

Original Article

# Financial Literacy Among Low-Income Workers in the UAE

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**Abstract** - The growing economy has often been cited as positive, with phenomena such as globalization and growth being believed to benefit individuals who can yield benefits in the forms of employment opportunities and better living conditions. Yet, looking back to the last 20 years, poverty and a number of the socioeconomic conditions that plagued society then are still very much rampant in today's world. Those in less economically developed countries can marginally improve capital situations by moving to other countries to earn higher wages. A key reason attributed to this is financial literacy and how much workers use their incomes.

**Keywords** - Financial Literacy, Low-Income Workers, Migrant Workers, Financial Behavior, United Arab Emirates.

## 1. Introduction

Migration has become prevalent in the 21st century. With more accessible access to transportation and international employment opportunities, almost 281 million people live in countries other than their own.[1] While migration can be attributed to several factors, such as forced migration brought by conflict, many of these migrants seek a better quality of life and immigrate to earn higher wages to support their families better. This phenomenon is largely characterized by individuals moving from Less Economically Developed Countries (LEDCs) to More Economically Developed Countries (MEDCs). These countries often offer higher wages, better standards of living, and higher job stability, providing lucrative destinations for workers. The United Arab Emirates is an example of such a country, with almost 88% of the population being made up of migrants.[2] The largest immigrant population in the UAE is from India, which makes up 27% of the UAE's population, shortly followed by Pakistan and Bangladesh, whose populations make up 13% and 7%, respectively.[3] For a large number of these immigrants, the primary aim of their careers is to remit money for their families and, in pursuit of such salaries, are often left exposed to the corporate greed of the United Arab Emirates. [4]

For example, a study on living conditions for migrant workers found that 51% of respondents were dissatisfied with their salaries, believing it was inadequate for their work. 63% of female and 45% of male respondents reported that they did not receive salary raises or increases after moving to the United Arab Emirates. The document also reviewed the living conditions of workers, particularly in the Construction and Hospitality industry, concluding that lax government enforcement of regulation had allowed corporations to

exploit vulnerable workers with bare standards of living with low salaries.[4]

Between corporate scams, a lack of financial literacy and a lack of financial planning, a significant number of workers cannot sustainably make use of their salaries, often requiring them to work additional hours and work with no end in the foreseeable future. This reinforces by a study conducted in the hospitality and construction industries, which concluded that 51% of respondents were unhappy with their remittance rates.[4] As such, this serves as an obstacle to welfare, as well as entraps such laborers within their place on the socioeconomic ladder. Recognizing the importance of Financial Literacy henceforth, this paper aims to compile literacy data of the demographic in the status quo, focusing particularly on the financial Behaviors of such laborers but also on financial knowledge. The knowledge this literature produces is intended to aid organizations aiming to support.

## 2. Methodology

### 2.1. Research Aim

This research paper examines the financial literacy, attitude and behavior of low-income worker groups in the UAE.

### 2.2. Tools Used

For research collection, the format of a Questionnaire developed by the Organization for Economic Cooperation and Development (OECD) was used. Developed as a part of the PISA program, the framework is ideal for this course of study due to its focus on essential elements of Financial Literacy, such as Saving, Budgeting and Financial Instruments. Such factors are the ones that best differentiate between low-income migrant workers of different



backgrounds. However, the framework also allows respondents to display advanced knowledge and behaviors in more complex phenomena such as Stocks and Bonds.[5]

The framework tests three big buckets of Financial Literacy among the respondents: Financial Knowledge, Financial Behavior and Financial Attitudes.

#### 2.2.1. Financial Knowledge

Focused on assessing workers' basic quantitative skills and financial knowledge. Questions are hypothetical situations requiring respondents to provide financial advice. The following areas were tested:

- a. How do you budget your money?
- b. How do you save money?
- c. How do you make ends meet?

#### 2.2.2. Financial Behavior

These questions allow the respondents to share details of their financial situation, from decision-making power in a household to product investments.

#### 2.2.3. Financial Attitude

These focus on attitudes that respondents have towards their money to understand the mindset that respondents take towards using their money, asking questions regarding perspectives on topics like saving.

The maximum possible score on the test is 21. The framework gives respondents a total score of 21 based on responses to questions asked. The score of 21 itself is broken down into 3 categories: Financial Knowledge, Financial Behavior, and Financial Attitudes scored out of 7, 9 and 5, respectively.

#### 2.3. Data Collection

Data was collected through an offline survey. Following data collection from respondents, they were sorted and analyzed for Income, Gender and level of education to determine their effect on financial literacy and their impact on sub-factors such as Budgeting and Saving. There were a total of 28 respondents. It was chosen to focus on filling out the forms by guiding respondents by translating the questions into their language to answer questions with support.

#### 2.4. Ethical Consideration

Permission was taken before interviewing the respondents. Data collected from respondents was guaranteed only to be used for research and educational purposes, without using names or any distinguishing features. As a result, all data has been split into statistics, without focusing on individual responses but rather on analyzing patterns in data instead. All respondents have permitted this research.

### 3. Results

#### 3.1. Financial Budgeting

The following graphs display responses to a question asked on how respondents budget their monthly income and expenses. Results have been compiled into graphs differentiating between responses based on gender, income and education level.

