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## An Empirical study on Impact of Pandemic on Financial Health of Family living in Palghar District

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### **Abstract:**

The research article is aimed at understanding, analysing and interpreting the impact of Pandemic on Financial Health of Families. Researcher has collected Primary data in this empirical study giving more insights and true picture of financial challenges and income volatility faced by families living in Palghar District. The district is relatively new and comes in rural belt. Therefore, it will also give reader (Corporates, Govt. Body, Academicians, Researchers and Citizens) knowledge and understanding of the financial implications in semi-urban and rural belt. The research covers key parameters and factors such as Earning members, Salary Cut, Borrowing, Change in Income and Loss of Employment which have significantly affected the financial health of family in the Palghar District.

**Keywords:** Pandemic, Impact of Pandemic, Financial Health, Palghar District, COVID-19, Income, Unemployment, Salary Cut etc.

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### **Introduction:**

One of the World's largest democratic nation India, has witnessed a lot of ups and down in last 2 years. Beginning from the month of March 2020, when first lockdown was put in force by central government of India, A series of lock down and unlock have followed in 2020 and 2021. Many studies have been done to assess the impact of pandemic on Mental Health, behavioural change, stress related issue and work from home. In this research, the main emphasize is on studying, identifying and analysing the impact of Pandemic on Financial Health of Family. We all know that except key sectors such as Essentials (FMCG), IT, Pharma. And Banking (to certain extent), all other sectors were adversely affected during Pandemic and Post Pandemic Phase. Sectors like Textile, Tourism, Hotel, Entertainment was affected significantly in terms of managing the cashflow and keeping business afloat. A good number companies went for downsizing, layoff or salary cut during the phase. Employees and staff working in these companies have gone through tough time of their career and family income with almost nothing to explore or limited availability of resources to deal with. Families of these working force incurred certain fixed cost such as Glossary, Bills, Fees and EMI (Govt. allowed only 6-month moratorium). The Impact of Pandemic on financial health these working population has received mix reviews and feedback from various groups of people depending upon their profession, company and sector in which they were working. The study focusses on trying to analyse and assess the impact of pandemic on such families who witnessed and survived most challenging time of their life during and post pandemic phase.

**Objectives:**

1. To analyse the impact of Pandemic on Financial health of family living in Palghar District
2. To find out reasons for borrowing and unemployment among the families living in Palghar District

**Literature Review:**

As per Consumer Pyramid Household Survey (CPHS) report of CMIE, November 2021, average monthly consumption expenditure of Indian household is Rs. 11,962 whereas average monthly income is Rs.21,377.

Family income in India showed lot of instability during February 2020 to April 2020.

	Late February	Mid of April
Fall in Income	9%	45.7%
Rise in Income	31%	10.6%

(Kanwal, 2022)

Income Inequality will worsen in short term due to adverse effect of pandemic (Depending upon the extent, quantum and duration of support provided by both state and central government by means of policies.) (Narayan, 2020)

Inequality in Income is rising in Indian despite of fall in global inequality. As per Database of World Inequality, contribution of top 1 percent population in National income of India has increased from 11% to 21% from 1990 to 2019 respectively. (Yang, 2020)

A survey conducted by Reuters in 75 families residing in UP shows that a total loan of Rs. 6.12 million were taken by these families, out of which 80% is still not recovered. Indebtedness and borrowing have increased by more than 3 times during and post pandemic period. Aggregate family income declined from Rs. 8.15 lac (before COVID-19) to Rs. 2.20 lac during and post pandemic period. (Reuters, 2021).

Year	Unemployment Rate (%)
2022	8.10
2021	7.97
2020	7.11
2019	5.27
2018	5.33
2017	5.41

(macrotrends, 2022)

**Scope of the Research work:**

The study has tremendous scope in understanding and expanding the financial implications of Pandemic on Various Sectors, Companies, Small and Medium Size enterprises, Government Undertaking and Professionals. Research findings will allow local, state as well as readers to think and dwell onto outcome of such events and accordingly precautionary measures, policy and risk diversification plan can be prepared. It will also help every stake holder to understand the economic implications of various decision taken at corporate level in terms of its effect to the customer or consumer. It will also help govt. authorities and CSR platforms of

the companies to understand which and what demography of people needs help which can be routed through their policy and schemes.

**Research Methodology:**

Researcher has used descriptive research to conduct the research work. Sampling method used is random sampling. The Primary Data is collected through survey from the people living in Palghar district to better understand the challenges faced by families in the region. Survey includes dichotomous and multiple-choice questions to save respondent’s time. Chi-Square test is used as statistical tool to prove the hypothesis testing.

**Hypothesis Testing and Results:**

**Hypothesis 1:**

Ho= Location and salary cut are independent

Ha=Location and salary cut are dependent

Obs.(exp.)	Salary Cut		
	Up to 25%	26 to 49	50 to 75%
<b>Location</b>			
Vasai-Virar	2 (2.45)	2 (1.5)	2(2.0)
Saphale-Palghar	7(6.95)	4(4.25)	6(5.79)
Boisar	6(6.54)	5(4)	5(5.45)
Vangaon-Dahanu	3(2.04)	0(1.25)	2(1.7)

When above mentioned frequencies tested using chi-square, it resulted into P-value of 0.88 which is greater than .05. Therefore, we fail to reject null hypothesis and accept that Location and Salary cut are independent and it has affected all areas of Palghar district irrespective of location.

