



# EFFECTS OF COVID PANDEMIC ON SAVING OF INDIANS

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## ABSTRACT

*To learn about how chain of events can bring a large gap in the spending habits of the generation we must be aware of risk and luck factor, Last month, the RBI released its estimate of household financial savings. For lakhs of households in the country, the Covid-19 pandemic has led to a decline in financial assets like bank deposits, pension money, life insurance funds and currency holdings. While the RBI estimated an increase in debt of around 20 crore households, which contribute around 60% of gross savings in the economy, financial savings showed a decline of over 45% from June to December 2020. There were two types of people in an economy, those who were able to save, and those who struggled to make ends meet*

**KEYWORDS:** Covid Pandemic, Economy, Saving

## INTRODUCTION

To learn about how chain of events can bring a large gap in the spending habits of the generation we must be aware of risk and luck factor, lets learn this through some examples: 1. A person born during the emergency possibly have a mentality to save money and might suggest you the same. 2. A person who have seen a stock market crash might not trust the stock exchange in that way a person who have seen an economic boom in his teenage. In current scenario we have covid pandemic as a major event and that has affected every age group monetarily and mentally. How people evolved their spendings and saving habits in the current scenario can be a reason of behavioural change.

## SIGNIFICANCE OF THE STUDY WITH RESEARCH

Last month, the RBI released its estimate of household financial savings. For lakhs of households in the country, the Covid-19 pandemic has led to a decline in financial assets like bank deposits, pension money, life insurance funds and currency holdings. While the RBI estimated an increase in debt of around 20 crore households, which contribute around 60% of gross savings in the economy, financial savings showed a decline of over 45% from June to December 2020. And as per consumer spending data,

- India consumer spending for 2021 was **\$1,882.35B**, a **16.11% increase** from 2020.
- India consumer spending for 2020 was **\$1,621.12B**, a **6.08% decline** from 2019.
- India consumer spending for 2019 was **\$1,726.04B**, a **7.71% increase** from 2018.

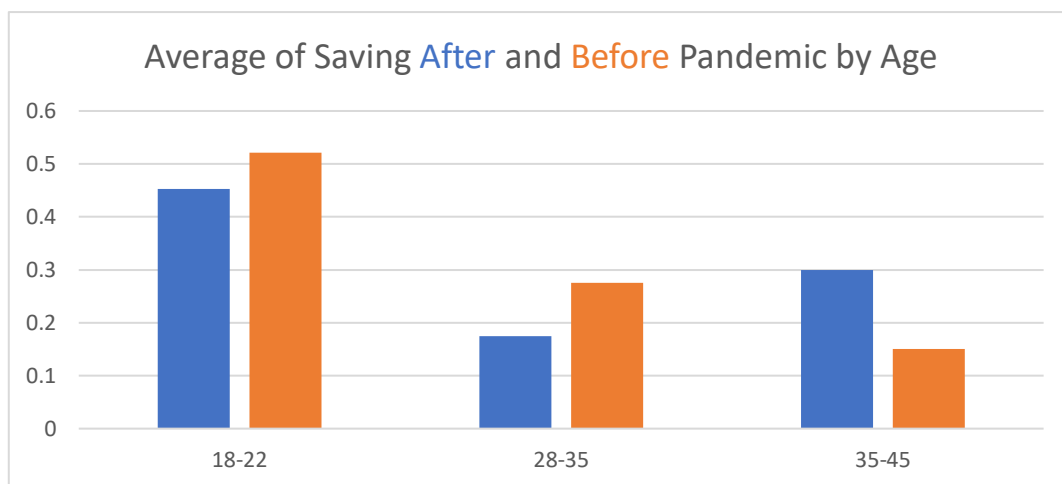
By this study we can learn how behavioural change of people due to covid pandemic can affect Indian economy and its growth rates. Also, we can estimate how to tackle different events which are deleteriously affecting the economy.

By the survey conducted among different age groups about their savings before and after pandemic hit, we can measure the change in saving pattern and also it is affected by the age group or in other means the time of birth.

