

# ASSESSING POLICY-DRIVEN FINANCIAL INCLUSION STRATEGIES FOR BPL COMMUNITIES WITH SPECIAL FOCUS ON DELHI'S SLUM AREAS

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## Abstract

*Financial inclusion remains a critical challenge for Below Poverty Line (BPL) communities in India, particularly in urban slum areas where institutional barriers and socio-economic constraints limit access to formal banking services. This study assesses the effectiveness of policy-driven financial inclusion strategies implemented in Delhi's slum areas, examining the impact of initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), and microfinance interventions. Utilizing a cross-sectional research design, data was collected from 384 BPL households across five major slum clusters in Delhi through structured questionnaires and secondary government databases. The research hypothesizes that policy-driven financial inclusion initiatives have significantly improved banking penetration, digital payment adoption, and credit accessibility among BPL communities. Results indicate that while account ownership has reached 78.4%, active account usage remains at 43.2%, revealing a substantial dormancy challenge. Digital payment adoption stands at 34.7%, constrained by limited digital literacy and smartphone penetration. The study reveals significant gaps between policy objectives and ground-level implementation, particularly regarding financial literacy, last-mile connectivity, and sustained engagement with formal financial systems, necessitating targeted interventions for meaningful economic empowerment.*

**Keywords:** *Financial Inclusion<sup>1</sup>, BPL Communities<sup>2</sup>, Policy Implementation<sup>3</sup>, Delhi Slums<sup>4</sup>, Banking Penetration<sup>5</sup>.*

## 1. Introduction

Financial inclusion has emerged as a cornerstone of inclusive economic development, recognized globally as essential for poverty alleviation and equitable growth. In India, where approximately 21.9% of the urban population resides in slums according to the Census 2011 data, financial exclusion perpetuates cycles of poverty, limiting access to credit, savings mechanisms, and social security benefits (Kumar & Singh, 2023). Delhi, the national capital, houses over 2.5 million people in approximately 675 slum clusters, representing nearly 14.6% of its total population, making it a critical focal point for financial inclusion interventions (Sharma & Patel, 2024). The Government of India has launched several ambitious initiatives to promote financial inclusion, with PMJDY being the flagship program that has opened over 520 million bank accounts nationwide since its inception in 2014 (Reserve Bank of India, 2024). However, the mere opening of bank accounts does not guarantee financial inclusion; meaningful access requires active usage, understanding of financial products, and integration into the formal economic ecosystem. BPL communities in Delhi's slum areas face multifaceted

barriers to financial inclusion, including inadequate documentation, low financial literacy, distrust of formal institutions, geographical inaccessibility of banking points, and persistent socio-economic vulnerabilities (Mehta & Gupta, 2023). Despite technological advancements and policy initiatives, the gap between policy formulation and effective implementation remains substantial, particularly in densely populated, resource-constrained urban slum environments. The Digital India initiative and the proliferation of mobile banking have created new pathways for financial access, yet digital divides based on education, gender, and age continue to exclude significant segments of the BPL population (Reddy et al., 2024). Moreover, the COVID-19 pandemic exposed the fragility of informal financial systems and accelerated the need for robust digital financial infrastructure among vulnerable communities. This research critically examines the implementation and outcomes of financial inclusion policies in Delhi's slum areas, investigating not only quantitative metrics such as account ownership and transaction volumes but also qualitative dimensions including user experiences, barriers to adoption, and sustainability of engagement. By focusing specifically on BPL communities in Delhi's slum clusters, this study addresses a crucial knowledge gap regarding the localized impact of national financial inclusion policies and provides evidence-based insights for policy refinement and targeted interventions to achieve genuine financial empowerment.

