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Study On Various Factors Influencing Financial Resilience During Pandemic Period

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Abstract

The COVID-2019 outbreak has had a profound impact on the family lives of individuals across all income brackets, causing financial disruption even among those with higher earnings. Despite government interventions, financial awareness initiatives, and various investment schemes, many have struggled to navigate the economic shock. According to the International Labour Organization, the crisis resulted in the loss of 255 million jobs, hitting households without well-structured liquid savings the hardest. A 2020 Statista survey revealed that 79% of the Indian population faced financial fragility.

Study Objective: The central focus of this research is to assess individuals' ability to manage their finances during the financial uncertainty brought about by the pandemic. The study aims to determine the financial literacy of individuals in handling reduced salaries or, in some cases, no income at all.

Practical and Social Implications: Examining how individuals cope with challenges during the pandemic, such as unemployment, reduced income, and health issues, sheds light on the broader societal impact. Individuals equipped with financial literacy, knowledge, and the right attitude are more likely to plan and allocate their financial resources effectively, enhancing their financial resilience during such challenging times. Addressing financial resilience is crucial, as its absence can lead to post-traumatic stress disorder.
Findings of the study revealed a robust correlation between financial knowledge, behavior, attitude, planning, management, and financial resilience.

Keywords: - Pandemic, Financial literacy and Economic Resilience

Introduction

Financial resilience refers to the capacity to endure and recover from life events that have an impact on one's income or assets. (klapper and lusardi, 2020). It means an ability of the person to bear financial shock. Financial resilience is not same for all, it depends on various factors like their level of savings, debt management, level of income, personal financial management and financial literacy. Many Individuals during this pandemic is financially fragility i.e. facing problem of liquidity which reflects that either they are financially illiterate or have weak financial plan to sustain shock. As per IEP sources 2020, 74% of people are not doing well during lockdown period due to lower income and 80% have turned to different financial mechanism.
Financial resilience is an important factor which contributes to financial literacy. Person who is financially resilience can manage money, will be able to absorb financial shock, will be flexible in its decision making and will be on right track to handle unforeseen situations Beninger, S., & Francis, J. N. P. (2021). As per the OECD, financial literacy constitutes a holistic concept that includes financial awareness, knowledge, skills, attitudes, and behaviors crucial for making well-informed financial decisions, ultimately contributing to the overall financial well-being of individuals. Inspite of support provided by government through various means either by transferring funds to the account of low income groups, by offering moratorium in regards to home loans or by delaying the dates for tax filing, people still faced the problem of financial fragility . This Financial fragility problem can be sort automatically if people are made financially literate. We need to make people financial resilience instead of just making them financially literate.

Financial literacy $\rightarrow$ financial resilience $\rightarrow$ financial inclusive.

Personal financial management is another important factor which can help to lead debt free and financially sound life. . Financial Management should be such that your wealth keep on growing automatically and is always ahead of inflation. Just earning money cannot solve all problems it is equally important that an individual should be financially intelligent

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in managing money. As it is rightly put forth in the book of "Rich dad and poor dad" that most of the people fail in life miserably because they fail to realize that it's not important how much you earn but what is more important is how much money you keep and are left with for future. Diagrammatic presentation in his book clearly demarcates between rich and poor to show the power of finance intelligence. Middle class is poor in their life because they buy liabilities and not assets. They earn salary and utilize it for liabilities like mortgage, car loan, credit card debt and daily expenses like taxes, mortgage payment, card payment and all this is because of financial illiteracy. Whereas rich buys assets like real estate, stocks and property which put income in their pocket in the form of dividend, interest and rental income which shows financial literacy. The way to solve financial resilience and other crises is through building a strong financial foundation of life. Financial knowledge is the one that can help the person to overcome the risk of financial crises. Financial knowledge is essential that can lead to proper planning and management (Barbera et al , 2017). Many people struggle financially even after being educated, professionally successful that is because, they are financially illiterate. They know and have learnt to work hard and earn, but the most missing part today for each and every individual is financial skills required to manage money which will work for their future. A person who is financially literate will be financially fragile i.e. able to sustain shock and will have liquid funds to pay off debts which is also the sign of better planning as studied by Annamarialusardi, Andrea Hassler and Paul j. Yakoboski(2020)

Financial literacy → proper planning and management of finance → financial resilience

It is very vital that an individual has a Self-knowledge to decide wisely on spending pattern. The main reason for improper management of finance is due to fear or simply following the chain of what others are doing. It is very important that a person always follows the basic fundamentals of finance for proper planning and management i.e. pay for self-First. Foremost rule says certain percentage of salary should always be kept as savings first and rest should be utilized for consumption/ expenses.

Income less savings = Expenses.

