Financial Planning and Informal Entrepreneurship: A Study of Unorganized Employers in Eastern Suburbs of Mumbai within India's Evolving Entrepreneurial Ecosystem

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Abstract: *This study explores the financial planning practices and informal entrepreneurial potential of unorganized sector workers in the M East Ward of Mumbai, within the context of India's evolving entrepreneurial ecosystem. Financial planning is a vital tool for economic security, particularly for individuals in the informal sector who face irregular incomes, limited social protection, and minimal access to formal financial services. The research focuses on three key dimensions: the relationship between income and investment behavior, the influence of risk attitudes on investment preferences, and the association between educational qualifications and the perception of government financial schemes. A descriptive research design was adopted, utilizing both primary and secondary data sources. Primary data was collected through a structured questionnaire, while secondary data was sourced from government reports and academic literature. Given the non-normal distribution of the data, non-parametric techniques such as the chi-square test were used for hypothesis testing. The findings aim to provide insights that can support more inclusive financial policies and strengthen the informal entrepreneurial ecosystem at the grassroots level*

Keywords: Unorganized Sector, Financial Planning, Informal Entrepreneurship, Risk Attitude, Financial Literacy, Investment Behavior, Government Schemes, Financial Inclusion

I. INTRODUCTION

Technological developments, economic liberalization, and rising urbanization have all contributed to substantial changes in India's entrepreneurial landscape in recent decades. The emergence of disorganized and informal businesses, especially in the nation's expanding metropolitan areas, is a significant aspect of this change. A distinctive perspective for researching informal entrepreneurship in a developing economic environment is offered by Mumbai's Eastern Suburbs, a region distinguished by its socioeconomic diversity and growing informal sector.

The informal sector in India, often described as the "unorganized" sector, encompasses a vast majority of businesses and enterprises that operate outside the purview of formal regulations and legal frameworks. These businesses play a crucial role in providing employment opportunities, fostering innovation, and contributing to the local economy. However, they face distinct challenges, particularly in the areas of financial planning, access to credit, regulatory compliance, and long-term sustainability.

One of the most important elements affecting the existence and profitability of unofficial businesses is financial planning. However, many informal entrepreneurs find it difficult to properly handle their finances because there are no formalized processes in place. Lack of government assistance, poor business acumen, and restricted access to official financial institutions all contribute to this difficulty. In order to deal with the challenges of entrepreneurship, informal

employers in areas such as the Eastern Suburbs of Mumbai frequently rely on conventional financial methods, unofficial networks, and creative approaches.

The Eastern Suburbs of Mumbai—comprising areas such as Mankhurd, Chembur, and Trombay—represent a dynamic ecosystem for informal entrepreneurship. With a diverse demographic and a growing base of small-scale enterprises, these areas are microcosms of India's broader entrepreneurial landscape. They feature a wide range of unorganized employers, including street vendors, small shop owners, local service providers, and artisans. This diversity makes the region an ideal setting for examining the intersection of financial planning and informal entrepreneurship.

The purpose of this study is to investigate the financial planning strategies used by unorganized employers in Mumbai's Eastern Suburbs and evaluate how they handle the difficulties associated with working in the unorganized sector. The study looks at these entrepreneurs' financial practices, coping tactics, and strategies in an effort to provide insight into the larger dynamics of India's changing entrepreneurial ecosystem. It will also draw attention to how important informal entrepreneurship is to maintaining regional economies and building urban populations' resilience.

Using case studies, interviews, and field research, we will examine the financial practices and entrepreneurial difficulties encountered by informal employers in the area in the upcoming chapters. By conducting this investigation, we hope to advance knowledge of the financial decision-making procedures that support unofficial enterprises and suggest possible legislative measures to support their long-term viability and expansion.

II. REVIEW OF LITERATURE

Ghosh, 2017 studied that, In informal economies, where financial systems are often fragmented, entrepreneurs frequently lack formal education in financial management, leading to suboptimal decision-making and inefficiencies.

Research by Eze and Ojeaga (2019) highlights that informal entrepreneurs in India, especially those in urban areas like Mumbai's Eastern Suburbs, often rely on intuitive financial practices rather than structured financial planning. This lack of financial literacy limits their ability to manage cash flow, budget effectively, and plan for future growth.

According to the study by Babu and Kumar (2018), informal entrepreneurs, particularly those in lower-income urban areas like Mankhurd and Chembur, often struggle to obtain financing from formal financial institutions due to their lack of collateral, credit history, or understanding of the formal financial system. Instead, these entrepreneurs rely on informal credit sources such as family, friends, or local moneylenders.