Figure 1 displays the responses to the question compiled according to the gender of respondents. It displayed that most respondents partook in some form of budgeting, with most respondents choosing to plan their incomes and expenses. However, some budgeting forms are less popular among respondents, with very few stating that they decided to arrange automatic payment forms for regular expenses and outgoings. When differentiating between male and female respondents, results displayed that female respondent, in general, tended to display more saving behaviors, with the only exceptions being that more male respondents claimed that they made use of banking apps and money management tools. This trend further consolidates the claims made by Sereetrakul et al.[6], which concluded similar findings, that females tended to display better attitudes towards saving than males.

When differentiated by income, it is shown that, generally, there are similar behaviours among those earning under AED 2,500 a month and those earning above AED 2,500. More than 75% of respondents for both groups said they planned their expenses and income. However, only the higher-income respondents arranged automatic payments for regular outgoings. The explanation may be that there is a lack of financial knowledge among lower-income workers on how to use automatic payments. Yet, there are few differences between the proportion of respondents claiming to put aside money or keeping track of bills, signifying a lack of financially sustainable behavior among this demographic, regardless of income.

Figure 3 compares the responses to the question sorted by respondents who had only attended up until high school, or less, in comparison to respondents who had taken part in graduate programmes. The primary pattern is that, in general, larger proportions of respondents who had attended graduate-level programmes displayed saving behaviors. Furthermore, lesser-educated respondents were unlikely to have made notes of upcoming bills, and no respondents who had only attended a max of high school level had arranged automatic payments for regular payments. From the above two graphs, it is visible that people with less than AED 2,500 income and who are in high school or less are struggling with automatic payments. A few studies also found a positive effect of education on financial decision-making and market participation.[7][8]

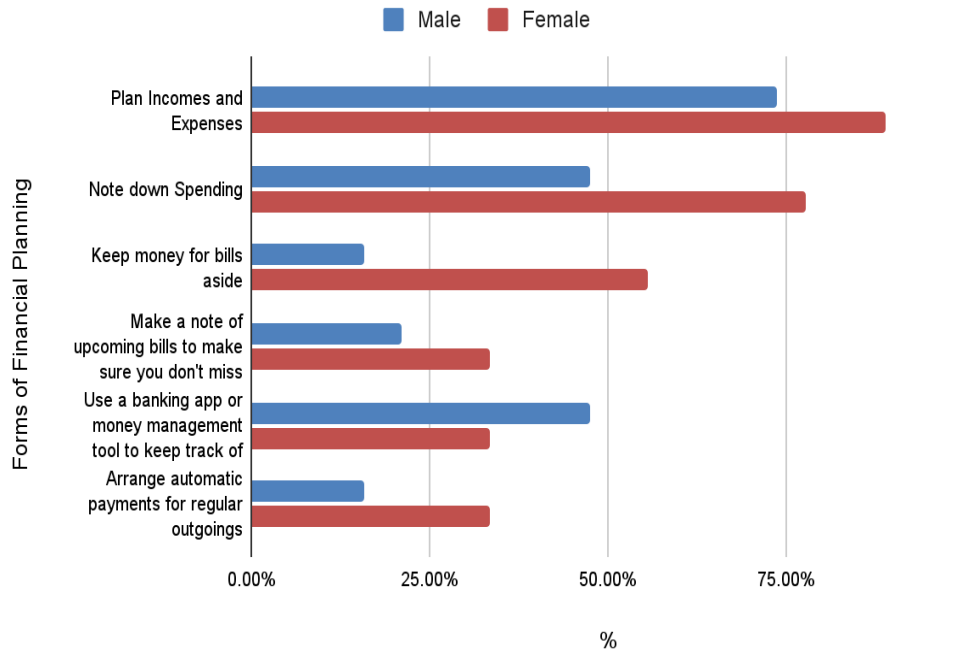


Fig. 1 Financial Behavior on the basis of gender. Responses to the question "How do you budget and mark expenses?"

