

Financial Literacy Among Unorganised Workers: A Bird's View

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Abstract:

Financial literacy refers to the skill, knowledge, capabilities, awareness, behaviour and attitude to achieve the financial well-being of an individual by making sound and viable financial decisions. It refers to the capability to manage financial substances competently and make suitable decisions about investing, planning, budgeting, managing, and controlling. It is the ability of understanding and apply financial management aids to accomplish financial stability concerning investing, management of debt, and allocation of income towards several goals instead of unjust expenses and making an individual self-sufficient. The purpose of this paper is to examine the perception of workers towards financial literacy components and to analyze the impact of financial literacy on financial decision-making.

Introduction:

Due to the financial market's expansion through liberalisation, privatisation, and globalisation as well as the Indian economy's explosive growth over the past ten years, there is an oversupply of financial products in the banking, investment, and loan sectors. India occupies 2.4% of the planet's land area and has 17.5% of the world's population. The growth of a nation's financial system is crucial for its economy. Since gaining their independence, Indian leaders have made it a priority to reduce poverty, create a thriving, independent global economy, and instil the importance of financial literacy in everyone's daily lives.

Comparing the financial environment of today to that of a previous generation reveals it to be extremely complex. Perhaps 40 years ago, it might have sufficed to know how to keep a checking and savings account at a nearby bank or savings organisation. The ability to distinguish between a wide range of financial products and services, as well as the providers of those products and services, is now required of consumers, particularly rural populations.

The main issue that all nations worldwide face is financial literacy. The combination of one's knowledge, aptitude, and attitude towards financial matters is referred to as financial literacy. It aids in decision-making and promotes personal well-being. The key skills needed to become financially literate in today's world are budgeting, tracking spending, understanding how to pay off debt, and efficiently planning for retirement. These actions may also involve receiving financial professional coaching. Understanding how money functions, setting and accomplishing financial objectives, and managing internal and external finances are all part of the topic's education.

Components of Financial Literacy

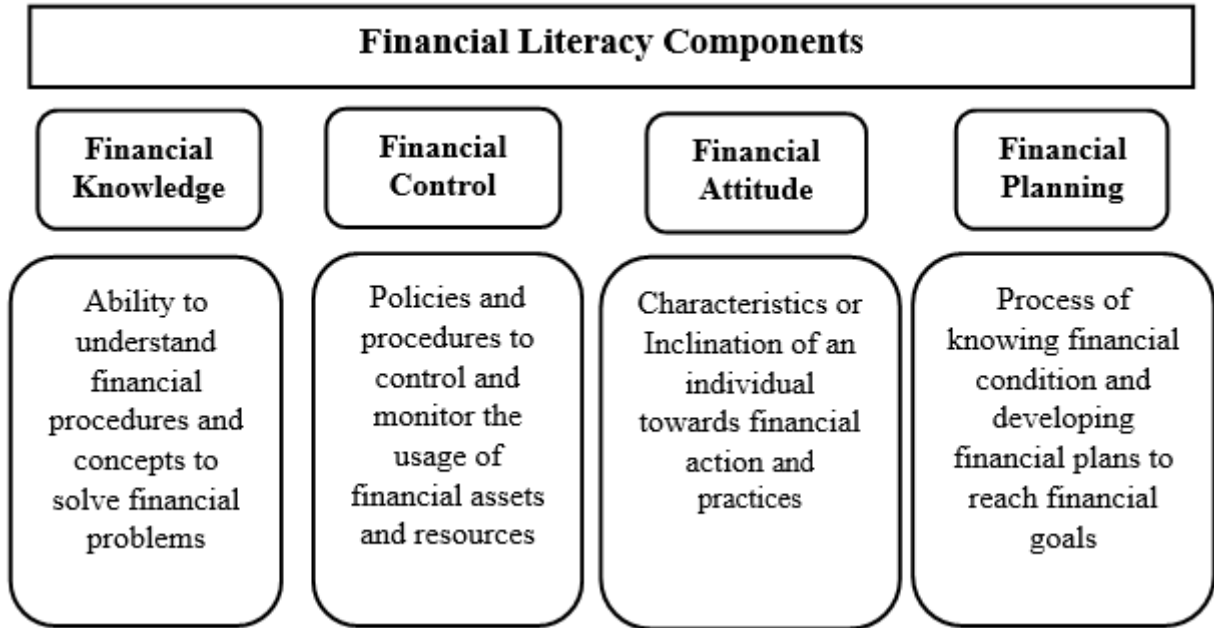


Figure 1: Financial Literacy Components

Objectives of the Study:

- To examine the perception of workers towards financial literacy components.
- To analyze the impact of financial literacy on financial decision-making.
- To draw suitable suggestions based on the findings of the study.

Hypothesis:

Impact of Financial Literacy:

H0: There is no significant impact of financial literacy on financial decision-making activity.

H1: There is a significant impact of financial literacy on financial decision-making activity.

Research Methodology:

Sources of Data: The required data for the study is collected through both primary and secondary sources. Primary data is collected by distributing the questionnaire to the unorganised sector workers such as street vendors, barbers, auto-rickshaw pullers, cart pullers, etc. The interview method is also used to collect the required information wherever necessary. The secondary data for the study has been obtained from books, articles issued by different authors in various journals and websites.

