

# HOUSEHOLDS' LEVEL OF PERCEPTION TOWARDS THE RISE OF INFLATION RATES - AN ANALYTICAL STUDY

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## ABSTRACT

This study examines the impact of inflation on households' purchasing power the level of perception towards the rise of inflation. They level of perception heads are food and other edible products, basic domestic amenities and cost of other expenses. A sample of 200 heads of households' was taken from Coimbatore city; using Likert scale. Interview schedule was used as a tool for data collection. This study also analysis the spare money after covering essential living expenses; using ranked order method. Inflation effects, at family level, can reduce, never eliminate, through keeping money circulation and abating saving during persistently intensifying of inflation and income ought to be increased with the same ratio of rise in inflation.

**KEY WORDS:** inflation, households, Essential living expenses, Money.

## I. INTRODUCTION

Inflation is a situation where general price increases consistently and value of money goes on decreasing .When price level increases people's purchasing power decreases. High prices of day- to-day goods and services make it difficult for households to afford even the basic commodities in life.When the price of goods increase the expenses on good also increase which ultimate leads toward enhancement of family expenditure on good but the wages and salaries enhanced very slowly as compare to the price of commodities.Toexplore that there is significance relationship between public expenditure growth and inflation. Such inequality of growth produces imbalance in income and expenses therefore, it affect strictly middle class as compare to the upper class and lower class as well.

## II. OBJECTIVES

- To analyze the level of perception towards the rise of inflation rates.
- To identify the households' ranking on spare money after covering essential living expense.

## III. STATEMENT OF PROBLEM

Price increase therefore people may buy fewer goods, the economy may suffer. People need to keep asking for pay increase to match price rises. This can cause problem at work. If people are on fixed income e. g pensioners or students, they will to worst off because they will be able to buy fewer goods.

## IV. RESEARCH METHODOLOGY

### Methods used for data collection

In this study we have used primary data collection with descriptive types of research.

**Sampling size:** For the purpose of research two hundred sample of questionnaire to make survey.

**Sampling techniques:** In this research **convenient sampling** method is used for consumer. This method is extremely speedy, easy, readily available, and cost effective, causing it to be an attractive option to most researchers.

**Area of the study:** This data is studied in the area of Coimbatore City.

**Statistical tools used:**

- Percentage analysis
- Likert-Scale Analysis
- Rank order scale

## V. LIMITATION OF THE STUDY

- This research is limited to the Coimbatore city.
- These data is not applicable for the past and future study about the Impact on Inflation.
- This study is based on subjective opinion of the respondents and their participation.

## VI. REVIEW OF LITERATURE

**Shahzad Farid, Waqasnali Khan & Imtiaz Ahmed Warriach (2012)**<sup>1</sup>observed on hypothesis test. It is inferred that middle class got sharp affect from inflation in 2011 as compare to 2010 in term of increased household expenditure. Upper class do not affect from inflation because of its possession of excessive money.

**P.Maneesh, Shaharban.V (2015)**<sup>2</sup> has a view on inflation of food and its impacts on purchasing level for household expenses. The rise of price on household consumption of food has more BPL compared to APL. The inflation rate has caused a relatively higher impact of poor people in urban areas.

