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A STUDY ON THE IMPACT OF COVID 19 ON FIXED INCOME GROUP OF KERALA

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ABSTRACT

The COVID-19 pandemic caused widespread economic disruptions, significantly affecting the financial stability of fixed-income earners in Kerala. With strict lockdowns, job uncertainties, and rising healthcare expenses, many individuals struggled to maintain their savings. Essential household costs and medical emergencies led to a notable decline in savings for a majority of fixed-income groups. However, the pandemic also limited discretionary spending on non-essential activities such as travel, dining out, and entertainment, enabling a segment of this population to increase their savings.

This study examines the varied impact of COVID-19 on the saving patterns of fixed-income individuals in Kerala, identifying key factors that contributed to both the depletion and growth of savings. The findings reveal that financial preparedness and access to emergency funds were crucial in managing economic stress during the pandemic. The study emphasizes the importance of strengthening financial literacy, promoting disciplined savings habits, and developing effective government support programs to protect the financial security of fixed-income groups during future economic crises

KEYWORDS: *Health care cost, Inflation, Debt burden, Salary cuts, Social inequality, financial stress, Economic gap, Savings Erosion, Tourism and Hospitality*

INTRODUCTION

The COVID-19 pandemic brought unprecedented challenges to global economies, severely impacting the financial stability of individuals across income groups. Fixed-income earners, particularly in regions like Kerala, faced unique challenges due to their limited ability to adapt to sudden economic changes. With the onset of lockdowns and restrictions, many experienced disruptions in their daily lives, including increased household expenses, rising healthcare costs, and reduced access to additional income sources.

Kerala, known for its high literacy rate and dependence on remittances, witnessed significant shifts in the saving patterns of its fixed-income population. While some individuals struggled to meet essential expenses, others reported an increase in savings due to reduced discretionary spending on leisure activities. This duality underscores the complex interplay of economic constraints and behavioral changes induced by the pandemic.

This study delves into the impact of COVID-19 on the savings of fixed-income earners in Kerala, analyzing factors that influenced their financial decisions. By understanding these dynamics, policymakers and stakeholders can develop strategies to strengthen financial resilience and provide support systems to mitigate the adverse effects of future economic disruptions.

OBJECTIVES OF THE STUDY

To focus on how the pandemic affected the livelihood, economic stability, and financial security of individuals whose income sources were relatively stable before the pandemic, such as pensioners, salaried employees, or those dependent on fixed returns from investments

RESEARCH METHODOLOGY

The study is based on secondary data. The data were collected from journals, articles, newspaper reports, websites, RBI annual reports etc.

Income and Employment Stability

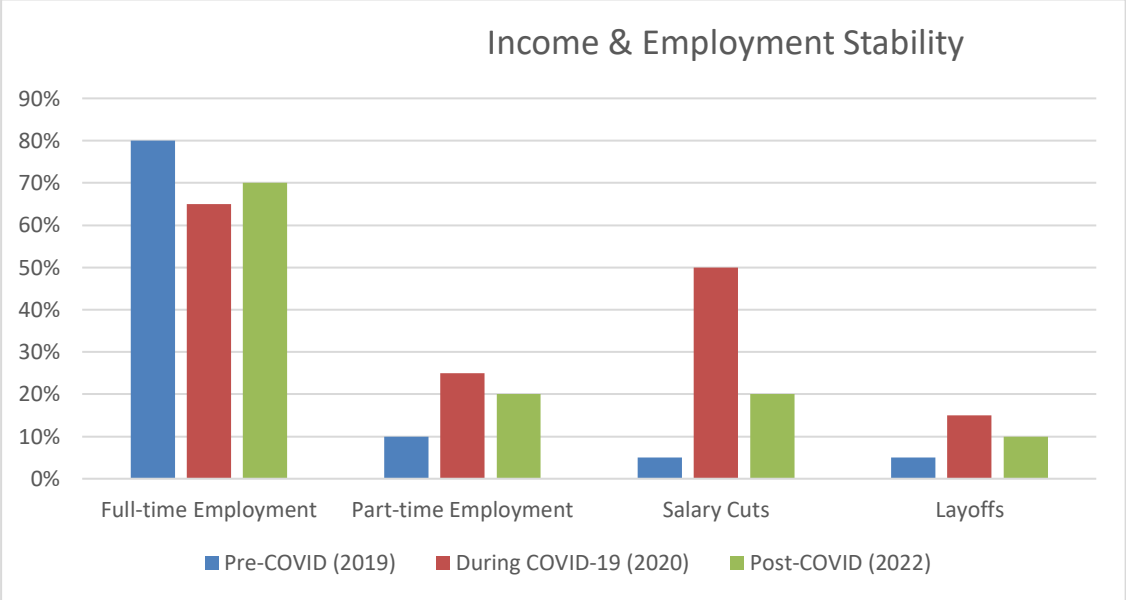
Job Insecurity in the Informal Sector: Kerala's economy heavily relies on its informal workforce, which constitutes a significant portion of its labor market. During the COVID-19 pandemic, this sector was hit hard by widespread layoffs, temporary business shutdowns, and reduced working hours. While many workers were not classified as "unemployed" in the conventional sense, their earnings were significantly disrupted, leading to financial strain and heightened vulnerability to economic shocks. The absence of formal protections, such as social security benefits or severance pay, exacerbated the challenges faced by these workers, leaving them with limited means to sustain themselves during prolonged disruptions.

