International Journal of Social Science and Economic Research

ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"

Pradhan Mantri Jan Dhan Yojana and Financial Inclusion of Female Domestic Workers in Mumbai

Diya Mati

Dhirubhai Ambani International School, Mumbai

DOI: 10.46609/IJSSER.2024.v09i08.029 URL: https://doi.org/10.46609/IJSSER.2024.v09i08.029

Received: 16 August 2024 / Accepted: 26 August 2024 / Published: 29 August 2024

ABSTRACT

The Pradhan Mantri Jan Dhan Yojana, launched in 2014, is an initiative toward 'Universal Banking Access,' to ensure that every household in the country has access to basic banking services. The paper discusses the effect of the PMJDY on the 'financial inclusion' of female domestic workers in Mumbai, who remain on the periphery of regular banking services. The study considers financial literacy, access to financial services, and the ability to make good decisions as metrics of financial inclusion based on a cross-sectional survey conducted among the population. Though the majority of the respondents have opened bank accounts either under PMJDY or traditional banking systems, financial literacy remains a huge challenge to the effective utilization of those accounts. While there is an increase in savings and a shift towards more formal means of financial management, low confidence in managing financial matters and social barriers get in the way of the empowerment of such women. Special interventions in terms of targeted financial literacy programs and social interventions are needed to fill such gaps if economic stability and autonomy are to be enriched for urban female domestic workers, as seen in Mumbai.

Key Words: Financial inclusion, Pradhan Mantri Jan Dhan Yojana, domestic workers, financial literacy, banking services, economic empowerment, social barriers, financial decision-making, capability approach

INTRODUCTION

The Pradhan Mantri Jan Dhan Yojana has been a landmark initiative by the Indian government to promote financial inclusion across the country. Launched in 2014, this program aims to ensure that every household has access to basic banking services, which is particularly beneficial for marginalized groups, including female domestic workers in urban areas like Mumbai, who often face barriers to traditional banking systems (Sharma, 2015). In fact, the PMJDY program has

ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"

been instrumental in significantly increasing the proportion of female account holders, now accounting for around 51% of total accounts opened under this scheme (Sharma, 2015). Beyond merely encouraging the opening of bank accounts, the program also incorporates financial literacy components that empower female domestic workers to better understand and manage their finances. Moreover, this initiative addresses the persistent issue of "financial untouchability" by providing a structured platform for women to access credit, insurance, and pension facilities, thus enabling them to participate more fully in the economy and enhance their overall financial security in a sustainable manner. (Satpathy et al., 2015). This newfound financial inclusion not only improves their personal economic conditions but also fosters a sense of agency and empowerment among female domestic workers, often leading to increased savings and investment in their future, thus playing a crucial role in breaking the cycles of poverty and dependence that are often present in these communities.

While there is a high number of accounts opened by females, their usage is low, a phenomenon explained by fewer employment opportunities and traditional familial gender roles (Thakur, 2022). This indicates that while access to financial services may have increased for female domestic workers, the actual utilization of these services might be limited.

Although studies have highlighted the overall increase in bank account ownership and the role of public sector banks in advancing PMJDY (Johnson, 2024), as well as the significant number of accounts owned by females (Thakur, 2022), they do not delve into the particular experiences of female domestic workers in urban settings like Mumbai. The lack of targeted research on female domestic workers - a group that often faces unique financial challenges and social barriers - indicates a need for studies that examine how PMJDY affects their access to financial services, the usage of accounts, and the subsequent impact on their economic empowerment and stability, which is the very gap in our understanding that this research paper will aim to fill.

METHODOLOGY

This study employs a cross-sectional survey designed to examine the impact of Jan Dhan bank accounts on the financial inclusion of female domestic workers within Mumbai.

Metric for Financial Inclusion

Financial inclusion of an individual (FI_i) has been defined as the sum of three subset factors:

$$FI_i = \beta_0 + \beta_1 FL_i + \beta_2 AFS_i + \beta_3 DMA_i + e_i$$

- Financial literacy (FLi) indicates that an individual (i) possesses knowledge about budgeting, saving, and investing- allowing them to have sufficient awareness about their

ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"

personal finance.

- Access to financial services (AFSi) refers to the availability of a bank account, savings, credit, insurance, loans, etc. for an individual (i). The three main focus points here, building on the indicators on financial inclusion utilized by Demirguc-Kunt and Klapper (2012), are: access to formal accounts, saving behavior, and sources of borrowing or emergency relief. Financial inclusion, however, goes beyond merely checking the presence of these factors. It also considers the frequency of service use, the purpose (whether for business or personal needs), the mode of use (such as online, digital, or kiosk services), and any barriers to accessing high-quality services.

