

Assessment of Financial Wellbeing of Slum Dwellers in Bangalore

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ABSTRACT

The COVID 19 epidemic has pushed the Indian economy in to recession. In order to control the spread of disease the country has resorted to lockdowns meant confining millions of citizens to their homes, shutting down businesses and ceasing almost all economic activity. This resulted in harmful impact on the physical and psychological health of the people in India. The uncertainty in their employment and income impacted the financial wellbeing of the Indian citizens. (Indian Express article). Slum dwellers are one of the worst affected strata of our society. They are either self-employed or employed in unorganized sector. Usually they require credit on a daily basis for their livelihood and depend on moneylenders for credit with very high interest rates. Their earnings are mostly insufficient for paying exorbitant interest payment and to manage their livelihood and lifestyle. So they are stuck in the vicious circle of poverty (Mahajan, S. S., & Kalel, N. (2013). Thus a study is undertaken in Slums of Bangalore to understand the financial wellbeing levels of slum dwellers. The study was conducted among 500 slum dwellers in Bangalore city. The Financial wellbeing of slum dwellers was measured with the help of three sub-constructs Meeting commitment, Feeling comfortable and Resilience for the future. The respondents were good at meeting their daily financial commitments but they were not very comfortable with their present financial condition and they were uncertain about their resilience for the future. All these resulted in the average financial well-being of the slum respondents in Bangalore city

1. Introduction

Financial well-being is a sense of security and confidence exhibited by individuals as they believe that they have adequate funds to meet their day to day commitments and also to meet unexpected future expenditures. Financial well-being concerned with control on a day to day finances, having financial freedom of choice in enjoying the comforts of life. The consumer financial protection bureau has undertaken an empirical work to define financial well-being based on interviews of 59 consumers and 30 practitioners. They explored how people would define financial well-being and defined it as "describes a continuum ranging from severe financial stress to being highly satisfied with one's financial situation." (Bureau, C. F. P. 2015). Goldsmith (2000) defined financial well-being as "Financial adequacy and safety of individual or family that protects the person against economic risks such as unemployment, illness, bankruptcy, poverty, and destitution in retirement."

The financial well-being concerned with

- a) Control over day to day, month to month expenses
- b) Capacity to absorb financial shocks
- c) Setting financial goals and trying to achieve them
- d) Financial freedom and choosing to enjoy life.

Financial well-being can be objective or Subjective. Objective financial well-being is measured through the cash, assets or net worth of a person whereas the subjective financial well dealing with the financial satisfaction of a person. The financial well-being is measured through three dimensions such as meeting commitment, feeling comfortable and resilience for the future.

The dimension meeting commitment mainly evaluates whether a person has sufficient money to meet his day to day commitments like food and other expenses, paying electricity and water bills, etc. The meeting commitment measures whether a person has sufficient earnings for meeting his present commitments on time without any borrowing. Thus meeting commitment is concerned with a person's present financial condition to meet his basic needs. The second dimension for measuring financial well-being is feeling comfortable and it measures a person's financial comfortableness in terms of his surplus funds, good financial condition, control over finances, etc. The third dimension resilience for the future is concerned about a person's financial soundness in meeting unexpected expenses. It is concerned with the future financial soundness of a person (Kempson, Finney & Poppe 2017).

2. Objectives of the study

- a) To understand the day to day financial commitment level of slum dwellers.
- b) To evaluate the financial comfort of slum dwellers.
- c) To understand the Resilience for future financial needs of slum dwellers.
- d) To assess the financial wellbeing of slum dwellers.

3. Review of Literature

Prawitz et al., (2006) have undertaken a study with the main purpose to develop a scale that measures the stress and financial well-being from the personal financial condition. The study revealed that high financial distress and lower financial well-being have an impact on work performance and health. The financial distress negatively affects individuals and families, they felt the assessment of financial distress and well-being is very much needed.

Taft et al., (2013) studied the association between financial literacy, financial well-being and financial concerns by conducting a survey. The result showed that age and education had a positive relationship with financial literacy and financial well-being. They also found a positive association between financial literacy and financial well-being. Higher financial literacy greater financial well-being and less financial concerns. Married people and men were more financially literate compared to unmarried and women.

Haque and Zulfiqar (2016) researched the relationship between financial literacy, financial attitude, financial well-being and economic empowerment of working women in Pakistan. For this purpose, they collected data from 300 Pakistani working women using a questionnaire. The main finding of the study was there is a significant positive relationship between financial literacy, financial attitude, financial well-being and economic empowerment. Higher financial literacy, positive financial attitude led to higher financial welfare and economic empowerment of working women in Pakistan.