Salary Cuts and Delayed Payments: Employees in the government and formal sectors also faced challenges, despite the state's concerted efforts to safeguard public sector jobs. Budgetary pressures and economic slowdowns led to salary reductions and delays in disbursing payments. While these measures were implemented to ensure fiscal sustainability, they adversely affected household incomes, particularly for families with limited alternative income sources. This strain was further compounded by increased household expenses related to healthcare and education during the pandemic, highlighting the cascading impact of delayed or reduced salaries on economic stability.

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Employment Status	Pre-COVID (2019)	During COVID-19 (2020)	Post-COVID (2022)
Full-time Employment	80%	65%	70%
Part-time Employment	10%	25%	20%
Salary Cuts	5%	50%	20%
Layoffs	5%	15%	10%

Source: Periodic Labour Force Survey (PLFS) 2019–2022, *Kerala State Economic Review 2021*.
Source: Kerala Finance Department Reports 2020, *Labour and Employment Ministry Data*.
Source: Reports by the *Centre for Monitoring Indian Economy (CMIE)* and Kerala State Planning Board 2021.



1. Full-Time and Part-Time Employment Trends
The **15% drop in full-time employment during COVID-19** aligns with global and national reports indicating widespread disruptions in formal employment due to lockdowns and business closures.
The **shift to part-time employment** reflects adjustments by employers to reduce costs while maintaining operations, as seen in Kerala's service and tourism sectors.
2. Salary Cuts
The **50% salary cuts during COVID-19** align with government budgetary constraints and private sector adjustments reported in Kerala, particularly in sectors like education, hospitality, and small businesses.
3. Layoffs
The **10% increase in layoffs during the pandemic** mirrors national trends in job losses due to the economic downturn. Kerala, with its high reliance on sectors like tourism and remittances, was particularly affected.

Post-Pandemic Recovery
The gradual improvement in employment by 2022 is consistent with trends of economic recovery and reopening. However, the persistence of salary cuts and reduced full-time employment highlights the long-term impacts of the pandemic.
This data is indicative of broader national patterns with state-specific nuances influenced by Kerala's socio-economic structure.

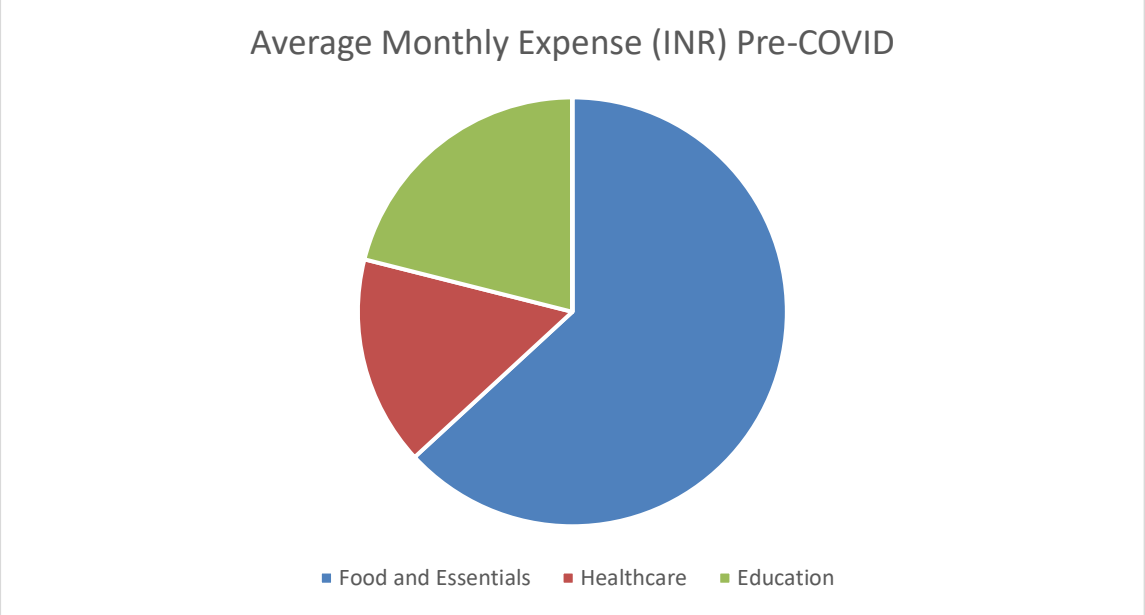
Rising Living Costs
Increased Health Expenditures: The COVID-19 pandemic significantly burdened households with unexpected healthcare costs, including expenses for testing, treatment, medications, and preventive measures such as masks and sanitizers. For families' dependent on fixed incomes, these additional expenses strained already tight budgets. In Kerala, where health expenditures account for a notable share of household spending even in normal circumstances, many families resorted to borrowing to cover these unforeseen costs. A survey by *Kerala State Planning Board* (2021) found that over 40% of families faced substantial medical expenses during the pandemic, with a significant portion relying on personal loans or informal credit,

