

Effect Of Covid-19 Pandemic On Saving And Investment Habits Of Individuals In Kurnool Town, Andhra Pradesh

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Abstract

Worldwide Covid 19 has affected millions of peoples life. It caused not only a health crisis, but also cause the global economy to suffer. Nationwide lockdown has left the general population in an adverse state affecting their businesses and jobs on a great scale. Saving and investment has once again evolved as important pillars of our economy to support our country to survive in this current pandemic situation. In India saving is a deep rooted habit which helped our country in many global economic crises. The aim of this article is to analyze the impact of Covid 19 on saving and investment habits of the people in Kurnool, Andhra Pradesh region.

Keywords: Covid-19, Pandemic, Saving, Investing, Economy, Business.

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1. INTRODUCTION

Due to speed at which the COVID-19 virus is growing and affecting the lives of people, it is declared a pandemic. Covid 19 has left many children as orphans and left families broken by taking the life of lakhs people around the world. It has affected the physical health of the people and also the economy where it hurts the most. It has left thousands of people jobless and without a steady income source. During the lockdown, the economic activities in the country came to a halt due to reduced mobility, bottle necks in the supply chain management and scaling down of operations across all sectors. Slowdown of economic activity and closing of multiple businesses has insisted us all to rethink and ponder over the role of saving and investments in our day to day life. Many of the people had used their saving to fight this difficult situation of pandemic which further highlighted the benefits of saving and investment. In this article we will analyze how the saving and investment habits of the people of our country are affected by Covid 19.^[1]

2. RESEARCH METHODOLOGY

The methodology adopted to achieve our objective is to visit various areas in Kurnool, Andhra Pradesh to note the opinions of the people about their life before and during Covid-19 pandemic, their sources of income and saving patterns. Due to growing urbanization and agricultural penetration Kurnool city proves to be an excellent research and sampling area.^[2]

3. TOOLS AND TECHNIQUES:

Information and data was collected by visiting various

places like Gandhi Nagar, Gayatri Estate, C Camp Centre, Venkataramana Colony, Vidya Nagar, Ashok Nagar and Santhosh Nagar surveying citizens across all generations and engaged in different kinds of activities like businesses, daily wage workers, Government and private job holders, domestic help and self employed professionals.^[3]

3. From the research the following information was collected.

3.1 Effect of Covid-19 on Household Income:

Imposition of lockdown due to Covid-19 outbreak has witnessed a drastic change in the household income in the country (Figure 1). Decline in household income increased from 9 % in February to 45.7 % in April (statista.com). During the same period, the labour force participation rate dropped by 6.6 percentage points which further impacted income (Figure 2).

3.2 Effect of Covid-19 on various working sectors:

Among those people working in the various sectors the effect of Covid-19 can be seen, but the magnitude of its effect varies across all sectors. The daily wage earners and citizens engaged in domestic help were worst affected, because they were the first to lose their job and they were least prepared for the calamity. Many of these people started begging and others waited and have been waiting for government's support for their survival.

1. Star-up Businesses took a huge blow due to interrupted supply chain, not able to pay salaries to their employees and even not able to pay EMI's on their loans. As their money is tied up in the business they had no savings

in this time of need. Covid-19 left many start-up businesses drowning and struggling for breath.

2. Old and well established business were also affected by the covid-19 but they have some good amount of savings which helped them to ride through this calamity but it was not sufficient enough to continue to pay salaries to their employees during the loss period. Many of them fired their employees, cut-off their salaries and even those who took care of their employees faced heavy problems.
3. Many of the Private employees lost their jobs or forced to work for half salaries because of the difficulties faced by the businesses. For these people saving and investment plays an important role. They used their saving for their survival. Many of them took low profile jobs and some started their own small businesses to meet their needs.
4. Government employees though didn't felt much of the difficulties but had made changes in their life style.

3.3 Effect of Covid-19 on saving habits of people under various age groups:

Our study showed that people whose age is above 40 years already had a habit of saving in them, the young and millennial generation's attitudes toward money, saving and investing differ from previous generations and were considerably new to this idea. Their philosophy in life was "living in the moment" and "spending what you earn". But after Covid-19 this philosophy changed overnight because of the halt in their income. They realized the importance of saving small amount for the difficult times. Many of the people below 40 years of age are now interested in understanding various techniques of saving and investments.

