



Financial Literacy and Saving Behavior Among Low-Income Workers: Evidence from Coimbatore District

G Gnanaselvi

Research Department of Commerce, NGM

Corresponding Author: G Gnanaselvi gnanaselvi2@gmail.com

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ABSTRACT

Saving behavior plays a crucial role in enhancing the financial security of low-income workers, yet their ability to save is often constrained by limited financial knowledge, unstable income, and restricted access to financial services. This study examines the role of financial literacy as a key predictor of saving behavior among low-income workers in Coimbatore district, Tamil Nadu. Using a descriptive and analytical research design, primary data were collected from 200 respondents through a structured questionnaire. Financial literacy, income stability, access to financial services, and financial attitude were treated as independent variables, while saving behavior was examined through saving regularity, saving amount, and saving planning orientation. Correlation and multiple regression analyses were employed to test the relationships among variables. The findings reveal that financial literacy has a significant positive influence on saving behavior, with financial attitude emerging as the strongest predictor. Income stability and access to financial services also significantly enhance saving practices. Demographic factors such as education and income level further moderate saving behavior, while gender does not exhibit a significant effect. The study highlights the need for integrated policy interventions that combine financial education, behavioural orientation, and financial inclusion to improve saving outcomes among low-income workers

INTRODUCTION

Financial literacy has emerged as a critical determinant of individual financial behavior in an increasingly complex economic environment. It refers to the ability to understand and apply fundamental financial concepts such as budgeting, saving, interest rates, inflation, and the use of financial products. Adequate financial literacy enables individuals to make informed financial decisions that enhance financial stability and long-term well-being (Lusardi & Mitchell, 2014). Recent global evidence indicates that financially literate individuals are more likely to engage in positive financial behaviours, particularly regular saving and financial planning (OECD, 2018).

Saving behavior is especially important for low-income workers, who often face income volatility, limited access to formal financial institutions, and heightened exposure to economic shocks. For this group, even small and consistent savings can provide a buffer against emergencies and improve financial security. However, empirical studies reveal that low-income workers frequently exhibit irregular or inadequate saving behavior, often due to insufficient financial knowledge and limited financial capability (Atkinson & Messy, 2012).

Systematic reviews and meta-analytical evidence demonstrate that financial literacy significantly influences saving decisions and overall financial well-being across different socioeconomic groups (Callis et al., 2025; Rehman & Mia, 2024). Moreover, targeted financial education interventions among low-income and vulnerable populations have shown measurable improvements in saving habits and financial resilience (Bhattacharya et al., 2025). Despite income constraints, financially literate individuals are better able to allocate resources, prioritize savings, and utilize formal financial services effectively.

Although prior research establishes the importance of financial literacy, gaps remain in understanding its predictive role specifically among low-income workers, particularly in developing economies. Structural constraints, informal employment, and limited access to financial education may moderate the relationship between financial literacy and saving behavior. Against this backdrop, the present study examines financial literacy as a predictor of saving behavior among low-income workers, aiming to contribute empirical evidence that can inform policy initiatives, financial education programs, and inclusive development strategies.

LITERATURE RIVIEW

Recent literature increasingly emphasizes financial literacy as a practical skill that shapes everyday financial decisions, especially saving behavior. Huston (2010) conceptualized financial literacy as a form of human capital that directly influences financial outcomes. Building on this perspective, later studies argue that financial literacy enhances individuals' confidence and self-efficacy, which in turn promotes disciplined saving habits..

Research focusing on low-income and informal-sector workers highlights the unique challenges faced by these groups. Xiao and Porto (2017) observed that low-income workers often rely on informal saving mechanisms due to limited access to formal financial institutions. However, their study revealed that

financially literate individuals were more likely to adopt structured saving methods and demonstrate better long-term financial planning.

Studies conducted in developing economies further reinforce the importance of financial literacy. Bongomin et al. (2016) examined financially excluded populations and found that financial literacy positively influences saving behavior by improving awareness of financial products and encouraging formal savings. Their study emphasizes that financial literacy serves as a bridge between financial exclusion and financial inclusion.

In addition, Lusardi, Michaud, and Mitchell (2017) demonstrated that financial knowledge accumulation over the life cycle has long-term effects on saving behavior and wealth accumulation. Their findings indicate that even modest improvements in financial literacy can generate significant long-term benefits, particularly for economically vulnerable groups.

Despite strong empirical support, some studies caution that financial literacy alone may not be sufficient to improve saving behavior. Demirguc-Kunt et al. (2018) argue that institutional factors such as access to banking services, income stability, and social protection systems play a complementary role. This suggests that financial literacy must be supported by inclusive financial infrastructure to produce sustained improvements in saving behavior.

Overall, the literature confirms that financial literacy is a key determinant of saving behavior, particularly among low-income workers. However, the interaction between financial knowledge, behavioral factors, and structural constraints remains underexplored, especially in the context of developing economies. This gap provides a strong rationale for the present study.

