

## Protecting Your Savings in Times of a **FINANCIAL CRISIS**



### From The Editor's Desk

Hope you are safe and healthy in what has turned out to be one of the biggest challenges mankind has faced in recent decades. Within a short span of time, the COVID -19 pandemic has spread to over 200 countries across the globe. To control the spread of this virus, governments across the world have taken unprecedented steps. While these steps have undoubtedly helped in controlling the spread of the disease, it has also pushed several economies to the brink of a major financial crisis. Since the emergence of structured economies and open markets, the world has witnessed its share of such financial crises, from the Great Depression of 1929 to the two World Wars, to the more recent global financial crisis of 2008. And while the reasons for, and impact of these crises varied across countries, the common factor in all scenarios was our collective resilience and ability to bounce back.

This edition of 'The Financial Kaleidoscope' is centered around COVID - 19 and its impact on the economy and the individuals. It covers some historical perspective, some important relief measures announced by the Government of India and other agencies, and some tips to manage your finances and investments in such times.

We invite all our readers to participate in the 'Knowledge Wins Contest' and share feedback and suggestions at the link given inside the newsletter. Hindi version of newsletter is available at <https://nsdl.co.in/publications/nest.php>.

We hope the next issue will be under better circumstances. Until then please take care of yourself and your family.

Regards,  
Team NSDL

# Impact of COVID - 19

## On the Indian Economy

Even before the pandemic hit, the global economy was going through a turbulent time. In the first three quarters of FY 2019-20, India's real GDP growth was under 5% - the lowest in the last six years. Due to various restrictions on economic activities, the forecast for the next few quarters looks quite bleak.

The stock markets which are considered as a reliable barometer of an economy's health, have been reeling under pressure since early March when the global impact of COVID-19 started getting clear. After the World Health Organization (WHO) officially declared it a pandemic, global markets, including India, witnessed bloodbath. The Sensex registered its biggest one-day drop of nearly 3000 points on March 12 followed by an even bigger drop of nearly 4000 points on March 23 after the lockdown was announced.

The growth projections for FY 2020-21 have been significantly revised downwards by various agencies. Even negative outlook has been expressed by some experts.

### **What Is a Financial Crisis And How Is It Different From a Recession?**

A financial crisis is a phenomenon where external factors or the potential impact of an impending catastrophe results in the devaluation of assets. Because of the globalised world we live in, a major disruption in a major economy can lead to a cascading effect across the globe.

At a macro level, financial crises can often lead to a liquidity crunch and the freezing of global markets. At an individual level, the fallout could be in terms of unexpected demands from lenders for early repayment of debts leading to erosion of wealth and in extreme cases, even bankruptcies.

That said, not all financial crises are equal - while some impact the banking system or other key segments such as stock market, commodities and real estate, it may lead to a more localised impact that is restricted to a market or a region. However, a severe or prolonged financial crisis can have a wide-ranging impact that could lead to a recession, which goes beyond the loss of wealth or devaluation of assets.

**“By definition, a recession is an economic scenario marked by a downward spiral in the business cycle.”**

It often goes beyond a segment or a region and is characterised by a global or national decline in key macroeconomic indicators such as industrial production, trade volumes, capital flows and unemployment. The current COVID-19 induced scenario suggests that we are in a financial crisis but fears of a global recession are increasing. On the upside, we have collectively overcome quite a few major global disruptions since the emergence of global trade with learnings from the past, combined with sound monetary and fiscal decision-making.

## History of Financial Crises

All businesses and global economies are cyclical in nature, so while a downturn causes wide-scale financial stress, it still operates within the principles of economics.

Let's look at the timeline of recent economic history, showing major financial crisis hitting the global markets.



## The road to recovery

A financial crisis impacts the fundamentals of an economy (industrial production, international trade, cash flow, etc.) and the various players that run it (banks, financial institutions, stock markets, businesses etc.).

The road to a sustainable recovery essentially requires integrated and coordinated efforts by governments (central, state and local governments) and their various arms. Lets' look at some of the salient measures concerning retail investors.

