

The New Normal; Analysing the Effect of Covid-19 Intervention on Financial Inclusion Regarding Financial Literacy in India

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Abstract— Everything has taken a 360 degree turn because of the circumstances in pandemic. This Paper investigates the impact of various government interventions and Financial Literacy including financial inclusion on the spread of COVID-19 in India. It finds the stricter interventions majorly in social gathering, public events and mask requirement help to mitigate the severity of the pandemic significantly in the region. Everything became digitalized. Paper examines the pre-pandemic slowdown and subsequent contraction, in Indian Economy. Taking application of an analysis of a broad macroeconomic and sectoral fundamentals, the paper argues that a notable lack of financial literacy and financial inclusion had already persisted before the pandemic; COVID-19 heightened those trends. Henceforth, India's economic revival will be the crucially dependent on the demand generation by direct government fiscal intervention. Papers outline the pre and post government financial decisions and financial awareness among the residents of India. Data only till March 2020 has been taken, as the pandemic resulted in FY21 being an unusual year. Adapted a questionnaire for achieving the purpose of financial literacy and awareness level among residents in India. As we look out for normalized times ahead, policymakers will look for data trends in a normal situation.¹

Index Terms - – fiscal stimulus, Macro and Micro economy, COVID-19, Investment demand, Consumption.

I. INTRODUCTION

After first case of the covid-19 case in pandemic came we have seen continuously rise in Covid cases, also in ongoing wave of pandemic period. Strict lockdown was extended many times and then followed by a

slowly re-openings along with restrictions in some selected area called containment zones. GDP contracted sharply by -24.47% in 2020 Q2 caused by unprecedented unplanned lockdown. According to mospi this contraction moderated to -7.4% in 2020 Q3, and finally our economy returns in positive phase in Q4 of 2020 and Q1 2021 0.5% and 1.6 % respectively.

II. DEFINITIONS

Financial Literacy

The term refers to the ability to understand and apply various financial skills. Effectively. Including personal finance management, making budget and savings. The benefits of financial literacy include better management of personal finances, which requires experiences all making. English means insurance real estate, retirement tax planning and savings.² The purpose of including financial literacy is to know the current status of personal finance awareness after the pandemic. These studies also include. The literacy or awareness label of peoples after pandemic, including government financial policies. Institutional financial policies including their personal level of finance.

Pandemic period

The widespread occurrence of any infectious disease to the whole of world or country at a particular time is called as pandemic. According to the Mariam-Webster dictionary the pandemic period characterizes as the widespread growth of any epidemic. The COVID-19 pandemic known as coronavirus pandemic is an ongoing pandemic which was started since December

¹ <https://www.bloombergquint.com/business/whats-the-post-pandemic-new-normal-for-interest-rates-in-india>
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² Financial Literacy - Definition, Understanding, and Latest News about Financial Literacy (cleartax.in)

2019 and because of morality of the disease this is still spreading in new forms. The period of before December 2019 has been taken as pre pandemic period while after stipulated time has been taken as post pandemic period.

Government Key Policy response to financial decisions

Budgetary decisions have been taken by governments to uplift and manage each sector of society. When this decision refers to the concerning factors financial matter, called as government financial decisions. Basic factors that influence the financial decision are external factors as socio-economic and political conditions of country, taxation policies, state regulations, structure of money and capital markets. Secondly Internal factors like structure of business, earning age of firms', ownerships etc. Paper examined the pre-and post-pandemic changes in government fiscal policies in response to covid -19.

Mellon (1924) Three factors are the soul of strong tax policy i.e., yield adequate revenue, reasonable tax burden to bearers and controlling power of economy.

Institutional Key Policy Financial Decisions

Institutional financial decisions refer to the key responses from institutions including public as well private institutions. The definition covers banks, insurance institutions and other private institutions. During the pandemic intervention, actions taken by these institutions are being reported through various secondary data and prima-facie response from respondent.

Individual's financial Awareness

This section covers the three segments of the paper, which response to Government Key Policy response to financial decisions, Institutional key policy financial decisions and their own financial awareness during pandemic.

Re-opening of the economy-

Following the pandemic following the pandemic. Phase. And nationwide. Lock down. With the view of encourage economy. Activities, economic activities. Government announced some relaxation measures in geographical area spotted as non-hotspot from. April 2020. From April 29. 2020. The government permitted Interstate transactions. Including migrant workers.

- On May. 12. Minister announces 10% of GDP revealed package.
- On 29 July 2020. Unlock 3.0. Guidelines and lockdown limiting only to the containment zones. Till 31st August. 2020.
- August 29, 2020. Unlock 4.4. For the reopening of economy in September. Uplifting metro restrictions. Allowing. Social. Academy Sports. Entertainment. And. Social gathering up to 100 people.
- 30th September 2020 unlocked 5.0 announced reopening cinemas, multiplexes entertainment parks from October 15, 2020.

