

A Study to Explore the Financial Capability Among the Gig Workers in West Bengal, India

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ABSTRACT

This study explores the financial capability of gig workers in West Bengal, India. Gig workers form a growing segment of the labor market characterized by flexibility but also income volatility and a lack of traditional employment protections. The study adopts a comprehensive framework for financial capability, considering financial knowledge, attitudes, and behaviors. It investigates the challenges faced by gig workers, who often operate outside the purview of labor laws and lack access to standard employment benefits. Data was collected through a questionnaire from over 400 gig workers in West Bengal. The financial capability score was calculated from the responses. The findings indicate that a significant portion of gig workers in West Bengal struggle with low financial capability. While many workers demonstrated a basic understanding of financial concepts and desire support, the study highlights the urgent need for stronger social protections and policy interventions to improve their financial security and resilience. The study concludes by emphasizing the need for future research to include a broader range of workers across India and to conduct longitudinal studies to assess the effectiveness of financial capability improvement policies and to track the financial capability of gig workers and other vulnerable populations over time.

Keywords: Financial capability; capability score, gig workers, West Bengal.



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INTRODUCTION

India's labor market is undergoing a significant transformation, marked by a growing reliance on the gig economy (Choudhary & Shireshi, 2022). The proliferation of digital platforms has revolutionized traditional employment structures, providing new avenues for the unemployed and underemployed. This technological advancement has ushered in a flexible, albeit potentially unstable, form of online-based work. The confluence of digital innovation, the inherent flexibility of short-term, task-oriented engagements, and increasing unemployment within the conventional labor market has fueled the expansion of India's gig sector (Ghosh et. al., 2022) and West Bengal is no exception. Gig workers, encompassing delivery drivers, ride-hailing operators, freelance professionals, and online platform laborers, are flourishing due to a potent combination of factors: the allure of flexible schedules and autonomy, the ease of connection facilitated by digital platforms, economic pressures driving individuals towards supplemental income, and the shifting workforce preferences of a younger generation seeking non-traditional employment opportunities, all contributing to the gig economy's rapid expansion

(Watson et. al., 2021). In Kolkata's bustling streets and beyond, the promise of flexible income beckons, yet beneath the surface lies a complex reality of income volatility and the absence of traditional job security, creating a dynamic, if precarious, landscape for a growing workforce.

The financial capability of India's gig workforce has become a critical area of concern, highlighting the inherent vulnerabilities of this employment model. Gig workers, operating outside the purview of the Employment Act 1995 and other labor regulations, are excluded from minimum wage protections afforded to traditional employees (Roy & Shrivastava, 2020). Furthermore, India's existing labor laws lack specific provisions addressing the unique circumstances of gig workers. While the voluntary social security and insurance framework, originally tailored for traditional employment registered with EPF, has been expanded to include self-employed individuals and gig workers, low enrollment rates remain a significant obstacle (Behl et. al.; 2022). The COVID-19 pandemic further exacerbated these vulnerabilities, resulting in substantial job losses among the self-employed, with a

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starkly low percentage possessing adequate savings for even a short-term financial buffer. The absence of robust social protections, including healthcare coverage, retirement provisions, emergency savings, and the potential for wage exploitation, underscores the urgent need for a comprehensive understanding of the financial capability of India's gig workers (Choudhary & Shireshi, 2022).

Operating outside the traditional corporate framework, gig workers in India are systematically deprived of crucial organizational support, including professional training and standard employment benefits (Nathan, Kelkar & Mehta, 2022). Paradoxically, while the COVID-19 pandemic underscored the essential role of gig workers in maintaining vital services, they are frequently relegated to low-skilled, low-wage positions, despite their readily available nature (Li et. al.; 2023). This reality positions India as a compelling case study for exploring the challenges and shaping effective policies for gig worker development. Consequently, a fundamental question emerges: can Indian gig workers achieve financial security in the absence of traditional employee protections? Given the growing recognition of financial capability as a critical metric for navigating economic shocks, this study delves into their financial stability and capacity to withstand adversity. We aim to identify the factors influencing their financial capability by employing a comprehensive, multidimensional framework that extends beyond mere financial standing to encompass their ability to leverage financial inclusion, literacy, and social networks, ultimately informing strategies to bolster their financial security.

