A STUDY ON IMPACT OF FINANCIAL STATUS OF EMPLOYEES DUE TO COVID-19

Dr. L. Prabha M. Com, M. Phil., Mba., Ph.D.¹, Kanishkaa S², Kokila Priya S³, Juhi Kausalya S P⁴
¹,²,³,⁴Department of B.Com (Professional Accounting) PSGR Krishnammal College for Women, Coimbatore.

ABSTRACT

The sudden emergence of COVID 19 pandemic is giving a severe blow to the state economies, businesses and workers worldwide. The government of all countries are striving to stabilize its economy by taking the necessary steps to control the economic fall to a greater extent. This Pandemic proved to be more challenging and had a greater impact on India’s economy, affecting people from all sectors. According to the Periodic Labour Force Survey, the worker population ratio in India stood at 47.3% percent in 2018-2019 fiscal year indicating how significant is their contribution to the GDP growth of India. Due to this Pandemic impact, the salaried employees were forced to face a heavy blow on their financial status. Job losses and salary cuts are likely in the high-risk services sector employees, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp fall in demand due to lockdowns across the country. If the current global and domestic economic slowdown persists, it will impact demand and realization. Undoubtedly, with this crisis impacting the business around the country, it will create very challenging situations for the workforce. Companies are not meeting the revenue targets hence, forcing employers to cut down their workforce. Not only the employees of multinational companies, but daily wage workers have been impacted the most during this crisis. The Pandemic had caused large job losses and business closures which most affected the lowest income employees. Of employees reporting income of less than the national monthly minimum wage for January 2020, 71% reported that salaried employee of a household lost their job and 61% reported that an employed member of a household closed their business.

This Project is all about the study on the impact of financial status of employees due to the emergence of COVID 19 pandemic. It does comparisons on various financial factors such as their savings, expenses, investments, incentives and loans before and after the pandemic. It also examines whether the required facilities and incentives were given by the employer to assist the employees during this challenging situation. This study contains the major problems being faced by the employees financially and possible suggestions have been given based on their ranking of problems.

KEY WORDS :Pandemic, GDP growth, Employees, Financial, Crisis.

I. INTRODUCTION

The world economy is still recovering from the economic recession being experienced across the globe due to the impact of COVID-19 Pandemic. This impact has had an adverse effect especially on India in terms of economic activity and loss of human lives. Almost all sectors are suffering to a large extent as the domestic demand and exports sharply dropped with only few exceptions that experienced a high growth. The most affected were the salaried employees among all the other sectors. The financial status of employed after COVID -19 had a great impact on employees. Though companies try to ensure their survival by cutting cost many have resorted towards slashing salary. According to various survey 15% of employees are facing salary cut and losing their employment, looking for a new job was difficult due to COVID -19 outbreak where many organizations are laying off employees and the traditional way of hiring have also been disrupted. With reduced earnings the dependence on informal borrowings was increased. 61% of urban and 34% of the rural households did not have enough money to buy even the essentials. 30% of the employees (migrant workers) borrowed money on interest, whereas 8.4% sold off their assets for cash. Investing money in the investment avenues such as stock market,

www.turkjphysiotherrehabil.org 7021
The pandemic period from the year 2020 due to COVID-19 has forced the people around the world to live and work radically in different ways. Above 36% of employees are still concerned about future layoffs and retrenchment due to instability created by the COVID-19. By this the employees of many organizations were in a great uncertainty over their job security in India. It also has changed the work culture of people by travel bans, remote work and social distancing. And the employees faced serious economic issues by reduction in their pay and sudden layoffs. By this, participation of the salaried group in GDP of the Indian economy has been deceased to a great extent. As we are in a need to know the economic effect of the pandemic situation among the salaried group of people in India. So, we have selected this topic to know the economic status of salaried group population before and after the pandemic.