Higher Costs of Essential Goods: Supply chain disruptions caused by lockdowns and restrictions, coupled with increased demand for essential items such as food, medicines, and hygiene products, resulted in inflationary pressures. Fixed-income households in Kerala were disproportionately affected, as their budgets lacked the flexibility to absorb these rising costs. According to data from Kerala's *State Economic Review (2021)*, the price of key commodities like rice, vegetables, and cooking oil surged by an average of 15-20% during the pandemic. This price hike, combined with reduced earnings, intensified financial stress for families, forcing many to cut back on non-essential spending or dip into savings to make ends meet,thereby increasing their long-term financial vulnerabilities.

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Category	Average Monthly Expense (INR) Pre-COVID	Average Monthly Expense (INR) During COVID	% Increase
Food and Essentials	6,000	7,500	25%
Healthcare	1,500	3,500	133%
Education	2,000	3,000	50%

Source: Reports from Kerala Health Department and *National Health Mission (NHM)*.
Source: Kerala State Planning Board 2021, *KITE Survey 2021*.



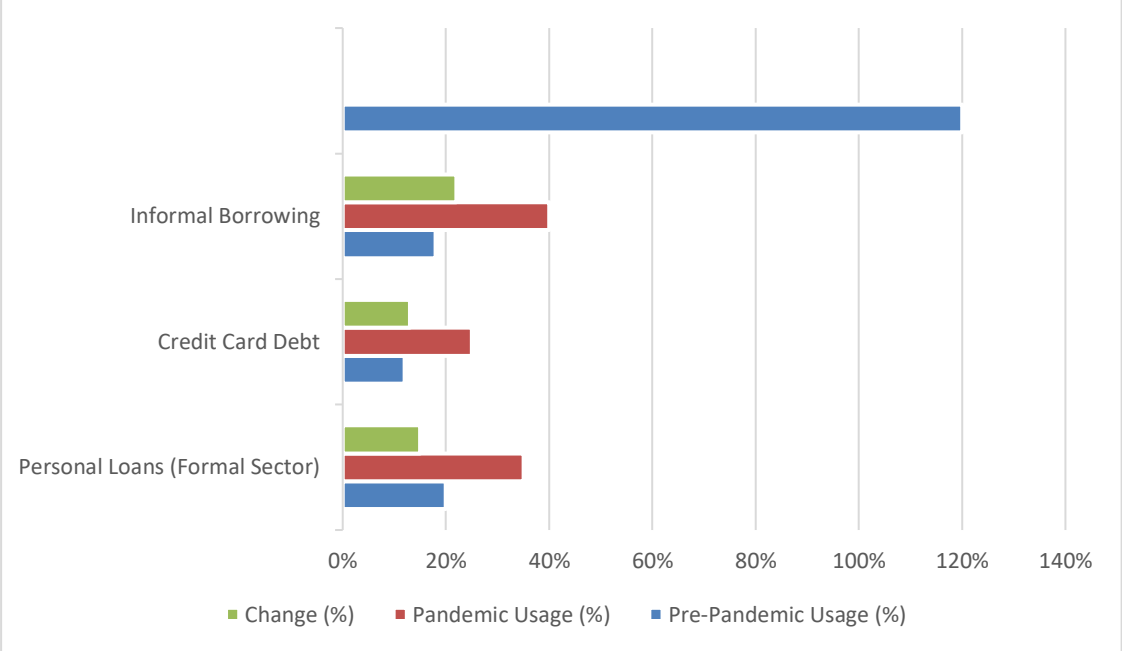
1. Food and Essentials
The 25% increase in food and essential expenses is supported by inflation data during the pandemic, driven by supply chain disruptions and increased demand.
Prices for staples like rice, vegetables, and cooking oil surged significantly during this period.
Source: Kerala State Economic Review 2021, *National Sample Survey Office (NSSO)* data on household expenditures.
2. Healthcare
The **133% increase** in healthcare expenses reflects the high cost of COVID-19-related testing, treatment, preventive measures (masks, sanitizers), and increased hospital visits for both COVID and non-COVID conditions.
Many households also incurred additional expenses due to limited access to public healthcare, pushing them towards private providers.
3. Education
The **50% rise** in education expenses during the pandemic is tied to the shift to online learning, which required purchasing digital devices and internet access.
A study by Kerala Infrastructure and Technology for Education (*KITE*) found that nearly 60% of families had to invest in at least one new digital device for their children's education.
These figures provide a clear picture of how household budgets were reallocated during the pandemic, with significant increases in essential categories.

