



Impact of Pandemic (Covid-19) on Saving and Investment pattern: A study on investors of Pune City.

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Abstract:

Covid-19 Pandemic has impacted the whole world in all respect to the entire humanity. However, it has also a huge effect on the savings and investment of people due to huge impact on income and liquidity position. It has disrupted our spending habits and preferred investment also. Now people cautiously spend money pondering - how, when and where to spend. Due to above the change in spending and savings are quite obviously happened. Worldwide/Nationwide lockdowns helped to reduce the massive spread of Covid-19 but it disrupted the entire business activity which made business and job to suffer at a greater extent. In this challenging scenario, saving and investment has emerged as two strong pillars of our economy that helped to sail through in survival from pandemic. Savings in general is a deep rooted and ancestral prudence in our country. It has saved us several times from economic disaster since centuries. The purpose of writing this is to analyse the effect of Covid-19 impact on Saving habits of individuals in Pune. The aim is to understand to what extent did savings help a normal citizen ride out the massive storm of Covid-19 and what are the changes have happened in the saving and investment patterns.

KEY WORDS: COVID 19, Pandemic, savings, investment

Introduction:

Believed to be incepted in Wuhan city of China, COVID -19/Noble Corona Virus, an infectious disease has assumed the title of pandemic due to the speed with which it is growing and the effect that it has on life. Covid- 19 has affected millions of people across the world and

claimed lakhs of lives, leaving families broken and the world deeply wounded. Virtually, it has brought the world on standstill. Apart from its effects on the physical health of the people, it has also hit very hard to the economy where it hurts the most. It has affected the pockets of almost every stratum of the society leaving thousands jobless and without a steady source of income. As India took a very aggressive stance to slow the spread of Covid 19, the economic activity came to a halt and has brought it to its knees. With reduced mobility, and disrupted supply chain management, businesses across all sectors have had to scale down their operations drastically, lay off employees or reduce salaries. The muted economic activity and ceasing of multiple businesses has forced us all to rethink the role of saving and investment in our everyday lives and for future. Many families and individuals have had to dive in to their meagre savings to sail through this uproar of Covid 19, and this has once again highlighted the benefits of smart saving and investment. In this article, we will try to analyse the effect Covid 19 has had on the saving and investment and preferred avenues for investments due to this catastrophic impact with global ramification. Let us first understand the different level of effect on different dimension of life.

RESERACH METHEDOLOGY:

To fulfil our objective, the methodology adopted is to visit various areas in Pune, Maharashtra seeking opinion of the population about their life before and during Covid-19, their income source, and stability and saving patterns. Pune city proves to be an excellent research and sampling area due to its growing urbanization on the one hand to its industrialization in the other hand. It has earned its name as a growing educational hub for the country while at the same time is a home to various businesses both old and start-ups. Pune city has therefore seen the effect of Covid-19 on its economic activity, on its jobs and its businesses.

Tools and Techniques: Information and data was collected by visiting various places in Pune like, Magarpattacity, Kalyani Nagar, Deccan, Hadapsar, Kothrud etc. surveying 211 citizens across all generations of people engaged in different kinds of activities (businesses-old and start-ups, jobs- government or private, daily wage workers, domestic help and self employed professionals.

Following information was collected from the research :

Effect of Covid-19 on various working sectors: Covid-19 effect can be seen among people working across all above sectors but the scale of its effect varies across all sectors. The worst affected are daily wage earners and citizens engaged as domestic help because they were the least prepared for the calamity and because they were the first to lose their employment. Many were left in such sad states that they had to resort to begging which otherwise would

