



## The Importance of Savings and Investments When Having No Regular Stable Income: A Case of Covid-19.

*Christian Mogbekuma*

Parul University

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### ABSTRACT

The current study investigates the significance of savings and investments when one does not have a regular and stable source of income. A study was conducted specifically for the case of the COVID-19 pandemic, in which the lockdown resulted in the loss of 114 million jobs by 2020. We want to assess the immediate effects of COVID-19 on the financial dependencies that households around the world have on their day-to-day jobs without planning for the future by saving or investing a portion of their salary in this study. We conducted the study using primary data collected via a structured questionnaire. The study takes into account a variety of demographic factors such as gender, age, financial literacy on various investment instruments, and so on. Individuals' awareness of savings and investment is influenced by these demographic factors. Pie charts and Bar graphs are used to analyze the data. For the current study, a total of 107 responses were collected. Thus, this research paper discusses the financial difficulties that individuals face after losing their jobs during the pandemic and their financial literacy when it comes to managing their salary by saving or investing a portion of it.

**Keywords:** Savings, Investments, Covid-19, Investment instrument, financial literacy

## 1. INTRODUCTION

### 1.1 Definition of Saving & Investment

Saving refers to the amount left over after subtracting an individual's consumer spending from the amount of disposable income earned in a given period of time. Savings can be used to increase income through investing.

Investment is defined as the transformation of savings into an effective form that will yield something that would not otherwise be possible in savings. The investment decision is a critical factor in achieving the goal. ((PDF) AN ANALYTICAL STUDY ON INVESTMENT AWARENESS OF GOVERNMENT EMPLOYEES OF SAURSHTRA REGION, no date)

Savings are made to fulfill short-term or urgent requirements. Investment is made to provide returns and help in capital formation.

### 1.2 Saving vs Investment

Savings are frequently placed in a bank savings account or a fixed deposit. Investing, on the other hand, entails purchasing assets such as real estate, gold, stocks, or mutual fund shares that have the potential to increase in value over time.

### 1.3 Types of Saving & Investment Options

- Saving Accounts
- Certificate of Deposits
- Stock as an Investment option
- Bonds as an Investment option
- Mutual Funds as an Investments option
- Real estate as an investment option
- Commodities and Precious metals as an investment option

- Insurance plan as an investment option
- Money market funds as an investment option

#### 1.4 How to save money Using the Kakeibo method

- **What is Kakeibo:** Kakeibo is a Japanese tradition. Hani Motoko, a Japanese journalist, wrote about the technique in a women's magazine in 1904. The Kakeibo technique is a Japanese money-saving technique of physically writing down records that dates back to the early 20th century in Japan. Kakeibo is a financial philosophy that emphasizes being mindful, saving, and having to spend deliberately. Users answer questions about financial savings and set financial goals. Then they keep track of their expenses, categorize them as necessary, and review them at the end of the month.. (*Kakeibo method: How does the Japanese money-saving method work?*, no date)
- **How does Kakeibo work:**

The Kakeibo method system begins each month by recording all fixed income and expenditures, then establishes a savings goal for the month, as well as a promise to oneself that will aid in reaching the desired goal.

- ✓ **Get yourself a ledger:** It relies on handwritten records. It necessitates the use of a journal or even a notebook.
- ✓ **Calculate your monthly income and subtract your expenses:** All weekly earnings should be recorded at the same time a transaction is completed, making it easier to calculate the total at the end of the month.
- ✓ **Set a monthly savings goal for yourself:** Ideally, this goal amount should come from the money you have left over after you've deducted all of your expenses. Utilities and rent payments, for example, make a list of your expenses. Throughout the month, four pillars must be considered;
  1. **Survivability:** Food, shelter, and clothing are examples of necessary expenses.
  2. **Culture:** Costs incurred as a result of cultural activities such as going to the movies, reading, and attending music concerts
  3. **Optional:** items that you do not require but would like to obtain. For example, going to upscale restaurants or shopping.
  4. **Expected extras:** such as birthday cars and repairs

**Kakeibo revolves around four key questions:**

1. How much money do you have available?
2. How much do you want to save?
3. How much money are you spending?
4. How can you improve?

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## 2. LITERATURE REVIEW

**QT Tran, MU Tran, XT LE (2020).** They conducted a study on Factors Affecting Satisfaction of Customers' Savings Deposit in the Context of COVID-19: Evidence from Vietnamese Commercial Banks. The results show that there are three variables that positively affect CSD satisfaction, including legal provisions of the Central bank (Legal), policies, and mechanisms of commercial banks.

