

# **Impact of the Pandemic on Women’s Spending and Saving habits in India**

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## **I. Introduction**

The year 2020 came with the catastrophic COVID-19 virus, threatening all that was taken for granted—mobility, safety and even a normal life. The year posed the most formidable economic challenge to India and to the world in a century. India took a policy which focussed on the theory proposed by Hansen and Sargent (2001). The theory recommends minimising losses in a worst case scenario. As a result, lockdown measures were adopted even though it affected the demand and supply situations of the country. The economic policy during the lockdown phase focused mostly on essential consumption. Direct benefit transfers to vulnerable sections and food subsidy programmes were undertaken in this regard.

Although India has attained a V-shaped recovery, GDP has contracted by 7.7% (a sharp 15.7% decline in the first half and a modest 0.1% in the second half). Increased uncertainty, lower confidence, loss of incomes, weaker growth prospects, fear of contagion, curtailment of spending options due to closure of all contact-sensitive activities, the triggering of precautionary savings, risk aversion among businesses and resultant fall in consumption and investment led to the first order demand shock. The supply chain disruptions were also caused by closure of economic activity and restricted movement of labour. Both these effects were further amplified through trade and financial linkages.

Atmanirbhar Bharat could sustain some high frequency indicators but growth was subdued by stringent lockdown measures. Agriculture was the only sector that could keep up with the shock. Manufacturing and service sectors were severely affected. Adam Poonawalla, CEO, Serum Institute of India observed that the economic dangers of the outbreak were severe than the health risks associated with it.

## **Employment and Pandemic**

Around 140 million people lost their jobs and more than 45 percent of households reported an income drop due to the pandemic in India. As per FCCI survey, 53 percent of the Indian businesses were affected by the lockdown. Hotels and airlines cut off salaries and lay off workers. Revenue of the travel companies such as Ola cabs were affected and showed a fall of even 95 percent.

A number of young startups were impacted since funding dwindled and this hampered the already bleak employment scenario. According to KPMG report, venture capital funding in India has reduced by 50 percent. Tax collection went down affecting government revenue. Government found it difficult to pay salaries to employees. The economic situation became worse to the point that former RBI Governor Raghuram Rajan called the pandemic as the biggest emergency faced by India after Independence.

The informal sector was the hardest hit. Due to the lockdown, the daily wage labourers were left without work. As per PFLS, urban casual workers constitute 11.2 per cent of urban workforce. Gig and platform workers shared the central stage and their vulnerability was exposed by the pandemic. Since many of them lost their means of livelihood and accommodation, they began to return back to hometown. Their journey suffered since transportation channels were blocked. They used shramik trains and even went home by foot.

Many efforts were government to boost employment like Atmanirbhar Rozgar Yojana, Pradhan Mantri Rozgar Prohalsan Yojana, Pradhan Mantri Garib Kalyan Yojana etc. As a result of these programs and in general, the lockdown period witnessed growth in employment opportunities. As per the PLFS report 2018-19, there was an increase in workforce totalling 48.78 crore during 2018-19 as compared to 47.14 crore during 2017-18. The size of the workforce increased by about 1.64 crore, of which 1.22 crore were in rural sector and 0.42 crore in urban sector.