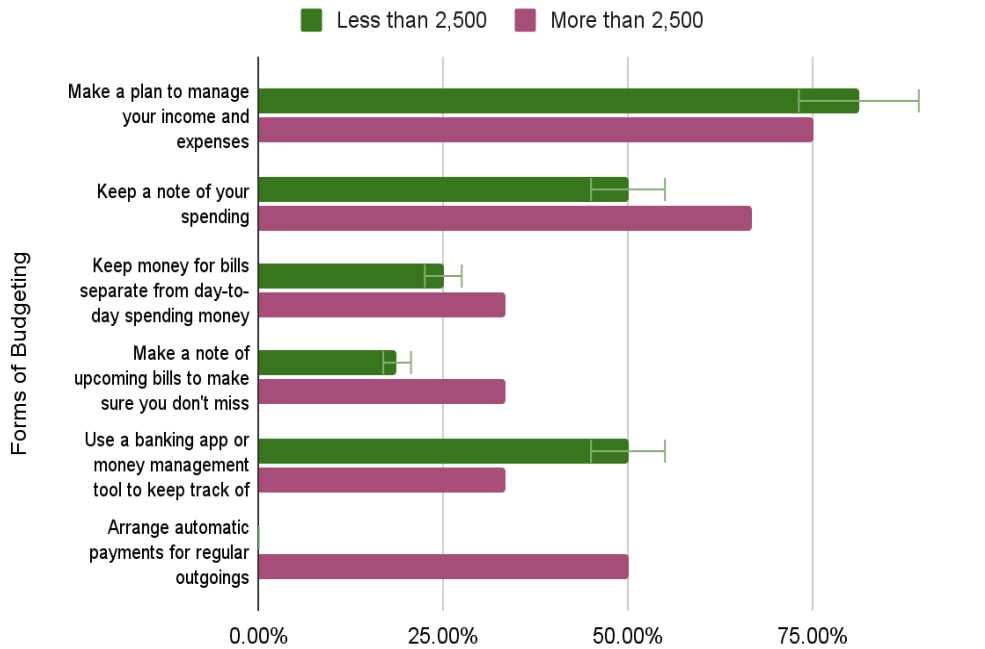


Fig. 2 Financial Behavior on the basis of the difference between people earning Less than 2,500 AED and More than 2,500 AED. Responses to the question - "How do respondents budget and mark expenses?"

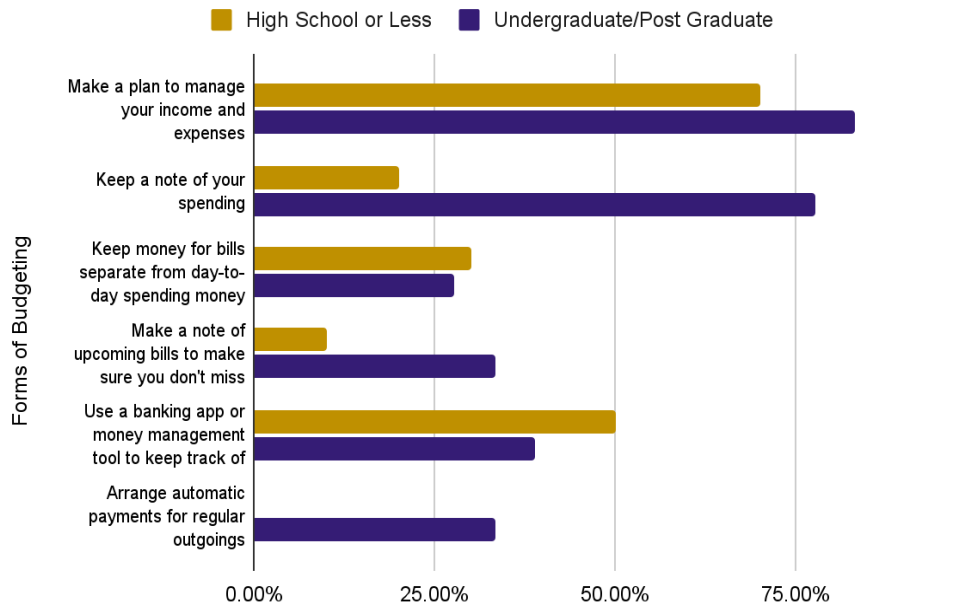


Fig. 3 Financial Behavior on the basis of different education levels. Responses to - "How do respondents budget and mark expenses?"

3.2 Financial Savings

The following graphs display responses to a question asked on how respondents save their money, allowing them

to tick all methods they have used to save money recently. The graphs have been compiled to compare responses in terms of Gender, Income, and Education.

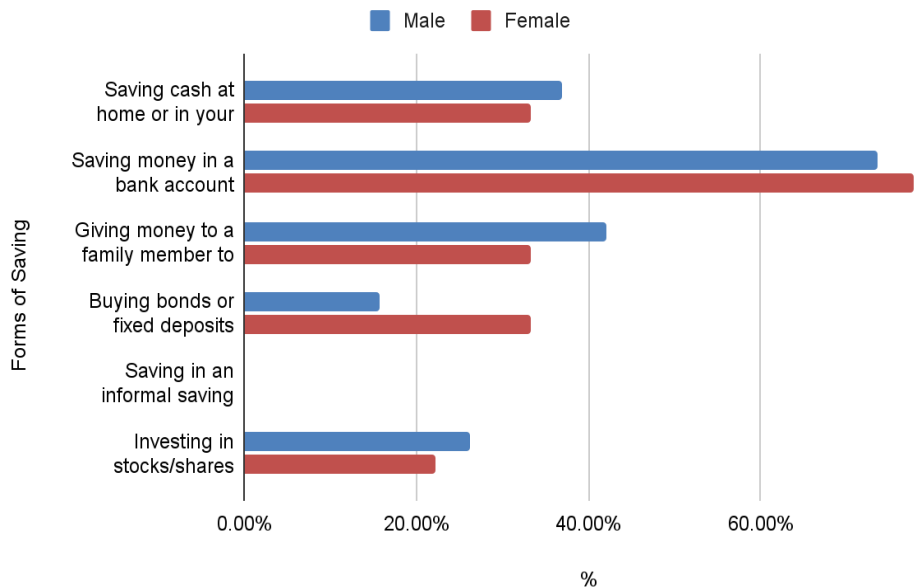


Fig. 4 Financial Behavior on gender. Responses to - "How do respondents save their money?"

