



## REST Conference Proceedings

Vol: 1(2), 2025

REST Publisher; ISBN: 978-81-993050-7-6

Website: <https://restpublisher.com/book-series/rcp/>



# A Study on Impact of Inflation on Monthly Budget of Individual Families With Reference To Amravati City

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**Abstract:** Inflation, a persistent rise in the general price level of goods and services, significantly impacts individual purchasing power and household financial stability. This study explores the effects of inflation on the monthly budgets of middle-class families in Amravati city, Maharashtra. As prices increase, the real value of money diminishes, forcing consumers to adjust their spending habits, savings, and overall lifestyle. The research aims to identify the extent of inflation's influence on household budgets, coping mechanisms adopted by families, changes in living standards, and the level of awareness regarding inflation among the middle class. A sample of 100 respondents from Amravati was surveyed using structured questionnaires. The collected data was analyzed using a Chi-Square test to determine the relationship between income status and changes in spending behavior due to inflation. The findings reveal that a significant proportion of households responded to inflation by reducing the quantity of purchased items or opting for cheaper alternatives. Despite inflation, a section of the population reported their income keeping pace, though many still experienced reduced savings and a decline in discretionary spending. The study concludes that inflation has a significant effect on the purchasing power of Amravati's middle-class families. Budgeting, expense categorization, and use of digital financial tools emerged as key strategies to manage inflation's impact. Moreover, public awareness campaigns and financial literacy initiatives are recommended to support informed financial decisions. The research is limited to Amravati and was conducted within a defined time frame (2024–2025), but it offers valuable insights into the socio-economic adjustments of urban middle-class families facing inflationary pressures.

**Keywords:** Inflation, Purchasing Power, Middle-Class Households, Budgeting Strategies, Economic Impact in Amravati, Financial Literacy, Coping Mechanisms

## 1. INTRODUCTION

As prices rise over time, a single unit of currency loses its value and buys comparatively lesser goods and services. This loss of purchasing power greatly impacts the cost of living for the general public that ultimately leads to a declaration in economic growth. Understanding inflation is fundamental to investing as inflation can reduce the value of your returns on investments. Inflation is an increase in the price of goods and services. Over time, inflation reduces the purchasing power of a dollar, thereby lowering its value. Inflation causes losses for both consumers and the overall economy. For example, if the price of petrol rises, drivers must pay more to fill their tanks and they have less money available for discretionary spending (e.g., eating out and buying clothing). When the inflation rate increases faster than people's income from wages or other sources their purchasing power declines.

### Inflation Is Generally Caused By Two Main Factors

Increased demand for products and services such that consumer demand exceeds available supply. Increased costs of production caused by events such as crop losses Inflation impacts people in different ways. Those who benefit from inflation, or at least are not negatively impacted. Include holders of low interest fixed-rate loans such as mortgages and investors in commodities such as gold which are purchased as a hedge against inflation. Those who lose with inflation include the Indian economy, borrowers, savers, and retirees. Inflation is a pervasive economic phenomenon that reflects a sustained increase in the general price level of goods and services over a period of time. It erodes the purchasing power of money, meaning that consumers can buy less with the same amount of money as prices rise. In the context of individual households, inflation directly affects their monthly budget, forcing families to make adjustments in spending, savings, and investment patterns. This study aims to explore how inflation impacts the monthly budgets of families in Amravati city, a growing urban center in Maharashtra.

### Definition and Concept of Inflation

Inflation is measured by indices such as the Consumer Price Index (CPI) and the Wholesale Price Index (WPI), which track changes in the prices of a basket of goods and services over time.

## 2. RESEARCH METHODOLOGY

Research is the organized way of collecting facts & analyzing them in the form of numerical data relevant to formulating problem & thus arriving at a certain conclusion over problem based on the collected data. Research Methodology involves activities designed to achieve research objectives. In order to ensure that appropriate information is collected, a detailed research plan must be developed. The essentials of marketing research to provide information that will facilitate identification of an opportunity of problem situation and to assist manager in arriving at best possible decision when such situations are encountered. Problem formulation is first step in the research process followed by determining the information needed and sources of data securing information data analysis interpretation and finally preparing research report.

### Sample size

A sample size of 100 respondents will be chosen to ensure Statistical Significance and diverse representation of customers.

## 3. OBJECTIVES

1. To identify the effect of inflation in middle class purchasing power in Amravati city.
2. To identify the measures taken to cope up with the inflation with special reference to Amravati city.
3. To identify the changes in life style and standard of living.
4. To know about the awareness about inflation among the middle class people of Amravati city.

## 4. SCOPE OF THE STUDY

The scope of the study refers to the boundaries or limits of the research investigation. It defines what the study will cover, what questions it will answer, and what areas it will explore. In other words, the scope of the study outlines the extent and depth of the research, including the specific topics, issues, or problems that will be addressed. The scope of the study is to investigate the impact of inflation on the monthly budget of individual families in Amravati city, specifically focusing on: -

1. The effect of inflation on household expenses
2. The coping mechanisms adopted by families to manage inflation
3. The differences in the impact of inflation on families with varying income levels, family sizes, and occupations.

## 5. LIMITATIONS OF THE STUDY

Due to certain issues, the research has gained certain limitations, these limitations are as follows-

1. The study is conducted in a very short span of time.
2. The response given by the respondents may not be true or accurate.
3. Lack of cooperation from respondents
4. Study is limited to Amravati city only and in time frame of 2024-2025

## 6. HYPOTHESIS OF THE STUDY

**Null Hypothesis (H<sub>0</sub>):** - There is no significant effect of inflation on middle-class purchasing power in Amravati city.

