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EXPLORING THE DETERMINANTS OF FINANCIAL RESILIENCE IN THE PANDEMIC ERA

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ABSTRACT

Covid - 2019 pandemic has devastating impact on each and everyone's family life's , even those with higher income where disturbed financially . Despite various government measures, financial awareness programmes, different financial investment schemes it has been difficult for many to cope with financial shock. As per the International Labour Organization estimates, crisis resulted in 255 million jobs lost. The worst impact as a result of this was on households who do not have well planned liquid savings to sustain even one month without income. As per the Statista of 2020 survey 79% of India people were financially fragile.

PURPOSE OF THE STUDY

The main purpose of the researcher is to analyze as how well people are able to manage their finances during this financial uncertainty time of pandemic. To check whether they are financially literate to cope with their finances, when their salary is reduced or at times not being paid in some cases.

PRACTICAL & SOCIAL IMPLICATIONS

During pandemic period how do individual's cope up with different challenges and setbacks caused or they are financial stressed due to unemployment, less income, health problems which effects society as a whole. If individuals have financial literacy, knowledge and correct attitude they will plan and park their finance resources properly, which will make them financially resilient during such times. It's important to find solution to financial resilience as it can lead to post-traumatic stress disorder.

FINDINGS

Findings of the study concluded that there is strong relationship between financial knowledge, behavior, Attitude, planning and management and financial resilience.

Keywords: - Pandemic, Financial literacy and Financial Resilience

INTRODUCTION

Financial resilience means ability to withstand life events that impact 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 OECD Financial literacy can be defined as a combination of financial awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.'

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 → financial resilience → financial inclusive.

Personal financial management is another important factor which can help to lead debt free and financially sound life. Personal financial planning is the process of well management of finances as per an individual goal to achieve satisfaction (Mendari & Soejono, 2019). Financial Management should be such that your wealth keeps 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 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 Annamaria lusardi, Andrea Hassler and Paul j. Yakoboski(2020)

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

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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) Lusardi, A, Hasler , A, & Yakoboski, P.J.(2020) study shows financial fragility faced by American families in particular low income group. It shows that there exists a very strong link between financial literacy and financial fragility. For the purpose of study survey was conducted since 2017 till 2020 pandemic period by GFLEC (global financial literacy excellence center) and TIAA institute 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. Findings showed that financial literacy in United States is quite low.

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 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, N., Indiworo, R. H. E., & Sutrisno, S. (2021) article studies effect of financial literacy and financial resilience by keeping household behaviour as mediating factor. Survey method was used and data was collected from 102 respondents. Findings of the study was analyzed through PLS SEM which showed that financial literacy has positive effect towards financial resilience by keeping household behavior as mediating factor. It also highlights that good planning for future will make an individual financially resilient.

OBJECTIVES

- To understand the level 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 its 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 – There is no relationship between financial literacy and financial resilience.

H2- To predict the 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

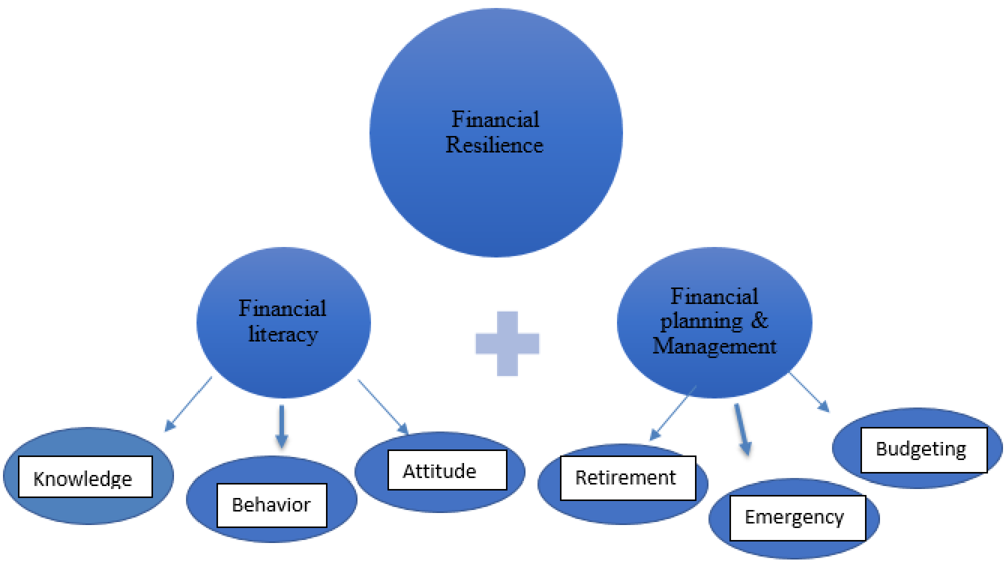
- Financial resilience study will help the people to understand where to park their resources for better financial wellbeing.
- It will help the authorities in developing effective policies.
- To understand the financial literacy among individuals.
- It will provide solutions to individuals as how to 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 is quantitative in nature, though a person's quality is studied as it involves numerical data, measures objective facts and uses statistical analysis to test hypothesis (Neuman, 2007). Sample is collected by using simple random technique and questionnaire was forwarded for the same. Format of questionnaire for study is closed ended and measuring scale is Likert 5 point. Testing of hypothesis is done by using regression analysis and ANOVA by using SPSS tool. Validity and reliability test is run to check the validity of the instrument. Constructs for the study are financial literacy, financial planning & management and financial resilience.

