

HOUSEHOLDS' FINANCIAL DISCIPLINE PRACTICES AND PLANS FOR SPENDING DURING INFLATION -AN ANALYTICAL STUDY

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ABSTRACT:

This paper aims to analyze the Impact of Inflation on Purchasing power of households' Before & After the increase in Inflation rate. It examines about the relative changes on situations of households' for their standard of living on their family. It also explains about the level of financial discipline being practices before & after the outbreak of inflation using Likert-Scale analysis and Ranking method. It expresses the effect of inflation over the Standard of living of households' and changes in their consumable and usable products. It also depicts their plans on spending during inflation. The result shows that households' faces budgeting problems due to rise in inflation rate and level of differences on past and current year. They even suggest their plans for spending.

Keywords: Inflation, Level of financial discipline, Before & After the outbreak of inflation, Effects, Plans on spending.

I.INTRODUCTION:

Inflation refers to the rise on the price of goods and services where the value of money declines. When money circulation exceeds the production of goods, then inflation takes place in the economy. If money supply increases at faster rate than the aggregate supply of goods and services then the general level of prices will rise. Households' are those who plans and maintains the family requirements according to the income level of the family. Purchasing power plays the major role in the market for households, they have their own rights to decide their needs and demand for a product. Inflation affects the daily consumable products of households which results to tight budgeting of their financial needs, income level tends to be in a stable way but the demand for goods increases for each products which results to increase in inflation rate. The changes in inflation rate changes the life route of every family members to face affordable products and needs using few money without any increment in the income. To manage this situation households' plans to spend less money on every product. The priority for needs will be playing a major role during high inflation rate which affect their families regular savings with future plans. Rich people will be adjusting with the inflation rate for few period of time, middle class people would hold for short period but the poor people tends to get affected as major during the increase of inflation rate. Purchasing power is a major tool for households' to make choices during the time of inflation, the price of goods depends on the demand for the product.

II. OBJECTIVES:

- To examine the level of financial discipline practices of households'
- To determine plans for spending during high inflation.

III. STATEMENT OF PROBLEM:

Purchasing power of people tends to get affected because of inflation rate variation, households' are forced to adopt the situation of increase in price level of goods they need in daily use. They will be in place to plan for each spending for their family need with tight budgeting. Inflation result to unemployment because of low flow of cash in the country which result to decrease the GDP of the economy.

IV. RESEARCH METHODOLOGY:

Method of data collection: This paper is based on primary data collection. It is collected through survey from questionnaire with descriptive type of research.

Sampling Size: For the purpose of this research we have taken **Two hundred** sample of questionnaire to make survey.

Sampling Technique: In this research we have used **convenient sampling method** which is speedy, easy, readily available and cost effective for us, being an attractive option to the researchers.

V. AREA OF THE STUDY:

This data is studied in the area of **Coimbatore city**.

Statistical tools used:

Percentage analysis: Data collected is edited and coded by using tally bars and grouped tables with frequency distribution for better understanding.

Likert-Scale Analysis: It is the method to know the level of view of the respondents from very disciplined to not all disciplined with five point scales indicating the level.

Rank order scale: This tool is used to measure the ranking of the respondents view on practice to be adapted from top to the least using numeric.

PERIOD OF THE STUDY:

This study is during the period of **2018-2019**.

VI. REVIEW OF LITERATURE:

Dr. K.Soundarapandigan, Dr. M.Ganesh (2017)¹ explained about the rise in oil price, Import of oil increases inflation which results to weak export and leads to decrease in investment, affects GDP. It also indicates that there is an Inter-correlation between CPI and crude oil and vice versa.

A.AbdulBrosekhan, Dr. C. Muthu Velagutham², Related to the consumer behavior, choice in consumption, selection through brands of products their life style home appliance selection on the basis of brands of each products to increase their taste on styles.

VII. ANALYSIS & INTERPRETATION:

The following are the analysis and interpretation we have gathered from the data collection using the questionnaire from the respondents.

