

# ENHANCING FINANCIAL INCLUSION FOR GIG WORKERS: A FINTECH PERSPECTIVE

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## ABSTRACT

The study aims to explore the various banking service options made available to gig workers in India by the Financial Technology (FinTech) platforms that ultimately result in financial inclusion among this stratum of society. The study will also shed some light on how the Financial Technology platforms are catering to both the demand and supply side by bringing the gig workers and their prospective employers on the same platform apart from extending customized financial products as per the needs of the gig workers. The study also touches on the concept of moonlighting as a possible threat to the gig ecosystem. We understand that with the rise in the gig economy, the challenge of providing sustainable financial inclusion is a top priority and the Financial Technology platforms are positively catalyzing financial inclusion among gig workers and the unbanked population in India in new and innovative ways.

**Keywords:** Financial inclusion, gig workers, Financial Technology, unbanked population, women gig workers, moonlighting.

## BACKGROUND

India is home to a 190 million underbanked and unbanked population, mainly residing in rural and semi-rural areas (Fintech Sector Is Catalysing India's Growth Story among Unbanked Population | Zee Business, n.d.) and feels the need for formal financial services. One such category of the underbanked population is the emerging number of gig workers in the economy, which currently stands at 7.7 million (1.5% of the total workforce) and is expected to reach 23.5 million by the year 2029-30 (NITI Aayog, 2022)

Gig workers are part-time or contractual workers who enjoy autonomy in their working hours and work schedules. Gig workers are broadly classified into two categories: platform and non-platform-based workers. The rise in the number of gig workers is attributed to the rise in platform based applications such as Uber (in ridesharing), Swiggy (in food delivery), and Urban Company (in personal services) (Augustinraj, n.d.). More than one in four gig workers take up gig jobs to fund additional household expenses, such as medical emergencies, household events, and paying off leases (Augustinraj, n.d.). With the advent of digitalization, the increase in engagement of the young population between 18 to 45 years has seen a sharp rise in the gig ecosystem and consists of young and old people, both males and females, who are usually low to medium-skilled (NITI Aayog, 2022).

The demand for gig workers is increasing in the field of construction, manufacturing, retail and transport and logistics, and the number of gig workers employed in these fields and are expected to be as shown in the Figure 3:

## Growing gigs

Construction, manufacturing, retail, transportation and logistics sectors may create around 70 million 'gigable' jobs within 8-10 years.

**No. of gig jobs projected (in mn)**

Gig workers may service 23.5 million jobs in three to four years



**Type of gig roles**



Source: Unlocking the Potential of Gig Economy in India Report

Figure 1 (Source: BCG report, 2021)

A lot of efforts are being put by the Government authorities to improve the well-being of gig workers are highlighted, the efforts of private players, specifically Financial Technologies are not touched upon. It is important to highlight the work of Financial Technology in extending services to the masses and catalyzing the path of financial inclusion in India.