II. STATEMENT OF THE PROBLEM

The pandemic period from the year 2020 due to COVID-19 has forced the people around the world to live and work radically in different ways. Above 36% of employees are still concerned about future layoffs and retrenchment due to instability created by the COVID-19. By this the employees of many organizations were in a great uncertainty over their job security in India. It also has changed the work culture of people by travel bans, remote work and social distancing. And the employees faced serious economic issues by reduction in their pay and sudden layoffs. By this, participation of the salaried group in GDP of the Indian economy has been deceased to a great extent. As we are in a need to know the economic effect of the pandemic situation among the salaried group of people in India. So, we have selected this topic to know the economic status of salaried group population before and after the pandemic.

III. SCOPE OF THE STUDY

COVID-19 Pandemic 2020 has created distress effect in all the facts of human life especially on the economic status. So, this project will give an idea of the financial status of the middle income and salaried income people.

IV. OBJECTIVES OF THE STUDY

• To analyse the effect of the financial status of salaried employees before and after the pandemic.
• To assess the pattern of the employee’s savings and expenditures as a result of the pandemic.
• To analyse the financial crisis faced by the salaried employees.
• To offer suggestions based on the findings.

V. RESEARCH METHODOLOGY

To achieve the given objectives, data have been gathered from different sources

Primary Data
The primary data has been collected with the help of questionnaire.

Secondary Data
The secondary data is used for the collection of comparative statements in the form of reviews in the reference with the books, journals etc.

TOOLS USED FOR ANALYSIS

1. Simple percentage analysis

It refers to a special kind of ratio, percentages are used in making comparison between two or more series of data and percentages are used to describe the relation.

2. Chi-square Test:

A family of probability distribution differentiated by their degree of freedom used to test a number of different hypotheses about variance, proportion and distributional goodness of it.

Chi-square Test = S (O - E)²/E
Degree of freedom = (R - 1) *

VI. REVIEW OF THE LITERATURE

Rudra Srivastava (2020) examined regarding the common issues aroused out of COVID 19 which may help the employers in taking a concerned approach in dealing with their employee related matter. The author has suggested that the statutory provisions relating to working hours, overtime payment etc. shall continue to apply as if the employee has been working from the office premises. The author highlighted that if an employee is
required to administer self-quarantine as a consequence of discharging his official functions, such employee should be provided with paid leave.

2Kevin M. Kniffin, conducted a survey on COVID-19 and the workplace and made the following analysis:

The worldwide lockdown of businesses and industries that were implemented and mandated to curb the spread of the virus generated a wide array of unique and fundamental challenges for both employees and employers across the globe. At the individual level, populations of shutdown-affected employees were turned overnight into (a) “work from home” employees, (b) “essential” or “life-sustaining” workers (e.g., emergency room medical personnel and supermarket staff), or (c) furloughed or laid-off employees seeking the nation-specific equivalent of unemployment benefits. From their survey they arrive at a conclusion on implications, Issues for future research and insights for actions against COVID-19 and the workplace.

5Niyati Agarwal and Hasna Ashraf (2020), In this research, the author explores the impact of the pandemic on the daily life of households with low income from surveys done across India. The impact is largely in the lower sections, and often relying on irregular source of income. The research talks about the magnitude of distress faced by these households as well as the coping strategies adopted by them to tide through these difficult times. Overall, the study found an improvement of work prospectus by June, when compared to the early stages of lockdown.

VII. ANALYSIS AND INTERPRETATION

PERCENTAGE OF SAVINGS BEFORE AND AFTER THE PANDEMIC

<table>
<thead>
<tr>
<th>S.NO</th>
<th>Percentage of savings(%)</th>
<th>No. of Respondents Before COVID 19</th>
<th>No. of Respondents After COVID 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Below 5%</td>
<td>15</td>
<td>34</td>
</tr>
<tr>
<td>2</td>
<td>5% - 10%</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>10% - 15%</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Above 15%</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

INTERPRETATION

By comparing the percentage of savings before and after the pandemic, Majority of the respondents who saved 5%-15% of their income before COVID were able to save only below 5% of their income after COVID.

