

COVID-19: LIVING WITH LIMITED FINANCIAL RESOURCES

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ABSTRACT

With this ongoing coronavirus (COVID-19) pandemic distress, it seems that we are new to this earth or a new inhabitant because the life of everyone has completely changed within one and a half months. All of us life have been impacted due to this pandemic by some way or the other. The situation is even worst for the one who suffered through pay-cuts and job losses.

"It's important that we practice prevention-saving and budgeting-so that we are better able to deal with crises like this one"

-Annamaria Lusardi (Economics Professor at George Washington University)

Coronavirus (COVID-19) is a virus that was first identified in Wuhan in December 2019, the capital of China's Hubei province. This virus is just an outbreak until it moved beyond the geographical boundary of the nation. And once it becomes pandemic it started to affect both the health as well as the economies wealth. The workers of the organisation in the gig economy or those workers whose income varies with level of work they do have suffered the biggest hit due to this pandemic. And they are amidst a very stiff financial crunch even after the help from the government. Even some of the retail shops and MSME's wouldn't be able to survive this hit and they wouldn't be able to revive even after the pandemic. And also the workers and employees who work in sectors like hospitality, aviation are going through a more harsh conditions of financial crunch then in comparison to those in FMCG or essential goods. Managing the personal finance is very important because it acts as a guiding path for one household, when we pre-set our budget it will help to foresee and match at every point of time our expenses, savings, investment etc. So personal finance is all about meeting one's personal financial goals. It all depends on your level of income, expenses, living requirements and individual's goals and desires. My paper presents the economic condition of the household amidst this pandemic in India it also shows the financial crunch faced by people of the country besides the management of one's personal finance amidst his pandemic.

Keywords: Covid-19, Stock Up But Do Not Splurge, Credit Card Payments, Guard Your Health.

Introduction

Now a day's the outbreak of a pandemic COVID-19 and its reports of how is it affect the economy of the world is hot news. Standing amidst this situation it is of great concern that how to manage our finances by keeping ourself safe both financial as well as health wise. There are many questions which arise to one's mind, whether to make a payment of credit card bills or to pay EMI of a loan at the moment or defer them for say about a couple of months as the government given the flexibility to do so i.e. moratorium and how to plan by seeing the present scenario for the upcoming financial year, and also deciding about what to do with savings by keeping the present state of market in mind. Amidst the pandemic, it is very essential for one to recall the basics and make sure that he plans a sound financial plan by keeping the precious eye on the society and the market. But before moving onto the main topic let us first know what COVID-19 and managing personal finance are:

Coronavirus (COVID-19)

This 2019-20 coronavirus pandemic is an ongoing pandemic of coronavirus disease 2019 which is caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The outbreak was first identified in Wuhan the sprawling capital of Central China's Hubei province, on November 17, 2019. The World Health Organisation declared COVID-19 an outbreak of Public Health Emergency of International

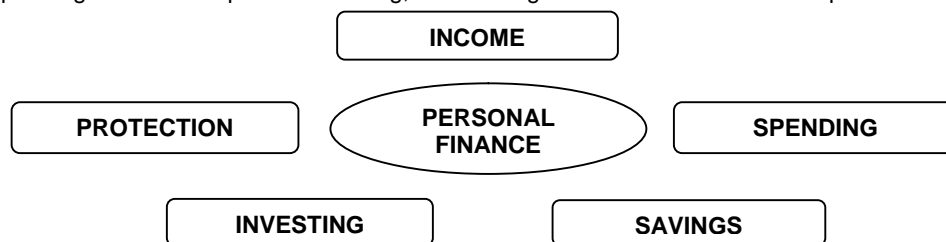
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Concern on 30th of January 2020 and then on 11th of March 2020 it was declared a pandemic as it crossed the geographical boundary of the nation and started spreading all over the world. As of 9th May 2020 there are more than 3.93 million cases of this coronavirus till date which were reported in almost 187 countries and territories.