- Decision-making ability (DMAi) refers to the financial capability to make informed choices and utilize one's own assets according to personal preferences. It encompasses the ability to allocate funds towards various expenses and savings effectively. This includes deciding how much money is spent on different goods and services and determining the portion of income that is saved for future needs.

Data Collection

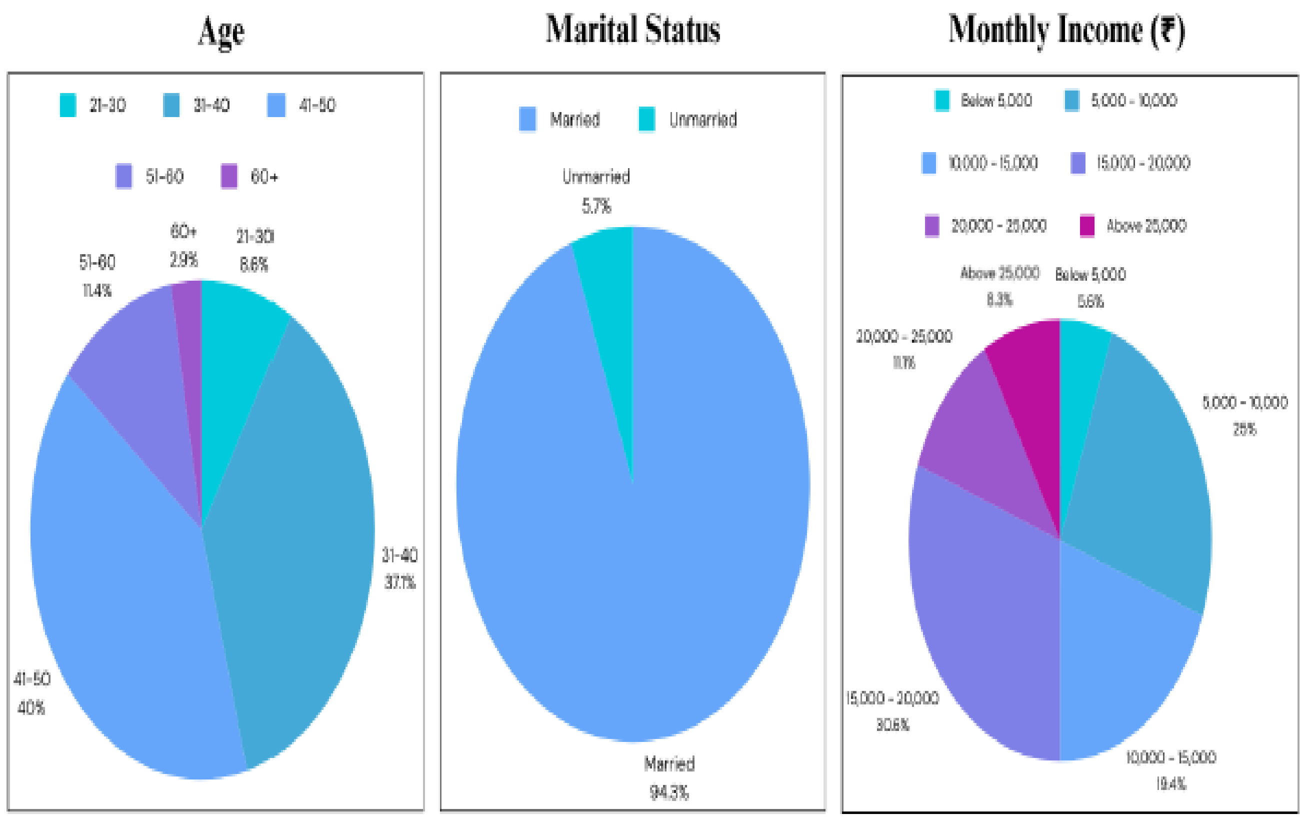
A non-probability convenience sampling method was utilized to select 47 female domestic workers from various neighborhoods in Mumbai. Interviews were conducted with these individuals either in person or over the phone. Each question was translated and explained in order to ensure clarity and accurate responses. Their responses to a set of 20 questions were recorded and digitized. Although convenience sampling often hinders the generalisability of an experiment, the expanses of various ages, neighborhoods, and income groups of the surveyed individuals provides ample representation of different groups.