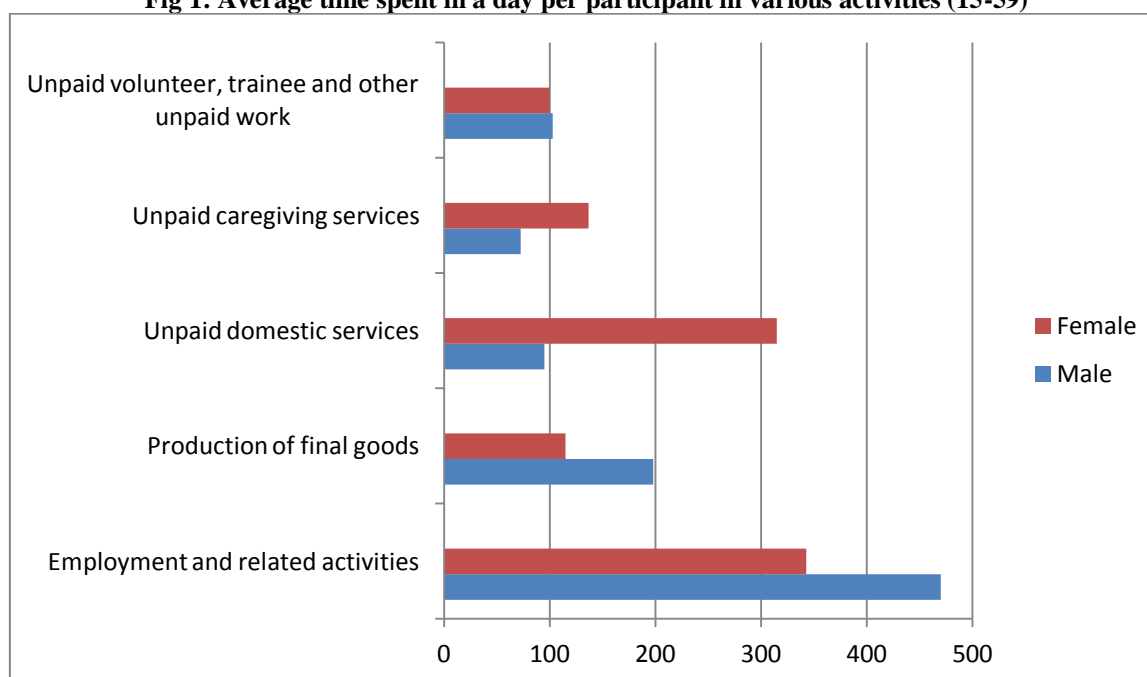
The gender composition of this employment was 0.92 crore females and 0.72 crore males. Number of unemployed persons declined by about 0.79 crore between 2017-18 and 2018-19, largely in the category of females, and in rural sector. The females labour force participation rate increased from 17.5 per cent in 2017-18

to 18.6 per cent in 2018-19. While looking at the workforce, the proportion of male in casual labour decreased by 1% whereas, self-employed and salaried workers increased by 0.6 and 0.4 percentage points respectively. For females, self employed increased by 2 percent, salaried workers decreased by 0.7 percent and casual labour decreased by 1.4 percent.

A report by Centre for Sustainable Development of Azim Premji University showed that during the first lockdown in 2020, only 7 per cent of men lost their jobs, compared to 47 per cent of women who lost their jobs and did not return to work by the end of the year. In the informal sector, women fared even worse. Rural Indian women in informal jobs accounted for 80 per cent of job losses.

Given the employment status of the women, the time spend by them on various activities was looked into to understand the nature of their work. The Time Use survey found that females spend more time in unpaid domestic and care giving activities compared to employed hours (as seen in Fig 1). The time spend on domestic activities was 7.5 hours and for job related activities was 5.7 hours.

**Fig 1: Average time spent in a day per participant in various activities (15-59)**



Source: Time Use Survey 2019

From the figure, it is very clear that time spent by a female on unpaid domestic services is higher and more prominent than their male counterparts. The participation of women in household chores was 55.7 percent in rural households and 59.1 percent in urban households. This was found to be the reason for low female labour force participation rate. During the pandemic, their share of unpaid care work grew by nearly 30 per cent.

### **Spending and Savings pattern and Pandemic**

Pandemic strained the consumers in several ways. While some lost jobs and suffered loss in income, some enjoyed slashed expenses amidst uncertainty. People reduced their overall spending on goods and services nearly by 40% as compared to that of last year. They anticipated further loss of job and salary and hence kept their spending under control. CPI led inflation also rose during the lockdown period, limiting the spending further.

Since the supply chain got disrupted due to repeated lockdown, people began to stock up essentials. This was also considered a viable saving option. A high sense of income uncertainty forced people to clearly identify their expenses. Also, with the imposition of stringent social distancing norms, all entertainment avenues were shut down. As a result, expenses in the area of entertainment, travel and dining out took a back seat. When the lockdown was in full swing, overall discretionary expenses were the most hit, falling down to 14%.

Focusing on how different categories under discretionary expenses are affected, it was observed that food and beverage industry suffered a setback during the pandemic. Dining out came to a halt and online ordering took a toll owing to huge mistrust amongst people towards outside food. Although expenditure towards entertainment reduced, it did not receive much setback compared to other industries. Outdoor entertainment like cinema theatres was closed but indoor entertainment such as OTT platforms flourished. Spending on shopping

was the worst hit. It recovered a little later due to various offers and discounts by both offline and online retailers. Online shopping thrived since spending of people got heavily dominated by convenience and value.

With all businesses either having stopped completely or operating remotely, the daily conveyance completely stopped. The overall travel expenditure has reduced to less than 5% of what was being spent last year. Overseas travel paralysed despite restrictions being reduced gradually. While travel was the first sector to get impacted, it might be the last to recover, since people are still not comfortable in undertaking activities outside their house.