Figure 4 displays the respondents' responses to the question of how respondents choose to save their money. Saving in a differentiated between male and female respondents most

bank account was the most popular response, with a majority of respondents saving money in one. What

was investing in fixed deposits, which was much more popular among female respondents than male ones. Both genders showed equal popularity in that saving money in a bank account was the most popular method of saving, with the second most popular form of saving being through family members. As per low financial knowledge rates shown later

in Figure 13, it is a possibility that such workers save by blindly remitting money to members of their families who are living in their home country. However, general trends show that rates of saving across both genders are under 40% for most saving methods.

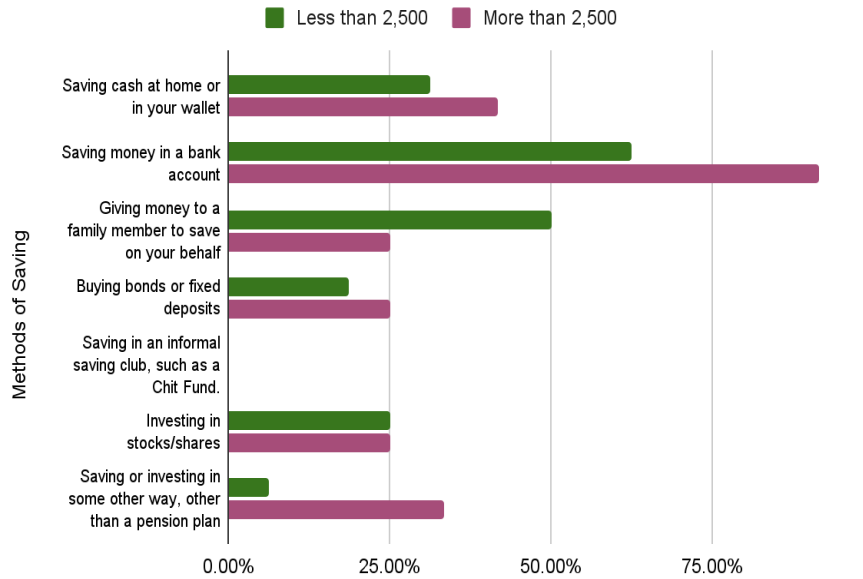


Fig. 5 Financial Behavior on the basis of income - How do respondents save their money?

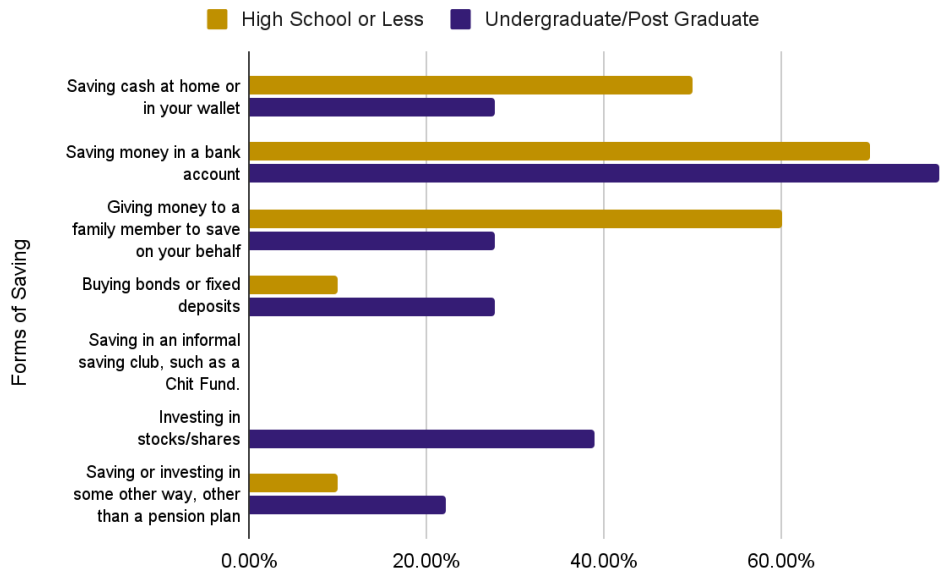


Fig. 6 Financial Behavior on the basis of education. How do respondents save their money?

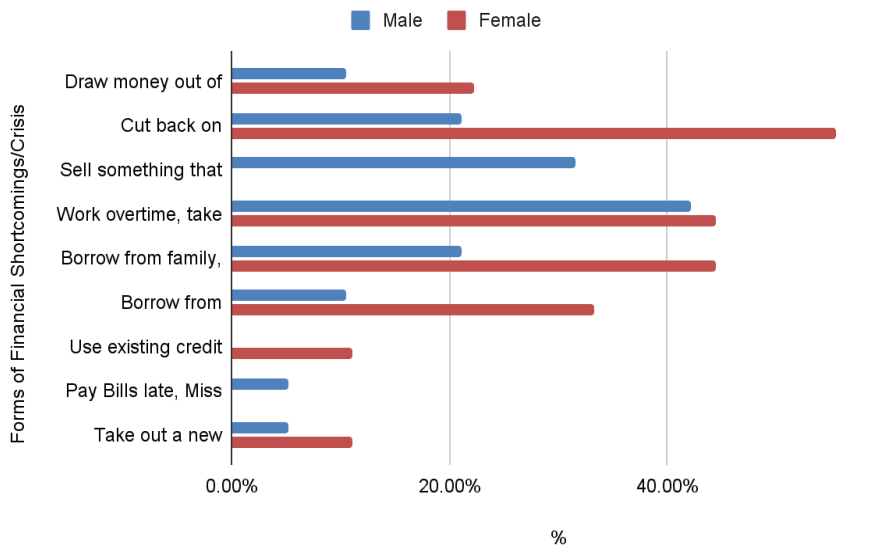
Figure 5 displays the saving patterns of respondents between those of low incomes and higher incomes. The primary observations are that those who earned more were far more likely to save money through bank accounts, whereas those who did not were more likely to save by sending money to family members. This could be due to obstacles many workers face in opening bank accounts in the UAE, where most financial institutions have ignored low-income workers due to the small revenue it would serve them.[9] Surprisingly, a majority of respondents still did not save in forms of preserving that are considered financially competent, with only 25% of respondents investing in stocks and shares. This reflects that financial knowledge levels are relatively lower among the relatively higher-income respondents.