**Nikhat Mushir, Ratan Suryavanshi (2021).** The study examined the perceptions of investors about various investment avenues before and during the period of extreme uncertainty caused by the COVID-19 pandemic.

**VI Espinosa, MAA Neira, JH de Soto (2021).** They reviewed principles of growth and development sustainability, how coercive state intervention influences economic performance is discussed, proposing novel policy conclusions and research avenues to cultivate entrepreneurship and genuine savings in a post-COVID-19 world.

**Martin Schneider, Richard Sellner. (2022).** Based on their results and a literature survey, they expect that households' marginal propensity to save out of current income will quickly return to pre-crisis levels but that the scope for satisfying pent-up demand out of accumulated excess savings will remain limited.

**UB-Soroka, EP Cybulska. (2021).** This paper aimed to examine the impact of the pandemic on the size of household financial savings in 2020 in all EU countries, not only in terms of value but also in terms of the composition of financial instruments in the portfolio (expressed in current prices) and the dynamics of their change.

**Francisco Liñán, Inmaculada Jaén (2020).** This study aimed to analyze the likely consequences of the Covid-19 pandemic crisis on entrepreneurship and new venture activity.

**Bayad Jamal Ali (2020).** This study investigated the possible correlation of COVID-19 to consumer buying behaviors of electronic durable goods in Iraq with a specific focus on understanding consumer adaptations to the related restrictions.

**SR Baker, RA Farrokhnia, S Meyer, M Pagel, C Yannelis (2020).** They found few differences across individuals with differing political beliefs, but households with children or low levels of liquidity saw the largest declines in spending during the latter part of March.

**Randy Priem (2021).** He conducted an exploratory study on the Impact of the COVID-19 confinement on the Financial Behaviour of Individual Investors.

**Chen Zheng, Junru Zhang (2021).** This study investigated the effect of the COVID-19-induced decline in economic activities on the financial and social efficiency of microfinance institutions (MFIs). They found that the pandemic-induced impact decreases the financial efficiency of MFIs.

**Katarina Valaskova, Pavol Durana, Peter Adamko (2021).** They conducted a study on changes in consumers' purchase patterns as a consequence of the Covid-19 pandemic.

**TI Mohammed, KB Mustapha, J Godsell, Z Adamu, KA Babatunde, DD Akintade, Adolf Acquaye, Hidemichi Fujii, MM Ndiaye, FA Yamoah, SCL Koh (2021).** The paper diagnosed the danger of relying on pandemic-driven benefits to achieving sustainable development goals and emphasizes a need for a decisive, fundamental structural change to the dynamics of how we live in Covid-19.

**Zaimy Johana Johan (2020).** This study examines the factors influencing customers' preference in gold investment (Gold-i). Two variables; inflation and income growth are significant while the interest rate is not significant about Gold-i preference.

**Nidhi U Argade (2021).** Savings and investments have always remained a priority concern among all generations to ensure protection and a bright future for oneself and in the legacy. This study conducted an analytical perspective of investment behavior and financial decision-making of the millennial generation in the post-covid-19 era.

**Syed Faisal Shah, Muhammad Alshurideh, Barween Al Kurdi, Said A Salloum (2020).** The purpose of the study was to identify the effects of behavioral factors (cognitive biases) on financial decision-making. The study concluded that the overall impact of behavioral or psychological factors highly influences financial decision-making.

**Kalpesh P Gandhi, Manish B Raval (2021).** The present research analyses the investment behavior during the lockdown period due to the Corona pandemic. Various demographic factors have been used to analyze the behavior with the theme of investment behavior like their investment, withdrawal, diversification, future perspectives, etc. for data analysis.

**Arkadiusz J Derkacz (2020).** Fiscal, investment, and export multipliers and the COVID-19 pandemic slowdowns uncertainty factor in the first half of 2020. It was found that the autonomous spending multipliers in some economies increased.

**Maria Nicola, Zaid Alsafi, Catrin Sohrabi, Ahmed Kerwan, Ahmed Al-Jabir, Christos Iosifidis, Maliha Agha, Riaz Agha (2020).** In an attempt to understand the turmoil effect on the economy, we summarise the effect of COVID-19 on individual aspects of the world economy, focusing on primary sectors which include industries involved in the extraction of raw materials.