## Key measures by Income Tax Department

- The last date for filing income tax return for FY 2018-19 has been extended from March 31, 2020 to June 30, 2020.
- The deadline for linking Aadhaar and PAN has been extended from March 31, 2020 to June 30, 2020.
- The last date for investment in saving instruments or investments for rollover benefit of capital gains has been extended to June 30, 2020.
- An investor can do the following investments before June 30, 2020 and avail deduction for FY 2019-20 (for which the deadline was March 31, 2020):
  - ✓ Investments under section 80C which includes Life Insurance Premium, ELSS of Mutual Funds, NSC, PPF etc.
  - ✓ Investments under section 80D which includes Mediclaim premium for Self, family and parents.
  - ✓ Investments under section 80CCD (NPS).
- Tax savings investments done between April 1 and June 30, 2020 will be eligible for deduction either in FY 2019-20 or 2020-21. Investor has an option to select the financial year in which he/she wants to claim the deduction.
- The donation made to the 'PM Cares Fund' shall be eligible for 100% deduction under section 80G. Further, the limit on deduction of 10% of gross income shall also not be applicable for donation made to this Fund.
- The donation made up to June 30, 2020 shall also be eligible for deduction from income of FY 2019-20.

## Key measures by RBI

### • Banking Services

The following provisions have been made until June 30, 2020:

- ✓ ATM / Debit cardholders can withdraw cash from any other bank's ATM without any charge.
- ✓ Waiver of minimum balance fee for all bank accounts.
- ✓ Reduced bank charges for digital trade transactions for all trade finance consumers.

### • Rescheduling of Payments - Credit Cards

- ✓ All banks and financial institutions offering Credit Cards have been given an option to defer the dues and payments for a period of three months. But it should be carefully noted that this is just a deferment and not a waiver. So opting for the moratorium will push the due date for payment but interest will be payable for the period of deferment. As generally the rate of interest on credit card dues is very high, this option must be used only if most required.
- ✓ The rescheduling of such payments will not qualify as a default for the purpose of supervisory reporting. Availing this facility will not impact the credit score or credit history of that individual in any way.

## Key Measures by SEBI

### • Changes in MF transaction timings

Due to changes in bank's working hours for customers, SEBI has revised the cut-off timelines for mutual fund customers as below -

Fund type	Subscription	Redemption
For Liquid and Overnight Funds	12.30 PM	1 PM
For other than Liquid and Overnight Funds	1 PM	1 PM



- SEBI has also relaxed the timelines for processing of various other requests such as demat request, KYC update by respective market intermediaries namely stock brokers, DPs, RTAs etc.

## Impact on investors

- Due to the countrywide lockdown, most of the financial intermediaries including DPs, stock brokers, RTAs, mutual fund houses and their distributors are working with lesser number of staff and resources. Reaching them in person has become quite difficult. This may result into delayed response to various requests from investors. However, most of the intermediaries have made available digital modes of transactions. Investors may visit their respective website and find out the details.

## Key Measures by Employee Provident Fund Organisation

- EPF regulations have been amended to include Pandemic as one reason to allow non-refundable advance.
- All EPF members having a Universal Account Number (UAN), can withdraw up to 75% of the amount or three months of the wages, whichever is lower, from their accounts.
- Members will not be required to furnish any documents or certificate while submitting an application to their employer.
- The amount withdrawn under this facility will be exempt from tax.

## Insurance for those involved in fighting COVID-19

- The central government has provided an insurance coverage upto ₹ 50 lakh for accidental death on account of COVID-19

related duty to all healthcare workers who are involved in treating COVID-19 patients.

- This scheme covers doctors, specialists, nurses, technicians, paramedics, ward boys, ASHA workers as well as janitorial staff involved in combatting COVID-19.

## Planning and Preparing for a Financial Crisis

While global financial crises of such magnitude occur once in a few decades, for a large number of salaried individuals or small business owners, a slowdown in the economy, pay cuts or losing a job in such scenarios can have a deep impact on their personal finance. Thus, as a prudent financial planner, it is important for you to protect yourself and your family from such eventualities in the future. The following best practices will help you to prepare for a financial crisis and avoid that turning into a personal financial crisis:

### Build your rainy-day fund

When doing your financial planning, one of the first things to do is to create a rainy-day fund to keep you going during such events or financial crises. Based on your income, expenses and lifestyle, it is advisable to set aside funds which can be easily accessed or instruments that are easy-to-liquidate on short notice. Ideally, such funds should be able to cover between three and six months' worth of expenses for you and your dependents. If you already have such a fund, it's time to review whether it is sufficient or not in view of the changes in earnings and expenditure.