The survey used 20 questions, some open ended and some multiple choice, that account for an understanding of financial inclusion of these individuals as per the predefined demarcation of inclusion. Respondents fell in one of three categories: regular bank account holders, Jan Dhan bank account holders, or individuals with no bank accounts. The same questions were administered to all three groups to measure levels of financial inclusion of all three groups and generate an accurate comparative understanding.

Basic demographic data for survey respondents has been provided below. The majority of respondents are married (94.3%), within the 31-50 years age range, from various income groups.

ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"



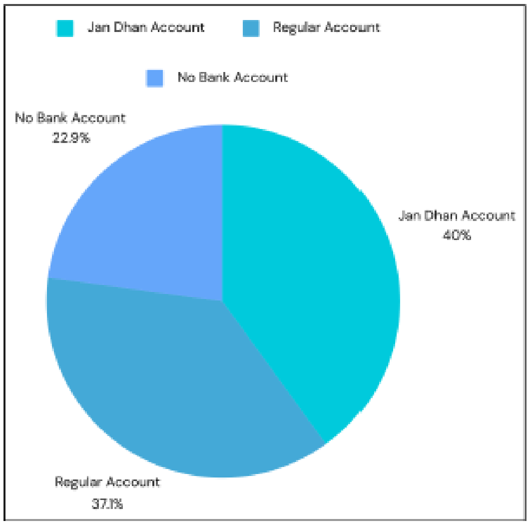
RESULTS

The collected data reflects that almost 80% of respondents have bank accounts, of which there is more or less an even split between Jan Dhan accounts and regular bank accounts (40% and 37.1% respectively). However, 22.9% still do not have bank accounts- a concerning statistic as bank accounts are a rudimentary requirement and stepping stone to access various other financial services. Moreover, upon looking into the demographics of individuals without bank accounts, it is clear that lower income owners are typically more likely to not have an account (of those without bank accounts, 75% are below ₹10,000 earners). Further stratification by income groups shows that in lower income groups, there are more individuals without bank accounts or with Jan Dhan Accounts whereas higher earners tend to opt for regular bank accounts with a minimum balance. The data below shows the same trend. However, it is worth considering that there were very few respondents in the 'Below ₹5,000' an 'Above ₹25,000' categories meaning the data collected for these categories could have a certain degree of inaccuracy. Even so, this trend of Jan Dhan accounts being utilized primarily by those from ₹5,000 to ₹25,000 monthly income persists.

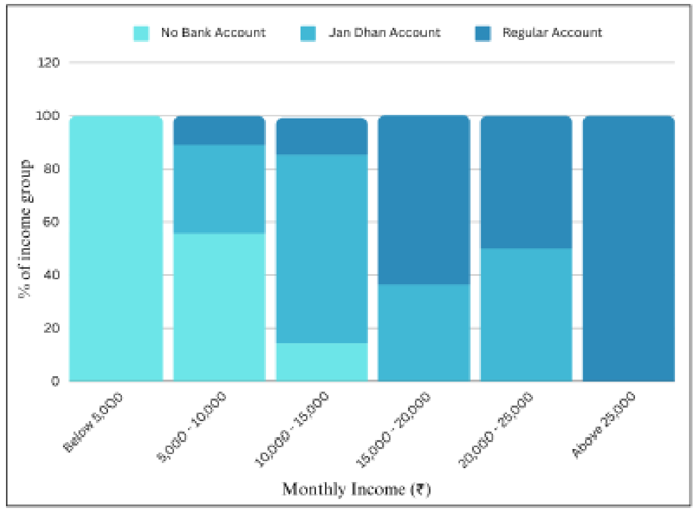
ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"

Bank Account Status



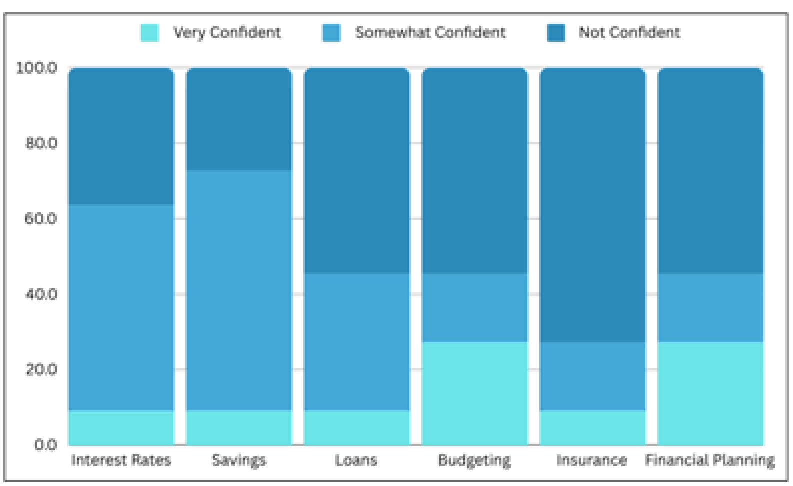
% of Members With No Bank Account, Jan Dhan Account, and Regular Bank Account by Income Group



