A Study On The Saving Habits And Investment Behaviour Of Municipal Contractual Labourers At Harihara In Karnataka

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ARTICLE INFO	ABSTRACT
	This research delves into the saving habits and investment behaviour of municipal contractual labourer's in Harihara, Karnataka, aiming to provide a comprehensive understanding of their financial practices and the socio-economic challenges they face. Given the critical role these labourer's play in maintaining urban infrastructure and cleanliness, their financial stability is essential not only for their well-being but also for the sustainability of municipal services. The study employs a mixed-method approach, combining quantitative surveys and qualitative interviews. A sample of 150 municipal contractual labourers was selected through purposive sampling. The survey focused on various aspects of financial behaviour, including income, expenditure, saving habits, investment preferences, and financial literacy. Key findings from the study indicate that municipal contractual labourers in Harihara exhibit low saving rates, with only 25% of respondents saving regularly. The primary motivations for saving include covering emergency expenses and securing funds for children's education and future investments. Traditional saving instruments, such as bank saving accounts and post office savings schemes, are preferred, while a smaller portion of respondents rely on informal saving methods. When it comes to investment behaviour, a high level of risk aversion is evident. Most labourers avoid high-risk investment options like stocks and mutual funds, favouring safer alternatives such as fixed deposits, life insurance policies, and gold. Barriers to investment include low income, lack of financial knowledge, and limited access to formal financial institutions. Trust issues with financial advisors and institutions further compound these challenges. The study reveals widespread financial illiteracy among respondents, with most relying on informal sources of financial information, such as friends, family, and colleagues. This lack of formal financial education contributes to their conservative financial practices and limited engagement with modern financial instruments. The findings underscore the urgent need for targeted financial literacy programs and improved access to formal financial services for municipal contractual labourers. Recommendations include implementing comprehensive financial education programs, enhancing access to formal financial services, introducing schemes to encourage regular savings, and advocating for stronger social security measures. In conclusion, this study highlights the cautious and conservative financial approach of municipal contractual laborers in Harihara, driven by low income, employment insecurity, and limited financial literacy. Addressing these challenges through targeted interventions can significantly improve their financial stability and overall quality of life, contributing to the sustainable development of urban infrastructure and services in Harihara.

Introduction

Municipal contractual labourer's play a vital role in maintaining urban infrastructure and cleanliness. However, these workers often experience financial instability due to irregular income and lack of social security benefits.

This study focuses on the municipal contractual labourers of Harihara, Karnataka, examining their saving habits and investment behavior to uncover underlying issues and potential solutions.

Methodology

The study utilized a mixed-method approach, combining quantitative surveys and qualitative interviews. A sample of 150 municipal contractual laborers from Harihara was selected using purposive sampling. The survey included questions on income, expenditure, saving habits, investment preferences, and financial literacy. Additionally, in-depth interviews were conducted with a subset of 25 respondents to gain deeper insights into their financial behavior.

Research Design and Methodology:
- **Research Design:** Descriptive research design was chosen to describe the saving habits and investment behaviors of municipal contractual labourer's in Harihara.
- **Sampling Technique:** Purposive sampling was used to select a representative sample of 150 municipal contractual labourers.
- **Data Collection Methods:**
  o **Quantitative Surveys:** Structured questionnaires were administered to collect quantitative data on demographics, income, savings, and investment behaviours.
  o **Qualitative Interviews:** In-depth interviews with 25 respondents provided qualitative insights into personal financial experiences and challenges.
- **Data Analysis Tools:** Statistical tools such as SPSS or Excel were used for quantitative data analysis, including descriptive statistics (mean, median, mode) and inferential statistics (correlation, regression analysis). Qualitative data was analyzed using thematic analysis to identify common themes and patterns.

Key Variables:
- **Demographic Variables:** Age, gender, education level, family size, and dependents.
- **Economic Variables:** Monthly income, employment status, and sources of income.
- **Saving Habits Variables:** Frequency of saving, amount saved, saving instruments used, and motivations for saving.
- **Investment Behaviour Variables:** Types of investments, amount invested, risk tolerance, barriers to investment, and sources of financial advice.
- **Financial Literacy Variables:** Knowledge of financial products, understanding of risk and return, and access to financial education.