LITERATURE REVIEW

The theory of labor market segmentation, which emerged in the United States during the 1970s, posits that the workforce is divided into distinct segments based on factors such as race, gender, education, and industry (Tynan & Drayton, 1987). This division results in disparate labor markets characterized by varying working conditions, career advancement opportunities, salaries, and institutional frameworks (Dibb, 1998). Dual labor market theory further delineates these segments into a high-wage primary sector and a low-wage secondary sector (Ashton & Maguire, 1984). The primary distinction between these sectors lies in income stability: the primary sector prioritizes consistent employment and job security, whereas the secondary sector, which encompasses non-traditional workers like gig workers, offers significantly less job security and income stability (Seo, 2021).

Dual labor market theory has adapted to reflect the profound economic shifts brought about by globalization, technological innovation, policy adjustments, labor market restructuring, growing income disparities, and economic crises. This evolution is clearly illustrated in European nations like Italy, where labor market duality has become a defining feature (Gandini, 2019). Labor reforms in Italy during the mid-1990s significantly expanded the prevalence of non-standard employment, such as part-time and fixed-

term contracts, effectively establishing a dual labor market (Ferrera & Gualmini, 2004). These reforms were a direct response to persistent high unemployment, particularly among marginalized groups like youth and women, during the 1980s and early 1990s. Moreover, the global financial crisis of 2008-09 triggered a notable surge in temporary and fixed-term employment across Italy and other European countries (Johnstone et. al.; 2019). This dual market structure can lead to reduced investment in human capital and lower productivity, especially within the secondary sector, as weakened employer-employee bonds diminish firms' motivation to invest in their workforce (McDonnell & Burgess, 2013). Similarly, gig workers in India tend to occupy the secondary segment, characterized by diminished job security, lower wages, restricted access to benefits, and limited legal safeguards, potentially exposing them to unfair contracts, wage discrepancies, and workplace safety concerns.

Financial Capability and Associated Constructs

Financial capability encompasses the ability to effectively utilize financial knowledge and skills to achieve financial well-being, coupled with a positive financial attitude (Sherraden, 2010). It comprises four key elements: money management, informed decision-making, product selection, and future planning (Xiao et. al., 2022). Demonstrating financial capability requires both a certain level of financial literacy and the consistent application of sound financial practices (Atikson et. al., 2007). Thus, financial knowledge, skills, attitude, and behavior are intrinsically linked to achieving financial strength. Financial capability necessitates a holistic approach, integrating not only knowledge but also positive attitudes and responsible behaviors (Taylor, 2011).

Financial Knowledge

Expanding on this, financial knowledge extends beyond mere definitions; it's about practical application (Robb & Woodyard; 2011). For example, understanding compound interest allows individuals to make informed investment decisions, while knowledge of budgeting techniques enables them to manage debt effectively. Recognizing potential risks, like predatory lending practices, safeguards against financial pitfalls. Similarly, identifying opportunities, such as tax-advantaged savings accounts, maximizes financial growth. This knowledge also equips individuals to navigate complex financial systems, knowing where to find reputable advisors or government resources when needed (Morris et. al.; 2022). Ultimately, financial knowledge translates to confidence, empowering individuals to take control of their financial destinies and build a secure future (Banhita & Dey; 2022).

Financial Attitude

Financial attitude reflects an individual's disposition towards financial matters, encompassing the ability to plan for the future and monitor financial transactions (Dwiastanti; 2017). It is shaped by past financial behaviors and deeply influenced by economic and non-economic beliefs (Adiputra & Patricia; 2020). Strong

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financial attitudes are crucial for achieving both short-term and long-term financial goals, as they are intrinsically linked to financial success (Ameliawati & Setiyani; 2018). Furthermore, consistent financial practices play a significant role in developing and reinforcing these attitudes (Coskun & Dalziel 2020).

