

Financial Literacy and Wellbeing of Informal Workers in Shivamogga City- An Empirical Study

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Abstract:

Financial Literacy, as defined by Organisation for Economic Co-operation and Development (OECD) is a blend of knowledge about financial matters that provides required skills to take efficient financial decisions with positive attitude. It is a major tool of financial inclusion and for strengthening the personal financial management practices of individuals which in turn, leads to their economic stability. But, it is evident from various Financial Literacy and Inclusion survey reports like 'OECD INFE report on adult financial literacy in G20 countries' that the level of financial literacy is not satisfactory in India. It is certainly low in case of demographic groups such as women, illiterates and low income groups. One such vulnerable class is Workers of Unorganised sector who work usually on casual basis, characterized by illiteracy, seasonal employment with low and irregular income. Limited financial resources and lack of financial literacy to manage such limited resources cause lot of financial instability and distress among them. In this perspective, present study makes an effort to measure the level of financial literacy among informal workers in Shivamogga city, Karnataka State. The study tries to identify the factors associated with level of financial literacy and to ascertain whether there exists any significant relationship between financial literacy and wellbeing considering a sample of 50 informal workers based. The selected samples were surveyed using a structured questionnaire on financial knowledge, financial attitude and financial behaviour based on 'OECD/ INFE toolkit to measure financial literacy and financial inclusion- 2018'. Statistical tools of chi- square and correlation were used to analyse the collected data and was found that demographic factors like gender, age, education, marital status do not have association with financial literacy level except nature of occupation and income level of respondents. Financial literacy level has a significant relationship with financial wellbeing and thus it is most required to increase the level of financial literacy by inculcating the required behavioural skills and positive attitude in order to ensure financial independence and wellbeing among informal workers.

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INTRODUCTION

A combination of knowledge regarding financial matters, skills to take financial decisions with positive financial attitude makes an individual financially literate. The economic stability and wellbeing of the economy depends certainly on the

financial decisions and practices of its individuals. Financial illiteracy affects the financial decisions and practices making it impossible to attain financial wellbeing in personal life, bearing negative influence on the financial conditions of the country too. Recognizing these relationships, economies are striving hard to promote the level of financial

literacy and strengthening financial management practices among their individuals.

As per 2017 report on level of financial literacy among adults in G20 countries conducted by Organization for Economic Co-operation and Development (OECD), India has scored less than 12 out of 21, which makes it evident that still there exist a large financial literacy gap inspite of various efforts by the government. The level significantly lowers in case of certain vulnerable classes like women, illiterates, minorities etc. One such class is informal workers characterized by illiteracy, low and irregular income, mostly work on casual basis and live in very appalling conditions. But, these classes of people termed generally as grey economy play a major role in the workforce and GDP of the economy and thus a major area of concern. As reported in Vijayavani newspaper dated 25th September 2019 and Annual Budget presentation (2019) there are around 46 crore informal workers in India constituting more than 90% of the country's workforce.

Informal workers- An overview:

As per the National Commission for Enterprises in the Unorganised Sector (NCEUS) - *"Informal workers consists of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers"*

Thus informal workers are not employed only in the informal sector but also constitute a significant portion of the formal sector too. Informalisation of formal sector has become a major issue of discussion in the present scenario. No matter how formalized an organization is, it will employ certain number of informal workers considering the benefits of informal employment as these workers are usually employed at less salary, no pension, gratuity or other social security benefits, cutting down a large amount of cost for the management. Thus, the size of informal sector as well as informal

employment is rapidly increasing in the country making it a major area for study and policy making.

Review of Literature:

There are evidences of numerous works in the field of financial literacy considering its various aspects throughout the globe. With the recognition of financial literacy as core component of financial empowerment, researches in the area have increased both in numbers as well as in dimensions.

(Lusardi, 2019) stated that lack of financial literacy will impact the economic life of individuals and also the society at large. Financial literacy should be considered as equally important as the basic literacy and should be made accessible by every individual without making it restricted to the fortunate classes. Even the most vulnerable class needs to be provided with the required knowledge and skills in financial matters as it is the basic necessity to navigate in the present financial world.

(Jana, Sinha, & Gupta, 2019) studied financial literacy and inclusion among the unorganised sector workers and concluded that the impact on financial inclusion by financial literacy is positive along with the socio- demographic factors like gender, education, types of unorganised sector employment and income.

(Rawat& Gambhir, 2017) opined that the lack of financial literacy is not related to individual or household but is a macro level issue as financial know- how is of major concern for ensuring the overall economic growth and development of the nation.