## METHODOLOGY

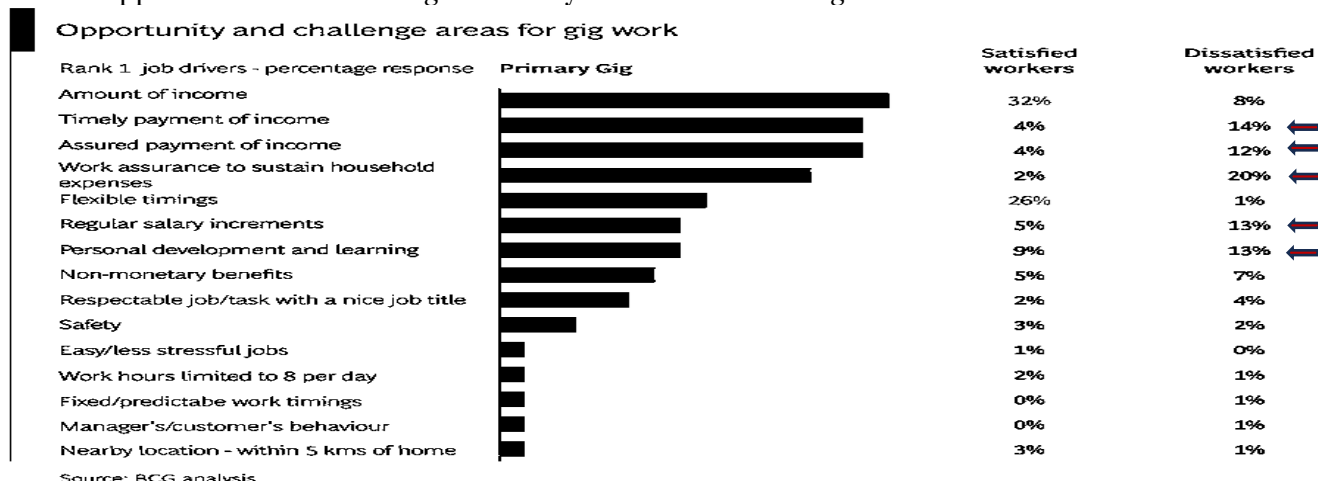
The study includes extensive review of the existing available literature from Government websites- Reserve Bank of India (RBI) & National Institution for Transforming India Aayog (NITI Aayog), research papers, newspaper articles, reports by leading research agencies, blogs of Financial Technology experts and websites of FinTech service providers, were studied to understand the challenges faced by gig workers and the solutions provided by the Financial Technology companies for the same. It was understood that as the nature of the job in the gig ecosystem is uncertain and this an being unorganized sector, challenges of income instability, lack of financial services, inadequate pension and health insurance benefits, and social security are major concerns of gig workers (Augustinraj, n.d.), the same are discussed in Figure 4:

## CHALLENGES FACED BY THE GIG WORKERS

Gig work despite being a lucrative and growing area, has its challenges as mentioned below:

- Income Instability**

The Boston Consulting Group surveyed 3057 gig workers in 2021 and categorized the opportunities and challenges faced by them as shown in figure 4:



Source: BCG analysis.

Figure 2 (Source: Gig Quantitative Survey, BCG analysis, 2021)

The survey highlighted the dissatisfaction among gig workers due to income instability (amount of income, timely payment of income, assured payment of income).

Gig workers are not able to manage the funds to address medical or personal emergencies in their family due to the unstable income, delay in payments, and irregular salary increments (Augustinraj, n.d.), which leads to borrowing money from lenders in the unorganised channels at high interest rates.

- **Lack of benefits**

Social security benefits like yearly increment, pension, gratuity, health insurance, and income stability, as provided to on-roll employees, do not apply to gig workers. The gig workers lack effective bargaining power as the majority of them are low to medium-skilled and have to work for low wages. Gig workers engaged with ridesharing platforms are often concerned about safety-related to their work – road accidents, assault, or theft while performing the allotted task (Augustinraj, n.d.).

