

# Financial Inclusion and Usage Metrics of Financial Products and Services Among Slum Dwellers in Chennai City

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## *Abstract*

This paper is a crucial review and examination on financial inclusion and usage metrics of financial products and services among slum dwellers in Chennai city. According to 2011 Censuses of India, nearly 28.89% of people resides in slums of Chennai. In India Chennai ranks fourth in the list with 1.34 million slum dwellers. Mumbai stands in first place with 5.21 million slum dwellers followed by Hyderabad and Kolkata with 2.29 million and 1.41 million slum dwellers respectively. The financial inclusion initiatives of the Reserve Bank of India condense the national focus on financial inclusion, promoting financial education and literacy and making credit available to all segment of the society. Major initiatives taken by RBI in the context of financial inclusion and development are as follows: (i) Introduction of no-frills account (ii) Financial inclusion services through BC and BF models (iii) Enabling credit flow to priority sectors (iv) Conducting financial literacy programs (v) Credit delivery to SHGs, SC/ST community and Minority community (vi) Credit flow to agriculture (vii) Strengthening institutional arrangements.

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RBI noted that the schemes such as PMJDY have created the adequate banking infrastructure to enable financial inclusion, although efforts are required to improve access to insurance and pension services. The primary objective of this study is to test the impact of financial inclusion and to check the usage metrics of financial products and services among slum dwellers of Chennai city. The study

made use of convenient sampling technique. The major platform for analysis is excel spreadsheet and SPSS statistical software.

**Key Words:** Metrics, Financial Products, Financial Services and RBI Initiatives.

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## INTRODUCTION

Financial Inclusion is a predominant step towards inclusive growth. In a developing country like India, the overall economic development of the country is dependent upon uplifting the underprivileged population by providing them with modified financial products and thereby bringing the disadvantaged under the scope of financial inclusion. Financial literacy is considered as the significant tool for ensuring financial inclusion. To have knowledge on personal finance which indeed helps in choosing the appropriate financial choices and to participate in economic life. A financially sound person understands the importance and usage of the financial products to meet his financial goal.

The Organisation for economic co-operation and development (OCED) have established a correlation between financial literacy and financial inclusion. It is said that financial education encourages to take up formal financial products and to come under the ambit of the regulated financial system. On a further note it suggests that consumer protection regulation is also needed to gain the trust of the people to prevent them from losing money and also to make the financial products available at the reasonable price. Thus, to summarize it is found that creating awareness on financial system, educating consumer rights and consumer protection in a structured financial system.

Financial inclusion is inevitable for sustainable growth and development of the nation. *World Bank have stated that “financial inclusion is the key enabler to reducing poverty and boosting prosperity”*. Financial inclusion enforces the access of financial products and services at affordable cost to meet the people needs such as payment, savings, credit, transaction and insurance. The concept of inclusion is highly needed for deprived segment of the society like marginal and small farmers, fisher men’s, rural household women’s and unban slum dwellers.

The future growth and development of Rural India is dependent on people knowledge towards the access of financial products and services. This study concentrates on factors restricting

financial inclusion in Chennai slum and the means to overcome the constraints. Chennai with metropolitan population of 86,53,521 of which 11,55,025 slum dwellers in and around all part of Chennai. According to the survey conducted by Tamil Nadu Slum Clearance Board the highest slum dwellers is recorded in Thiruvottriyur with 142 slums and 32,592 households, followed by Thondiarpet, Thiru-vi-ka-nagar, Adyar etc., the highest slum dwellers are recorded in North region of Chennai. 53% of the slum population with the monthly income below Rs.5,000. Taking the data into record the study highly concentrates on means and ways to bring this deprived segment of the society under the ambit of access to formal finance.

Slum dwellers are increasing day by day and year by year due to migration and unemployment. The financial knowledge of slum people is also restricted due to lack of awareness and high illiteracy rate. Financial awareness needed to be created among people in order to avoid future uncertainties. Slum areas are prone to fire accidents, casual accidents, water stagnation, sanitation problems and health hazards. In order minimize these uncertainties insurances coverages should be adopted by slum dwellers.

### **Need of the Study**

1. The main motive of the study is to measure the usage metrics and awareness of financial products and services among slum dwellers of Chennai city.
2. The study facilitated the need to anticipate the usage of financial product and services is dependent on their income.
3. The study anticipated the source of knowledge and information about financial product and services are media, social groups, NGO's, Bank and Financial intermediaries.
4. The study establishes the usage of financial product and services based on gender category.

