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Financial Awareness among Slum Dwellers: Empirical Study from Delhi

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Abstract: *India, being a developing country, most of the Government schemes is made for the rural people and financial backward societies as they constitute a considerable proportion of the total population. But, surprisingly, a good number of urban population which lives in slum areas is also being deprived of the basic financial services available under the scope of various financial inclusion schemes. From time to time, several Flagship Programmes are launched by Government of India (GOI) and Reserve Bank of India (RBI), but unfortunately, no major efforts are being made for the slum dwellers residing in major cities and towns. This paper is an attempt to study the financial awareness among the poor residing in Delhi Identified Slums and at the same time it will also study the nature of financial exclusion among the same sample. For the sake of the study, the data has been collected from the selected slums of Delhi from the primary sources. The present study is the outcome of the same.*

Key Words: *Financial Inclusion, Slum Dwellers, Flagship Programmes*

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I. Introduction

The term financial inclusion is not new in India. It has been widely used from the past 40 years. From the nationalisation of banks in 1969, efforts have been made to take the banking system nearer to the people. The important steps taken towards this end included Establishment of RRB's in 1975 and banking sector reforms of 1991. As a result of these policy changes, number of branches of commercial banks has increased from 8262 in June 1969 to 1, 38,850 on September 2016. But unfortunately, most of the schemes were made keeping in mind the rural people and urban poor received the least attention of the policy makers. On the contrary, these slum dwellers play a vital role on the overall infrastructural development of the society, especially with their substantial labour work. But they are still deprived from the financially inclusionary measures that are taken by GOI and RBI and thus this section of population is identified in financially excluded category.Financial Inclusion is the process of access to financial services and timely & adequate credit where needed by vulnerable groups such as weaker section and low income group at an affordable cost. (Rangarajan Committee, 2008)The main purpose of financial inclusion is to widen the range of services of formal financial system to include within it scope the poor with low income. The procedure of financial inclusion acts as a conciliator between surplus and deficit, savings and investment and thus performs a major role in the overall development of the nation.

The RBI's Annual Policy Statement of 2005-06 was the key initial point of the current focus on financial inclusion. In August 2005, the RBI declared simplified KYC norms, particularly for the poorer segment of the society. Further in November 2005, the RBI directed banks to provide a service of No-Frill A/C with low or minimum balances as well as bank charges.

As the degree of financial exclusion is more prevalent in rural areas, urban poor is largely ignored. There is a large unmet demand for financial services among urban poor. Most of the urban poor still depend upon extortionate money providers to meet their private, health and other living related needs. They fight all through their lives to pay off such borrowings and thus could not come out of the nasty sphere of poverty.

Delhi is the big commercial hub of the northern India and is one of the fastest growing urban cities of India. Due to speedy increase of population, transport facilities, business and employment and other commercial activities, the inflow of the labour cluster to the city is growing massively. This unorganised group of people are developing illicit settlements as slums. Unfortunately, many of the slum dwellers still have no access to formal financial products and services but they depend mainly upon informal sources to fulfil their routine and emergent needs, knowingly that a great number of formal institutional providers are available around the slum. Hence, distance of formal financial institution from the slum cannot be a factor of their financial exclusion. Against this backdrop, a study on financial inclusion would give some important hints to understand the nature and reason of financial exclusion among the urban poor.

II. Review of Literature

Abheek Barua, Rajat Kathuria & Neha Malik in their research paper (2016), The Status of Financial Inclusion, Regulation, and Education in India, concluded that, to address the market failure to provide financial services to low-income clients, India has a huge opportunity. For the first time in the last decade, financial inclusion is at the heart of the policy agenda, and it has been widened to include savings, credit, insurance and pensions.Updation in technology has provided the opportunity to improve delivery; in particular, there are technologies that enable better targeting and transfer of financial resources to households.