TABLE 7.1**Age of the Respondents**

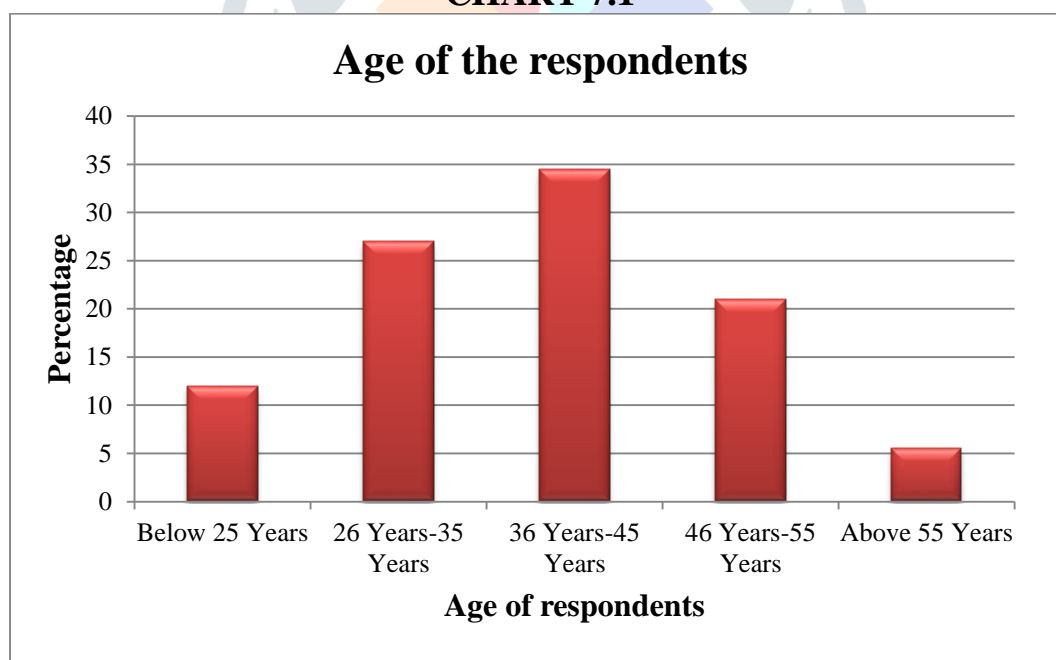
Age Group	No. of Respondents	Percentage (%)
Below 25 Years	24	12.0
26 Years-35 Years	54	27.0
36 Years-45 Years	69	34.5
46 Years-55 Years	42	21.0
Above 56 Years	11	5.5
Total	200	100.0

Source: Primary Data

Interpretation:

The above table shows that maximum 34.5% of the respondents belong to the age group of 36 years to 45 years, 27% of the respondents belong to the age group of 26 years to 35 years, 21% of the respondents belong to the age group of 46 years to 55 years, 12% of the respondents are aged below 25 years and the remaining 5.5% of the respondents are aged above 56 years.

It is observed that most of the respondents (i.e. 34.5%) belong to the age group between 36 years-45 years.

CHART 7.1**TABLE 7.2****Monthly Income of the Respondents**

Monthly Income	No. of Respondents	Percentage (%)
No income	14	7.0
Below Rs.15000	18	9.0

Rs.15001-Rs.25000	67	33.5
Rs.25001-Rs.35000	41	20.5
Rs.35001-Rs.45000	24	12.0
Above Rs.45000	36	18.0
Total	200	100.0

Source: Primary Data

Interpretation:

The above table shows that 33.5% of the respondents are earning between Rs.15001-Rs.25000, 20.5% of the respondents are earning between Rs.25001-Rs.35000, 18.0% of the respondents are in the income group of above Rs.45000, 12.0% of the respondents are earning between Rs.35001-Rs.45000, 9.0% of the respondents are in the income group of below Rs.15000 and 7.0% of the respondents are not earning.

Hence, it is concluded that the most of the respondent’s monthly income lies between Rs.15001-Rs.25000.