## VII. ANALYSIS AND INTERPRETATION:

**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
<b>Total</b>	<b>200</b>	<b>100.0</b>

**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

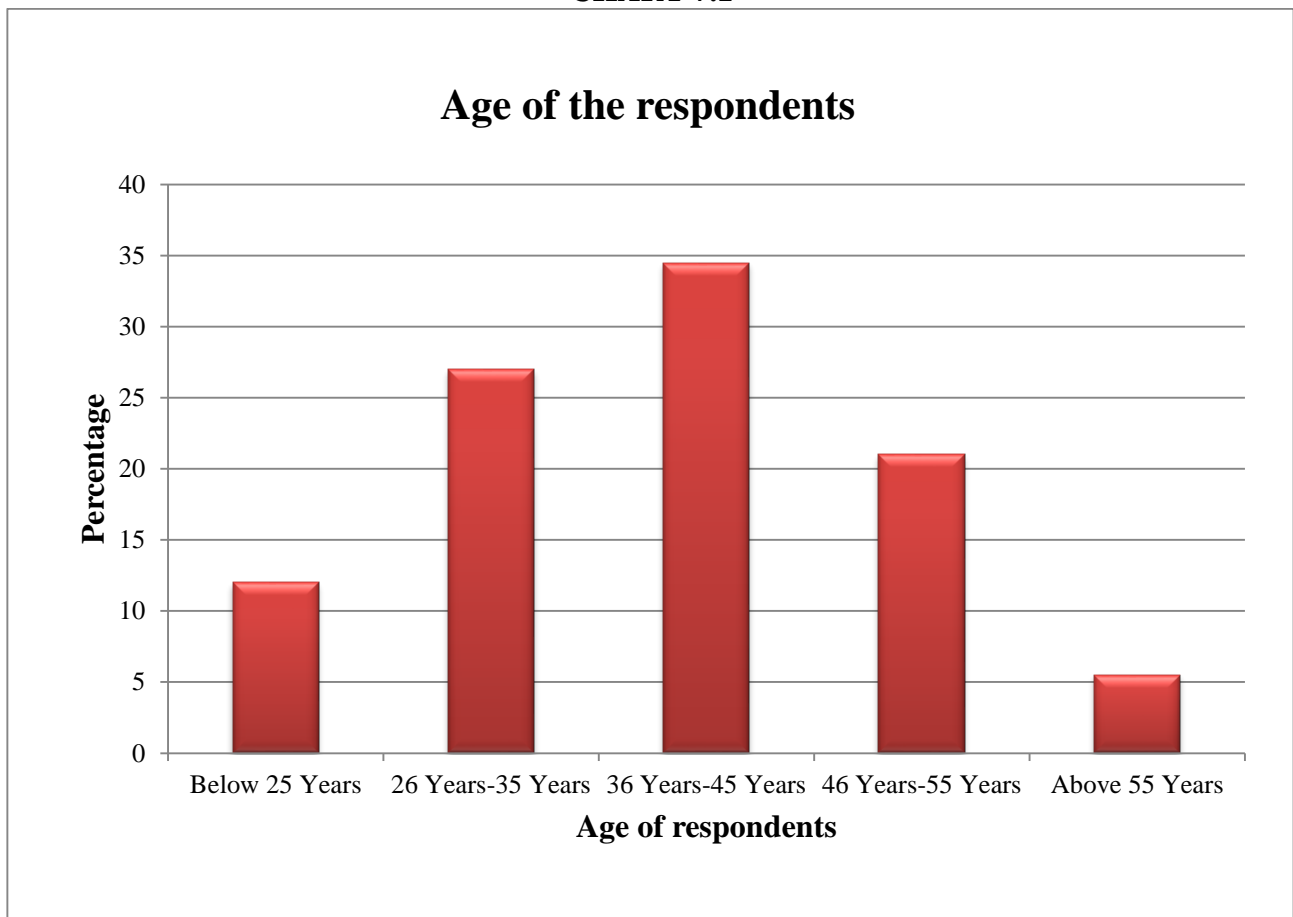


TABLE 7.2

**Educational Qualification of the Respondents**

Educational Qualification	No. of Respondents	Percentage (%)
Under Graduate	61	30.5
Professional	64	32.0
Illiterate	10	5.0
Diploma	47	23.5
Higher Secondary	18	9.0
<b>Total</b>	<b>200</b>	<b>100.0</b>

