Journal of Informatics Education and a Research
ISSN: 1526-4726
Vol 5 Issue 2 (2025)

Assessing Government Efforts to Promote Financial Inclusion for BPL Households in Delhi Slums: Gaps and Policy Improvements

Presented By
Ms. Nikita Tokas, Research Scholar
K.R. Mangalam University
Gurugram, India
Dr. Devkanya Gupta, Associate Professor
K.R. Mangalam University
Gurugram, India

Abstract
Financial inclusion has emerged as a critical policy priority for addressing economic inequality and poverty alleviation in India. This study examines the effectiveness of government initiatives, particularly the Pradhan Mantri Jan Dhan Yojana (PMJDY), and Reserve Bank of India (RBI) regulations in promoting financial inclusion among Below Poverty Line (BPL) households in Delhi's slums. The research employs a mixed-method approach, utilizing primary survey data from 400 BPL households across five major slum clusters in Delhi and secondary data from government sources. The study reveals that while account opening has increased significantly under PMJDY, with over 55 crore accounts opened nationally, substantial gaps remain in usage patterns and awareness levels. The findings indicate that 78% of BPL households possess bank accounts, but only 43% actively use financial services beyond basic savings. The RBI's Financial Inclusion Index improved from 43.4 in 2017 to 64.2 in 2024, yet disparities persist in urban slum areas. Key challenges include limited financial literacy (67% lack basic financial knowledge), inadequate infrastructure, and regulatory barriers. The study recommends targeted policy interventions including enhanced financial literacy programs, simplified KYC procedures, and improved last-mile connectivity to bridge existing gaps and ensure sustainable financial inclusion.

Keywords: Financial Inclusion, BPL Households, Delhi Slums, PMJDY, Government Policy

1. Introduction
Financial inclusion represents a fundamental prerequisite for inclusive economic growth and poverty reduction. The Government of India has prioritized financial inclusion as an important policy objective, aiming to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. The concept encompasses providing access to useful and affordable financial products and services including banking, credit, insurance, and digital payments to all segments of society. Delhi, as India's capital, houses approximately 1.8 million people in slum settlements, representing nearly 10% of the city's population. These communities, predominantly comprising Below Poverty Line (BPL) households, face significant barriers to accessing formal financial services. According to recent data, rural poverty was 7.2% and urban poverty was 4.6% in 2022-23 with a new consumption expenditure-based poverty line for India of Rs 1,622 per person per month for rural areas and Rs 1,929 per person per month for urban areas. The Government of India launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 as a comprehensive financial inclusion program. Under this scheme 15 million bank accounts were opened on inauguration day, with the Guinness Book of World Records recognizing this achievement. However, the translation of account ownership into meaningful financial inclusion remains a critical challenge, particularly among urban slum populations. This research addresses the gap between policy implementation and ground-level impact by examining the effectiveness of government efforts in

promoting financial inclusion among BPL households in Delhi's slums. The study contributes to the existing literature by providing empirical evidence on usage patterns, awareness levels, and institutional barriers affecting financial inclusion outcomes.

2. Literature Review

Financial inclusion has been extensively studied in the context of developing economies, with particular emphasis on its role in poverty alleviation and economic development. International evidence suggests that financial inclusion can significantly impact household welfare and economic growth (Demirgüç-Kunt et al., 2018). The World Bank's Global Findex Database indicates substantial progress in account ownership globally, yet usage gaps persist. In the Indian context, several studies have examined the impact of PMJDY on financial inclusion outcomes. Singh et al. (2021) found a positive and significant association between financial inclusion and economic growth across Indian states, with PMJDY contributing to this relationship. However, recent analysis by economist Suyash Rai revealed a striking paradox in the government's flagship scheme: while a record number of bank accounts have been opened, a significant proportion remain inactive.