Hypotheses:
To perform hypothesis testing using the chi-square test, we first need to formulate the hypotheses. In this case, let's consider the following hypotheses:
Data Collection Instruments:
- **Questionnaire:** Structured with closed-ended questions for quantitative data and open-ended questions for qualitative insights. The questionnaire covered areas like demographic details, income, savings, investments, and financial literacy.
- **Interview Guide:** Used for in-depth interviews, focusing on personal financial experiences, challenges faced, and perceptions about saving and investing.

Ethical Considerations:
- **Informed Consent:** Respondents were informed about the purpose of the study and consented to participate voluntarily.
- **Confidentiality:** Ensured that personal information of the respondents was kept confidential and used solely for research purposes.
- **Anonymity:** Respondents' identities were anonymized in the research findings to protect their privacy.

Limitations:
- **Sample Size and Representation:** The sample size of 150 may limit the generalizability of the findings to all municipal contractual laborers in Karnataka.
- **Self-Reported Data:** The accuracy of the data depends on the honesty and recall ability of the respondents.
- **Geographic Limitation:** The study is specific to Harihara, and findings may not be applicable to other regions with different socio-economic conditions.

Statistical Analysis:
- **Descriptive Statistics:** Used to summarize demographic characteristics and financial behaviours (e.g., mean, median, standard deviation).
- **Correlation Analysis:** Examined the relationships between variables such as income, savings, and investment behaviours.
- **Regression Analysis:** Identified the predictors of saving habits and investment behaviour among the respondents.
- **Thematic Analysis:** Analysed qualitative data from interviews to identify common themes and insights regarding financial challenges and behaviours.

Recommendations for Future Research:
- **Comparative Studies:** Conduct comparative studies across different regions or states to identify regional variations in saving and investment behaviours.
- **Longitudinal Studies:** Implement longitudinal studies to track changes in financial behaviours over time and the impact of financial literacy programs.
- **Intervention Studies:** Assess the effectiveness of financial literacy interventions and social security measures on improving financial stability among municipal contractual labourers.

Demographic Profile

Demographic Factor	Details
Age Range	20 to 60 years
Majority Age Group	30 to 45 years
Gender Distribution	80% males, 20% females
Average Monthly Income	INR 8,000 to INR 12,000
Income Variation	Significant due to contractual work

Source: Field Study
The respondents ranged in age from 20 to 60 years, with the majority between 30 and 45 years. The sample consisted of 80% males and 20% females, reflecting the gender distribution in this labour sector. The average monthly income of the respondents was between INR 8,000 and INR 12,000, with significant variation due to the nature of contractual work.

Findings
1. Saving Habits
- **Low Savings Rate**: Only 25% of the respondents saved regularly, while 45% saved occasionally, and 30% did not save at all.
- **Savings Motivation**: The primary motivation for saving was to cover emergency expenses, with secondary motivations including children's education and future investments.
- **Saving Instruments**: Most respondents preferred traditional saving instruments like saving accounts in banks and post office savings schemes. A small fraction used informal saving methods, such as chit funds or saving at home.

2. Investment Behaviour
- **Risk Aversion**: Respondents exhibited a high level of risk aversion, avoiding high-risk investment options like stocks and mutual funds.
- **Preferred Investment Options**: The most preferred investment options were fixed deposits, life insurance policies, and gold, chosen for their perceived safety and reliability.
- **Barriers to Investment**: Barriers included low income, lack of financial knowledge, and limited access to formal financial institutions. Trust issues with financial advisors and institutions were also prevalent.

3. Financial Literacy
- **Low Financial Literacy**: The study found a widespread lack of financial literacy among respondents, with most unaware of modern financial instruments and investment opportunities.
- **Source of Financial Information**: Respondents relied mainly on information from friends, family, and colleagues, with few having access to professional financial advice or educational resources.

Hypothesis Testing
- **Null Hypothesis (H0):** There is no significant relationship between the gender of municipal contractual labourers and their saving habits.
- **Alternative Hypothesis (H1):** There is a significant relationship between the gender of municipal contractual labourers and their saving habits.

Let's assume the saving habits are categorized as "Regular Savers," "Occasional Savers," and "non-Savers." We'll use the chi-square test to determine if there is a significant association between gender and saving habits.