**Mary Loxton, Robert Truskett, Brigitte Scarf, Laura Sindone, George Baldry, Yinong Zhao (2020).** They conducted a thorough literature review focusing on the presentation of panic buying and herd mentality behaviors, changes to discretionary consumer spending as defined by Maslow's Hierarchy of Needs, and the impact of global media on these behaviors.

**AN Wahyuni, YP Astuti (2021).** The results of this study indicate demographic factors that influence investment decisions are age and education.

**Cristina Arellano, Yan Bai, Gabriel P Mihalache (2020).** Deadly debt crises: Covid-19 in emerging markets. We study this compound health, economic, and debt crisis and its mitigation by integrating epidemiological dynamics into a sovereign default model.

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### 3. RESEARCH METHODOLOGY

#### 3.1 Objectives of the study

- ✓ To find the importance of savings and investments for personal finances
- ✓ To identify the various financial investment instruments used by individuals for their investments.
- ✓ To analyze how individuals, spend their incomes.
- ✓ To identify different individuals' knowledge when it comes to savings and investments.

#### 3.2 Data collection & Analysis

The current study employs a descriptive design research using an online survey method. The study is based on primary data, structured responses from respondents are collected using Google form. The questionnaire includes questions about demographics, awareness, open-ended questions, closed-ended

questions, and multiple-choice questions. The primary data consists of an informal survey based on "The Importance of Savings and Investments in the Absence of a Regular Stable Income."

For data analysis in the current study, two mathematical tools and techniques, namely the Pie chart and the Bar graph, were used.

### 3.3. Rationale of the study

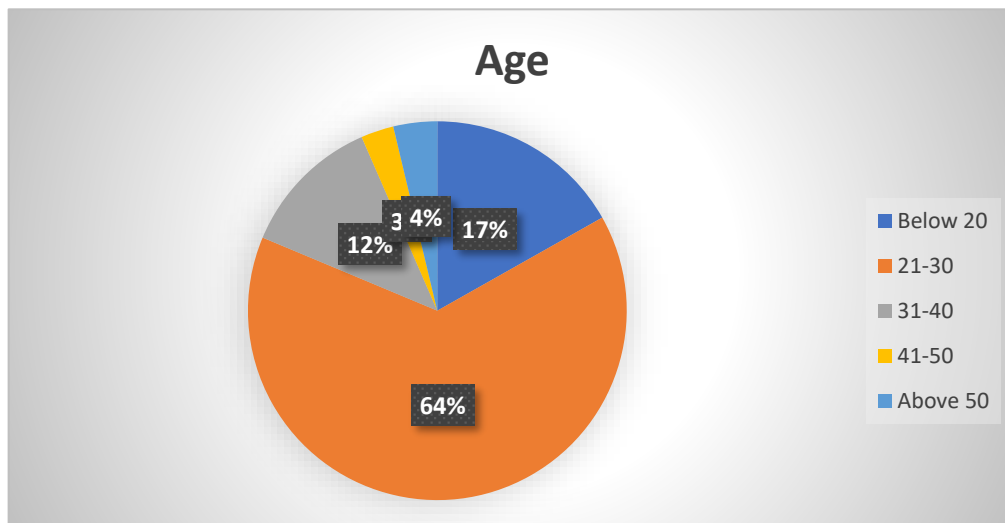
The study is useful to anyone who works and has a set income but is unwilling to save or invest properly to protect and prepare themselves for a cash shortage if they do not have a salary to meet their needs.

### 3.4 Limitation

1. Due to time limitations, the sample size of this study was not enough to generalize the findings.
2. Data collection were performed on a very small scale
3. Only India region is covered
4. Only a few areas impacting decisions when it comes to saving and investments like age and financial literacy were used

