

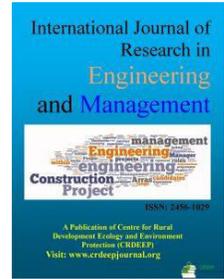
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**Review/Exploratory Research Paper**

Impact of Corona virus on Personal Finance and Economic Situation in India: An Exploratory Study

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ABSTRACT

Covid-19 originated in China and spread to 149 countries of the world. The worst affected countries are China, USA IRAN and Europe. It is likely to impact personal income, expenditure, savings and investment. It may lead to biological warfare also. If prolonged it may lead to global economic crises, scientific research is needed to study its impact on personal finance. Different person have been affected in different way by COVID. Therefore, different categories of persons will need separate conclusive research. For this primary data through field work will have to be collected. Appropriate secondary data may not be available because COVID-19 and lockdowns have no history.

Introduction

Corona virus (Covid -19) has spread to 149 countries of the world. It has no preventive vaccine or curative medicine, duly approved by scientific medical community. In order to prevent it from spreading through contacts, social distancing has been emphasized. People are asked to keep confined to home. Uses of mask, sanitizers, regular washing of hands are advised.

India is observing a pre-pandemic slowdown. Even before the pandemic, since Financial Year - 2018–19. India's growth was sinking, from 8% in Financial Year – 2017-18 to 4.5% in Financial Year – 2019-20. In January- 2020 well earlier India's lockdown or responses to the pandemic, the International Monetary Fund reduced India's GDP estimates in 2019 and also reduced it in 2020 year GDP estimate. The 2016 Indian banknote demonetisation and goods and services tax enactment in 2017 delivered severe blow back to back troubles in the economy. On top of this there had been many banking calamities such as the Infrastructure Leasing & Financial Services crisis and government scheme disappointments such as that of 'Make in India'. There was also significant "income crunch" for both rural and urban sectors in the year preceding to the lockdown due to increased unemployment. COVID-19 is a new phenomenon. Its impact on personal finance has attracted attention of mass media.

Decline in personal income of small traders, MSME Sectors, private sector employees is obvious due to lockdown. Freeze of Dearness Allowance of Government employees and pensioners, steep fall or blockage of interest and income interest are apparent. Since this is a virgin area of research, no background study is available. Hence there is urgent need for an exploratory study to identify research questions or hypotheses.

Personal finance includes personal income, personal expenditure (consumption, savings and investment) loan/disinvestment, etc. COVID-19 lockdown is believed to affect all these areas of personal finance. Since Indian economy had already entered into declining mode, lockdown has dealt a deadly blow on it at micro and macro level both. The exploratory study is proposed to cover impact of COVID-19 on all these areas of personal finance.

This exploratory study is undertaken with objectives to identify issues, dimensions, research hypotheses and nature and scope for formal or conclusive research to be undertaken by researchers. Need for formal study on this topic is well accepted. Exploratory study will pave way for undertaking it more scientifically by removing grey or hazy areas like adequacy of existing secondary data and identification of different categories of persons for study.

Since COVID-19 and lockdown have no comparable history, previous studies are not available. Therefore, being a new area of research the topic itself is a research gap.

Objectives undertaken

- To study impact on personal income
- To study impact on personal expenditure
- To study impact on savings and investment
- To suggest strategies to policy formulation

Materials and methods

Research Methodology

Exploratory research is undertaken with help of study of media reports and informal telephonic interviews based on chance sampling in Rajkot city. Several relevant websites will also be searched on Google search and accessed for data/information.

Research design

The study is exploratory in nature to identify research questioners/ hypothesis. The source of primary (prime) data is mainly social media available secondary data like NSSO 72nd round on per capita, consumer expenditure on services and durables has also used. This study is limited to India only and references period is February- March 2020 office instruction delivered by the govt. of India and state government to check its range are also used. WHO advises are also used. Since this is completely a virgin area of research, literature review and finding research, gap is not feasible.

Results obtained

Impact on income

It is likely to cause significant losing income to investors in shares and mutual funds another group of peoples likely to be worst affected is daily wage parameters in unorganized sector, person related to treatment, travel, tourism, entertainment, newspapers, restaurant, jewelry, malls and event management, who have no permanent or secure jobs may suffer loss of income/jobs. Beggars, priests and kathavachak (*narrator*), singer dancer may also suffer. (Mass media reports at the end of lockdown periods)

As per media reports, media including social media reports crimes like house breaking, thefts are likely to go up. People may use mask to hide their face for identity even to hide them from demanding creditors.

Impact on expenditure

Masks are available only at heavy black market premium sanitizers are also costly. If vaccine is made is made available by any reputed MNC drug company like Roche of the USA. it will also cost vary clearly it is very likely permanent expenditure or Hygiene products and medicines will go up. Expenditure related to the following products/ service in likely decline drastically

- Travel, tour, Entertainment, transport, fuel etc.
- Foreign travels
- News papers
- Shopping at mall
- Online shopping, especially of food.
- Events, social educational and others.