Paluri and Mehra (2016) researched about Women economic empowerment through financial literacy, financial attitude, and financial well-being. The main objective of this research is to identify the factors which influence the financial attitude of Indian women and to classify Indian women based on their financial attitude. They identified nine variables from the literature to apply confirmatory factor analysis (CFA) and cluster analysis and they classified Indian women into four clusters based on their financial attitude such as judicious consumers, conservative consumers, acquisitive consumers, unsure consumers. They found that one-third of the women not invested in any of the financial products and most of them invested in fixed deposit and Insurance policies.

Chu et al., (2017) undertaken a study on financial literacy, portfolio choice and financial well-being. They examined the impact of financial literacy on portfolio construction and investment return. The study found that financial literacy affected their investment choice. The household with high financial literacy tended to invest major part in stocks by themselves and the household with low financial literacy delegated some portion of their portfolio to mutual funds and expert advice. The study revealed that the household with higher financial literacy had a better chance of earning good returns and thus financial literacy leads to the financial well-being of the households.

Ruxyn (2017) studied about financial literacy and financial well-being of Malaysian youth and they found that changing consumer patterns and easy access to personal debt facilities resulted in youths ending up in bankruptcy as they lose control over their finances. Among young Malaysian paucity of financial knowledge was observed despite government and private sector efforts and they were not capable of taking appropriate financial decisions.

Comerton-forde et al., (2018), have researched by conducting Survey on Banking Data to Measure Financial Wellbeing and they observed that although many Researchers have developed metrics to measure financial wellbeing, none of them has been

universally adaptable. In this study, they conceptualized, developed and tested a multi-scale of financial wellbeing for customers of a major Australian bank using Item Response Theory model. They have developed two scales, one with responses to ten questions about whether people meet their financial obligations, have financial freedom control and security. The other scale is framed from five financial record measuring customer's financial net positions, spending and payments.

Tanoto (2019) researched about financial knowledge, financial wellbeing and online shopping addiction among Youths of Indonesia. The main purpose of this study is to examine the effect and association of financial knowledge and financial wellbeing on online shopping addiction. The survey was conducted among 270 young Indonesians and they found that the respondents on an average had medium to the high level of financial knowledge and financial literacy. The youths who are addictive to online shopping showed high financial knowledge and financial wellbeing. Thus they concluded that financial knowledge and financial wellbeing were positively associated with an online shopping addiction.

4. Methodology

The descriptive method of research was applied for the study. The scale for the study is basically an interview schedule. The financial well-being is measured through three sub dimensions such as meeting commitment, feeling comfortable and resilience for future. For measuring financial wellbeing, a scale is adopted from the research study on financial wellbeing: A conceptual model and preliminary analysis by Kempson, Finney and Poppe (2017).

Sampling unit selected for the study is slum dwellers in Bangalore city. The sample size of 500 respondents were considered for the study. The Non probability sampling techniques like purposive and Judgmental samplings were adopted for the study. Statistics provided by Karnataka Slum development board was considered as sampling frame for the selection of sample. The slum board broadly classifies the slums in Bangalore as declared slums and undeclared slums. The declared slums were considered for the study. In order to have a sample which has similar characteristics and features of the population, the declared slums were divided in to five groups based on Bangalore geographical regions such as Bangalore South, North, East, West and Central. From each of these regions two slums were selected based on the highest number of households in the slum. The number of respondents from each slum was selected proportionately to the total number households. One Respondent is surveyed from each of these selected households. The primary data for the study is collected by the researcher through visiting the target slum areas and collected data from them through a well-structured interview schedule. Data has been collected from 500 slum dwellers and out of them, 459 respondents were able to provide us complete information in the interview schedule and 41 interview schedules were rejected due to erroneous and missing responses. The response rate is 91.8%. The response rate was good as the face to face interview method was adopted for the data collection. The slum respondents were highly cooperative in providing information. The study applied R- Programming for statistics for analysis of data. The statistical tools such as mean, standard deviation and percentages were considered for analysis of data.

5. Results and Discussion

Table 1: Item analysis of Meeting commitments

Items	Mean	SD
MC1- I have money for my food and other expenses	3.96	0.87
MC2- I'm comfortable to pay my bills on time	3.70	0.83
MC3- I do not face payment issues at the last time before paying bills	3.44	0.87

Interpretation

On analyzing the above table that lists the items for measuring 'Meeting commitments', respondents on an average 'agreed' with 'I have money for my food and other expenses' (M=3.96, SD=0.87) and 'I'm comfortable to pay my bills on time' (M=3.70, SD=0.83). They were 'Neutral' about 'I do not face payment issues at the last time before paying bills' (M=3.44, SD=0.87). The standard deviation of all the items varied from 0.83 to 0.87.