According to a report from the United Nations Department of Economics and Social Affairs the global economy could shrink by 1% in 2020 due to this pandemic COVID-19. With about 6.6 million people only in the U.S. alone are facing unemployment about 2 weeks ago, the unemployment rate is expected to surge not only in the U.S. but all over the world and specially in highly populated countries taking in sight India. With somewhat about 100 countries have closed their international borders, international trade which takes place with their fellow countries are also affected, and because of this the economy is being severely hit. And as the situation as well as the time suggest it would specially go to impact the growing and the developing economies of the world. As per the current report by some of the reputed institutes of the world, this pandemic COVID-19 will go to affect the sectors which include retail trade, hospitality leisure recreation facilities, etc specially in the U.S., Europe, some of the Arab countries and India which will result in massive layoffs in the institute of different organisations around the globe. And in this time of uncertainty it is very essential for everyone to manage resources what he has or left with. And when we are talking about managing the resources, the first thing that strikes our mind is the management of personal finance because in an economy everything is directly or indirectly dependent on money. And in the time of such a crisis which is from seen to take time to end, so this point of time, one should manage its finance properly and should also spend it according to priority or preference.

Managing Personal Finance

Management of finance is an important part of financial planning. When it comes to managing of one's personal finances at the time of creating a workable plan it is very essential for one to plan it according to the objective and knowledge of one. When it comes to personal finance, it is actually the process of planning and managing of one's personal financial activities such as generation of income, its part of spending and another part of its saving, from saving to investment and then to protection.



By the above diagram we can understand the whole personal finance flow. We know that what is income, spending, saving, investing, but what is personal protection? So, personal protection refers to a wide range of products or services that one uses as a guard against an unforeseen and uncertain adverse event that might happen in the future or in other words to say contingencies.

Common protection products that one uses are:

- Life insurance
- Estate planning
- Health insurance
- The main components of planning a financial process include:
 - Assessment of the whole scenario
 - What goals to be set
 - Proper development of plan
 - How the execution of the plan will be carried out i.e., execution strategy
 - Monitoring and reassessment of the whole process or the chain of financial planning process

Management of Personal Finance during and Post Lockdown

- **Re-Evaluate Your Budget**

Every household who is well-managed works on a pre-decided budget. And the budget of one family fluctuates with the income. Due to the uncertainty the income got disturbed as the government is facing financial crunch, it (government) shifted calculated portion of risk to the people like the freezing of D.A

for the central government employee because of this situation drastic measures may need to be adopted by one to ensure that expenses do not increase as seeing the current situation the future is very uncertain.

Now households are re-evaluating their budgets and prioritising or preferencing the expenses as per the need of the hour. They need to take a decision between the necessary and luxury items and to forego the latter for the time being. It is of utmost concern for the households to take this financial decision of stability until the threat continues. For the time being it will be ideal for the household to let go heavy expenses and spend money keeping the financial position of one into mind on essential items and services. Unnecessary or unessential expenses could be those which are not the need of the hour, like entertainment, gourmet meals and materialistic things (fashion clothing). It is always good to have savings and an emergency fund which acts as a pillow to lessen down the financial hit on one household, so one should start creating fund and such like, so that they have some reserve which if need arises can be used to neutralize the effect of increase in prices of the products or can be used in some medical or any other emergency by keeping the present state of situation in mind.

- **Avoid Panic Selling in the Stock Market**

As seen today, the freefall in the global stock market is making the investors quite uneasy. Their fear of losing their hard earned money in the market, which they have put into the market to accomplish their some future goals. As portfolios of one shows a downward shift, there is a strong impulse in one to sell the stocks so as to minimise their losses, but this selling process should be triggered when we have no options left. The shifting of the market from "BULL" to "BEAR" is because of this pandemic so instead of selling at this point of time one should wait for the time to see what actually is happening around. Because when we sell the equity shares, the one's calculated losses become a reality. It should be kept in mind that the normalcy of the market will be returned once the situation of the economy started to stabilise. By selling their stocks at this point of time the investors will only monetise their losses. So it is advisable for an investor to keep the equity shares or stocks on hold and wait for the volatility to end.