(Jana, Sinha, & Gupta, 2017)found that there exists significant relationship between demographic and socio-economic factors like education, age, income, gender with financial literacy possessed in a survey. But overall financial literacy of respondents was not satisfactory inspite the selected district had first rank in the general literacy level

(Agarwal, Kureel, & Yadav, 2017) stated that the financial wellbeing of the economy depends on the household financial decisions which are

influenced by the level of financial literacy possessed.

(Jeyabharathi & Amarjyothi, 2016) stated that, spreading financial management literacy among informal workers, who are addressed as 'Grey economy' will help the nation in achieving formalization of unorganised sector as well as arresting the growth of informal employment in organized sector.

(Diwaker & Ahamad, 2014) found that inspite of various initiatives of the government, unorganised workers are not benefitted to the fullest mainly due to lack of awareness and illiteracy in the sector. Thus inspite of contributing a lot to the society at large, they remain unrecognized.

Statement of the Problem and Need for the Study:

Financial literacy, an engine of financial inclusion and empowerment is not satisfactory especially incase of developing countries. The level of financial literacy is influenced by various socio- demographic factors like education, income etc. Illiterates and low income groups usually lack financial literacy causing instability and distress in financial life. This necessitates the need to study the financial literacy level and the factors influencing it among informal workers who are characterized by illiteracy, low and irregular income but are large and most contributing sector of the economy.

Research Gap:

Inspite of various works undertaken in the area of financial literacy considering unorganised workers as the scope, there are no evidences of the study undertaken to measure financial literacy and relating it with their financial wellbeing based on "OECD/ INFE toolkit to measure financial literacy and financial inclusion- 2018". The present study is undertaken in this background.

Research Questions:

1. What is the level of financial literacy possessed by informal workers in Shivamogga district of Karnataka?
2. Which are the influencing factors of financial literacy and its components?
3. Whether there exists any significant impact of financial literacy on financial wellbeing of individuals?

Objectives of the Study:

- I. To understand the level of financial literacy among unorganised workers in Shivamogga city of Karnataka.
- II. To identify the factors influencing financial literacy.
- III. To examine the relationship between level of financial literacy and financial wellbeing.

Hypothesis of the Study:

- H₀: There is no significant relationship between the level of financial literacy and financial wellbeing
- H₁: There is a significant relationship between the level of financial literacy and financial wellbeing

Scope of the Study:

The geographical area of the study is restricted to Shivamogga city of Karnataka.

Research Design:

The present study empirical in nature, is undertaken to understand level of financial literacy and its influence on financial wellbeing among informal workers in Shivamogga city of Karnataka. Financial literacy is measured considering its three components as specified by OECD- financial knowledge, financial attitude and financial behaviour. The level of financial literacy ranging from 1- 21 is then related with financial wellbeing to know the impact of former on the latter.

Sampling Design:

As the population of informal workers is infinite, a sample size of 50 is considered for the study based on simple random sampling method covering a wide range of heterogeneity in terms of

age, education, marital status, income level and nature of occupation.

Sources of data:

Both primary as well as secondary sources are used for the collection of required data. Secondary data is collected through articles, journals, newspapers, reports and websites. Primary data is collected using a structured questionnaire.

Research Instrument:

Based on “OECD/ INFE toolkit to measure financial literacy and financial inclusion- 2018”, the questionnaire used comprises of 7 statements on financial knowledge, 3 on attitude and 9 on behaviour. Financial literacy score ranging from 1-21 is calculated as the sum of financial knowledge score ranging from 0-7 (1 score each for correct response), financial attitude score ranging from 1-5 (Average of the three responses in a 5 point scale) and financial behaviour score ranging from 0-9 (1 score for each savvy behaviour). 9 statements on financial position with a five point scale rating are used to understand the financial wellbeing of individuals.

Analytical tools:

Statistical tools of chi-square and multiple correlation are used to find the association and relationship among the variables collected.

Data Analysis and Interpretation:

Table- 1: Respondents with their respective scores

Financial Attitude Score			
Score	No. of Respondents	Per cent	
1	21	42	
2	17	34	
3	3	6	
4	7	14	
5	2	4	
Total	50	100	

Source: Field Survey

Forty two per cent respondents (21 out of 50) have scored an average score 1 out of 5 in financial attitude, 17 and 3 each have score an average score of 2 and 3 respectively. Only 9 respondents have scored above 3 average score accounting for 18% which evidences that the financial attitude among the respondents is certainly negative.