Sampling:

- **Sample size:** A total number of 150 respondents were selected for the collection of information.
- **Sample:** I have taken a sample of unorganised workers in the selected study area.
- **Sampling techniques:** Simple Random Sampling technique is used to collect the necessary information required for the study.

Statistical tools and techniques: The collected information from various sources is analyzed with the help of percentages and interpreted through various graphs and figures, charts, etc.

Results and Discussions:

The data from the sources have been analyzed and major findings from the analysis are discussed below.

Financial Literacy

Financial literacy is essential and has a direct impact on savings and investment behaviour. This helps understand financial matters such as managing debt, time value of money, preparing a family budget, taxation, savings and investment decision etc. The level of financial literacy is analyzed with the help of its components such as financial knowledge, financial planning, financial attitude and financial control and presented below.

**Table No.1
Variations in Opinions Towards the Components of Financial Literacy**

Financial Literacy Components	Unorganised Sector	
	Mean	SD
Financial Knowledge	14.32	3.06
Financial Planning	14.40	3.30
Financial Attitude	13.85	3.03
Financial Control	14.18	2.92
Total Financial Literacy	56.77	10.83

Source: Field Survey

The above table shows the variations in the opinions of respondents towards various components of financial literacy. Concerning unorganised sector respondents, perception towards the financial planning component is very high with a mean score of 14.40 followed by financial knowledge (14.32), financial control (14.18) and financial attitude (13.85). In a nutshell, their perception towards overall financial literacy components is also high as the mean score for all the components is more than the average score of 12. This indicates the respondents have a high perception towards various components of financial literacy.

**Table No.2
Respondents' Opinions Towards the Components of Financial Literacy
(Financial Knowledge)**

Financial Knowledge		SDA (%)	DA (%)	Neutral (%)	Agree (%)	SA (%)	Total (%)
Financial Knowledge	I knew how to manage money	(4.6)	(13.9)	(19.3)	(41.8)	(20.5)	150 (100)
	Savings ensures secure life	(1.8)	(3)	(15.4)	(41.9)	(37.9)	150 (100)
	Savings and investment avenues available in India induce saving discipline across all economic class	(4.6)	(8.4)	(38.9)	(34.6)	(13.5)	150 (100)

Household savings help in the economic development of the country	(5.3)	(9.1)	(28.8)	(33.9)	(23)	150 (100)
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Source: Field Survey

The above table exhibits the opinion of respondents towards the financial literacy component namely Financial Knowledge. Out of total 150 respondents, 20.5% strongly agreed that they know how to manage money whereas the majority 41.8% of respondents agreed and only 4.6% strongly disagreed. Concerning savings ensuring a secured life majority (41.9%) agreed that savings do ensure secure life. A majority (38.9%) have the neutral opinion that savings and investment avenues available in India induce saving discipline in all classes of economy and 4.6% strongly disagreed. The majority 33.9% agreed that household savings helps in the development of the Indian economy and 5.3% strongly disagreed.

Table No. 3
Respondents' Opinion towards the Components of Financial Literacy
(Financial Planning)

Financial Literacy Component Statements	SDA (%)	DA (%)	Neutral (%)	Agree (%)	SA (%)	Total F (%)	
Financial Planning	I keep a record of my income and expenditure regularly	(3.1)	(13.3)	(17.5)	(43.5)	(22.6)	150(100)
	I do prepare a family budget every month	(2.8)	(6.5)	(21.2)	(47)	(22.5)	150 (100)
	I compare my past income with my present income	(1.8)	(11.2)	(17.4)	(44.9)	(24.7)	150 (100)
	I compare my past expenditure with my present expenditure	(3.3)	(11.9)	(17.7)	(42.5)	(24.6)	150 (100)

Source: Field Survey

The above table exhibits the opinion of respondents towards the financial literacy component namely Financial Planning. Out of total 150 respondents for each of the statements of financial planning, 22.6% strongly agreed that they keep records of their income and expenditure regularly whereas 43.5% agreed and 3.1% strongly disagreed. Concerning preparing a monthly family budget majority 47% agreed and 2.8% strongly disagreed. The majority (44.9%) majority agreed that they compare past income with present income and 1.8% strongly disagreed. A majority (42.5%) agreed that they compare past expenditure with present expenditure and 3.3% strongly disagreed.

