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A STUDY OF IMPACT OF COVID-19 ON PERSONAL FINANCIAL PLANNING OF SALARIED EMPLOYEES AT NASHIK CITY

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A STUDY OF IMPACT OF COVID-19 ON PERSONAL FINANCIAL PLANNING OF SALARIED EMPLOYEES AT NASHIK CITY

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Abstract

Step by step approach to meet one's life goals can be done by personal financial planning. It is a process that a person goes through to find out where they are now, determine where they want to be in the future, and what they are going to do to get there. Various aspects one keeps in mind while doing financial planning like time horizon to achieve his life goals, identifying risk tolerance, liquidity needed, and the inflation which would eat up living and decrease standard of living and off course the need for growth or income. Since the outbreak of global pandemic took place in India, nobody has ever imagined that the extent of disruption would be this massive. According to WHO, the economic and social disruption caused by the pandemic is devastating: tens of millions of people are at risk of falling into extreme poverty, while the number of undernourished people, currently estimated at nearly 690 million, could increase by up to 132 million by the end of the year. Millions of enterprises face an existential threat. Nearly half of the world's 3.3 billion global workforce are at risk of losing their livelihoods. As per the recent Willis Towers Watson survey (India readiness Survey 2020), 57% firms say they may face negative impact in next six months where as 33% organizations have indicated that there will be reduction in salaries. This impact is clearly visible on firms across Maharashtra state. Nashik has over 9,000 industrial enterprises; wherein many companies had imposed salary cuts on workers. Thus the main purpose of study was to know how salaried employees are doing their financial planning is such a critical situation and to examine how the pandemic situation influence the investment decision of individual. The study covers the salaried people working in Nashik city.

Key words: Financial planning, Covid-19, salaried employee, Nashik city.

Introduction

Nashik's rapid urbanization can be credited to its flourishing skill-based manufacturing industries such as automotive, consumer and capital goods, engineering and textile, pharmaceutical sectors and IT-ITeS sector. The impact of the global corona virus outbreak is visible on firms across Maharashtra. State's micro, small and medium enterprises that are part of the global supply chain have been the first to feel the economic pinch of the global outbreak. After the auto sector slowdown last year, the industry was just about finding its feet again when this crisis has stuck. While the full scale of economic impact will manifest only in the next two months, the suspension of visas will put a hurdle in the regulatory testing of spare parts. Many units in Nashik are afraid that their dispatches of spare parts to foreign countries will also stop, even though panic had not yet set into the market, people are bracing themselves for a difficult time ahead. While most employers announce a retrenchment, the aftermath is not a very easy phenomenon to go with. Since the inception of the Covid-19 pandemic, employees across industries have been staring at significant pay cuts if not a lay off. Undeniably, things are uncontrollable on all fronts, while adjusting with the new normal is what we have a control on right now. The raising spectre of salary loses have inadvertently led to rethink upon financial planning goals.

Objectives of the Study

1. To understand how Personal Financial Planning is done by salaried employee in Nashik city.
2. To examine how the pandemic situation influence the investment decision of an individual.
3. To study the difference in perception of an individual towards financial planning during lockdown period.
4. To study how financial literacy level of salaried individuals affect their investment preferences towards financial products.
5. To study the changes in personal financial planning with change in time.

Research Methodology

The research design has been adopted as a descriptive study based on primary data and for effective and reliable survey, a simple and well-constructed online questionnaire (Google form) is prepared. It is impracticable and impossible to study the whole population due to limitations of lockdown and other factors that are indispensable; hence the present study is confined only the area of Nashik city and the sample size is 112 salaried employee using convenience sampling method in Nashik city.

Results and Discussion

The results are summarized here as under:

Table 1 :Demographic Profile of Salaried Employees in Nashik City

Source: Primary Data.

Profile	Labels	No. of Respondents	Percentage
Age	21-30	32	28.6
	31-40	52	46.4
	41-50	24	21.4
	51-60	4	3.6
	Total	112	100
Income (Rs.)	Up to 15000	26	23.2
	15001-30000	48	42.9
	30001-45000	25	22.3
	45001-60000	11	9.8
	Above 60000	2	1.8
	Total	112	100

Above chart shows out of 112 respondents 46.4% of the respondents are from the age group 31-40 years follwed by age group 21-30 years which is 28.6 % . These are considered to be most active age groups. During this age the career is in growing stage and maximum risk can be taken while investing. Also 21.4 % of respondents were from the age group 41-50 years, at this age the risk taking capacity of individuals reduces due to family responsibilities. Very few respondents are from age group 51-60 years. Investment decisions of an individual are based on the income /salary. The above chart shows that the majority of the respondents falls under the income slab of Rs.15001-30000 (42.9%) per month while 23.2% of the respondents are in income slab of up to Rs. 15000 followed by 22.3% are in income slab of Rs. 30,001-45,000, 9.8 % into the income slab of Rs. 45001-60000 while only 2 respondents are having income above Rs. 60,000.