CHART 7.2

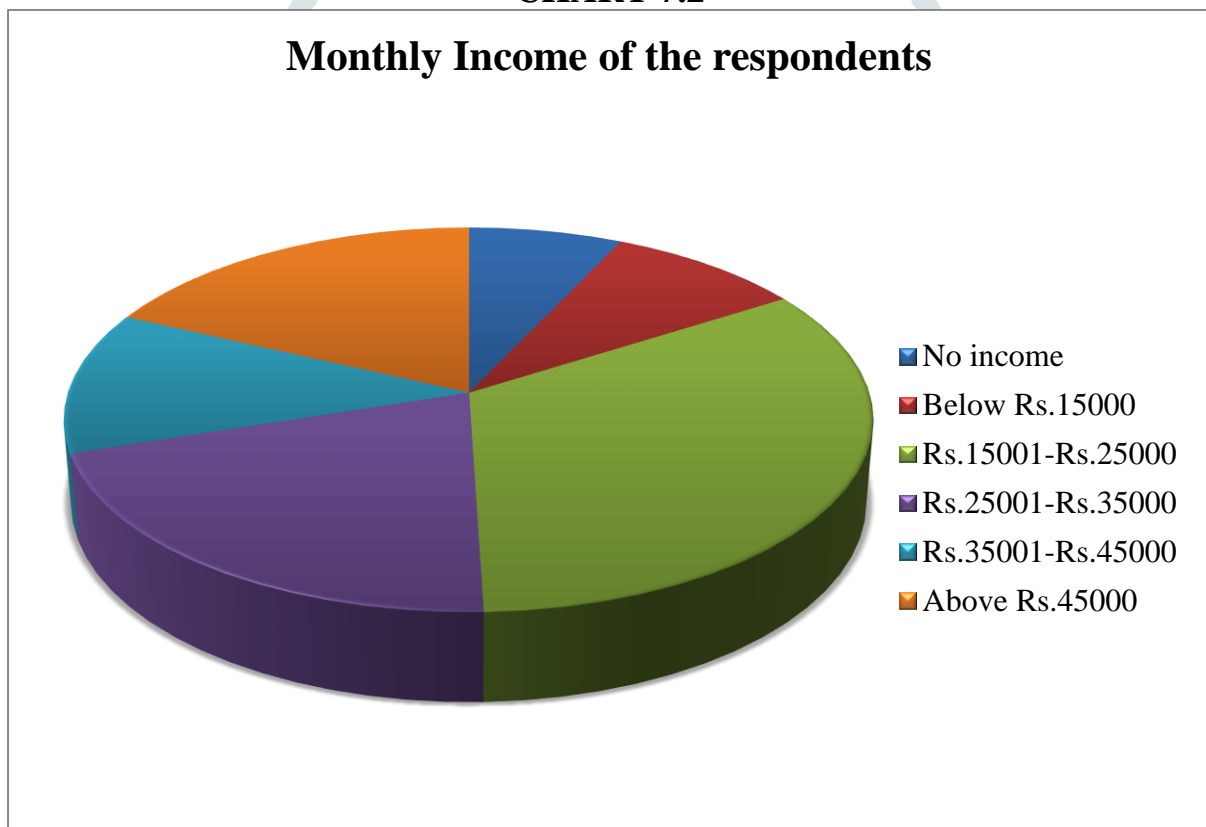


TABLE 7.3

Respondents’ view on shift to public transport

Respondents’ view on shift to public transport	No. of Respondents	Percentage (%)
Yes	109	54.5
No	91	45.5

Total	200	100.0
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Source: Primary Data

Interpretation:

The above table (4.15) infers the respondents view on shift to public transport, if prices of petrol/diesel are increased to Rs.100 per litre, 54.5% of the respondents will be shifting to public transport and 45.5% of the respondents will not be shifting to public transport

Hence it concludes that the most of the respondents of 54.5% will shift to public transport when the price of petrol or diesel increases to Rs.100/litre.