Financial Literacy

When asked to categorize their degree of confidence and understanding in basic financial concepts, respondents rarely said they were very confident. When asked about interest rates and savings the majority said they were 'Somewhat Confident' whereas the majority said 'Not Confident' when asked about loans, budgeting, insurance, and financial planning. Unexpectedly, even topics like budgeting and financial planning were confusing to the respondents with 55% saying that they were 'Not Confident'. Thus, despite having bank accounts, these women don't appear to be 'financially literate' which would limit them from being able to make educated, independent decisions about their finances.

Levels of Confidence of Jan Dhan Account Users in Various Financial Basics

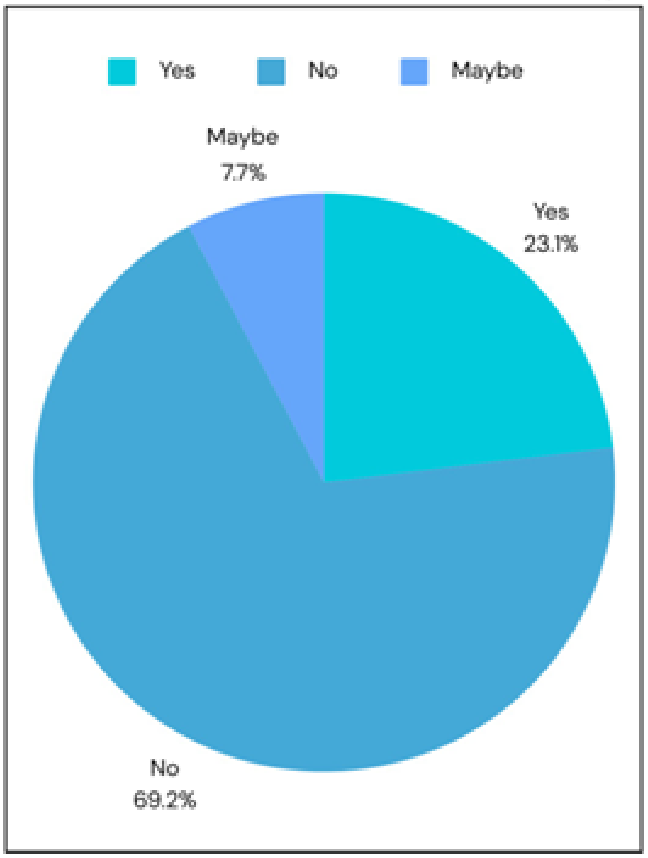


ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"

Moreover, 69% of account holders stated they didn't know the benefits of a bank account prior to creating one, meaning that individuals have insufficient awareness about why a bank account is even needed.

Whether or Not Account Holders Knew Benefits of Bank Accounts Prior to Creating One