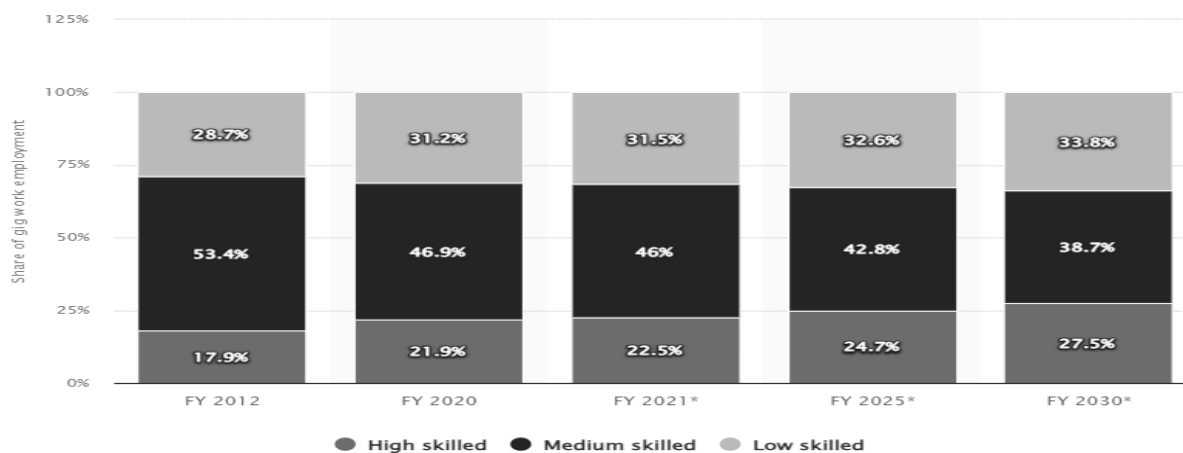
- **Skill Development**

In India, as of 2022, about 47% of the gig workers are in medium-skilled jobs, about 22% in high-skilled jobs, and about 31% in low-skilled jobs. The trend shows that the concentration of workers in medium skill jobs is gradually declining, and that of low-skilled and high-skilled is increasing (NITI Aayog, 2022). Considering the trend, emphasis on providing new skills to the youth to cater to the needs of the employer is becoming crucial. The lack of formal training will lead to low-skilled and medium-skilled gig workers losing better job opportunities, forcing them to settle for jobs that are not well paid.

A special emphasis has been laid on upskilling the youth, Women, and Persons With Disabilities by the Government of India (NITI Aayog, 2022).

Share of gig work employment in India from financial years 2012 to 2020, with projections up to 2030, by skill category

The following Figure 5 represents the share of gig workers by skill category:



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Figure 3 (Source: Statista, 2024)

- **Job security**

Gig economy is driven by contractual task-based work assigned to the workers. The contractual relationship between the employer and the gig workforce does not ensure regularity of work and income (NITI Aayog, 2022). A gig worker may or may not get repeated contracts or work from the same employer, and has to keep on looking for work from time to time, which may delay or completely stop the earnings for a certain period.

- **Gender Bias In The Gig Ecosystem**

Women gig workers have the potential to boost India's growth at 7.5 to 9% as per the World Bank report; despite this, women's role in the gig economy is confined to female-specific chores such as home cleaning, nursing, and beauty services. Women gig workers are paid less, and female-focused platforms grow at a slower pace than their male counterparts, also, they face safety concerns at work. There has been evidence of a higher proportion of women reporting instances of harassment or discrimination at work than men (NITI Aayog, 2022).

- **Moonlighting: A New Disruption in Gig Ecosystem?**

Moonlighting is a concept in which working force is employed in an additional job outside the working hours of the primary employment (“What Is Moonlighting?,” 2022).

Apart from the fact that the workforce in moonlighting setup has a permanent fixed-paying job and are high-skilled employees, other characteristics of this are in line with the gig ecosystem, and for the said reasons, can lower the job opportunities for gig workers.

### **Government’s Role in The Gig Economy**

The government of India has announced a gig-economy-centric policy in the budget of 2023 and the implementation of labour code for the upliftment of gig workers (Kumari & Ltd, 2023). Phase- II of the Financial Inclusion plan talks about sustainable financial inclusion as one of the pillars of any growing and modern economy. Access to financial services and products at a reasonable cost and on-demand from providers in the organized sector is the need of the hour. In view of this, the Government of India has come up with initiatives like Pradhan Mantri Jan-Dhan Yojana (PMJDY) and the setting up of India Post Payment Bank (IPPB) to provide the underbanked population with a formal bank account. However, the financial inclusion path paved by the Government is seeing a new ray of hope with the partnership of traditional banks along with the Financial Technologies in funding unbanked/ underbanked population.