have been a taboo were the. Many waited and continue to wait for government's support for their daily survival. We were made to understand from the beginning of our career through our parents/relatives about importance of saving money. In the initial years, saving is little difficult as we have just started to earn limited money and we want to buy each and everything that we like. Covid-19 has taught us to save more and spend less. Nowadays, people are not spending more due to lockdown (www.timesofindia.indiatimes.com). They are not shopping, not spending on leisure, not travelling and neither are they eating outside food. People are getting pay cuts, losing jobs, etc. So now, people are spending only on necessities like grocery, vegetables, etc., rent, education, insurance, EMIs, etc. There is change in the behaviour of Indian consumers now there are no impulse buying and discretionary expenses have reduced (Chakraborty,2020). The situation has made us realised that financial planning is very important. One must create an emergency fund which should be at least 6 months of the expenses (Bopche,2020). One should start investing in liquid instruments or recurring deposits or SIPs because as of now, it is essential to hold cash. By investing in liquid assets, one gets a minimum return as idle cash earns nothing. One should increase the savings with the increase in income. People are concerned that their savings will finish soon. It is found that few people are saving more as now they do not have access to spend due to lockdown situation on the other hand it is also observed that few people are not able to save due to pay cut. It is also discovered that due to COVID-19, few people have withdrawn their savings like fixed deposits, recurring deposits, etc. This is not the time to borrow so you must delay your expenses like buying car or home, etc. As per RBI report, now the people are hesitant to take loans, education loan reduced by 0.8%, personal loan by 2.9%, vehicle loan by 2.7% and home loan by 0.7% (www.financialexpress.com). A survey revealed that the nowadays people are more concerned about job security (Singh, 2020). According to a survey conducted by BankBazaar, it was revealed that 52% respondents are giving more importance to savings, investment and repayment of debt (Chakraborty,2020). According to a survey done in March 2020 from 769 respondents belonging to Delhi-NCR, Uttar Pradesh, Madhya Pradesh, Jharkhand and Bihar revealed that they don't have any sort of savings to compensate for the business or occupation misfortune that they will endure as a result of the Covid-19 in India (Mishra, 2020). People are not ready to invest in this situation. Individuals don't have cash to spare. If the current situation continues for another few months, at that point individuals will be compelled to take their reserve funds to purchase essential products for their existence. The pandemic has caused tremendous ramifications on common Indian lives and on their savings and investment pattern (Jose,2020). All the markets and malls are opening but crowd is less due to be cautious on where to spend. Let's hope that the saving habit of young people may continue even after this pandemic is over.

The COVID-19 financial impact on the Indian market/Economy

The impact of COVID-19 has had far-reaching effects on the Indian market. The major brunt of the economic crisis is being shouldered by the country's citizens. So far, the Covid-19 financial impact has been negative and led to the following:

1. Sudden rise in unemployment rates: Due to lockdowns & several other restrictions majority of the industries were shut down. It has created the continuous rise of unemployment rates. It is one of the main side effects of the Covid-19 economic loss. Citizens continue to lose their jobs/business/livelihoods. Those in the informal work sector are experiencing the hardest of economic hardship. As daily wagers/unorganized sector function are at standstill. Specially the work force engaged in construction, real estate, trade, transport and manufacture seem to have suffered the Covid-19 financial impact the most. They are struggling for their both ends meet. Even house maids, drivers, servants, small traders, street vendors are finding it very difficult to survive due to restrictions were put on the movements and logistics. Start-ups and unorganised sector took a massive blow due to the disrupted supply chain, unable to pay off their employees or even pay EMI's of their loans.

2. An empirical Crash in GDP: It is a special phenomenal affect on economy.

India's GDP was already facing a massive slowdown in the past years. But the arrival of the pandemic has led the country's GDP towards a new low. In April-June, the National Statistical office recorded a contraction of -23.9% of India's GDP rate. It is evident from these numbers that the intensity of the Covid-19 economy loss is set to get worsen. However, there is massive recovery has been observed during October-December quarter due to phased removal of restriction and opening of industries. Accordingly the shrink on GDP has been estimated to around 9% for the financial year 2020-21. Old and well settled businesses were also not left untouched. They did however have handsome sums saved up for a rainy day, which was sufficient to ride through the storm but it wasn't enough and hence made it impossible for them to continue paying their employees even during the loss period. Many of them lay off employees, cut-off salaries and even those who were able to take care of their employees had to pay a heavy price for it. The subdued cash flow and uncertain business environment has forced them to take above survival measures. The difficulties faced by businesses had a direct impact on private employees who almost in a day lost their jobs or were forced to work on half or even less salaries. For this sector, saving and investment the most important role as they had to dive into their savings for their survival. Many of them took to menial jobs or started their own little businesses to make their ends meet and manage the gloom created by pandemic.

3. Shattered health infrastructure: Due to sudden outbreak of pandemic and mammoth requirements of health infrastructures, it has created tremendous pressure on citizens, India's public health infrastructure. The absence of ample infrastructure, coupled with the explosive population, has led to poor healthcare practices. Moreover, understaffing in hospitals is putting the burden of treatment on the handful of the country's doctors. As a consequence, even healthcare professionals are facing a harsh Covid-19 financial impact. Several of doctors, nurses, support staffs lost their lives serving the Covid-19 suffering patients.

4. Huge migrations: The work force from metros to rural/native place has happened in bulk which has crumbled the industry. It has created almost chaos on the roads and other mode of transport. Several people lost their lives, near & dear ones due to massive migration through roads. They also faced social boycotts and kept in isolation to control spread of the virus. Citizens employed in government jobs, although did not face the eye of the storm but had to make various life style changes. Pandemic made them more cautious while spending and increase the portion of savings.