Person should think for financial fragility as how much proportion of savings should be in short term funds and long term funds. After savings and daily routine expenses next step is to build emergency corpus to handle unforeseen situations and plan for retirement for better future. An individual should invest in income producing assets which will increase income for future. Every person's goal should be to financially secure oneself, which is possible when apart from his/her salary there is enough income generated from assets to pay off all expenses i.e. when person is independent of its salary.

Review of literature

1) Robert T. Kiyosaki (2000) in his book talks about 2 dad's story with son, where finance is the prime focus of the book. Rich dad always uses his brain and finds out the way to deal better with finance whereas the poor dad inspite having all college degrees always cribs about being poor with no money and hence cannot manage well. The main highlight is whether you earn more or else will not help you to be financially strong but if you know how to manage well with your finances by using your knowledge you can be financially sound. You should know how to make money works for you. The biggest take away from the book is, for success an important part is your attitude as how you look at the aspect and manage the things. It is the thought and actions taken by rich dad which really made him rich by well managing his finances.
Money can be managed well even when entire world is changing and has huge uncertainty only if you have a proper financial education
(Literacy) about the money as how it works and can help person to build his wealth. (Financial management depends upon financial literacy)
In his book he clearly described that a person can be financially wealthy if financially literate both in words and numbers and knows how to buy assets which will put money into the pocket. Cash flow statement is used as a measuring rod to know how person handles his money.

2) The research conducted by Lusardi, Hasler, and Yakoboski (2020) sheds light on the financial fragility experienced by American families, especially those in the low-income bracket. The survey, carried out from 2017 through the 2020 pandemic period, to measure financial literacy based on consumption, savings, investing and borrowing, risk management, earnings and insurance. Question was raised to check financial fragility of the group to know whether they can sustain shock during period of emergency. The results underscored a notable deficiency in financial literacy within the United States. Only 52% of questions were correctly answered by people of American's. Comprehending risk and insurance were the 2 factors were knowledge was lowest. It was found to be lowest among lower income group, unemployed, young and less educated, which has made it even more difficult for them to cope up during this

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uncertainty period. Survey also indicates that majority of population were already facing financial difficulties even before pandemic. It also highlights that 27% of population do not have buffer of savings to face financial crises during uncertainty. Debt payments and irregularities to save for retirement put even more financial stress for them. P-Fin index exhibits direct relationship between financial literacy and financial fragility. Those respondents who were financially literate were able to save and even could pay their debts, which also correlates to better financial planning for future.

3) Setyorini, Indiworo, and Sutrisno (2021) delved into the intricate dynamics between financial literacy and financial resilience, employing household behavior as a nuanced mediating factor in their investigation. The study employed a survey method, gathering data from 102 respondents. Findings, analyzed positive relationship between financial literacy and financial resilience, with household behavior playing a mediating role. The study underscores the significance of effective future planning as a key factor in enhancing an individual's economic resilience.

Objectives

- To gauge the extent of financial literacy among individuals.
- To examine whether financially literate individuals are in better position to absorb financial shock.
- To interpret the financial planning and management of individuals and it's correlation with financial resilience.
- To perceive financial attitude and behavior of individuals towards finances which shows their ability to sustain financial shock.

Hypothesis

H1- Financial literacy (knowledge, attitude, behavior and planning) lead towards financial resilience
H0 – No discernible correlation exists between financial literacy and financial resilience.

H2- To predict impact of Age, gender, income, education on financial resilience
H0 – There is no impact of Age, gender, income, education on financial resilience

Significance of the study

- Financial resilience study will help the people to understand where to park their resources for better financial wellbeing.
- It will help the authorities in developing effective policies.
- To understand the financial literacy among individuals.
- It will provide solutions to individuals as how to recover from unforeseen crises when triggered and what resources they can rely on.
- How to manage and do planning for funds for better future.

Research Methodology

This research follows a quantitative approach, examining individual qualities through numerical data, employing statistical analysis to test hypotheses (Neuman, 2007). The sample is gathered using a simple random technique, and questionnaires are administered. The questionnaire format is closed-ended, utilizing a Likert 5-point measuring scale. Hypothesis testing involves regression analysis and ANOVA conducted using SPSS tool. Validity and reliability tests ensure the instrument's accuracy.
Financial literacy is assessed through knowledge, financial attitude, and financial behavior. Effective planning is measured by maintaining an emergency fund, a retirement plan, and adequate insurance. (Rutgers njaes, n.d., July 25, 2021). Financial acumen is assessed through the presentation of inquiries pertaining to compound interest, inflation, diversification, and the time value of money.