With the back-end support of traditional banking setup, India has seen a rise in Financial Technology ecosystem that fills the gap in the services where the traditional banking lacks, with their customized products at a lower cost, comfort, transparency, accessibility, and ease of use. The National Skill Development Corporation is another effort by the Government of India in partnership with private companies, aiming at bridging the skilling and employment gap between employers and gig workers. The not-for-profit company not only trains the youths for the current employment skill sets required, but also anticipates and educates the youths about the upcoming trends in the employment market.

### **Role of FinTechs In The Gig Ecosystem**

Rise in the number of gig workers in India is mainly attributed to the rise of millennials and the Generation Z population of India, which contributes to 48% of the total gig workforce in India (Gig Economy Is Dominated by Millennials but Women Make up for Less than a Third of the Workforce | Business Insider India, n.d.). This generation is considered to be technologically advanced and are regular users of mobile, wallet and internet banking solutions, giving boost to the Financial Technology platforms to come up with products catering to their needs.

In simple terms, FinTech means providing financial services with the integration of Technology into it. The evolution of Financial Technologies began in the late 1950’s with the adoption of credit cards (Peek, 2020) and is revolutionizing since then. Services like insurance, payment aggregator, banking, wealth management and robo-advisors are made available under Financial Technologies. Financial Technologies tend to simplify the knowledge about financial products and also suggest to their users the best available investment options via interactive and user-friendly applications and websites, leading to financial literacy among the underbanked and unbanked population. The Financial Technology platforms are actively engaged in spreading financial awareness through online & offline campaigns considering their target audience.

Considering gig workers as a huge potential market to grow their businesses, the following products and services are offered by Financial Technology companies:

#### **1. Upskilling and employment solutions**

Financial Technology platforms are helping gig workers get work on a continuous basis and also helping them upgrade their skills to match the skill set required by the employer to perform a task. These companies work on a demand and supply basis, where the demand side is managed by the employers who are registered on the Financial Technology platform and post about a task to be performed by a gig worker, and the skills required to accomplish the task. The supply side is the gig workers registered in the company for work assistance and are interested in learning a new skill and then apply for a domain specific job. Gig workers are taught more than 20 languages to work with employers outside India, and they ensure that the gig worker is getting timely wages for the work done by them. A platform dedicated to women gig workers ensures that women get job opportunities and aims at educating and mentoring women about where to invest money and also offer credit for setting up a business.

#### **2. Banking solutions**

- **Lending**

The gig workers community is a lucrative lending opportunity for the companies in Financial Technology. The need for flexible and on demand credit facility is growing. The lack of documents like income statement and income tax returns, makes it difficult to avail loans from traditional banks and they turn to online lending platforms to avail short term loans of nominal amounts and the repayment options are tailored considering the income instability of the gig workers. The loans are sanctioned within a few hours with bare minimum documents without the need to visit the bank branch. Financial Technology companies assess the creditworthiness of the applicant by analysing its online purchase patterns and their social media activities. The use of Artificial Intelligence (AI) and Machine Learning (ML) plays a major role in assessing the creditworthiness of the applicant, sometimes, huge data is processed using Artificial Learning & Machine Learning to assess the repayment capacity of the applicant. Also, Financial Technology platforms namely Tartan maintains a record of real-time work and income verification of gig workers registered on their platform. This database helps financial lenders to access the employment status of the gig workers by examining their bank statements, payslip, employer details. The financial lenders can use this data to sanction loans & credit cards to the gig workers.

The Buy Now Pay Later (BNPL) service is also an innovative way of extending credit facilities to the gig workers. Under this facility, if a someone wants to buy a product, they can purchase it on instalments and also can avail cash backs on opting for this service. The advanced version of Buy Now Pay Later is Save Now Pay later (SNPL), where applicant can keep aside a portion of his income every month and can buy a product they want after a year from the money kept aside in the Save Now Pay Later service.

To address the delay in income of the gig workers by their employer, the “On- demand salary” product offered by Financial Technology platforms comes as the ray of hope. This product helps an applicant in availing an amount equivalent or closer to its monthly salary as a loan in case of urgent need of cash.