### 3.5 Questionnaires

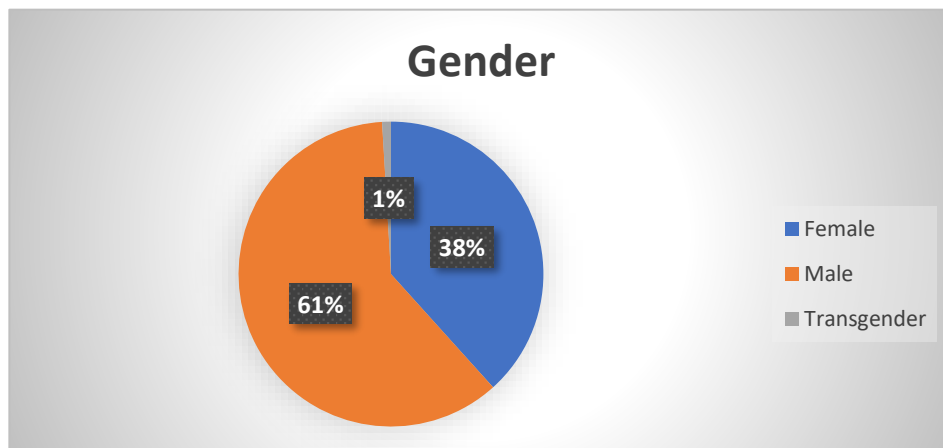
#### ➤ AGE GROUP



#### Interpretation

According to the above diagram, 64% of respondents are between the ages of 21 and 30, 17% are under the age of 20, 12% are between the ages of 31 and 40, 3% are between the ages of 41 and 50, and 4% are over 50.

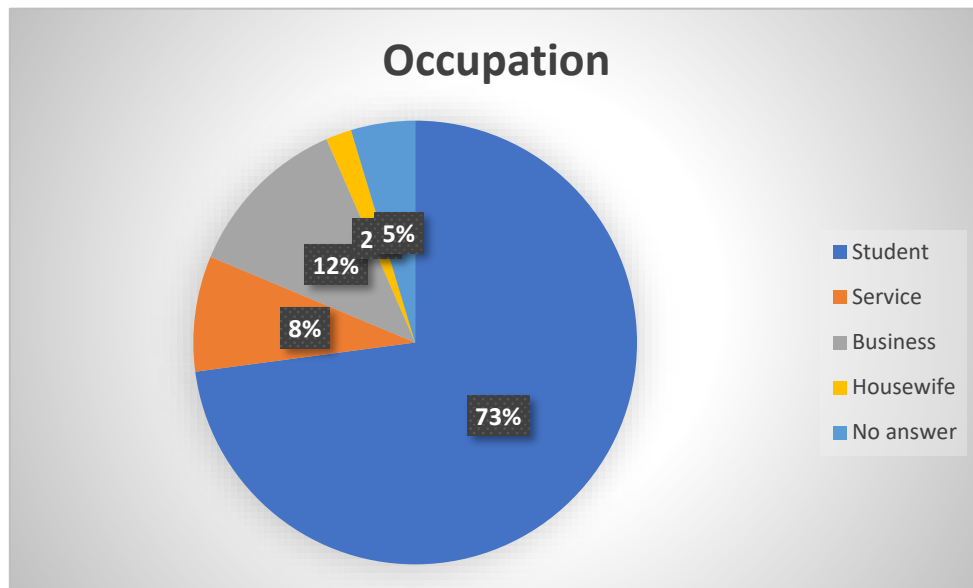
#### ➤ Gender



### Interpretation

We can see from the above diagram that the majority of respondents are male with a total of 61% compared to 38% Female and 1% Transgender.

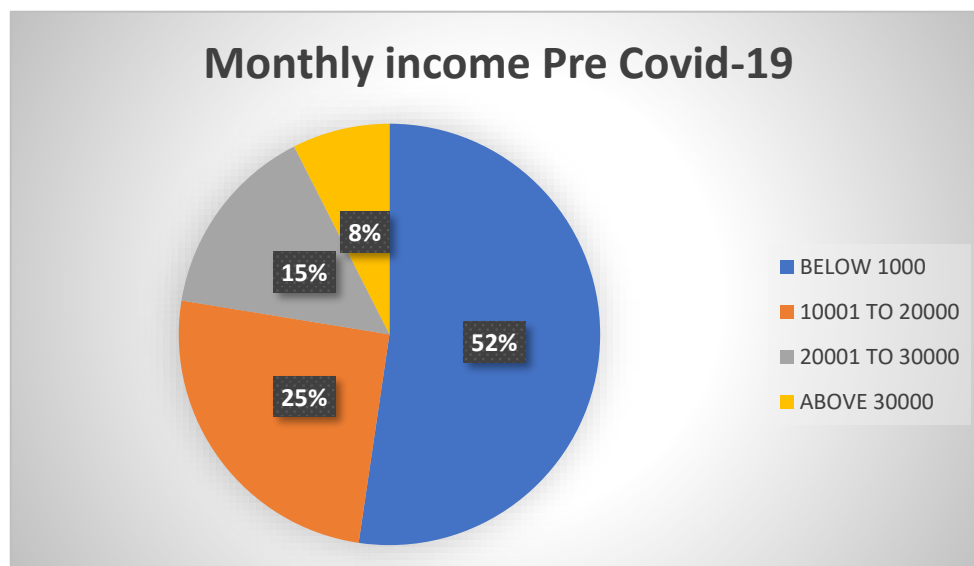
#### ➤ Occupation



### Interpretation

Out of the total list of our respondents; 73% are students, 8% are service employees, 12% are involved in Business, 2% are housewives and 5% did not answer the question.