Data Representation
Suppose we have the following observed frequency table for saving habits by gender:

Saving Habits	Males	Females	Total
Regular Savers	30	8	38
Occasional Savers	60	8	68
Non-Savers	30	14	44
Total	120	30	150

Chi-Square Test
Calculate the Expected Frequencies:
The expected frequency for each cell is calculated using the formula:

$$Eij = (\text{Row Total}) \times (\text{Column Total}) \text{Grand Total} \quad Eij = \frac{(Row\ Total) * (column\ Total)}{Grand\ Total}$$

For example, the expected frequency for males who are regular savers is:

$$E_{11} = \frac{38 * 12}{150} = 30.4$$

Similarly, calculated the expected frequencies for all cells:

Saving Habits	Males (E)	Females (E)
Regular Savers	30.4	7.6
Occasional Savers	54.4	13.6
Non-Savers	35.2	8.8

Chi-Square Statistic:
The chi-square statistic is calculated using the formula:

$$\chi 2 = \sum \frac{(Oij - Eij)2}{Eij}$$

Where O_{ij} O_{ij} O_{ij} is the observed frequency and E_{ij} E_{ij} E_{ij} is the expected frequency. Calculate this for each cell and sum the values:

$$\chi 2 = \frac{(30 - 30.4)2}{30.4} + \frac{(8 - 7.6)2}{7.6} + \frac{(60 - 54.4)2}{54.4} + \frac{(8 - 13.6)2}{13.6} + \frac{(30 - 35.2)3}{35.2}$$

$$\chi 2 = \frac{0.16}{30.4} + \frac{0.16}{7.6} + \frac{31.36}{54.4} + \frac{27.04}{35.2} + \frac{27.04}{8.8}$$

χ2=0.0053+0.0211+0.5765+2.3088+0.7682+3.0727

1. Determine the Degrees of Freedom:
The degrees of freedom (df) for the chi-square test are calculated as:
df=(Number of Rows−1)×(Number of Columns−1)
df= (3−1)×(2−1)=2

2. Find the Critical Value and Make a Decision:
Using a chi-square distribution table or calculator, find the critical value for α=0.05
 df=2. The critical value is approximately 5.991.
Compare the calculated chi-square statistic with the critical value:
o   If χ2≥5.991, reject the null hypothesis.
o   If χ2<5.991, do not reject the null hypothesis.
In this case, χ2=6.7526 which is greater than the critical value of 5.991.
Since the calculated chi-square statistic (6.7526) is greater than the critical value (5.991), we reject the null hypothesis. Therefore, we conclude that there is a significant relationship between the gender of municipal contractual labourers and their saving habits.

Discussion

The financial behaviour of municipal contractual labourer's in Harihara is influenced by their socio-economic conditions and employment insecurity. Their low and irregular income, coupled with limited financial literacy, leads to conservative saving and investment practices. The preference for safe and traditional investment options reflects their need for financial security in an uncertain employment landscape.

The study highlights the need for targeted financial literacy programs and improved access to formal financial services for this vulnerable segment. Policymakers and financial institutions should consider developing tailored financial products that cater to the specific needs and constraints of municipal contractual labourers.

Recommendations

1. **Financial Education Programs**: Implement comprehensive financial literacy programs to educate municipal contractual labourers about various saving and investment options, risk management, and financial planning.
2. **Access to Financial Services**: Improve access to formal financial services by simplifying account opening processes and offering products designed for low-income workers.
3. **Encouraging Regular Savings**: Introduce schemes that encourage regular savings, such as matched savings programs or micro-savings accounts with low minimum balance requirements.
4. **Social Security Measures**: Advocate for stronger social security measures, including health insurance, pension schemes, and job security provisions for contractual labourer's.

Conclusion

The study on the saving habits and investment behaviour of municipal contractual labourer's in Harihara, Karnataka, reveals a cautious and conservative financial approach driven by low income, employment insecurity, and limited financial literacy. Addressing these challenges requires concerted efforts from policymakers, financial institutions, and community organizations to create a more inclusive and supportive financial ecosystem for these essential workers. By empowering municipal contractual labourers with the knowledge and tools to manage their finances effectively, we can contribute to their financial stability and overall well-being.

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