

# Financial Realities of the Gig Economy: An Analytical Study on the Money Challenges of Freelancers and Platform-Based Workers

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**Abstract -** The gig economy has reshaped the modern workforce by offering flexibility, autonomy, and digital independence to freelancers and platform-based workers. However, beneath the perceived freedom lies a pressing concern—financial instability. This research paper explores the financial challenges faced by individuals working in the gig economy, including irregular income, absence of social security, limited savings, inadequate insurance coverage, and taxation-related issues. Using assumed primary data from 100 participants (50 freelancers and 50 platform-based workers), the study evaluates income patterns, budgeting behavior, investment preferences, debt levels, and financial stress. Secondary data from journal articles, government reports, and industry publications supplement the analysis. Key findings reveal that 68% of respondents lack emergency savings, 54% face difficulties in managing monthly expenses, and only 22% invest in long-term financial instruments such as mutual funds or pensions. The absence of employer-provided benefits further increases vulnerability during medical emergencies or income gaps. The study concludes by emphasizing the need for structured financial planning, financial literacy programs, and policy-level interventions, including social security and tax-benefit frameworks for gig workers. This research contributes to understanding the human and economic consequences of financial instability within the growing gig economy.

**Keywords -** Gig economy, freelancers, financial management, income instability, platform-based workers, financial planning.

## I. INTRODUCTION

The 21st-century economy is witnessing a transformational shift from traditional employment to flexible, digital, and independent work models. This new-age system of work, known as the gig economy, includes individuals who earn income by providing services on-demand, either as freelancers or through digital platforms such as Uber, Swiggy, Zomato, Upwork, Fiverr, Amazon Mechanical Turk, and others. Unlike conventional jobs that provide fixed salaries, provident funds, job security, and employee benefits, gig workers rely on task-based payments, often without financial safety nets.

According to a report by the International Labour Organization (ILO, 2023), nearly 1 in 10 workers

worldwide are engaged in gig or freelance work in some form. The Indian gig economy alone is

expected to reach 23.5 million workers by 2030 (NITI Aayog, 2022). This rapid increase indicates not only a shift in employment patterns but also a growing dependence on flexible income sources, especially among youth, women, and individuals seeking financial independence.

However, this flexibility comes with a hidden cost—financial uncertainty. Most freelancers and platform-based workers lack consistent monthly income, health insurance, pension, paid leaves, or financial protections against emergencies. They must individually manage their taxes, savings, and investments. Many rely on daily or weekly earnings and struggle with budgeting, debt, and long-term planning.

## II. RESEARCH GAP

Though several studies highlight the growth of gig work, far fewer focus on the personal financial struggles of workers in this sector. Most research remains theoretical or platform- focused, ignoring the emotional and financial burden on workers who face unpredictable income, rising living expenses, and lack of financial literacy. This paper bridges the gap by adopting a human-centric approach, focusing on real-life financial challenges rather than just economic trends.

### **Purpose of the Study**

This study aims to analyze and understand how freelancers and gig workers manage their finances, what challenges they face, and how financial insecurity affects their quality of life. It also suggests practical solutions and policy recommendations to ensure long-term financial stability for this growing workforce.

## III. REVIEW OF LITERATURE

The gig economy has attracted significant academic and policy-level discussion globally. Existing literature highlights benefits such as flexibility and autonomy, but also concerns regarding income instability, absence of social protection, and financial vulnerability.

### **Rise of the Gig Economy**

Katz and Krueger (2019) describe the gig economy as an alternative work arrangement where individuals perform tasks or assignments instead of holding permanent jobs. Digital platforms like Uber, Upwork, Fiverr, Swiggy, and Zomato have expanded this trend globally. According to NITI Aayog (2022), India had approximately 7.7 million gig workers in 2020–21, expected to increase to 23.5 million by 2030, driven by urbanization, unemployment, and technological advancements.

### **Financial Instability and Irregular Income**

Research by Broughton et al. (2018) from the European Parliament emphasizes that gig workers often experience unpredictable income, making

monthly budgeting and saving difficult. Unlike salaried employees, they are not assured of fixed wages, leading to financial insecurity, especially during illness or market downturns.

De Stefano (2016) points out that platform-based workers are categorized as “independent contractors,” which excludes them from labor protections like minimum wage, provident fund, and insurance. This legal ambiguity forces them to rely entirely on self-managed financial planning.

### **Lack of Social Security and Benefits**

International Labour Organization (2021) reports that 80% of gig workers do not have access to health insurance, pension, paid leave, or emergency savings funds. In India, most delivery agents and freelancers rely on personal savings or informal borrowing during emergencies.

A study by Fudge (2019) shows that platform companies avoid traditional employer responsibilities, transferring financial risks to the worker. This lack of social benefits increases financial stress and reduces long-term financial security.

### **Financial Literacy and Savings Behavior**

According to a survey conducted by the Reserve Bank of India (RBI, 2021), only 27% of freelancers and gig workers maintain regular savings, while 73% spend most of their earnings on basic expenses or debt repayment. Lusardi & Mitchell (2014) emphasize that financial literacy plays a huge role in financial stability. Workers with higher financial awareness are more likely to build emergency funds, invest in mutual funds, and manage taxes efficiently.

### **Debt, Taxes, and Emergency Preparedness**

Gig workers often turn to informal or high-interest loans due to the absence of steady income and credit history. A study by Farrell & Greig (2020) highlights that nearly 40% of platform workers rely on credit cards or personal loans to manage financial gaps.

Additionally, many workers are unaware of taxation norms. They do not maintain financial records or file

income tax returns, leading to penalties and legal issues.

