

Mediating Role of Financial Literacy in Relationship between Financial Stress & Financial Resilience among MSME in Bangalore¹

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Abstract

The outbreak of COVID-19 virus brought down the economies of various countries and the livelihoods of the public. World economy witnessed a lower amount of the economic growth. Indian economy also fared poor during the pandemic. The pandemic generated unemployment, job loss, pay cut, and closure of many business organizations in India. Unemployment and low income caused psychological stress and financial stress among the public and among the businessmen especially micro, and small entrepreneurs (MSEs). The Indian economy is bouncing back to normalcy. MSEs exhibit stronger resilience during the hard time. The study is interested to measure and analyse the determinants that promote financial resilience among the MSEs in India. Based on existing literature, financial literacy is chosen to study the nexus between financial stress and financial resilience of the entrepreneurs.

JEL Code : G4, G41, G5, G55

Keywords : Financial stress; Financial literacy; Financial resilience; Entrepreneurs; India

I. Introduction

THE COVID-19 PANDEMIC has been a black swan event which has happened in recent times. Black swan event is a unforeseen event that causes devastating consequences (Deloitte, 2020). The COVID-19 crisis has overturned the wellbeing and economic conditions of the individuals across the globe including India. The pandemic caused a severe damage to the economy of

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requirement to mitigate financial stress and to improve financial resilience of entrepreneurs. This study's results facilitate the government and policy makers to recognize levels of financial stress and financial literacy of MSEs during the pandemic. Furthermore, this study results help in framing policy responses towards mitigating financial stress and enhancing financial literacy among micro and small entrepreneurs. Future studies can focus on financial stress and financial resilience of women small entrepreneurs in India. Similarly, financial stress and financial resilience of MSEs in post-pandemic period across various sectors in India.

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Annexure
Interview Questions

Section - A

- | | | | |
|----|----------------------------|---------|--------|
| 1. | Gender | Male | Female |
| 2. | Age | | |
| | 19 to 24 years | | |
| | 25 to 40 years | | |
| | 41 to 56 years | | |
| | More than 56 years | | |
| 3. | Marital status | Married | Single |
| 4. | Education | | |
| | Up to HSC | | |
| | Undergraduate | | |
| | Postgraduate | | |
| | Others | | |
| 5. | Annual income | | |
| | Up to Rs 2,00,000 | | |
| | Rs 2,00,001 to Rs 5,00,000 | | |
| | More than Rs 5,00,000 | | |
| 6. | Type of business | Micro | Small |
| 7. | Place of business | Rural | Urban |
| 8. | Nature of business | | |
| | Manufacturing | Service | Trade |

Section - B

9. Choose the most suitable choice given against each statement

SDA - Strongly Disagree, DA - Disagree, N - Neutral, A - Agree, SA - Strongly Agree

Statements	SDA	DA	N	A	SA
I feel depressed because of my financial situation caused by the pandemic.					
I feel sad because of my financial situation during the pandemic.					
I am fearful because of my financial situation.					
I feel anxious because of my financial situation.					
I worry a lot because of my financial situation.					
I am easily irritated because of my financial situation.					
I feel emotionally drained because of my financial situation.					
I feel frustrated because of my financial situation.					
My financial situation affects my daily life					
I often get into trouble because of my financial situation					
I avoid social events due to financial situation					
My financial situation disturbs the relationship with relatives and friends					
I often argue with my spouse/significant other because of financial matters.					
I find it difficult to talk about money with my spouse/significant other.					
I avoid family events due to financial situation					
I have stomach aches frequently because of my financial situation.					
My heartbeat increases when I think on my financial situation.					
I feel cold when I think on my financial situation.					
I have more sweat because of my financial situation.					
I have more frequent muscle pain because of my financial situation.					
I have fatigue frequently because of my financial situation.					
I am sensitive to noise because of my financial situation.					
I find changes in my body due to my financial situation					

10. Suppose you borrow INR 10,000/- from the bank @24% P.A. How much interest will you pay in a year?
11. Suppose you borrow INR 1000/- from pawn broker by pledging your gold(jewel). The pawn broker specifies 18% rate of interest P.A if it is repaid within a month. If it is repaid after a month the customer must pay 24% interest P.A. Suppose you pay at the end of second month, how much interest would you pay?
12. Your opinion on the following statements

Statements	DSA	DA	N	A	SA
I can operate bank/ post office a/c on my own					
I usually pay my bills, interests, other dues on time					
I always plan and monitor my household expenditure					
I have long term financial goals					
I have no reservations/ hesitation in borrowing					
I buy on impulse/ I am shopaholic					
I tend to live for today and let tomorrow take care of itself					
I put my money into different investments					
I need to risk more to earn more (chit funds etc.,)					
Financial planning facilitates savings					
I accept my spouse's opinion on money matters					
I can choose profitable investment avenues					

Section - C

13. Your opinion on the following statements

Statements	DSA	DA	N	A	SA
I have adequate income even after the pandemic					
I save regularly					
I have adequate amount of savings and liquid financial assets to meet the income shock caused by the pandemic.					
I can manage my expenditures by using my savings for next three to six months even though my income is zero.					
I can cope with an unexpected large expenditure in future					
I have availed debts from formal financial system					
I can borrow from formal financial system even today					
I can borrow from friends and my relatives when need arises.					
I have not defaulted any of my debts continuously for more than three months					
I feel that the debts burden me a lot					
I am very much concerned about my debts					
My financial situation has worsened this year compared to the previous year					
I have cut short my expenses due to my financial problems					
I have a peaceful and happy life					
I am highly satisfied with my life					
I have a bright financial future					
I do not need any financial support from the government to manage the crisis caused by the pandemic have a well-established social network and connections.					

Source : Self Constructed