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Influence of Inflation on Common Man- A Study

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Abstract

Inflation is a steady rise in the overall cost of goods and services. It affects everyone in society, but it has the most effect on the average person. By seeking at how inflation affects people's buying power, savings, spending habits, and mental health, this research looks at how inflation affects common people's daily lives. Applying a descriptive method that included both secondary data and replies from 120 people. The research shows that inflation greatly lowers people's buying power and makes it harder for families to budget, which puts lower- and middle-income families under a lot of financial stress. The study ends with proposals for policies that might help lessen the negative consequences of inflation on common people.

Keywords : Inflation, Common Man, Economic Stress, Purchasing Power, Cost of Living

Introduction

Inflation is an important macroeconomic indicator that shows how the overall price level of goods and services in an economy has been rising over time. Moderate inflation is frequently considered as a sign that the economy is thriving, but uncontrolled or long-lasting inflation may make things unstable, particularly for those with fixed or restricted incomes (Hariharaputhiran, S., 2018). Inflation tends to impact the average person the hardest in developing countries like India, where a large part of the population is in the lower and middle-income groups. This makes family budgets harder to manage, lowers real income, and lowers buying power.

Inflation impacts not just the economy but also the way people interact with each other in daily life. When costs of basic goods like food, fuel, healthcare, and education go up, it has a ripple effect that forces individuals to change how they spend their money and cut down on things they don't need (Arora, P., 2019). Over time, this transformation affects how people live, how they save, and even how they plan for their finances in the long run. Inflation also makes the economy less stable, which makes it hard for people to plan for future costs or build up their financial stability.

In India, inflation is affected by several things, such as problems in the supply chain, global oil prices, agricultural production, changes in the value of the rupee, and government spending plans. The Reserve Bank of India (RBI) uses instruments including repo rates, reverse repo rates, and cash reserve ratios to keep inflation in check (Gangwar, J., 2018). However, these policy measures are tardy and uneven

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in reaching the people who need them most. Because of this, the typical person still has to deal with price increases that appear out of their control.

This research wants to investigate at the many ways that inflation affects the common man in India, looking beyond just the numbers and the economy to examine how it affects actual life. This study's goal is to provide a full picture of how inflation affects the lives of common man by looking at changes in spending habits, saving habits, and psychological stress. The information obtained is meant to help legislators, banks, and welfare organizations come up with better ways to control inflation that are more inclusive and responsive and safeguard the most vulnerable people in society.

Review of Literature

Friedman, M. (1970) stated that inflation is basically a monetary phenomenon that happens when the money supply expands faster than the economy's production. He said that inflation lowers real income immediately, and this is particularly bad for those on fixed incomes. His approach made it possible to manage inflation via monetary policy. It still has an impact on the tactics of central banks throughout the globe. Using the Phillips Curve, Blanchard and Johnson (2012) evaluated how inflation and unemployment are related. They looked at how this trade-off affects society, especially when it comes to making decisions on policy. Their study shows that low inflation can mean more people being out of work. This friction makes it hard for governments to find a balance between keeping prices stable and creating jobs. Jain and Khanna (2015) accomplished real-life research of inflation patterns in India over the course of 20 years. They discovered that inflation had a negative effect, hurting low-income families more than others. Prices of basic goods like food and petrol went up the most. Their results show that we need targeted subsidies and social safety initiatives. Rangarajan (2010) discussed about how inflation makes it harder for India to have inclusive economic development. He said that long-term inflation may stop initiatives that help people get out of poverty. His study showed how important it is for monetary and fiscal policy to work together. He also said that inflation has an effect on the atmosphere for investment and how people save. Rao and Dey (2016) glanced at how inflation affects food security. They discovered that increasing food costs make food baskets smaller, particularly for impoverished people. This not only cuts down on the amount of food people eat, but it also takes money away from education and health care. Their research called for improvements in supply chain management and changes to farming.

Patel (2018) investigated at how price changes caused by inflation affect how middle-class people save money. His research showed that not knowing what costs would be in the future makes it harder to prepare for the long run. Many others said they had gone from conserving money to spending it right away. This change has an effect on the economy's total level of investment. The World Bank Reports (2019) examined at how inflation affects poor people throughout the world. The research said that inflation hurts

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the poor's actual earnings more than it does the rich's. It stressed how important it is to keep prices stable for fairness in society. There was also a connection between inflation and growing inequality and social instability. The Reserve Bank of India (2021) examined the parts of core inflation and how they relate to food costs in its yearly data releases. The statistics indicated that core inflation stayed the same even as food prices went up and down for short periods of time. RBI spoke on how supply-side problems and global pricing pressures affect the economy. It also said that delays in policy transmission make it harder to control inflation. Kumar and Raj (2020) examined how people in rural and urban areas deal with inflation differently. Urban families changed the brands they bought or how much they bought, while rural families had a harder time finding other options. The research stressed how important infrastructure and access to markets are in reducing the consequences of inflation. It said that inflation in rural areas is frequently not recorded correctly. Mukherjee and Singh (2022) investigated how people react to inflation, using ideas from behavioral economics. Their research showed that inflation causes worry, tension, and a lack of faith in the future of the economy. These answers affect how confident people are in their purchases and how much they spend. Their analysis shows that inflation studies need to consider psychological aspects.

Objectives of the Study

- To assess the influence of inflation on the purchasing power & common man savings.
- To examine changes in consumption patterns due to inflation.
- To evaluate the psychological & economic stress caused by rising prices.

Hypothesis of the study

- *Null Hypothesis (H01):* There is no association between income level & impact of inflation.
- *Alternate Hypothesis (H01):* There is strong association between income level & impact of inflation.

