



# IMPACT OF COVID-19 ON SAVINGS PATTERN

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## ABSTRACT

*The catastrophic COVID-19 outbreak wreaked devastation on people all around the world. Lockdown disrupted all economic activity, and many people went days without eating a complete square of food. Many migrant workers, especially those working for private sector businesses, were forced to abandon their employment or accept lower wages or go without compensation. Individuals' savings were depleted as a result of the income decline since they used their savings to cover expenses during the epidemic. They were compelled to flee their homes without any protection or safety. Therefore, this study is being conducted to evaluate the income, savings, and investment behaviours of persons working for private sector enterprises in the fields of education, transportation, and telecommunication during the pre-COVID-19 and post-unlock periods.*

**KEYWORDS:** COVID-19, Households, Income, Savings Motive, Savings Pattern,

## INTRODUCTION

The COVID 19 epidemic has caused a significant loss of human life on a global scale and poses an unparalleled threat to health, employment, and their subsistence. The pandemic has terrible effects on the world. The global spread of the Covid-19 epidemic is a first in our lifetimes. It devastated entire populations, resulting in numerous fatalities and protracted sickness. Global economies, as well as people's physical and mental wellbeing, have all been significantly impacted by the COVID-19 epidemic. With over 2.5 million confirmed cases and an increasing death toll, India has one of the highest rates of COVID-19 infection in the world. Kerala was the location of the initial COVID-19 case discovery on January 30, 2020. However, there has been an increase in the infection's spread since March 2020. In response, the government enacted a nationwide lockdown to stop the sickness from spreading within communities. Every person in India has experienced the closure of a school, a training facility, a hotel, a restaurant, a mall, a movie theatre, a gym, a sports facility, and a place of worship. Food security, public health, employment and labor issues, and particularly worker health and safety, come together in the COVID-19 challenge. The human aspect of the issue must be addressed by upholding workplace safety and health standards, ensuring access to good employment, and protecting workers' rights across all sectors of the economy. India's GDP fell by 24.3% from April 2020 and June 2020.

Estimates of national income indicate that the GDP shrank by 7.4% in the second quarter of 2020–21. The third and fourth quarter recoveries, at 0.5% and 1.6%, respectively, were still quite modest.

## COVID 19'S EFFECTS ON SEVERAL INDUSTRIES INCLUDE

**Primary Sector or Agriculture:** Beginning in March 2020, when rabi crop harvesting was at its high point, India enacted a national lockdown to stop the spread of COVID 19. Although there were fewer limitations in the agricultural industry, the scarcity of labor owing to migrant workers returning to their home countries and transportation restrictions have caused confusion for farmers.

## MANUFACTURING OR SECONDARY SECTOR

The GDP and employment in the economy are mostly driven by the manufacturing sector. Because of weak consumer demand and insufficient finance options, the car industry, which makes up 50% of the industrial sector, was



already struggling before COVID 19. According to the reports, the Automobile sector is predicted to see a reduction owing to COVID 19 of between 22% and 35% in a variety of industry segments for FY21, conditional on GDP growth of 0%.

### SAVINGS PATTERN BEFORE COVID-19

Financial Assets Vs Physical Assets: Which are our preferred Assets? From 1990 to 2000, Indian households preferred to invest in Financial assets to Physical assets. From 2000 to 2007, more savings were routed to Physical assets. Interestingly in 2007/08, more investments were made in Financial assets. This shows that retails/small investors participated in stock markets when their valuations were at peak. The markets eventually crashed in 2008.

- From 2008 to till 2015, we preferred physical savings to financial savings.
- The Domestic Savings of household sector have seen a considerable increase from Rs 2474913 crore in 2015-16 to Rs 3446760 crore in 2018-19.
- The Gross Financial Savings during 2015-16, 2016-17, 2017-18 & 2018-19 were Rs 1496232 crore, Rs 1614677 crore, Rs 2061033 crore & Rs 1995706 crore.
- We can notice that the gross financial savings decreased slightly when we compare the data of 2018-19 Vs 2017-18.
- The savings in Physical Assets were around Rs 1317599 crore, Rs 1594573 crore, Rs 1912803 crore & Rs 2180798 crore during 2015-16, 2016-17, 2017-18 & 2018-19 respectively.
- The savings in Physical assets have seen a steep increase in 2017-18.
- We can notice that the savings in physical assets steadily increasing from 2015 to 2019.

The above recent years data indicates that there has been an uptick of savings in Physical Assets and Financial Assets in 2017-18 when compared to the figures of 2016-17. However, physical assets outscored savings in Financial securities in 2018-19.

Saving in the form of gold and silver ornaments decreased from Rs 41489 crore (2017-18) to Rs 35778 crore (2018-19).

**Table:01 People Saved**

Financial Assets of the Indian Households (2012-18) (in Rs Billion & at approx current prices)					
Year	Bank Deposits	Non-Banking Deposits	Life Insurance Funds	Provident & Pension Funds	Shares & Debentures
2012-13	5,751	279	1,799	1,565	170
2013-14	6,393	228	2,044	1,778	189
2014-15	6,027	289	2,992	1,908	203
2015-16	6,220	182	2,660	2,917	448
2016-17	9,418	250	3,491	3,020	362
2017-18	4,753	208	3,272	3,496	1,509

\* Life Insurance Fund includes Central or State Governments employees' insurance funds and postal insurance funds.

\* Shares and Debentures include investment in shares and debentures of credit / non-credit societies, public sector bonds and mutual funds.

(other than Specified Undertaking of the UTI).

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### SAVINGS PATTERN POST COVID-19

Covid-19 has had an impact on everyone in the world, including a significant impact on personal savings. It has even changed the way we spend; now, people consider how, when, and where to spend. We have been urged to put money aside ever since we began our careers. Saving is not tough in the early years because we are just starting to make money and want to buy everything we want. We have learned to spend less and not waste more money because to Covid-19.