III. LITERATURES

Corea (1977) Technological upgradation and economic reforms are the core measures of economic transformation specially for developing countries. These countries have to revisit the old laws and tax structure with global economies for higher yield. This will provide them a better control over macroeconomic variables, monetary and fiscal policies and external debt. Murphy & Nagel (2002) This is an accepted measure that there is different sets of taxpayers in tax equity and this has been taken as challenge for the governments. The vertical tax equity provides various tax treatments to taxpayers who comes under different slabs of income whereas horizontal equity gives equal treatment to the taxpayers under same level. Karen (2017) Tax incentive are the important measure in the hands of the nation to control fiscal matters specifically in developing countries. A balanced use indemnifies the loops holes called gaps in domestic capital shortage due to reasons. Every nation is independent to make their tax laws to achieve the targeted collections without any interruption. OECD (2020) reported in April 2020, various measures and suggestions for countries using tax as a relief measure in covid situations and advocates the exertional tax restoration of the economy due to covid slowdown. Suggestions includes international collaborations, expansionary fiscal policies, rationalization of tax rate to generate extra income, speedy processing of income returns and issuance, extended deadlines, deferment of taxes, suspension of penalties to absorb the economic shock due to pandemic. PRS(2020) Aatmanirbhar, a self-reliant concept was announced by the prime minister

Narendra Modi, and a huge financial package of rupees 20 lakh crore was introduced by the government for increasing the speedy growth and tackling the adverse effect of pandemic. Mritunjaya Sharma (2022) sudden happening of pandemic affects the millions of lives in India also in tax policies under Direct taxation. Policy decisions taken for pre-and post-Budget 2021. In conclusion it was found that a progressive tax structure is need of the hour. Paper includes Government responses, public policy Covid pandemic and direct taxation plans. Highest refund ever issued of rupees 261,000lakh crore during the year to taxpayers. Suggestions include multiplier effect of consumption demand and fast set-in motion demand-supply cycle.

IV RESEARCH METHODS

Aim – With the objective to know the after effects of pandemic crisis and measures to reduce the damages od pandemic this paper aims futuristic view next pandemic situations.

OBJECTIVE

On the basis of three objectives, paper intends to know the post pandemic reviews-

- To compare the pre and post pandemic period of Government Financial Policies.
- To compare the pre and post pandemic period of Institutional Financial Policies.
- To analyze the mean score of people's awareness towards pre and post government financial policies, Institutional financial policies and Financial Decisions.

HYPOTHESES

H₀₁- There is no significant relationship between pre and post pandemic Government Financial Policies.

H₀₂ - There is no significant relationship between pre and post pandemic Institutional Financial Decisions.

H₀₃. There is no significant influence on people's behaviour towards pre and post pandemic Government Financial Policies, pandemic Institutional Financial Decisions and own awareness.

METHODOLOGY

Type of Study – Action based exploratory research study.

Period of study – study cover the period of pre and post pandemic duration i.e., before December 2019 and till now.

Population - Study intended to conduct in whole of India.

Population Parameters- Government Institutions, Institutions other than government authority and Residents of India.

Statistics – Random sampling methods.

V. DATA & ANALYSIS

Government key policy response to pandemic

Key policy response by government the key policy response by government can be divided into 2 fiscal categories.

1. India's central government fiscal measures. Stated by two broad categories.
 - a. Above-the-line measures. Including government spending approx. 3.5% of GDP, estimated to be utilized about. 2.2% of GDP past fiscal year.
 - b. Below-the-line measures. Structured. To support commercials and shore up credit provisions. Do some sectors approx. .53% of GDP, focusing primarily on social protection and social healthcare.
2. Production linked incentive scheme focusing 13 priority sectors and expected about. 0.8% of GDP over five years.
3. Higher fertilizer subsidy to agricultural sector, that is 0.3% of GDP.
4. Urban housing constructions of 0.1% of GDP.
5. Ease of tax compliance burden across the various sectors have been announced like postponement of tax filing and other compliance. Reduction in penalty interest rate in GST. Similar measures for the month of April and March 21.
6. Credit support to business (1.9% of GDP), poor household migrants and farmers 1.6% of GDP and electricity company 0.4% of GDP.
7. Agricultural sector to 0.7% of GDP and miscellaneous support measures for MSME sectors and non-banking financial companies. Additional support to farmer, credit facilities to street vendors.

8. Free food grains to 800 million individuals which cost about 260 billion Indian rupee.

Provisions on Budget

1. Interest free loan to states for capital expenditure to financial year 21-22 of INR150 Billion.
2. Customs and taxes on vaccines, oxygen and related equipment has been put into an exempted category for time to boost their availability.