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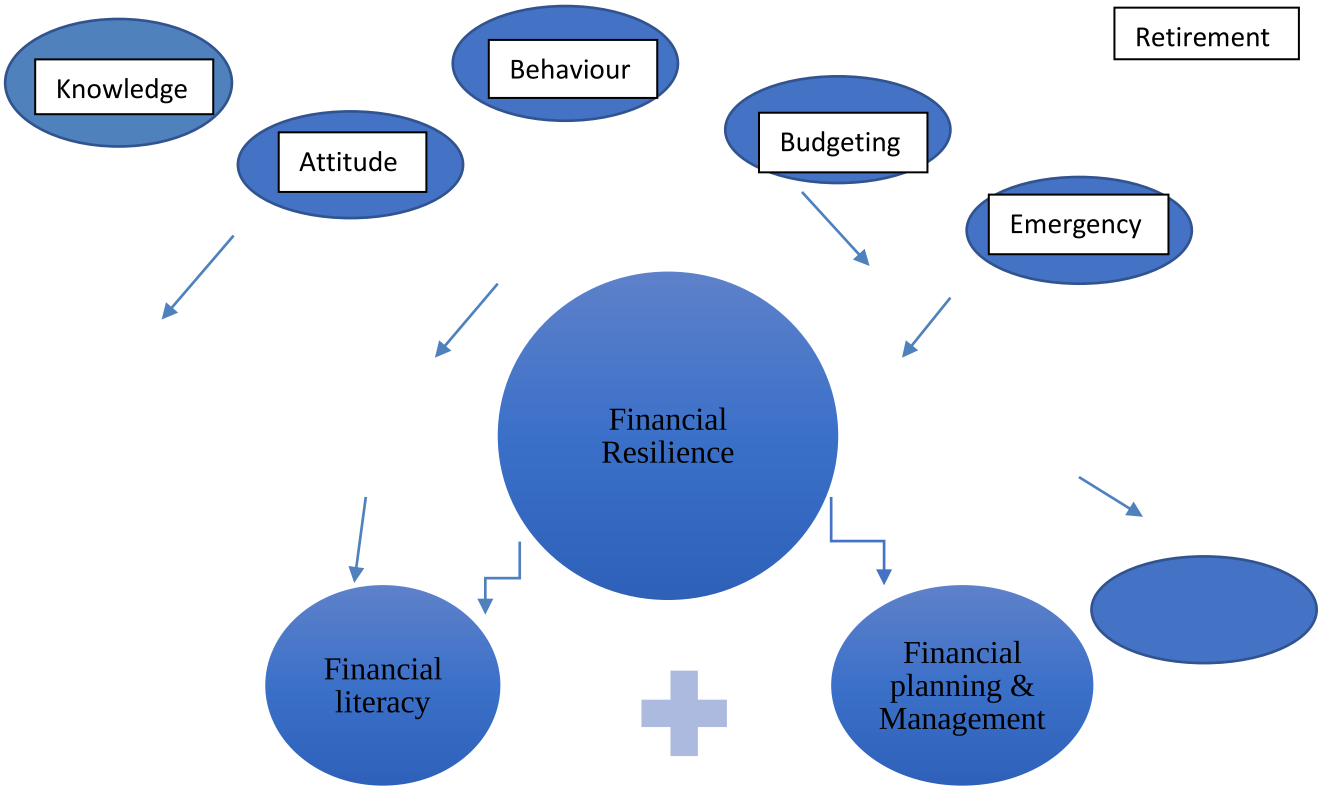
Fig No:- 1 Theoretical Framework



Source:- Primary Data

Analysis & Interpretation

In testing the hypothesis H1, which posits that financial acumen and financial strategizing contribute to Economic fortitude, multiple regression analysis was employed. The stepwise addition of variables was carried out after ensuring the fulfillment of essential regression assumptions, including normality, multicollinearity, autocorrelation, and correlation.

The dependent variable (Y) is Financial Resilience, while the independent factors considered for the study include financial expertise, monetary mindset, fiscal conduct, and economic strategizing.

Fig no:-2 Normal Distribution (Histogram)

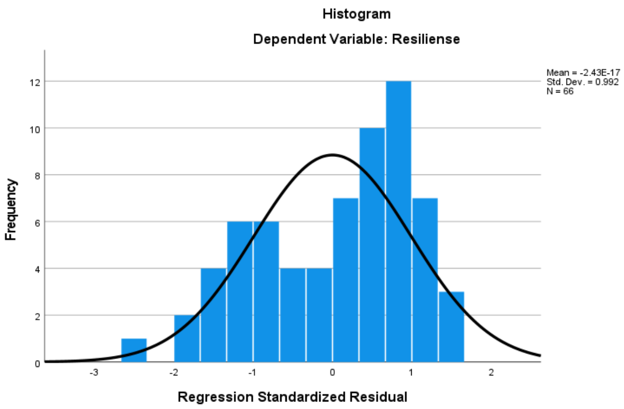


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Table No:-1 Correlation Coefficient

		Resilience	Knowledge	Behaviour	Attitude	Planning & Management
Resilience	Correlation Coefficient	1.000	0.239	0.482	0.439	0.484
	Sig. (2-tailed)		0.041	0.001	0.001	0.001
	N		74	74	74	74

From the above table it shows that there exist a positively relationship between FR and FK, FB, FA and FM as The p-value is below the threshold of 0.05, indicating statistical significance.