### **REVIEW OF LITRATURE**

1. In 2008, Sriram and Sundaram conducted a study in rural areas of Vellore district of Tamil Nadu to identify and analyze various determinants of financial inclusion. The researchers also identified thereasons for lower number of bank accounts by collecting data from 20 village blocks of Vellore. By using index of financial inclusion and percentage analysis, it was found out

that financial inclusion was at mid-range of 0.55 for Vellore. The major reasons for lack of financial access were identified as unemployment, lower literacy levels and lower income levels (Sundaram and Sriram, 2008)

2. Chattopadhyay (2011) has developed the financial inclusion index for the major states in India and for all the districts in West Bengal. They have considered number of rural outlets, number of accounts per outlets, per outlet deposit amount, per outlet credit amount as indicator of financial inclusion in India

3. Purvi Shah and MedhaDubhashi (2015) has tried to study the role of financial inclusion as a means of inclusive growth. They found that only 41 per cent adults have a formal account, with only 37 percent of women having formal account against 46 per cent of men; the gender gap widens further because of varying degrees of income inequalities observed among the developing countries.

4. Roy (2012) studied the summarized the financial inclusion in India. The study concluded that banks have set up their branches in the rural segment of the country. Rules and regulations have been simplified. The study also insists that banking sector has shown tremendous growth in volume during last few decades.

### **Objective of the Study**

1. To test the reasons for having bank account by the slum dwellers in Chennai.
2. To determine the source that provided information about the financial product and services.
3. To establish the relationship mapping between the income and usage of financial product and services.
4. To study the usage of financial product and services among male and female population in slum area of Chennai.

### **RESEARCH METHODOLOGY**

The study focuses on “Financial Inclusion and Usage Metrics of Financial Products and Services Among Slum Dwellers in Chennai City”. The primary data applied for this research is obtained

from people residing in slum area of Chennai. Structured questionnaire is prepared to collect response from the slum dwellers. The samples are tested using SPSS software.

The methods used to establish the test and output is:

1. **One Variable, Chi-Square test:** one variable chi-square test is used to test two or more variables and similar to binomial test. In this study, source of knowledge about financial information ad services is been test to arrive at conclusion whether the square of observed less expected frequency is equal or not equal to zero.
2. **Kolmogorov-Smirnov Z test:** It is a test used to check the normality of the samples. In this study, the reason for having bank account among sample is been tested whether the samples are normally distributed.
3. **Relationship Mapping:** The study has recorded the relationship mapping of usage of financial product and services among various income category people. The following mapping diagram have relationship and category counts. The circle size and thickness of the line emphasis on the relationship between the variables under different category.
4. **Chi-square test of independence of categorical variable:** Test of independence is used to test two different categorical variables. Here in this study male and female samples usage metric of financial product and services is been test to measure the association between two categories.

## ANALYSIS

**Table 1: Reason for having bank account**

$H_0$ : the data are normally distributed

$H_a$ : the data are not normally distributed

	To receive Govt. payments from NREGP	To receive Govt. payments from schemes other than NREGP	For receiving remittances	For saving money	To request a loan
N	100	100	100	100	100

<b>Mean</b>		2.04	2.86	2.89	2.68	2.37
<b>Std. Deviation</b>		1.044	1.504	1.569	1.171	1.169
<b>Most Extreme Differences</b>	<b>Absolute</b>	.295	.186	.195	.178	.214
	<b>Positive</b>	.295	.186	.195	.172	.214
	<b>Negative</b>	-.165	-.186	-.171	-.178	-.121
<b>Kolmogorov – Smirnov Z</b>		2.953	1.862	1.947	1.777	2.142
<b>Asymp. Sig. (2-tailed)</b>		.000**	.002**	.001**	.004**	.000**

The Kolmogorov – Smirnov test depicts the test statistics that is used to test the normality. Here we notice that the Kolmogorov – Smirnov test takes the statistic value of 2.953, 1.862, 1.947, 1.777 and 2.142 respectively. Here we see P-Value provided by SPSS is .000, .002, .001, .004 and .000. It is clear that the P value fall in the range of 0.000 to 0.010 and it is highly significant and here we reject the null hypothesis that the variable follows a normal distribution.

