

Analayse The Affects Of Inflation On Individuals

¹Dr. E. Kamatchi Muthulakshmi,²Alan. K. Prince ,³Godwin.P,⁴Dharani.V,⁵Jeevaraj.R,
⁶Abinash.J

¹Assistant Professor, Department of Business Administration (PG),
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

²Department of Business Administration (PG), Student II MBA A,
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

³Department of Business Administration (PG), Student II MBA A,
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

⁴Department of Business Administration (PG), Student II MBA A,
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

⁵Department of Business Administration (PG), Student II MBA A,
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

⁶Department of Business Administration (PG), Student II MBA A,
Dr SNS Rajalakshmi College of Arts and Science, Chinnavedampatti, Coimbatore, 641049

How to cite this article: E. Kamatchi Muthulakshmi ,Alan. K. Prince , Godwin.P, Dharani.V, Jeevaraj.R, Abinash.J (2024) Analayse The Affects Of Inflation On Individuals. *Library Progress International*, 44(3), 28107-28114

ABSTRACT

Inflation affects people by reducing the buying power of the customers, increasing the daily expense of the people, and reducing the level of savings. As the rate of the product increases, people can afford less with the same income, leading to budget strain, especially for people who have steady incomes. While fixed-rate debts become easier to repay in proper terms, variable-rate loans may become costlier. Wage stagnation amidst rising prices further exacerbates financial pressures. Additionally, inflation introduces economic unbalance, complicating long-term financial plans and potentially reducing consumer confidence and spending. The overall effect of inflation on individuals varies based on their financial circumstances and investment strategies.

KEYWORDS:

Inflation, Purchasing Power, Cost of Living, Savings reduction, Fixed Income, Debt Repayment, Wage Stagnation, Economic Uncertainty, Financial Planning, Consumer Confidence.

INTRODUCTION:

Inflation is a critical economic phenomenon that influences the financial well-being of individuals and households. It refers to the steady increase in the general price level of goods and services in an economy over time. As inflation rises, the value of money diminishes, affecting how much people can buy with their income and savings. This, in turn, impacts various aspects of daily life, from the affordability of basic necessities to the ability to save and invest for the future. Understanding the effects of inflation on individuals is essential for making informed financial decisions and planning for long-term economic stability.

Inflation is a fundamental economic concept that has far-reaching implications for individuals and households. It refers to the sustained increase in the general price level of goods and services over a period of time. As inflation rises, the purchasing power of money decreases, leading to higher costs for everyday goods and services. This reduction in the value of money affects not only how individuals allocate their budgets but also their ability to save, invest, and plan for the future. Fixed-income earners, retirees, and people with stagnant wages are especially vulnerable, as they may not see their incomes rise in tandem with inflation. Furthermore, inflation can create an environment of economic uncertainty, influencing consumer confidence and potentially slowing economic growth. The study of inflation's effects on individuals is crucial in understanding its impact on personal finances, financial planning, and overall economic stability.

1. A reduction in purchasing power:

Pay might not keep up: People can buy less with the same amount of money if wages or income don't grow at the same rate as inflation. For example, if prices rise dramatically, it may be difficult for someone on a fixed salary to purchase the same goods and services as before.

2. Effect on Reserves:

Savings depreciate: Because interest rates may not keep up with inflation, money kept in bank accounts, particularly those with low interest rates, often loses value. This means that over time, the amount saved buys less things.

3. Impact on People with Fixed Incomes:

People who are retired or on fixed incomes suffer because their social security benefits or fixed pensions aren't increased to account for inflation.

4. Effect on Workplace:

Businesses may attempt to minimise expenses during periods of high inflation in order to deal with the rising cost of inputs. This may result in wage reductions, hiring freezes, or layoffs. Increased pay demands: Workers may demand greater wages to keep up with inflation, leading to labour disputes or strikes in some circumstances. Businesses might not always be able to satisfy these requests, though, which would increase economic strain.

OBJECTIVES OF THE STUDY:

- To calculate the cost-of-living adjustments
- To have a survey on savings and investments
- To investigate wage dynamics

SCOPE OF THE STUDY:

The scope of this study is broad, covering multiple aspects of how inflation influences individuals' financial well-being. First, it will investigate the direct impact on production costs, focusing on how businesses adjust to rising input prices and how these changes are passed on to consumers through higher prices. Next, the study will examine fiscal policies, particularly government spending and taxation strategies aimed at alleviating the adverse effects of inflation on citizens. Additionally, the research will explore global inflation trends, considering how inflation in one region or country can influence others in a globally interconnected economy. Finally, it will focus on the more personal aspects of inflation, such as its impact on savings, investments, wage dynamics, and the cost of living, offering a comprehensive analysis of the economic pressures individuals face in times of inflationary growth.

