



REVOLUTION IN FINANCIAL PLANNING AFTER PANDEMIC

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Abstract

Background: *The pandemic has created a noticeable difference in the financial capacities of many individuals. Due to the uncertainties of life, employment, investment returns due to market volatility and other financial burden in the form of loans and EMIs, has made it necessary for them to objectively focus on the effective financial planning to deal with the uncertainties like pandemic.*

Purpose: *This study is conducted to see the difference in outlook towards financial planning after pandemic.*

Methodology: *The research is conducted thorough cross-sectional study to collect the information about individuals' perception. Likert based structured questionnaire is made to collect the primary data of respondents. Factor Analysis and Descriptive statistics is being used for the detailed analysis of the study.*



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Results: *The results of factor analysis show that, pandemic has made people realised the importance of separate emergency fund to meet with future uncertainties. The KMO value of 0.796 is indicating the high internal consistency among the items asked. The total variance explained by factor analysis is approximately 85%. People have understood the need of self- financial dependency to safe guard against the job insecurity, family insurance and for mental health. Moreover, the adoption of different investment pattern during normal and pandemic situation also has accelerated after pandemic. Statistical results also show that even after realising the intense impact of pandemic, majority of them (approx. 74%) has not purchased the Corona Kavach or any such Medclaim policy due to liquidity crunches. Further, the change in selection of investment avenue for normal and pandemic course has been noticed in the analysis.*

Conclusion: *It can be concluded that people have realised the importance of separate emergency fund to meet with future uncertainties and accordingly, investment avenues are given preference while allocating money for different situations.*

Key Words: *Pandemic, Financial Planning, Factor Analysis.*

Introduction:

After pandemic, as pay cut and retrenchment has remain common phenomena, managing fund is not easy for common man. pandemic has negatively affected the household income of many individuals. At the same time, it has raised the need of healthcare policies for family in general. This increasing requirement has forced people to change their spending as well. Moreover, preference towards different routes of savings also is getting reasonable attention from people. Collectively, it can be interpreted that pandemic has made people more conscious while exercising their financial planning for different stages of life. But in the absence of financial liquidity and monetary clinches, people



are unable to access the needed financial instruments to secure monetary needs especially for pandemic. This has also increased the demand of professional advice for the accumulation of money for varying financial needs of individuals. (Sonam Chandwani, 2020)

Pandemic has taught many financial lessons to people starting from the need of financial planning till the execution. People are taking more interest and realised their own active role to get the enough money for the whole money. They have learned the lesson from losing money into stock market and accepted the practicality of incapability of any government to look after the whole population financially. And so, it has become alarming for them to concentrate seriously on their own future financial requirements. (Long, 2020)

Literature Review:

The importance of financial planning has been realised more rigours due to pandemic. People have understood varied type of risks to deal with especially in emergencies. These has led them towards the serious efforts to accumulate money to be prepared for uncertain and unexpected financial disasters. With regular income, it is also necessary to plan correctly to beat monetary uncertainties. (WiserAdvisor Insights, 2020)

Financial problems are common irrespective of income and profession. So, it is necessary for people to accept the reality of life dynamics to well prepared to face the differ colours of life. So, to plan the hard-earned money for crisis, they should take the assistance from financial advisors. Also, people should understand the importance of insurance to manage with life uncertainties. Moreover, the acceptance of new normal is must to define the priorities of various financial tasks. This would help to remain stress free after pandemic also. (Jantan, 2020)

Pandemic has made the changes in an individuals' investment behaviour. Due to reduction in house hold income, the investment in SIP by people have reduced because of less income due to lock down. Also, stock market crisis has ruined the returns of investors and that has damaged the confidence into the investment into stock market especially equity. People have started preferring more to retain money for emergencies. It is also found that, people select different investment option for different situation. They don't rate all the avenues based on its risk and return rather they select them for investment as per their purpose of investment like regular savings or emergency fund. (Gurbaxani, 2021)

Due to pandemic, people are forced to make changes in their regular house hold spending and also working hours. It has compelled people to increase their work tenure to collect money for their retirement. Youngers and lower income group have reported the need of more adjustment in house hold spending compare to wealthy and old people. (Hanspal, 2020)

As far as government and economic support is concerned, it is seen that people are less confident about economic and government support for their monetary improvements and thus their own financial planning becomes the need of an hour. Accordingly, they are focusing on their income and expenditure pattern to get relax in the situations like pandemic also. (Yue, 2020)

Pandemic has drastically boosted the unemployment rate in the economy. Also, retirement savings are negatively affected and making it necessary for older people to re-enter into the workforce. Moreover, due to lockdown, people are unable to access their psychological, health care and emotional needs. On the other side, people have also understood the importance of physical and mental health. This has made them more careful for their own health in their busy schedule. People have realised the importance of social gatherings and connectivity to remain strong in tough time as well. (Morrow-Howell, 2020)



Research Methodology

1. Objective

The study aims to analyse the Financial Planning of People after Pandemic

2. Significance and Scope:

This would help financial planners and professionals while designing the different policies for different situations for their clients

It would also help in understanding the investment pattern of people in line with Pandemic.

3. Type of Research

Descriptive Research and advance statistics- Factor Analysis is done to know is used to describe the factors affecting financial planning due to Pandemic.

4. Tools and techniques of Data Collection

Data is collected through structured design. The information regarding the changing pattern of investment after pandemic has been collected from people to see the difference, if any, in financial planning due to pandemic.

5. Primary data collection is done through survey and by using mode of structured questionnaire based on Likert Scale.

6. Secondary Data is collected through Newspapers, Business Magazines, and Internet.

7. Sample Size and Techniques

Data is collected through Non-Probability Convenience Sampling method. Data from 150 people is collected from Surat City.