Research by Sharma and Mehta (2016) indicates that informal entrepreneurs typically engage in short-term financial planning due to the unpredictable nature of their income streams. They prioritize immediate liquidity needs over long-term financial planning, which is often a result of their vulnerability to market fluctuations and limited access to resources. This reactive financial approach limits the ability of these businesses to plan for growth or weather economic downturns.

III. RESEARCH METHODOLOGY

Objectives of the Study

- To examine the relationship between monthly income levels and the proportion of income invested.
- To analyze how the attitude towards financial risk influences the choice of investment avenues.
- To assess the relationship between the educational qualifications of unorganized sector workers and their perception of the usefulness of government financial schemes.

Hypothesis of the Study

Hypothesis 1: Relationship between Income and Investment Behavior

- **Null Hypothesis (H_0):** There is no statistically significant association between the monthly income and the proportion of income invested by them
- **Alternative Hypothesis (H_1):** There is a statistically significant association between the monthly income and the proportion of income invested by them

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Hypothesis 2: Risk Attitude and Investment Preferences

- **Null Hypothesis (H_0):** Investment preferences of unorganized sector employers in eastern suburbs of Mumbai are not significantly influenced by their attitude toward risk.
- **Alternative Hypothesis (H_1):** Investment preferences of unorganized sector employers in eastern suburbs of Mumbai are significantly influenced by their attitude toward risk.

Hypothesis 3: Education and Perception of Government Schemes

- **Null Hypothesis (H_0):** There is no significant relationship between the educational qualification of unorganized sector employers and their perception of the usefulness of government financial schemes.
- **Alternative Hypothesis (H_1):** There is a significant relationship between the educational qualification of unorganized sector employers and their perception of the usefulness of government financial schemes.

Research Design

In order to accurately depict the financial and social security circumstances of unorganized workers in Mumbai's Eastern Suburbs, this study uses a descriptive research design. Understanding these people's current situation and the main obstacles they face—especially in the Eastern Suburbs—is the main goal.

Data Sources

To ensure a comprehensive understanding, both primary and secondary data sources have been utilized:
Primary Data: Collected through a structured survey using a detailed questionnaire. These questions were designed to capture demographic details and insights related to the financial planning and social security of the respondents. Secondary Data: Gathered from credible sources including government publications, academic research, policy reports, and relevant databases that document the conditions of unorganized workers in urban India.

Sampling Technique and Sample Size

The study sample consists of 149 respondents drawn from eastern suburbs of Mumbai Region. The respondents were selected through a simple random sampling method, ensuring each individual had an equal chance of selection to minimize bias and enhance the reliability of the data.

Data Analysis Method

Descriptive statistics were used in the initial research to compile important financial indicators and demographic traits. The dataset did not follow a normal distribution, according to a normality test. Therefore, to test hypotheses and determine correlations between categorical variables, suitable non-parametric tests such the Chi-square test were used.
Limitations of the Study
While every effort has been made to ensure the reliability and validity of the research, several limitations remain:
Low literacy levels among some respondents posed challenges in the administration and comprehension of the questionnaire.
Access to consistent and updated secondary data was occasionally constrained.
Time and resource constraints limited the depth of inquiry and the potential for longitudinal analysis.
Regional specificity means that findings and insights derived from this study may not be generalizable to other wards or cities.

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IV. DATA ANALYSIS

Hypothesis 1: Relationship between Income and Investment Behavior

Chi-Square test result

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	142.123[a]	6	.000
Likelihood Ratio	142.445	6	.000
Linear-by-Linear Association	10.117	1	.001
N of Valid Cases	149		
a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.70.			

A Chi-Square test was performed to analyze the relationship between monthly income and percentage of income invested by unorganized employers in Eastern Suburbs, Mumbai. The results showed:

Pearson Chi-Square Value: 142.123

p-value: 0.000 ($p < 0.05$)

Since the p-value is significantly below 0.05, the null hypothesis (H_0) is rejected, indicating a statistically significant relationship between monthly income and investment percentage.

Key Insight:

The data shows a clear trend: as monthly income increases, the percentage of income invested also increases.

Lower-income workers tend to invest either minimally or inconsistently.

Higher-income workers are more likely to invest a greater portion of their income, often in a more structured or fixed manner.

This suggests that income level strongly influences saving and investment behavior among unorganized workers in the region.

Hypothesis 2: Risk Attitude and Investment Preferences

Chi-Square test result

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.661[a]	4	.000
Likelihood Ratio	39.999	4	.000
Linear-by-Linear Association	1.021	1	.312
N of Valid Cases	149		
a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 1.40.			