Research on urban slums and financial inclusion has highlighted specific challenges faced by these communities. A study by Bhatia and Singh (2019) on women empowerment through financial inclusion in urban slums found that PMJDY has been quite successful especially in case of women in slums and has a positive influence on social, political, and economic dimensions of women empowerment. The study emphasized the need for formal financial system development to enhance financial inclusion scale. The Reserve Bank of India has developed comprehensive frameworks for measuring financial inclusion. The Financial Inclusion Index (FI-Index) has risen to 64.2 in March 2024, up from 60.1 in March 2023, indicating significant progress in financial inclusion across the country. The index comprises three main parameters: Access (35%), Usage (45%), and Quality (20%), based on 97 indicators covering banking, investments, insurance, postal services, and pensions.

3. Objectives

1. To analyze the effectiveness of Government policies and Reserve Bank of India (RBI) regulations in promoting financial inclusion among Below Poverty Line (BPL) households in Delhi's slums.
2. To assess the level of awareness and understanding of financial products and services among BPL households in Delhi's slums and identify gaps that hinder effective financial inclusion.

4. Methodology

This study adopts a mixed-methods research design combining quantitative and qualitative approaches to comprehensively assess financial inclusion among BPL households in Delhi slums. The research framework is designed to examine both supply-side and demand-side factors affecting financial inclusion outcomes. The study employs a cross-sectional survey design supplemented by focus group discussions and key informant interviews. This approach enables triangulation of data sources and provides deeper insights into the complex dynamics of financial inclusion. A multi-stage stratified sampling technique was employed to select 400 BPL households from five major slum clusters in Delhi: Kathputli Colony, Bhalswa Dairy, Yamuna Pushta, Nehru Camp, and Sanjay Colony. These locations were selected based on population density, geographical distribution, and varying levels of financial infrastructure development. The sample size was determined using Cochran's formula with a 95% confidence interval and 5% margin of error. Primary data was collected through structured questionnaires administered via face-to-face interviews. The questionnaire was designed to capture information on demographic characteristics, account ownership, usage patterns, awareness levels, and barriers to financial inclusion.

Secondary data was obtained from RBI reports, government databases, and published research studies. Trained enumerators conducted household surveys between January and March 2024. Focus group discussions were organized with women's self-help groups and community leaders to understand collective experiences and perceptions. Key informant interviews were conducted with bank officials, government representatives, and NGO workers operating in the selected areas. Quantitative data was analyzed using SPSS software, employing descriptive statistics, chi-square tests, and logistic regression analysis. Qualitative data from focus groups and interviews was analyzed using thematic analysis to identify recurring patterns and themes. Financial inclusion was measured using a composite index adapted from Sarma (2008) methodology.

5. Hypothesis

H1: Government financial inclusion policies have significantly improved access to formal financial services among BPL households in Delhi slums, with PMJDY account ownership exceeding 75%.
H2: Despite increased access, usage intensity of financial services remains low among BPL households, with less than 50% actively utilizing services beyond basic savings.
H3: Financial literacy levels are inversely related to barriers in financial inclusion, with households having higher financial awareness demonstrating greater usage of formal financial services.
H4: Regulatory and institutional factors, including KYC requirements and documentation barriers, significantly impede effective financial inclusion among BPL households in urban slum areas.

6. Results

The study findings reveal significant progress in financial inclusion among BPL households in Delhi slums, albeit with notable gaps in usage patterns and service quality. The results are presented through comprehensive data analysis and statistical examination of various financial inclusion indicators.

Table 1: Demographic Profile of Respondents (N=400)

Characteristic	Category	Frequency	Percentage
Age Group	18-30 years	128	32
	31-45 years	164	41
	46-60 years	84	21
	Above 60 years	24	6
Gender	Male	218	54.5
	Female	182	45.5
Education Level	Illiterate	116	29
	Primary	142	35.5
	Secondary	98	24.5
	Higher Secondary+	44	11
Monthly Income	Below ₹5,000	156	39
	₹5,001-₹10,000	168	42
	₹10,001-₹15,000	64	16
	Above ₹15,000	12	3

The demographic analysis reveals that 73% of respondents are in the economically active age group

(18-45 years), with 45.5% being female. Educational levels show 29% illiteracy rates, while 74.5% have primary or secondary education. Income distribution indicates that 81% of households earn below ₹10,000 monthly, confirming their BPL status according to current poverty line definitions.

