

IS THE PANDEMIC HELPING

US SAVE OR ARE WE UNDERTAKING LOSSES?

Noopur Praveen

The Covid-19 pandemic began with denial, went into suspicion and finally settled for survival. It'll soon be two years since India's first national lockdown was announced. There were several assumptions, assurances and doubts about a possible trade-off between lives and livelihoods of Indians when the contagious infection erupted early in 2020. Now, as India struggles to contain a third wave, it is clear that both the country and the citizens have been struggling. The policy makers have failed to limit the damaging impact of the crisis on the most vulnerable sections of the population.

According to a report from the Azim Premji University, titled 'State of Working India 2021', during India's first stringent national lockdown between April and May 2020, individual income dropped by approximately 40%. The bottom deciles of households lost three months' worth of income. Taking into account the general trend of reduction in poverty, an estimated 230 million people in India have fallen into poverty as a result of the first wave of the pandemic.

Micro data from the largest private survey in India, CMIE's 'Consumer Pyramids Household Survey' (CPHS), show that per capita consumption spending dropped by more than GDP, and did not return to pre-lockdown levels during periods of reduced social distancing. Average per capita consumption spending continued to be over 20% lower after the first lockdown (in August 2020 compared with August 2019), and remained 15% lower year-on-year by the end of 2020.

While a mammoth 10 crore more people have inevitably been pushed into extreme poverty during 2020 globally, the impact at the household level has also been ghastly. A survey conducted by the World Health Organization (WHO) and World Bank shows that 70% of the households in lower-middle-income countries such as India experienced a fall in income during the pandemic. Right at the onset of the pandemic, many assumed that 'work from home' would drastically reduce expenses in terms of daily office commute, leisure activities, etc. However, the seesaw of savings versus expenses has mostly remained unbalanced and several factors could be blamed for the same.

Household debt as a percentage of India's gross domestic product (GDP) has witnessed a sharp increase from 32.5% (2019-20) to 37.3% (2020-21), as per a report from State Bank of India economists. Household debt includes retail loans like personal loan or car, house, crop and business loans.

"It felt like fantasy to be able to work from home initially. We saved so much time as well as the money spent on com-

India has been hit hard by the pandemic, especially during the second wave in the spring of 2021. Most Indian families seem to have borrowed more during this period or taken a chunk out of their hard-earned savings for sustenance

high speed internet charges, phone bills, etc. As a matter of fact, OTT subscriptions have also witnessed a sharp jump in the last two years. The popularity of platforms like Netflix, Amazon Prime, Disney Plus Hotstar, Zee5, etc. boomed and these expenses have all added up to create little room for savings.

Things got worse for those who were at the receiving end of sudden unemployment, both in service as well as the informal sector. People lost jobs, businesses suffered huge losses and the policymakers, well, just stared.

"I lost my job midway into the second wave of the pandemic. My company decided to cut down on the workforce to maintain their year-end profits. Several like me were handed a severance and chucked out. What can I say? My family and I were left at the mercy of daily odd jobs to sustain," complained Vineet (name changed).

Life vs Livelihood

In an international poll conducted by the 'Edelman Trust Barometer', out of the 13,200+ people polled, 67% agreed that "The government's highest priority should be saving as many lives as possible even if it means the economy will recover more slowly"; that is, life should come before livelihood. For India, however, the poll showed a ratio of 64% to 36%, where 64% of the people agreed that saving as many lives as possible was a priority, and 36% agreed that saving jobs and restarting the economy was the priority.

In India, the life versus livelihood debate has been on for quite some time now. The government first announced that life would be prioritized over livelihood, which later changed to equal importance being given to both. But the impact wasn't significant on ground.

Some people have, however, learnt to adapt to the difficult times with their own techniques to save cost amid the rising impact of the pandemic.

An interesting trend was pointed out by Vishal Dhawan, personal finance expert and founder of Plan Ahead Wealth Advisors. Asked to analyze the impact of pandemic and subsequent 'wfh' culture on one's personal finances, he said, "Considering the shift that many individuals have made to larger homes but on the outskirts of cities rather than close to the city centre, rentals/outflows on account of home EMIs have reduced. This may be even more where investors have shifted to lower cost geographies itself. Being away from city centers has reduced discretionary expenses like eating out, out of home entertainment and overseas travel."

Those without the luxury of non-contact jobs have felt the jolt and continue to feel so.



muting. But things got worse in no time. One wouldn't consider the cost of working from home all day in the beginning. With consistent lockdowns, my employers cut down the salary. The working hours became incessant. Next, my parents tested positive for Covid-19 and the hospitalization charges took a toll on me and the rest of the family. We're still hoping to get our health insurance claim to balance out the excess outflow of cash in the last year," said Neeraj Khamke, a software engineer from Bangalore. One must note that the loss of income will not only impact the financial condition of these households but also the possible expenses that may arise in healthcare as the pandemic has led to a rise in other diseases too.

Work from home culture brought with itself a list of unforeseen expenses like