

Study on Impact of Price Rise on Household Consumption Pattern in Chrompet Municipality

AYESHA H¹, BHUVANESWARI B², NAVITHA R³, Dr.S.Saraswathi⁴, and Dr.Prasanna V⁵

¹MA Economics, SDNB Vaishnav College for Women, Chennai.

²MA Economics, SDNB Vaishnav College for Women, Chennai.

³MA Economics, SDNB Vaishnav College for Women, Chennai.

⁴Assistant Professor, SDNB Vaishnav College for Women, Chennai.

⁵Assistant Professor, SDNB Vaishnav College for Women, Chennai

Abstract

Price rise has become a significant economic issue affecting household consumption and financial stability. Continuous increases in the prices of essential commodities such as food, clothing, education, and other services reduce the purchasing power of households and force them to adjust their consumption patterns. This study examines the impact of price rise on household consumption patterns and the relationship between household income and the perceived effects of rising prices. The study adopts a descriptive research design and is based on primary data collected from 32 household respondents in the Chrompet area of Chennai city using a structured questionnaire. Data were analyzed using frequency and percentage distribution, and the Chi-Square test was applied to examine the association between income level and the perceived impact of price rise. The findings indicate that rising prices significantly influence household savings and consumption behaviour, particularly among lower-income households, highlighting the need for appropriate policy measures to reduce the financial burden on families.

Keywords: *Inflation, Household Consumption, Purchasing Power.*

Introduction

In recent years, the rise in prices of essential commodities has become a major concern for households. Inflation leads to an increase in the cost of living and reduces the purchasing power of consumers. As prices of basic necessities such as food, clothing, education, fuel, and other services increase, households are forced to adjust their consumption patterns according to their income and financial capacity. The impact of price rise is more severe for low and middle-income families, as a larger portion of their income is spent on essential goods and services.

Price rise not only affects the quantity and quality of goods consumed by households but also influences their savings and overall standard of living. When prices increase continuously, households may reduce spending on non-essential items and prioritize basic needs. This adjustment in consumption behaviour reflects how families respond to economic pressures caused by inflation.

Understanding the relationship between price rise and household consumption is important for policymakers and researchers. Hence, this study attempts to analyze the impact of price rise on household consumption pattern.

Objectives of the Study

1. To examine the relationship between household income and the perceived impact of price rise.
2. To identify how price rise affects household savings and expenditure on basic goods.

Research Design

The study adopted a descriptive research design to examine the impact of price rise on households and its relationship with income levels. Descriptive research is suitable for understanding patterns, trends, and relationships among variables without manipulating them.

Population and Sample

The target population consisted of households affected by price rise. A total of 32 respondents were selected using purposive sampling, ensuring representation of both lower-income and higher-income households.

Data Collection Tool

Data was collected using a structured questionnaire that included questions on:

- Monthly income of the household
- Perception of price rise impact on household savings
- Increase in prices of basic goods (food, clothing, education, accessories)
- Overall perceived impact of price rise

Respondents were asked to indicate their responses using categorical options (e.g., Agree/Neutral/Disagree, High/Moderate/Low).

Variables

- **Independent Variable:** Monthly income of respondents (Below ₹20,000 / Above ₹20,000)
- **Dependent Variables:**
 - Impact of price rise on household savings
 - Perceived increase in prices of basic goods
 - Overall perceived impact of price rise

Data Analysis

Data was analyzed using frequency and percentage distribution to understand the general pattern. Further, cross-tabulation was used to examine the relationship between income and each dependent variable:

1. Impact on household savings
2. Increase in basic goods prices
3. Overall perceived impact of price rise

The analysis helped to identify trends, patterns, and potential associations between income level and perceived effects of price rise. The Chi-Square Test of Independence was applied to test the significance of these associations.