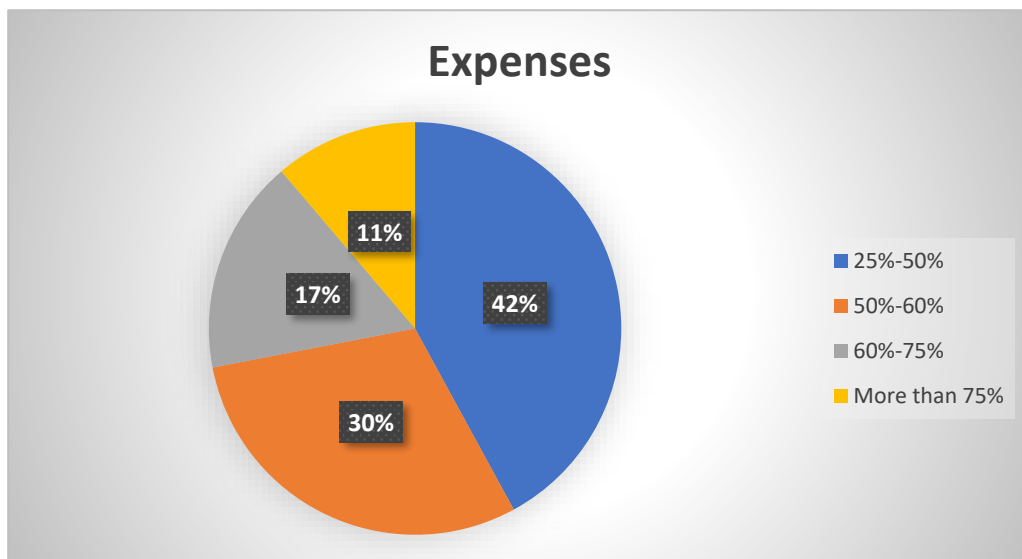
#### ➤ Monthly Income Pre Covid-19



### Interpretation

- 52% of our respondents earn below Rs. 10,000 per month
- 25% make between Rs. 10,001 to Rs. 20,000
- 15% earn between Rs. 20,001 to Rs 30,000
- Only 8% of our respondents make above Rs. 30,000

- What was the total percentage of your expenses from your total monthly income.

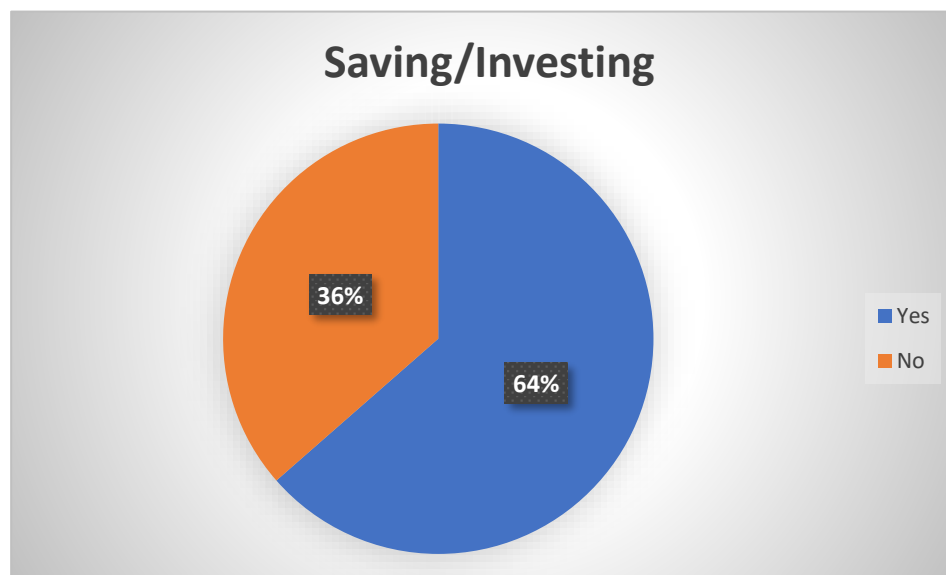


#### Interpretation

When it came to monthly expenses; our respondents have given the following answers:

