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## **A STUDY ON IMPACT OF INFLATION ON RURAL HOUSEHOLDS IN THRISSUR DISTRICT**

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### **ABSTRACT**

‘Inflation’-the word has economic social and political dimension. For a layman inflation means the rise in prices. In a country like India price changes exert a major influence on the lives of people. Inflation is probably the biggest bottleneck that is faced by India and other developing countries in the path of economic growth. High rate of inflation was remained untamed for a long time. And it had taken a toll on India’s Aam Aadmi [common people].Opinion survey in India reveals that inflation is the most important concern of middleclass and poor households and it badly affects their standard of living and consumption and inflation in food by its very nature is the enemy of poor households. Even though urbanisation is happening at a rapid pace, a major portion of the population still lives in rural area. No much intense studies have been done on the impact of inflation considering rural households. At this juncture this paper is an attempt to study the impact of inflation on rural households with low and middle income. It has been revealed that Inflation, particularly food inflation effects consumption pattern, Savings pattern and standard of living of households especially poor households to some extent.

**Keywords:** Inflation, Rural households, Food inflation effects, Thrissur district

### **INTRODUCTION**

In economics, inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy.

Inflation affects an economy in various ways, both positive and negative. Negative effects of inflation include an increase in the opportunity cost of holding money, uncertainty over future inflation which may discourage investment and savings, and if inflation were rapid enough, shortages of goods as consumers begin hoarding out of concern that prices will increase in the future. Positive effects include ensuring that central banks can adjust real interest rates (to mitigate recessions), and encouraging investment in non-monetary capital projects.

In India last two decades have recorded substantial economic growth and improvements in standard of living of its people. Real per capita income has increased. Poverty have declined. But how ever inequalities have increased. Poor households do not benefit from the positive effects of growth. Top one percent possesses seventy three percent of India's total income. Opinion survey in India reveals that inflation is the most important concern of middleclass and poor households and it badly affects their standard of living and consumption and inflation in food by its very nature is the enemy of poor households. Since November 2009, inflation has been moving northwards on the back of surging prices of fuel, commodity, fruits and vegetables. This consistently rising inflation has resulted in a growing concern among policy makers, industry captains, bankers as well as the common man.

## **SIGNIFICANCE**

The universal response is to wail over price increases and take delight when prices fall.. But in reality households vary dramatically in the impact that inflation has on them when gasoline prices sky-rocket, a two-earner sub-urban family suffers far more than the metro family with short subway commutes or retirees with no commute. And the pain is more extreme for low income households whose grocery money shrinks with price rise. Households with high medical costs are significantly more vulnerable than comparable households with low expenses in this category. Inflation will have a painful effect on lower income households, those with high ratios of transportation costs and any household whose discretionary spending is more dream than reality. Inflation, particularly food inflation effects consumption pattern, Savings pattern and standard of living of households especially poor households to some extent. No much intense studies have been done on the impact of inflation considering rural households. At this juncture this paper is an attempt to study the impact of inflation on rural households with low and middle income.

## **OBJECTIVES**

1. To analyse the impact of inflation on food consumption expenditure of Rural Households.
2. To measure the changes brought about by inflation on income, savings, and health expenditure and transportation of Rural Households.

3. To understand the awareness of Rural public about inflation and their attitudes towards it.

### **DATA AND METHODOLOGY**

Both primary and secondary data have been used for the present study. Primary data were collected from randomly selected 50 rural households in Thrissur district. For this we prepared a well-structured schedule including questions on the variables like income, savings, consumption on food, healthcare, transportation etc which are relevant for the study. Also the awareness of public on inflation and their attitudes towards it were gathered. Secondary data on inflation were collected from the published reports such as RBI Annual report, NSSO Survey, Economic Review etc

The collected data were analysed by using univariate and bivariate tables, percentage, charts and diagrams

### **ANALYSIS**

#### **IMPACT OF INFLATION ON CONSUMPTION**

Impact of inflation on the consumption of Cereals

**Table 1.1: Distribution of sample households on the basis of source of the purchase of cereals**

Source	Frequency	Percentage
Ration shop	14	28
Retail shop	12	24
Both	24	48
Total	50	100

Source: sample survey

This table shows that majority of the households that is 48% purchase cereals from both ration shops and retail shops .while 28% purchase only from ration shops and 24% purchase from retail shops.

