage (43%) Business (33%) Purchase of Vehicle (6%) Education (2%) Other Household Needs (16%)
2	Mumbai	Business (51%) Marriage (26%) Purchase of Vehicle (10%) Education (11%) Other Household Needs (2%)

The borrowing behaviour of the households in urban areas faced immense difficulty in meeting out the known expenditures like marriage expenses, purchase of vehicle, education and other household needs. Their flow of income often falls short of cash requirement and also savings are not enough to back on, so borrowing are seen higher in Delhi towards marriage of 43%, Mumbai around 26%. Table-4 provides borrowing pattern of households of Delhi and Mumbai.

It is evident from the study that most of the time purpose of loan is to fulfil social and business need. While, it is seen that people are reluctant in taking credit from formal institutions for very basic need of growth and development i.e. education. Though, it is well pronounced by the various studies (Schultz,1992;Krueger and Lindahl, 2000; Barro, 2013; Hanushek,2008 and 2016), that investment in education and human capital can lead to economic development.

Banks Efforts, Risk & Difficulties involved

The foremost pillar of the PMJDY mission is to provide access to banking and ensure financial inclusion to underprivileged section of the society. Almost 6 lakh villages are covered in sub service area. Bank Mitra is provided to cover 1000 to 1500 households within a short distance of 5kms. The key element of financial inclusion were internet connectivity, telephone services etc. On the personal interview with bankers, the efforts were taken to cover all uncovered households and they are provided a RuPay Debit card.

Most of the banks experienced difficulties in approaching the slum customers enrolled under PMJDY scheme. Some banks used the postal services to deliver the debit card of such account holder, but it was undelivered in most cases as these slums are mainly in unauthorized colonies, where locating their postal address is difficult. While some approached them telephonically, still most of the debit cards remained unclaimed. Some of the excerpts from personal interview with the branch managers are mentioned below:

I. A Branch Manager in a Private Bank A stated as (in Hindi): ***"Humare Branch me sab accounts holders ko call kiya gaya. Bhot kam log aye apna debit cards lene. Jo aye unme se maximum women holders he aye"***

Translation: Bank called every account holder, it was found that very few people came to collect their debit card. Those who came were primarily women.

This indicates a clear scope to investigate how banks can further tap the need of women customers. As stated by Allen et al (2013) *"Access to the formal financial system can increase asset ownership and serve as a catalyst to greater economic empowerment among women."* Swamy (2014), while studying the impact of financial inclusion, gender dimension and Economic status on poor households reported that the General category women are largely affected by the Financial Inclusion programs mostly because of their awareness levels. In contrast to our finding,(Ghosh andVinod, 2016), in their paper found that female headed household are less likely to have access to formal finance as compared to men and are mostly inclined towards the informal borrowing.

II. In a branch of a Nationalized Bank B mentioned: (in Hindi): ***Humare yahan staff kam hai. Slum areas me jakar awareness camp conduct karna mushkil hojata hai.Jan Dhan Yojana yojana me kafi logo aise bhi aye bank me jinhe lagta hai ie government en khaato ke khulwane par unhe Rs 5000 account me dege. Isliye unko aware karna bahut zarori"***

Translation: Bank stated that they are under-staffed, conducting financial literacy camps in slums is a difficulty for them. Many people are coming to bank to open bank account under PMJDY thinking that they may get Rs.5000 in their account. Thus, it is necessary to make them financially literate.

Bank Mitra as intermediary between banks and customers can play a vital role in this. As, reported by Kumar and Kaushik (2016), while studying the responses of banks towards Pradhan Mantri Yojana (PMJDY) the Bank Mitras or banking correspondents (BC) are not helping banks to connect with unbanked population at difficult and inaccessible places, but also can majorly reduce bank work load.

III. In another branch of same Nationalized Bank B mentioned: (in Hindi)***"Logo ko KYC ke requirements samjhane me bhot difficulty hote hai, jinme kafe illiterate and migrants hote hai, zarori documents pure nahe kar pate hai"***

Translation: The bank mentioned difficulty in dealing with customers to make them understand the KYC requirements especially to the illiterate and migrants. They are unable to submit the required documents.

IV. Similar, was the experience ofNationalized Bank C, which mentioned: (in Hindi): *"**Humare pass bhot aise log aate hai jinke pas address proof nahe hote hai. Hum unka account do photographs lekar kholdete hai and unko bolte hai ke voh log hume next 6 months me address proof ke copy de. Aise bhot account hai joki 6 months me even half-KYC bhe pure nahe kar pate hai.Unmse jo mostly casual labour hote hai voh kehte hai ke unka gaon (hometown) yaha se bhot dur hai waha jaane me unke majduri (work) chale jayege, aur agar yaha shaher wale address par aadhar card banawaya toh unke gaon ke pate par jo ration card hai waha se unka nam cut jayega"***

Translation: Bank mentioned that many such customers came without address proof. We open their account with two photographs and ask them to submit address proof copy in next six months. There are many such account holders who are unable to fulfil even the half KYC requirement after six months. As, most of them reported are casual workers and their hometown where their identity proof is present are very far and if they go to collect their proof copy, they are then at risk to losetheir daily wages here. They believe, even if they produce Aadhar card at their present address they may lose their names from ration card made at hometown address.