- 42% spend between 25% to 50% of their monthly salary
- 30% have a monthly expense ranging from 50% to 60%
- 17% of our respondents spend between 60% and 75%
- Only 11% spend more than 75% of their salary every month

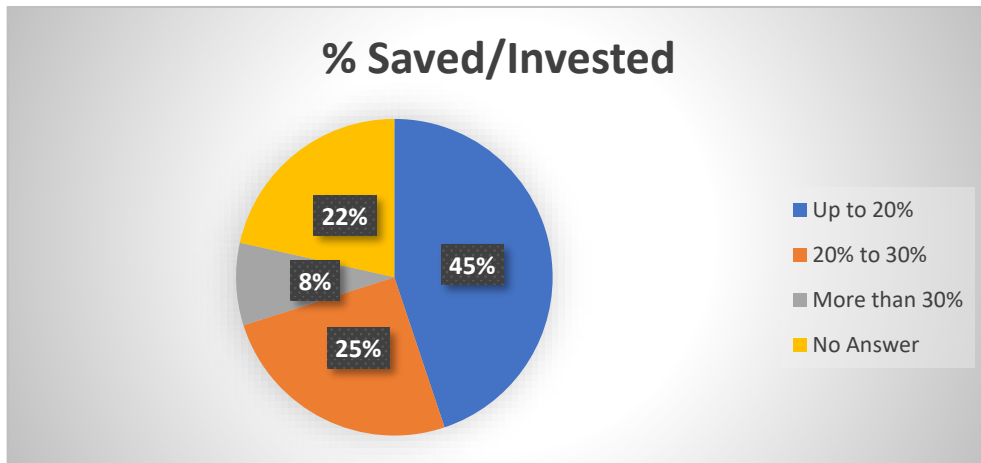
- Were you Saving or Investing a part of your Salary Pre- Covid-19?



#### Interpretation

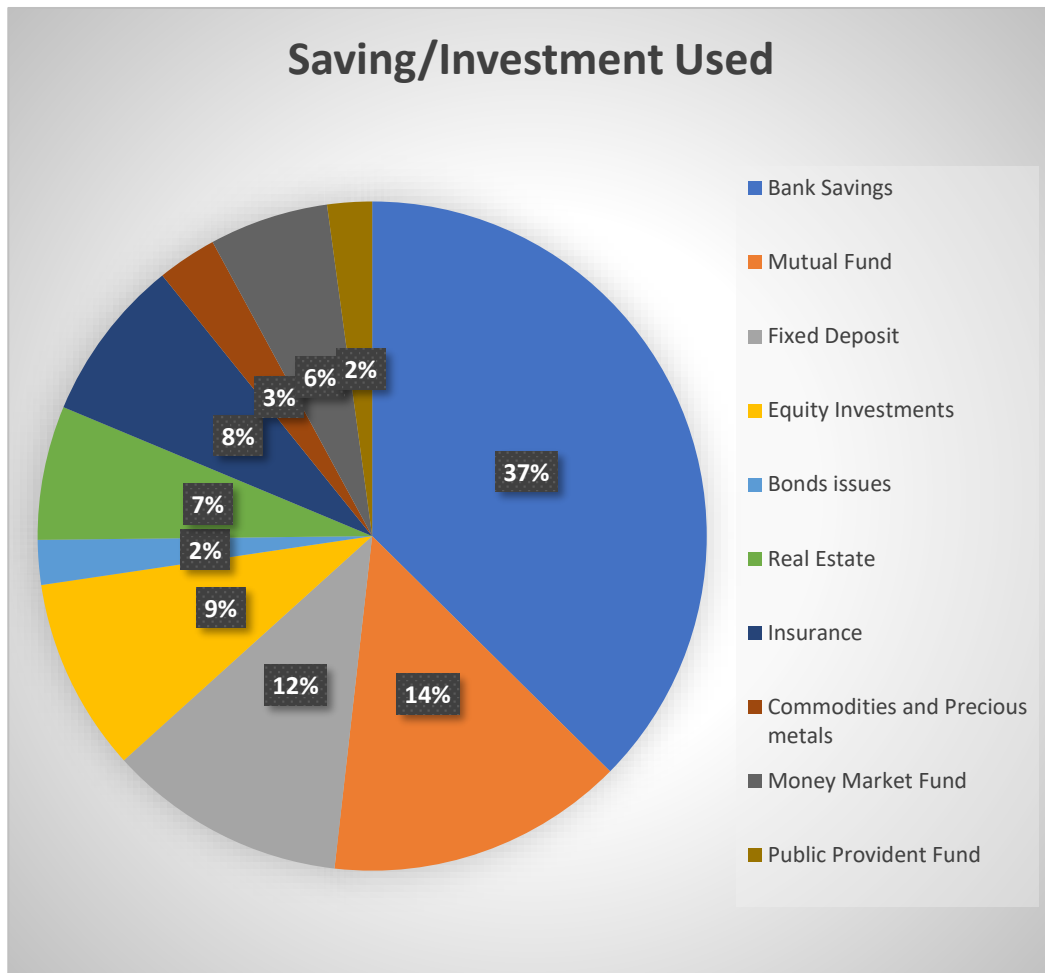
After conducting our survey, when it came to finding out if our respondents were able to save the remaining amount of their salary after deducting expenses only 64% answered yes and the other 36% no.