Figure 6 compares the responses to how respondents choose to save their money when comparing participants of differing education levels. Similar to differences in income,

those with lower education levels were significantly more likely to report that they preferred to save through remitting money to family members than those with graduate levels of experience. Furthermore, respondents who had attended graduate programs were far more likely to have invested in Financially literate products for saving, such as stocks and bonds. Despite this, stocks and bonds remained the least popular saving methods due to a lack of financial knowledge and access for such workers. Figure 13 shows this is likely due to a lack of financial knowledge.

**3.3. Making Ends Meet**

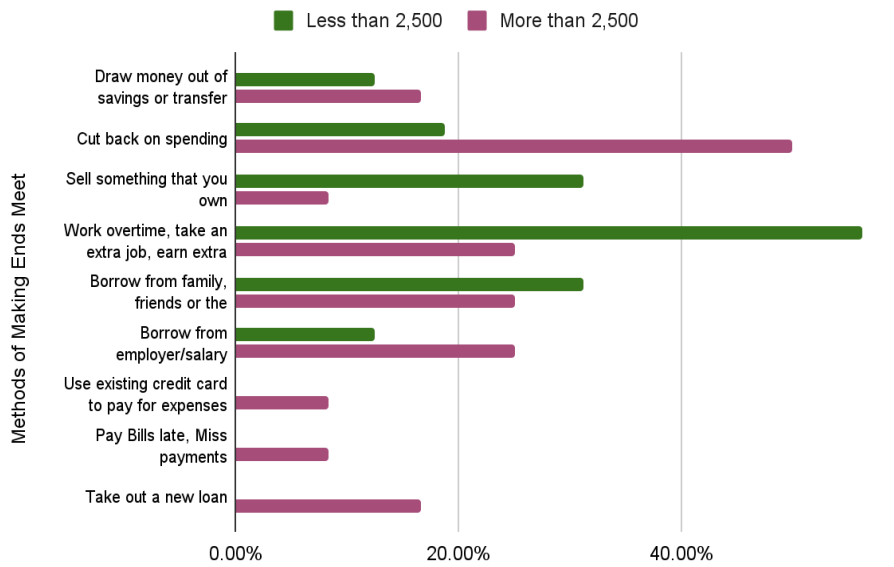
Respondents are asked about whether they have experienced financial shortcomings within the past two years. If so, they are asked how they made ends meet during financial shortcomings. The graphs have been compiled to compare responses in terms of Gender, Income, and Education.



**Fig. 7 Financial Behavior on the basis of gender. How do respondents make ends meet?**

Figure 7 displays responses to how participants worked to make ends meet in the case of a financial shortcoming/crisis. The most popular method to create more capital to meet expense requirements for both genders together was to work overtime or some sort of extra job. Often, such workers are required to work overtime by default to make up for low salaries, as shown in a study conducted into the salary conditions of such workers. Such workers are often not awarded adequate overtime payments, as 44% of respondents responded that they were not compensated for their work.[4] However, male respondents also seemed to resort to pawning/selling their items to generate additional revenue to meet requirements. In stark contrast, almost 60%

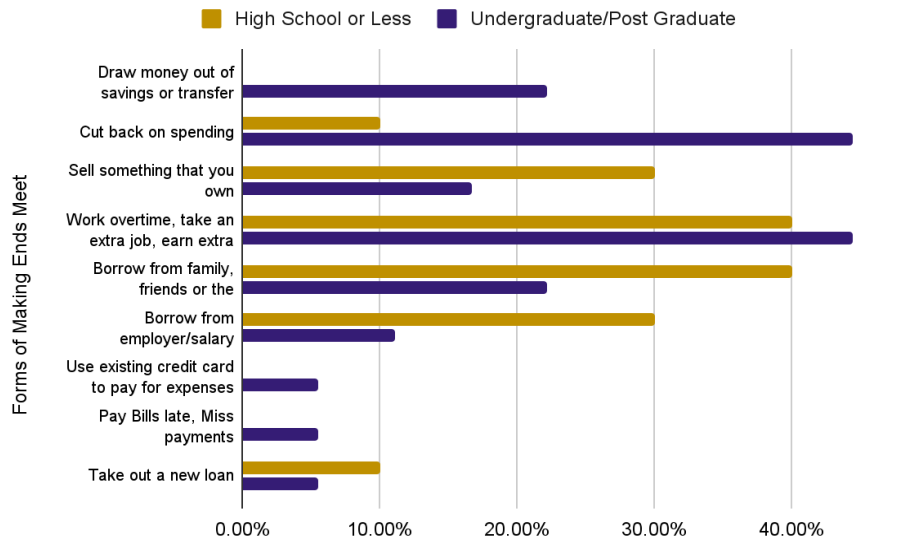
of female respondents claimed that they could cut back on spending in cases of financial need, showcasing that for a large number of female respondents, there are fungible expenses that they can cut back on in times of need. Male respondents did not claim to be able to make such cutbacks, with slightly over 20% of male respondents claiming that they drew back on spending to meet requirements. Furthermore, female respondents were also far more likely to borrow money from friends or to take advances on salary in comparison to male respondents. A study conducted showed that Women are more likely to report that they reduced spending where required, and men were more likely to report that they worked extra jobs.[10]