- Donation at religious place, personal income and expenditure

This impact on personal income and expenditure is likely to continue for at least one month (March 15 to April 15 2020)

Impact on savings and investment

Taking personal loans vehicle loan and consumer durable loans may decline for some period. Business will face slowdown stock market and jewellery market event management, transport and travel, tours, entertainment business will remain subdued. Personal investment in financial instruments may decline due to less savings and poor prospects of appreciation. Bank deposits growth rate may also decline.

If Covid-19 horror is prolonged it may lead to economic slowdown and recession also one breaking news on social media may become a cause of serious concern. It reads as under;

In the 3rd week of March-Amazon announced that it would stopover sale of non-needed items in India so that it could focus on vital needs. Amazon followed the same policy in Italy and France. On 25 March, Walmart-owned Flipkart temporarily suspended some of its services on its E-commercial platform and would only be selling and distributing essentials. Big Basket and Grofers also ran restricted services, facing troubles due to the lockdown. Delhi Police began issuing delivery mediator restriction passes to make it easier for them to keep the supply chain open. E-commerce companies also sought legal clarity related to crucial essentials.

"China developed corona virus in its lab as portion of its covert biotic warfare programme to use this virus dripped out of its Wuhan Pu lab and started killing Chinese citizens."

Dr. Franchiseboyle is the creator of the US bio weapons act also said that corona virus is big Biological warfare weapon. The WHO knows it China smuggled in from Canadian lab in Winnipeg. This aspect is being investigated by a committee constituted by WHO.

The USA has declared national emergency. Third and fourth stage will be very dreadful like in Italy. The US sees opportunity to exploitation the opportunity by developing vaccine. Have we not returned to barbarism?

Revival Steps

"Covid-19 has affected everybody. We have to undertake a major relook at our operational priorities and what we actually need. boost 'Make in India' by hand-holding our internal (domestic) industry even if they deliver weapons with around only 67% of the general staff qualitative requirements (GSQRs) in the beginning...given the opportunity, they will finally deliver cutting-edge technology. We are not expeditionary forces that have to organise everywhere the globe we should not go in for large amounts of imports by distorting our operational requirements". During the declaration of the economic package, the Finance Minister announced a change in the FDI cap from 48% to 75% for defence, the corporatization of India's ordnance production and a list for the prohibition of select defence imports.

The economic impact of the corona virus pandemic in India in 2020

The economic impact corona virus pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.7% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the Covid-19 effect on the Indian economy. Notably India had also been witnessing a before Covid-19 slowdown, and according to the World Bank, the recent pandemic has "magnified pre-existing dangers to India's economic position".

The World Bank and rating agencies had primarily revised India's growth for Financial Year 2021 with the lowest figures India has seen in three eras since India's economic liberalization in the 1990. However, after the declaration of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signaling a deep recession. (The ratings of over 30 countries have been reduced during this period.) On 26 May, CRISIL announced that this will maybe India's worst recession since independence. State Bank of India research estimates a contraction of over 42% in the GDP in Financial Year 2021. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 Sept 2020, the Ministry of Statistics released the GDP figures for (April to June) Financial Year 2021 which showed a contraction of 25% as compared to the same period the year before.

Unemployment rose from 6.8% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, predictable 14 cores people lost employment while salaries were cut for many others. More than 47% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over 32,000 core every day during the first twenty days of complete lockdown, which was declared following the covid-19 outbreak. Under whole lockdown, less than a quarter of India's \$ 2.8 trillion economic movement was functional. Up to 54% of businesses in the country were projected to be meaningfully affected. Supply chains have been put under pressure with the lockdown restrictions in place; initially, there was a lack of clarity in restructuring what an "essential" is and what is not. Those in the casual sectors and daily wage pay groups have been at the most risk. A large number of farmers around the country who grow perishables also faced insecurity.

For most of companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have momentarily balanced or considerably reduced procedures expenses. Young start-ups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced o procedures expenses and are focusing on essentials. Stock markets in India posted their worst loses in history on 23 March 2020. However, on 25 March 2020, one day after completed 21-days lockdown was declared by the Prime Minister, SENSEX and NIFTY posted their biggest gains occur in 11 years.

The Government of India announced a variety of measures to undertake the situation, from food security and extra funds for healthcare & for the states, and sector related incentives and tax deadline extensions. So no 26 March a number of economic relief measures for the poor were declared totaling over Rs.170,000 cores. The next day the Reserve Bank of India also announced a number of measures which would make accessible Rs.374,000 crore (US \$ 52 billion) to the country's financial system. The World Bank and Asian Development Bank approved support to India to undertake the covid-19 pandemic.

