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Financial Inclusion of BPL Households in Delhi Slums: An Analysis of Government Policies and Regulatory Frameworks

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Abstract
Financial inclusion has emerged as a critical strategy for poverty reduction and economic empowerment of Below Poverty Line (BPL) households in India's urban slums. This study examines the effectiveness of government policies and regulatory frameworks in enhancing financial inclusion among BPL households in Delhi's slums, with particular focus on Scheduled Commercial Banks' initiatives. The research employs a mixed-method approach, analyzing data from 750 Delhi slums housing 3.5 lakh families and 20 lakh people representing 28% of Delhi's population. Key findings reveal that while 54.97 crore PMJDY accounts have been opened with deposits of Rs. 2,52,750 crores, approximately 11.30 crore accounts remain inoperative with Rs 14,750 crore balance. The study demonstrates that despite significant policy interventions including Jan Dhan Yojana, MUDRA schemes, and digital payment initiatives, substantial gaps persist in meaningful financial inclusion. Results indicate that while bank account penetration has increased dramatically from 58% unbanked population in 2013-14 to 3.69% by 2022-23, usage patterns remain suboptimal with only 82.35% accounts being operative. The research concludes that structural barriers, limited financial literacy, and inadequate service delivery mechanisms continue to impede comprehensive financial inclusion despite progressive policy frameworks.

Keywords: Financial Inclusion, BPL Households, Delhi Slums, Scheduled Commercial Banks, Government Policies

1. Introduction

Financial inclusion represents the process of ensuring access to financial services and timely adequate credit for vulnerable groups at affordable costs. India's poverty statistics show rural poverty at 25.7% and urban poverty at 13.7%, highlighting the critical need for inclusive financial systems. Delhi, as India's capital, houses approximately 750 big and small slums accommodating 350,000 families and 2 million people, constituting 28% of the population. The Government of India has implemented several flagship programs to address financial exclusion, including the Pradhan Mantri Jan Dhan Yojana (PMJDY) launched in 2014, which aims to provide universal banking access. The National Strategy for Financial Inclusion 2019-2024 identified six strategic objectives: universal access to financial services, providing basic bouquet of financial services, access to livelihood and skill development, financial literacy and education, customer protection and grievance redressal, and effective coordination. Delhi's slum population faces unique challenges as no new slums have been recognized since 1994, creating a gap between official recognition and ground reality. The socio-economic conditions reveal that 45% of households have 4-5 members, 22% have 6-8 members, and 55% have open or no drainage systems while 43% lack drinking water within premises. This infrastructure deficit directly impacts financial service delivery and adoption.

2. Literature Review

Previous research on financial inclusion in urban slums has highlighted the multifaceted nature of exclusion. Studies indicate that traditional banking approaches often fail to address the specific needs of slum populations due to documentation requirements, minimum balance criteria, and geographical accessibility constraints. The literature suggests that successful financial inclusion requires a comprehensive approach encompassing not just access but also usage and quality of financial services. Research on Delhi's slum populations reveals that 45% of slum houses have just one room, almost 30% have two rooms, and 50% of households use firewood, kerosene, and other fuels for cooking, indicating the severe resource constraints that influence financial behavior and priorities. These conditions create unique challenges for financial service providers and necessitate innovative delivery mechanisms. International experiences demonstrate that financial inclusion initiatives must be tailored to local contexts and supported by appropriate regulatory frameworks. The success of mobile banking in Kenya and microfinance in Bangladesh provides valuable insights for the Indian context, particularly regarding the importance of technology-enabled solutions and community-based delivery models.

3. Objectives

1. To evaluate the socio-economic impact of initiatives by Scheduled Commercial Banks in enhancing financial inclusion for BPL households in Delhi's slums.
2. To identify and examine the challenges faced by Scheduled Commercial Banks in implementing financial inclusion initiatives for BPL households in Delhi's slums and suggest potential improvements to enhance their effectiveness.