4.7 If Yes from Q-6, what was the percentage being Saved or Invested?



Interpretation

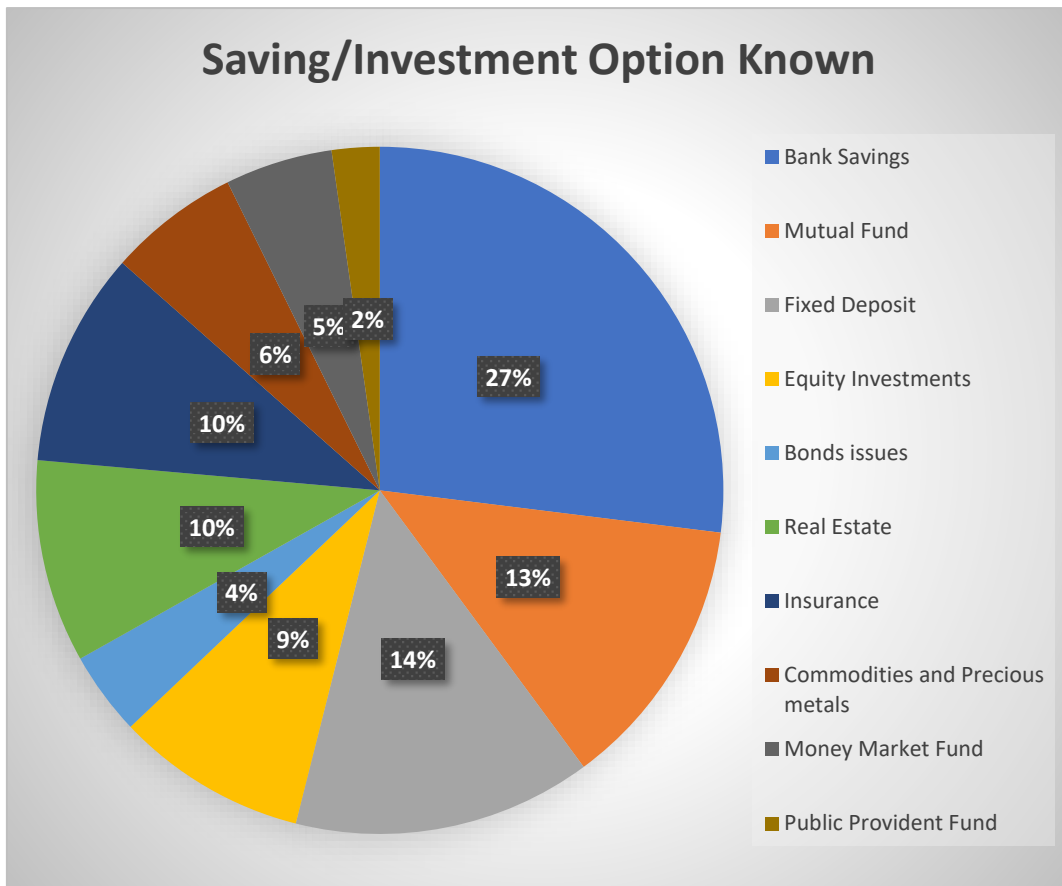
- 45% of our respondents were using up to 20% of their income every month
  - 25% saved between 20% to 30%
  - 8% saved more than 30% and the other 22% did not give an answer
- **Where were you investing your Saving**



Interpretation

In this question, we asked our respondents to tell us financial instruments they have used for savings or investment.