CHART 7.3

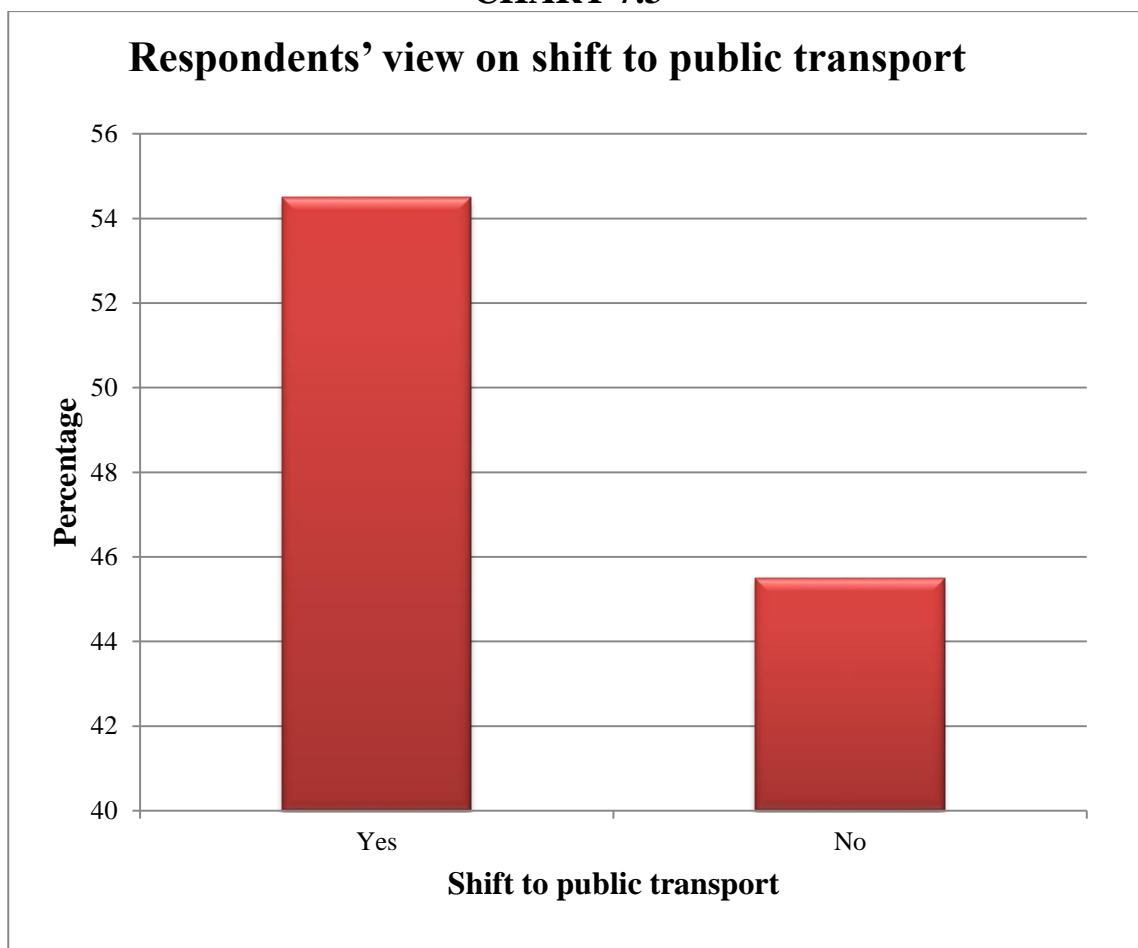


TABLE 7.4 A

Level of Financial Discipline Practices (Before the outbreak of inflation)

Financial discipline practices	Very Disciplined (5)	Disciplined (4)	Moderately (3)	Not Disciplined (2)	Not all Disciplined (1)	Total	Total Score	Mean	Rank
Regular Savings	105(525)	64(256)	30(90)	1(2)	-	200	873	4.37	1
Budgeting	43(215)	108(432)	48(144)	1(2)	-	200	793	3.97	4

household expenses									
Budgeting household incomes	82(410)	72(288)	36(108)	8(16)	2(2)	200	824	4.12	3
Estimation of family needs in terms of Financial requirement	30(150)	127(508)	40(120)	3(6)	-	200	784	3.92	5
Estimating dependent Financial needs	39(195)	37(148)	90(270)	31(62)	3(3)	200	678	3.39	6
Estimating health care needs	21(105)	39(156)	132(396)	8(16)	-	200	673	3.37	7
Promptness in Debt Repayment	110(550)	42(168)	48(144)	-	-	200	862	4.31	2