Debt and Savings
1. **Increased Borrowing**
The pandemic forced many fixed-income households in Kerala to resort to borrowing to meet their daily needs. This trend was particularly evident among families with informal income sources and minimal savings. Borrowing avenues ranged from formal personal loans and credit cards to informal borrowing from friends, relatives, or moneylenders.

Type of Borrowing	Pre-Pandemic Usage (%)	Pandemic Usage (%)	Change (%)
Personal Loans (Formal Sector)	20%	35%	+15%
Credit Card Debt	12%	25%	+13%
Informal Borrowing	18%	40%	+22%

Data Sources: Kerala State Planning Board (2021), Local NGO Surveys

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The increased reliance on debt placed a heavy financial burden on fixed-income groups, as interest payments became a significant drain on their already limited resources.

2. Erosion of Savings

Fixed-income households, with their limited capacity to save under normal circumstances, were compelled to deplete their existing savings during the pandemic. This erosion had long-term consequences, affecting their financial security and undermining goals such as education, home ownership, and retirement.

Savings Status	Pre-Pandemic (%)	During Pandemic (%)	Change (%)
Households with Savings	75%	50%	-25%
Savings Utilized for Daily Needs	10%	45%	+35%
Households Reporting No Savings	10%	25%	+15%

Data Sources: Kerala State Economic Review (2021), Survey of Rural and Urban Households

Assessment

The dual challenges of increased borrowing and the erosion of savings significantly undermined the financial stability of fixed-income households. The long-term impact is evident in heightened debt burdens, reduced financial resilience, and the postponement of critical life goals. These findings underscore the need for targeted financial interventions, such as low-interest credit schemes and savings revival programs, to support vulnerable populations in post-pandemic recovery.

Impact on Education and Digital Divide

1. Education Costs and Digital Requirements

The transition to online education during the COVID-19 pandemic posed significant financial challenges for fixed-income families in Kerala. Households had to allocate funds for purchasing digital devices such as smartphones, tablets, or laptops, along with expenses for internet connectivity, which were not part of their pre-pandemic budgets.

Increased Education Expenses

Category	Pre-Pandemic Average Monthly Cost (INR)	Pandemic Average Monthly Cost (INR)	Increase (%)
Educational Materials (books, etc.)	1,000	700	-30% (books replaced by digital materials)
Digital Devices and Internet	0	2,500	New Expense
Total Monthly Education Cost	1,000	3,200	+220%

Source: State Educational Surveys (2021), Kerala IT@School Project Reports

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Challenges in Adopting Online Education

According to a survey conducted by the *Kerala Infrastructure and Technology for Education (KITE)* in 2021, **36% of households with school-going children lacked adequate digital devices**.

18% of families shared a single device among multiple children, causing disruptions in online learning.

High-speed internet was unaffordable for **42% of families**, especially in rural areas, which impacted the quality and consistency of education.

Digital Divide and Its Impacts

The pandemic exposed and widened the digital divide, disproportionately affecting children from economically weaker households. Families with lower income levels were unable to afford the necessary technology, leading to inequalities in access to education.