- 37% used Bank savings
  - 14% used Mutual funds
  - 12% of respondents used Fixed Deposit
  - 9% used Equity investments
  - 2% use Bonds
  - 7% used Real estate investment
  - 8% of respondents used Insurance
  - 3% used Commodities and precious metals
  - 6% used Money Market Fund and only 2 respondents used Public Provident Fund
- **If “No” from Q-6, Which of the following Investment Instruments are you familiar with?**



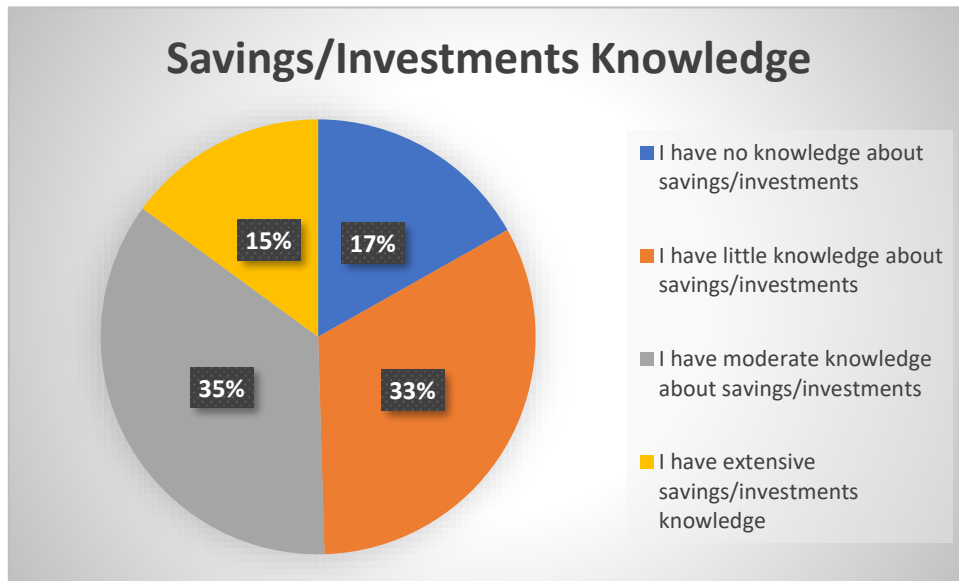
**Interpretation**

When trying to find financial instruments known by our respondents, we gathered the following data:

Bank savings came first with 27%, followed by 14% Fixed Deposit, 13% Mutual funds, Real estate, and Insurance scheme both had 10%, 9% knew about Equity investments, 6% knew about Commodities and precious metals, 5% knew about Money Market Fund, 4% know Bonds and only 2% know when it comes to Public Provident Fund

- **Which statement best describes your Knowledge about Savings and Investments**





#### Interpretation

When it came to financial literacy, 17% of respondents did not know savings and investments, and the other 83% total had some knowledge about savings and investments.

## 4. FINDINGS & CONCLUSIONS

### 4.1 FINDINGS

- The Maximum numbers of respondents are from the age group of 21-30 out of which 61% of respondents are male, 38% females, and 1% transgender.
- Out of 107 respondents, 52% earn below Rs. 10,000 every month. 25% earn between Rs. 10,001 to Rs. 20,000. 15% earn between Rs. 20,001 to 30000 and only 8% earn above Rs. 30,000.
- In the finding, it has also been revealed that 42% spends between 25% to 50%; 30% spend between 50% to 60%; 17% spend between 60% to 75% and only 11% spend more than 75% of their monthly income
- We have also found that 64% of respondents were saving or investing a part of their salary pre-Covid-19 and only 36% were not.
- Out of 107 respondents, 52 people were using Bank savings to invest their money, 20 people Mutual fund, 16 people Fixed deposit, 13 Equity investment, 11 people Insurance.
- As per the survey, only 17% of respondents did not have enough knowledge about savings and investment and the other 83% had some knowledge regarding the same.
- One of the key findings of our study was that Covid-19 was difficult for everyone depending only on salary without having any other source of income like from an investment, and the people that have struggled the most were people earning below Rs. 10,000 and people with a monthly expense above 50% of their monthly salary.

### 4.2 CONCLUSION

This research specifically showed that majority of the population have knowledge when it comes to financial literacy but with an average of a monthly income below Rs 15,000, most of them would rather have a saving account in which that provide a lower interest rate and safe that can be accessed anytime possible.

With that in mind, they were not really able to afford all their monthly expenses for 2-3 months during the Covid-19 with what was saved up prior to the lockdown.