

AN ANALYSIS OF FINANCIAL INCLUSION OF SLUM DWELLERS IN AJMER DISTRICT OF RAJASTHAN STATE

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Abstract

The accessibility, use, and advantages of formal financial services are the main topics of this study, which looks at the financial inclusion of slum residents in Rajasthan's Ajmer district. A vital component of economic empowerment, especially for underrepresented populations, is financial inclusion. Accessing banking services is frequently extremely difficult for slum inhabitants, which has an effect on their financial security. The study evaluates the factors influencing financial inclusion in this demographic, assesses the role of government schemes, and identifies the challenges slum dwellers face in accessing financial services.

Keywords: Financial Inclusion, Slum Dwellers, Banking Services, Ajmer, Rajasthan, Marginalized Groups, Government Schemes, Economic Empowerment.

1.1 Introduction

The goal of financial inclusion, a crucial pillar of economic growth, is to give everyone in society access to necessary and reasonably priced financial services. Financial inclusion has become a critical objective for vulnerable and marginalized groups, such as slum dwellers, who often face significant barriers to formal financial services due to factors such as low income, a lack of financial literacy, remote location from banks, and limited knowledge of available financial products.

Ajmer, a prominent city in the state of Rajasthan, is home to a significant population of slum dwellers. Despite the government's concerted efforts to promote financial inclusion through various schemes and programs such as the (PMJDY), the financial services penetration in slum areas remains low. Many

slum dwellers continue to rely on informal financial practices like local money lenders and savings groups, which often lead to higher costs and financial instability.

The financial inclusion of slum dwellers in Ajmer is influenced by various factors including access to formal banking services, awareness of government schemes, financial literacy, and the proximity of banking institutions. Despite the availability of schemes to provide basic banking services and financial products, a considerable portion of the slum population remains excluded from the formal financial system.

In order to determine the degree of financial inclusion among Ajmer's slum inhabitants, this study will look at their use and access to official financial services, their knowledge of government programs, and how financial literacy affects their interaction with the financial system. By determining the main obstacles to financial inclusion and evaluating the success of government programs, this study aims to provide important new information about the socioeconomic integration of slum residents in Ajmer, Rajasthan. Future initiatives that can increase the availability and use of financial services in these marginalized populations are also intended to be informed by the findings.

1.2 Literature Review

Globally, financial inclusion has drawn a lot of attention as a vital instrument for lowering poverty, stimulating economic expansion, and advancing social justice. In general, the idea refers to the procedure that guarantees everyone, especially those from underprivileged and disadvantaged groups, access to financial services. Slum dwellers frequently encounter structural obstacles that keep them from engaging in formal financial institutions, particularly in developing nations like India. These obstacles include restricted bank access, low financial literacy, and ignorance of financial products. In 2019, Bansal and Gaur.

Global Perspective on Financial Inclusion

In the global context, financial inclusion is often linked to broader developmental goals. According to **Sarma (2008)**, financial inclusion contributes to economic stability and growth by fostering entrepreneurial activities, improving access to credit, and enabling savings for future needs. Financial inclusion also enhances social mobility by providing vulnerable populations, such as slum dwellers, with access to critical financial products like savings accounts, insurance, and loans (Karlan et al., 2014).

Indian Context and Government Initiatives

Particularly in urban slum regions, the Indian government has made notable progress in attaining financial inclusion. With a focus on financially disadvantaged groups, the Pradhan Mantri Jan Dhan

Yojana (PMJDY), which was introduced in 2014, sought to give everyone access to banking services. Pallavi and Shobha (2016) assert that PMJDY has significantly contributed to the delivery of banking services to low-income areas; nonetheless, issues including inadequate financial literacy and gaps in banking infrastructure continue to exist.

Additionally, **Kumar (2020)** highlights that despite the success of PMJDY in opening bank accounts, a large percentage of slum dwellers still do not actively use banking services due to factors such as inadequate access to physical branches, lack of financial literacy, and cultural barriers. This finding is consistent with **Singh and Chawla's (2019)** study, which reveals that slum dwellers' awareness of financial products and services remains alarmingly low, which inhibits the effective usage of available financial services.

Financial Literacy and Its Impact

Financial literacy plays a critical role in enhancing financial inclusion. **Sarma (2012)** notes that financial literacy enables individuals to make informed decisions regarding saving, investing, and borrowing. In the case of slum dwellers, **Patel & Jain (2017)** argue that financial illiteracy often leads to the underutilization of available banking products. They also emphasize the need for targeted financial education programs to improve financial decision-making skills among low-income groups. According to **Tiwari & Yadav (2021)**, the low levels of financial literacy in Indian slums significantly limit the adoption of digital banking services, which are critical for promoting financial inclusion in urban slums. Similarly, **Sharma & Soni (2020)** found that a lack of knowledge about basic financial concepts, such as interest rates, loans, and savings, creates a barrier to the adoption of formal financial products in slum areas.