RANKING OF MEASURES TO IMPROVE FINANCIAL STATUS AFTER THE PANDEMIC

<table>
<thead>
<tr>
<th>S.NO</th>
<th>Particulars</th>
<th>Weighted Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Job security</td>
<td>200</td>
<td>III</td>
</tr>
<tr>
<td>2.</td>
<td>Discount on interest of loans</td>
<td>212</td>
<td>I</td>
</tr>
<tr>
<td>3.</td>
<td>Government subsidies to the essentials of living standards</td>
<td>200</td>
<td>III</td>
</tr>
<tr>
<td>4.</td>
<td>Free medical benefits</td>
<td>191</td>
<td>V</td>
</tr>
<tr>
<td>5.</td>
<td>Issue of interest free personal loans</td>
<td>206</td>
<td>II</td>
</tr>
<tr>
<td>6.</td>
<td>Increase in rate of interest for Government based investments</td>
<td>196</td>
<td>IV</td>
</tr>
</tbody>
</table>

INTERPRETATION

The above table depicts the various measures suggested by the respondents to alter the impact on financial status of employees. Among all the suggested measures discount on interest on loans has got the 1st rank making it a major problem.

SAVINGS OF EMPLOYEES AND EXPERIENCE OF EMPLOYMENT

<table>
<thead>
<tr>
<th>Experience</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below 3 years</td>
<td>1–5 years</td>
<td>5–10 years</td>
<td>Above 10 years</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------</td>
<td>-----------</td>
<td>------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Number of years</td>
<td>4</td>
<td>12</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Number of employees</td>
<td>7</td>
<td>34</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

**INTERPRETATION**

Above table states the number of years of experience of employees, majority of the respondents have an experience of below 5 years.

**EXPERIENCE OF EMPLOYMENT AND RESPONDENT’S SAVINGS**

In order to find out the relationship between experience of employment and savings of respondents from their income after the pandemic. Chi square test is used and the result of the test is given below.

The experience of employment and the savings of the respondents were tested with the help of the following hypothesis.

H0 – The experience of employment and the savings of respondents are independent

H1 – The experience of employment and the savings of respondents are dependent.

**CHI SQUARE TEST**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Calculated value</th>
<th>Table value</th>
<th>Degree of freedom</th>
<th>Significant value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings of employees after COVID 19</td>
<td>57.32</td>
<td>12.592</td>
<td>6</td>
<td>5%</td>
</tr>
</tbody>
</table>

Since the calculated value is less than the Table Value and the result is significant at 5% level.

Hence the H1 hypothesis is rejected and it is concluded that the experience of employment and the savings of the respondents are independent.

**FINDINGS**

- Majority of the respondents saved 10-15% of their income before COVID and saved below 5% after COVID.
- Majority of the employees did not make any investments during the pandemic.
- Majority of the respondents felt it was a burden to repay the private loans during COVID19.
- The chi square test shows the relationship between experience of the employment and savings of the respondents from their income after the pandemic is not significant at 5% level.
- The chi square test shows the relationship between the type of the organization of employees and savings of the respondents from their income after pandemic is not significant at 5% level.

**SUGGESTION**

- About 90% of Indian’s workforce is informally employed, which includes economy workers. This population is extremely vulnerable to economic shocks and needs greater access to formal credit and social safety sources such as insurance and pension schemes.
- The companies should consider providing a psychological and financial support to your employees, such as emergency assistance, additional insurance coverage, regular payroll payments.
• The companies should provide the required Job securities to the employees in order for them to not fear and lose hope. Thereby making them work towards achieving a better financial status.

VIII. CONCLUSION
This survey has given clarity into various effects of COVID on the financial status of the employees. The income level of the majority of the employees have reduced after COVID 19 resulting reduced savings and further investments. It clearly depicts the financial crisis faced by the employees. The employees belonging to middle income category being the key drivers of the Indian economy affects the entire GDP growth of India. In order to upturn the economic recession of India the necessary actions should be taken by the government and the respective employees.

REFERENCE BOOKS, JOURNALS AND PAPERS
1. Small and Medium enterprises in India, Indian Institute of Banking and Finance.
2. The management of Small and Medium enterprises, SaschaKraus.

WEBSITES
5. https://www.investindia.gov.in/schemes-smes-india