

**DHARAVI MODEL – A CASE STUDY ON URBAN FINANCIAL INCLUSION IN INDIA****Tejendra Mohan Bhasin***Doctoral Research Scholar, Dept. of Management Studies, University of Madras & Chairman & Managing Director, Indian Bank***Dr. Thenmozhi, Ph.D***Professor, Dept. of Management Studies, University of Madras.***ABSTRACT**

*Urban Financial Inclusion is yet to receive the same level of importance and thrust as in the case of Rural Financial Inclusion measures. The Government of India, RBI and some of the Commercial Banks have taken some initiative towards Urban Financial Inclusion following the reasonable success achieved and experience gained in the rural financial inclusion strategy. The first ever initiative towards urban financial inclusion in the country was by the Chennai headquartered India Bank in 2005 which it replicated in Asia's largest slum, DHARAVI in Mumbai in 2007. These efforts were followed by a few more banks establishing their branches in the Mumbai slum and today Dharavi example is an illustration of how banking the unbanked can be a win-win opportunity.*

***Terms used: Micro Small Enterprises, Financial Inclusion, Remittances, Priority Sector.***

**INTRODUCTION**

The world is heading towards a major demographic transition and is becoming increasingly urban, with urban areas gaining approximately 6.7 cr. people every year. This trend is particularly present in less developed countries, where the growing urban population is set to dominate the coming decades of development discourse. Even as the banking sector is making efforts to reach out to the financially excluded in rural areas and semi urban areas, there is an equally large need and rewarding opportunity emerging in Urban India as well for the banking and financial services providers. The urban population which has grown from 27.81% of the total in 2001 to 31.16% in 2011 is projected to cross the level of 40% by the year 2030 directly increasing the number of urban disadvantaged population who remain vulnerable to social and economic insecurities. Providing the much needed financial services to the growing urban population will be a big challenge requiring a planned and focused approach alongside the rural financial inclusion efforts. Realizing this, for the first time, a nationalized bank has entered into the slums of Mumbai and this case describes the success of an urban financial inclusion effort.

There is a large unmet demand for financial services among urban poor. But access of financial services by the urban poor is still far from reality. Most of them depend on usurious informal sources to meet their personal, health and livelihood related needs. They struggle to repay such borrowings which further impede their ability to escape from the vicious circle of poverty. Similarly the urban poor and migrants largely depend on the risky informal sources to meet their frequent remittance requirements. A study undertaken on behalf of CARE, Michael & Susan Dell Foundation and ICICI Bank in slum areas of Delhi and Hyderabad covering 600 random respondents reveals the financial needs of the urban poor as below,

- a. While a little over 40% have access to formal savings account, only 4% accessed a loan from a bank or a non-bank finance company.
- b. Though there is relatively little access to formal sources of finance, the rate of borrowing within urban slums is considerably high. The average current indebtedness was Rs.22543/- much of which is drawn from informal sources such as money lenders.
- c. There is strong demand for both enterprise loans to finance small businesses and consumption loans to cover family needs such as festivals, illnesses and school fees.
- d. Consumption loans are three times the number of enterprise loans

- e. It is estimated that 69% of the slum dwellers save an average of Rs.1415 per month across the year, primarily at home.
- f. Limited data revealed that both large and small remittances are sent through formal as well as informal channels ranging in amount from as little as Rs.100 to Rs.1600.
- g. There is a demand for urban microcredit in the range of Rs.22245 crores 120 lakhs households.

Keeping in view the above said facts, this paper analyses the case of a Bank which had ventured to work with Asia's largest Slum in Mumbai, the financial capital of India.

### **OBJECTIVE OF THE STUDY**

To bring to lime light the impact of urban financial inclusion and inclusive growth that would facilitate the financial institutions to take banking to urban poor.

### **METHODOLOGY**

Being a Case investigation, this case is an attempt to examine a specific event in Asia's largest Slum – Dharavi, an example of urban financial inclusion. This is a case study and the data and the experiences were collected by the direct interaction with sample residents and Indian Bank branches of Dharavi. The data pertains to the period of inception of the branch till 2014.

### **The Case**

Encouraged by the success of an innovative “Microsat” branch concept, Indian Bank, a south based nationalized Bank in its efforts towards taking banking facilities reach the unreached in urban and metropolitan centers, decided to target DHARAVI which has the dubious distinction of being Asia's largest slum in Mumbai, the country's financial capital where ironically 41% of its population live in slums.