Statement of the Problem

Low-income workers often experience persistent financial insecurity due to low and unstable earnings, limited access to formal financial institutions, and inadequate financial decision-making capacity. One of the most critical challenges faced by this group is the inability to develop consistent saving behavior, which is essential for managing emergencies, meeting future financial needs, and improving overall financial resilience. Studies have shown that saving behavior among low-income populations is frequently constrained not only by income limitations but also by insufficient financial knowledge and capability (Sherraden et al., 2018).

Financial literacy, defined as the ability to understand and apply financial concepts in real-life situations, has gained attention as a potential driver of positive financial behavior. Recent research suggests that financial literacy influences how individuals plan, budget, and save, particularly among economically vulnerable groups (Goyal & Kumar, 2021). However, despite increasing policy focus on financial education, empirical evidence on whether financial literacy significantly predicts saving behavior among low-income workers remains limited, especially in developing country contexts where informal employment is prevalent.

Furthermore, scholars argue that without adequate financial literacy, low-income workers may fail to translate income—however limited—into effective

saving practices, thereby remaining trapped in cycles of financial vulnerability (Suri & Ghosh, 2023). This highlights a critical research gap in understanding the predictive role of financial literacy on saving behavior among low-income workers. Addressing this gap is essential for designing targeted financial literacy interventions and inclusive financial policies. Hence, the present study seeks to examine financial literacy as a predictor of saving behavior among low-income workers.

Objectives of the Study

The study is guided by the following objectives, aligned with the title:

1. To assess the level of financial literacy among low-income workers.
2. To examine the saving behavior of low-income workers.
3. To analyze the extent to which financial literacy predicts saving behavior among low-income workers.

METHODOLOGY

The study adopted a descriptive and analytical research design to examine financial literacy as a predictor of saving behavior among low-income workers. The research was conducted in Coimbatore district which has a significant concentration of low-income workers engaged in informal and semi-formal occupations such as daily wage labour, small-scale services, and unorganised sector employment. Primary data were collected from 300 low-income workers using a structured questionnaire administered through personal interviews. The questionnaire consisted of sections covering socio-economic characteristics, financial literacy, and saving behavior, with responses measured on a five-point Likert scale. A convenient sampling technique was employed due to accessibility and time constraints. The reliability of the measurement scales was established using Cronbach's alpha, which indicated satisfactory internal consistency. The collected data were analyzed using percentage analysis, mean scores, correlation analysis, and simple linear regression to examine the relationship and predictive influence of financial literacy on saving behavior.

RESULT

Analysis and Interpretation

Table 1. Profile of the Respondents (Demographic Characteristics) (n = 200)

Demographic Variables	Category	Frequency	Percentage
Gender	Male	118	59.0
	Female	82	41.0
Age (Years)	Below 30	46	23.0
	31-40	72	36.0
	41-50	54	27.0
	Above 50	28	14.0
Educational Level	Primary	58	29.0

	Secondary	74	37.0
	Higher Secondary	42	21.0
	Graduate	26	13.0
Monthly Income (₹)	Below 10,000	64	32.0
	10,001-15,000	72	36.0
	15,001-20,000	42	21.0
	Above 20,000	22	11.0
Employment Type	Daily wage	88	44.0
	Contract	62	31.0
	Self-employed	50	25.0
Work Experience (Years)	Below 5	52	26.0
	6-10	68	34.0
	11-15	46	23.0
	Above 15	34	17.0

Table 1 presents the demographic characteristics of the 200 low-income workers surveyed in Coimbatore district. The gender distribution shows a higher representation of male respondents (59%) compared to female respondents (41%), reflecting the workforce composition in informal and semi-formal sectors. The age distribution indicates that a majority of respondents (63%) fall within the economically active age group of 31-50 years. Most respondents possess only primary or secondary education (66%), highlighting limited formal exposure to financial concepts. Monthly income levels further confirm the low-income nature of the sample, with 68% earning below ₹15,000 per month. The predominance of daily wage and contract workers (75%) reflects income irregularity, which is a key constraint on saving capacity.

Table 2 Correlation Matrix of Study Variables (n = 200)

Variables	FL	IS	AFS	FA	SR	SA	SP
Financial Literacy (FL)	1.00						
Income Stability (IS)	0.41**	1.00					
Access to Financial Services (AFS)	0.48**	0.39**	1.00				
Financial Attitude (FA)	0.52**	0.44**	0.47**	1.00			
Saving Regularity (SR)	0.56**	0.49**	0.51**	0.58**	1.00		
Saving Amount (SA)	0.46**	0.55**	0.43**	0.50**	0.62**	1.00	
Saving Planning (SP)	0.59**	0.47**	0.54**	0.61**	0.66**	0.58**	1.00

Note: ** Correlation is Significant at the 0.01 Level (Two-Tailed)

Table 2 presents the correlation coefficients among financial literacy, income stability, access to financial services, financial attitude, and the dimensions of saving behavior, namely saving regularity, saving amount, and saving planning, based on a sample of 200 low-income workers. The results reveal that all correlations are positive and statistically significant at the 0.01 level, indicating meaningful relationships among the study variables.