As reported by Paramasivan and Ganeshkumar(2013), literacy all alone cannot play major role towards the problems as stated above, it is the financial education which can be instrumental. States, like, Kerala have low bank usage despite high literacy rate there, in contrast, Karnataka has higher bank usage dimension than literacy rate. Considering, the need of financial literacy, Allgood andWalstad(2016), analysed the relationship between financial literacy and financial behaviour. They found that both the actual and perceived financial literacy seem to stimulate the financial behaviours across requirement towards credit cards, investments, loans, insurance, and financial advice.

Further, CH Shen et al (2016),examined the financial literacy and its relationship with financial disputes.Their empirical study suggested that people with a higher financial literacy are less likely to experience financial disputes. When the purchase of financial products and services leads to a financial dispute, people with a higher financial literacy are more prone to handle the situation aggressively.

As, the slum inhabitants are mostly poor, fulfilling requirement of collateral is difficulty for them. Therefore, banks need to evolve appropriate strategies to overcome the difficulty of risk and cost dealing with them especially when the customer is migrant and producing the identity proof is a great difficulty to them. Kong et al(2014) study suggested various outreach mechanisms to borrowers by the financial institutions and emphasized the high-end training lenders towards borrowers' sensitivities.

V. In another bank,it was mentioned: (in Hindi**)** ***"Jan Dhan ke kafe khate unutilized he. Logo ne khate toh khulwa liya but unko use nahe karte hai. Jin worker ka kam is bank ke aspas he hai voh log aajate hai kaye bar transaction karne"***

Translation: There are many accounts under PMJDY which are unutilized. Only those workers particularlyseem to come for transaction whose work areas are near to our bank.

It is seen that the transit cost and time involved while going to and fro from bank make it difficult for some day workers to utilize the banking services frequently. Chiapa et al(2015) examined the impact of offering a savings account with minimum transaction costs, zero fees and high proximity to a bank-branch.It was found that the zero fees and physical proximity to the bank led to high adoption and usage of banking facilities in comparison to similar studies in other settings. Also, Brune et al. (2015)indicated that distance from a bank-branch is crucial in deciding usage of a savings account.

So, from the above discussion we came across that the transaction cost, financial awareness, fulfilling KYC requirements despite recent relaxed norms, aresome of the impediments towards reaping the benefits of financial inclusion in urban areas.As per RBI report (2014) on trend and progress of banking in India, it was reported that banks outlets and ATMs in the urban and metropolitan centres still dominate in comparison to the rural counterparts.Despite this, a low usage of banking services by poor and disadvantaged people is seen, which calls for further line of investigation by banks on their product and services catering especially the need of these people.

Conclusion:

The Pradhan Mantri Jan Dhan Yojana scheme has made substantial growth in terms of number of accounts opened. In globalized scenario, it is important to understand on the reach to underprivileged sections of society. The financial inclusion has been described as the provision of affordable financial services in terms of savings, remittance, credit, loans and insurance etc. Deeping the financial services would widen its reach and accelerate its growth, not only in terms of account opening but on affordable financial services as well. The major causes cited by literatures in slum areas are high risk, high operational costs and lack of infrastructure in terms of technology as the million of villages are sparsely populated. The above noted analysis drive us to conclude rather focus on more products it is need to be specific that suits need of the slum areas. Thus, the need is to tap more often the behaviour characteristics of the poor customers. Though, there are many operational issues faced by banks but it is the customers prospective that should be in focus. For poor people, it is the transaction cost that matters, the most. It is sometimes, seen that people don't maintain or carry the documents as desired by banks so going back home to collect that documents seems a costly affair to them. Thus, it is desirable to seed Aadhar card with every account to obviate the issues of KYC.

Further, banks need to embark on innovative ICT technologies to develop more customized products and services for such customers.

Implication of study:

1. Mere openings of savings account would not fulfil the objective of scheme, but there should be continuous operation of account.
2. In order to expand wide financial services, there should be wide network facility
3. As the poverty line decline and income level increases, the urban people would require easy access to savings account. Banks should innovate newer method of bringing customer into one fold.

4. Financial literacy program can be provided in loan repayment, credit counselling can play a important role in the repayment of loans.
5. Government can help slum areas by taking absorptive capacity of financial service by creating an enabling environment by infrastructure facility.

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