Table 2: Financial Inclusion Access Indicators

Indicator	Category	Frequency	Percentage	National Average
Bank Account Ownership	Yes	312	78	82.6
	No	88	22	17.4
PMJDY Account Holders	Among Account Holders	284	91	85.2
ATM Card Possession	Yes	276	69	73.4
	No	124	31	26.6
Mobile Banking Registration	Yes	142	35.5	48.2
	No	258	64.5	51.8
Insurance Coverage	Any Insurance	168	42	55.7
	No Insurance	232	58	44.3

Analysis of access indicators demonstrates substantial progress in account ownership, with 78% of BPL households possessing bank accounts, primarily under PMJDY (91% of account holders). However, digital financial service adoption lags behind national averages, with only 35.5% registered for mobile banking compared to 48.2% nationally. Insurance coverage remains significantly low at 42%, indicating gaps in comprehensive financial inclusion.

Table 3: Financial Service Usage Patterns

Service Type	Regular Users	Occasional Users	Never Used	Usage Rate
Savings Account	245 (61.3%)	67 (16.8%)	88 (22.0%)	78.10%
ATM Withdrawals	198 (49.5%)	114 (28.5%)	88 (22.0%)	78.00%
Money Transfer	134 (33.5%)	98 (24.5%)	168 (42.0%)	58.00%
Credit/Loans	76 (19.0%)	54 (13.5%)	270 (67.5%)	32.50%
Insurance Services	84 (21.0%)	42 (10.5%)	274 (68.5%)	31.50%
Digital Payments	96 (24.0%)	78 (19.5%)	226 (56.5%)	43.50%
Overdraft Facility	32 (8.0%)	18 (4.5%)	350 (87.5%)	12.50%

Usage pattern analysis reveals significant disparities between access and utilization. While 78.1% use savings accounts and ATM services, usage drops dramatically for credit services (32.5%) and insurance (31.5%). Digital payment adoption remains limited at 43.5%, and overdraft facility usage is minimal at 12.5%, indicating underutilization of available financial products.

Table 4: Financial Literacy and Awareness Levels

Knowledge Area	Good Understanding	Basic Understanding	No Understanding	Awareness Index
Bank Account Operations	186 (46.5%)	158 (39.5%)	56 (14.0%)	86.00%
Interest Rates	98 (24.5%)	142 (35.5%)	160 (40.0%)	60.00%
Insurance Products	72 (18.0%)	128 (32.0%)	200 (50.0%)	50.00%
Loan Procedures	64 (16.0%)	118 (29.5%)	218 (54.5%)	45.50%
Digital Banking	88 (22.0%)	134 (33.5%)	178 (44.5%)	55.50%
Government Schemes	156 (39.0%)	174 (43.5%)	70 (17.5%)	82.50%
Credit Scores	42 (10.5%)	86 (21.5%)	272 (68.0%)	32.00%

Financial literacy assessment reveals significant knowledge gaps. While 86% demonstrate basic bank account operation awareness, understanding drops substantially for complex products. Interest rate comprehension is limited to 60%, and credit score awareness is critically low at 32%. Government scheme awareness is relatively high at 82.5%, reflecting effective outreach programs.

Table 5: Barriers to Financial Inclusion

Barrier Type	Major Barrier	Moderate Barrier	Minor/No Barrier	Impact Score
Documentation Requirements	184 (46.0%)	128 (32.0%)	88 (22.0%)	74.00%
Distance to Bank Branch	132 (33.0%)	156 (39.0%)	112 (28.0%)	72.00%
Language Barriers	156 (39.0%)	142 (35.5%)	102 (25.5%)	74.50%
Trust Issues	98 (24.5%)	168 (42.0%)	134 (33.5%)	66.50%
Service Charges	178 (44.5%)	134 (33.5%)	88 (22.0%)	77.50%
Limited Banking Hours	124 (31.0%)	184 (46.0%)	92 (23.0%)	77.00%
Technology Gap	196 (49.0%)	122 (30.5%)	82 (20.5%)	78.50%

Barrier analysis identifies technology gaps as the most significant impediment (78.5% impact score), followed by service charges (77.5%) and limited banking hours (77%). Documentation requirements and language barriers also pose substantial challenges, affecting over 70% of respondents. These findings highlight the need for targeted interventions addressing infrastructure and procedural barriers.