3.4 Preferred Investment options during Covid-19:

Covid-19 has caused the people to save more and spend less. There are various ways of saving but the following avenues have attracted the most during pandemic:

- **Systematic Investment Plans (SIPs)**- SIP has been consider as an important investment avenue but after Covid-19 it gain much more importance, when these SIPs helped many to survive in these hard times. Many of the people adopted SIP as a way of life.
- **Health Insurance**-In our research we found that many individuals started investing in health insurance without

much hesitation, which is considerably new for our society and is a welcome step.

- **Life Insurance**- In pandemic people realized that there is absolute uncertainty of life. Many of the families lost their earning member in their family and many children became orphans. This made more and more people buying life insurance policies to protect their families.
- **Trading**-Our research showed that due to cut in salaries many of the people were searching for alternate source of income. Many of them have started trading in the stock market which can be witnessed by 10.7 million new accounts in FY2021.
- **Fixed Deposits**-When entire economy was suffering, the only thing which gave little relief was the money saved in the form of fixed deposits in the banks. All the short term need of the citizens was catered by the amount saved in FDs as they are safe and easily retrievable.
- **Gold**- Our research showed that many of the citizens feel Gold investment to be safe and secure even though they were not able to buy physical gold as the gold shops were closed due to lock down. Many of them aren't aware of Gold ETF i.e. Exchange Traded Fund companies.

Suggestions on how to inculcate the habit of saving:

We took suggestions from individuals about what they considered was the best way to save money so as to invest it for future use. Following are the suggestions received:

1. Make a realistic saving goal
2. Break the goal into smaller targets
3. Open a separate bank account with no ATM, Debit card or Online Banking facility
4. Keep a daily motivator
5. Do not postpone saving plans
6. Set limits on fun activities
7. Stop impulse buying-use the 24 hour rule, to wait for 24 hours before buying a non essential item.
8. Unsubscribe for marketing emails or websites that lead to impulse buying
9. Designate one day a week "as no spend day"
10. Go Natural

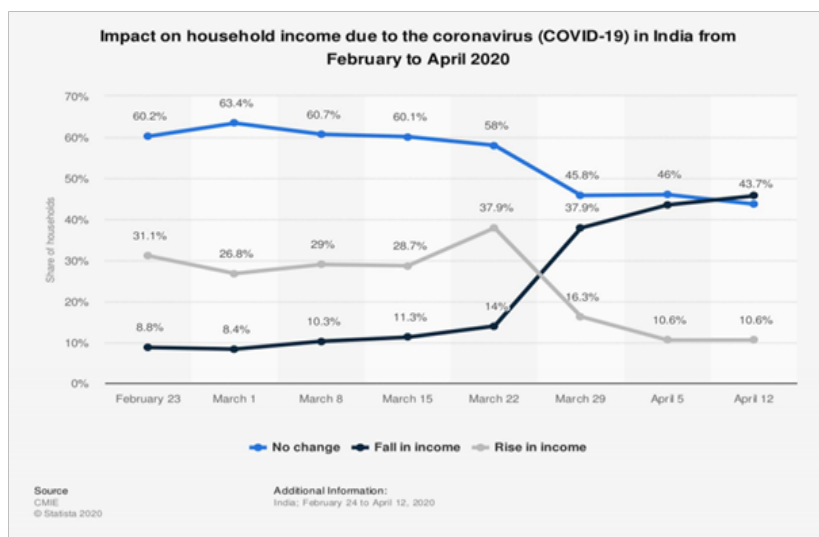


Figure 1



Figure 2

Findings

Covid-19 has had brought huge suffering in the world, by causing extraordinary health and economic crisis. People from various sectors faced pay cuts, irreversible losses in the business and many of them have even lost their jobs. Saving and saving traditions in India has once again highlighted the importance of saving in the pandemic time. Not only old generation but also the young and millennial have also identified the importance of saving. No pandemic in the world will stop us as we work together, save and move forward.

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