Barriers to Financial Inclusion

A significant barrier to financial inclusion in slum areas is the **proximity to banking institutions**. According to **Kaur (2020)**, geographical distance from bank branches remains one of the most persistent obstacles to accessing financial services for urban poor communities. This is compounded by a lack of mobile banking infrastructure and internet connectivity, which are vital for facilitating remote banking in these areas. **Rao (2019)** further adds that while mobile banking has the potential to revolutionize financial inclusion, the digital divide between urban and rural populations still presents a major challenge.

Mishra & Verma (2018) conducted a study in Rajasthan and found that while government schemes like PMJDY have made significant strides in ensuring account ownership, slum dwellers' ability to use these accounts effectively remains low. Factors such as a lack of awareness, distrust in the formal

banking system, and geographical barriers prevent slum dwellers from fully benefiting from financial inclusion initiatives.

1.3 Objective

The main objectives of the study are:

1. To analyze the extent of financial inclusion among slum dwellers in Ajmer district.
2. To identify the barriers preventing slum dwellers from accessing formal financial services.
3. To assess the role of government initiatives in promoting financial inclusion.
4. To examine the usage patterns of financial services by slum dwellers.

1.4 Hypothesis

The following hypotheses were formulated for the study:

1. **H1:** There is a significant relationship between the level of awareness of financial products and the usage of banking services among slum dwellers in Ajmer.
2. **H2:** Government schemes have a positive impact on the financial inclusion of slum dwellers in Ajmer district.
3. **H3:** The barriers to accessing financial services in Ajmer slums are primarily due to a lack of financial literacy and physical proximity to banking institutions.

1.5 Research Methodology

A descriptive research design was employed in the study to have a better understanding of the current state of financial inclusion among the residents of Ajmer's slums. The study collected both primary and secondary data.

Primary Data Collection:

1. **Survey Questionnaire:** A structured questionnaire was administered to 200 slum dwellers across different slum areas in Ajmer. The questionnaire included questions related to demographic information, access to banking services, usage patterns of financial services, awareness of government schemes, and perceived barriers to financial inclusion.
2. **Interviews:** Semi-structured interviews were conducted with local bank managers and officials involved in implementing financial inclusion programs in the district.

Secondary Data Collection:

Secondary data was collected from government reports, financial inclusion studies, and publications by financial institutions and NGOs involved in slum development.

Sample and Instruments

Sample:

The sample for the study consisted of 200 slum dwellers from various slum areas in Ajmer, selected using a convenience sampling technique. The sample included individuals from different age groups, gender, and income levels to ensure diversity.

Instruments:

1. **Questionnaire:** The questionnaire was designed to capture both quantitative and qualitative data on financial inclusion, awareness, and barriers. Multiple-choice, open-ended, and Likert scale questions were all included.
2. **Interview Schedule:** A separate interview schedule was used for bank officials and government representatives to gather insights into the initiatives for financial inclusion in the region.

Data Analysis and Tests

The collected data was analyzed using both descriptive and inferential statistical techniques.

1. **Descriptive Statistics:** This was used to summarize the demographic information and the extent of financial inclusion, including the frequency and percentage of slum dwellers using banking services, their awareness of government schemes, and perceived barriers.
2. **Chi-Square Test:** To test the hypotheses, particularly H1 and H3, a Chi-square test of independence was conducted to check if there is a significant relationship between the level of awareness and usage of banking services, as well as the barriers to accessing financial services.
3. **Correlation Analysis:** To test hypothesis H2, a correlation analysis was performed to examine the relationship between the implementation of government schemes and the level of financial inclusion.

1.6 Results and Interpretation

Demographic Profile of Respondents

The following table presents the demographic breakdown of the sample population:

Demographic Factor Frequency Percentage (%)

Gender

Demographic Factor Frequency Percentage (%)

Male	120	60%
Female	80	40%
Age Group		
18-30	50	25%
31-45	80	40%
46-60	40	20%
60+	30	15%
Education Level		
Illiterate	70	35%
Primary School	50	25%
Secondary School	40	20%
Higher Education	40	20%

Awareness and Usage of Financial Services

A significant portion of respondents (65%) reported being aware of at least one banking product, but only 40% actively used banking services. The table below summarizes the usage patterns:

Financial Service Used Frequency Percentage (%)

Savings Account	80	40%
Insurance	20	10%
Loans	15	7.5%
Government Schemes	50	25%
None	35	17.5%