## 2. Literature Review

The discourse on financial inclusion in India has evolved significantly over the past decade, with scholars emphasizing the transition from access-oriented to usage-oriented frameworks. Demirgüç-Kunt et al. (2022) highlighted that while account ownership has increased globally, substantial disparities persist in account usage, particularly among marginalized populations in developing economies. In the Indian context, research by Chatterjee and Gupta (2023) demonstrates that PMJDY has achieved unprecedented banking penetration, yet dormancy rates exceeding 50% in several states indicate limited functional inclusion. The challenge of converting account ownership into active financial participation remains a critical concern, particularly for BPL communities where immediate livelihood pressures often supersede long-term financial planning. Gender dimensions of financial exclusion have received considerable scholarly attention, with studies indicating that women in slum areas face compounded barriers including patriarchal control over finances, limited mobility, and lower digital literacy (Singh & Verma, 2024). Research conducted in Delhi's slum areas by Nair and Kumar (2023) revealed that despite women being primary beneficiaries of several welfare schemes, their autonomous financial decision-making remains constrained by household dynamics and social norms. The role of Business Correspondents (BCs) in bridging the last-mile connectivity gap has been examined extensively, with mixed findings regarding their effectiveness, sustainability, and reach in resource-poor environments (Agarwal et al., 2023).

Digital financial inclusion has emerged as a transformative pathway, particularly following the JAM (Jan Dhan-Aadhaar-Mobile) trinity framework that integrates banking, biometric identification, and mobile technology. Studies by Rao and Krishnan (2024) demonstrate that Direct Benefit Transfer schemes have reduced leakages and empowered beneficiaries with direct control over welfare payments, yet digital literacy and smartphone penetration remain significant bottlenecks in slum areas. Microfinance institutions and Self-Help Groups (SHGs) have historically played crucial roles in financial inclusion for marginalized communities, though concerns regarding over-indebtedness and sustainability have been raised (Banerjee & Sen, 2023). Comparative studies across urban slum areas in Indian metros reveal significant inter-city variations in financial inclusion outcomes, attributable to differences in state-level policy implementation, banking infrastructure density, and civil society engagement (Desai et al., 2024). Research specifically focused on Delhi's slum clusters indicates that while physical access to banking points has improved through BC networks and Aadhaar-enabled payment systems, psychological barriers including distrust, fear of technology, and preference for informal financial networks persist (Malhotra & Jain, 2023). The sustainability of financial inclusion initiatives has been

questioned by scholars who argue that without concurrent improvements in income levels, employment stability, and financial literacy, formal financial access remains underutilized (Srivastava & Kapoor, 2024). This literature underscores the necessity for holistic, context-sensitive approaches that address structural inequalities alongside technological and institutional interventions.

### 3. Objectives

1. To assess the penetration and utilization patterns of formal banking services among BPL households in Delhi's slum areas following the implementation of financial inclusion policies.
2. To identify barriers and enablers affecting sustained engagement with formal financial systems among BPL communities in the context of policy-driven initiatives.

### 4. Methodology

This research employed a cross-sectional survey design to assess financial inclusion outcomes among BPL communities in Delhi's slum areas during the period from October 2024 to January 2025. The study population comprised BPL households residing in five major slum clusters of Delhi: Savda Ghevra (Northwest Delhi), Trilokpuri (East Delhi), Bhalaswa (North Delhi), Sangam Vihar (South Delhi), and Gautam Nagar (South Delhi). These clusters were purposively selected to represent geographical diversity and varying levels of policy implementation intensity across the city. Sample size was determined using Cochran's formula for finite populations, yielding 384 households as the required sample at 95% confidence level and 5% margin of error. Systematic random sampling was employed within each cluster, with proportional allocation based on cluster population sizes. The primary data collection tool was a structured questionnaire administered through face-to-face interviews, encompassing sections on demographic profiles, account ownership and usage patterns, digital payment adoption, credit access, financial literacy levels, and barriers to financial inclusion. The questionnaire was pre-tested with 30 respondents and refined based on feedback. Trained field investigators proficient in Hindi and local dialects conducted interviews to ensure accurate data collection. Secondary data was obtained from multiple authenticated sources including the Reserve Bank of India's financial inclusion reports, NITI Aayog databases, Delhi government welfare department records, banking statistics from the Department of Financial Services, and published research on PMJDY implementation. Data analysis was conducted using SPSS version 26.0, employing descriptive statistics including frequencies, percentages, means, and standard deviations. Cross-tabulations and chi-square tests were utilized to examine relationships between demographic variables and financial inclusion indicators. Ethical considerations included informed consent from all participants, assurance of confidentiality, and voluntary participation. The study received approval from the institutional ethics committee prior to data collection commencement.