Thiravia Mary Gloria J, in his thesis (2015), 'Assessment of Financial Literacy for Financial Inclusion among low income households', has observed that the benefits of financial literacy are not limited up to an individual or family level, but the societal and macroeconomic level too. Household saving is an important factor for economic growth of the country. Most of the low income households hold debt and also open saving account for credit related purpose only. Financial borrowing resulted as the prime determinant factor of basic financial literacy in both rural and urban low income households. The basic financial literacy and the welfare benefit received from the Government were the prime determinant factors of advance financial literacy in rural households. Both urban and rural low income households need to be educated for numeracy, compound interest, effect on inflation and time value of money and money illusion, as this knowledge would be of more help to improve their standard of living and saving habit, reduce informal way of lending and to promote long term bank deposits.

Nilanjan Bhattacharjee, in his article (2014),'Financial Inclusion of the identified slum dwellers in Assam', has observed that there is an imperative need for accelerating the pace of financial inclusion in the identified slum dwellers in urban areas of Assam. Many slum dwellers are still not aware of various financial products and they are reluctant to take the advantages of formal financial sector. These people usually go for borrowing a heavy amount of loans from the informal sector for meeting their requirements. Therefore, financial literacy and financial awareness among these groups of people are very important. To create awareness and improve financial literacy level in the identified slum dwellers, GOI and RBI should come forward to frame some effective policies and implement it through appropriate governance so that universal banking services can be extended to the universe.

Tajendra Mohan Bhasin and Dr Thenmozhil in their research paper (2014), Dharavi Model-A case study on Urban Financial Inclusion in India, have suggested that each Indian resident above the age of eighteen years, irrespective of the place of dwelling, should be provided with an individual, full service and secured electronic bank account. They also suggested that 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 price. Also, suitable insurance and risk management products need to be introduced irrespective of rural or urban clients.

Bhole and Mahakud (2009) write in their book, that financial inclusion as delivery of financial services at an affordable cost to the vast section of disadvantaged and low income groups. The approach to financial inclusion in developing countries such as India is thus somewhat different. Financial inclusion can be thought of in two ways. One is exclusion from the payment system i.e. not having access to bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitative market. One common measure of financial inclusion is the percentage of adult population having bank account. In India 59% of adult population in the country have bank account. In other words 41 % of the population is unbanked. The extent of exclusion from credit markets is much more as number of loan accounts constituted only 14% of adult population. In rural areas the coverage is 9.5 % against 14 % in urban areas.

Objective of the Study

The present study is based on the following objectives:

1. To study the financial awareness among the selected slum dwellers of Delhi.
2. To examine the association between financial awareness and demographic variables.

III. Methodology

The Sample

The study is based on primary data collected from the slums of Delhi covering North, North East, North West and West regions of Delhi. The details of the number of respondents from each region are as follows:

Region	No. of Respondents	Percentage
North	27	33.8
North East	14	17.5
North West	34	42.5
West	05	6.2
Total	**80**	100

The study population from which sample of 80 respondents has been drawn consist of JJ Clusters that come under DUSIB i.e. Delhi Urban Shelter Improvement Board.

The Schedule (Instrument of study)

Primary data was collected through a pre determined schedule specifically meant for slum dwellers of Delhi. The schedule was prepared in English language but translated in Hindi while taking responses from the sample population. The schedule has been prepared in two parts. The first part covers the demographic profile of the respondents while the second part covers the statement to know the financial awareness of the respondents.

Data Analysis

In order to analyse the data, total score of each individual has been obtained to measure their financial awareness. Financial awareness for this purpose has been taken as:

Financial Awareness= f (A1+A2 + A3)

Where,

A1= Awareness on various loan services of the Banks

A2=Awareness regarding various miscellaneous services of the Banks

A3= Awareness regarding various flagship programmes of the Govt. which are run through Commercial Banks

The Five point Likert Scale has been used as a rating scale that requires the respondents to indicate their financial awareness on various banking products and services. A maximum of five points has been given if a person is very well aware w.r.t each statement and a minimum of 1 point is given if a person is not at all aware.