**Fig. 8 Financial Behavior on the basis of income. How do respondents make ends meet?**

Figure 8 compares responses to how respondents make ends meet by comparing different income levels. One of the observations that can be made is that those earning low incomes (< AED 2,500 a month) mainly tend to work overtime and attempt to create income frantically from new sources. In contrast, those earning higher incomes can cut back on spending from fungible expenses. Furthermore, those earning higher incomes are the only ones able to take

out new loans, which means that low-income workers may face an income obstacle in taking loans. This is because financial institutions often set high bars for workers to meet to use basic financial products. Between higher salaries above AED 3,000 being required, banks often set many requirements, such as previous bank statements and reference letters for new accounts to be opened.[9]



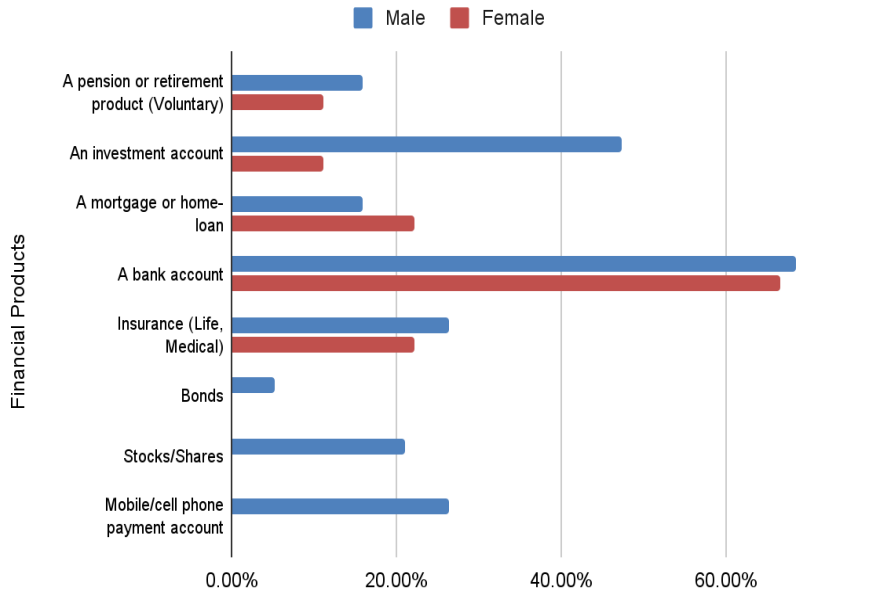
**Fig. 9 Financial Behavior on the basis of education. How do respondents make ends meet?**

Similar to that income, the more educated respondents tend to have the ability to cut back on fungible spending in order to create capital where required. Only respondents who had received some form of university-level education reported that they had savings to draw money out of for the shortcomings they faced. A leading study on the topic of financial literacy established financial literacy theory that improved levels of financial literacy in individuals led to better financial behavior.[11] Yet, it was more frequent among pre-university respondents to get advances from employers over those who had attended some form of the

university programme. Typically, salary advances are considered informal and are unlikely to be present in formal establishments. Instead, those who were more educated were likely unlikely to take advances due to a lack of availability of advances in formal establishments.

**3.4. Financial Product Knowledge**

The following graphs display responses to a question about which financial products respondents invest their money. The graphs have been compiled to compare responses on Gender, Income, and Education.



**Fig. 10 Financial Behavior on the basis of gender. Which financial products have respondents invested in?**

Among financial products available, bank accounts were the most popular among all respondents, with more than 60% of respondents owning and operating one. However, among more financially-savvy saving options, only male respondents claimed that they had invested in bonds or stocks. Furthermore, under 20% of respondents had invested in some form of pension/retirement product, indicating a lack of financial goal-setting among respondents, regardless of gender. Agreeing with Monticone et al., it is clear that male respondents were more likely to invest in formal financial products.[10] This could be due to attitudes prioritizing male education over female education in developing countries such as India. Pew (2022) showed that a large margin of 43% of respondents to research conducted believed that financial

management was a responsibility that fell to the men of the household.[12] It follows then that such families would only equip the male children with the knowledge needed to invest in formal financial products, which the OECD framework associates with higher financial knowledge.

When comparing responses based on income, there are few differences between responses. One key observation is that those earning higher incomes were more likely to invest in mortgages, yet low-income respondents were more likely to invest in investment accounts. However, the proportion of respondents who were investing in insurance was the same across both income ranges, indicating that other factors influence investment in insurance more than simply income.