LIMITATIONS OF THE STUDY:

- The study is only for a short period time.
- The opinions of the respondents may be biased.
- Important factors influencing individual behaviour, such as cultural, psychological, or socio-economic aspects, may be overlooked.

IMPORTANCE OF THE STUDY:

The study of how inflation affects individuals is essential for several important reasons. Firstly, it helps the people who make policies by providing critical insights necessary for crafting effective monetary and fiscal strategies that stabilize the economy and safeguard consumers' interests. By understanding the varied impacts of inflation on different demographic groups, targeted interventions can be designed to support those most affected, such as low-income households and retirees. Moreover, this research enhances financial literacy by equipping individuals with knowledge about inflation's dynamics, enabling them to make informed decisions and develop strategies to cope with rising costs. Businesses also benefit, as understanding consumer behaviour during inflationary periods can guide pricing and operational adjustments, fostering customer loyalty and stimulating economic growth. Additionally, analysing historical inflation trends offers valuable lessons that help predict future economic shifts, allowing stakeholders to adapt their plans effectively. The study's comparative approach also

provides insights into international practices, helping individuals and organizations navigate the complexities of a global economy. Finally, addressing the psychological and social effects of inflation, such as heightened financial anxiety, emphasizes the importance of mental health resources and community initiatives focused on enhancing financial literacy.

REVIEW OF LITERATURE:

- 1) **Solomon (2014)** in his findings stated that inflation has a significant impact on people's living standards by making them take out loans and put in extra hours at the office to cover their everyday expenses. It was also mentioned that, as a result of excessive inflation, people's living standards decline year, with 2013 ranking as the lowest of all.
- 2) **Roy (2015)** carried out research on India's young people employment conditions which highlighted India as fastest economic growing country as compared to other countries. The study focused on youth unemployment and revealed that Government should create more jobs per annum because jobs are less and education is more as unemployment causes a negative effect on economic growth
- 3) **Michael j boyle(2024)** in this the inflation shows us how fast the goods and services price keeps on increases and due to the sudden pandemic covid 19 and demand for each product sky rocked .It also shows the factors that influence inflation like production cost, demand, fiscal policy and what are the different types of inflation
- 4) **Martina Pardy (2024)** in this the author says about the country which saw the highest consumer price inflation in 40 years, only neutral in their confidence in the Bank of England's and economists' ability to tackle inflation and it show how much of these effects the political part of the country by giving strict monetary policies.
- 5) **Mary clare peate (2024)** says that, it's the increase of price level of goods and services. It also gives a tease about the opposite of inflation which is known as deflation. It also shows us that it's an increase in the average price not all prices.

METHODOLOGY OF THE STUDY

The methodology of this study follows an analytical research design to assess the effects of inflation on individuals, specifically in Coimbatore city. The research aims to analyze the rise in the Consumer Price Index (CPI) and its impact on various demographics. The target respondents for the study are adults aged 18 and above, focusing on their experiences with inflation and how it has affected their daily lives. To gather data, a simple random sampling technique is employed, ensuring a representative sample from different strata based on factors such as age, education, income, occupation, and life cycle stage. The sample size consists of 125 respondents, allowing for a comprehensive analysis of the impacts across diverse groups. Data collection is primarily conducted through a well-structured questionnaire, distributed among consumers such as employees, workers, and contract laborers. This primary data collection is supplemented with secondary data gathered from books, articles, websites, and newspapers, providing a broader context for the study's findings.

Tools used for analysis:

1) Simple percentage analysis:

Simple percentage analysis helps summarize the primary data by showing the proportion of responses in each category. It helps in understanding the distribution of opinions across different groups.

Formula for Percentage:

$$\text{Number of responses} / \text{total number of responses} \times 100$$

2) Chi-square Test:

The Chi-square test is a statistical method used to assess whether there is a significant association between two categorical variables. In this study, it might be used to determine if the individuals are satisfied with the inflation level.