Financial Behaviour

Financial behavior is the observable manifestation of an individual's financial mindset and knowledge, directly impacting their financial capability (Xiao; 2008). It moves beyond mere understanding of financial concepts to the consistent application of those principles in everyday life. This involves a proactive approach, where individuals consciously engage in practices that foster financial well-being (Strömbäck et. al.; 2017). This includes key practices such as planning expenditures, promptly paying bills, creating and adhering to budgets, and consistently saving, all of which contribute to financial stability and well-being. These behaviors are not isolated actions; rather, they form a cohesive strategy for achieving financial stability and growth (Ingale & Paluri, 2022).

Gig Workers and India

While the gig economy has garnered increasing attention, research specifically addressing the financial capability of gig workers remains limited. Existing scholarship predominantly explores aspects such as job satisfaction and autonomy, as well as the motivations driving individuals to participate in gig work. For example, (Martindale et. al; 2024) have examined the motivations behind taking on secondary employment to mitigate financial hardship, as seen in the UK's oil and gas sector. Conversely, recent research in Sweden suggests that gig work can offer a more financially advantageous alternative to unemployment, potentially serving as a transitional phase towards traditional employment (Örnebring et. al; 2024). Therefore, a deeper understanding of the financial capability of gig workers is needed, as current literature only touches on a few aspects of the gig experience.

Within India, a burgeoning body of research is emerging concerning gig workers, acknowledging their prevalent

status as independent contractors (Nathan, Kelkar & Mehta; 2022). While platform firms initially appear to offer a mutually advantageous arrangement characterized by flexibility and autonomy, they have, in practice, fostered a system that avoids both direct intervention and formal recognition of gig workers' employment status (Ramachandran & Kulandai; 2024). This "hands-off" approach, rather than creating an open labor market with minimal entry barriers, effectively shifts the entirety of responsibility and risk onto the workers themselves through its performance-driven model.

Despite the increasing volume of research on gig workers in India, significant gaps remain, particularly regarding their capacity for savings and access to retirement security. Consequently, the discourse surrounding their financial capability remains underdeveloped. This paper aims to address this deficiency by contributing to a more comprehensive understanding of the financial ability of gig workers as they navigate economic uncertainties.

METHODOLOGY

Sample and Data

To understand the lives of gig workers in West Bengal, India, we have circulated data collection form over 400 individuals, all over the age of 18, from across the state. We wanted to make sure our findings reflected the experiences of people in different areas, so we carefully selected participants based on the proportion of informal workers in each state and region. We have floated an online questionnaire via various social media platforms. The data was collected within the span October 2024 to March, 2025.

We gathered 390 responses, carefully checking each one to make sure they were complete. After ensuring the data was accurate, we had 352 responses ready for analysis. The questionnaire was available in English. We asked about their backgrounds, their overall financial behaviour, their financial situations, and their understanding of money management. We wanted to paint a full picture of their lives, not just numbers on a page.

Sociodemographic Profile

This research examined various sociodemographic factors, including age, gender, education, gig worker classification, and the specific type of gig work performed, drawing upon insights from previous studies. A comprehensive overview of these variables is presented in Table 1.