Table No.3
Respondents' Opinion towards the Components of Financial Literacy
(Financial Attitude)

Financial Literacy Component Statements	SDA (%)	DA (%)	Neutral (%)	Agree (%)	SA (%)	Total F (%)	
Financial Attitude	I am ready to cut my expenses for savings	(6.8)	(10.9)	(20)	(40)	(22.3)	150 (100)
	I do investments after consulting	(3.9)	(8.1)	(26.5)	(34.6)	(27)	150

	with family members						(100)
	I never blame others for investment losses	(6.1)	(11.2)	(34.2)	(30.9)	(17.5)	150 (100)
	I think investment decisions have an impact on lifestyle	(4.9)	(6.1)	(23.5)	(48.8)	(16.7)	150 (100)

Source: Field Survey

The above table exhibits the opinion of respondents towards the financial literacy component namely Financial Attitude. Out of total 150 respondents for each of the statements of financial attitude, 40% agreed that they are ready to cut expenses for savings. Concerning consulting family members before investment majority of the respondents (34.6%) agreed, 26.5% have a neutral opinion, 8.1% disagreed and 3.9% strongly disagreed. Concerning blaming others for investment losses majority 34.2% have a neutral opinion which indicates they may blame others or may not, however, 11.2% disagreed and 6.1% strongly disagreed. Regarding investment decisions' impact on their lifestyle majority (48.8%) agreed and 4.9% strongly disagreed.

Table No. 4
Respondents' Opinion towards the Components of Financial Literacy
(Financial Control)

Financial Literacy Component Statements	SDA (%)	DA (%)	Neutral (%)	Agree (%)	SA (%)	Total F (%)
I do save whenever I get extra income	(0.9)	(4.0)	(13)	(50.4)	(31.8)	150 (100)
I purchase only those goods which are of necessary	(4.6)	(18.1)	(24.7)	(32.1)	(20.5)	150 (100)
I spend money wisely	(11.2)	(17.9)	(22.6)	(30.9)	(17.4)	150 (100)
Growing family income boost me to invest more	(3.7)	(7.5)	(24.2)	(45.3)	(19.3)	150 (100)

Source: Field Survey

The above table exhibits the opinion of respondents towards the financial literacy component namely Financial Control. Out of total 150 respondents for each of the statements of financial control majority 50.4% agreed that they do save whenever get extra income whereas only 0.9% strongly disagreed. Concerning purchasing goods of necessary 20.5% strongly agreed, 32.1% agreed and 4.6% strongly disagreed. Concerning spending money wisely majority 30.9% agreed, 22.6% have a neutral opinion and 11.2% strongly disagreed. 45.3% agreed that growing family income boost in investment and 3.7% strongly disagreed.

Testing of Hypotheses

Hypothesis -1

H₀: There is no significant impact of financial literacy on financial decision-making activity;

H₁: There is a significant impact of financial literacy on financial decision-making activity;

Table No. 5: Impact of Financial Literacy
[One sample t-test (n=150, df = 149)]

Variable	N	Df	Mean	Standard deviation	t value	P value Sig.(2-tailed)	Decision Made (Null)
Financial Literacy Impact on Financial Decision-Making Activity	150	149	19.0496	3.1722	99.015	.000**	Rejected

Source: Field Survey SPSS Output Note: 1. ** denotes significant @1% level

The above table highlights the impact of financial literacy on financial decision-making activity among unorganised workers. One sample t-test was applied to test the impact. The result shows that, since the P value is less than 0.01, the null hypothesis “There is no significant impact of financial literacy on financial decision-making activity” is rejected at a 1% significance level thus, it can be concluded that there is a significant impact of financial literacy on financial decision making activity.

Findings:

- Concerning unorganised sector respondents, perception towards the financial planning component is very high with a mean score of 14.40 followed by financial knowledge (14.32), financial control (14.18) and financial attitude (13.85).
- The majority 41.8% of respondents agreed that they know how to manage money where Concerning savings ensuring a secured life majority (41.9%) agreed that savings do ensure secure life.
- Majority (38.9%) have a neutral opinion that savings and investment avenues available in India induce saving discipline in all classes of the economy.
- Concerning consulting family members before investment majority of the respondents (34.6%) agreed. Concerning blaming others for investment losses majority 34.2% have a neutral opinion which indicates they may blame others or may not.
- Concerning financial control majority 50.4% agreed that they save whenever get extra income.
- The majority 45.3% agreed that growing family income boost in investment and 3.7% strongly disagreed.

Suggestions:

- The unorganized workers do have financial literacy but they have a moderate level of financial literacy, their perception towards financial planning, financial control, financial attitude, and financial knowledge is only above the average level, hence to boost their perception towards financial literacy components to a high extent proper financial education should be imparted at school levels.
- The local government should identify the unorganized workers and maintain a database, promote them by ensuring insurance protection, giving financial assistance, and offering pension schemes that suit them. By this savings generation and investment mobilization become smooth.

- There is an opinion that savings and investment avenues available in India induce saving discipline in all classes of the economy. Hence, good number of avenues should be made available to enhance and cultivate the saving habit which leads to inculcation of financial literacy.

Conclusion:

Financial literacy is not a competence that can be learned in a single session. Instead, it is the result of lifetime learning that is constant and repeated. The ultimate goal is not to produce financial experts; rather, it is more crucial to provide people with the knowledge they need for making sense of financial actions, look for the right information, and comprehend and analyze the information they later get. These statistics show that while Indian households do tend towards saving money from their family income, the majority of it is insufficient to cover their necessities. The level of financial literacy that the country's poorer groups have access to relies on their level of knowledge. Such communities should be financially educated and integrated into mainstream financial environments to reduce poverty and promote social cohesion.

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