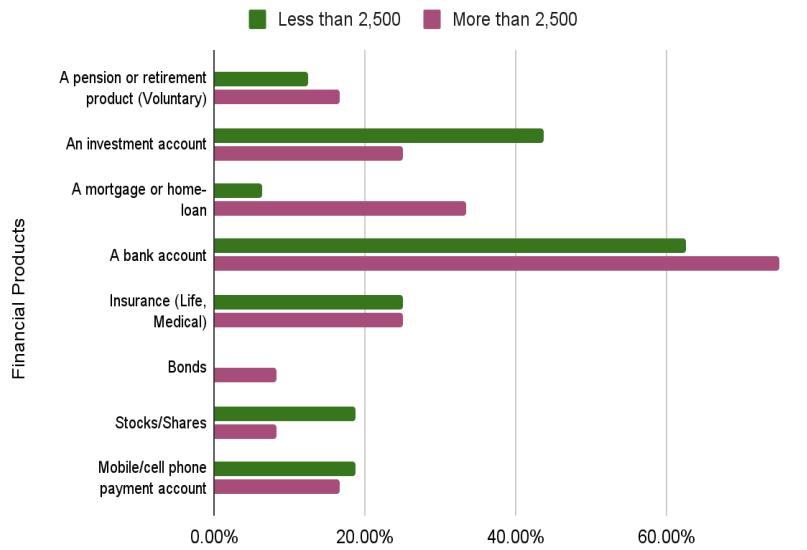


Fig. 11 Financial Behavior on the basis of income. Which financial products have respondents invested in?

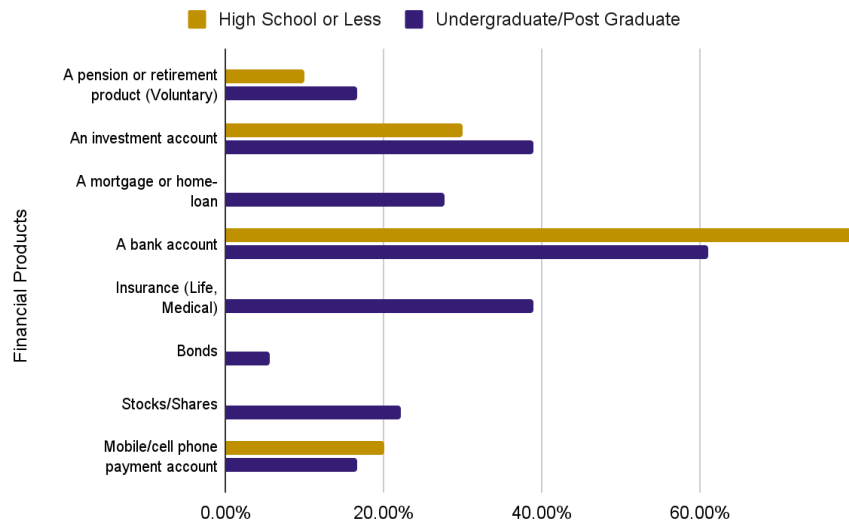


Fig. 12 Financial Behavior on the basis of education. Which financial products have respondents invested in?

When comparing responses across education levels, displays of apt financial literacy and knowledge are clear. Only those who had attended graduate-level programmes were investing in Stocks, Bonds, Insurance and Home loans, whereas for those who had only attended up to a high school level, a bank account was a more common way to save. Insurance is a vital part of financially sustainable living, as it helps cover a large number of unexpected costs in the case of an emergency. A low number of respondents reporting that they have invested in it signifies a lack of awareness of the importance of the product.

### 3.5. Financial Knowledge

As per the established methodology, the questionnaire contained questions aimed at testing respondents' knowledge. These were questions on basic financial concepts, such as inflation and interest rates, with a few requiring respondents to carry out basic calculations. The average score (out of 7) has been displayed as well as the average scores of both genders, income groups and respondents sorted by education level.

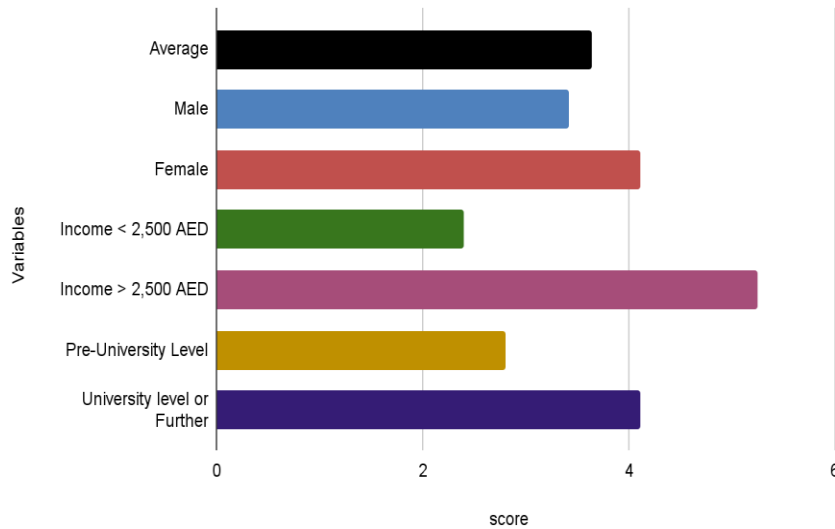


Fig. 13 Average Financial Knowledge Scores (Out of 7), sorted for each socio-demographic

As shown, there are some major differences in financial knowledge between respondents. For one, Female respondents scored higher on average than male respondents. Furthermore, income and education tended to be decisive factors among financial knowledge scores. Those earning above 2,500 AED scored significantly higher in financial knowledge than those earning under 2,500 AED a month. It can likely be explained by the fact that such workers are often required to be more qualified to earn higher wages. The trend reinforces that those who attended graduate-level programmes also scored significantly higher than those who had only attended until a grade in high school. It is possible that some of the more complex concepts, such as inflation or risk diversification, are only taught by higher education institutes but not by high schools.