### 5. Results

**Table 1: Banking Account Ownership and Operational Status Among BPL Households (N=384)**

Account Status	Number of Households	Percentage
Own bank account	301	78.4%
Active account (transaction in last 90 days)	166	43.2%
Dormant account (no transaction in last 90 days)	135	35.2%
No bank account	83	21.6%

The data presented in Table 1 reveals that while banking penetration among BPL households has reached 78.4%, reflecting the impact of PMJDY and related initiatives, a significant dormancy challenge persists with only 43.2% of account holders demonstrating active engagement. The dormancy rate of 35.2% indicates that approximately 135 households possess accounts but have not conducted any transactions in the preceding three months, suggesting limited functional financial inclusion. This finding aligns with national trends documented by Reserve Bank of India (2024) and underscores the gap between account ownership and meaningful financial participation. The 21.6% of households without accounts represent persistent exclusion despite extensive policy efforts, warranting targeted interventions.

**Table 2: Digital Payment Adoption and Usage Patterns (N=301 Account Holders)**

Digital Payment Method	Users	Percentage	Average Monthly Transactions
UPI-based payments	89	29.6%	4.2
Mobile banking app	62	20.6%	3.1
Aadhaar-enabled payment	74	24.6%	2.8
Any digital payment method	104	34.7%	5.6
Cash-only transactions	197	65.5%	-

Table 2 demonstrates that digital payment adoption among account holders remains limited at 34.7%, with the majority (65.5%) continuing to rely exclusively on cash transactions. UPI-based payments show the highest adoption at 29.6%, reflecting the widespread availability of this platform, while mobile banking app usage stands at 20.6%, constrained by smartphone penetration and digital literacy barriers as identified by Singh and Verma (2024). Aadhaar-enabled payment systems reach 24.6% of account holders, primarily utilized for receiving government welfare transfers. The average monthly transaction frequencies across digital platforms remain modest, suggesting occasional rather than habitual usage patterns. These findings highlight the digital divide persisting within financially included populations.

**Table 3: Access to Credit Facilities Among BPL Households (N=384)**

Credit Source	Number of Households	Percentage	Average Loan Amount (₹)
Bank/formal institution	67	17.4%	28,450
Microfinance institution	89	23.2%	15,200
Self-Help Group (SHG)	54	14.1%	12,800
Informal moneylender	142	37.0%	18,600
No credit access	108	28.1%	-

As illustrated in Table 3, access to formal credit remains severely limited among BPL households, with only 17.4% securing loans from banks or formal institutions despite higher account ownership. Informal moneylenders continue to dominate the credit landscape, serving 37.0% of households at typically exploitative interest rates, perpetuating debt cycles documented by Banerjee and Sen (2023). Microfinance institutions and SHGs collectively serve 37.3% of households, indicating their continued relevance in the financial ecosystem of BPL communities. However, 28.1% of households report no access to any credit source, representing severe financial vulnerability. The average loan amounts from formal sources (₹28,450) substantially exceed those from informal sources, yet barriers to formal credit access persist.

**Table 4: Financial Literacy Levels and Awareness of Financial Products (N=384)**

Knowledge Indicator	Aware	Percentage	Not Aware	Percentage
Know about savings account benefits	267	69.5%	117	30.5%
Aware of insurance products	128	33.3%	256	66.7%
Understand loan procedures	156	40.6%	228	59.4%
Familiar with digital banking	142	37.0%	242	63.0%
Know about pension schemes	189	49.2%	195	50.8%

Table 4 reveals significant gaps in financial literacy among BPL households, with 30.5% unaware of basic savings account benefits despite high account ownership. Insurance product awareness stands at merely 33.3%, exposing communities to substantial risk vulnerability as highlighted by Mehta and Gupta (2023). Understanding of loan procedures is limited to 40.6%, explaining the preference for familiar informal credit sources. Digital banking familiarity at 37.0% correlates closely with actual digital payment adoption rates shown in Table 2, confirming that knowledge deficits constitute primary barriers to digital financial inclusion. Pension scheme awareness at 49.2% indicates moderate success of social security communication but leaves half the population uninformed about critical safety nets.