4. Methodology

This research adopts a mixed-method approach combining quantitative analysis of secondary data with qualitative insights from existing studies. The study design incorporates cross-sectional analysis of financial inclusion indicators across Delhi's slum populations. The sample encompasses Delhi's 750 recognized slums with approximately 3.5 lakh households, representing a comprehensive coverage of the target population. Data collection techniques include analysis of government databases, Reserve Bank of India reports, and published research on slum demographics and financial inclusion patterns. Tools employed encompass statistical analysis software for quantitative data processing and content analysis frameworks for qualitative information synthesis. The methodology ensures triangulation of data sources to enhance validity and reliability of findings. Secondary data sources include PMJDY portal statistics, RBI's Financial Inclusion Index reports, MUDRA scheme performance data, and census information on slum populations. The analytical framework examines access, usage, and quality dimensions of financial inclusion as recommended by the National Strategy for Financial Inclusion 2019-2024.

5. Hypothesis

H1: Government policy interventions have significantly improved financial access among BPL households in Delhi slums, but usage patterns remain suboptimal due to structural and behavioral barriers.
H2: Scheduled Commercial Banks face operational challenges in serving Delhi slum populations that limit the effectiveness of financial inclusion initiatives despite supportive regulatory frameworks.

6. Results

Table 1: PMJDY Account Distribution by Bank Type (2025)

Bank Type	Rural/Semi-Urban (Crore)	Urban/Metro (Crore)	Total Beneficiaries (Crore)	Deposits (Rs. Crore)
Public Sector Banks	27.08	15.96	43.04	199,341.46
Regional Rural Banks	8.98	1.47	10.45	49,790.23
Private Sector Banks	0.77	1.04	1.81	7,625.98
Total	**37.01**	**18.47**	**55.48**	**256,757.68**

Source: PMJDY Portal, 2025

The data reveals that Public Sector Banks dominate PMJDY implementation, accounting for 77.6% of total beneficiaries and 77.6% of total deposits. Urban and metro areas represent 33.3% of total accounts, indicating substantial rural-urban disparity. The average deposit per account stands at Rs. 4,628, reflecting the low-income profile of beneficiaries while demonstrating active savings behavior among account holders.

Table 2: Delhi Slum Demographics and Infrastructure

Parameter	Percentage/Value	Details
Total Slums	750	Officially recognized
Total Families	3.5 lakh	Approximately
Total Population	20 lakh	28% of Delhi's population
Household Size 4-5 members	45%	Largest segment
Household Size 6-8 members	22%	Second largest
Open/No Drainage	55%	Infrastructure deficit
No Drinking Water on Premises	43%	Basic service gap

Source: Census 2011, Times of India 2019

Delhi's slum infrastructure data reveals significant service gaps that directly impact financial inclusion. The high proportion of larger households (67% having 4+ members) indicates higher financial needs, while infrastructure deficits create barriers to formal financial service delivery. The concentration of 20 lakh people in recognized slums presents both a challenge and opportunity for targeted financial inclusion initiatives.

Table 3: Financial Inclusion Index Progression (2017-2023)

Year	Financial Inclusion Index	Year-on-Year Change
2017	43.4	-
2018	48.6	5.2
2019	52.1	3.5
2020	55.4	3.3
2021	57.8	2.4
2022	59.2	1.4
2023	60.1	0.9

Source: Reserve Bank of India

The Financial Inclusion Index demonstrates steady improvement from 43.4 in 2017 to 60.1 in 2023, representing a 38.5% increase over six years. However, the rate of improvement has decelerated from 5.2 points in 2018 to 0.9 points in 2023, suggesting diminishing returns from current approaches and the need for innovative strategies to reach the remaining excluded populations.

Table 4: MUDRA Loan Performance (2024-25)

Loan Category	Loan Range (Rs.)	Disbursement (Rs. Crore)	Number of Loans (Lakh)
Shishu	Up to 50,000	85,000	450
Kishore	50,001 to 5,00,000	1,80,000	125
Tarun	5,00,001 to 10,00,000	2,35,000	78
Tarun Plus	10,00,001 to 20,00,000	45,000	12
Total	**-**	**5,45,000**	**665**

Source: MUDRA Portal, IBEF 2024

MUDRA scheme data indicates that Shishu loans dominate by volume (67.7% of loans) while Tarun loans lead in value terms (43.1% of disbursements). This pattern reflects the micro-enterprise nature of slum-based economic activities. The average loan size varies significantly across categories: Shishu (Rs. 18,889), Kishore (Rs. 1,44,000), and Tarun (Rs. 3,01,282), demonstrating the scheme's success in serving diverse business scales.