Table 1: Socio-demographic Profile of Respondents

Sample categories	Frequency	Percentage
<i>Gender</i>		
Male	205	58.2
Female	147	41.8
<i>Monthly family income (INR)</i>		
25,000 – 50,000	48	13.7
50,000 – 1,00,000	181	51.5
1,00,000 – 1,50,000	80	22.7
1,50,000 – 2,00,000	29	8.3
Above 2,00,000	13	4.8
<i>Educational Qualification</i>		
Higher Secondary or below	26	7.4
Graduate	202	57.4
Master's Degree	124	35.2
<i>Marital Status</i>		
Married	189	53.7
Single	163	46.3

Method

The financial capability score was calculated by determining the average score from participant responses, thus providing a quantitative measure of their financial capability, as previously outlined. FC was measured using a 20-question questionnaire. Each 'YES' response earned 1 point, and each 'NO' response earned 0 points, resulting in a maximum possible score of 20. The comprehensive questionnaire is shown in Table 2. The collected respondent scores were subsequently analyzed (refer to Table 3 and 4)

Table 2: Financial Capability Scoring Model

Subject Area	Questions
Financial Knowledge	Q1: Whether the interest accrued in savings account is taxable?
	Q2: Is the returns from term deposit is higher than the interest earned from savings account?
	Q3: In case of compound interest, interest can be earned on both your principle and on interest itself?
	Q4: Do the whole life insurance has a saving featute while term insurance does not?
	Q5: Do a stock mutual fund combines the money of many investors to buy a variety of stocks?
	Q6: Does a mutual funds not pay a guaranteed rate of return?
	Q7: Does Inflation has negatively impact on the purchasing power of savings in future?
	Q8: Is there a difference in risk between buying single company's stock and stock mutual funds?
Financial Behaviour	Q9: Do you track monthly income and expenses?
	Q10: Do you spend within the budget?
	Q11: Do you pay credit card balances in full each month?
	Q12: Do you save money each month for the future?
	Q13: Do you invest for long-term financial goals regularly?
	Q14: Do you plan spending against income and sticks to it?
	Q15: Do you prefer to plan for future?
Financial Attitude	Q16: Do you find it more satisfying to save money for future or spend it immediately?
	Q17: Do you prefer to buy things after saving required amount of money or using credit card?
	Q18: Do you believe keeping up-to-date with financial matters is important?
	Q19: Do you think dealing with money is enjoying?
	Q20: Do you think money is important to be happy in life?

Table 3: Financial Capability Scoring Table

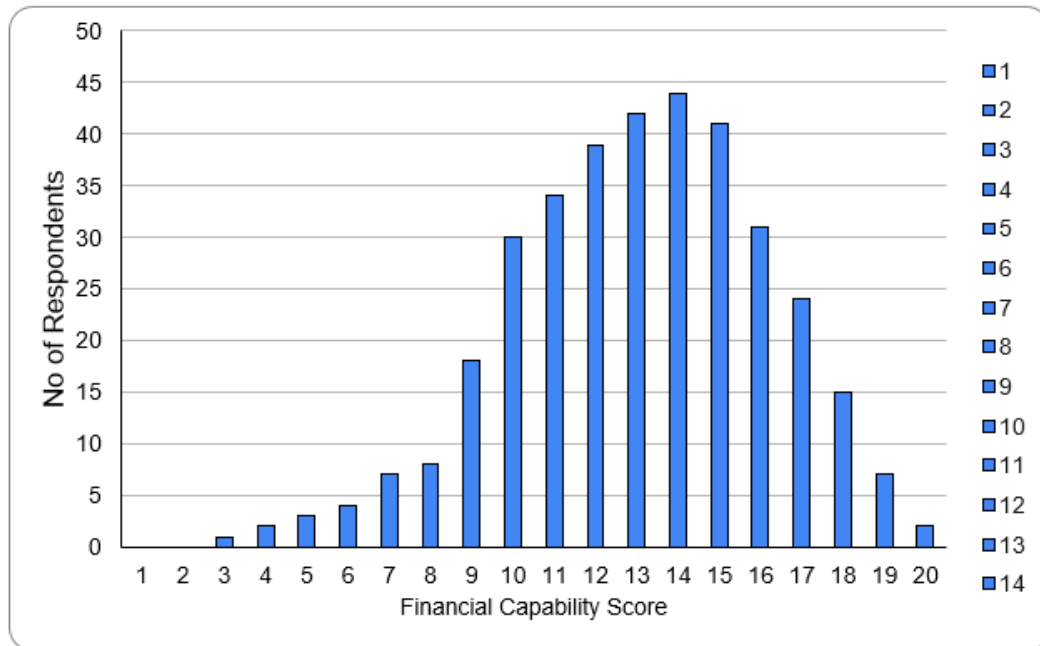
FC Score	Frequency	Percentage (%)
1	0	0.00
2	0	0.00
3	1	0.28
4	2	0.57
5	3	0.85
6	4	1.14
7	7	1.99
8	8	2.27
9	18	5.11
10	30	8.52
11	34	9.66
12	39	11.08
13	42	11.93
14	44	12.50
15	41	11.65
16	31	8.81
17	24	6.82
18	15	4.26
19	7	1.99
20	2	0.57
	352	100.00