**Table 5: Barriers to Financial Inclusion as Reported by Respondents (N=384)**

Barrier Category	Households Reporting	Percentage
Lack of financial literacy	234	60.9%
Insufficient documentation	156	40.6%
Distance to banking point	89	23.2%
Distrust of formal institutions	127	33.1%
Low/irregular income	267	69.5%
Language barriers in transactions	178	46.4%
Digital literacy constraints	246	64.1%

Table 5 identifies the primary barriers impeding financial inclusion from the perspective of BPL households themselves. Low or irregular income emerges as the most frequently cited barrier (69.5%), reflecting the fundamental economic constraints that limit savings capacity and transaction frequency despite account ownership, consistent with findings by Srivastava and Kapoor (2024). Digital literacy constraints affect 64.1% of respondents, directly impacting their ability to utilize digital banking platforms. Financial literacy gaps are reported by 60.9%, corroborating the awareness deficits shown in Table 4. Language barriers in transaction processes affect 46.4%, highlighting the importance of vernacular banking interfaces. Documentation insufficiency persists for 40.6% despite Aadhaar-based simplifications, while institutional distrust affects 33.1%, suggesting reputational challenges for formal financial systems.

**Table 6: Gender Disparities in Financial Inclusion Indicators (N=384)**

Indicator	Male-headed Households (n=216)	Female-headed Households (n=168)
Account ownership	85.6%	68.5%
Active account usage	51.4%	32.1%
Digital payment adoption	42.1%	24.4%
Formal credit access	22.7%	10.1%
Financial literacy (high)	48.6%	28.0%

Table 6 reveals pronounced gender disparities across all financial inclusion metrics, with female-headed households demonstrating substantially lower rates of account ownership (68.5% versus 85.6%), active usage (32.1% versus 51.4%), and digital payment adoption (24.4% versus 42.1%). Most critically, access to formal credit is severely limited for female-headed households at 10.1% compared to 22.7% for male-headed households, perpetuating economic vulnerabilities. Financial literacy levels show a significant gender gap (28.0% versus 48.6%), aligning with research by Nair and Kumar (2023) on gendered barriers in Delhi's slums. These disparities reflect intersecting disadvantages of gender, poverty, and limited education, necessitating gender-sensitive financial inclusion interventions that address patriarchal constraints and promote women's autonomous financial participation.

## 6. Discussion

The findings of this study reveal a complex landscape of financial inclusion among BPL communities in Delhi's slum areas, characterized by significant progress in access metrics alongside persistent challenges in utilization, digital adoption, and credit penetration. The achievement of 78.4% banking account ownership demonstrates the quantitative success of PMJDY and related policy interventions, surpassing the national urban average reported by Reserve Bank of India (2024). However, the substantial dormancy rate of 35.2% and active usage at only 43.2% underscore the critical distinction between nominal inclusion and meaningful financial participation emphasized by Chatterjee and Gupta (2023). This gap suggests that while infrastructure and account opening mechanisms have been effectively deployed, the ecosystem supporting sustained engagement including financial literacy, relevant product design, and incentive structures remains inadequate. Digital payment adoption at 34.7% among account holders represents a significant barrier to comprehensive financial inclusion in an increasingly digitalized economy. Despite government initiatives promoting digital transactions and the widespread availability of UPI platforms, nearly two-thirds of account holders continue relying exclusively on cash. The digital literacy constraint reported by 64.1% of respondents directly explains this limited adoption, highlighting the critical need for targeted digital education programs as advocated by Reddy et al. (2024). The modest average transaction frequencies across digital platforms (2.8 to 5.6 monthly transactions) indicate that even among adopters, usage remains sporadic rather than integrated into daily financial routines. This pattern reflects not only capability constraints but also the mismatch between digital product design and the specific needs, preferences, and contexts of BPL communities.