**Hypothesis 2:**

Ho= There is no significant association between gender and financial health of Family

H1= There is a significant association between gender and financial health of Family

Obs. (Exp)	Agreeableness on negative impact of Pandemic on Financial Health of Family			
	Strongly Agree	Agree	Neutral	Disagree
Female	12(12)	7(6)	3(3)	0(1)
Male	12(12)	5(5)	3(3)	2(1)

Researcher found that, Respondent’s Agreeableness on negative impact of Pandemic on Financial Health of Family and Gender has no significant association. P-value of 0.506 for above mentioned observed and expected frequency indicates that it is greater than .05 (P-value of 0.506>.05). Therefore, we accept null hypothesis that There is no significant association between gender and financial health of family based on responses collected from Palghar district. It infers that irrespective of gender, Pandemic has affected financial health of people living in Palghar district.

**Data Analysis and Interpretations:**

➤ **Loss of Employment:** Pandemic was also one of the major reasons that employees lost their job. 33.3% respondents said that, due to Health reasons (Diagnosed with COVID-19) they lost their employment. 28% people mentioned that traveling constraint was the major

challenge because of which they could not continue their Job. 16.7% people were part of Laid off process carried out by company where as 17% people gave the reason of Company Downsizing. Remaining 5% became the victim of COVID-19 and died during pandemic.

➤ **Salary Cut:** Working population affected worst during pandemic and post pandemic period with approximately 45% people receiving 50% to 75% Salary Cut in the study region. 22.6 % gave the feedback that they received 25% to 49% salary cut. A same proportion of people (22.6%) shared the fact that even though salary was deducted from their salary during Pandemic Phase, Companies paid back later in post recovery Phase. A small group of respondents (9.7%) agreed that up to 25% Salary cut they faced during the pandemic Phase.

➤ **Percentage Change in Annual Income compared to Pre-Pandemic Situation:** It was interesting to see that 2% people agreed regarding doubling of their income in last 2 years (including pandemic period). 29% said that there was no change in their family income compared to pre-pandemic phase and therefore we can also interpret that this group had neutral effect of Pandemic (without including Inflation and Opportunity cost). A significant percentage of respondents (30%) mentioned that their family income rose by 25% to 50% during the study time frame. 37% People agreed that their family income had negative impact of Pandemic and Income fell by 50% in last 2 years.

➤ **Number of family members and earning members:** 80% of the respondents surveyed are having family member between 1 to 4 whereas remaining 20% are having 5 to 8 members in the family. Nearly 47.5% of family has only 1 member earning in their household. 38.6% of family has 2 members earning in their household while 9.1% of family has 3 earning members.

➤ **Reasons for Borrowing during Pandemic:** Almost half (47.7%) of the sampled respondents accepted that they borrowed money from Bank, Financial Institution or Friends/relatives during the pandemic period. There are several reasons given by people participated in survey for borrowing. One of the main reasons was household expenditure, 40% people shared this fact with researcher that they had to borrow money to run their home (basic needs), 25% mentioned Fees and Self education as the reason for borrowing during pandemic. 15% respondents said that they borrowed money to pay their EMIs to the Bank where as 10% respondents borrowed money for Health Treatment and marriage purpose.

### **Findings:**

- Half of the Sample Size (47%) had only 1 earning family member and 38.6% had 2 earning members in the family.
- Two third of the sample surveyed (67.6%) faced salary cut in the range of 25% to 75% during last 2 years of Pandemic and Post Pandemic Phase.
- Less than 40% (37%) agreed that Annual Family Income fell down by 50% where as 29% said no change. 30% People shared that their Annual Family Income rose by 25% to 50%.
- Majority of respondents 33.7% lost their job due to either downsizing or laid off policy adopted by companies during Pandemic Situation. 33.3% lost their Job due to COVID-19 diagnosis whereas 28% people lost their employment due to traveling Constraint.
- Hypothesis testing results makes it clear that pandemic has affected all population irrespective of location or gender on various scale making it classic case of systemic risk.

### **Conclusion:**

Research Analysis indicates that Pandemic has affected financial health of family in various degrees depending upon no. of family members, earning members, salary cut, loss of employment, Change in Income, Committed and uncommitted expenditures or payment and financial liabilities.

The research can be concluded by saying that future will belong to those who carefully do they're financially planning along with choice of profession which can minimise their risk in such adversity by diversifying the income sources. Part-time employment, Side Business, Consultancy and Investment in various financial instrument keeping in mind their long-term return will allow families to survive and fight such kind of tough phase in the life. Working population has to balance their career and saving to avoid adverse consequences of such pandemic or any untoward event in the future. Community and Family support also plays crucial role in keeping yourself afloat in such kind of situation.

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