**Table 1.2: Distribution of sample households on the basis of the change in quantity of cereals purchased**

Type of change	frequency	percentage
Constant	50	100
total	50	100

Source: sample survey

This table shows that the quantity off cereals purchased by the households did not change even after price rise

**Table 1.3: Classification of sample households on the basis of income spend on cereals before and after the price rise**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	14	28	14	28
100-200	-	-		
200-400	7	14	6	12
400-600	7	14	5	10
600-800	10	20	11	22
800-1000	12	24	14	28
total	50	100	50	100

Source: sample survey

This table shows that food inflation doesn't had any effect on the quantity of cereals purchased consumed by 28% households because they depended on PDS. But consumption expenditure of those who did not depend on the PDS increased. There was in increase in the number of households who spend 600-800 on cereals by 11% .Those who spend an amount of 800-1000 increased by 14% .

**Impact of inflation on the consumption of pulses**

**Table 1.4: Classification of sample households on the basis of source of pulses purchased**

Source	Frequency	Percentage
Maveli/triveni	4	8
Retail shop	44	88
Both	2	4
Total	50	100

Source: sample survey

This table shows that majority of the households that is 88% purchase pulses from retail shops and 8% households purchase from government stores like Maveli and Triveni .4% purchase from both maveli and retail shops.

**Table 1.5: Distribution of sample households on the basis of the change in quantity of pulses purchased**

Type of change	frequency	percentage
Constant	14	28
Decrease	36	72
Total	50	100

Source: sample survey

This table shows that 72% households had to reduce the quantity of pulses purchased due to price rise. But quantity of cereals purchased by 28% households remained the same.

**Table 1.6: Classification of sample households on the basis of amount spend on pulses before and after the price rise**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	1	2		
100-200	35	70	20	40
200-400	12	24	23	46
400-600	2	4	5	10
600-800	-	-	2	4
Total	50	100	50	100

Source: Source: sample survey

This table shows that before the price rise 70% had an expenditure of 100-200 on pulses. But after price rise it declined to 30% .The number of households who spend 200-400 increased by 22%.The number of households who spend between 400-600 increased by 6 % and there was 4% increase in 600-800 category.

**Impact of food on the consumption of Egg, fish and meat**

**Table 1.7: Distribution of sample households on the basis of source of the purchase of egg, fish meat**

Source	Frequency	Percentage
Retail shop	50	100
Total	50	100

Source: sample survey

This table pin points that all the households surveyed purchase egg, fish and meat from retail shops.

**Table 4.20: Distribution of sample households on the basis of the change in quantity of egg fish and meat purchased**

Type of change	frequency	percentage
Constant	8	16
Decrease	42	84
Total	50	100

Source: sample survey

This table reveals that 84% of the households reduced the consumption of egg fish and meat while the consumption of 16% remained the same.

**Table 1.8: Classification of sample households on the basis of amount spend on egg, fish**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	7	14	7	14
100-200	9	18	15	30
200-400	28	56	15	30
400-600	4	8	12	24
600-800	2	4	1	2
Total	50	100	50	100

Source: sample survey

This table reveals that those who spend between 100-200 on egg, fish and meat were increased by 12 % and those who spend 400-600 were increased by 16%.

**Impact of inflation on the purchase of vegetables**

**Table 1.9: Distribution of sample households on the basis of source of the purchase of vegetables**

Source	Frequency	Percentage
Retail shop	50	100
Total	50	100

Source: sample survey

This table reveals that all the households surveyed purchase vegetables from retail shops

**Table 1.10: Distribution of sample households on the basis of the change in quantity of vegetables purchased**

Type of change	frequency	percentage
Constant	26	52
Decrease	14	28
Total	50	100

Source: sample survey

This table shows that 52% reduced the consumption of vegetables due to high prices. But the consumption of 28% remained the same.

**Table 1.11: Classification of households on the basis of amount spend on vegetables before and after the price rise**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	16	32	12	24
100-200	17	34	22	44
200-400	14	28	9	18
400-600	-	-	7	14
total	50	100	50	100

Source: sample survey

This table shows that those who spend between 100-200 on vegetables were increased by 10%. Those who spend between 200-400 on vegetables were decreased by 10% those who spend between 400- 600 were increased by 14%

**Impact of inflation on the consumption of Beverages**

**Table 1.12: Distribution of sample households on the basis of source of the purchase of Beverages**

Source	Frequency	Percentage
Maveli/triveni/supplyco	15	30
Retail shop	25	50
Both	10	20
Total	50	100

Source: sample survey

This table reveals that 30% of the households surveyed purchase beverages from maveli/triveni store .But 50% of the households purchase from retail shops and 20% purchase from both maveli store and retail shops

**Table 1.13: Distribution of households on the basis of the change in quantity of beverages purchased**

Type of change	frequency	percentage
Constant	26	52
Decrease	14	28

Source: sample survey

This table shows that Only 28% reduced the consumption beverages’