Table 6: Government Scheme Awareness and Participation

Scheme	Awareness Level	Participation Rate	Satisfaction Level	Effectiveness Score
PMJDY	358 (89.5%)	284 (71.0%)	68.20%	76.20%
PMSBY	264 (66.0%)	84 (21.0%)	64.80%	50.60%
PMJJBY	248 (62.0%)	76 (19.0%)	62.40%	47.80%
APY	186 (46.5%)	32 (8.0%)	59.20%	37.90%
MUDRA Loans	156 (39.0%)	28 (7.0%)	71.40%	39.10%

Stand-Up India	124 (31.0%)	16 (4.0%)	62.50%	32.50%

Government scheme analysis shows PMJDY achieving highest awareness (89.5%) and participation (71%) rates. However, insurance schemes (PMSBY, PMJJBY) demonstrate significant awareness-participation gaps, with only 21% and 19% participation despite 66% and 62% awareness respectively. Pension and entrepreneurship schemes show lower overall effectiveness scores, indicating implementation challenges.

Table 7: Hypothesis Testing Results

Hypothesis	Test Statistic	p-value	Result	Conclusion
H1: Account ownership >75%	One-sample t-test: t = 2.847	0.005	Supported	78% ownership significantly exceeds 75% threshold
H2: Active usage <50%	One-sample t-test: t = -3.264	0.001	Supported	43% usage significantly below 50% threshold
H3: Literacy-usage correlation	Pearson r = 0.542	<0.001	Supported	Significant positive correlation between literacy and usage
H4: Regulatory barriers impact	Chi-square: χ^2 = 47.382	<0.001	Supported	Significant association between barriers and inclusion

Statistical testing confirms all four hypotheses. H1 demonstrates that account ownership (78%) significantly exceeds the 75% threshold, validating government policy effectiveness in access provision. H2 confirms that active usage (43%) remains significantly below 50%, highlighting the access-usage gap. H3 establishes a strong positive correlation (r=0.542) between financial literacy and service usage. H4 confirms that regulatory and institutional barriers significantly impact financial inclusion outcomes. The comprehensive results analysis reveals a nuanced picture of financial inclusion progress among BPL households in Delhi slums. While significant achievements in account opening demonstrate policy success, substantial gaps in usage patterns, financial literacy, and barrier mitigation require targeted interventions. These findings provide empirical evidence for policy recommendations and highlight areas requiring focused attention for sustainable financial inclusion.

7. Discussion

The study findings reveal a complex landscape of financial inclusion among BPL households in Delhi slums, characterized by significant progress in access provision coupled with persistent challenges in meaningful utilization. The results demonstrate the effectiveness of government initiatives, particularly PMJDY, in expanding account ownership while highlighting critical gaps that require targeted policy interventions. The achievement of 78% account ownership among BPL households represents substantial progress compared to pre-PMJDY levels. This aligns with national trends where over 53 crore bank accounts were opened under the Jan Dhan Yojana between 2014 and 2024. However, the research validates concerns raised by recent studies regarding the quality versus quantity debate in financial inclusion. The finding that only 43% actively use financial services beyond basic savings reflects Rai's analysis showing that while a record number of bank accounts have been opened, a significant proportion remain inactive.

The pronounced usage gap, particularly evident in credit services (32.5%) and insurance products (31.5%), suggests that mere account opening does not translate to comprehensive financial inclusion. This finding resonates with international literature emphasizing the importance of usage intensity over access metrics. The low adoption of digital payments (43.5%) despite growing infrastructure indicates the persistence of the digital divide in urban slum contexts. Financial literacy emerges as a critical determinant of service utilization, with the study establishing a strong positive correlation (r=0.542) between literacy levels and usage patterns. This aligns with research showing that financial literacy increased the likelihood of using digital financial products and services. The particularly low awareness of credit scores (32%) and loan procedures (45.5%) suggests fundamental gaps in financial education that impede effective participation in formal financial systems. The barrier analysis reveals multifaceted challenges that extend beyond infrastructure limitations. Technology gaps affecting 78.5% of respondents highlight the digital divide's impact on financial inclusion outcomes. Service charges (77.5% impact) and documentation requirements (74% impact) indicate institutional barriers that disproportionately affect low-income populations. These findings underscore the need for inclusive design in financial product development and service delivery mechanisms.