Table 2 :Percentage of monthly salary/income saved

Savings	No. of Respondents	Percentage
Less than 20%	68	60.7
20%-35%	41	36.6
35%-50%	3	2.7
Over 50%	-	-
Total	112	100

Source: Primary Data.

Most of the respondents which is 60.7 % save less than 20% from their salary/income and 36.6 % respondents save about 20% - 35%. 2.7% respondents save 35% -50% of their income/salary. From the chart it is observed that the saving rate from income is less by the respondents.

Table 3 :Family financially protected against the unforeseen events

Responses	No. of Respondents	Percentage
Yes	77	68.75%
No	35	31.25%
Total	112	100

Source: Primary Data.

68.75% made financial provision for their family to protect against unforeseen events. But, 31.25% of the respondents did not make any financial provision for their family members. This percentage of respondents is not prepared for financial plan for contingencies.

Table 4 :Investment made in following avenues

Avenues	No. of Respondents	Percentage
Life Insurance	40	35.7
Fixed Deposits	60	53.6
Mutual Funds	9	8
Share Market	26	23.2
Gold	87	77.7
Provident Fund	78	69.7
Post Office deposit	17	15.2
Other	71	63.4

Source: Primary Data.

From the above graph it comes to know that most of the people which are 77.7% made investment in Gold and 69.7% respondents have invested in Provident Fund. It is observed that major investments were also made in fixed deposits which are considered to be secured investment avenue. Only 35.7% of the people have life insurance, which is very less because most of the respondents prefer to have mediclaim only provided by the company. Investment in equity is preferably made by the young investors. Very few respondents invest in Mutual funds and Post Office deposits.

Table 5 :Satisfaction with investment in term of return

Satisfaction	No. of Respondents	Percentage
Yes	48	42.9%
No	5	4.5%
Neutral	59	52.7%
Total	112	100

Source: Primary Data.

The above chart shows that majority of the respondents (52.7%) neither satisfied nor unsatisfied about their investment. The reason behind it may be unplanned investment or inadequate knowledge about investment instruments. 42.9% respondents were satisfied with their investment. Only 4.5% of respondents not satisfied with the investment they were made.

Table 6 :Objective for choosing an investment

Investment Objective	No. of Respondents	Percentage
Principle safety	42	37.5
Maintain standard of living	15	13.4
Safeguard against contingencies	77	68.8
Meet future expenses	93	83

Source: Primary Data.

The financial Planning is start with the objective of investor for which he/she going to invest their money. About 83% respondents having an objective for their investment is to meet future expenses and 68.8% respondents made investment to safeguard against contingencies. But, the most important objective is principle safety may be ignored by the respondents, only 42 people give priority to the principle safety. 13.4 % respondents also having and objective of maintain standard of living with their other objectives.

Table 7 :Requirement of professional help of Certified Financial Planner to streamline finances through a structured financial plan of family

Responses	No. of Respondents	Percentage
Yes	15	13.4
No	97	86.6
Total	112	100

Source: Primary Data.

Majority of the respondents which was 86.6% were not required the professional help of Certified Financial Planner CFP) to streamline their finances. Only 13.4 % of the respondents agreed to required professional help.

Table 8 :Knowledge of tax-savings techniques

Responses	No. of Respondent	Percentage
Yes	50	44.6
No	62	55.4
Total	112	100

Source: Primary Data.

It is observed that most of the respondents do not having knowledge about tax-saving techniques and the latest changes in the tax laws. It includes both types of respondents whose income is taxable and whose income is not taxable. 44.6 % respondents know the tax-savings techniques and having updates about latest changes in taxation and 55.4% of respondents do not have knowledge about tax savings techniques.

Table 9 :Due to shortfall/ deficit during lockdown, do you make withdrawals from your savings and investments?

Responses	No. of Respondents	Percentage
Yes	49	43.8
No	63	56.3
Total	112	100

Source: Primary Data.

43.8 % of the respondents made withdrawals from their savings and investments to fulfill their needs during the period of lockdown. This withdrawal is basically made by the respondents having the income up to Rs.15, 000 and the income group of Rs. 15,001-30,000, due to the salary cut, non working period and also because of not having emergency funds, provision for financial crises. About 56.3% of respondents do not made any withdrawals from their savings and investments.

Table 10 :If Yes (above question), mention the savings and investments you make withdrawals from

Responses	No. of Respondents	Percentage
Provident Fund	11	22.4
Fixed Deposits	9	18.36
Pledging Gold	11	22.4
Saving Account	14	28.5
Other	4	8.16
Total	49	100

Source: Primary Data.

This graph shows that most of the respondents which are 14 out of 47 respondents who make withdrawals from their savings and investments during lockdown withdraw amount from saving account. There are equal numbers of respondents which are 11 people preferred to pledged gold and 11 people withdraw from savings PF. 9 respondents withdraw from fixed deposits and 4 people arrange money from other options.