### **Dharavi - The Slum**

The Dharavi slum, situated in the heart of Greater Mumbai is spread along the Mahim creek between Mahim in West and Sion in the East, occupying an area of 175 hectare with about 1.25 lakh households. Like every other slum, Dharavi suffers from lack of basic infrastructure and sanitation facilities. Access to water and electricity is unpredictable. But unlike many other slums, majority of the dwellings in Dharavi are reinforced and built out of cement and bricks, except for the roofs, which are made of simple reused metal sheets or of corrugated iron or rarely, tiles.

Dharavi stands out for its bustling informal economic activity in Micro Small Enterprises and handicrafts. Unlike Mumbai's other slums, where a large majority of the inhabitants work outside their place of residence, 80% of Dharavi's residents work within the slum area. It could be described as a self-created economic zone running on cheap labour and encroached land. It is also like a full pledged industrial area with an estimated annual turnover of Rs.2640 crores. A study by the society for Promotion of Area Resource Centers estimates that Dharavi has 4902 production facilities, 1036 in textiles, 932 in pottery, 567 in leather, 722 in recycling and scrap metal, 498 in embroidery and 152 in food. In addition, there are 111 restaurants and thousands of boutiques. But the working conditions in this informal sector are very difficult and precarious.

The potters and their families constantly live and work surrounded by heat and toxic smoke emanating from the ovens where they bake their pottery, while leather, textile and food workers spend up to 15 hours a day in dark rooms with no ventilation. Salaries are very low and competition between old and new migrants is constantly driving the cost of labour down. Migrants who settled down at Dharavi first, where from Maharashtra and Gujarat. Later, a large wave of migrants arrived from Tamil Nadu, particularly from Tirunelveli district followed by migrants from other States, more recent ones from Uttar Pradesh and Bihar.

**Table 1: State Wise Mix of Migrants at Dharavi**

State	Percentage
Tamil Nadu	37
Maharashtra	33
Karnataka	6
Andhra Pradesh	5
Uttar Pradesh / Bihar	9
Kerala	5
Gujarat	5

For generations, lakhs of Dharavi inhabitants have not had access to formal banking. They are used to keeping cash in a corner of the kitchen or below the bed, most often a 100 sq.ft room with a cooking platform in a corner. Despite the bustling economic activities, long felt desire of the slum residents to have formal banking facilities, the potential customer base of largely untapped migrant workers engaged in job work, good number of first time entrepreneurs / exporters running leather tanning factories, recycling units, garment and pottery shops, etc., no bank came forward to open a branch inside the slum area. While only one cooperative bank, Abhudaya Bank had a branch within the slum a major Public Sector bank had its branch located away from the slum area at a distance of about 3kms.

Many residents claimed that nationalized banks were not ready to open branches in Dharavi and if a resident gave Dharavi address, nobody would open a bank account. The “crime prone and dangerous area image” acquired by Dharavi slum, rightly or wrongly has probably kept away the commercial banks from establishing their branches there despite the large business potential. Indian Bank was the first bank to venture into Dharavi by opening its full pledged branch in the heart of the slum. Opening of a branch in Dharavi was not an easy task for the officials of the bank who were involved in the work. Many a challenges had to be encountered and overcome. Even getting a suitable building to house the branch was a nightmare due to hesitation, wrong perceptions, threats to building owners etc. Lack of proof of address of prospective customers to comply with KYC norms was another major challenge for the banker. Mass campaigns were launched in September 2006, mostly on Sundays, with the objective of enabling thousands of migrant workers to have access to various banking products.

Detailed discussions were held with the local community leaders and NGOs to assess the needs of the migrant workers and their families. The RBI also evinced keen interest in ensuring that the necessary banking products and facilities are made available by the branch. More than seven months took for this exercise. The media was upbeat about the first bank branch being opened in the heart of Dharavi and extensive coverage was given by the print media and thus the Dharavi’s first commercial bank branch in February 2007 with all amenities required for tech-oriented banking including an ATM. From day one, the branch has become a run-away success and considered by many as “Jewel of the Dharavi”. To obviate difficulties in complying with KYC procedure the Bank adopted a “reverse KYC” procedure by tracing them back to their native places through nearby branches. Transactions through ATMs started from the beginning itself as all necessary formalities were completed for ATM cards much ahead of opening of the branch.