- **Stock Up but Do Not Splurge**

This COVID-19 pandemic lockdown have made the stocking up of goods critical. However, hoarding the goods or items of necessity and overspending on groceries is not a good thing to do in this situation of financial crunch. While it is as ordered by the Government of India to Avoid supermarkets or the departmental stores and any other crowded places, for the time been it is also advisable to buy enough supplies for a month would be more than satisfactory. The Central as well as the State Governments are ensuring that there is no restriction on the flow of goods of daily use and therefore seeing the present state of management by the government the availability will not be an issue. As the government has well specified that India has enough food supply that can last for atleast 6 months.

- **Do Not Ignore Credit Card Payments**

Due to the lockdown of the entire nation amidst the break of pandemic most shops and businesses are closed, it strikes to one's mind that it seems an odd to worry about making the payment for the credit card, but to my opinion it is not the case be. It is advisable for one not to delay in his credit card payments even in this situation of a pandemic that is turning out to be more a financial crunch in the life of an individual. And as we know, that the credit card charges, defaulter's with a high rate of interest on non-payment of their dues, which as a result will affect the credit score of one which then again have an effect when that same being goes to take the loan from the financial institution. And if you are facing any crunch of financial sort then it is advisable to make the minimum payments so to avoid exacerbated bills later.

And like that other bills too should be paid so as to avoid penalty for late payment or interest on late payment. These bills may include electricity, gas or and vendor's bill, because if we make the payment of them we also at the same time helping them to coop with their financial crunch. And this on a macro level helps the economy to continue its circular flow, not to that normal level as before but to on a satisfactory level.

Guard Your Health

In my opinion health and life insurance cover are one of the most cost-effective ways to protect yourself and your family against a possible financial emergency by ensuring to an adequate amount. For this time a term insurance cover would be a no-frills plan that offers the highest life cover at very affordable prices. Keeping the future in mind from this point of time it is very advisable to go for one and as the situation suggest, cover should be of 8-10 times of your annual income. A term life cover of Rs. 1 Crore is available at the moment at an annual premium of Rs. 8,000 for a 30 year old man.

And in this situation where the world is facing severe hit by this pandemic, health plan of one is recommended. As we are seeing medical inflation has taken a steep upward movement so it is of most importance that a Rs. 5-10 Lakh cover should be on per individual in a family is the need of the hour because from this juncture of life amidst a pandemic, health is matter of a great concern. So a proper managed health cover makes for a strong safeguard for one against the unforeseen risks of death, disease or disability to the earning member of the family.

Watch out for Fraud

Scammers are taking advantages of this pandemic to con people of their money, which they have saved over the period of time. And in this time the scammers followed new reason behind their fraud but their tactics are the familiar one. So it is advisable for one not to fall into such and lose your hard earned money. Some of the scams which are taking place today between this very critical situation of pandemic are:

- **Fake Coronavirus-Related Charity Scams:** These scams are nowadays happening very often, people be a prey to this as they think that they are donating money for the noble cause but unknowingly they get themselves into these traps. So be very careful about any charity calling you and asking for donation and also be aware of the fake websites or portal for donation.
- **“Person in Need” Scams:** The scammers pretends that they are the person in need by showing that they get stranded in this unknown city and whatever the money they had have been stolen. And by this they ask you for help in monetary terms. So don't fall in these booby traps.

Conclusion

By keeping these simple tips in mind one can help themselves from this current financial storm and emerge from it unharmed. If one keeps this whole thing in mind he will find himself to be in a stronger position with no extra liabilities when the things get back to the normal life. Furthermore, one can even follow these tips in normal life even after the pandemic to manage its personal finance in the pre-specified budget for that particular time. It is of utmost importance to note that most of the household of India have had almost zero discretionary spending that was a major part of the expense before the lockdown. These spending include:

- Having dinner in the restaurant
- Going out for shopping
- Utilisation of entertainment facilities
- Fuelling the vehicles of one

So at the moment these are all adding to our savings. It is very important to prioritise the expenses and spending on the one which is of utmost urgent and postpone any discretionary expense till the lockdown is lifted. One must get the things very clear that after the lockdown ends everything will change either be world order, economic activity and last but not the least our thought processes. So for the time being let us brace ourselves for a new world with rekindled faith. Don't see this as a pandemic but as new avenues of opportunities that will come to India once this COVID-19 ends. Now the rulers of the economy will change and a new Sun of the Universe will rise as India.

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