Source: Primary Data

Interpretation:

The above table (7.4A) depicts the level of financial discipline practices before the outbreak of inflation on the view of respondents are ranked from regular savings (1242) as first place, promptness in debt repayment (876) as second place, budgeting household income (824) as third place, budgeting households' expenses (793) as fourth place, estimation of family needs in terms of financial requirement (784) as fifth place, estimating dependent financial needs (678) as sixth place and estimating health care needs (673) as seventh place.

Hence it is ranked that the maximum level of financial discipline practices before the outbreak of inflation of the respondents is regular savings (1242) and the minimum level of financial discipline practices before the outbreak of inflation is estimating health care needs (673).

CHART 7.4 A

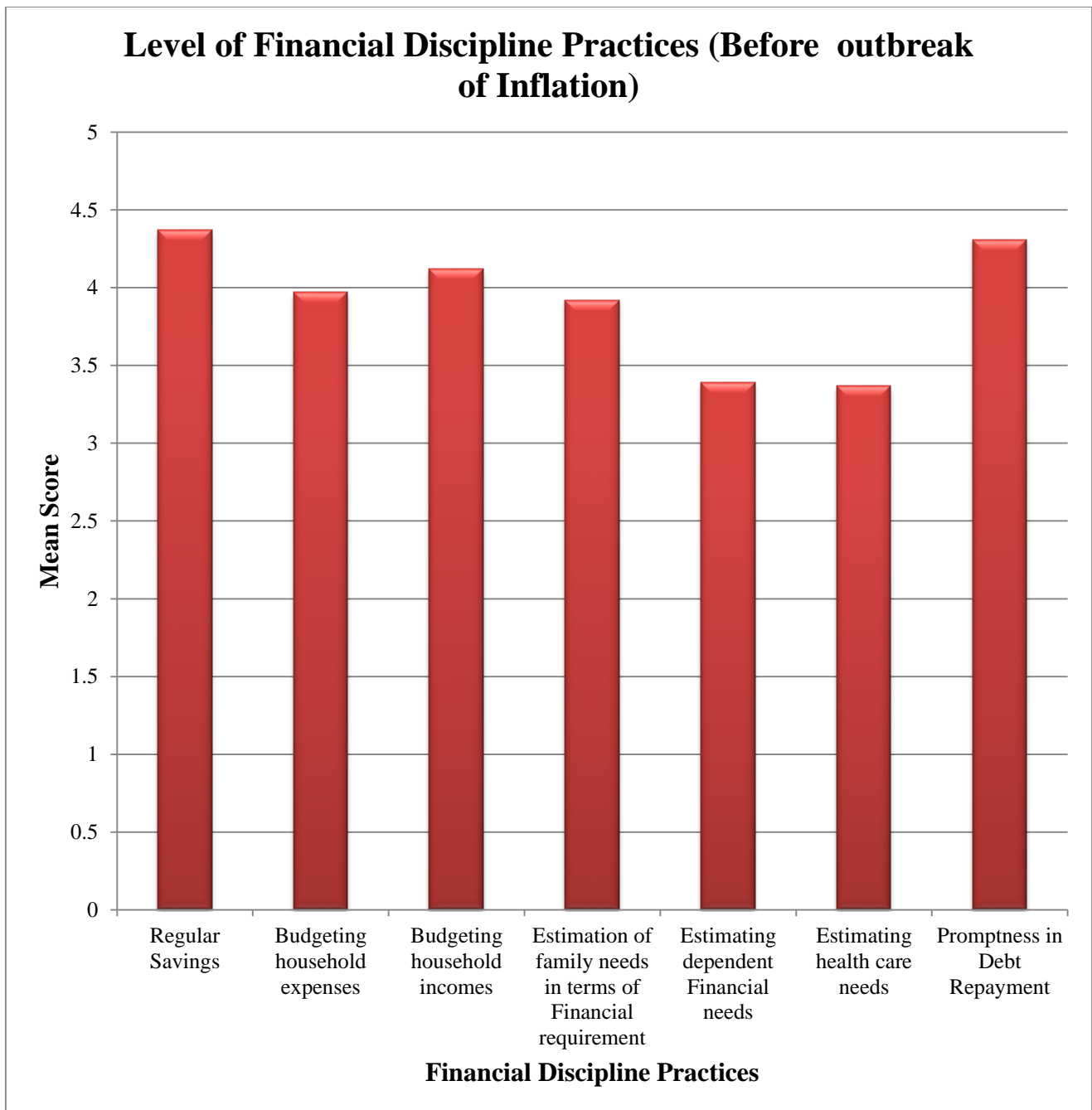


TABLE 7.4 B

Level of Financial Discipline Practices (After outbreak of inflation)

Financial discipline Practices	Very Disciplined (5)	Disciplined (4)	Moderately (3)	Not Disciplined (2)	Not all Disciplined (1)	Total	Total Score	Mean	Rank
Regular Savings	-	-	25(75)	112(224)	63(63)	200	362	1.81	7
Budgeting	105(525)	55(220)	40(120)	-	-	200	865	4.32	1

household expenses									
Budgeting household incomes	47(235)	38(152)	90(270)	23(46)	2(2)	200	705	3.52	4
Estimation of family needs in terms of Financial requirement	55(275)	45(180)	91(273)	7(14)	2(2)	200	744	3.72	3
Estimating dependent Financial needs	19(95)	50(200)	91(273)	39(78)	1(1)	200	647	3.24	5
Estimating health care needs	52(260)	101(404)	37(111)	10(20)	-	200	795	3.98	2
Promptness in Debt Repayment	-	-	35(105)	108(216)	57(57)	200	378	1.89	6

Source: Primary Data

Interpretation:

The above table (7.4 B) depicts the level of financial discipline practices after the outbreak of inflation on the view of respondents are ranked from budgeting household expenses (865) as first place, estimating health care needs (795) as second place, estimation of family needs in terms of financial requirement (744) as third place, budgeting household income (705) as fourth place, estimating dependent financial needs (647) as fifth place, promptness in debt repayment (378) as sixth place and regular savings (362) as seventh place.

Hence it is ranked that the maximum level of financial discipline practices after the outbreak of inflation of the respondents is budgeting household expenses (865) and the minimum level of financial discipline practices after the outbreak of inflation is estimating health care needs (795).