#### 4. Conclusion

The main conclusions can be drawn from patterns in financial literacy among respondents. As expected, some patterns can be seen, such as better financial literacy among higher income groups and higher educated respondents, yet some common shortcomings exist.

For one, methods of saving and investing are quite primitive among respondents. A majority of respondents, regardless of demographic, chose to keep in a bank account or with family members, with a deficient proportion of respondents choosing to save long-term in forms such as pension schemes and fixed deposits (bonds). A program

aiming to raise financial literacy levels in this demographic may target raising awareness on the benefits of investing for the long term. One such program that does this is SmartElder, a subprogram of SmartLife, an NGO meant to inform migrant workers of the lowest incomes on the importance of saving for the long-term and connecting them with institutions such as the State Bank of India to help save in bank accounts.

Furthermore, during financial shortcomings, a very small proportion of respondents could easily cut back on spending or remove money from savings to cover expenses, instead requiring working overtime to create new capital. Such is often the result of poor financial planning, where workers likely overspend casual expenses, not leaving sufficient capital to cover bills and overhead expenses. Combined with a low number of respondents claiming to put money aside for bills every month, one way to aid such a demographic would be to develop a tool that allows Low-income MWs to plan and break down their income into buckets based on different expenses.

Another conclusion that could be drawn was the lack of financial literacy among particular groups. Female respondents responded with significantly less knowledge in some areas of financial behavior, such as using saving instruments. Policies worldwide have aimed to raise financial education levels among girls and women, and the map below highlights where these policies have been implemented.[10]

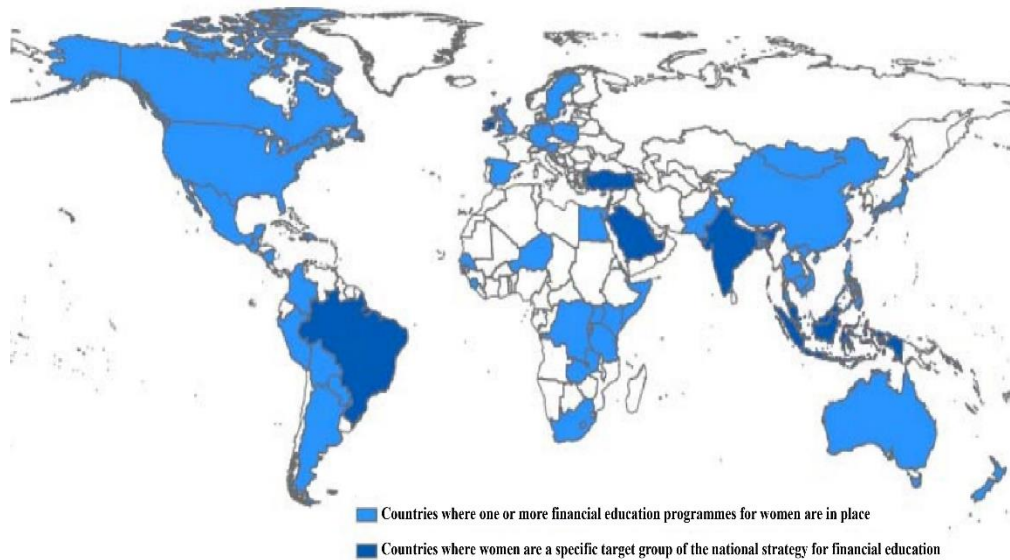


Fig. 14 Presence of programmes for financial Education for Women [10]

A large number of middle eastern countries, including the UAE, have not yet introduced policies for financial education that recognize women as a demographic that would benefit from such programmes.[10]

Another common trend that is visible is the different levels of financial education between those educated at a collegiate level against those who have only attended a certain degree of high school. This pattern is most identifiable in Figures 6 and 9, which showcase how those who are further educated are more likely to have fungible spending that they can cut back on and invest in the broader range of investment forms.

## 5. Limitations

Regarding data collection, it is difficult to replicate the scales at which a number of financial literacy data collections are conducted. There are roughly 9 million migrant workers within the United Arab Emirates, and the 28 served cannot accurately reflect the behaviors of all other workers. As a

result, this study cannot provide an unbiased representation of the entire population but rather give a brief glimpse into the financial lifestyles of the demographic.

Furthermore, most of the data were collected through quantitative format; it did not allow respondents to explain their unique socioeconomic backgrounds and history in-depth. As a result, the information provided does not account entirely for the nuances of workers' backgrounds and generalizes to identify trends rather than explain individual situations.

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