Government scheme effectiveness varies significantly across programs. While PMJDY demonstrates high awareness and participation rates, insurance schemes show substantial awareness-participation gaps. The PMSBY awareness-participation gap (66% awareness vs. 21% participation) suggests implementation challenges that require attention. This pattern reflects broader issues in translating policy intentions into ground-level outcomes. The gender dimension of financial inclusion, while not explicitly measured, emerges through demographic analysis showing 45.5% female participation. Previous research has shown that PMJDY has been quite successful especially in case of women in slums and has a positive influence on social, political, and economic dimensions of women empowerment. The study's findings suggest continued potential for enhancing women's financial inclusion through targeted interventions. Regional comparison with national averages reveals that Delhi slums lag in mobile banking registration (35.5% vs. 48.2% nationally) and insurance coverage (42% vs. 55.7% nationally), indicating persistent urban slum disadvantages despite proximity to financial infrastructure. This highlights the importance of addressing location-specific barriers rather than assuming urban advantage. The study's hypothesis validation provides empirical support for policy evaluation. The confirmation that regulatory barriers significantly impact inclusion outcomes validates concerns about procedural complexities in financial service delivery. The established literacy-usage correlation reinforces the critical importance of financial education in inclusion strategies. Implications for policy development include the need for comprehensive approaches addressing both supply-side and demand-side factors. The findings suggest that future initiatives should prioritize usage activation over account opening, implement targeted financial literacy programs, and address technology gaps through inclusive digital infrastructure development. The research contributes to the evolving understanding of urban financial inclusion challenges, particularly in slum contexts where unique barriers persist despite proximity to financial infrastructure. The findings support arguments for qualitative measures of financial inclusion beyond quantitative access metrics.

8. Conclusion

This comprehensive study on financial inclusion among BPL households in Delhi slums reveals significant progress in access provision alongside persistent challenges in meaningful utilization and service quality. The research findings demonstrate that government initiatives, particularly PMJDY, have successfully expanded financial access, with 78% of BPL households now possessing bank accounts. However, the critical gap between access and usage, evidenced by only 43% actively utilizing financial

services beyond basic savings, underscores the complexity of achieving comprehensive financial inclusion. The study validates all four research hypotheses, confirming that while account ownership has exceeded policy targets, substantial gaps remain in usage intensity, financial literacy, and barrier mitigation. The strong correlation between financial literacy and service utilization (r=0.542) emphasizes the fundamental importance of financial education in inclusion strategies. The identification of technology gaps as the primary barrier (78.5% impact) highlights the urgent need for digital infrastructure development and digital literacy enhancement. Key policy recommendations emerging from this research include: implementing comprehensive financial literacy programs tailored to urban slum contexts; simplifying KYC procedures and documentation requirements; enhancing digital infrastructure and connectivity in slum areas; developing usage-focused incentive mechanisms beyond account opening; strengthening last-mile service delivery through innovative channels; and establishing regular monitoring systems focusing on usage quality rather than quantity metrics.
The research contributes significantly to understanding urban financial inclusion dynamics, particularly in challenging contexts like Delhi's slums. The findings provide empirical evidence for the access-usage gap discourse and offer actionable insights for policy refinement. The study's methodology and findings can inform similar research in other urban contexts and contribute to the broader financial inclusion literature. Future research directions should explore longitudinal usage patterns, impact assessment of specific interventions, and comparative analysis across different slum settlements. The role of fintech solutions and alternative delivery channels in enhancing inclusion outcomes presents another promising research avenue. The study concludes that while significant progress has been achieved in expanding financial access among BPL households in Delhi slums, transforming access into meaningful inclusion requires sustained policy attention, targeted interventions, and comprehensive approaches addressing both infrastructure and human capacity constraints. The path forward demands continued innovation, evidence-based policy making, and unwavering commitment to inclusive development principles.

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