The credit access findings present perhaps the most concerning dimension of financial exclusion, with only 17.4% of BPL households securing formal institutional credit despite 78.4% account ownership. The continued dominance of informal moneylenders serving 37.0% of credit-seeking households perpetuates exploitative lending practices and debt traps that undermine economic mobility. This disjunction between banking access and credit availability suggests that account ownership has not translated into creditworthiness assessment mechanisms that recognize the repayment capacities and collateral constraints of BPL borrowers. Microfinance institutions and SHGs fill a crucial gap, collectively reaching 37.3% of households, yet their limited scale and loan amounts constrain their impact on substantial income-generating activities. Financial literacy emerges as a pervasive barrier across multiple dimensions of inclusion, with significant proportions of respondents unaware of insurance products (66.7%), loan procedures (59.4%), and even basic savings benefits (30.5%). This knowledge deficit fundamentally limits the capacity of BPL communities to make informed financial decisions, utilize available products effectively, and protect themselves against risks. The finding that 60.9% of respondents cite financial literacy gaps as barriers aligns with scholarship by Mehta and Gupta (2023) emphasizing education as foundational to functional inclusion. Current financial literacy initiatives appear insufficient in reach, pedagogical approach, and cultural relevance for slum populations with limited formal education and diverse linguistic backgrounds.

The pronounced gender disparities revealed across all inclusion indicators reflect the intersection of poverty, gender, and financial exclusion documented by Singh and Verma (2024). Female-headed households demonstrate substantially lower rates across account ownership, usage, digital adoption, and critically, formal credit access at only 10.1%. These disparities cannot be attributed solely to individual capability differences but reflect structural barriers including patriarchal control over household finances, limited mobility restricting banking access, and gender biases in credit assessment. The gendered nature of financial exclusion within already marginalized BPL communities represents a double disadvantage requiring targeted interventions that address both economic empowerment and social norm transformation. The persistence of barriers including low irregular income (69.5%), documentation insufficiency (40.6%), and institutional distrust (33.1%) highlights the multidimensional nature of financial exclusion that cannot be resolved through banking infrastructure alone. The economic precarity inherent to BPL livelihoods—characterized by daily wage labor, seasonal employment, and income volatility—fundamentally shapes financial behaviors and constrains savings capacity regardless of account availability, as emphasized by Srivastava and Kapoor (2024). This structural economic vulnerability necessitates complementary interventions including livelihood enhancement, social protection strengthening, and product innovations responsive to irregular income patterns.

The study's findings collectively suggest that policy-driven financial inclusion strategies have achieved critical first-stage objectives of expanding banking infrastructure and account penetration but have insufficiently addressed the deeper barriers to utilization, digital adoption, and credit access. The gap between policy formulation at national level and implementation effectiveness in the specific context of urban slums reflects challenges in last-mile delivery, inadequate customization to local constraints, and insufficient integration with complementary social and economic development initiatives. Moving from access to meaningful inclusion requires a paradigm shift toward user-centric design, sustained literacy interventions, gender-responsive programming, and products aligned with the economic realities of BPL communities.

## 7. Conclusion

This comprehensive assessment of financial inclusion strategies in Delhi's slum areas reveals significant achievements in banking penetration alongside persistent challenges in utilization, digital adoption, and credit access. While policy interventions have successfully expanded formal banking infrastructure to reach 78.4% of BPL households, the dormancy rate of 35.2% and limited digital payment adoption at 34.7% indicate that access has not translated into meaningful financial participation. The continued dominance of informal credit sources serving 37.0% of households and severe limitations in formal credit access at 17.4% perpetuate economic vulnerabilities and debt cycles. Financial literacy gaps, gender disparities, and structural economic constraints constitute fundamental barriers that infrastructure expansion alone cannot resolve. The findings underscore the necessity for second-generation financial inclusion reforms that prioritize active engagement, digital literacy, gender-responsive programming, and credit products tailored to BPL livelihood patterns. Effective financial inclusion for Delhi's slum communities requires integrated approaches combining policy implementation strengthening, targeted education interventions, product innovation, and complementary economic empowerment initiatives. Future research should examine longitudinal impacts of financial inclusion on poverty reduction outcomes and investigate innovative models for sustained engagement among marginalized urban populations.

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