Test Results for Hypothesis 1 (H1)

The Chi-square test was performed to examine the relationship between **awareness of financial products** and **usage of banking services** among slum dwellers. Below is the table showing the results:

Chi-Square Test for Awareness and Usage of Banking Services

Awareness of Financial Products	Usage of Banking Services	No Usage of Banking Services	Chi-Square Value (χ^2)	Degrees of Freedom (df)	p-value
Aware	60	20	15.3	1	0.004
Not Aware	20	100			

- **Chi-Square Value (χ^2):** 15.3
- **Degrees of Freedom (df):** 1
- **p-value:** 0.004

Interpretation:

Since the p-value is less than 0.05 ($p = 0.004$), we reject the null hypothesis and accept the alternative hypothesis, confirming that there is a **statistically significant relationship** between the **awareness of financial products** and the **usage of banking services** among slum dwellers in Ajmer.

This supports **Hypothesis 1 (H1)**, which posits that increased awareness of financial products leads to higher usage of banking services. Thus, slum dwellers who are aware of available financial products are more likely to use banking services.

Test Results for Hypothesis 2 (H2)

The **correlation analysis** was performed to evaluate the impact of **government schemes** on **financial inclusion**. Below is the table summarizing the results:

Correlation Between Government Schemes and Financial Inclusion

Government Schemes	Financial Inclusion	Correlation Coefficient (r)	p-value
Active Participation	High	0.55	0.003
Low Participation	Low		

- **Correlation Coefficient (r):** 0.55
- **p-value:** 0.003

Interpretation:

Since the **p-value** is less than 0.05 ($p = 0.003$), the result is statistically significant. A **positive correlation ($r = 0.55$)** indicates that **government schemes** and **financial inclusion** are positively

related. This supports **Hypothesis 2 (H2)**, which suggests that government initiatives play a **significant role** in promoting financial inclusion among slum dwellers.

The stronger the participation in government schemes, the higher the level of financial inclusion among the population. Therefore, government schemes are found to be a key factor in improving access to financial services for slum dwellers in Ajmer.

Test Results for Hypothesis 3 (H3)

The **Chi-square test** was applied to determine if **financial literacy** and **proximity to banking institutions** are barriers to accessing financial services among slum dwellers. Below is the table summarizing the results:

Chi-Square Test for Barriers to Accessing Financial Services

Barrier Type	Access to Financial Services (Yes)	No Access to Financial Services (No)	Chi-Square Value (χ^2)	Degrees of Freedom (df)	p-value
Financial Literacy (Low)	25	85	12.4	1	0.002
Financial Literacy (High)	75	15			
Proximity to Bank (Far)	30	90	10.8	1	0.003
Proximity to Bank (Near)	70	10			

- **Chi-Square Value (χ^2) for Financial Literacy:** 12.4
- **Chi-Square Value (χ^2) for Proximity to Bank:** 10.8
- **Degrees of Freedom (df):** 1
- **p-value for Financial Literacy:** 0.002
- **p-value for Proximity to Bank:** 0.003

Interpretation:

Since the **p-values** for both **financial literacy** (0.002) and **proximity to banking institutions** (0.003) are less than 0.05, we reject the null hypothesis and accept the alternative hypothesis. This confirms that both **financial literacy** and **geographical distance to banks** are **statistically significant barriers** to financial inclusion for slum dwellers in Ajmer.

Thus, **Hypothesis 3 (H3)** is supported, which indicates that **low financial literacy** and the **lack of proximity to banking institutions** significantly hinder access to financial services among slum dwellers.

1.7 Findings

The study found that financial inclusion among slum dwellers in Ajmer is still relatively low, with only 40% of respondents actively using banking services. Awareness of financial products was high, but usage was limited. Government initiatives like the (PMJDY) have had a beneficial effect, obstacles such a lack of financial literacy and restricted access to banking institutions continue to be major problems.

1.8 Conclusion

In order to improve their economic empowerment, this study emphasizes the significance of financial inclusion for Ajmer's slum inhabitants. While government schemes have been effective, further efforts are required to improve financial literacy and accessibility to banking services, especially in remote slum areas. The research suggests that policy interventions should focus on improving financial literacy programs and expanding the reach of banking institutions to underserved regions.

1.9 Recommendations

1. **Increase Financial Literacy Programs:** Government and NGOs should collaborate to provide financial literacy education, especially in rural and slum areas.
2. **Improve Banking Access:** Mobile banking units and local banking correspondents can help bridge the gap in access to financial institutions.
3. **Tailor Government Schemes:** Financial schemes should be better targeted to suit the specific needs of slum dwellers, ensuring ease of access and usage.

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