### **Today...**

Today, large crowd assembles well before the start of the working hour to put through transactions of various nature is a clear indication of the extent of success and patronage, the branch has achieved. Besides payment and withdrawal transactions in the Savings Bank accounts, the biggest attraction is remitting money to the family and relatives living in their native places. Before the branch was opened, the migrants sent money through informal agencies and friends who visit their native villages, which was risk prone and did not reach the recipient in time. The branch started receiving continuous flow of applications for remittances through RTGS, NEFT, Demand Drafts and transfers from their accounts. Remittance facility was the most sought after facility by the customers of the branch in view of the fact that the Bank has its branches in most of the rural areas in the southern parts of

Tamil Nadu from where the migrants have come from. The following table shows the extent of usage of the remittance facility by the migrants who remit money to their families in Southern parts of Tamil Nadu, especially in Tirunelveli District.

**Table 2: Remittance made from Dharavi Branch**

Recipient Branch	Remittance made from Dharavi Branch (Amt in lakhs)									
	2008-09		2009-10		2010-11		2011-12		2012-13	
	No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.	No. of A/Cs	Amt.
Ambasamudram	0	0	12	0.87	67	6.42	87	5.28	96	5.36
Cheranmahadevi	472	41	580	49.6	527	64.52	598	87.54	612	98.72
Kanganankulam	34	8.95	32	9.52	39	9.86	38	11.38	42	12.47
Vadakku Vallioor	486	76.47	628	98.47	960	147.62	1237	241.6	1645	371.35
Viravanallur	162	68.45	187	84.75	183	92.17	212	86.23	232	92.35
<b>Total</b>	<b>1154</b>	<b>194.9</b>	<b>1439</b>	<b>243.21</b>	<b>1776</b>	<b>320.59</b>	<b>2172</b>	<b>432</b>	<b>2627</b>	<b>580.25</b>

Yet another attraction and most utilized facility is the ATMs. Within a short period, the onsite ATM at Dharavi branch started recording the highest hits (number of transactions) in the Bank on all India basis (1572 per day). In order to cope up with the huge demand for ATM facility, the Bank installed an ATM at an off-site location within the slum area in January 2008 and added one more onsite ATM at the branch premises in April 2010. These ATMs continue to record highest hits among the Bank's ATMs. The overwhelming response encouraged the Bank to establish another branch in Dharavi exclusively, to focus on credit delivery.

The second specialized branch was opened in February, 2011 with onsite ATM facility. This second branch is mandated to exclusively deal with the various credit requirements of the business establishments and individual small business enterprises in Dharavi while leaving the first branch to cater to the retail deposit, money transfer (remittances) and other incidental banking services. The specialized credit branch at Dharavi has financed variety of manufacturing and business enterprises such as leather based industries, Readymade Garments stitching, preparation and sale of snacks and eatables, handicrafts etc. The leather units make regular supplies to renowned brands like SONY, LENOVA etc. The readymade garment units undertake job work for well-known brands like PARK AVENUE, REYMONDS, CAMBRIDGE, SERO ETC., Similarly leather belt manufactures financed by the branch make regular supplies to international brand dealers. The Dharavi example is an illustration of how banking the unbanked can be a win-win opportunity.

#### **Specialized Credit Branch at Dharavi**

Impressed by the committed role played by the Bank in Dharavi, the Mumbai Municipal Corporation (BMC) has entrusted exclusively to the Bank, the work of opening savings bank accounts for the girl students studying in the 1234 corporation schools for the purpose of giving incentives to them. Branches of Indian Bank operating in BMC area have opened SB accounts of more than 1,90,000 girl students. Business levels of both the Branches of the Bank at Dharavi and utilization of the services by the migrant residents is on the uptrend as could be seen from the table given below,

**Table 3: Business Position of Indian Bank's Branches at Dharavi**

Particulars	2007-08		2011-12		2012-13	
	No. of A/cs	Outstanding amount (Rs in cr.)	No. of A/cs	Outstanding amount (Rs in cr.)	No. of A/cs	Outstanding amount (Rs in cr.)
Total Deposits	16430	10.39	34708	45.08	42951	56.87
Savings Bank	15866	6.63	32988	22.15	36663	26.53
Total Advances	69	1.48	540	36.26	399	40.89
Priority Sector Adv.	63	1.38	462	31.77	499	27.26
Average No of ATM transactions (in 000's)	2007		5069.85		5737.8	
Average No of ATM transactions per day	550		1389		1572	
Average value of ATM transactions /day (in lakhs)	12.00		29.82		33.86	
No of remittances/Year	4872		27180		31668	

