

MANAGING PERSONAL FINANCE DURING COVID – 19 OUTBREAK

Dr. Jaya Bharti*
Assistant Professor
Department of Psychology
A.N.D.N.N.M.M. Harshnagar Kanpur

Dr. Hitaishi Singh**
Associate Professor
Department of Home Science
A.N.D.N.N.M.M. Harshnagar Kanpur

ABSTRACT

All are know tragically familiar with the huge costs going on in the life of the COVID-19 epidemic. All human being additionally afraid of the economic impact of the crisis, including the impact on the financial markets. As global citizens, all are facing difficult time in this lockdown and corona virus impact. The outbreak of COVID-19 is a global pandemic that has spread over several states and cities into a lockdown. Corona virus will continue to have an impact globally; this is a urgency to take some decisions and discuss about some strategies to maintain our personal finance during lockdown. COVID-19 pandemic is causing a direct global destructive economic impact that is present in every area of the globe.

Keyword: *Pandemic, Finance, Management, Crisis, COVID-19*

An obvious way that pandemics can impact financial systems is through their enormous economic costs. There have been a number of articles that address the costs of pandemics, both in terms of the costs of past pandemics such as the HIV/AIDS, Ebola crisis or estimates of the cost of future pandemics. COVID-19 crisis, have warned us to anticipate the economic costs of possible future pandemics and epidemics connoted by **Bloom, Cadarette, and Sevilla (2018)**. Corona virus has spread all over the world and millions of people have lost of their life. Everyday the number of affected cases shows a sharp rise with some numbers on the way to recovery .this situation can be brought to control only with the right precautions and practice of social distancing. Now, these days India is battling with a pandemic, financial and economical threats are looming all around. Various schemes have come to the rescue such as a relief package, extending the dates for filing taxes, providing health infrastructure, waiving the requirement of maintaining certain minimum balance in bank accounts, and extending the date for filing tax returns. In addition **Hogarth and Anguelov 2003; Lusardi,2011** stated that families with limited incomes and wealth often struggle to access the necessary financial liquidity. Unexpected expenses or declining income. Efficiency of smooth consumption over time with liquid savings is important because it can help weather economic shocks to maintain financial stability and the well being of the house. Many low-income families do not have liquid assets reserved, except for them financially fragile.

Jonas, Olga B. (October 2013) stated that past experiences of severe epidemic, pandemics, and other natural and manmade crisis have resulted into fatalities of tens of millions of people across globe. At the same time they have caused disastrous adverse economic consequences in the lives of survivors. Background paper entitled 'Pandemic Risks' of World Development Report 2013 by The World Bank shows that the most severe out of four flu pandemic outbreaks in the last 100 years, killed about 50 to 100 million people in the year 1918-19. At that time the total global population was less than 2 billion. The report further says that in such a severe situation, economic losses could amount to 4.8 per cent of global GDP, or even more.

The outbreak of an epidemic is related to a high rate of mortality, thus it is also characterized as a disaster. Disaster Operations in general are a set of activities that are performed before, during and after a disaster with the goal of preventing loss of human life, reducing its impact on the economy and returning to a state of normalcy(**Altay, N., Green Iii, W.G., 2006**).

COVID-19 can be encompassed under Section 2 (d) of the Disaster Management Act, 2005, which deals with the definition of disaster as COVID-19 is a grave occurrence arising from natural causes. To shed light on the financial perspective, Section 12 deals with the requirements to be provided with things like cereals, shelter, and provisions for senior citizens, ex gratia assistance for restoring livelihood and such other reliefs which are deemed to be necessary. Moreover, Section 13 provides for recommending relief in repayment of loans or for grant of fresh loans to the persons affected by disaster on such concessional terms as may be appropriate.

These unparalleled times have led to concerns about the future and fear of restricted income. However, there is a way to overcome the current destructions to accomplish these difficult times, individuals and families can take a few steps to manage their budget. Corona virus will continue to have an impact globally; this is an urgency to take some decisions to maintain our personal finance during lockdown.

- ✓ **Saving Behaviour** -Overall, saving behaviour is influenced by many factors. A range of personal and household factors, including familial and economic conditions and financial knowledge, contribute to the likelihood of saving and having financial assets (**Babiarz and Robb 2013; Bernheim et al. 2001; Beverly et al. 2008**). **Example:** Open R.D. or F.D. and a definite amount in bank.
- ✓ **Analyze your budget** -proper managed domiciliary work on a pre decided budget. Usually budget changes with changes in income. Due to uncertainty plaguing income, rigid measures may need to be adopted to ensure that expenses do not increase.
- ✓ **Use credit card payment** – mostly shops, shopping malls, private companies and business are closed. So, this time we need to use credit card to payment bills such as electricity and gas .It should be paid even in the lockdown period as they are essential expenses.
- ✓ **Stock up** – the lockdown have made stocking up critical. However, overspending on groceries is not good thing. While it is wise to avoid crowded area. People need to buying sufficient supplies for a month also government made efforts is being made to start online grocery delivery everywhere as well.