How can COVID-19 affect your financial goals as an Individual

Covid-19 has disrupted people's financial aims/planning. This has forced them to reassess their financial inflow and situation. Covid-19 personal finance impact has seen a sharp increase. And in the past few months, the cost of living has become higher due to cascading effect on demand/supply & production.

Major Effect of Covid 19 on saving habits of people under various age groups: Our study showed that while people above 40 years of age already had a habit of saving inculcated in them from the beginning, the young generation and millennials were considerably new to the idea. Their philosophy in life was "living in the moment" and "spending what you earn". But this philosophy changed almost overnight, with Covid-19 bringing their incomes to a halt, making them realize the importance of a small sum of money saved up for a rainy day. More and more individuals below the age of 40 years seemed to be interested in understanding the various ways and techniques of investments, some even hired relationship managers for this purpose.

1. Covid-19 can affect your savings and investments:

Investing money in investment avenues such as the stock market, mutual funds, equity, real estate, fixed deposits, etc. have always been investment avenues and saving options. But, since the start of the year, the loss of jobs has led to a decline in investments. As a result, citizens have suffered a severe COVID-19 personal finance impact.

2. Premium of Insurance to rise as a consequence of COVID-19 economy loss:

Another effect of COVID-19 is the increase in insurance premiums in existing insurance policies. Several insurance companies have put the burden of the Covid-19 economy loss on policyholders. This has put holders of life and medical insurance policies in a fix. By the end of the year, insurance premiums for varying insurance policies will hike up by 10-20%.

3.Unplanned halt to professional/ career goals: One of the drastic Covid-19 personal finance impacts has been the sudden shift in career and professional goals. Those in the early stages of their career like graduates and part-timers are finding it hard to find a job. Those with plans to move out of the country for studies have faced a sudden halt to their plans due to the added financial cost and travel restrictions in most countries. Moreover, middle-aged workers are facing a heavy cash crunch. And retired individuals are at a risk of their savings drying up.

Preferred Investment options during Covid-19: Indian savings contribute to about 60 percent of the country's saving. However, the covid-19 uncertainty has caused rise in forced savings and slow spending. Various ways of saving are available to us, following four assumed the most important in the current pandemic situation:

i. **Health Insurance**-Our research shows that many individuals started investing in health insurance without much hesitation, which is considerably new for our society and is a welcome step and growth in premium/policy observed over 30%.

ii.**Life Insurance**- Covid 19 has shown the absolute uncertainty of life. The plight of families left alone and without earning members is not hidden from anyone. More and more people each day are opting for life insurance, as a means to safeguard their family's future.

iii.**Systematic Investment Plans (SIPs)**-SIP has been gaining popularity with Indian investors for quite some time now but Covid-19 pandemic gave it much more importance. When the small monthly savings in the form of SIPs helped individuals in sustaining these hard times, it led to more and more people adopting SIPs as a way of life.

iv. **Bank Fixed Deposits**- When the entire economy was brought to its feet, the only thing that provided a little solace was that amount of money that was tied up in Fixed deposits in banks. It was safe, easily retrievable and catered to all short term needs of the citizens. For many people, when everything else failed, fixed deposits in bank was the only form of saving that helped them face these difficult times.

Suggestions on how to inculcate the habit of saving: Our research showed consensus among people over all age groups, work sectors that saving was necessary and need of the hour. We took suggestions from individuals about what they considered was the best way to save money so as to invest it for future use. Following are the ten suggestions received:

1. Important to decide on a percentage of your income that will go to the saving fund, in spite of the amount that one earns should be at least 30%.
2. Establishing a budget by realizing one's spending habits and analyzes it every month.
3. To begin Small but consistent.
4. keep your tax returns and find ways for better planning.
5. Stop impulse buying & unsubscribe for marketing emails or websites that lead to impulse buying.
6. Reduce spending on social events like marriage, birthday etc.
7. Sponsor one day a week "as nil expense day".
8. Buy only what is necessary/essential & control habit of stocking in excess, stock only non perishable items available at reasonable price.
9. Regularly check on your utility bills and analyse it.
10. Go Natural & neutral rather on ready made.

Findings in Research:

Noble Corona Virus has put very profound effect on the world, causing an unprecedented health as well as economic crisis. Almost all sectors of people took pay cuts; many became unemployed and suffered irreversible losses in business. The pandemic has once again highlighted the importance of saving and how saving is a tradition in India which has many a times sheltered India from the effects of global economic turbulence. Not just the middle aged and old population, but young adults and millennials too have identified with the importance of saving and are trying to inculcate the habit of consistent saving. The situation is grim and the rainbow at the end of this storm will not be seen for a while, but there is hope with vaccination which is already started. As long as we work together, save and move forward no pandemic in the world can stop us in our journey towards growth and prudent investment continues.

"Not merely saving but prudent investment will decide your financial future"

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