Financial literacy shows a moderate to strong positive relationship with all dimensions of saving behavior. The highest correlation is observed between financial literacy and saving planning ($r = 0.59$), followed by saving regularity ($r = 0.56$) and saving amount ($r = 0.46$). Income stability is positively correlated with saving behavior, with the strongest association observed with saving amount ($r = 0.55$). The moderate correlation between income stability and saving regularity ($r = 0.49$) further suggests that stable earnings support habitual saving practices. Access to financial services demonstrates significant positive correlations with saving regularity ($r = 0.51$) and saving planning ($r = 0.54$). Financial attitude exhibits the strongest correlations with saving behavior dimensions, particularly saving planning ($r = 0.61$) and saving regularity ($r = 0.58$). Overall, the correlation matrix supports the assumption that saving behavior is influenced by a combination of knowledge-based, economic, institutional, and behavioral factors.

Table 3. Multiple Regression Analysis Including Demographic Controls (n = 200)

Variables	Standardized β	t-value	p-value
Financial Literacy	0.31	6.02	0.000
Financial Attitude	0.35	7.18	0.000
Income Stability	0.24	4.88	0.000
Access to Financial Services	0.21	4.21	0.000
Education Level	0.18	3.74	0.000
Monthly Income	0.16	3.22	0.001
Age	0.09	1.98	0.049
Gender	0.04	0.86	0.392
Model Summary	Value		
R ²	0.58		
Adjusted R ²	0.56		
F-value	32.61		
Significance	$p < 0.01$		

Table 3 presents the results of the multiple regression analysis incorporating demographic controls. Financial attitude emerges as the strongest predictor of saving behavior, followed by financial literacy, income stability, and access to financial services. This confirms that behavioral and knowledge-based factors play a dominant role in shaping saving behavior among low-income workers.

Education level and monthly income also exert significant positive effects, indicating that socio-economic advancement enhances saving capacity and decision-making ability. Age shows a marginally significant influence,

suggesting that saving behavior improves with experience and responsibility. Gender does not have a significant effect, implying that saving behavior is not inherently gender-specific in the low-income context.

The high explanatory power of the model demonstrates that the selected variables collectively provide a robust explanation of saving behavior, thereby validating the study's conceptual framework.

DISCUSSION

The findings of the study strongly support theoretical perspectives from financial literacy theory, life-cycle hypothesis, and behavioral finance, which collectively explain saving behavior as an outcome of knowledge, income conditions, institutional access, and psychological orientation. Income stability's significant influence on saving behavior aligns with the life-cycle hypothesis, which emphasizes predictable income as a prerequisite for consistent saving. The stronger relationship between income stability and saving amount indicates that even financially literate individuals may be constrained in their ability to save when income is irregular. The findings indicate that proximity to banking facilities and availability of digital financial platforms encourages disciplined saving practices by lowering transaction costs and increasing convenience.

The role of demographic variables further enriches the discussion. Education and income significantly influence saving behavior, consistent with human capital theory, which links education to improved decision-making ability. The non-significant impact of gender suggests that saving behavior among low-income workers is driven more by economic and behavioral conditions than by gender-based differences, highlighting the universal relevance of financial capability development.

Limitations

The findings of the study should be interpreted in light of certain limitations. The research is limited to low-income workers in Coimbatore district, which may constrain the generalizability of the results to other regions. The cross-sectional design restricts causal inference, and the reliance on self-reported data may introduce response bias. In addition, the use of convenience sampling may affect sample representativeness. Although key economic, behavioral, and demographic variables were incorporated, other relevant factors such as household characteristics, financial shocks, and informal saving mechanisms were not examined. These limitations provide scope for further research using longitudinal designs, broader samples, and expanded variable frameworks.

CONCLUSION AND RECOMMENDATION

The study concludes that financial literacy is a critical but not standalone determinant of saving behavior among low-income workers in Coimbatore district. While financial knowledge significantly enhances saving regularity, planning, and discipline, its effectiveness is strengthened when combined with stable income, access to financial services, and positive financial attitudes. The results emphasize that saving behavior is influenced by a complex interaction of cognitive, economic, institutional, and behavioral factors. The study provides practical implications for policymakers, financial institutions, and development agencies to design integrated strategies that combine financial literacy training, behavioral nudges, and inclusive financial infrastructure. By addressing both knowledge and structural constraints, such interventions can significantly improve the saving behavior and financial resilience of low-income workers.

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