Fig No: - 1 Theoretical Framework



Source: - Primary Data

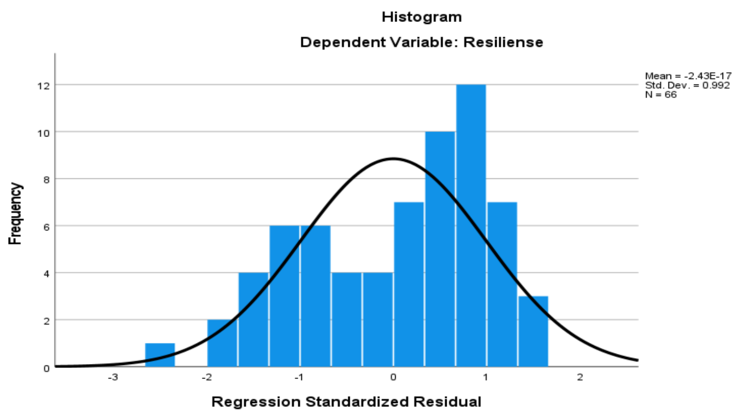
Financial literacy is measured through knowledge, financial attitude and financial behavior. Well planning is recorded through proper maintaining of emergency fund, retirement plan and adequate insurance plan, which will help the

Person to be financially resilient. (Rutgers njaes). (n.d.). July 25, 2021). Financial knowledge is measured by raising questions related to compound interest, inflation, diversification and time value of money.

ANALYSIS & INTERPRETATION

H1 - Financial literacy lead towards financial resilience and financial planning leads to financial resilience is checked by using multiple regression analysis technique. Stepwise variables were added after fulfilling all the necessary assumptions of regression. Assumption of normality, Multicollinearity, Autocorrelation and correlation was checked. Where Y = Financial resilience is dependent factor and financial knowledge, financial attitude, behavior and financial planning is considered as independent factors for the study.

Fig no:-2 Normal Distribution (Histogram)



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 sig value is less than 0.05

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 shows that total only 23% change in Y = Financial resilience depends upon the factors like financial knowledge, financial behaviour, attitude and planning of finance. There are other factors too such as human experiences, skills and social capital factors which may determine the best capabilities of financial resilience. DW value near to 2 shows that, there is no Autocorrelation problem.

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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 shows TSS= MSS+ RSS (Error), MSS= 11.61 and RSS = 37.96 which explains how well regression model explains the relationship between X and Y. R2= MSS/TSS ie 11.61 /49.573 = 23.4 so only 23% relationship of Y is explained by these X variables. F> 4 depicts model is fit and p value is less than 0.05.

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.

Thus, H1 is accepted financial literacy and planning lead towards financial resilience but there are other factors too which need to be analyzed in further studies.

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**

From above table it can be seen that p value is greater than 0.05 so there is no problem of homogeneity. Once this assumption is satisfied ANOVA test is 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**

Since p value is more than 0.05, the null hypothesis is accepted that is no significant difference of age, income, education and gender on Financial Resilience.

Limitations

- Other factors such as human capital (experience, contacts, skills), social capital (friends, family, neighborhood support) etc. which effects financial resilience is ignored.
- Limited responses were collected for analyses due to time constrain.

CONCLUSION

It is very important to develop financial knowledge of the people so that they can manage risk and develop better financial resilience. There is an interlink between financial literacy and well planning which increases the capability of financial resilience among individuals. 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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