Source: Primary Data

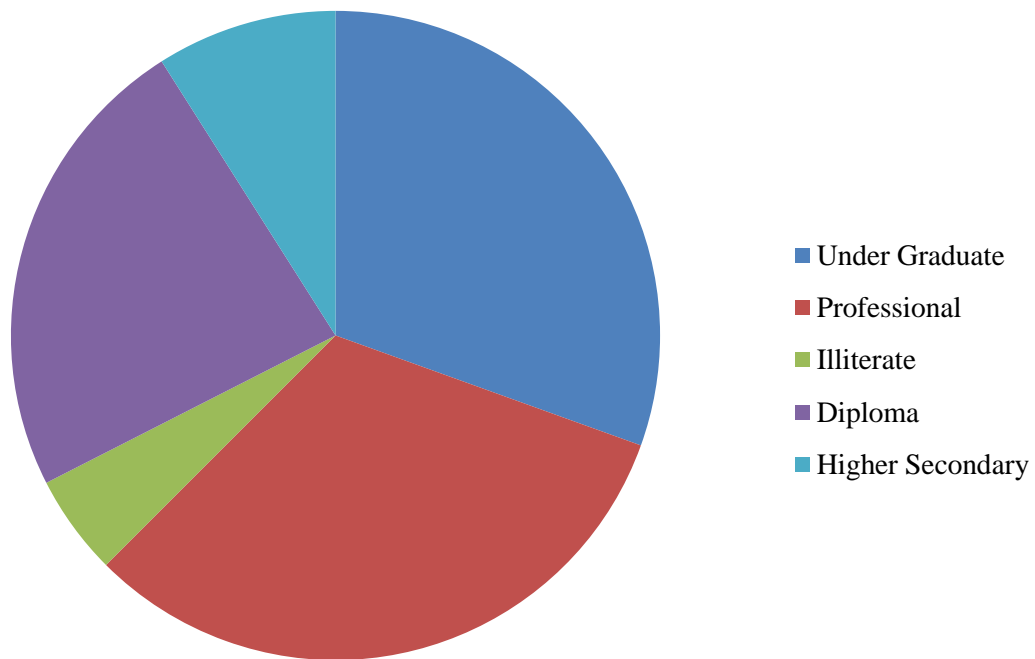
**Interpretation:**

From the above table shows that maximum 32.0% of the respondents are professionals, 30.5% of the respondents are under graduates, 23.5% of the respondents are diploma holder, 9% of the respondents completed higher secondary school education and the remaining 5.0% of the respondents are illiterate.

**Hence, it is concluded that most (32.0%) of the respondents are professionals.**

CHART 7.2

## Educational Qualification



**TABLE 7.3**

### Spare Money after Covering Essential Living Expenses

S.No	Variables	Total Score	Mean	Rank
1	Putting Into Savings	1826	9.13	<b>1</b>
2	Holidays/ Vacations	585	2.93	<b>10</b>
3	New Clothes	1172	5.86	<b>5</b>
4	Out Of Home Entertainments	724	3.62	<b>8</b>
5	Pay Off Debts/ Credit Cards/ Loans	1452	7.26	<b>2</b>
6	New Technology Products	768	3.62	<b>7</b>
7	Home Improvement /Decorating	1039	5.20	<b>6</b>
8	Investing In Stocks/ Mutual Funds	1414	7.07	<b>3</b>
9	I Have No Spare Cash	715	3.58	<b>9</b>
10	Saving In Retirement Fund	1307	6.54	<b>4</b>

**Source:** Primary Data

### Interpretation:

The above table depicts the spare money covering essential living expenses after the increase on inflation on the view point of the respondents are putting into savings (1826), pay off debts/ credit cards/ loans (1452), investing in stocks/ mutual funds (1414), saving in retirement fund (1307), new clothes (1172), home improvement /decorating (1039), new technology products (768), out of home entertainments (724), I have no spare cash (715) and holidays/ vacations (585).

Hence it is ranked that the maximum spare money will be used on putting into savings (1826) on covering essential living expenses after the increase of inflation and minimum spare money will be used on holydays/vacations (585) on covering essential living expenses after the increase of inflation.