The different phases of India's lockdown because of (corona virus) up to the "first unlock" on 1st June had varying degree of the opening of the economy. Then On 17 April, the RBI Governor declared more measures to counter the economic impact of the Covid-19 pandemic including Rs. 50,000 crore (US\$7.0 billion) special finance to NABARD, SIDBI, and NHB. On 18 April, to protect Indian companies during the pandemic, the government changed India's foreign direct investment (FDI) policy.

On 12 May the Prime Minister declared an overall economic worth 20 lakh core (US\$280 billion), 10% of India's GDP, with prominence on India as a self-reliant nation. During the next 5 days the Finance Minister declared the details of the economic package. After 2 days later the Cabinet meet cleared a number of proposal in the economic package including a free food grains package. By 2nd July 2020, a number of economic indicator showed signs of recover. On 24th July the Finance Secretary of India said the economy is showing signs of recovery than anticipated, while the Economic Affairs Secretary said that he expects a v-shaped recovery in India. In July the Union Council of Ministers passed the National Educational Policy 2020 goal to build up growth of the economy.

Economic Situation

In India up to 53% of businesses have specified a certain amount of impact of lockdown caused due to Covid-19 pandemic on operations, as per the report of FICCI survey in March 2020. The unemployment rate had increased nearly 20% within a month, reaching 26% unemployment across India, according to the 'Centre for Monitoring Indian Economy'. Around 140,000,000 (14 crores) Indians lost employment during the shutdown. Because of corona virus More than 45 percentage households across the India reported an income drop as compared to the last year. Different business such as many hotels and different airlines cut salaries and laid off employees. Income of transport companies such as Ola Cabs went down nearly 95% in March to April resulting in 1420 layoffs. It was estimated that the loss to the tourism business will be Rs 15,000 crore (US\$2.1 billion) for March to April month of 2020. Assocham and Faith approximation that a huge chunk of the labour force engaged with tourism in the country faces unemployment. Live events industry saw an approximation loss around of Rs. 3,000 crore (US \$ 420 million).

In India a number of young start-ups have been impacted as funding has fallen Data Labs survey report shown a around 46% decrease in the total growth-stage funding as compared

According to a KPMG survey report shown that venture capital in Indian start-ups has fallen over 51% in 2020 from.

The Indian economy was expected to lose over 32,000 crore (US\$ 4.5 billion) every day during the first 21 days of the lockdown according to Acuité Ratings. Barclays said the cost of the first 21 days of lockdown as well as the last two shorter ones will total around 8.5 lakh crore (US\$120 billion). Confederation of Indian Industry (CII) had sought an economic fiscal stimulus package of 1% of India's GDP amounting to Rs.2 lakh crore (US\$28 billion). The fiscal policies approach is compared to what has happened in many other countries like Germany, Brazil and Japan. Jefferies Group said that the government can spend 1.3 lakh crore (US \$ 18 billion) to fight the impact of covid-19. Bloomberg's economists say at least Rs. 2.15 lakh crore (US\$30 billion) needs to be spent. Former CEA Arvind Subramanian said that *"India would need a 10 trillion (US\$140 billion) along with stimulus to overcome the retrenchment"*.

Conclusion

Income and expenditure per head data may be obtained from (NSSO) national sample survey organization website survey that savings and investment data may be obtained from CSO. Impact on corona virus on personal income, expenditure and saving and investment should not be computed on the source of number of corona patients or death at different stages. It grows exponentially it may be a very minor proportion of total population. But threat perception created by media hype has spread over almost the whole population for example, when Govt. issues necessary to close down educational institutions, coaching classes, malls, multiplex, events, hotels, restaurants, shops and asks people to remain confined to own home for three months, the whole population is impacted.

The exploratory study has proved need and feasibility of undertaking conclusive research on this topic. Several hypotheses have been identified. Instead of across the board general study of all persons, it will be better to divide them in various major segments on the basis of degree of intensity of impact of Covid-19 on personal finance like (a) Government employees (b) Semi Government employees (c) Private sector employees (d) Self-employed persons- MSME, informal sector, Primary, Secondary and Tertiary Sectors, large scale, medium size, small size, corporate sector, non-corporate sector, cooperative sector, NGOs, etc.

Recommendations

Macro level impact of Covid-19 on income, expenditure, investment, savings at national level have adequate published data and secondary data based studies available. Micro level impact of Covid-19 on personal income, expenditure savings and investment are called for based on different categories of individuals. The available secondary data of national sample survey organization may not be usable for such micro studies. Therefore primary data will have to be collected through field surveys. There is urgent need for such conclusive studies for which research questions or hypotheses have been identified like as compared to pre Covid-19 period personal income, expenditure, savings and investment have been badly hit due to impact of Covid-19 in post Covid-19 period.

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