### Re-evaluate your risk tolerance

It is important to take a step back and re-evaluate your risk tolerance. Additionally, market dynamics also become volatile and it is crucial to factor this while making your decision. Finally, such situations are usually accompanied by temporary financial hardships, but it is beneficial in the long-term to prioritise financial well-being over short-term problems.

## Diversify your investment portfolio

While diversifying your portfolio is sound advice during normal times, it becomes paramount in a slowdown or an impending financial crisis.

As an investment philosophy, it is important to understand that stocks from fundamental and essential sectors like basic consumer goods, pharma and financial services would behave very differently from discretionary sectors such as aviation, automotive and non-essential consumer goods. The key thing to remember is that no slowdown is permanent, and eventually the situation will turn around.

### DO's

- ✓ Create a rainy-day fund to reduce the financial impact of such a crisis.
- ✓ Rely on fundamentals and verified information for all financial decisions.
- ✓ Fulfil your debt obligations and opt for refinancing only if you must.
- ✓ Reconsider spends to prioritise essentials for a few months.
- ✓ Reassess your risk appetite and rebalance your planning if required.
- ✓ Learn how to do financial transactions digitally.
- ✓ Learn net banking, electronic money transfer, using wallets & other digital payment options.
- ✓ Learn how to protect yourself from online and cyber frauds.



So the mix of your investment portfolio should be based on market fundamentals, your risk appetite and your liquidity position.

- ✓ Check if you have registered nomination in all financial investments such as demat account, mutual fund folios, insurance policy, bank account and fixed deposits.
- ✓ Check you have term insurance cover for amount sufficient for those who are dependent on you.
- ✓ Check if your health insurance policy has sufficient cover for your-self and family members.



### DON'Ts

- ✗ Don't panic and make hasty financial and investment decisions.
- ✗ Don't empty your investment portfolio during a meltdown.
- ✗ Don't make investment decisions based on "tips" and rumours.
- ✗ Don't run up your credit cards for non-essential purchases.
- ✗ Don't over analyse or venture into unknown financial territory.
- ✗ Don't stop your SIPs. Rather allow yourself to benefit from accumulating more units due to lesser NAVs

## Reliable Sources for Information on COVID-19

NSDL urges all readers to safeguard themselves from false information. Some authentic sources for information on COVID – 19 are mentioned below:

- [COVID-19 Page - Ministry of Health and Family Welfare, Government of India](#)
  - ✓ Updated information on the number of cases, all government notifications and advisories, awareness material, FAQs and other related resources.
- COVID-19 Page - World Health Organization (WHO)
  - ✓ Global updates and best practices in the fight against COVID-19.
- Aarogya Setu app -
  - ✓ Official app of Government of India to fight COVID-19.
- Check fake news, myths and WhatsApp forwards
- ✓ Press Information Bureau, Government of India



## COVID-19: Impact And Tips To Manage Your Finances In These Times



*By Mr. Vishnu Peruvemba, CFO,  
Netcore Solutions*

The outbreak of COVID-19 has resulted in lockdown and huge business disruption causing uncertainty in markets. The world over stock markets have tumbled, making equity investors lose money. Although financial market indicators are not to be taken as a conclusion, the economies world over, are showing clear signals of moving to recession.

With an iron will and firm lockdown measures, our government and agencies have taken decisive actions to arrest the spread of the pandemic and infused various measures to ensure that the economy is not stalling. We expect that with strong fiscal and policy measures the government will take more steps to ensure that the economy bounces back.

The severity of impact on demand and supply factors along with financial measures undertaken will determine the pace of economic recovery. Economists classify the recoveries V, U or L shaped recoveries. "V-Shaped" recovery is where temporary demand is displaced, but growth rebounds back and sees quick optimistic bounce back in economic activity, generally within 3-6 months. Historical data shows that in past events like the great depression, world war, and more recent global financial crisis of 2008, the recoveries were "V" Shaped".