Financial Behaviour Score

Score	No. of Respondents	Per cent
1	19	38
2	09	18
4	01	02
5	03	06
6	10	20
7	04	08
8	03	06
9	01	02
Total	50	100

Source: Field Survey

As is observed, only one respondent has scored full score of 9 in financial behaviour. A score of 8 and 7 have been scored by 3 and 4 respondents respectively, 28% (14 respondents) have scored between 6 and 4, 9 respondents have scored 2 out of 9. Maximum number of respondents (38%) have scored only 1 out of 9 in financial behavioural score stating that the respondents lack proper financial behaviour.

Financial Literacy Category

Score	Category	No. of Respondents	Per cent
Below 7	Low	16	32
8 to 14	Moderate	23	46
Above 15	High	11	22
Total		50	100

Source: Field Survey

Based on the total financial literacy score calculated as the sum of financial knowledge, attitude and behaviour, respondents have been classified into 3 groups. Maximum of 46% respondents have moderate level of financial literacy having a score of 8-14, followed by 16 respondents

scoring below 7 are in low financial literacy level category. The remaining 11 respondents fall under high level category by scoring above 15 total financial literacy score.

Table -2: Respondents under different Financial Literacy Level Categories

Socio-Demographic Factors		Financial Literacy Category			Total
		Low	Moderate	High	
Gender	Male	06	16	07	29
	Female	10	07	04	21
	Others	00	00	00	00
	Total	16	23	11	50
Age group	Below 20	08	04	01	13
	20-40	04	14	04	22
	40-60	03	04	05	12
	Above 60	01	01	01	03
	Total	16	23	11	50
Highest Education	No Schooling	04	06	02	12
	Primary	06	05	03	14
	High School	04	05	03	12
	PUC	02	07	00	09
	Undergraduate	00	00	01	01
	Others	00	00	00	00
	Postgraduate	00	00	02	02
Total	16	23	11	50	
Occupation nature	Self employed	02	02	08	12
	Casual Basis	06	06	01	13
	Contract Basis	03	07	00	10
	Monthly Salary/wages	05	08	02	15
	Total	16	23	11	50
Income level	Below 25000	11	01	01	13
	25000-50000	03	10	04	17
	50000-100000	01	12	03	16
	Above 100000	01	00	03	04
	Total	16	23	11	50
Marital status	Single	12	14	03	29
	Married	03	08	07	18
	Widow	01	01	01	03
	Total	16	23	11	50

Source: Field Survey

From the table, it is evident that out of 11 respondents in high financial literacy group 7 respondents are male, in the age group of 40-60 (5 respondents), with the highest education of primary or high school (3 respondents in each category) who are working as self employed (8 respondents) with an annual income level ₹ 25,000- 50,000 (5 respondents) and are married (7 respondents)

Out of 16 respondents in the category of moderate financial literacy level, maximum are male (16 respondents) in the age group of 20-40 (14 respondents) with the highest education of PUC (7 respondents) working for monthly salary or wages (8 respondents) with an annual income level ₹ 50,000- 1,00,000 (12 respondents) and are single (14 respondents)

In the case of low financial literacy group 10 out of 16 respondents are female, in the age group

below 20 (8 respondents), with primary education (6 respondents), working on casual basis (6 respondents) for an annual income below ₹ 25,000 (11 respondents) and are single (12 respondents)

Table -3: Association between Level of Financial Literacy and Socio-demographic Factors

Chi Square Test		
	Value	Pearson Chi-square
Gender*Financial literacy category	4.167	2 0.125
Age group*Financial literacy category	11.349	6 0.078
Highest Education*Financial literacy category	16.009	10 0.099
Occupation nature*Financial literacy category	20.193	6 0.003
Income level*Financial literacy category	31.649	6 0
Marital status*Financial literacy category	6.568	4 0.161

Source: Field Survey

Gender*Financial literacy category - Calculated value (4.167) is not greater than table value (5.991) at degree of freedom 2. The level of significance (p value 0.125) is not less than 0.05. So, **there is no significant association between gender and financial literacy level** of respondents.

Age group*Financial literacy category - Calculated value (11.349) is not greater than table value (12.592) at degree of freedom 6. The level of significance (p value 0.078) is not less than 0.05. So **there is no significant association between age group and financial literacy level** of respondents.

Highest Education*Financial literacy category- Calculated value (16.009) is not greater than table value (18.307) at degree of freedom 10. The level of significance (p value 0.099) is not less than 0.05. So **there is no significant association between education and financial literacy level** of respondents.