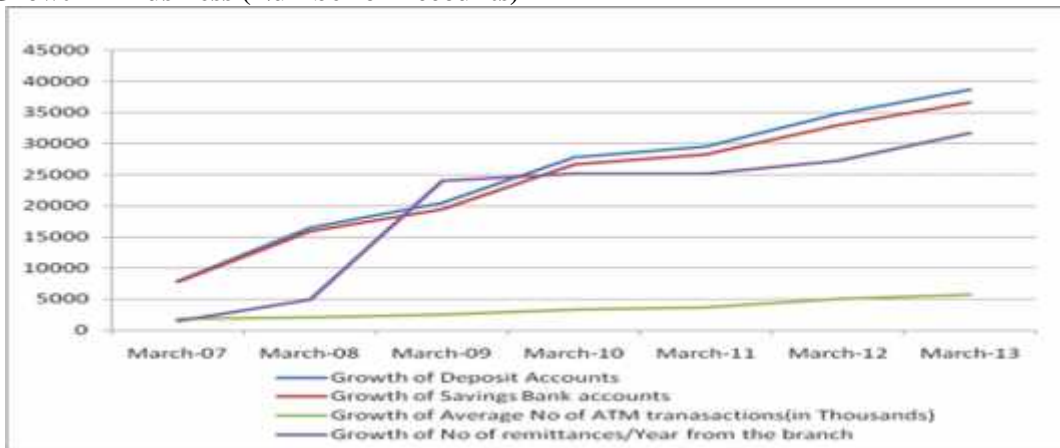
From the table it could be observed that the total business of Indian Bank in Dharavi slum in terms of no. of accounts has more than doubled in a span of 5 years. The total no. of accounts in terms of advances have also increased many folds. The average per day transactions through the ATMs has tripled and the average value of transactions through ATMs has also tripled in Dharavi. The percentage growth in the business position is shown in Table 4 and depicted in Graphs 1 & 2.

**Table 4 : Percentage of Growth in Business in Business of Dharavi Branches**

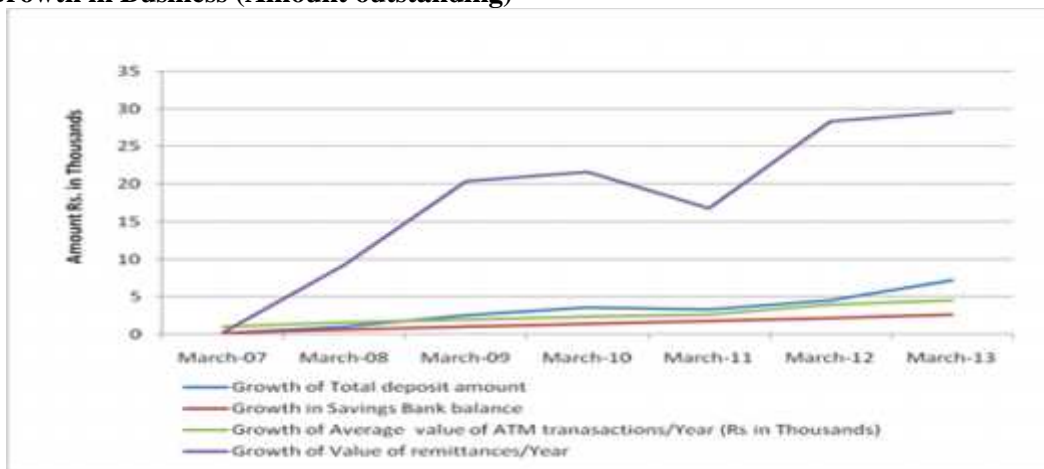
Details	Growth (Percentage)	
	2008 to 2012	2012 to 2013
Term deposits	334	112
Saving	234	49
Total Advances	2351	89
Total PS	2202	114
MSME	202	148
<b>Retails Loans</b>	<b>Negligible</b>	<b>218</b>

During the period 2007 to 2011, only Indian Bank branch was in existence and hence the growth has been splendid. After the success story of Indian Bank 6 more Nationalized banks and one Private Sector bank opened their branches in Dharavi resulting in the spread of business to other banks too as the residents were interested to open an account in the branch nearer to their place of dwelling and also nearer to their units. It could be also noticed that the advances have excellently grown during the period 2011-12 due to the opening of a specialized credit branch. While the newly opened branch is taking care of retail loans, the MSME is taken care of by the Credit branch and hence the growth. The success of the branch has been mainly due to the assistance rendered by the branch for domestic remittances of the savings of the residents of Dharavi, who owe their gratitude to the Bank.