- **Investment**

Companies who are a part of Financial Technologies are not only educating underbanked and unbanked population about the importance of investing but also encouraging them to invest a small portion of their income to gain returns. The investment amount can be as small as Rs. 100. These platforms use robo advisors to guide people the investment option they can choose as per the income and investment goal specified by the applicant. Services like fixed deposits & Systematic Investment Plan (SIP) options are available to the investor.

Neo banks like LXME and Mahila Money focus only on women workers and strives to make them financially independent.

- **3. Insurance solutions**

Every major E- Commerce company has started recognizing the need to provide medical and general insurance for their delivery agents and in view they are buying group insurance for post Covid-19 pandemic. Under the insurance plan, gig workers are provided health insurance, cashless claims and reimbursement, free doctor consultation and pharmacy and diagnostic discounts. Financial Technology providers customize the tenure for premium payments and online sessions on health and mental wellness not only to its customers but their family members as well and without the requirement of pre-issuance medical checkup. Medical security in the form of insurance can help gig workers to lower the risk of out of the pocket cash flows at the time of hospitalization, surgeries and medications, helping them in maintaining their monthly budgets without making a trade off in the basic need products (Tandon et al., 2023).

Insurance product beneficial to the cab drivers/owners termed as “taxi insurance” that insures the taxi driver/owner as well the passengers occupying the taxi is offered.

## RECOMMENDATIONS

Although Financial Technology platforms have already proved to be successful in catering to the needs of gig workers, there still lies a huge unlocked potential in the fast-emerging gig economy, particularly for female gig workers. Females in India continue to take a back seat when it comes to accessing banking services and active participation in making financial decisions in a household. The data of unorganized workers registered on e-shram portal as of July 2022, has 52.84 percent of females above the age of 50 years, outnumbering males in this category (Nearly 28 Crore Informal Workers Registered on E-Shram Portal, 2022). Financial Technology platforms can

develop and push the concept of “Byte-sized” finance among females to encourage savings and investment habits among them and at the same time lend money in smaller fractions that suit their requirements and repayment capacity.

Apart from women, Financial Technology platforms can focus on providing necessary aids and skills to the Persons With Disabilities (PwDs). The Persons With Disabilities might need special training and a skill set to perform a task and get employment opportunities. Presently, there are a couple of companies dedicated to the upskilling of Persons With Disabilities, and it can be a noble venture for the Financial Technology platforms if they can curate financial welfare plans for the Persons with Disabilities, further improving the financial inclusion goals of the country.

Financial Technology platforms should focus more on spreading awareness about their products via rigorous campaigns through online and print media to increase their customer base, and for a strong presence among the banking service providers, and encourage end users to deal with organized institutions.

However, the innovation and product push should not be at the cost of non – non-compliance with regulatory norms, which can hamper the growth strategies designed by Financial Technologies.

Government of India along with private companies should frame policies to define and restrict moonlighting activities, thereby safeguarding the gig workforce.

## MANAGERIAL IMPLICATIONS

The study will contribute to the thin literature available on the services provided by the Financial Technology platforms to the workers employed in the unorganized segment of India and it will also help the Financial Technology service providers to understand the challenges faced by the gig workers and keep on building customized products for them in the future, providing banking services to the masses.

## CONCLUSION

Financial Technology platforms are the cherry on the cake for the unbanked and unorganized work segment strata. The combined efforts of banks and Financial Technology platforms can aid the goal of financial inclusion in India. The latest guidelines by the Reserve Bank of India for streamlining Financial Technology operations with self-regulation and governance is a new ray of hope for the Financial Technology players (RBI Governor Das Asks Fintech to Focus on Customer Centricity, Self-Regulation | Business News - The Indian Express, n.d.), these regulations will further drive the growth of Financial Technology by establishing more trust among its users. The thrive for innovative products, while adhering to the compliances set by the regulators can take Financial Technology platforms to new heights.

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