With this scoring scheme, individuals could have scored ranging from a maximum of 120 (having 100 percent awareness) to a minimum of 24 (having no awareness at all). Individuals with score 100 and above (approximately 83 percent or more) were considered to have sound financial awareness, those scores ranging from 80 to 99 (approximately 67 percent to 83 percent) were considered to have fair financial literacy, those with score below 80(approximately less than 67 percent) were considered to have poor financial literacy. Pearson's Chi-square test has been applied to check for any association between financial awareness and demographic characteristics of respondent slum dwellers. All the analysis has been carried out using SPSS 16.

Analysis

Table 1 represents the demographic/ economic profile of the respondents. Information regarding their gender, marital status, family size, monthly income, occupation and educational qualifications is presented. Out of 80 respondents, 72(90 percent) were male while 8(10 percent) were female. 61(76.2) respondents were married while 19(23.8 percent) were unmarried. 29 respondents had a family size of 2-4 members (36.2) percent, 45 had a family size of 5-7 members (56.2 percent), 5 had a family size of more than 8-9 members (6.2 percent) and only 1 had a family size of more than 10 members (1.2 percent). There was a wide variation in terms of monthly income among the slum dwellers. 38 (47.5 percent) had a monthly income of less than Rs. 10,000, 29 (36.2 percent) had a monthly income of Rs. 10,000 but less than Rs. 20,000 and 13 (16.2 percent) had a monthly income of more than RS. 20,000. In terms of total value of asset holding, 49 (61.2 percent) had a total asset value of less than Rs. 1,00,000, 18 (22.6 percent) had an asset value of more than Rs. 1,00,000 but less than Rs. 2,00,000, and 13 (16.2 percent) had assets value of more than Rs. 2,00,000. Out of 80 respondents, 56 (70 percent) were illiterate, 18(22.5 percent) had primary education, 6 (7.5 percent) had secondary education but none of them had any masters degree. Out of the total respondents 4 (5 percent) were construction labourers, 32 (40 percent) were employed in manufacturing sectors, 7 (8.8 percent) each were employed in service sector or were rickshaw poolers and rest 30 (37.5 percent) were employed in others category.

Table 1: Demographic/ Economic Profile of Respondents

Category	Type	Number of Respondents	Percentage
Gender	Male	72	90
	Female	8	10
	Total	80	100
Marital Status	Married	61	76.2
	Unmarried	19	23.8
	Total	80	100
Family Size	2-4	29	36.2
	5-7	45	56.2
	8-9	5	6.2
	Above 10	1	1.2
	Total	80	100

Monthly Income	Less than 10,000	38	47.5
	10,001 to 20,000	29	36.2
	Above 20,000	13	16.2
	Total	80	100
Education Qualifications	Illiterate	56	70
	Primary	18	22.5
	Secondary/College	6	7.5
	Masters and above	0	0
	Total	80	100
Occupation	Construction Labor	4	5.0
	Employee in Manufacturing Sector	32	40.0
	Employee in Service Sector	7	8.8
	Rickshaw Poolers	7	8.8
	Others	30	37.5
	Total	80	100.0
Total value of asset holding (in rupees)	Less than Rs. 1,00,000	49	61.2
	Rs. 1,00,001 to Rs. 2,00,000	18	22.6
	More than Rs. 2,00,000	13	16.2
	Total	80	100

Table 2 shows the level of financial awareness among the surveyed slum dwellers with respect to different categories of statements and the overall financial awareness. At an overall level only 4 respondents (5 percent) enjoyed sound financial awareness, 12 (20 percent) had fair financial awareness and 64 respondents (80 percent) had poor financial awareness. On breaking up into different categories of statements it was seen that 16 respondents (20 percent) were considerably having sound financial awareness and more than 50 percent were having poor financial awareness. However percentage fell in terms of various financial services that are provided by commercial banks. Only 10 respondents (12.5 percent) were having sound awareness and again more than 50 percent were having poor awareness and it further fell w.r.t awareness regarding flagship programmes of GOI that are run through commercial banks. Out of the total 80 respondents only 3 (4 percent) were having some awareness and rest of them didn't have any considerable awareness regarding these programmes.