Cash transactions which suspire the Indian economy gave way to digital modes of payments like UPI payment. There was a massive shift in the spending habits and due to the prevalence of uncertainty, saving strengthened. People were already ready for the digital wave and those who were not, adapted to it really fast. Safety first became the need of the hour. Thus, safety played a dominant role in the spending behaviour.

As mentioned earlier, women were seen to engage more in domestic care than men. As a result, women had to deal with specific concerns during the pandemic. They had to care their families, sustain livelihoods and fight against the virus. Since they were spending more time into family matters, the burden of family expenses fell upon them. It was applicable to all women regardless of their employment. Females had to make difficult choices to keep households afloat, like providing family meals with fewer supplies. At times they even went without food themselves to ensure children were fed. Some withdrew precious savings to pay for household supplies, food and medicine, as well as internet packages for children's continued education. Many also had to provide instructional support.

The societal construct of women as bearers of domestic care forced both employed and unemployed women to adjust their spending. They had to limit their expenses, avoid discretionary expenses and even spend their life savings on essential consumption such as groceries, household expenses etc. According to the UN Women report, women even limited their spending on sanitary napkins and contraceptives. They prioritised family essentials over their health and hygiene. At the same time, for their male counterparts, the condition was relatively better. Although they had to spend on family consumption, they could still save more and spend discretionary expenses due to higher income, greater job security and favourable social conditions.

Women lag men in understanding across all areas of finance, with the gap most pronounced in the areas of investing and saving. Women score highest in the areas of borrowing and consuming, whereas scores lowest on their understanding of risk and risk management, which translates into a lower likelihood of having emergency savings. Women are more likely to make day-to-day money decisions in a household and less likely to make bigger decisions in the areas like investing. The ripple effect of this thinking is often a lack of precautionary savings and without that security in the short term it becomes harder to plan for long-term financial health.

## **II. Conclusion**

Covid-19 affected health, social and economic well-being worldwide, keeping women in the centre. Women faced compounding burdens such as over-representation in working in health systems, continued burden of unpaid care work in households, high risks of economic insecurity (both today and tomorrow), and increased risks of violence, exploitation, abuse or harassment during times of crisis and quarantine.

Due to persistent gender inequalities across many dimensions, women's jobs, businesses, incomes and wider living standards were more exposed than men's to the anticipated widespread economic fallout from the crisis. In the very short term, the economic fallout from Covid-19 affected some sectors of the economy more than others, with women potentially over-exposed. This included air travel, tourism, retail activities, accommodation services (e.g. hotels), and food and beverage service activities (e.g. cafés, restaurants, and catering). Many of these industries had women as their major employees.

Women are likely to be more vulnerable than men to any crisis-driven loss of income. Women hold lesser amount of wealth than men and because of their greater caring responsibilities, women find it difficult to find alternative employment and income streams (such as piecemeal work) following lay-off. Older women also faced problems in their spending and saving patterns. This was because, on top of often having worked in lower-paying jobs, older women were more likely to have taken time out of employment for care reasons. It holds true mostly in the case of rural and urban menial workers. As a result, they faced difficulties in meeting pension contribution requirements and received only minimum pension payments. The gender pension gap was wide.

Women often spend so much time taking care of others that it is easy for them to forget about themselves. As necessitated by the situation, government should step in with some policy options. Offering public childcare options to working parents in essential services such as health care, public utilities and emergency services, providing alternative public care arrangements, offering direct financial support to workers who need to take leave, giving financial subsidies to employers who provide workers with paid leave and

promoting flexible working arrangements that account for family responsibilities of workers can be the measures for supporting women with care responsibilities.

Extending access to unemployment benefit to non-standard workers, providing easier access to benefits targeted at low-income families, in particular single parents, who are predominantly female, considering one-off payments to affected workers, reviewing the content and timing of reforms restricting access to unemployment benefits that are already scheduled and helping economically insecure workers stay in their homes by suspending evictions and deferring mortgage and utility payments can help in catering to women facing job or income loss.

In case of economic and social uncertainty, the impact on women is most often overlooked. More often than not, a gender lens is not incorporated in the design and implementation of emergency policy responses. This is the reason why Covid-19 has exacerbated the existing systemic gender inequalities. Integrating gender impact assessment processes and tools in emergency management, gender budgeting, ensuring that all policy and structural adjustments to support sustainable recovery go through robust gender and intersectional analysis and stepping up measures to increase the role and numbers of women and women's agencies in decision-making processes, including around prevention and response to Covid-19 are the policy options to ensure policy responses to account for gender.

All actors need to strive towards a significant increase in investments to close the gender gap as per the commitments in the 2030 Agenda for Sustainable Development. It has become all the more important along with the battle against Covid-19. In such wise, the spending and saving habits of women can be improved.

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