Here are some measures that we propose to be done for financial planning and management. These measures are divided into two parts given as under -

Pre - Crisis Planning – Careful Investments –

- ✓ Mutual funds and SIPs to get better growth on money but also save some amount in other investment plans like fixed deposits, life insurance, etc.
- ✓ Also keep some cash in your and savings account.
- ✓ Do not invest in one type of investment plan.
- ✓ Do not rely fully on plastic money, keep reasonable amount of cash at home to handle any crises.
- ✓ Always have medical insurance for all family members according to your pocket as you don't even know what crisis may hit which member of the family at what time.
- ✓ Self Insurance can also help.

Regarding self-insurance, in the event of unexpected negative shocks, households can utilize their own financial and physical assets that have been accumulated beforehand (**Caroll and Samwick (1998); Zhou (2003)**).

Planning during the crises

- ✓ The first thing is stay calm and do not do panic buying.
- ✓ Save money and spent judiciously on you and your family's needs not on desires.
- ✓ Do not hoard but keep sufficient stock of grocery, essential medicines and other items to cope with difficult times.
- ✓ Keep some cash ready to procure high demand essential items and services.

For example during current Covid 19 pandemic crisis and even in 1920 when Spanish flu outbreak took place, the demand of items masks , sanitizing material, specific medicines and services like pathological testing, hospitalization, ventilator facility, etc., suddenly went up. Since the availability and instant supply of such items and services could not be met out by the existing supply chain the cost of these items and services became very high. Thus, financial preparedness for such crisis is mandatory.

Saving for an emergency is one only component of financial stability but it may play an important role (**Dew and Xiao 2011**). Emergency savings can act as form of insurance against unexpected, nonrecurring

expenditures, or can help meet predictable expenses in the event of an unanticipated income drop. Examples of immediate expenses include vehicle, appliance or home repairs, and medical or dental bills not covered by insurance (Mills and Amick 2010). Unanticipated income drops can include a job loss, reduction in pay or work hours, an injury or health condition that limits work, or the exit of a working adult from one's household as the result of a relationship dissolution (McKernan et al. 2009; Mills and Amick 2010).

The 2016 Survey of Consumer Finances (SCF) provides insight into this issue. According to the survey, around 15 percent of households ran income deficits in 2016, which means that their spending exceeded their income. For the remaining 85 percent, the survey asked how they would respond to a financial emergency that left them unable to pay all of their bills. Households chose from the following four options: Borrow from others, **Spend from own savings, Postpone payments, Cut back spending.**

Financial digital planning during lockdown

Corona virus pandemic has affected our life in many ways such as economically, mentally, physically etc., when national lockdown being extended till 17 may, it will be a while before we resume our normal lives. It is the peak time when people need some financial advice. Financial planners are using some innovating ideas to help their clients and reach out to larger clients. It is important for financial planners to stay in touch with not their clients but keep themselves updated with events around them so that they can revise their assumptions. In the lockdown, technology has been used more .most of the work are done with the help of internet. Podcasts, interview, online classes and online meeting with help of **Zoom meet app, Webex, You tube live streaming, Zoom cloud, Facebook and Telegram app.** Most of the people are attending webinar national and international level and also use facebook live or recorded videos to connect with their audience online. During the lockdown situation, only the essential services have been kept open and banking comes under it as well however, physical access to any place is increasingly becoming potentially risky.

As global citizens, all are facing difficult time in this lockdown and corona virus impact. The outbreak of COVID-19 is a global pandemic that has spread over several states and cities into a lockdown. Businesses has trying to manage operation through digital medium, while maintain proper social distancing instead of chasing business and financial goals because this time many people are experiencing job losses as companies across globe shut production .In this situation online medium is best for working and also good to start new online business but in these times of crisis, it becomes more important to take of one's health.

- ✓ **Don't use credit card:** This will land you in a debt trap if you are unable to pay the bill in full every month.
- ✓ **Don't look at salary rise as a solution:** If discretionary spends are the reason you run out of money, a higher salary will just mean more disposable income to spend. You will still run out of money.