Because of lockdown, people aren't spending more these days. They aren't travelling, eating fast food, shopping, or spending money on leisure activities. Future is always unclear, and Covid-19 is the most uncertain circumstance right now. Today, both our way of living and our spending patterns have altered. People are experiencing income reductions, job losses, etc. People are now only spending on necessities like groceries, vegetables, etc. as well



as rent, education, insurance, and EMIs. Indian customers' behavior has changed; they no longer make impulsive purchases, and their discretionary spending has decreased. Things have caused us to realize how crucial financial planning is.

With an increase in income, one should increase their savings. People worry that their savings will soon run out. Fewer people are discovered to be saving more as a result of the lockdown situation, which prevents them from being able to spend.

On the other side, it's also been noticed that not many people seem to be able to save. Additionally, it has been found that few people have withdrawn their savings, such as fixed deposits and recurring deposits, as a result of COVID-19. Often, now is not the time to borrow, therefore you should postpone expenses like home or automobile purchases, etc.

According to the RBI data, people are currently less likely to apply for loans. As a result, applications for consumer loans, education loans, car loans, and home loans all decreased. According to a survey, individuals are increasingly worried about their jobs. According to a BankBazaar survey, 52% of respondents are placing a higher priority on saving money, investing, and paying off debt. According to a poll conducted in March 2020 with 769 respondents from Delhi-NCR, Madhya Pradesh, Jharkhand and Bihar revealed that they do not have any form of savings to complete the business or occupation misfortune that they're going to endure as a result of the Covid-19 in India.

It appears that people are unable to invest at this time. People don't have extra money to spare. If this situation persists for a few more months, people will be forced to use their reserve monies to purchase items that are necessary for their survival.

The pandemic has had a significant impact on everyday life in India as well as savings and investment habits. The markets and malls are all reopened, but we must be careful where we spend our money. In order to increase retirement life, secure the future of one's children, and provide insurance against unforeseen disasters, precautionary savings are established. Rural residents save money mostly through post office and bank deposits as a precaution. They occasionally buy gold jewelry as a precaution for the future. Similar to this, they design a perfect savings strategy for their children's futures, including marriage, education, and job planning. Additionally, they emphasize getting a contract as a risk reduction measure to support their families in the event of their passing. Rural households currently use a small amount of their emergency funds to cover emergency needs. Secured life savings are started with a desire for luxury, financial independence, and wealth creation.

**Where people are saving now:** Income in any form is very essential in the life of every individual. It can be earned by any individual from various sources. Salary is the only source of income, which is normally presumed to be the consistent and regular source of income by its nature. But a COVID-19 pandemic disproved our assumption relating to salary income.

Many salaried employees, specially those engaged in the private sector undertakings faced the problems such as loss of employment, reduced payment and also delayed payment, due to shutdown in the business activities during lockdown period. Since income is not guaranteed and also not regular, their savings also depleted to the greater extent, leading to reduced investments by these salaried employees. The amount of money saved by them before COVID pandemic was used to the maximum extent for the consumption purpose, and also to meet emergencies.

After the pandemic is subsided, all the business activities slowly resumed and employees were back on their jobs. But the amount of earnings of employees working in private sector enterprises is not to the level as before the pandemic. During this situation, their savings and investment patterns have seen a drastic changes.

Preliminary estimates show household financial savings rate sequentially fell to to 10.4 per cent of GDP in Q2'2020-21 from the high of 21.0 per cent in the preceding quarter.

With the gradual reopening/unlocking of the economy, households have switched from an 'essentials only' approach to discretionary spending, which is also reflected in the reduced pace of contraction in private consumption to 11.3 per cent compared with 26.3 per cent contraction in Q1:2020-21, leading to the moderation of household financial savings from the peak in the previous quarter. Reserve Bank's consumer confidence survey of November 2020 round showed a marginal improvement over the all-time low recorded in the September 2020 round, indicating scope for further moderation in household financial saving, going forward. Also, advances by commercial banks at end-December displayed a significant pick up of 2.7 per cent on a quarter-on-quarter basis from a tepid growth of 0.2 per cent in the previous quarter while deposits moderated to 1.5 per cent as against 2.9 per cent.

Credit flows in personal loans of scheduled commercial banks (SCBs), vehicle loans, consumer durables and credit cards turned the corner by posting positive growth in Q2:2020-21 as against a contraction in the previous quarter. The credit growth for housing strengthened further to 1.3 per cent in Q2:2020-21 from 0.4 per cent in Q1.



The pandemic COVID -19 troubled all the economic activities throughout the globe. Lockdown brought all the economic activities to a stand still. Many people had to spend days without having sufficient food, due to unemployment and also due to non payment of remuneration. This pandemic troubled private sector salaried employees to the greater extent. Their income, saving and also investment patterns were presumed to be affected to the greater extent. Hence this research study is carried to assess their pattern of income, savings and also investment during pre COVID -19 lockdown and post unlock periods. It is found that there is a significant difference existing in the income, savings and also investment patterns of these private sector salaried households. But there is no significant change in their patterns of expenses. Hence, it is recommended to the government to ensure guaranteed income and reduced expenses.

## CONCLUSION

The goal of the study was to evaluate the transformational effects of COVID-19 on households' savings pattern. In general, rural households prefer to save more money at home in order to pay for immediate expenses. Compared to urban citizens, rural residents had fewer options to earn during this pandemic. The emergence of COVID-19 raised the cost of necessities while lowering health safety. Additionally, it caused fear, which compelled them to start saving money for their family's protection, including food, healthcare, and other necessities of well-being.

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