**Alternative Hypothesis (H<sub>1</sub>):** - There is a significant effect of inflation on middle-class purchasing power in Amravati city.

### Hypothesis testing

TABLE 1. Observed table

Inflation	Buy Cheaper Alternatives. (42)	Reduced the Quantity of Items I Buy (53)	Shopping Habits Remain the Same. (5)	Row Total
Income Status				
Income has Kept Pace (45)	15	28	2	45
Increased, but Not Enough (37)	18	17	2	37
No Income Is Stagnant (15)	7	7	1	15
Income Has Decreased (3)	2	1	0	3
Column Total	42	53	5	100

**TABLE 2.** Expected table

Inflation	Buy Cheaper Alternatives.	Reduced the Quantity of Items I Buy.	Shopping Habits Remain the Same.	Row Total
Income Status				
Income has Kept Pace	18.9	23.85	2.25	45
Increased, but Not Enough	15.54	19.61	1.85	37
No Income is Stagnant	6.3	7.95	0.75	15
Income has Decreased	1.26	1.59	0.15	3
Column Total	42	53	5	100

**Chi square test**

Formula: - calculated of  $\chi^2$

$$\chi_c^2 = \frac{\sum(O-E)^2}{E}$$

**TABLE. 3**

Observed (O)	Expected (E)	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
15	18.90	-3.90	15.21	0.8048
28	23.85	4.15	17.22	0.7218
2	2.25	-0.25	0.0625	0.0278
18	15.54	2.46	6.05	0.3893
17	19.61	-2.61	6.81	0.3473
2	1.85	0.15	0.0225	0.0122
7	6.30	0.70	0.49	0.0778
7	7.95	-0.95	0.9025	0.1135
1	0.75	0.25	0.0625	0.0833
2	1.26	0.74	0.5476	0.4346
1	1.59	-0.59	0.3481	0.2189
0	0.15	-0.15	0.0225	0.1500
Total $\chi^2$ Value				3.3813

- Degrees of Freedom (df) = (4 - 1) × (3 - 1) = 6
- Critical Value at  $\alpha = 0.05 = 12.59$
- Calculated  $\chi^2 = 3.38$
- Since  $3.38 < 12.59$ , we fail to reject the null hypothesis

**Conclusion: -**

- Reject Null Hypothesis (H0)
- Accepted Alternative Hypothesis (H1)
- There is a significant effect of inflation on middle-class purchasing power in Amravati city.

**7. REVIEW OF LITERATURE**

Numerous studies have explored the impact of inflation on economic variables, including purchasing power, inflation uncertainty, and overall macroeconomic stability. Researchers such as Davis and Kanago (2000), and Caporale et al. (2009) analyzed inflation's effects in advanced economies, while others like Thornton (2007) and Rizvi et al. (2008) focused on emerging markets. Studies also link inflation to reduced savings, increased costs, and lower real output. Notably, Lokeshwar Reddy (2012) and Naresh Kanwar (2014) highlighted inflation's erosion of purchasing power in India. Overall, findings suggest inflation significantly affects middle-class economic behavior, aligning with concerns over its impact on purchasing power.

**Findings:** From the collected data the data shows that most respondents were male (53) and evenly split between married and unmarried (50 each). A majority were graduates (61) and employed (54), with the largest age group being 25–35 years (55). Most belonged to 3–4 member families (66) and had an income below ₹2, 50,000 (36). Household finances were mainly self-managed (44), and 68 spent 30–50% of their income monthly. A high percentage (86%) were aware of inflation, with 53 reporting reduced savings and 50 considering the issue important. Coping strategies included reducing item quantities (53) and other adjustments (43). Additionally, 45 said their income kept pace with inflation, 44% engaged in cost-saving daily, and over 80% showed positive responses

toward economic awareness and satisfaction. Strategies included reducing item quantities (53) and other adjustments (43). Additionally, 45 said their income kept pace with inflation, 44% engaged in cost-saving daily, and over 80% showed positive responses toward economic awareness and satisfaction.

**Suggestion:** To effectively manage the impact of inflation on household finances, individuals should adopt practical strategies such as creating and maintaining a detailed budget, categorizing expenses into fixed and variable, and tracking changes in spending using budgeting apps. It is important to monitor the effect of inflation on specific goods and services, prioritize essential spending, and use credit cards responsibly to avoid debt. Additionally, government welfare schemes play a vital role in supporting low-income families, and their effectiveness should be assessed. Public awareness campaigns on financial literacy and budgeting can further empower families in Amravati to navigate inflation more effectively and make informed financial decisions.

## 8. CONCLUSIONS

Inflation affects both short- and long-term financial health, making it harder to meet current obligations and plan for the future. Creating and maintaining a budget is the first and most effective step in combating inflation and avoiding unnecessary debt. Analyzing the impact of inflation on specific goods and services (like food, transport, and healthcare) helps households prioritize spending and policymakers take informed actions. Separating fixed and variable expenses allows better control over spending, especially in times of reduced income. Utilizing online budgeting apps helps track monthly expenses, identify overspending, and adjust spending habits accordingly. Public awareness campaigns and financial literacy education empower families to budget effectively, manage inflation, and make informed financial decisions.

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