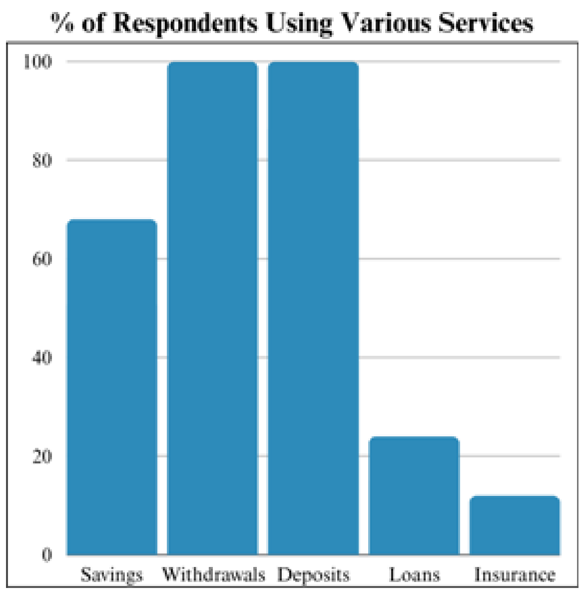


Access to Services

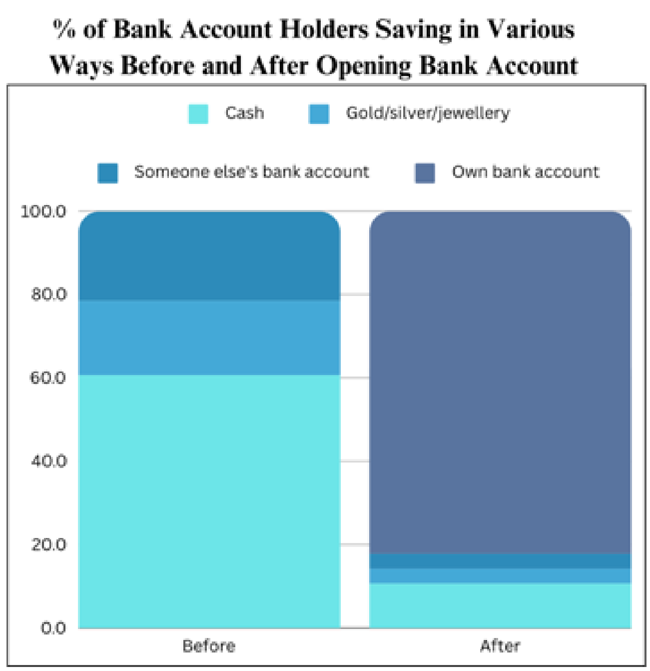
Upon surveying users on the different services they use, we can make a bar graph as shown below. Notably, 100% of the respondents use their accounts for both withdrawals and deposits, indicating that almost all account holders are actively engaging with their bank accounts for basic transactional purposes. Additionally, the majority save money in their accounts as well. However, just about 25% and 10% of respondents, respectively, reported using loans or insurance, two examples of advanced financial services. This discrepancy indicates a possible area for improvement in financial literacy and accessibility, as basic banking services are frequently used but more complicated financial products are not as widely used.

ISSN: 2455-8834

Volume:09, Issue:08 "August 2024"



One aspect that has seen notable improvement is the method of savings. Prior to having a bank account, approximately 80% opted for informal saving methods such as cash, gold, or jewelry. 20% reported saving in someone else's bank account such as their husband which limits their ability to make financial decisions. Contrastingly, after opening a bank account, over 80% report saving in their own account.



When considering access to services, it is crucial to also take note of any barriers. Thus, respondents were asked about any issues they faced with their bank accounts or with accessing services. Firstly, the issue of a lack of financial literacy was evident as several reported not understanding concepts. For example: not understanding why interest is debited, being unable to operate the account effectively from the phone, and not understanding the loan procedure. Various people reported that they didn't understand what the bank staff were saying, which inhibited them from being able to open a Jan Dhan account.

Apart from this, a few of the regular account users (accounts with minimum balance requirement) cited their account had been shut down as the balance had dropped below the minimum requirement and they had to reactivate it by depositing some money. These individuals would benefit from Jan Dhan accounts but still had not made them.

Finally, upon asking women without bank accounts why they had not chosen to create one, some socio-economic factors appear to act as inhibitors. Some women cite that their husband would not like them to open an account and that the husbands prefer to operate the finances themselves. Others say that they are illiterate or unable to operate technology which impedes them from opening an account.

Decision Making Ability

Respondents were asked about any changes in their ability to make personal finance choices post the creation of their bank account. While numerous did report no changes as such in their ability to be involved in financial decisions, over half of the respondents reported an increased ability to save certain amounts of money for themselves and allocate it towards purchases that they feel were important. Some examples include an English medium education for children, a TV, and a fridge. Several also report that they are now using G-Pay, an online money transfer system, to make quick, on hand purchases as and when they require.

DISCUSSION

Between 2014 and 2017, India's gender gap in bank account access significantly narrowed from 20 to 6 percentage points, largely due to the efforts of the PMJDY (Kumar, 2023). This trend in the increase in accessibility of bank accounts and such services is evident through collected data. Several respondents report having bank accounts and being able to save money effectively.

However, there lies reason for concern in the aspect of financial literacy. The data reveals a significant gap in the respondents' understanding of core financial concepts, including budgeting, loans, insurance, and financial planning. Despite having access to bank accounts, many respondents lack the needed financial knowledge to utilize these accounts effectively which restricts their capability to make the most of savings, investments, and credit options.