Research Methodology

This study uses a descriptive and analytical research approach to find out how inflation affects regular people. Using stratified random selection, we chose 120 people to answer questions. This made sure that people of all ages, income levels, and job backgrounds were represented. The research used both primary and secondary sources to get its data. A systematic questionnaire was utilized to gather primary data on things like income, spending, savings habits, and people's views on inflation. Secondary data came from trustworthy and official sources, such as news from government websites. We used statistical methods including percentage analysis, correlation analysis, and the Chi-square test to look at the data. These tools gave both descriptive and inferential results.

Data Analysis and Interpretation

Table 1: Respondent's Demographic Profile

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Categorical Data	Classifications	No. of Respondents (Frequency)	Percentage (%)
Agewise	18 to 30	40	33.330%
	3 to 45	45	37.501%
	46 to 60	25	20.830%
	60 & above	10	8.331%
Incomewise Level	< Rs. 20,000	28	23.330%
	Rs. 20,000 – Rs. 50,000	47	39.170%
	Rs. 50,000 – Rs. 1,00,000	35	29.170%
	> Rs. 1,00,000	10	8.33

Table 2: Impact on Purchasing Power

Indicator (s)	Agree (%)	Neutral (%)	Disagree (%)
Monthwise budget exceeds income	68.0%	15.1%	17.0%
Reducing dining out frequency	75.1%	10.1%	15.0%
Cutting down on non-essential shopping	70.1%	18.0%	12.1%

The statistics clearly shows that most of the people who answered felt that inflation is growing faster than their income. Because of this, they have to cut down on things that aren't necessary, like going out to eat and shopping. This shows that families have less money to spend on things they don't need and that the cost of living is going up.

Table 3: Impact on Savings

Monthly Savings Trend	No. of Respondents	Percentage
Significantly Reduced	58	48.330%
Reduced Slightly	38	31.671%
Remained the same	16	13.330%
Increased	8	6.671%

The table reveals that over 80% of respondents experienced a decline in their savings, with nearly half reporting a significant reduction. This indicates that inflation is severely limiting the capacity of individuals to set aside money for the future. The trend highlights growing financial vulnerability among the population.

Table 4: Chi-square Test

(Association between Income & Inflation Impact)

Particulars	Value

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Calculated Value (Chi-square)	16.421
Degrees of Freedom (DF)	6
Table Value at 5% Significance Level	12.590
Null Hypothesis (H01): There is no association between income level and impact of inflation.	

The null hypothesis is not true since the computed Chi-square value (16.421) is higher than the table value (12.590). This shows that there is a strong link between income level and how inflation affects people. So, people of different economic levels have quite different experiences with inflation.

Table 5: Psychological Stress

Response to Price Hikes	% Respondents
Anxiety over future extravaganza	64.0%
Reduced satisfaction level in lifestyle	58.1%
Fear of job in-security	45.1%

The research demonstrates that inflation causes a lot of mental stress. For example, 64% of people are worried about how much things will cost in the future, and more than half say they are less happy with their lifestyle. 45% of those who answered said they were also afraid about losing their jobs. This shows that inflation hurts both mental health and financial security.

Findings of the study

- Inflation lowers people's buying power, which means they have to cut down on both necessary and unnecessary spending.
- People's savings habits change a lot, particularly those with lower and intermediate incomes.
- Inflation makes people feel stressed, anxious, and less happy with their lives in general.
- There is a statistically significant link between income level and how inflation affects people.
- Most of the people who answered are doubtful that the government's efforts to control inflation would work.
- Many families have changed the way they buy things, frequently giving either quality or quantity.
- People are buying less expensive alternatives instead of branded goods since costs are going up.
- Inflation has made it hard to prepare for the long term financially.
- People said they put off or canceled big purchases like cars or appliances.

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- those with middle incomes have a harder time keeping their finances in check than those with higher incomes.
- People have been taking on more debt as a way to keep living the way they used to.
- Most people still don't know much about savings accounts that are linked to inflation.

Recommendations for the study

There are a number of things that may be done to lessen the negative impact of inflation on common man. To safeguard the most vulnerable people in society, the government should improve public distribution channels and provide subsidies on basic goods. Inflation-linked bonds and other savings tools that are tied to inflation should also be promoted to assist people keep the true value of their assets. Starting of public awareness campaigns to teach common man how to handle their money well and deal with inflation. To make sure that pay policies, particularly minimum wages, are in step with current levels of inflation, they need to be reviewed and changed on a regular basis. Central banks should also maintain a close eye on the money supply and interest rates to keep inflation in check without slowing down growth.

Conclusion

Inflation is more than simply a sign of the economy; it is a constant and widespread force that impacts the mental health and financial stability of the average person. This research has clearly proved that inflation lowers the actual worth of income, which makes it harder to buy things and messes with family finances. Common man, particularly those with lower and intermediate incomes, are the most impacted since they have a hard time keeping up with their level of life. The effects aren't only financial; they also affect people's mental and emotional health, which may cause worry and uncertainty. People have to change how they spend their money, save less, and sometimes even borrow money to satisfy their fundamental requirements while inflation continues. The results show that inflation affects people differently, with low-income households bearing the brunt of its effects. Many common men are not confident whether the government's current efforts to fight inflation will work. There is a substantial gap between monetary policy and the alleviation that people really feel. The research shows that we need to act quickly and with a clear purpose. Policymakers need to take a multifaceted strategy that involves changing how wages are set, making public distribution networks better, and encouraging savings instruments that safeguard against inflation. People need to learn more about money so they can better handle price changes. Central banks should keep an eye on the balance between controlling inflation and encouraging economic development. Inflation has bad repercussions on common man, but they can only be lessened via such broad and aggressive steps.

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