Strategies for understand financial concern in COVID-19

Lagoarde-Segot and Leoni (2013) develop a theoretical model that shows that the likelihood of a collapse of the banking industry of a developing country increases, as the joint prevalence of large pandemics increases. Much of the group lending of microfinance institutions and banks' lending to the poor will be pressured during epidemics because all members of the group will be pressured by the aggregate shock (Skoufias, 2003). There is a need to discuss strategies for financial concern in COVID-19 as follows-

- **Emergency Funds-** Preparing for emergency events by forming an emergency fund could be suggested to involve financial behaviour. **Johnson & Widdows (1985)** proposes that an emergency fund is purposely to allow an individual to survive during an emergency without affecting their normal standard of living.
- **Improve poor spending habits-** Stop impulse buying or differentiate between mandatory and voluntary spends which helps to manage financial crisis. Don't spending on entertainment before paying bills, premiums, EMIs or SIPs.
- **Prioritize financial goal** – in the lockdown people take some time to prioritize your financial goals. It impact on your income so, we need to make a monthly budget, insurance premiums etc.
- **Stop taking decisions based on fear** – While this national lockdown people are getting fear but they need to understand nothing is permanent. This is a difficult time for everyone but should take patient. It's a tough time but it is best time to be patient and not take financial decision based on fear.

- **Reduce financial obligations** – In this challenging time should reduce the expense as much as possible. If you are having some surplus fund.
- **Conscious about health and wealth** – in this time global pandemic outbreak, you must take proper care of your health, stay at home, self- isolate or observe proper social distancing and if the major source of income for your rent of anything, get protect your wealth. Improve your financial health during the lockdown
- **Keep emergency budget** – emergency is unpredictable to manage. So, we need to save as much as possible and maintain a proper budget avoid extra expenses especially in lockdown.
- **Insurance** – Situation like COVID-19 can happen anytime. Need to check that you have proper health insurance or not and increase the premium amount by taking more coverage. It will benefit during health emergency. **Example**-Medical Insurance, Vehicle Insurance, Life Insurance which gave a long term security.
- **Go digital** – As per the government health guidelines we need to keep social distancing to avoid corona virus. So, it is better to use a digital work as much possible and people are completely avoid going bank and ATM and if you use any digital transactions use online banking. **Example**- Credit cards, UPI , or Paytm, Phonepe app for money transactions etc and avoid using cash which also gave discounts.

Fisher and Montalto (2010) pointed out that factors such as individual attitude, subjective norms and perceived behavioural controls, alongside inherent propensity to plan have been reported to have some influence on an individual's financial behaviour and with the help of above strategies like **Emergency Funds, Prioritize financial goal, Keep emergency budget, Insurance, Go digital, Conscious about health and wealth and Reduce financial obligations** person's overcome in this crisis.

- an individual's financial behaviour.

Conclusion

Money may even destroy the world, but it can easily reverse your world. A source of immense pleasure, it is also the cause of extreme suffering. Financial stress is more common than a person's thought and the reasons are many. If salary is low, there is little can do except look for a new job or supplement it with earnings from other avenues. Remove hurdles like improper budgeting and unstructured way of managing their money, poor spending habits, impulse buying etc. Financial crises can occur at any time, in any form - sudden loss of job, death of the sole breadwinner in the family, a debilitating illness, or an accident. It is probably one of the biggest sources of financial stress, and one that people are least prepared for. "Know that in your lifetime, these kinds of incidents are bound to happen. So when start working and start saving or investing, it would be best to plan for them.

Pandemic prevention requires a comprehensive financing framework. i. e. a permanent infrastructure of robust national human public health systems that adequately address health risks at the interfaces between animals, humans, and environment.

- ✓ At the same time it should made aware their citizens to keep their finances sound and well planned to better cope in the time of crisis. A massive IEC campaign may be launched for it.
- ✓ Relevant international authorities should periodically assess the performance of the national systems and help countries determine the investments needed to bring performance to recognized international standards. (**Dasaklis, Thomas K., Costas P. Pappis, Nikolaos P. Rachaniotis, (October, 2012)**)

In this period of COVID-19, especially in lockdown time many people have become aware of the boundary between essential and superficial or extra. Life is simple and some things are needed to live. Unnecessarily we stack things, clothes, furniture in the house. I first came to know that I am very comfortable in two pair jeans and four T-shirts, why I need a wardrobe full of clothes and accessories. Today when this pandemic came, we all ran to get things to eat so that we could live longer, nobody bought precious items like diamonds, gold, silver.

This group of people is not only self-contained, but they are also more themselves. Being secure with their internal cores, they run validation by themselves. They are mentally and physically strong. On a farewell note, I want to share with you the success story of one such corona warrior: a doctor working 24/7 in a hospital for a fortnight. When I met him, I asked him how he felt about the experience; He smiled and said, "I am very troubled from within, doing what I am doing." I am working hard but I am happy and fulfilled, because I know that I am doing what I wanted to do. To be honest, I do not want anyone to praise me, or admit that I am not afraid of what I am doing, I am giving my 100%, I know that God is there to take care of us". There was a bright

smile of satisfaction on his face. Tears welled up in my eyes, I agree with the young dynamic medico and salute his spirit. She knows what she wants from life and she is doing it.

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