**Table 1.14: Classification of households on the basis of amount spend on Beverages**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	8	16	7	14
100-200	19	38	20	40
200-400	15	30	14	28

400-600	3	6	2	4
600-800	2	4	2	4
800-1000	2	4	3	6
Above1000	1	2	2	4

Source: sample survey

This table shows that who spend below 100 on beverages were declined by 2%.Bout those who spend between 100- 200 were increased by 2%.Those who spend between 800-1000 were declined by 2%.But those who spend between above 1000 were increased by 2%

### **Impact of inflation on the consumption of Sugar**

**Table 1.15: Distribution of sample households on the basis of source of the purchase of sugar**

Source	Frequency	Percentage
Ration shops	21	42
Retail shops	24	48
Both	5	10
Total	50	100

Source: sample survey

This table shows that 42% of the households purchase sugar from ration shops 48% purchase from retail shops. Only 10% purchase from both ration shops and retail shops

**Table 1.16: Distribution of sample households on the basis of the change in quantity of sugar purchased**

Type of change	frequency	percentage
Constant	36	72
Decrease	14	28

Source: sample survey

This table reveal that 28% reduced the consumption of sugar due to price rise but the consumption of 72% remained the same.

**Table 1.17: Classification sample households on the basis of the amount spend on sugar before and after price rise**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	21	42	21	42
100-200	19	38	10	20
200-300	5	10	8	16
300-400	5	10	11	22
Total	50	100	50	100

Source: sample survey

This table reveals that the sugar consumption expenditure of 42% remained the same (below 100) because they depended on PDS. But the number of those who spend between 100- 200 declined by 18% and the percentage of those who spend between 200-300 increased by 6% and of those who spend between 300-400 increased by 12%

**Impact of inflation on the consumption of oil**

**Table 1.18: Distribution of sample households on the basis of source of purchase of oil**

Source	Frequency	Percentage
Retail shop	50	100
Total	50	100

Source: sample survey

This table shows that all the households surveyed purchase oil from retail shops

**Table 1.19: Distribution of sample households on the basis of the change in quantity of oil purchased**

Type of change	frequency	percentage
Constant	9	18
Decrease	41	82

Source: sample survey

This table pinpoints that 82% of the households surveyed reduced their oil consumption due to price rise while 18% did not reduce their consumption

**Table 1.20: Classification of households on the basis of amount spend on oil before and after the price rise**

Amount	Before price rise		After price rise	
	frequency	percentage	frequency	percentage
Below 100	1	2		
100-200	14	28	14	28
200-400	28	56	25	50
400-600	6	12	9	18
600-800	1	2	1	2
800-1000			1	2
total	50	100	50	100

Source: sample survey

This table reveals that the percentage of those who spend between 200-400 were reduced by 6% but the percentage of those who spend between 400-600 were increased by 6%.

The impact of inflation on transportation

**1.21: Classification of sample household on the basis of changes with regard to transportation**

changes	Number of respondents	Percentage
No change, same means of transportation	32	64
Walk instead of using vehicles for shorter distance	11	22
Use more cheap and convenient means of transport	7	14
Total	50	100

Source: sample survey

This table reveals that even though there was no change in the means of transportation of 64 % respondents ,22% started walk instead of using vehicles for shorter distance.14% began to use more cheap and convenient means of transport

**Impact of inflation on healthcare**

**Table 1.22: Classification of sample households on the basis of their spending on hospital visits**

Spending on hospital visits	Number of households	percentage
Below 500	23	46
500-1000	16	32
1000-2000	6	2
2000-3000	1	2
Above 4000	4	8
Total	50	100

Source: sample survey

The table shows that majority of the households, that is 46%, spend below 500 on hospital visits. 32% spend between 500- 1000 on hospital visits 8% spend above 4000 on hospital visits

**Table 1.23: Classification of the sample households with regard to changes in healthcare**

Changes with respect to health care	Number of households	Percentage
No change	26	52
Earlier we went to private hospitals .Now we go to government hospitals	13	26
We have reduced hospital visits	8	16
Others	3	6
Total	50	100

Source: sample survey

There was no change in in the case of 52% households due to price rise. But 26% households preferred to go to government hospitals instead of private hospitals and 6% reduced hospital visits because they were unable to meet the escalating costs.

**Awareness and attitude of rural public towards inflation**

**Table 1.24: Distribution of households with regard to their awareness about inflation**

Awareness about inflation	No of households	Percentage
aware of inflation	46	92
unaware of inflation	4	8

Source: sample survey

This table reveals that 92% were aware of the phenomenon called inflation while 8% were not.

