

Festive season splurge: 5 smart tips to keep your budget on track

Before you indulge in shopping, prepare a budget and steer clear of debt traps like buy now, pay later or no-cost EMI schemes.

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Over the next 45-70 days, brands will go all out to lure customers with seemingly steep discounts and financial institutions will complement this with competitive loan offers. The last quarter of the year has several festivals, including Navratri, Dusshera, Diwali and Christmas

and e-commerce portals consumer brands will not miss out on the opportunity to get you to loosen your purse strings.

However, on your part, you ought to focus on spending wisely even as you look to take advantage of discounts to buy products you desire.

Festive spends set to skyrocket

According to The ShareChat & Moj - India's #FestiveFeeling Report 2023, about 47 percent of India will spend over Rs 10,000 on festive purchases, about 2.5 times more than last year's 19 percent.

Shops and online sellers are ready with offers to lure you in by partnering with banks offering credit cards and credit schemes on purchases. For instance, AU Small Finance Bank has announced 'Heart to Cart' shopping festival offer. Similarly, Bank of Baroda has launched its festive loan campaign and American Express has partnered with major brands for shopping, travel booking, dining, etc. Websites like Amazon, Flipkart, Myntra, and more have lined up shopping deals, cashback offers and discounts.

“For customers, retailers and financiers, this is a 'Carpe diem' period of the year,” says Kailash Rathi, Head – Partnerships and Co-lending, Ecofy, an exclusive green-only NBFC. Carpe diem means urging to make the most of the present time.

Here are five spending rules you ought to adhere to ensure that your festive budget does not go haywire:

Create a budget and stick to it

Often, during such tempting festive offers, you end up spending a little more than planned, which leads to drying of account or relying on a **personal loan** for shopping. It’s important to remember to stick to your budget and not go overboard. While shopping, many of us forget to set a budget. “Creating a budget will help you stay accountable and will prevent you from spending more than you should,” says M Geeta, Associate Professor, KLH Global Business School, Hyderabad.

Podcast: How to spend wisely during festive season to avoid regrets later | Simply Save **Deactivate notifications from shopping apps**

To avoid overspending, deactivate the notifications from these shopping apps. If that doesn’t help, simply uninstall the shopping apps for some period if you do not want to shop this festive

season or you have touched your shopping budget. “The more you visit these apps, the more you will be tempted to shop for things you probably do not need,” says Geeta.

Avoid debt schemes while shopping

Amazon, Flipkart and other e-commerce websites, as well as offline retail stores, now offer a host of debt schemes that include buy now, pay later (BNPL) plans, no-cost EMIs (equated monthly instalments), and EMIs on credit and debit cards.

Remember, there is no free lunch. From multiple charges linked to the debt scheme to your credit scores getting affected if you default on your EMI even once, the hidden dangers are many.

“BNPL and no-cost EMIs schemes are debt traps. In such schemes, people end up buying more than they can afford from monthly savings,” says Harshvardhan Roongta, Principal Financial Planner, Roongta Securities. He adds that this puts a lot of unnecessary pressure on finances. You should not have your future income committed to something that you want to buy today, he advises.

Evaluate the festive loan offers

Despite knowing the drawbacks of loan schemes, attractive interest rates, flexible repayment and easy access to credit typically entice customers to take personal loans and buy products they aspire for during the **festive season**. “The festive season marks a period where personal loans outshine all other products, with a growth of nearly 2 times in originations (value). This is a trend we are expecting to continue this year,” says Kamaljeet Rastogi, Chief Executive Officer, SahiBnk.

It is important you compare interest rates and charges on festive loans with regular loan products and evaluate whether the offer is advantageous to you. “Additionally, customers must be prudent and ensure they avoid future financial strain by opting for festive loan offers,” says Rastogi.

Plan and save for loan repayment

Ensure that repayments of festive loans and credit card dues remain a top priority. It helps in maintaining a good credit score. “Borrowers should use festive bonuses and other windfall earnings during the festive season to allocate a portion of them towards repayment of loan and credit card dues,” says Rastogi.

If you have ended up with multiple personal (festive) loans and repayment is getting complicated you should consolidate them, says Pramod Kathuria, Founder and CEO of Easiloan.

“Maintaining an emergency fund to cover unexpected expenses can prevent you from resorting to high interest borrowing in times of emergencies,” says Anuj Arora, Co-founder & COO, SahiBandhu, a gold loan aggregator.



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