CHART 7.3

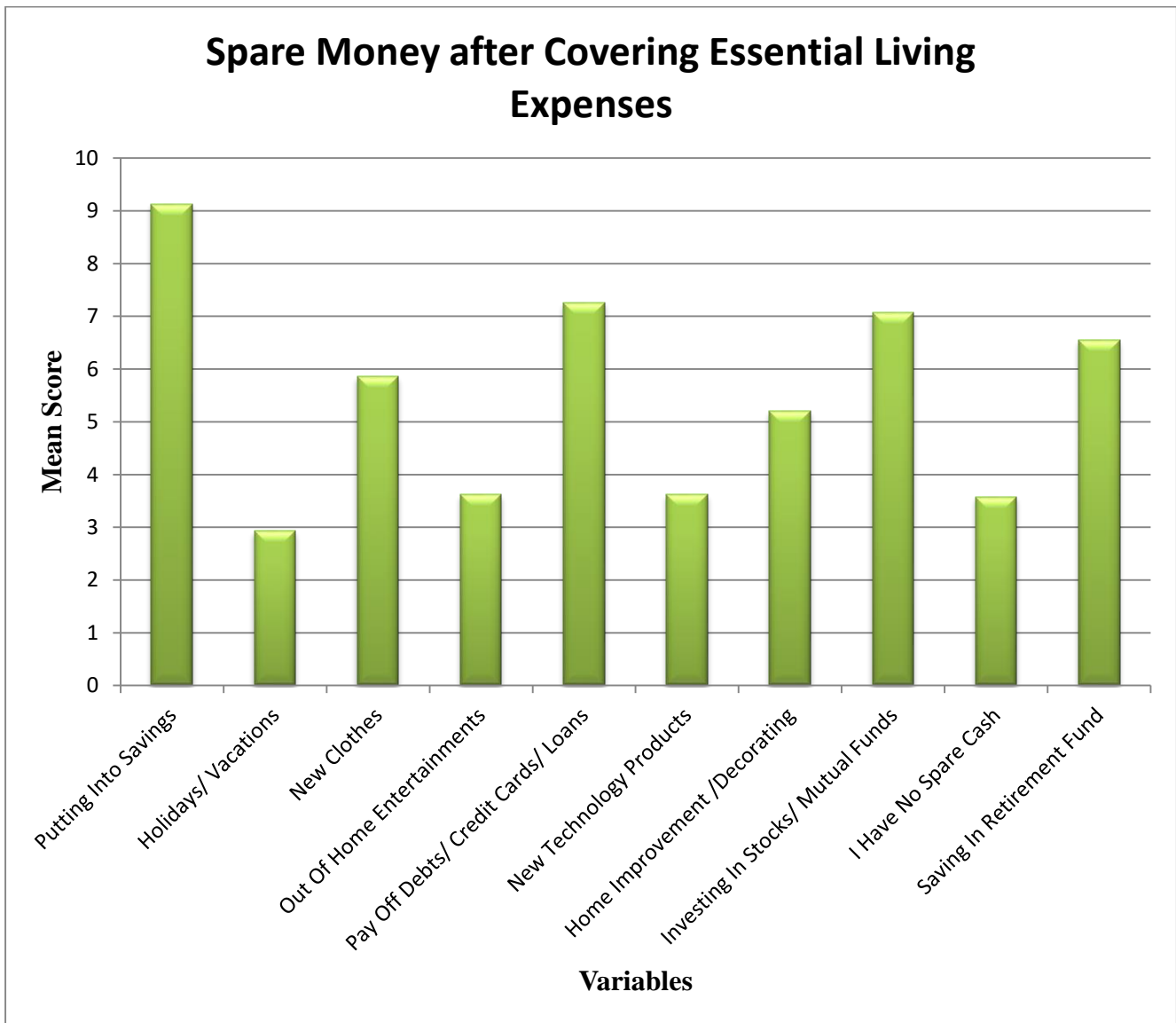


TABLE 7.4

Level of Perception towards the Rise of Inflation Rates

Expense d Heads	Sudden Increased (5)	Steadily Increased (4)	Marginal Increase d(3)	No Change (2)	Decreased (1)	Total	Total Score	Mean	Rank
<b>Food &amp; Other Edible Products Price</b>									

Food grains	38(190)	125(500)	37(111)	-	-	200	761	3.81	<b>10</b>
Pulses & Dals	117(585)	60(240)	17(51)	6(12)	-	200	888	4.44	<b>2</b>
Other food items	31(155)	104(416)	50(150)	11(22)	4(4)	200	747	3.74	<b>11</b>
Fruits	44(220)	103(412)	52(156)	1(2)		200	790	3.95	<b>8</b>
Vegetables	32(160)	70(280)	97(291)	1(2)		200	733	3.67	<b>12</b>
Oil, Ghee, Etc	18(90)	106(424)	66(198)	9(18)	1(1)	200	731	3.66	<b>13</b>
Milks & milk products	-	91(364)	97(291)	10(20)	2(2)	200	677	3.39	<b>15</b>
Eggs, Meat, Fish, Chicken	33(165)	116(464)	47(141)	4(8)	-	200	778	3.86	<b>9</b>
<b>Basic Domestic Amenities Price</b>									
House rent	19(95)	105(420)	60(180)	13(26)	3(3)	200	724	3.62	<b>14</b>
Cooking fuels/ gas etc	82(410)	52(208)	54(162)	11(22)	1(1)	200	803	4.02	<b>7</b>
Electricity bills	-	2(8)	78(234)	107(214)	13(13)	200	469	2.35	<b>19</b>
Water bills	1(5)	17(68)	112(336)	60(120)	10(10)	200	539	2.70	<b>17</b>
<b>Cost Of Other Expenses</b>									
Drugs & Medicines	4(20)	20(80)	113(339)	47(94)	16(16)	200	549	2.75	<b>16</b>
Transportation Cost	121(605)	64(256)	15(45)	-	-	200	906	4.53	<b>1</b>
Vehicles Fuels	105(525)	70(280)	251(75)	-	-	200	880	4.40	<b>4</b>
Tax rates	111(555)	70(280)	16(48)	3(6)	-	200	887	4.43	<b>3</b>