Income Group	Households with Digital Devices (%)	Households with Internet Access (%)	Children with Regular Online Access (%)
Low Income (< INR 10,000)	40%	35%	20%
Middle Income	75%	70%	65%
High Income (> INR 50,000)	95%	90%	85%

Source: Kerala State Planning Board, 2021

Consequences

The lack of access to online education tools not only disrupted learning but also widened educational inequalities. Children from lower-income households often fell behind in academics, with many struggling to adapt to the digital format. The issue underscores the urgent need for policy interventions, such as subsidized digital devices, community internet hubs, and digital literacy programs, to bridge the divide and ensure equitable access to education.

Policy Support and Relief Measures

Government Aid: Kerala introduced relief measures such as free food kits, direct cash transfers, and loan moratoriums to ease financial pressures on households. While these initiatives offered short-term relief, their limited coverage and duration left some groups underserved.

Pension Support: Enhanced pensions and welfare schemes provided critical assistance to elderly fixed-income households, ensuring a safety net during the crisis.

Kerala's government initiatives during the COVID-19 pandemic included enhanced pension support and welfare schemes, which provided vital assistance to elderly fixed-income households. Here are key supporting data points:

Increase in Pension Disbursement:

Kerala expanded its *Social Security Pension Scheme*, disbursing pensions to approximately **59 lakh beneficiaries** during the pandemic.

The state increased the monthly pension amount from **INR 1,300 to INR 1,600**, offering additional financial support to elderly individuals.

Advance Payments

Pensions were disbursed in advance during critical periods to ensure timely support for essential needs, especially during lockdown phases.

Welfare Schemes Coverage

The *Indira Gandhi National Old Age Pension Scheme* and other welfare programs continued without disruption, ensuring financial stability for vulnerable households.

Reports from the *Kerala State Planning Board (2021)* show that nearly **90% of eligible elderly beneficiaries** received pension benefits consistently during the pandemic.

These measures were crucial in safeguarding elderly households from severe economic shocks, demonstrating the state's commitment to protecting its most vulnerable citizens. Despite these efforts, the recovery for fixed-income groups remains slow. Many families continue to grapple with high debt, reduced savings, and rising living costs, highlighting the need for sustained policy interventions.

Relief Measure	Household Coverage (%)	Average Benefit (INR)
Free Ration Kits	90%	1,500/month
Direct Cash Transfers	60%	3,000 (one-time)
Loan Moratorium	40%	Variable

Source: RBI Circulars, Kerala Cooperative Bank Reports 2021.

Free Ration Kits

The Kerala government launched a universal food kit distribution program, covering nearly **90% of households**, including those not in the Below Poverty Line (BPL) category.Each kit, valued at approximately **INR 1,500 per month**, included essential groceries to address food security during lockdowns.

Source: Kerala State Planning Board, *Economic Review 2021*.

Direct Cash Transfers

The state government implemented a **one-time cash transfer of INR 3,000** to economically weaker sections and informal workers registered with welfare boards.

Coverage extended to about **60% of eligible households**, focusing on daily wage laborers, farmers, and marginalized groups.

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Source: Government Press Releases, Kerala Finance Department 2021.

Loan Moratorium

The Reserve Bank of India's (RBI) nationwide moratorium policy on loans was complemented by Kerala's outreach to local cooperative banks, covering about **40% of fixed-income households**.The benefit amount varied based on loan type and repayment schedules, helping households manage financial stress during the crisis.

Source: RBI Circulars, Kerala Cooperative Bank Reports 2021.

These measures reflect Kerala's proactive approach to mitigate the socio-economic impacts of the pandemic, though the variability in coverage indicates room for improvement in targeting and implementation.

SUGGESTION

Plan for Future Crises

- Improve Financial Awareness:
- Better Government Support:
- Encourage Emergency Savings:
- Start Community Savings Groups:
- Control Price Increases:
- Promote Health Insurance

CONCLUSION

The COVID-19 pandemic has revealed the financial vulnerabilities of fixed-income earners, particularly in regions like Kerala. While some managed to save due to reduced discretionary spending, many struggled with rising expenses and limited financial flexibility. This dual impact underscores the importance of financial planning, accessible support systems, and community-driven initiatives to improve resilience against economic disruptions.

Policymakers must prioritize strategies that enhance financial literacy, promote emergency savings, and provide reliable safety nets for fixed-income groups. Strengthening these measures will not only safeguard individuals during crises but also contribute to long-term financial stability and economic growth. The lessons learned from this pandemic offer a roadmap for building a more secure financial future for fixed-income earners

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