Table No.:-2 R square estimate

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.484	.234	.222	.77017	2.05

This indicates that only 23% of the variability in Y can be attributed to factors like financial knowledge, financial behavior, attitude, and financial planning. It is crucial to recognize that additional elements, including human factors, experiences and skills, may play significant roles in determining the overall capabilities of financial resilience. (DW) static nearing a value to 2 suggests the absence of an autocorrelation problem in the data.

Table No: - 3 ANOVA result

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.61	1	11.61	19.575	<.001
	Residual	37.96	64	.593		
	Total	49.573	65			

This table illustrates the decomposition of Total Sum of Squares (TSS) into Model Sum of Squares (MSS) and Residual Sum of Squares (RSS), where MSS is 11.61 and RSS is 37.96. This breakdown helps in understanding how well the regression model elucidates the relationship between the independent variable (X) and the dependent variable (Y). The R-squared (R2) is calculated as MSS/TSS, resulting in 23.4%, meaning that only 23% of the variance in Y is explained by the X variables. The F-statistic being greater than 4 indicates that the model is a good fit, and the p-value being less than 0.05 suggests statistical significance.

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Table No:-4 Outliers test

To check outliers					
	Minimum	Maximum	Mean	Std. Deviation	N
Mahal. Distance	.000	7.197	.985	1.586	66
Cook's Distance	.000	,124	.016	.023	66

Table No:-4 Outliers test

To check outliers					
	Minimum	Maximum	Mean	Std. Deviation	N
Mahal. Distance	.000	7.197	.985	1.586	66
Cook's Distance	.000	,124	.016	.023	66

Based on above table cook's distance is less than1 and mahal.distance = Value/df i.e. 7.197/64 = 0.1124 is less than 4 so no outliers.

Therefore, the acceptance of H1 signifies that financial literacy and planning indeed contribute to financial resilience. However, it is imperative to acknowledge that further studies should scrutinize additional factors for a comprehensive analysis.

H2- To predict the impact of Age, gender, income, education on financial resilience.

Table No:-5 Homogeneity levene's test

	F value	**Sig value**
Education Background	0.750	**0.389**
Age	3.68	**0.059**
Occupation	0.023	**0.879**
Income per month	0.156	**0.694**

The observation from the table indicates that the p-value exceeds the 0.05 threshold, confirming absence issue with homogeneity. Once this assumption is met, the ANOVA test is subsequently applied.

Table No:-6 Significance result of ANOVA Test

Source	**Mean Square**	**F**	**Sig.**
Corrected Model	**.765**	**.797**	**.756**
Intercept	**327.284**	**340.992**	**<.001**
Income per month	**1.133**	**1.181**	**.343**
Education background	**.344**	**.359**	**.836**
Gender	**.894**	**.932**	**.343**
Age	**1.247**	**1.300**	**.294**
Income per month * Education background	**.380**	**.396**	**.757**
Income per month * Gender	**.760**	**.791**	**.509**
Income per month * Age	**1.682**	**1.752**	**.179**
Education background * Gender	**.064**	**.067**	**.798**

Education background * Age	**.054**	**.056**	**.814**
Gender * Age	**.826**	**.861**	**.361**
Income per month * Education background * Gender	**.006**	**.006**	**.940**

Given that the p-value surpasses 0.05, the null hypothesis is embraced, signifying a lack of statistical significance. difference in impact of age, income, education, and gender on Financial Resilience.

Limitations

- Other factors, including human capital (experience, contacts, skills) and social capital (friends, family, neighborhood support), which can impact financial resilience, are not considered in this study.
- Limited responses were collected for analyses due to time constrain.

Conclusion

It is crucial to enhance people's financial knowledge to empower them in managing risks and cultivating stronger financial resilience. There exists an interconnection between financial literacy and effective planning, amplifying individuals' capacity for financial resilience. It is very essential that a person knows how to make money work for them even during unforeseen situation like pandemic which has shattered the individual's liquidity position badly. On one hand this wave has led to lower income, bad economic condition, rising health issues and on other hand lack of financial planning has reduced financial resilience among masses. Thus, this concept has realistic benefit which cannot be overlooked and it is very pivotal for every individual to understand financial matters deeply irrespective of their income levels.

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