Table 11 :Periodically preparation of a household budget that lists expected income and expenses

Responses	No. of Respondents	Percentage
Yes	56	50%
No	56	50%
Total	112	100

Source: Primary Data.

112 responses 50% of the respondents periodically prepared a household budget that lists expected income and expenditure and 50% respondents do not prepared household budget. This shows that People do not make proper distribution of their income/salary, sometimes their expenditure become more than income, due to this people unable to save the money in proper proportion.

Table 12 ;Opinion about Financial Planning after facing the situation like Covid 19/ lockdown

Responses	No. of Respondents	Percentage
Very important	101	90.2
Important	9	8
Average	2	1.8
Not important	-	-
Total	112	100

Source: Primary Data.

In the situation like Covid 19 most of the people faces financial crises. There was various reasons but one of the main reason is people do not have proper financial planning about current cash flows and estimation about future goals. After facing this situation Over 90.2% of the respondents give opinion that financial planning is very important in a life.8% of the respondents think that it is important and still 1.8% think that financial planning is averagely important.

Table 13 :Opted for the loan EMI moratorium

Responses	No. of Respondents	Percentage
Yes	45	40.2
No	67	59.8
Total	112	100

Source: Primary Data.

Government of India provides some relief to the people by giving loan EMI moratorium facility in this pandemic situation. 40.2 % (45 respondents) of the respondents opted for the loan EMI moratorium, it observed that among these 45 respondents there are some people who received regular salary/income in lockdown period also deferred EMI's for maintaining the sufficient emergency fund in crises due to the fear of salary cuts in future and some people obtain for moratorium because of not having enough money.59.8 % respondents do not opted for moratorium because they have sufficient fund, some of them do not have any loan.

Table 14 :Reason for not opting for the loan EMI moratorium

Responses	No. of Respondents	Percentage
Interest will continue to accumulate	14	58.3
May increase your loan period & interest outgo	4	16.7
It is a deferment & not a waiver	6	25
Total	24	100

Source: Primary Data.

24 respondents out of 112 answered to this question among them 58.3% (14 respondents) do not opted for loan EMI moratorium because interest will continue accumulate on their loan, hence they prefer to pay EMI on regular basis. 25 % (6 respondents) think that this may increase their loan period and interest will also outgo and 16.7% (4 respondents) says it is a deterrent and not a waiver so they choose to pay the EMI'S.

Table 15 :Opted Life Insurance Policy

Responses	No. of Respondents	Percentage
Yes	63	56.3
No	49	43.8
Total	112	100

Source: Primary Data.

From above chart it examines that 56.3 % of the respondents do not have any life insurance policy. Most of the respondents do not preferred life insurance because they have a medi claim provided by the company, but they don't know the importance of having life cover policy. 43.8 % of the respondents having life insurance policy, some of them also have a plan for their family members.

Table 16 :Preference for arranging emergency cash

Responses	No. of Respondents	Percentage
Avoid loan as much as you can	8	7.3
Take help from friends & family	26	23.6
Take EPF advance	21	19.1
Take loan by pledging gold or loan against investment	15	13.6
Withdraw from savings	40	36.4
Total	110	100

Source: Primary Data.

36.4 % of the respondents preferred to withdraw money from their savings, which indicates that these people made such provisions for emergencies. 23.6 % people prefer to take financial help from friends and family instead of using own savings and investments. 19.1% of the respondents prefer to use their Provident Fund money in a emergency situations even it is useful for their retirement. 13.6% of the respondents use their gold in form of jewelry to in cash by pledging it in a bank and 7.3 % of people think that if they avoid loans it may helpful to save more money

Table 17 :Financial Planning is necessary in life

Responses	No. of Respondents	Percentage
Yes	112	100
No	-	-
Total	112	100

Source: Primary Data.

All the respondents answer this question that financial Planning is necessary in life to meet present and future goals of an individual. After this pandemic situation it becomes more important to manage personal finances with a structured Financial Plan.

Conclusion

This study aimed at "A Study of Impact of COVID-19 on Personal Financial Planning of Salaried employees at Nashik City". Based on the study of literature and quantitative findings of survey of salaried employee conclusion of the research are discussed in line with the objectives. Various aspects are financial planning are identified through literature. Among those few aspects like different investment avenue, financial planning process, satisfaction level, returns on investments etc were studied. It was observed that situation like COVID-19 has actually changed a great deal about the ways that people live and work. It was understood that Financial Planning is not a onetime activity in fact it should be should be properly divided into short term, medium term and long term achievement of goal. People need to be educated and informed about Financial Planning and this provides a greater opportunity to financial institutions, banks, insurance companies to educate people. Financial literacy can help to overcome the devastating effects the pandemic has had on the earnings and savings on the better part of the population. To conclude, these are very uncertain times and it is natural to be worried about managing personal finances. Stick with the basics — have an emergency fund in place, spend only on what is absolutely needed, ensure that one must have insurance to protect him and family from any unexpected event and finally, keep investing regularly to build long term savings.

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