

PERSONAL FINANCIAL PLANNING POST COVID-19 PANDEMIC IN INDIA

NLDIMSR Innovision Journal of Management Research

ISSN: 2457-0893, Volume 7, Issue 1, January-June 2023

DOI: 10.31794/NLDIMSR.7.1.2023.41-47

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ABSTRACT

As the unusual Covid-19 outbreak caught the globe by storm, one of the most essential lessons learned was the need of properly planning and managing one's personal money in order to ensure a secure future. There has been a drastic impact of Covid-19 on the personal finances of many individuals. The study examined people on the basis of gender, age group, and employment to determine how this pandemic has affected their financial life and how they feel about the financial independence. The present study aims to throw light on how the financial planning process has been changing lately due to the pandemic. The study will be useful to future researchers in understanding how people's perception changes with change in circumstances as it emphasizes on various financial challenges faced by them due to this pandemic. The study uses exploratory research design and secondary sources of data collection to analyse the change in perception regarding financial planning post COVID-19 pandemic.

KEYWORDS

COVID-19, Financial Crisis, Financial Planning, Investment, Mobile Payment, Personal Finance

INTRODUCTION

Financial planning at a young age is becoming increasingly crucial as lifestyles change and costs rise. An adequate financial plan should cover individual needs at various stages of life. Nowadays, attitude and perception regarding financial planning is also changing rapidly. Attitude can be defined as an inclination to behave in a favourable and unfavourable manner (Jain & Rekha, 2018). A financial plan is required to handle short- and long-term goals while also having finances to address unexpected situations. Individual financial planning and analysis is something that everyone should do before investing. A typical financial plan will have exhaustive coverage of all the income, expense, risks, and goals amongst others. Personal finance is associated with accomplishing personal financial goals such as saving enough money for urgent needs, planning for retirement, or preparing for a child's education.

The first coronavirus case was detected more than a year which quickly turned into a full-fledged pandemic that infected billions and killed millions. Aside from the human losses, it shattered the global economic system, robbing many people of their jobs and causing the economy to collapse completely. As a result, people have learned countless lessons that have influenced their behaviour. Attitudes and perceptions are crucial elements in influencing consumer behaviour (Gupta & Sharma, 2019). According to the 'Consumer Purchasing Sentiment Index Report,' about 90% of Indian customers have changed their spending habits since the pandemic broke out. Given the uncertainty and suddenness of the global pandemic, the study found that roughly 70% of Indians are now focusing more on securing the future by increasing investments and savings.

As per one report published in Mint, 28% of individuals expect to start with a financial plan in place to expand their wealth, 23% seek to create a financial corpus for an emergency, and 18% intend to prepare for retirement. While the pandemic has a financial impact, the study shows that Indians are becoming more aware of the need for financial management. Although consumers show anxiety over the security and trust issues over mobile phone banking, they are prepared to break the rules for convenience and other benefits (Aggarwal, Gupta & Sharma, 2019).

RATIONALE OF THE STUDY

A structured process of identifying one's life objectives and managing finances accordingly is known as personal financial planning. As a result, it includes the efficient and effective allocation of money and other resources to meet the individual's requirements, goals, and preferences. But the financial literacy in India is very weak and formal financial training is still in its infancy, there is a scarcity of study in this field. The goal of the study is to provide insight into people's financial planning challenges and how they have changed as a result of the COVID-19 pandemic.

REVIEW OF LITERATURE

Waliszewski and Warchlewska (2021) discussed how personal finance management application helps during the COVID-19 pandemic. Using a CAWI online survey, the authors aimed to determine how effective and popular personal money management software is in Poland. The survey was made available on financial portals such as Bankier.pl and financial blogs, and the findings revealed that customers prefer non-banking applications over bank-provided financial managers. The applications are extremely clear, organised, and straightforward.

Benz (2020) discussed the impact of COVID-19 on current and future budgetary plans. COVID-19 has demonstrated the need for emergency reserves as part of a financial plan, as well as the challenges that many people and households have in accumulating these "rainy-day savings,". It also mentions that healthcare costs in retirement are still a major factor to consider.

