A Study of Financial Crisis in the Era of Covid-19 Pandemic

Sunil Kumar Vishwakarma [1]* Mr. Pankaj Wasnik [2]

[1] Associate Professor, Department of Management, Vidhik Institute of Management, Bhopal
[2] Research Scholar & Assistant Professor, Department of Management, Vidhik Institute of Management,Bhopal

Abstract

An incredible shock to the Indian economy has resulted from the COVID-19 epidemic. At a national level, it has had an impact on all industries. The economy was in a precarious state before the covid -19 outbreak, and it is expected to experience a protracted period of recession as a result of the suspension of business operations and the statewide lock down. Due to COVID 19, every industry, sector, and aspect of daily life has suffered greatly. However, in order to preserve lives, the government adopted drastic measures, such as a total lock down, which in some cases also had an impact on financial inclusion initiatives and practices. In this study, we examine the function of financial inclusion in the COVID-19 era using secondary data.

Keywords: COVID 19, financial inclusions, Financial Institutions & Its service.

INTRODUCTION

With the rise of the Indian economy, especially when the emphasis is on attaining sustainable development, an effort must be made to incorporate the greatest number of participations from all segments of society. However, the lack of awareness and financial literacy among the country's rural population is impeding economic progress, as the bulk of the population lacks access to formal credit. This is a major issue for the country's economic progress. To address these challenges, the banking sector developed technology breakthroughs such as automated teller machines (ATM), credit and debit cards, internet banking, and so on. While the deployment of modern financial technologies has caused a transformation in urban culture, most rural people are still uninformed of these advancements and are barred from participating in formal banking. The primary goal of financial inclusion is to assist people in providing financial services at a reasonable cost. It also focuses on establishing and developing financial institutions to meet the needs of the society's most vulnerable members.

In the period of the Noval Corona Virus (COVID 19), the government of India declared a statewide lockdown beginning March 22, 2020, affecting all financial and non-financial activity. During the lockdown, the government permitted access to emergency services and necessities. During the pandemic, several industries saw a significant drop in their growth rates, and consumers suffered numerous financial difficulties. The growth of financial inclusion during this period is a big problem for banks as well as the government. Banks, on the other hand, provide many digital platforms to customers for better service provision, such as: connection through websites, home delivery facility for cash withdrawal, ATM services, loan EMI relaxation services, and so on; these facilities would be able to confront this pandemic situation and continue the flow of financial inclusion.

LITERATURE REVIEW:

1. Singhal, T. According to a review of corona virus disease-2019 (COVID-19), this new virus has posed a threat to China and particularly its neighboring countries' economic, medical, and public health infrastructures. In addition to taking steps to slow the virus' spread, precautions should be taken to avoid future outbreaks of this virus.

   The impact of the corona virus pandemic on the Indian economy was reported in Impact of Covid-19 on the Indian Economy. However, until the pandemic is gone, it will be impossible to determine the exact impact of the virus on the economy. Agriculture is one industry where price hikes could happen, thus precautions should be taken to ensure a sufficient harvest and maintain a seamless supply chain. The possibility of a rating downgrade and an increase in the fiscal deficit will make it more difficult for India's government and policymakers to borrow money and spend it in the future. As a result, they should carefully consider their options and select only those that have the greatest potential benefits in both the short- and long – term.

2. Karmakar, Banerjee, and Mohapatra (2011), for rural areas, analyzed the financial inclusion of India's twenty largest states. As indicators of financial inclusion, they identified the number of outlets in rural areas, the number of accounts per outlet, the amount of deposits made at outlets, the amount of credits received at outlets, and the amount of account deposits.

3. Chattopadhyay & Kumar (2011), in recent years, financial inclusion has appeared to be a major worldwide agenda item. The average number of bank accounts per person, geographic and demographic branch penetration, demographic credit penetration, deposit income ratio, credit income ratio, and cash deposit ratio are the common indicators of financial inclusion.