**Table 2: Source of information about financial product and services:**

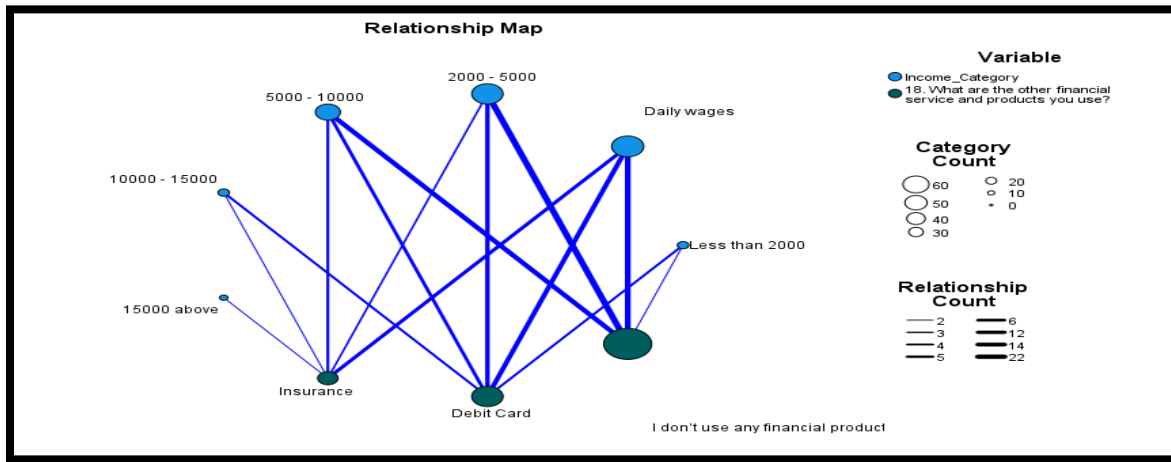
$$H_0: \sum (O-E)^2 = 0$$

$$H_a: \sum (O-E)^2 \neq 0$$

	<b>Media</b>	<b>Financial Advisor</b>	<b>Family/ Friends</b>	<b>Bank</b>	<b>NGOs</b>
<b>Chi Square</b>	43.040	32.160	47.7000	22.100	19.300
<b>Df.</b>	3	3	4	4	4
<b>Asymp. Sig.</b>	.000**	.000**	.000**	.000**	.001**

From the above study it is established that the p values are .000 for the variables Media, Financial Advisor, Social Groups (Family/friends) and Bank. Another variable NGOs with .001 as p value. In all the case the test is significant at 1% level. Here the test is highly significant. Hence reject the null hypothesis at 1% level of significance. Thus, the observed less expected frequency square is not equal zero.

**Fig 1: Relationship mapping of Samples Income per month and usage of financial product and services.**



- It is clear from the network that large circle “I don’t use any financial Product” falls under the category count of 50-60.
- The medium size circle “Debit card” falls under the category count of 40-50.
- The small circle on “insurance” falls under the category count of 30-40.
- Majority of the daily wage’s samples, income category of <Rs.2,000, Rs.2,000 – 5,000 and 5,000 – 10,000 falls under the network of “I don’t use any financial products”.
- The thin blue line represents very limited respondent from all income category use debit card and insurance.

**Table 3: Chi-Square test for association between gender and access financial product and services**

**H<sub>0</sub>:** There is no association between gender and access financial product and Services

**H<sub>a</sub>:** There is association between gender and access financial product and Services

Formal Financial Services and Products	Gender		Total	Chi – Square value	P Value
	Male	Female			
I don’t use any Financial Products	25.5	26.5	52	3.411 <sup>a</sup>	.182
Insurance	8.3	8.7	17		

Debit Card	15.2	15.8	31		
Total	49	51	100		

Since P value is greater than 0.05. Hence the null hypothesis is accepted @ 5% level of significance. Therefore, there is no association between the gender and access to financial product and services. The score for female sample is more for use of debit card and insurance with 15.8 and 8.7 respectively.

### CONCLUSION:

Financial inclusion is an inevitable concept to cover the deprived segment of the society under the access of formal finance. The study has established that the slum dwellers and mostly daily wages labours and the usage of financial services and products are very limited. Income of samples ranges from Rs. 2,000 – Rs. 10,000 per month which makes the survival very difficult for slum dwellers. But it is recorded from the study that most of the people have account in bank but savings habit is very less. In order to avail government benefits account have been opened by the people of slums in Chennai. The study has established the association between gender and their usage metric of financial product and services. The result states that there exist no association between the usage and gender category. Hence it is clear that the usage metric of financial product and services among slum dwellers is very much restricted due to following reasons such as lack of knowledge, less intervention of banking correspondence and less or null income.

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