Table 4: Financial Capability Score Distribution

FC Scores	No of Responden	% of Respondents
Below 10	43	12.22
10 - 15	230	65.34
Above 16	79	22.44
	352	100

The above two tables show that more than 77.56% of the respondents have secured a financial capability score up to 15 (75% of the maximum possible score 20). This study with the same questionnaire can be conducted as a longitudinal study after a couple of years to see whether policy interventions to improve financial capability have actually yielded desired results or not.

Figure 1: FC Score Distribution



The above figure clearly show that the responses more or less form a normal distribution. The typical “S Curve” for cumulative distribution further strengthens this observation.

CONCLUSION AND DISCUSSION

The gig economy's surge reflects how work has changed in the 21st century. This study aimed to truly understand the financial struggles of Indian gig workers, and to find ways to help them build a more secure future. What we discovered was concerning: slightly over half of the gig workers we spoke with were struggling with low financial capability, meaning they found it incredibly difficult to manage financial affairs. This isn't just about money; it's about their ability to adapt to life's challenges. Many lacked the financial resources and the support networks to bounce back when things got tough. We learned that many were burdened by debt, worried about paying it off, and unable to cover unexpected medical bills, largely due to the rising cost of living. This highlights the urgent need for stronger social safety nets to protect gig workers. Accessing basic financial tools like credit and insurance was also a hurdle, likely because of the lack of stable income and the paperwork required. Alarming, most gig workers lacked crucial safety nets like unemployment insurance, life and health insurance, and retirement savings, leaving them incredibly vulnerable.

On a brighter note, many possessed a basic understanding of financial concepts, and a large majority were hoping for support from their communities and the government. This shows a real desire for change and a need for government intervention. By embracing the flexibility of gig work, investing in digital skills, and keeping pace with e-commerce, gig workers could potentially improve their income and overall well-being. Increased financial literacy, particularly in areas like investment planning and retirement, would empower them to make better financial decisions and build stronger resilience against life's uncertainties.

Limitations and Future Directions

While this study provides valuable insights, it is important to recognize its inherent limitations.. Primarily, its exclusive focus on gig workers, to the exclusion of mainstream workers, restricts the scope of its findings to a specific segment of the workforce. Furthermore, the study's geographical scope, limited to West Bengal, limits its generalizability to the broader Indian context. Future research should encompass a wider range of workers and a broader geographical area, ideally covering the entire country. State-wise comparisons of financial capability scores would offer valuable insights into regional variations. Additionally, longitudinal studies could assess the effectiveness of financial education programs implemented by institutions or the government.

To better understand financial capability in India, the government should initiate national-level studies focusing on socio-economically vulnerable populations. These groups, which may include religious minorities, Scheduled Castes/Tribes, Other Backward Classes, low-income households, elderly individuals, retired military personnel, women (especially those who are divorced or widowed), and those with substance abuse issues, are likely to have lower financial capability. Regional variations across Indian states should also be considered. Even those with high financial literacy may struggle with implementation due to behavioral factors, which social marketing could help address. Research into these vulnerable populations' financial capability would reveal significant socio-economic insights. Conducting longitudinal studies every three years would track the effectiveness of financial capability improvement policies.

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