All of the studies employed the same methodology for calculating the human development index and discovered that the dimensions were equally important. However, not all factors may be equally important when evaluating financial inclusion. Researches should therefore first determine the relative weight (importance) of the variables before calculating the weighted average of the dimensional indices in order to create a comprehensive index of financial inclusion. In 2010, there were 734.8 million total deposit accounts across all banks, 118.6 million total credit accounts across all banks, and 33 million total no-frill accounts across public and commercial banks, up from seven million in 2006 to 33 million in 2009. (Reserve Bank of India, 2010).

OBJECTIVES OF STUDY:

- ❖ To investigate the COVID 19 scenario's financial inclusion.
- ❖ To look into the key elements influencing financial service access.
- ❖ To determine the length of time it will take for India's economy to recover from this epidemic crisis.

METHODOLOGY:

As previously noted, current research solely relies on secondary data to evaluate the effect of COVID-19 on India's financial sector. The reputable English newspapers, periodicals, websites, and other published research journals in this field were used to gather this secondary data. While coming to the correct conclusion for this essay, the information available on numerous websites, newspapers, magazines, and other sites has been carefully scanned and comprehended. The study is entirely descriptive in nature.

FINANCIAL ISSUES:

Financial inclusion, according to the Planning Commission (2009), is the equitable access to a variety of financial services at a reasonable price. They offer a variety of financial services, including insurance and equity products, in addition to banking goods. Exposure to household finance programmes gives access to wealth creation, credit, and financial planning. Financial inclusion is the process of ensuring that underprivileged groups, such as the poorer portions and low income groups have access to financial services and timely and sufficient financing where necessary, at an affordable rate.

The provision of financial services to low-income groups, particularly to the excluded segments of the population with equal opportunity, is the concept of financial inclusion. Access to financial services is the main goal in order to improve living and working conditions. Through many programmes, including the Pradhan Mantri Jan Dhan Yojana (PMJDY), launched by the Indian government in August 2014, financial inclusion was made possible for all unbanked people, households, and vulnerable groups in society (Ministry of Finance, 2019).

COVID 19:

In December 2019, COVID 19 was found in Wuhan, China, and later the World Health Organization declared it to be a global pandemic. Since its beginning, this epidemic has impacted more than 200 nations. The Indian government has declared a complete state of emergency until the crisis can be brought under control. As a result, the country's economic and financial development has been hampered.

ADDRESSING THE IMPACT OF COVID 19 WITH FINANCIAL INCLUSION:

Due to the majority of daily wage workers' declining income, micro and small business owners may find it difficult to repay their debts. Additionally, microfinance loans are typically processed in cash at branches or community gatherings. As a result, in addition to the consumers' profits, the repayment process is frequently disrupted. It's crucial that not all of the money runs out in the interim. Many companies consider how important it is for healthcare and food processing businesses to keep operating and helping the public. Only if some industries are funded by governments and the banking sector is it practical.

IMPORTANT ROLE OF FINANCIAL INSTITUTIONS:

Our partners place a high priority on staying in touch with and meeting the needs of their clients in every country. Because they are unable to buy and sell stocks, some people may be able to reduce interest rates by prepaying their loans. To finish the harvest season, additional funding can be made available to others. Observing how rapidly other people adapt to different situations is impressive. We employ digital platforms like smart phones and the telephone to communicate with their customers. Some businesses also provide their customers video courses that not only cover financial topics but also educate viewers by telling them to keep their distance from others, to stay home, clean their hands and maintain good health. That might sound easy, but it's important to keep in mind that many people in crowded neighborhoods don't even have access to clean water, let alone soap. Financial institutions in emerging markets that support the pyramid base may be more involved in society than in industrialized nations because to the vast number of individuals they serve.

CONCLUSION:

Any country's growth and development depend on its citizens having access to financial services. For the advancement of India, it is being disseminated in a very significant and rich manner. The Indian economy stagnated as a result of COVID 19, which had an impact on several industries and sectors in India.

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This pandemic condition and the low income households and workers who are subject to the statewide lockdown, which has collapsed daily earnings of workers and individuals, are having an impact on financial inclusion. Small businesses are also impacted by this and will need several days to recover.

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