CHART 7.4 B

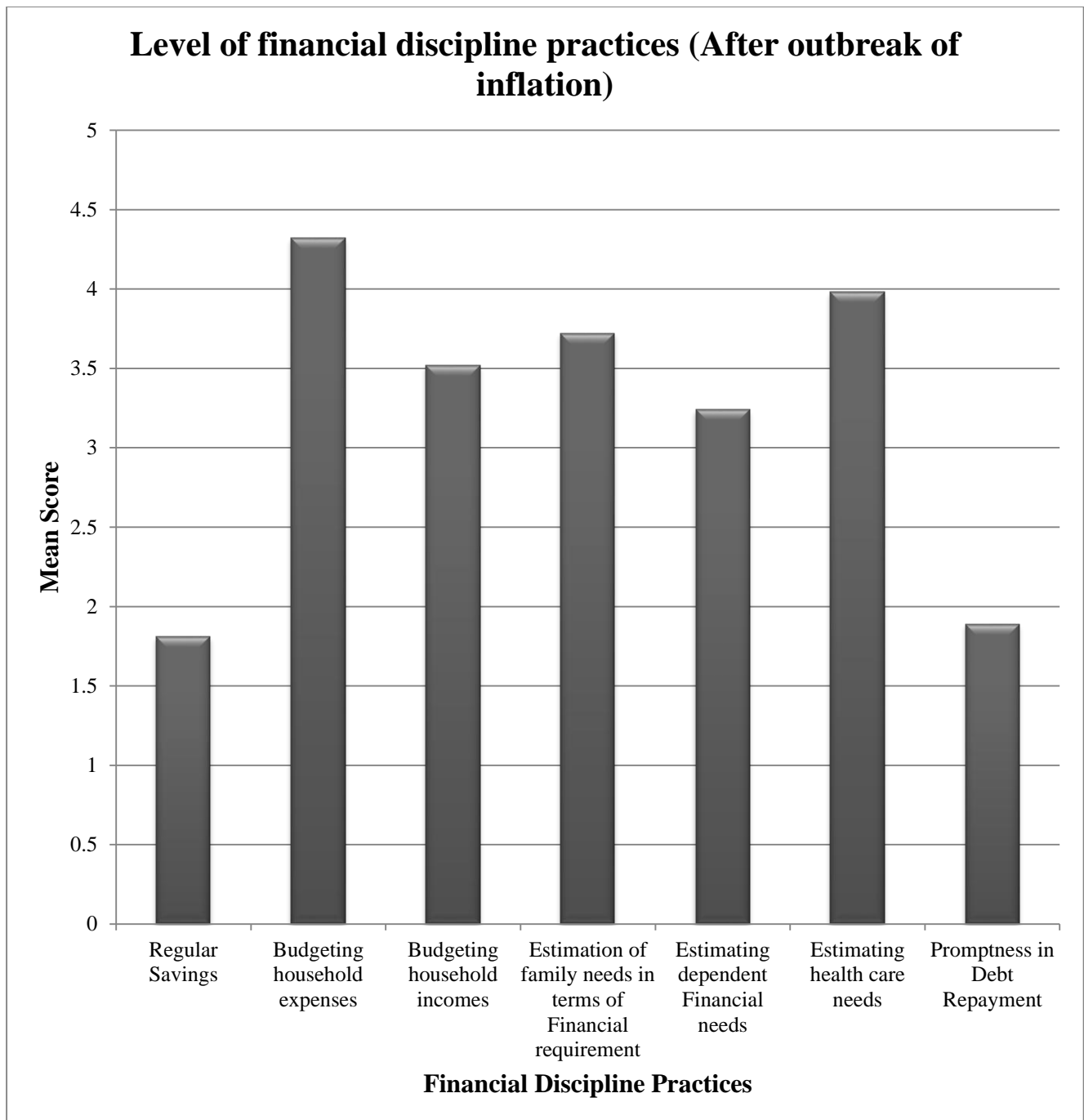


TABLE 7.5
Plans for spending under inflation situation

S.No	Variable	Total Score	Mean	Rank
1	Spend Less On Clothes	1147	5.735	2
2	Cut Back On Out Of Home Entertainment	1205	6.025	1
3	Save On Gas/ Electricity	647	3.235	5
4	Cut Down On Take Away Meals	446	2.23	6
5	Switch To Cheaper Grocery Brands	392	1.96	7
6	Postponing Purchase	718	3.59	4
7	Cut Down Discretionary Spending	1026	5.13	3