8. Analytical Tools and Techniques

Data is analysed through descriptive statistic. After collecting the data from respondents, further analysis is done using SPSS. Factor Analysis also is done to identify the component of financial planning after pandemic.

Analysis:

Access on Corona Kavach or any such policy after pandemic.

		Frequency	Percent	Valid Percent
Valid	Yes	39	26	26
	No	111	74	74
	Total	150	100.0	100.0

As shown in above table, only 26% of the people have access upon Corona Kavach or such Medclaim policy to deal with financial crisis into pandemic situation. Rest 74% are still left to have access upon any such policy.

Results of Factor Analysis:



Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.796
Bartlett's Test of Sphericity	Approx. Chi-Square	5488.471
	df	105
	Sig.	0.000

The KMO value in above table is 0.766 states that adequacy of responses is acceptable. Also, the Bartlett's significant value of 0.000 specifies the strong relationship among the variables of financial planning after pandemic.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.469	36.461	36.461	5.469	36.461	36.461	3.629	26.194	26.194
2	2.509	16.727	53.188	2.509	16.727	53.188	3.483	24.22	50.414
3	2.448	16.322	69.51	2.448	16.322	69.51	2.209	18.723	69.137
4	1.539	10.259	79.769	1.539	10.259	79.769	1.996	16.308	85.445
5	0.018	6.786	86.555						
6	0.714	4.761	91.316						
7	0.547	3.649	94.965						
8	0.301	2.009	96.975						
9	0.172	1.147	98.122						
10	0.134	0.897	99.018						
11	0.081	0.539	99.557						
12	0.038	0.256	99.813						
13	0.019	0.125	99.938						
14	0.009	0.061	99.999						
15	0	0.001	100						

Extraction Method: Principal Component Analysis.

Above Table presents the information of total variance explained by the factors extracted. There are three components of the table. First part is of initial Eigen values, second part covers unrotated component values and third part is for rotated component values. These three parts are again categorized into three sub-components covering total, percentage of variance explained by each variable and cumulative percentage of variance. Total variance explained for this model by these four factors was found to be 85.445% percent. First factor explained 26.194 percent of variation, second factor explained 24.22 percent of variation, third factor explained 18.723 percent of variation and 16.308 percent of variation is explained by fourth factor

Rotated Component Matrix^a

	Component			
	1	2	3	4
Pandemic has raised the need of emergency fund for me.	.809			
Pandemic has changed my overall outlook of financial planning. *	.822			
Allocation of money into emergency fund led to mental peace to deal with pandemic.			.850	
My opinion towards the importance of health care investment has changed because of pandemic.	.811			
Investment in liquid asset is necessary for sudden financial requirements.	.770			
My house hold income has drastically reduced because of pandemic.				.807
Separate planning for Pandemic is necessary for me due to job insecurity.		.733		
Because of weak immunity, I need to be prepared financially to deal with pandemic.			.811	
To safeguard my family in the situation like pandemic, I will do separate financial planning.			.869	
Pandemic has reduced my confidence in government policies and performance of economy.				.950
I have bought (planning to buy) extra insurance schemes to fight against pandemic.		.935		
I have changed my selection of investment options after pandemic.		.772		

The above table of rotated component matrix reduces the number of variables of the study into limited factor to make the specific interpretation of analysis. From the loading of above table, the following aspects building the perception towards retirement and retirement planning are recognized which people consider while planning for retirement. They are:

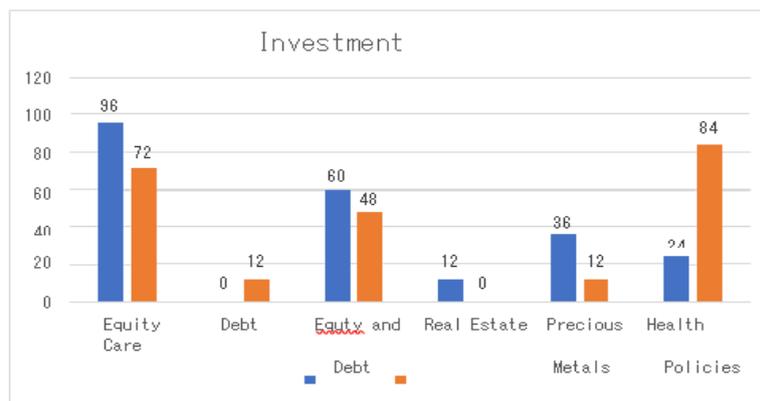
1. Need of Liquidity in pandemic.



2. Change in investment pattern due to job insecurity
3. Financial Reasons in pandemic.
4. Preference towards different investment options.

Change in preference towards different investment options in normal and pandemic situation:

	Normal (%)	Pandemic (%)
Equity	96	72
Debt	0	12
Equity and Debt	60	48
Real Estate	12	0
Precious Metals	36	12
Health Care Policies	24	84



From the above statistical results, it is clearly observed that pandemic has changed the overall preference of people while selecting specific investment option to save money for varied situation of life. The graphical representation clearly shows that for emergency fund, people would prefer safe investment compare to risky investments like equity. And with this logic, health care policies are given priority over other investment choices as shown in chart.

Conclusion:

Pandemic has made people more sensitive towards their financial planning. It has signal individuals to plan consciously while saving money for continuously changing situation and economy. People also have started focusing more on healthcare needs instead of more returns only and thus investment choices are differing for different purpose of saving money. In an all, pandemic has brought a great transformation in the financial planning of people to avoid monetary clinches when needed.

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