Cost of newspaper	1(5)	5(20)	74(222)	112(224)	8(8)	200	479	2.40	<b>18</b>
Cost of entertainment	92(460)	75(300)	29(87)	4(8)	-	200	855	4.28	<b>6</b>
Other costs	97(485)	78(312)	19(57)	6(12)	-	200	866	4.33	<b>5</b>

Source: Primary Data

### Interpretation:

The above table shows the level of perception of the respondents towards the rise of inflation rates. It shows that transportation cost (906) which is ranked as first place, pulses & dals (888) is ranked as second place, tax rates (887) is ranked as third place, vehicles fuels (880) is ranked as fourth place, other cost for expenses (866) is ranked as fifth place, cost of entertainment (855) is ranked as sixth place, cooking fuel/gas (803) is ranked as seventh place, fruits (790) is ranked as eighth place, egg, meat, fish, chicken (778) is ranked as ninth place, food grains (761) is ranked as tenth place, other food items on edible products (747) is ranked as eleventh place, vegetables (733) is ranked as twelfth place, oil, ghee, etc(731) is ranked as thirteenth place, house rent (724) is ranked as fourteenth place, milk & milk products (677) is ranked as fifteenth place, drugs & medicines (549) is ranked as sixteenth place, water bills (539) is ranked as seventeenth place, cost of newspaper (855) is ranked as eighteenth place and electricity bills (469) is ranked as nineteenth place. **Hence it is ranked that the maximum level of perception of respondents towards the rise of inflation rates is transportation cost and the minimum level of perception towards the rise of inflation rates is electricity bills.**