Overall, it could be seen that considerable percentage of respondents were having poor financial awareness.

Table 2: Level of Financial Awareness among Respondents

Statement Category	Number of Respondents having		
	Sound Financial Awareness	Fair Financial Awareness	Poor Financial Awareness
Loan Products	16 (20 %)	20 (25 %)	44 (55%)
Miscellaneous Services	10 (12.5%)	14 (17.5%)	56 (70%)
Flagship Programmes	2 (2.5%)	1 (1.2 %)	77 (96.2 %)
Overall Financial Awareness	4 (5%)	12 (15%)	64 (80%)

After studying the level of financial awareness among the selected slum dwellers an effort is made to check for any association between the level of financial awareness and demographic variables of the surveyed slum dwellers. Table 3 represents the results of Chi- Square test for independence of level of financial awareness and different categories of demographic variables.

Table3: Association between financial awareness and demographic variables

Demographic / Economic Variable	**Category**	**Financial Awareness**			**Pearson's Chi- Square**
		Sound	**Fair**	**Poor**	
Family Size	2-4	0	1	28	4.637 (p<0.592)
	5-7	1	8	36	
	8-10	0	1	4	
	More than 10	0	0	1	
Education Qualification	Illiterate	0	0	56	40.625 (p<0.001)
	Primary	0	7	11	
	Secondary/ College	1	3	2	
Monthly Income	Less than Rs. 10,000	0	0	38	13.168 (p<0.011)
	Rs. 10,001 to Rs. 20,000	1	6	22	
	Above Rs. 20,000	0	4	9	

Asset Holding	Less than Rs. 1,00,000	0	4	45	7.936 (p<0.095)
	Rs. 1,00,001 to Rs. 2,00,000	0	3	15	
	Above Rs. 2,00,000	1	3	9	
Nature of Job	Construction Labour	0	0	4	3.494 (p<0.910)
	Employee in Manufacturing Sector	1	5	26	
	Worker in Service Sector	0	1	6	
	Rickshaw Poolers	0	0	7	
	Others	0	10	26	
Bank Loan Availed	Yes	4	6	4	33.247 (p<0.001)
	No	0	6	60	

It can be seen that no association is found between level of financial awareness and the family size, monthly income, asset holding and nature of job of the respondent. However, there did exist an association between the educational qualification and financial awareness ($p<0.001$). Slum dwellers with higher educational qualification tended to have higher level of financial awareness (for example only 2.5 % of the secondary and above had poor financial awareness). Similarly, a strong association was found between bank loan availed and financial awareness ($p<0.001$). Respondents who have taken any kind of loan from the banks had more financial awareness in comparison to those who have not availed any kind of bank loan service.

IV. Conclusion

The above research work has proved that there is an emergent need for increasing the pace of financial inclusion in the identified slum dwellers of Delhi. Most of the slum dwellers do not have knowledge regarding the basic banking products and services. Those who have some knowledge are reluctant to use it as they have various apprehensions regarding the use of those services. Simply opening up of Bank A/C will not serve the purpose of financial inclusion. Rather, we have to make them financially aware and literate so that they can be associated with the formal financial network as we all know that distance of slums from banks is no hurdle as every slum is surrounded by the branches of different commercial banks. Thus an effective step is required from the side of GOI and RBI to create awareness and financial literacy among the slum dwellers of Delhi so that Universal banking services can be extended to the un-served and low income group could be saved from the exploitation of private money lenders who manipulate them and try to snatch their small savings by inducing them to invest in unprofitable schemes.

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