Occupation nature*Financial literacy category - Calculated value (20.193) is greater than table value (12.592) at degree of freedom 6. The level of significance (p value 0.003) is less than 0.05. So **there is significant association between nature of the occupation and financial literacy level** of respondents at significance level 5%.

Income level*Financial literacy category - Calculated value (31.649) is greater than table value (22.458) at degree of freedom 6 in the 0.000 level of significance in the chi-square table. So **there is significant association between nature of the**

occupation and financial literacy level of respondents at 1% significance level.

Marital status*Financial literacy category - Calculated value (6.568) is not greater than table value (9.488) at degree of freedom 4. The level of significance (p value- 0.099) is not less than 0.05. So **there is no significant association between marital status and financial literacy level** of respondents.

Table- 4:Relationship between Financial Literacy and it's Components with Financial Wellbeing

		Financial Knowledge Score	Financial Attitude Score	Financial Behaviour Score	Financial Literacy Score	Financial Wellbeing Score
Financial Knowledge Score	Pearson Correlation	1	.404**	.302*	.601**	.243
	Sig. (2-tailed)		.004	.033	.000	.089
	N	50	50	50	50	50
Financial Attitude Score	Pearson Correlation	.404**	1	.704**	.847**	.635**
	Sig. (2-tailed)	.004		.000	.000	.000
	N	50	50	50	50	50
Financial Behaviour Score	Pearson Correlation	.302*	.704**	1	.919**	.725**
	Sig. (2-tailed)	.033	.000		.000	.000
	N	50	50	50	50	50
Financial Literacy Score	Pearson Correlation	.601**	.847**	.919**	1	.710**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	50	50	50	50	50
Financial Wellbeing Score	Pearson Correlation	.243	.635**	.725**	.710**	1
	Sig. (2-tailed)	.089	.000	.000	.000	
	N	50	50	50	50	50

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Survey

There is a positive correlation of 24.3% (0.243) between financial knowledge and financial wellbeing. But the relationship is not significant as the p value (0.89) is not less than 0.05

The relationship between financial attitude and financial wellbeing is positive at 63.5% (0.635) and is highly significant at 1 % as the p value is 0.00

In case of financial behaviour and financial wellbeing there is a positive correlation of 72.5% as the r value is 0.725. The correlation is highly significant as the p value (0.00) is less than 0.001

Hypothesis testing:

The correlation between overall financial literacy and financial wellbeing is 71% (0.710) and is

positive. The correlation is highly significant as the p value (0.00) is less than 0.001.

As, there is a highly significant relationship between the level of financial literacy and financial wellbeing at 1% significance level, **null hypothesis is rejected** and alternative hypothesis is accepted.

Major Findings of the Study:

- The level of financial literacy among the respondents is moderate with average financial literacy score of 11 out of 21. (52.38%)
- The average financial knowledge score, 6 out of 7 (85.71%) is higher than average financial attitude score, 2 out of 5 (40%) and the average behaviour score, 4 out of 9 (44.44%).
- No association between socio demographic factors like gender, age, education and marital status on the level of financial literacy is observed while nature of occupation and level of income have significant association with the financial literacy level.
- The relationship between financial literacy and its components with financial wellbeing is positive and is highly significant except in case of financial knowledge.
- Financial wellbeing is highly influenced by financial behaviour followed by financial attitude of individuals.

Suggestions:

- There is a great need to provide financial literacy education programmes to informal workers as 46% of them have a financial literacy score less than 14 out of 21.
- Financial literacy education programmes must concentrate more on developing positive financial attitude and behavioural skills along with providing theoretical knowledge on financial aspects.
- Low income groups, working on casual basis needs to be targeted specifically by the

financial literacy centers as their financial literacy level and wellbeing is certainly low.

Conclusion:

Unorganised sector is vast and also complex in nature due to its heterogeneity among and within different occupational groups in it. Informal workers are spread over the economy, still remain unrecognized due their very characteristics like-migration and seasonal employment. In spite of the fact that most of them fall under low level income category, the need to manage their hard earned money is significant in order to achieve financial wellbeing. This calls for the tool of financial literacy.

Financial literacy will ensure that individuals and households possess required skills and knowledge to make proper financial decisions which will enable them to be in proper financial track. Financial education programmes aimed at spreading required financial literacy is required to be customized to adjust with the financial needs of individuals as one- size- fits- all approach will not provide fruitful results.

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