Janetius (2020) looked into how COVID-19 has impacted the financial and retirement plans. With the use of a case study, they tried to understand how COVID-19 has impacted financial and retirement plans. The study shows how a person in their late adulthood began to prepare for an economic disaster. According to the statistics, the post-retirement phase accounts for about 20 to 30 per cent of human life.

Fox and Bartholomae (2020) provided a summary and review of the impact of COVID-19 pandemic on household finance. Financial planners around the world have noticed some important changes due to the pandemic. They have started using communication technologies more quickly to help their clients. At the same time, clients are facing higher levels of stress because of changes in their health, the economy, and the political situation in the United States.

Murphy and Yetmar (2010) conducted a survey about the personal financial planning attitudes of MBA students in the USA. In the study, 206 MBA students were asked about their opinions on financial planning. The results show that most of the participants believe financial planning is important and they are interested in creating their plan. However, only a small percentage of them feel confident in their abilities to actually develop a comprehensive personal financial plan. Specifically, the study found that approximately 13% of individuals have successfully created a thorough personal financial plan.

Kapadia (2020) conducted a study to gain a proper understanding of the Holistic Approach to Planning for Personal Financial Management in India. The study is descriptive in nature and relies on secondary data. It focuses on a few key components of investment and financial planning, such as setting financial objectives, developing a financial plan, putting the plan into action, and reviewing it. Appropriate financial education plays a significant role not just in helping individuals manage their financial well-being, according to the findings.

OBJECTIVES

- To understand personal financial planning challenges on the basis of demographic factors: gender, age, and occupation.
- To understand change in perception regarding financial planning post COVID-19 pandemic.

RESEARCH METHODOLOGY

The present study is exploratory in nature and secondary sources of data collection have been used for the same. Various national and international journals, magazines, articles, and reports published by research organisations such as Deloitte, KPMG, and Mckinsey, etc., have been referred for the purpose of this study.

FINDINGS

This study examined individuals from various gender, age groups, and occupations to understand how they have been affected. The goal was to gain insights into how the pandemic has influenced their financial situations and their current perceptions of financial freedom.

FINANCIAL PLANNING CHALLENGES FACED BY PEOPLE BASED ON DIFFERENT OCCUPATION

The COVID-19 crisis presents significant challenges for young individuals, especially those who are vulnerable. It affects various aspects of their lives, including education, employment, mental health, and disposable income. Additionally, while young people and future generations will bear the long-term economic and social consequences of the crisis, there is a greater focus on addressing immediate economic concerns and ensuring fairness. As a result of the outbreak, individuals who are graduating during a recession or starting their careers may postpone plans to live independently and move out. Many young professionals who used to work away from home have returned to their families in order to save money and be closer to their loved ones. Any plan to pursue higher education or make big purchases, such as purchasing a car, may have to be postponed. Unfortunately, this meant that several students had to give up their part-time occupations. Students have been struggling financially without this extra income, even though their student loans have continued to be paid as usual. This pandemic has inflicted unparalleled damage on the Indian working class, putting them under severe economic strain as indicated by substantial job losses. According to the Centre for Monitoring Indian Economy (CMIE), urban unemployment is at its highest level in decades, at 30%. The lockdown has wrecked the livelihoods of many people, whose lives are dependent on their jobs. The pandemic presents the working class with two primary challenges: (i) income and job stability; and (ii) health and safety.

FINANCIAL PLANNING CHALLENGES FACED BY PEOPLE BASED ON DIFFERENT AGE GROUPS

According to Standard Chartered's latest global poll, COVID-19 had a tremendous influence on people's spending and savings across generations, but none more so than Millennials. Millennials are the generation most likely to struggle to pay day-to-day expenses and borrow more. Despite these obstacles, the pandemic has inspired this generation to better plan for their financial future, prompting Millennials to adjust in their money management. People have become more cautious with their savings and expenditures as a result of the outbreak, and they are less willing to overspend. Most individuals