Review of Literature

Inflation significantly influences household consumption by reducing the real purchasing power of families, compelling them to adjust their spending patterns. According to **Tukker, Cohen, Hubacek, and Mont**, rising prices force households to prioritize basic necessities such as food, housing, and utilities, while cutting back on non-essential goods, with low-income households being particularly vulnerable due to the larger share of their income spent on essentials. Similarly, **Jain (2025)** emphasizes that inflation drives families to focus on essential consumption at the expense of discretionary spending, highlighting the direct link between rising prices and changes in household behavior. In developing economies, **Borkotoky (2018)** shows that households adopt coping strategies such as borrowing, skipping meals, or switching to cheaper alternatives, which not only reduces non-essential expenditures but also negatively affects overall well-

being and exacerbates poverty and inequality. Collectively, these studies demonstrate that inflation reshapes household consumption patterns, disproportionately impacting low-income and vulnerable populations, and underscores the importance of policy interventions to mitigate its effects.

Frequency and Percentage Distribution of Respondents Regarding Income and Effects of Price Rise on Household

Income	Frequency	Percent
Below ₹20,000	21	65.6
Above ₹20,000	11	34.4
Total	32	100.0
Price rise affected your household savings		
Agree	11	34.4
Neutral	9	28.1
Disagree	12	37.5
Total	32	100.0
Basic goods prices Increased		
Food Items	7	21.9
Clothing	8	25.0
Education	9	28.1
Accessories	8	25.0
Total	32	100.0
Overall impact of price rise on your household:		
High Level	13	40.6
Moderate	9	28.1
Low Level	10	31.3
Total	32	100.0

- The majority of respondents belong to the lower-income group (below ₹20,000). This suggests that most households in the study may be more vulnerable to price rises due to limited income levels.
- Responses are fairly divided. Although 37.5% disagree that price rise affected their savings, a significant 34.4% agree that it has impacted them. This indicates that price rise has affected a considerable portion of households, but not uniformly across all respondents.
- Education expenses are reported as the most increased cost among basic goods. Clothing and accessories follow closely. Surprisingly, food items were reported slightly lower, although they still represent a significant concern. This suggests that non-food essential expenses may be creating noticeable financial pressure.
- The largest group (40.6%) reports a high level of impact, indicating that price rise is significantly affecting many households. While some experience moderate or low impact, the overall trend shows that price increase is creating noticeable financial strain.

Cross-Tabulation of Respondents' Monthly Income and Effect of Price Rise on Household Savings

The financial impact of price rise on households can vary significantly based on income levels. Lower-income households often face greater challenges in managing daily expenses and savings during inflationary periods. This study examines the relationship between respondents' monthly income and the effect of price rise on their household savings. Cross-tabulation is used to analyze how income influences

the perception of financial strain caused by rising prices. Understanding this relationship helps identify which income groups are most vulnerable and require targeted support.

H₀: There is no significant association between monthly income and the impact of price rise on household savings.

H₁: There is a significant association between monthly income and the impact of price rise on household savings.

		Price rise affected your household savings			Total
		Agree	Neutral	Disagree	
Income	Below ₹20,000	10	6	5	21
	Above ₹20,000	1	3	7	11
Total		11	9	12	32

The survey results indicate that price rises have a greater impact on the savings of households earning below ₹20,000, with nearly half of them agreeing that their savings were affected. In contrast, households earning above ₹20,000 are largely unaffected, with most respondents disagreeing that price rises influenced their savings. Lower-income households are more sensitive to price rises regarding savings.

Higher-income households are less affected, showing that income level plays a role in how inflation impacts saving behavior. This suggests that income level is an important factor in determining how inflation affects saving behavior.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.175 ^a	2	0.046*
Likelihood Ratio	6.724	2	.035
Linear-by-Linear Association	5.982	1	.014
N of Valid Cases	32		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 3.09.

*Significant level at 5 Percentage

The chi-square test shows a significant association between household income and the effect of price rises on saving behavior ($\chi^2 = 6.175$, $df = 2$, $p = 0.046$). This indicates that lower-income households are more likely to report reductions in savings due to rising prices, while higher-income households are largely unaffected. The linear-by-linear association ($p = 0.014$) further suggests a trend where the impact of price rises on savings decreases as income increases."

Association between Monthly Income and Perceived Increase in Prices of Basic Goods

The rise in prices of basic goods affects households differently depending on their income. Lower-income households are often more sensitive to price fluctuations in essentials such as food, clothing, education, and accessories. This study examines the association between respondents' monthly income and their perception of increased prices of basic goods. Cross-tabulation analysis is used to identify patterns and differences between income groups. Understanding this relationship helps highlight which households are most affected by inflation and price rise.