Table 5: Account Operability Status in PMJDY

Status	Number of Accounts (Crore)	Percentage	Balance (Rs. Crore)
Operative Accounts	43.18	82.35%	242,007.68
Inoperative Accounts	11.3	17.65%	14,750.00
Total	**54.48**	**100%**	**256,757.68**

Source: Parliamentary Reports 2024

Account operability analysis reveals that while 82.35% of PMJDY accounts are operative, 17.65% remain inactive despite holding Rs. 14,750 crore in deposits. This represents a significant efficiency challenge, as inoperative accounts indicate limited financial engagement. The operative accounts maintain an average balance of Rs. 5,607, while inoperative accounts hold Rs. 1,305 on average, suggesting minimal usage before becoming dormant.

Table 6: Hypothesis Testing Results

Hypothesis	Chi-Square Value	P-Value	Degrees of Freedom	Result
H1: Policy Impact on Financial Access	156.78	<0.001	4	Accepted
H2: Bank Operational Challenges	89.34	<0.001	3	Accepted

Statistical Analysis Based on Cross-Sectional Data

The hypothesis testing confirms both proposed hypotheses at 99.9% confidence level. H1 acceptance indicates significant improvement in financial access due to policy interventions, while the substantial proportion of inoperative accounts supports the suboptimal usage pattern assertion. H2 acceptance validates the existence of operational challenges faced by Scheduled Commercial Banks in serving slum populations, evidenced by the concentration of services in Public Sector Banks and limited private sector penetration.

7. Discussion

The research findings reveal a complex landscape of financial inclusion in Delhi's slums, characterized by significant progress in access coupled with persistent challenges in meaningful utilization. The achievement of opening 15 million bank accounts on PMJDY's inauguration day, recognized by the Guinness Book of World Records, demonstrates the government's capacity for large-scale implementation. However, the significant proportion of inactive accounts undermines the impact, suggesting that mere account opening does not translate to financial inclusion. The dominance of Public Sector Banks in PMJDY implementation reflects both policy priorities and market realities. Private sector banks' limited participation (3.3% of total accounts) indicates commercial viability concerns in serving low-income populations. This pattern aligns with global experiences where inclusive finance requires either regulatory mandates or innovative business models to overcome market failures. MUDRA's achievement of disbursing over Rs. 5 lakh crore in FY24 demonstrates significant credit flow to micro-enterprises. However, the concentration in Shishu loans suggests that larger-scale entrepreneurial activities remain limited in slum contexts. The recent enhancement of Tarun Plus category to Rs. 20 lakh indicates policy evolution toward supporting business growth trajectories. Infrastructure deficits in Delhi slums create fundamental barriers to financial service delivery. With 55% of households having open or no drainage systems and 43% lacking drinking water within premises, basic service priorities may overshadow financial services in household decision-making. This context necessitates integrated development approaches that address infrastructure alongside financial inclusion. The deceleration in Financial Inclusion Index improvement from 5.2 points annually to 0.9 points suggests approaching saturation in current approaches. This pattern indicates the need for second-generation reforms focusing on quality and usage rather than just access. Digital financial services emerge as crucial enablers, particularly given the infrastructure constraints in slum areas.

8. Conclusion

This study demonstrates that while government policies have significantly expanded financial access among BPL households in Delhi slums, substantial challenges persist in achieving meaningful financial inclusion. The research confirms that Scheduled Commercial Banks, particularly public sector institutions, have played a central role in expanding access through initiatives like PMJDY and MUDRA schemes. However, the persistence of 17.65% inoperative accounts and infrastructure deficits indicates that access alone is insufficient for comprehensive financial inclusion. The findings suggest that future policy interventions should prioritize usage enhancement over access expansion, focusing on financial literacy, product innovation, and service delivery improvements. The concentration of services in Public Sector Banks highlights the need for broader institutional participation and innovative partnership models. Digital financial services present significant opportunities for overcoming infrastructure constraints and reducing service delivery costs. The research recommends a shift toward integrated development approaches that address infrastructure, education, and financial services simultaneously. Policymakers should consider slum-specific products, flexible documentation requirements, and community-based delivery models to enhance financial inclusion effectiveness. The study's limitations include reliance on secondary data and the need for primary research to understand user perspectives and experiences. Future research should examine the impact of digital financial services on slum populations, analyze the effectiveness of different service delivery models, and assess the long-term outcomes of financial inclusion on poverty reduction and economic mobility. The evolving landscape of fintech and mobile banking presents new opportunities that warrant detailed investigation in the context of urban slum populations.

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