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## RESEARCH ARTICLE

### EFFECT OF COVID-19 PANDEMIC ON SAVING AND INVESTMENT HABITS

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#### ABSTRACT

Covid 19 or Novel Corona virus has affected millions of people worldwide. Not only has it caused a huge health crisis, it has also let the global economy in a wounded state. Nationwide lockdown although a welcome step to reduce the spread of Covid19, has left the general population in a grim state where almost all businesses and jobs have suffered a great deal. In the present situation therefore, saving and investment has once again emerged as two pillars of our economy by whose support our country can survive this global pandemic. Saving as a habit is deep rooted in India and has many times in the past also helped us face global economic crises. This article aims to analyse the effect of Covid-19 on saving habits of individuals in Kota, Rajasthan region. The aim is to understand to what extent did savings help a normal citizen ride out the storm of Covid 19 and what changes if any have happened in the saving and investment patterns in general.

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#### INTRODUCTION

COVID -19 OR Corona Virus, an infectious disease has assumed the title of pandemic due to the speed with which it is growing and the effect that it has on life as we know it. Covid-19 has affected crores of people worldwide and claimed lakhs of lives, leaving families broken and the world injured. Apart from its effects on the physical health of the people, it has also hit the economy where it hurts the most. It has affected the pockets of almost every stratum of the society leaving thousands jobless and without a steady source of income. As India took an aggressive stance to slow the spread of Covid 19, the economic activity came to a standstill and has brought it to its knees. With reduced mobility, and disrupted supply chain management, businesses across all sectors have had to scale down their operations, lay off employees or reduce salaries. The muted economic activity and ceasing of multiple businesses has forced us all to rethink the role of saving and investment in our everyday lives. Many families and individuals have had to dive in to their meagre savings to sail through this storm of Covid 19, and this has once again highlighted the benefits of smart saving and investment. In this article, we will try to analyse the effect Covid 19 has had on the saving and investment habits of citizens of our country.

#### RESERACH METHEDODOLOGY

To fulfil our objective, the methodology adopted is to visit various areas in Kota, Rajasthan seeking opinion of the population about their life before and during Covid-19, their income source, and stability and saving patterns.

Kota city proves to be an excellent research and sampling area due to its growing urbanization on the one hand to its agricultural penetration on the other hand. It has earned its name as a growing educational hub for the country while at the same time is a home to various business both old and start-ups. Kota city has therefore seen the effect of Covid-19 on its economic activity, on its jobs and its businesses.

**Tools and Techniques:** Information and data was collected by visiting various places like Gumanpura, Nayapura, Bajrang Nagar, Mahaveer Nagar, Kunhadi and Vigyan Nagar surveying citizens across all generations and engaged in different kinds of activities (businesses-old and start-ups, jobs-government or private, daily wage workers, domestic help and self employed professionals.

#### Following information was collected from the research

**Effect of Covid-19 on various working sectors:** Covid-19 effect can be seen among people working across all above sectors but the scale of its effect varies across all sectors. The worst affected are daily wage earners and citizens engaged as domestic help because they were the least prepared for the calamity and because they were the first to lose their employment. Many were left in such sad states that they had to resort to begging which otherwise would have been a taboo were the. Many waited and continue to wait for government's support for their daily survival.

1. Start-ups took a massive blow due to the disrupted supply chain, unable to pay off their employees or even pay

EMI's of their loans. They being new in business and still taking baby steps to setup their businesses had no savings for this time of need as all their money was tied up in their business. Covid-19 left many such start-ups gasping for breath as they still struggle to keep their heads above water.

2. Old and well settled businesses were also not left untouched. They did however have handsome sums saved up for a rainy day, which was sufficient to ride through the storm but it wasn't enough and hence made it impossible for them to continue paying their employees even during the loss period. Many of them lay off employees, cut-off salaries and even those who were able to take care of their employees had to pay a heavy price for it.
3. The difficulties faced by businesses had a direct impact on private employees who almost in a day lost their jobs or were forced to work on half or even less salaries. For this sector, saving and investment the most important role as they had to dive into their savings for their survival. Many of them took to menial jobs or started their own little businesses to make their ends meet.
4. Citizens employed in government jobs, although did not face the eye of the storm but had to make various life style changes.

**Effect of Covid 19 on saving habits of people under various age groups:** Our study showed that while people above 40 years of age already had a habit of saving inculcated in them from the beginning, the young generation and millennials were considerably new to the idea. Their philosophy in life was "living in the moment" and "spending what you earn". But this philosophy changed almost overnight, with Covid-19 bringing their incomes to a halt, making them realize the importance of a small sum of money saved up for a rainy day. More and more individuals below the age of 40 years seemed to be interested in understanding the various ways and techniques of investments, some even hired relationship managers for this purpose.

**Preferred Investment options during Covid-19:** Indian savings contribute to about 60 percent of the country's saving. However, the covid-19 uncertainty has caused rise in forced savings and slow spending. Various ways of saving are available to us, following four assumed the most important in the current pandemic

- 1) **Health Insurance-**Our research shows that many individuals started investing in health insurance without much hesitation, which is considerably new for our society and is a welcome step.
- 2) **Life Insurance-** Covid 19 has shown the absolute uncertainty of life. The plight of families left alone and without earning members is not hidden from anyone. More and more people each day are opting for life insurance, as a means to safeguard their family's future.
- 3) **Systematic Investment Plans (SIPs)-**SIP has been gaining popularity with Indian investors for quite some time now but Covid-19 pandemic gave it much more importance. When the small monthly savings in the form of SIPs helped individuals in sustaining these hard times, it led to more and more people adopting SIPs as a way of life.

- 4) **Fixed Deposits-** When the entire economy was brought to its feet, the only thing that provided a little solace was that amount of money that was tied up in Fixed deposits in banks. It was safe, easily retrievable and catered to all short term needs of the citizens. For many people, when everything else failed, fixed deposits in bank was the only form of saving that helped them face these difficult times.

**Suggestions on how to inculcate the habit of saving:** Our research showed consensus among people over all age groups, work sectors that saving was necessary and need of the hour. 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. Deciding on a percentage of your income that will go to the saving fund, in spite of the amount that one earns.
2. Establishing a budget by realizing one's spending habits
3. Start Small
4. Save your tax returns
5. Stop impulse buying-use the 24 hour rule, to wait for 24 hours before buying a non essential item.
6. Unsubscribe for marketing emails or websites that lead to impulse buying
7. Minimise spending on social events
8. Designate one day a week "as no spend day"
9. Buy only what is necessary
10. Don't stock in excess, stock only non perishable items
11. Keep a check on your utility bills
12. Go Natural

### Indicative Findings

Covid 19 has had profound effect on the world, causing an unprecedented health as well as economic crisis. Almost all sectors of people took pay cuts; many became unemployed and suffered irreversible losses in business. The pandemic has once again highlighted the importance of saving and how saving is a tradition in India which has many a times sheltered India from the harsh effects of global economic turbulence. Not just the middle aged and old population, but young adults and millennials too have identified with the importance of saving and are trying to inculcate the habit of saving among them. The situation is grim and the rainbow at the end of this storm will not be seen for a while, but there is hope. As long as we work together, save and move forward no pandemic in the world can stop us in our journey towards growth.

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