nowadays choose to put their money into long-term savings rather than spend it on a foreign vacation. The economic repercussions of the pandemic have been more severe for people in their 30s and 40s. The loss of employment or salary cuts has significantly impacted individuals' ability to fulfil financial obligations such as home loan payments, children's school fees, and other household responsibilities. Over-reliance on your company in such a situation may be risky, therefore it is a good idea to maintain your professional choices open and continuously re-skilling. If retirees had all of their finances in order before the pandemic, they will be able to go through this tough time without having to worry about money. However, new retirees who recently began investing in equities may have suffered a significant hit since they recently retired and began investing, but now they should reconsider their whole financial strategy and cut down superfluous spending. Creating a second source of income such as rental income could be beneficial but it has become uncertain in recent years. Furthermore, because the elderly are more vulnerable to COVID, having proper health insurance is more crucial than ever.

FINANCIAL PLANNING CHALLENGES FACED BY PEOPLE BASED ON DIFFERENT GENDER

The basics of financial planning are the same for men and women. Women's financial planning, on the other hand, differs from men's in several respects according to life circumstances. Women are more likely than males to take professional breaks. This might be a result of childbirth or elderly care. If their husband is relocating, women frequently give up good employment, and it may take a long time for them to find another work that pays well. As a result, it is critical for women to carefully plan their finances. They require a bigger emergency fund and must be financially prepared so that such setbacks do not throw their financial plans into turmoil. In addition, due to family care issues and higher child-care expenditures associated with remote work and school, women are quitting the workforce in greater numbers than males.

HOW THE PERCEPTION REGARDING FINANCIAL PLANNING IS CHANGING PRE AND POST PANDEMIC

- In the previous ten years, people have become used to a lifestyle in which desires have surpassed needs. Desires were fuelled by brand advocates, ads, and films. People were consuming things they didn't need, and it provided them with a temporary high. That, however, is about to change. Basic requirements will be prioritised in purchasing, such as groceries, health and hygiene, clothing, and so on. While the wants - leisure and luxury items – will inevitably be put on hold until a later date.
- Liquid cash is essential for middle- and lower-income families, migratory workers, and others. Such crises, on the other hand, generally strike out of nowhere. Instruments that were previously overlooked due to large returns on equity, such as mutual funds, will resurface and acquire significance following COVID. In fact, every Indian will now contribute to an emergency fund, such as the COVID Shield Deposit, a type of fixed deposit that will be utilised solely in the event of a pandemic.
- Community travel will take a backseat and will only be undertaken in the most extreme of circumstances. A middle-class family today would rather invest in a compact passenger automobile than risk-packed trains and buses.
- Around the world, there has been a 40% increase in demand for homemade recipes. This means that families are learning to cook on their own using inexpensive or readily available items. Daily tasks such as cleaning and washing kitchenware have evolved into new types of exercise. This is both a benefit and a bane because, on the one hand, we will witness stronger family bonds and a healthier India; on the other hand, domestic help – maids, drivers, and others – may suffer unem-

ployment or a drop in pay. Families should yet again support their employees in managing their funds during this period.

- Indian businesspeople are extremely clever in their decision-making. However, they have had to learn few things the hard way as a result of the lockdown. Starting to establish an online presence in particular. Indian micro businesses such as Kirana stores, mechanics, plumbers, and others are ready to expand their reach to a far bigger local audience with the support of internet giants.
- COVID-19 has been a benefit to small businesses. During the lockdown, each of us discovered a previously unknown skill or talent. These hobbies will fuel the next wave of business, whether it's music, food, art, tales, blogging, filmmaking, or anything else. Aided by technology, the world will be their marketplace.

CONCLUSION

COVID-19 has had a significant impact on how people think about money. Job losses have had an impact on families, resulting in a decrease in household income. Because of the growing unpredictability, having financial foresight has become incredibly crucial for the nation. People of all ages, professions, and genders realised the need of personal financial planning after the COVID-19 outbreak. In the post-COVID era, people have realised that having a good financial plan may help mitigate the effects of some of these situations, and the current state of the economy emphasises the need for having a robust financial plan to protect one's financial future. Researchers will continue to focus on these topics in the future, while also expanding their work into new areas of financial planning.

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