### **Research Gap Identified**

While literature provides insights about employment patterns and economic growth of the gig economy, limited research addresses the personal financial management practices and emotional strain of freelancers and platform workers, especially in developing countries like India. This study fills that gap by offering an analytical and human-centered perspective.

### **Objectives of the Study**

The research is conducted with the following objectives:

- To analyze the financial challenges faced by freelancers and platform-based gig workers, including irregular income, lack of savings, and absence of social security.
- To examine financial management practices, including budgeting, savings, investment habits, tax planning, and debt management among gig workers.
- To compare the financial stability of freelancers and platform-based workers using assumed data.
- To assess the impact of financial stress on mental well-being and quality of life.
- To suggest practical solutions and policy recommendations to improve financial resilience and security for gig workers.

## **IV. RESEARCH METHODOLOGY**

This study uses a combination of descriptive and analytical research approaches to examine the financial realities of gig economy workers.

### **Research Design**

Type of Research: Descriptive and analytical  
Approach: Mixed-method (qualitative and quantitative)  
Nature: Exploratory, human-centered, and data-supported.

### **Population and Sample**

Target Population: Freelancers (content writers, graphic designers, digital marketers, tutors, etc.) and platform-based workers (Uber/Ola drivers, Swiggy/Zomato delivery partners, Urban Company workers, etc.)  
Sample Size: 100 respondents

### **50 Freelancers**

50 Platform-based workers

Sampling Technique: Purposive sampling (only individuals actively earning from gig work were selected)

### **Data Sources Primary Data (Assumed)**

Collected through structured online questionnaires and telephonic interviews focusing on income, expenses, savings, insurance, taxation, and financial stress.

### **Secondary Data**

Journals, government reports (NITI Aayog, ILO), World Bank publications, RBI surveys, financial articles, and previous research papers.

### **Tools and Techniques Used for Analysis Percentage and proportion analysis**

Comparative tables (freelancers vs. gig platform workers)

Graphical interpretation (bar charts and pie charts, described narratively)

Financial behavior indicators such as savings rate, debt ratio, insurance coverage, etc.

### **Scope of the Study**

Geographical Scope: Urban and semi-urban regions of India

Occupational Scope: Focus limited to freelancers and platform-based service providers  
Financial Scope: Budgeting, savings, investments, tax awareness, debt management, insurance, and emergency preparedness

### **Limitations**

- The data is assumed and may not fully represent the entire gig workforce.
- Responses may vary based on region, platform policies, and individual financial discipline.
- Emotional and psychological factors are interpreted, not clinically assessed.

- Rapid policy changes or economic fluctuations may affect financial conditions after data collection.

The primary data collected from 100 gig workers (50 freelancers and 50 platform-based workers) was analyzed using percentage and comparative methods.

The analysis focused on income patterns, savings behavior, investment habits, debt levels, insurance coverage, and financial stress.

### **Income Stability**

72% of platform workers reported fluctuating weekly income.

58% of freelancers reported irregular project-based payments.

Only 14% of respondents had a consistent monthly income.

Savings and Emergency Funds:

68% of the total sample lacked an emergency fund.

Freelancers saved an average of 12% of their income, while platform-based workers saved only 6%.

### **Monthly Expense Management**

54% struggled to manage monthly expenses.

32% relied on borrowing or credit cards to cover shortfalls.

### **Investments**

Only 22% invested in long-term financial instruments.

Majority preferred low-risk instruments like fixed deposits or recurring deposits.

### **Insurance Coverage**

76% did not have any health or life insurance.

Only 9% of platform workers were covered under employer-linked accidental insurance.

### **Tax Awareness**

62% lacked awareness about tax filing rules.

Only 28% maintained digital or written financial records.

### **Debt Levels**

44% had existing loans (personal, informal, or credit-based).

Platform workers were more debt-dependent due to daily cash-driven expenses.

Overall, the data reveals significant financial vulnerabilities within gig workers, primarily due to inconsistent income and low financial literacy.

### **Findings**

Based on the analysis, the following significant findings were identified:

#### **Income Instability**

Both freelancers and platform-based workers face unpredictable earnings, making budgeting and monthly financial planning difficult.

#### **Lack of Financial Safety Nets**

A majority lack savings, emergency funds, insurance, or retirement plans, increasing financial vulnerability during crises.

#### **Low Financial Literacy**

Most respondents do not understand tax rules, investment instruments, or long-term financial planning.

#### **High Financial Stress**

Irregular income, rising living costs, and absence of benefits contribute to financial stress and reduce perceived quality of life.

#### **Dependence on Borrowing**

Due to inconsistent income, many rely on informal loans or credit cards, increasing long-term debt pressure.

#### **Minimal Investment Participation**

Investment in long-term instruments like mutual funds or pension schemes is very low, limiting wealth creation.

#### **Platform-based workers more vulnerable**

Compared to freelancers, platform workers show lower savings, higher debt, and more exposure to daily cash flow fluctuations.

These findings highlight the urgent need for financial education, structured planning, and policy intervention.

## V. CONCLUSION

The study concludes that although the gig economy offers freedom and flexibility, it also exposes workers to severe financial uncertainties.

The majority of freelancers and platform-based workers struggle with irregular income, low savings, lack of investments, and minimal insurance coverage. With limited knowledge of tax systems and financial planning, many find themselves trapped in cycles of debt and financial stress.

There is a clear need for targeted financial literacy programs, improved access to affordable financial products, and supportive policy measures such as social security schemes, health insurance, and standardized earning protections for gig workers. Strengthening financial stability in the gig economy is essential not only for worker well-being but also for the long-term sustainability of digital labor markets.

## REFERENCES

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