**Table 1.25: Classification of the sample households regarding their awareness about the consequence of inflation**

Aware of its consequences	Number of households	Percentage
Yes	36	72
No	14	28

Source: sample survey

The table reveals that 72% were aware of the consequence of inflation while 28% were not

### **Attitude of rural people towards inflation**

Even educated respondents see inflation from their political perspective. They think that in the existing government change and a new government assumes power the threat of price rise would end. Some respondents came up with productive suggestions to counter attack food inflation. They opined that instead of buying vegetables for higher prices we should cultivate it ourselves.

### **FINDINGS AND CONCLUSION**

The universal response to inflation is negative and it is positive when prices are cheaper. Inflation influence the households in different manner with respect to their income, area of living, living status, health status, spending pattern, saving pattern ,asset ownership etc. For example a sub-urban family suffer far more than the metro family. The suffering is more extreme for low income households .Households with high medical cost are more vulnerable. At this juncture, we attempted to study the influence of inflation on rural households with low as well as middle income. The objectives were the following

1. To analyse the impact of inflation on food consumption expenditure of Rural Households.
2. To measure the changes brought about by inflation on income, savings, and health expenditure and transportation of Rural Households.
3. To understand the awareness of Rural public about inflation and their attitudes towards it.

Both primary and secondary data have been used for the present study. Primary data were collected from randomly selected 50 rural households in Thrissur district. For this we prepared a well-structured schedule including questions on the variables like income, savings, consumption on food, healthcare, transportation etc. which are relevant for the study. Also the awareness of public on inflation and their attitudes towards it were gathered. Secondary data on inflation were collected from the published reports such as RBI Annual report, NSSO Survey, Economic Review etc.

The collected data were analysed by using univariate and bivariate tables, percentage, charts and diagrams.

Following are the findings

- 78% of the households surveyed had savings while 22% of the households did not have savings since they had a low income

- quantity of cereals purchased by the households did not change even after price rise
- food inflation doesn't had any effect on the quantity of cereals purchased consumed by 28% households because they depended on PDS.
- consumption expenditure of those who did not depend on the PDS for cereals increased. There was an increase in the number of households who spend 600-800 on cereals by 11%. Those who spend an amount of 800-1000 increased by 14%.
- 72% households had to reduce the quantity of pulses purchased due to price rise. But quantity of cereals purchased by 28% households remained the same
- Before the price rise 70% had an expenditure of 100-200 on pulses. But after price rise it declined to 30%. The number of households who spend 200-400 on pulses increased by 22%. The number of households who spend between 400-600 on pulses increased by 6% and there was 4% increase in 600-800 category.
- 84% of the households reduced the consumption of egg fish and meat due to price rise while the consumption of 16% remained the same
- Those who spend between 100-200 on egg, fish and meat were increased by 12% and those who spend 400-600 were increased by 16%.
- 52% households reduced the consumption of vegetables due to high prices. But the consumption of 28% remained the same.
- Households who spend between 100-200 on vegetables were increased by 10%. Those who spend between 200-400 on vegetables were decreased by 10% those who spend between 400-600 were increased by 14%
- Only 28% households reduced the consumption beverages but consumption of 72% remained the same.
- Households who spend below 100 on beverages were declined by 2%. But those who spend between 100-200 were increased by 2%. Those who spend between 800-1000 were declined by 2%. But those who spend between above 1000 were increased by 2%.
- sugar consumption expenditure of 42% remained the same (below 100) because they depended on PDS. But the number of those who spend between 100-200 declined by 18% and the percentage of those who spend between 200-300 increased by 6% and of those who spend between 300-400 increased by 12%
- 82% of the households surveyed reduced their oil consumption due to price rise while 18% did not reduce their consumption
- the percentage of those who spend between 200-400 were reduced by 6% but the percentage of those who spend between 400-600 were increased by 6%.
- even though there was no change in the means of transportation of 64% respondents, 22% started walk instead of using vehicles for shorter distance. 14% began to use more cheap and convenient means of transport

- There was no change in the health care aspects of 52% households due to price rise. But 26% households preferred to go to government hospitals instead of private hospitals and 6% reduced hospital visits because they were unable to meet the escalating costs.
- 92% of the respondents were aware of the phenomenon called inflation while 8% were not.
- 72% of the respondents were aware of the consequence of inflation while 28% were not

## **CONCLUSION**

Inflation affects BPL rural households more than APL rural households . But the systems like PDS save them from the harmful effects of inflation to a greater extent as they depend on PDS for cereals and sugar. But the high vegetable prices and oil prices make their life miserable and their healthcare and transportation facilities as well as saving pattern have been subjected to the adverse impact of inflation.

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