A Chi-Square test was conducted to examine the relationship between monthly income and investment patterns among unorganized employers in Eastern Suburbs, Mumbai. The results revealed:

Chi-Square Value: 37.661

p-value: 0.000 ($p < 0.05$)

Since the p-value is less than 0.05, the null hypothesis (H_0) is rejected, indicating a significant relationship between investment avenues and risk attitude.

Key Insight:

Workers investing in traditional avenues (e.g., Post Office schemes, Bank deposits, NSC, PPF) generally prefer low-risk options.

Conversely, those investing in market-linked avenues (e.g., stock market, mutual funds, SIPs) demonstrate a higher risk appetite.

This suggests that income level and investment behavior are closely linked to individual risk preferences in the unorganized sector.

Hypothesis 3: Education and Perception of Government Schemes
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.078[a]	4	.193
Likelihood Ratio	6.609	4	.158
Linear-by-Linear Association	.166	1	.684
N of Valid Cases	149		
a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .46.			

The Chi-square test of independence was conducted to examine the relationship between educational qualification and the opinion of unorganized workers regarding the usefulness of government schemes in the Eastern Suburbs of Mumbai.

The test produced a Pearson Chi-Square value of 6.078 with a p-value of 0.193. Since the p-value is greater than the significance level of 0.05, the result is not statistically significant.

This means that we fail to reject the null hypothesis (H_0), which posits that there is no significant association between educational qualification and workers' perceptions of the usefulness of government schemes.

In other words, the data suggests that an individual's level of education does not significantly influence how they perceive or evaluate the usefulness of government initiatives. Among unorganized workers in M East Ward, opinions about government schemes appear to be independent of educational background.

V. FINDINGS & CONCLUSION

The majority of respondents had low levels of formal education, and many were engaged in small-scale, informal occupations.

The data indicated that most unorganized workers lacked structured financial planning practices. Savings were irregular and often insufficient, with a heavy reliance on informal financial mechanisms such as chit funds or borrowing from local moneylenders.

While some respondents were aware of government schemes designed for informal workers, a significant portion lacked detailed knowledge or access. Those who had availed of such schemes often learned about them through informal networks rather than official channels.

One major challenge was the low literacy level of respondents, which made survey administration more time-consuming and required verbal explanations. Additionally, access to secondary data and localized reports was limited, and the time constraints restricted the scope of fieldwork.

The study draws attention to the unorganized employers' low social security coverage and financial fragility in Mumbai's Eastern Suburbs. Notwithstanding the government's attempts to implement welfare programs for this industry, workers' awareness, accessibility, and trust in these programs are still low, irrespective of their educational background. This implies that perceptions of government support are not shaped solely by knowledge, but rather by more significant structural problems including poor communication, ineffective outreach, and a lack of neighborhood engagement.

Simplified enrollment procedures, community-based support networks, and focused awareness campaigns are necessary to increase the efficacy of financial and social security programs. Further, policy-makers must consider ground-level realities and include local voices in designing and implementing programs tailored to the needs of informal workers.

VI SUGGESTIONS

Enhance Awareness Through Localized Campaigns- Many unorganized workers are unaware of existing government schemes. Localized awareness drives—using community leaders, local NGOs, and vernacular media—can improve

outreach. These campaigns should focus on simplifying the message and highlighting the practical benefits of schemes.

Simplify Access to Government Schemes- Complex documentation and digital-only processes act as barriers for informal workers. Simplifying registration procedures, offering assistance at local help centers, and allowing offline, assisted applications can help bridge the accessibility gap.

Strengthen Financial Literacy Programs- The introduction of community-based financial literacy programs is necessary because many employees lack fundamental financial planning abilities. Budgeting, saving, the value of insurance, and how to obtain official financial services should all be covered in these sessions.

Establish Community Support Desks- Setting up "Informal Worker Help Desks" in high-density areas like Mankhurd, Deonar, and Cheetah Camp can serve as a bridge between workers and government schemes. These desks can be managed by trained volunteers or social workers to guide workers through scheme benefits, eligibility, and application processes.

Promote Inclusion Through Non-Educational Avenues- As the study found no significant link between education and opinions on government schemes, outreach efforts should not be limited to educational institutions. Instead, community centers, workplaces, and religious institutions can be used as engagement platforms to connect with unorganized workers.

Encourage Partnerships with NGOs and SHGs- Working together with self-help groups (SHGs) and non-governmental organizations (NGOs) that are already operating at the grassroots level can improve efficiency, reach, and trust when providing financial education and linking employees to welfare programs.

Periodic Evaluation and Feedback Mechanisms- To ensure schemes remain effective, the government should establish feedback systems where informal workers can share their challenges and experiences. Periodic evaluations can help tailor schemes to the evolving needs of the unorganized sector.

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