Such unprecedented situations also warrant concerns about the future and fear of a restricted income. To tide over these difficult times, individuals and families can take a few steps to manage their budget sensibly -

**1. Keep enough liquidity to meet urgent needs** - Cash is of paramount importance as income flows can be inconsistent and you must have enough liquidity to meet your daily requirements. As a rule of thumb in such times, try to reduce non-essential expenses as much as possible.

**2. Avoid panic selling and Stop making decisions based on fear or in haste** - The old saying "Patience is a virtue" could not be more relevant in the present situation. In such a volatile environment do not take unnecessary bets and hold back from new investments in equity or mutual fund. However, if you have a pool of capital that you do not need for living expenses, you may want to purchase stocks of good quality firms periodically as the market dips. This could give you overwhelming returns on your capital over the long term. Act rationally, stay patient and take financial decision based prudence rather than fear and haste.

**3. Reduce financial obligations like debts and expenses** - If you are having some surplus funds, it will be better to reduce the loan obligations. Do not hold back settlement of your credit card dues just because moratorium is available as the burden of interest is very heavy. The relief given by the government is just to ensure protection from default and is only to be used as the last option.

Do not get worried about the loss of value of investments, as wealth will gain back its value over time. The present times warrant us all to exercise caution and take care of our health, for the sake of everyone else. Use the additional time available to keep yourself and family members in good health, pursue your long forgotten hobbies and learn new skills to survive in the changed work culture.



### **Simplified online process for NSDL demat account holders to avail SPEED-e facility**

NSDL has launched a simple online process to enable demat account holders to avail NSDL's Internet based SPEED-e facility. The registration process can be completed online at NSDL e-Services website <https://eservices.nsdl.com> without the need to visit office of your DP. For more information, please refer [Circular No. NSDL/POLICY/2020/0054 dated April 29, 2020 available at <https://nsdl.co.in/>](#).

### **Facilitating transactions in Mutual Fund schemes through the Stock Exchange Infrastructure**

Investors can now directly purchase and redeem mutual fund units from Mutual Fund/ Asset Management Companies through the infrastructure of the recognized stock exchanges. For more information, please refer [Circular No. NSDL/ POLICY/2020/0025 dated March 11, 2020](#) available at <https://nsdl.co.in/>.

### **Collection of stamp duty on certain transactions**

NSDL has prescribed the detailed procedure / guidelines on collection of stamp duty by Participants in case of off-market transfers and pledge invocation. As per [government notification](#) dated March 30, 2020, the relevant provisions are now effective from July 1, 2020.



# Knowledge Wins Contest

## EPF Members Having a Universal Account Number (UAN), Can Withdraw Up To What Percentage Of The Amount?

To send your replies: visit/click [www.nsdl.co.in/knowledge-win-contest.php](http://www.nsdl.co.in/knowledge-win-contest.php)

or  
Scan this QR code



# 25 Lucky Winners

get  
FREE GIFTS



## Previous Month's Winners

Amit Chowdhury - Kolkata  
Amit Dogra - Delhi  
Arun Patil - Bengaluru  
Darshana Tayade - Yavatmal  
Mangesh Rajhansa - Nashik  
Manjit Kandhari - Guntur  
Manoj Uppal - Mumbai  
Nagesh Sagar - New Delhi

Naveen Kumar - Dehradun  
Neelakandan KPN - Malappuram  
Nipurn Dave - Sirohi  
Nishant Gaur - Jaipur  
Pandurang Kadam - Mumbai  
Parag Shah - Bharuch  
Pavan Matcha - Visakhapatnam  
Pradnesh Mhaskar - Mumbai

Prashant Sampat - Mumbai  
Punit Tibrewal - Bengaluru  
Shubham Chordiya - Pune  
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For any other information related to Demat account, you can email us at [info@nsdl.co.in](mailto:info@nsdl.co.in)

**Terms & Conditions** : 1) NSDL shall be solely responsible for the execution of this Contest. 2) This Contest is open to Indian Citizens only. 3) NSDL employees are not allowed to participate in this contest. 4) All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL. 5) NSDL reserves the right to discontinue the contest at any given point of time without prior intimation. 6) All winners shall be selected by NSDL and the decision taken will be final.