However, there lies reason for concern in the aspect of financial literacy. The data reveals a significant gap in the respondents' understanding of core financial concepts, including budgeting, loans, insurance, and financial planning. This deficiency in financial literacy poses a critical barrier to achieving full financial inclusion, as it limits the ability of female domestic workers to make informed decisions regarding their financial assets and liabilities. Despite having access to bank accounts, many respondents lack the requisite financial knowledge to leverage these accounts effectively, thereby restricting their capability to optimize savings, investments, and credit options.

Moreover, the low confidence levels expressed by respondents in reference to their ability to manage financial matters reflect a limited functional capability in navigating the formal financial system independently. This finding aligns with Amartya Sen's Capability Approach which suggests that the mere presence of resources (in this case, bank accounts) does not equate to increased well-being or empowerment unless individuals possess the necessary capabilities to use these resources effectively. The ability of an individual to convert a resource into a ‘functioning’ - something they may actually benefit from - relies on sociopolitical and environmental factors (known as conversion factors). In order to increase their level of inclusion and gain utility from access to a bank account, their internal capabilities (skills, knowledge, decision making ability, etc.) need to be improved. This requires educational programs and skilling sessions targeted at helping these women. While the Indian government has already instituted financial literacy plans such as National Centre for Financial Education (NCFE) and the Financial Literacy and Inclusion Fund (FLIF), there lacks an emphasis on impoverished women in urban communities.

Moreover, social structures often prevent women from being able to create an account and make decisions for themselves. This is another key limiting factor that inhibits the full participation of women in the economy. However, it is a difficult issue to address and target.

ACKNOWLEDGEMENT

I would like to thank Dr. Debarya Jana, a research fellow of business and management at Luiss Guido Carli University, for the valuable insight provided to me on this topic.

BIBLIOGRAPHY

Demirguc-Kunt, Asli, and Leora Klapper. *Measuring Financial Inclusion*. World Bank, Apr.2012. *The World Bank*, documents1.worldbank.org/curated/en/453121468331738740/pdf/WPS6025.pdf. Accessed 6

Aug. 2024.

Jan Dhan Yojana revolutionised financial inclusion in India, more than 50 cr bank a/cs opened: FM. The Hindu, 28 Aug. 2023, www.thehindu.com/news/national/jan-dhan-yojana-revolutionised-financial-inclusion-in-india-more-than-50-cr-bank-acs-opened-fm/article67243739.ece. Accessed 18 Aug.2024.

Johnson, Mridula. *Empowering Financial Inclusion: The Crucial Role of Public Sector Banks in Implementing Pradhan Mantri Jan-Dhan Yojana (PMJDY)*. 21 Apr. 2024. *Ijraset*, www.ijraset.com/research-paper/empowering-financial-inclusion-the-crucial-role-of-public-sector-banks. Accessed 18 Aug. 2024.

Kumar, Sunaina. *Financial Inclusion of Women: Current Evidence from India*. ObserverResearch Foundation, 17 Aug. 2023.

Modi, Satish. *Role of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Promoting Financial Inclusion in India: An Assessment*. www.igntu.ac.in/MekalInsight/Vol5-Issue1-2-year-2021/10.pdf. Accessed 18 Aug. 2024.

Over 80% Indians now have bank accounts. How many are actually using them? Scroll.in, 18 May 2019, scroll.in/article/923798/over-80-now-indians-have-bank-accounts-how-many-are-actually-using-them. Accessed 18 Aug. 2024.

Satpathy, Ipseeta. *Banishing Financial Untouchability of the Poor through PMJDY – A Tryst withNew Destiny*. 6 Mar. 2015. *Richtmann Publishing*, www.richtmann.org/journal/index.php/mjss/article/view/5798. Accessed 17 Aug. 2024.

Sharma, J. D. *Pradhan Mantri Jan Dhan Yojana*. 1 July 2015. *management accountant,* icmai-rnj.in/index.php/maj/article/view/78580. Accessed 17 Aug. 2024.

Thakur, Shalvi. *Pradhan Mantri Jan Dhan Yojana (PMJDY) : Analyzing Performance Using Financial Inclusion Indicators*. June 2022. *Arthshastra Indian Journal of Economics and Research*,www.indianjournalofeconomicsandresearch.com/index.php/aijer/article/view/172211. Accessed 18 Aug. 2024.