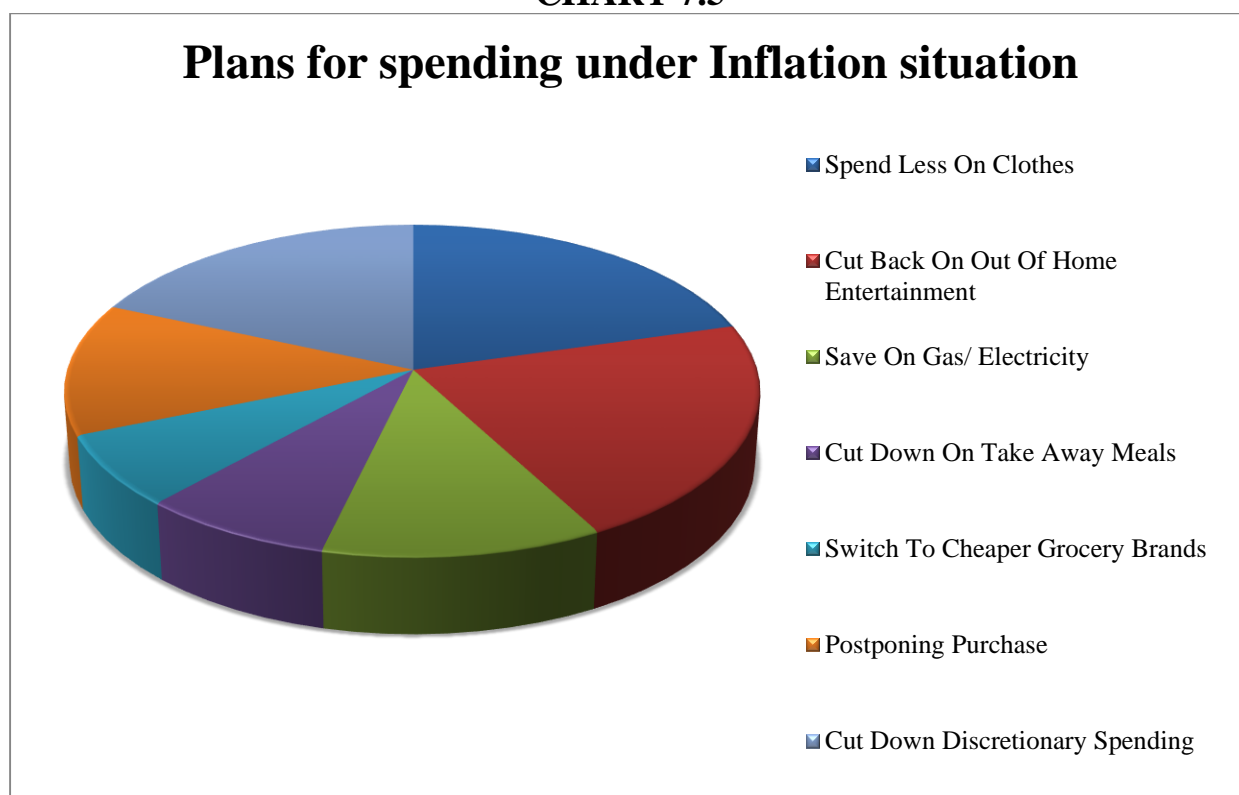
Source: Primary Data

Interpretation:

The above table (7.5) shows the plan for spending under the situation of inflation on the view of respondents on total score are cut back on out of home entertainment (1205), spend less on cloths (1147), cut down discretionary spending (1026), postponing purchase (718), save on gas/electricity (647), cut down on take away meals (446) and switch to cheaper grocery brands (392).

Hence it is ranked that the maximum plan for spending under the situation of inflation is cutback of home entertainments (1205) and the minimum plan for spending under the situation of inflation is switch to cheaper grocery brands (392).

CHART 7.5



VIII. SUGGESTION:

In times of increasing inflation rate, households must stay focused on sticking to your household budget. Always select the most priority need in mind to avoid unnecessary expenses. This way, households can keep their families finances in great shape despite the prices increases. Households must maintain their financial budget properly by tracking the expenses met with the current prices of the commodities and must reduce / avoid luxurious products to have a stable life during the inflation.

IX. CONCLUSION:

Inflation refers to the increase of price of goods as per the consumers' opinion, so it affects their daily purchasing power for their family. When compare to 10 years households seems to face crisis among their family budget, thus it becomes to be a tight one which decrease their savings on income and no increment in their incomes even if there is an increase in inflation rate. They seem to trust government on inflation for controlling process, also to be at faster time on controlling it. Rich people can undergo the inflation for certain period but poor tends to get affected during this time over their family budget.

“Yesterday’s luxuries are today’s necessities”

Households can manage the inflation for few period of time on compensating income by other way of earning for a better future. Hence households are well aware of prices on every goods and bearing them over with other few choices on managing their families requirements on financial needs.

X. REFERENCE:

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