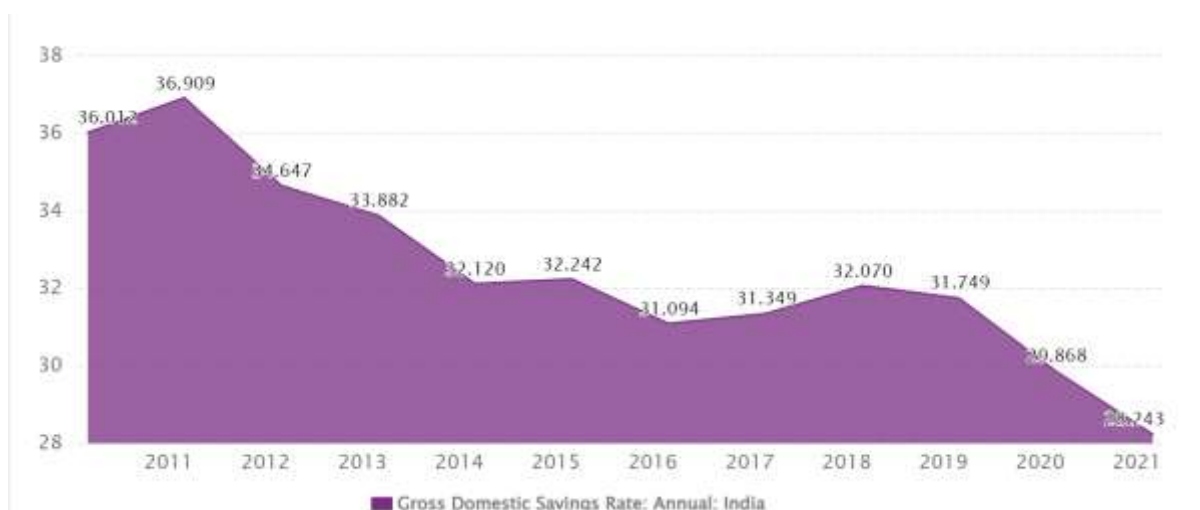


**Table: 01 Savings Before and After Covid Based on survey.**

Age	Saving Before Pandemic	Saving After Pandemic	Means of savings
18-22	27.00%	40.00%	Gold
18-22	50.00%	50.00%	Share Market
18-22	40.00%	60.00%	Share Market
18-22	80.00%	60.00%	Others
18-22	40.00%	50.00%	Securities / Digital-Gold
18-22	20.00%	45.00%	Real Estate
18-22	60.00%	60.00%	Real Estate
28-35	25.00%	25.00%	Others
28-35	10.00%	30.00%	Share Market
35-45	10.00%	20.00%	Real Estate
35-45	50.00%	10.00%	Bank Deposit



**Saving Rates of Households in India**

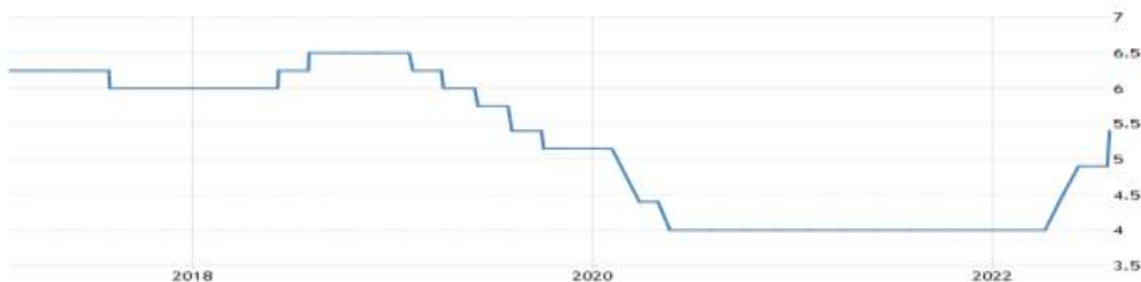




### Change in Interest Rate Compared with Per Capita Income



### Interest Rates in India



### DATA ANALYSIS

#### Interest Rates

Whenever a crisis in any shape or form hits, policymakers try to provide relief to borrowers by decreasing interest rates, without caring about savers. The Monetary Policy Committee at the time of covid lowered the repo rate by 75 points to 4.4 per cent. Interest rates on bank deposits have declined more affectedly than the policy rates. The SBI which offered 8.5 per cent on its one to three-year deposits in April 2015 — now pays 5.7 per cent.

#### Debt

In 3<sup>rd</sup> quarter 2019, India’s household debt amounted to just 12 per cent of the GDP, the ratio stood at 75 % for the US, 84 % for the UK, 59 % for Japan and 58 % for the Euro area, averaging 60 % for the world. Even emerging market economies had over three times debt compared to India’s household debt levels (41 per cent).

### FINDINGS

- There were two types of people in an economy, those who were able to save, and those who struggled to make ends meet.



- Financial advice remains the same, irrespective of pandemic: It's important to build-up an emergency savings fund and create a financial plan.
- COVID-19 has made us realise the need to have a budget, even how small it may be.
- Many cleared up their debt during the pandemic, while others were able to save.
- Savings pattern is different for every other age group.

## SUGGESTION

For Households Household must make sure that there must be a disciplined routine of monthly or quarterly saving the money also there should be a diversification in means of saving. For Policy Makers Policy makers generally ignore savers at the time of any crisis, hence they must take care that instead of rapid declining rate of interest they must take savers as a concern and must not ignore them while taking any action.

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