Table 2: Item analysis of Feeling comfortable

Items	Mean	Standard Deviation
FEC1- There is always some money as surplus	3.13	1.1
FEC2- My current financial position is good	3.01	0.97
FEC3- I'm confident about my financial position for the next 12 months	2.77	0.93
FEC4- I'm fully in control of my earnings and finances	3.21	0.93

Interpretation

On analyzing the above table that lists the items for measuring 'Feeling comfortable', respondents on an average rated 'neutral' for all items such as 'I'm fully in control of my earnings and finances' (M=3.21, SD=0.93), 'There is always some money as surplus' (M=3.13, SD=1.10), 'My current financial position is good' (M=3.01, SD=0.97) and 'I'm confident about my financial position for the next 12 months' (M=2.77, SD=0.93). For all the above items standard deviation varied from 0.93 to 1.1.

Table 3: Item analysis of Resilience for future

Items	Mean	Standard Deviation
RES1- I have money to spend when there is an unexpected expense	3.02	1.05
RES2- I will generally need to borrow money to cover an unexpected expense	2.73	1.11
RES3- I cannot run without borrowing especially for more than 3 months	3.01	1.06
RES4- I save compulsorily every month	3.13	0.96

Interpretation

On analyzing the above table that lists the items measuring 'Resilience for future', respondents on an average rated 'neutral' for all items such as 'I save compulsorily every month' (M=3.13, SD=0.96), 'I have money to spend when there is unexpected expense' (M=3.02, SD=1.05), 'I cannot run without borrowing especially for more than 3 months' (M=3.01, SD=1.06) and 'I will generally need to borrow money to cover unexpected expense' (M=2.73, SD=1.11). For all the above items standard deviation varied from 0.96 to 1.11.

Table 4: Descriptive statistics- mean and standard deviation of constructs

Constructs	Mean	Standard deviation
Meeting Commitment	3.70	0.66
Feeling Comfortable	3.03	0.75
Resilience for future	2.97	0.75
Financial well-being	3.23	0.59

Interpretation

On analyzing the above table, that lists the mean and standard deviation of constructs, the Financial well-being dimension-Meeting commitment has got the highest mean value (M=3.70) which indicates the respondents are meeting their financial commitments, Financial well-being measures on other two dimensions such as Feeling Comfortable and Resilience for the future has the mean score of 3.03 and 2.97 respectively. Financial Well Being achieved the mean score of 3.23 reflects the average financial wellness of respondents. For all the above constructs standard deviation varied from 0.59 to 0.75.

Summary of discussions

The Financial wellbeing of slum dwellers was measured with the help of three sub-constructs Meeting commitment, Feeling comfortable and Resilience for the future.

- a) **Meeting commitment:** concerning meeting their daily financial commitments (Table 1), the slum respondents were on an average agreed that they have money for food and other basic expenses, as well as they, pay water bills, electricity bills, etc on time. Thus the slum-dwellers in Bangalore city can manage their daily financial commitments. (M=3.70, SD=0.66)
- b) **Feeling comfortable:** Analysis of items (Table 2) relating to feeling comfortable, the slum respondents were not comfortable about their present financial condition, they had no control over earnings, finance and surplus money. They disagreed about their good financial condition in the future. Thus the slum-dwellers in Bangalore city are not feeling much comfortable about their financial condition (M=3.03, SD=0.75).
- c) **Resilience for future:** concerning their resilience for future, (Table 3) the slum dwellers were not confident that they will have money for unexpected expenses and they were neutral about their future credit needs and saving pattern. They agreed that they need to borrow money to meet their unexpected expenses because their savings are not certain. On an average their resilience for the future was weak (M=2.97, SD=0.75).
- d) **Financial well-being:** In the measurement of financial well-being (Table 4.), the average score of the above three dimensions was considered. The respondents were good at meeting their daily financial commitments but they were not very comfortable with their present financial condition and they were uncertain about their resilience for the future. All these resulted in the average financial well -being of the slum respondents in Bangalore city (M=3.23, SD=0.59).

6. Conclusions

Financial well-being is a sense of security and confidence exhibited by individuals as they believe that they have adequate funds to meet their day to day commitments and also to meet unexpected future expenditures. Slum dwellers are one of the worst affected strata of our society due to COVID-19 as they are either self-employed or employed in unorganized sector. From this study on slum dwellers it is found that the respondents were good at meeting their daily financial commitments but they were not very comfortable with their present financial condition and they were uncertain about their resilience for the future. All these resulted in the average financial well -being of the slum respondents in Bangalore city

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