Monetary and macro finance

- a) RBI reduced the repo rate and reverse repo rate by 115 and 155 basis points(bps) i.e. 4.0 and 3.35% respectively.
- b) Announced liquidity measures including long-term Repo-Operations, CRR cut by 100 bps. MSF increased to 3% of SLR. Since march 2020.concluded in cumulative liquidity injections of 5.9% of GDP through September.
- c) Provided relief both to the borrowers and lenders.
- d) SEBI relaxed norms related to debt defaults on instruments for temporary purpose.
- e) Reduced the requirements of public shareholding and minimum period of listings.
- f) RBI provided facility to help state government short-term liquidity and liberalize the export repatriation limits.
- g) CRR maintenance for additional related loans exempted.
- h) Refinance facility to rural banks, housing finance companies and SMEs.
- i) Temporary reduction in LCR and dividend payout.
- j) WMA (State’s way and means advances) limits increased by 60% till march21.
- k) Announced special liquidity facility to MFs (SLF - MF).

Government

Parliament amended some laws during pandemic period -

- Underlying / collateral free lending with 100% guarantee.

- Supporting debt to stressed MSMEs.
- Partial guarantee to housing finance company institutions.
- Special purpose vehicle to purchase short-term debt.
- GST council announced relaxation on interest rate charged on overdue fillings of small business.
- RBI announced zero percent restructured the loans and standard.

Exchange rates and Balance of Payment: -

- On 16th march 2020 RBI announced FX swaps (II) of 2 billion ,6-month auction based
- FPI units for corporate bonds increased by 15% for FY 2020/21.
- Non -residents’ investments on specified securities has been removed.
- FDI policy adjusted requiring on entity of a country sharing land borders with India only after government approval investment will be made.

INDIVIDUAL’S AWARENESS LEVEL IN RESPONSE TO PANDEMIC

This section discusses the changes after pandemic period people realised and made. Response rate was 65%. The attitudinal scale was used to measure the attitudes of people towards covid pandemic. The questionnaire was divided into three parts

- Government policies,
- Institutional Policies
- Individual’s Financial Awareness.

Reliability of the questionnaire was 0.856 of 31 number of items and Omega (Prof. Hayes) was 0.873.

Table 1 Reliability scale measurements

Reliability Statistics	
Cronbach’s Alpha	N of Items
.856	31

Source 1 Authors Calculation in SPSS

Table 2 Omega Factor Analysis

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Run MATRIX procedure:
***** Written by Andrew F. Hayes *****
***** afhayes.com *****

This estimate of omega is based on the factor loadings of a forced single-factor
maximum likelihood factor analysis using SPSSs built in FACTOR procedure.
Reliability:
Omega
.873

Item means, standard deviations, and estimated loadings:
      Mean  SD Loading Error Var
Iamaware 3.885 .963 .338 .813
BeforePa 3.308 1.001 .111 .989
Yourpref 2.442 1.474 .263 2.104
Yourpr_1 2.423 1.242 .450 1.340
Yourpr_2 2.615 1.345 .720 1.291
Yourpr_3 2.673 1.833 1.118 2.112
Yourpr_4 3.250 1.949 .746 3.242
Yourpr_5 2.769 1.996 1.485 1.779
Yourpr_6 2.846 2.043 1.661 1.413
Yourpr_7 3.135 2.029 1.645 1.411
Whenever 2.096 1.537 .401 2.202
Whenev_1 2.712 1.513 .588 1.942
Whenev_2 3.327 2.212 1.820 1.580
Whenev_3 3.250 2.168 1.829 1.356
Whenev_4 3.231 2.184 1.706 1.859
Before_1 1.615 .745 -.010 .555
AfterPan 1.346 .683 .036 .465
Iknowabo 2.981 .727 .109 .517
Financia 3.904 1.015 .303 .938
Claiming 3.135 1.495 .566 1.916
MobileBa 4.192 .951 .361 .773
Covidrel 4.212 .893 .153 .774
Howmuchy 3.231 1.113 .176 1.209
Whatisyo 3.673 1.004 -.024 1.008
Governme 3.462 1.038 -.010 1.077
Govern_1 3.308 1.094 .198 1.158
Govern_2 3.346 1.064 .010 1.133
Govern_3 3.827 1.080 .037 1.164
Whatabou 2.673 1.150 .134 1.304
Govern_4 2.923 1.118 -.009 1.249
Institut 3.192 1.299 .127 1.672
----- END MATRIX -----
    
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Rotated Component Matrixa	Component		
	1	2	3
What is your opinion, Government of India has taken Good Initiatives during covid-19?	.775	.341	.242
Government Policies was very helpful during covid-19 period.	.896	.114	.189
Government provides sufficient amount of banking facilities during covid-19 ?	.812	.231	.210
Government Gives satisfactory Health benefits during covid -19?	.534	-.091	.503
Government of India Should give more relaxation in individual taxes after covid19?	.802	.260	-.170
What about if say Government of India has widen the employment opportunities after covid -19?	.072	.095	.914
Government of India given relaxation in various interest rates(Bank Loan, House loan, Insurance premium, EMIs)?	.228	.782	.454
Institutions cut out /decrease many formalities after pandemic	.229	.880	-.142
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 6 iterations.			