**Graph 1: Growth in Business (Number of Accounts)**



**Graph 2: Growth in Business (Amount outstanding)**



The Business levels as at the end of March 2013 and 2014 are presented below which establishes the increasing trend year after year:

Indian Bank’s entry into Dharavi as the first and only one commercial bank stirred up the many other Banks who watched the progress initially with skepticism and later with surprise over the unexpected success. After a few years of keen watching and clearly getting convinced of the potential, many other banks started marching into Dharavi one by one. Today, as many as 6 Public Sector Banks and one Private Sector Banks have established their full pledged branches in Dharavi. As of now there are 11 ATMs available for the use of the Dharavi residents which includes a foreign bank also. The full potential is yet to be tapped and perhaps there is room for a few more banks and ATMs. The success was well recognized by the bank receiving the “Skoch Challenger Award 2008” for path breaking Financial Inclusion initiatives in UT of Puducherry and Dharavi and the citation reads as follows, *Quote... “The Bank’s innovations and initiative in the direction of purposeful and effective financial inclusion to explore still newer delivery models to suit the needs and requirements of the segment, leveraging upon the fast changing technology and the experience gained both within and outside the bank from the efforts that are currently in progress is a continuous process and an area of policy thrust”.Unquote...*

In order to facilitate the Direct Benefit Transfer (DBT) banks have been advised by RBI to open accounts for all eligible individuals in camp mode. Department of Financial Services, Ministry of Finance, Govt. of India in its communication dated 24th July 2012 advised the banks to launch campaign to open one bank account per family in urban areas in order to provide banking services to entire population residing in urban and metro centres so as

to financially include the urban poor, slum dwellers and facilitate electronic benefit transfer in respect of benefit / subsidies under various Government schemes directly in to the accounts of the beneficiaries. As first step towards urban financial inclusion, RBI in 2013 extended the Lead Bank Scheme (LBS) to urban areas. In the annual monetary policy statement, the Governor, Reserve Bank of India said that, *Quote.. “With the objective of providing an institutional mechanism for co-ordination between Government authorities and banks, facilitating doorstep banking to the excluded segment of urban poor, and to implement direct benefit transfer scheme of the Government, it has been decided to bring all the districts in metropolitan areas under LBS fold..... The challenge of financial exclusion is widespread in metropolitan areas as well, especially amongst the dis-advantaged and low-income groups and not just in villages”... Unquote*

However a planned approach towards achieving 100% urban financial inclusion in a time bound manner on the lines of the Financial Inclusion plans prepared by banks for rural financial inclusion is in progress.

### **The Lessons Drawn**

1. The following are the characteristics of the urban poor which need to be addressed.
  - ✓ Low and irregular earnings.
  - ✓ Self-exclusion due to low income levels and absence of decent surplus coupled with uncertainties in income.
  - ✓ Migrant nature and frequent shifting of residence due to frequent job changes.
  - ✓ Lack of / inability to produce necessary documentation to establish their identity.
  - ✓ Financial illiteracy.
  - ✓ Problems in understanding language
2. Urban poor like their rural counterpart equally require support from the financial sector for their growth and prosperity.
3. Identification of their felt need is the first step in introducing an innovation like urban financial inclusion
4. Active participation of the community leadership will bring in a win-win situation for both the facility provider and the beneficiaries.
5. Risk aversion is a pre-requisite for growth and prosperity.
6. Constant monitoring and evaluation are necessary to improve the existing best practices.
7. Financial sector should constantly identify unique delivery models to suit different locations and clientele.

### **The Following Suggestions are offered as an Outcome of the Case Study**

- a. Each Indian resident above the age of eighteen years, irrespective of the place of dwelling, should be provided with an individual, full-service, safe, and secured electronic bank account.
- b. Every resident, irrespective of the place of dwelling should access point within a fifteen minute walking distance of a payment.
- c. Each low-income household and small-business need to have access to a formally regulated lender (Bank) who can offer them suitable investment and deposit products and also is capable of assessing and meeting their credit needs at an affordable charge / price.
- d. Suitable insurance and risk management products need to be introduced irrespective of rural or urban clients.

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