H₀: There is **no significant association** between monthly income and the type of basic goods whose prices increased.

H₁: There is a **significant association** between monthly income and the type of basic goods whose prices increased.

Basic goods prices Increased

		Basic goods prices Increased				Total
		Food Items	Clothing	Education	Accessories	
Income	Below ₹20,000	5	6	8	2	21
	Above ₹20,000	2	2	1	6	11
Total		7	8	9	8	32

The data indicates that household income influences which goods are most affected by price increases. Households earning below ₹20,000 experience the greatest impact on essential goods such as education, clothing, and food, while households earning above ₹20,000 are more sensitive to non-essential items like accessories. This reflects differences in spending priorities between income groups and highlights that inflation disproportionately affects lower-income households' access to necessities.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.428 ^a	3	0.038*
Likelihood Ratio	8.534	3	.036
Linear-by-Linear Association	2.626	1	.105
N of Valid Cases	32		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is 2.41.

*Significant level at 5 Percentage

The chi-square test indicates a significant association between household income and the overall impact of price rises ($\chi^2 = 8.428$, $df = 3$, $p = 0.038$). Households earning below ₹20,000 mostly report moderate to high impact, whereas households earning above ₹20,000 show a more mixed response, with some experiencing high impact and others low. This demonstrates that inflation disproportionately affects lower-income households, influencing both consumption and savings behavior.

Distribution of Respondents by Income and Perceived Impact of Price Rise

The impact of price rise on households can vary according to income levels. Lower-income households often experience greater financial pressure when essential goods and services become more expensive. This study examines the distribution of respondents based on their income and perceived impact of price rise. Cross-tabulation analysis is used to explore how income influences the level of impact reported by households. The findings help identify which income groups are most vulnerable to inflation and rising prices.

H₀: There is **no significant association between respondents' income and their perceived impact of price rise.**

H₁: There is a **significant association between respondents' income and their perceived impact of price rise.**

Overall impact of price rise on your household:

		Overall impact of price rise on your household			Total
		High Level	Moderate	Low Level	
Income	Below ₹20,000	8	9	4	21
	Above ₹20,000	5	0	6	11
Total		13	9	10	32

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.721 ^a	2	0.021*
Likelihood Ratio	10.400	2	.006
Linear-by-Linear Association	.780	1	.377
N of Valid Cases	32		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 3.09.

*Significant level at 5 Percentage

Analysis of the cross-tabulation indicates that households earning below ₹20,000 mostly report moderate to high impact from price rises, whereas households earning above ₹20,000 show a split between high and low impact. The Pearson chi-square test ($\chi^2 = 7.721$, $df = 3$, $p = 0.021$) confirms that this association is statistically significant, suggesting that lower-income households are more vulnerable to the effects of inflation on their household consumption and savings.

Conclusion

Based on the analysis the cross-tabulation tables shows that household income has a significant influence on the perceived impact of price rise. The Chi-Square test results ($p < 0.05$) indicate that these relationships are statistically significant.

Key findings include:

- **Effect on Household Savings:** Lower-income households (below ₹20,000) are more likely to report that price rise has affected their savings, while higher-income households experience comparatively less impact.
- **Perceived Increase in Prices of Basic Goods:** Lower-income households perceive greater increases in essential goods such as food, clothing, and education. Higher-income respondents report price increases mainly in non-essential goods like accessories.
- **Overall Perceived Impact:** The overall impact of price rise is higher among lower-income households, whereas higher-income households report moderate to low levels of impact.

The study highlights that lower-income households are more vulnerable to the financial pressures caused by inflation and rising prices. This suggests a need for targeted financial planning, government support, and awareness programs to help mitigate the adverse effects of price rise on vulnerable income groups.

Suggestions

- Encourage households, especially lower-income groups, to adopt budgeting and expense management to protect savings.
- Implement or expand government support programs and subsidies to reduce the burden of rising prices.

- Focus on cost-effective alternatives for essential goods such as food, clothing, and education.
- Raise awareness about price trends and smart spending strategies for better financial planning.
- Conduct further research with larger samples and additional variables (e.g., urban/rural, family size) to gain deeper insights.

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