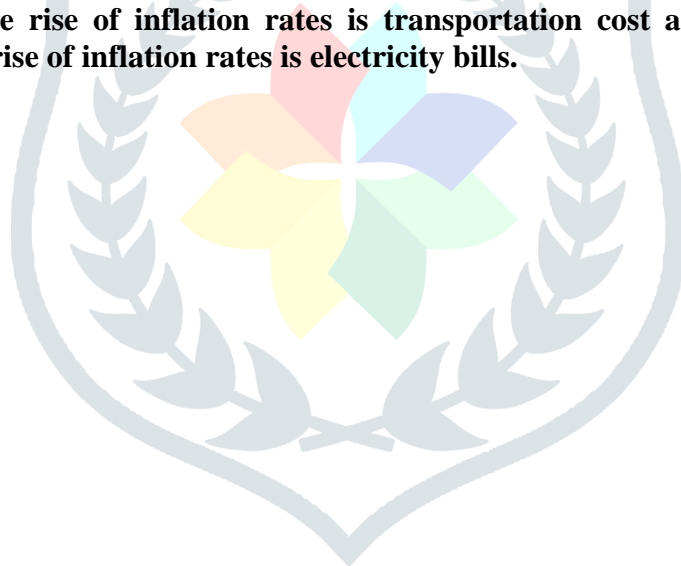
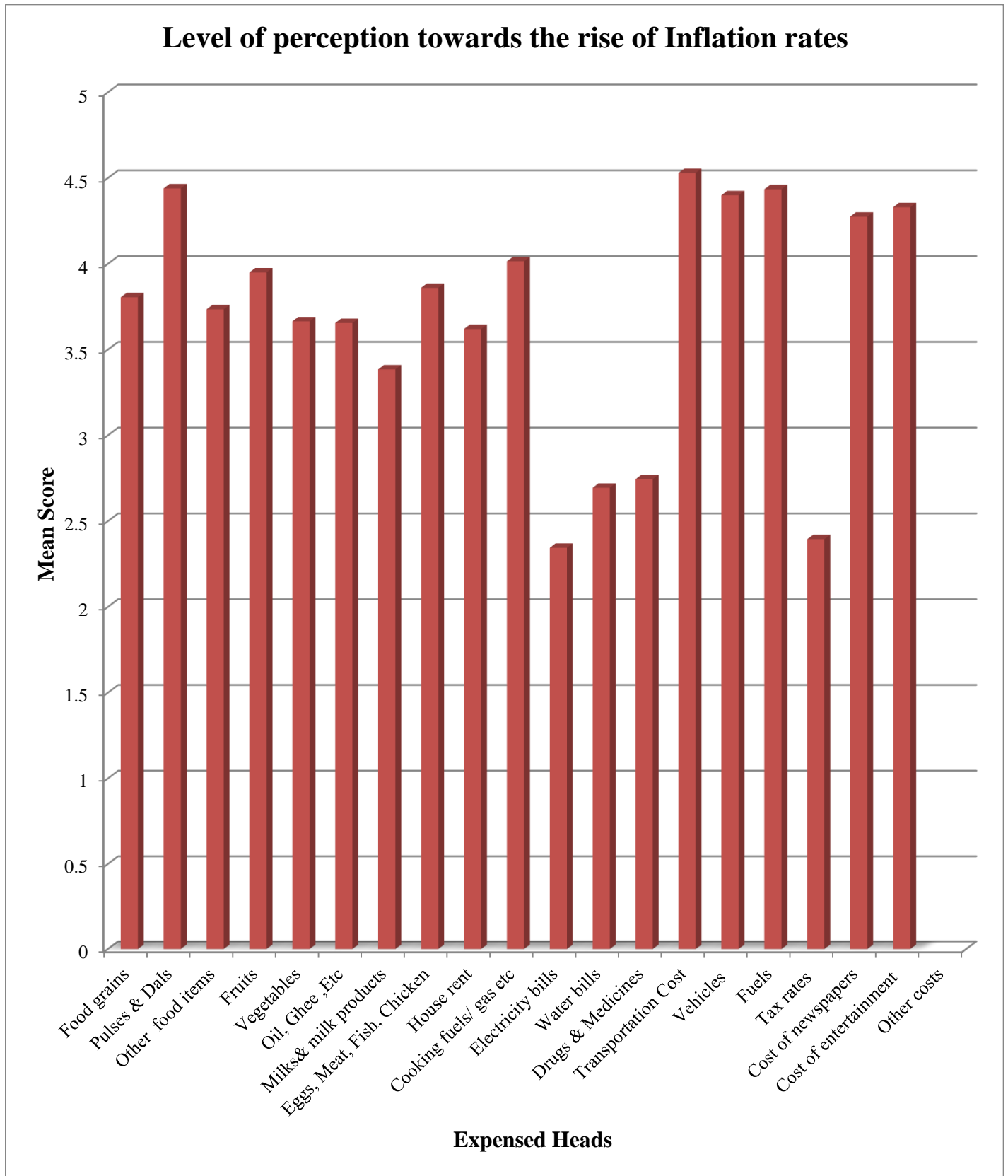


CHART 7.4



**8. SUGGESTION**

➤ One should the goals on short and long term basis and save accordingly so that the there is minimal effect on household in budget in case if inflation.



- One should separate needs from wants. People often spend too much on something which is not used that the often to resulting in mismanagement of budget.
- Prepare the worst case scenarios, vacations and seasonal expenses. Unknowingly expenditure towards these become alarmingly high when unnoticed and result in poor management of households budget.
- We should be committed to the budget we make and stick to it because this is what will get us achieve our financial goals. The best way to say committed is to keep a realistic outlook, evaluate if often and not being afraid to make adjustment.

## 9. CONCLUSION

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. **“Too much money chasing too few goods”**This situation can be changed if the RBI increase the rate of reserves to control inflation and helps to fluctuate it by increasing the Cash Reserve Ratio and Statutory Liquidity Ratio but even a small change in it affects a lot because banks deals with huge currencies every day. This leads to decrease in loan sanction amount and decrease in flow of cash in the market areas, which tends to decrease in the purchasing power of households on a product and decrease in demand which controls the increase of inflation rate.

## 10. REFERENCE

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