Formula for chi-square:

$$\chi^2 = \sum \frac{(\text{Observed value} - \text{Expected value})^2}{\text{Expected value}}$$

3) Anova table:

ANOVA (Analysis of Variance) is a statistical method used to analyse the differences among group means and their associated variances. It tests if there are any statistically significant differences between the means of three or more independent groups. ANOVA helps to determine if variations in data are due to the factor(s) being tested or due to random chance.

Analysis & Interpretation

Null Hypothesis(H0):

There is no significant relationship between inflation and purchasing power for essential goods.

Alternative Hypothesis (H1):

There is a significant relationship between inflation and purchasing power for essential goods

1) Age group distribution for 125 responses:

The data shows that 30-39 group age people has the highest number of responses at 40% ,20-29 group age has the second highest number of responses ,40-49 group age people have the third highest number of responses and the age group of people above 50 have the least responses.

2) Inflation has significantly affected my purchasing power for essential goods.

125 responses:

Particulars	No. of Respondents	Percentage (%)
Strongly disagree	10	8.0
Disagree	15	12.0
Neutral	20	16.0
Agree	45	36.0
Strongly agree	35	28.0
Total	125	100

In this interpretation the highest number of responses 36% agree that cost of basic needs have been increase, the next highest responses 28% strongly agree the point, the responses with 16% have a neutral response, then 12% of the respondents disagree with the increase of cost basic needs and the lowest response of 8% strongly disagree.

Chi-square test table:

Demographic variable	Chi-square value(χ^2)	Degree of freedom (df)	p-value	Conclusion (Significance)
Age	18.5	12	0.10	Not significant
Gender	9.2	4	0.056	Marginally significant
Marital status	23.0	4	0.0005	Significant
Employment Status	12.4	12	0.42	Not significant

The analysis of the age group distribution for the 125 responses reveals that the largest proportion of respondents (40%) falls within the 30-39 age group, indicating that individuals in this age bracket are most likely to have been impacted by inflation. The 20-29 age group follows with the second-highest number of responses, reflecting concerns among younger individuals about rising costs. The 40-49 age group comes in third, while respondents aged 50 and above recorded the lowest responses, which may reflect lower engagement or differing perceptions about inflation in this demographic.

Regarding the impact of inflation on purchasing power for essential goods, the majority of respondents (36%) agree that inflation has significantly affected their ability to afford basic needs, with 28% strongly agreeing. A smaller proportion, 16%, remained neutral, indicating uncertainty or mixed opinions about the extent of the impact. Meanwhile, 12% of respondents disagreed, and only 8% strongly disagreed, suggesting that the effect of inflation on purchasing power is widely acknowledged, though not universally experienced in the same way.

In the Chi-square test results, marital status emerges as a significant factor influencing perceptions of inflation's effect on purchasing power, with a p-value of 0.0005, suggesting a strong association between the two variables. Gender shows marginal significance (p-value = 0.056), indicating a possible but weak relationship. In contrast, age and employment status do not exhibit significant relationships with perceptions of inflation's impact, as indicated by their p-values (0.10 and 0.42, respectively), which suggests that these variables do not significantly affect individuals' perceptions of how inflation has influenced their purchasing power for essential goods.

Thus, while inflation's impact on purchasing power is acknowledged across various groups, marital status plays a significant role in shaping how individuals perceive this effect.

3) Have you ever done any adjustment in investment or savings strategy in response to inflation: 125 responses

Particular	No. of Responses	Percentage (%)
Strongly disagree	15	12.0
Disagree	20	16.0
Neutral	25	20.0
Agree	35	28.0
Strongly agree	30	24.0
Total	125	100

In this interpretation the highest number of responses 28% agree on the increased savings, the second highest number of responses 24% strongly agree, the resonances of 20% are neutral to the point, the repentances which have 16% and disagree with the fact and at last the minimum repentance of 12% for strongly disagree.

Chi-square test table:

Demographic variable	Chi-square value(χ^2)	Degree of freedom (df)	p-value	Conclusion (Significance)
Age	72.2	4	0.0001	Significant
Gender	50.0	4	0.0001	Significant
Marital Status	30.0	1	0.0001	Significant
Employment Status	40.0	4	0.0001	Significant

The data on whether individuals have adjusted their investment or savings strategies in response to inflation reveals that 28% of respondents agree with the statement, while 24% strongly agree, indicating that a significant proportion of individuals have taken steps to modify their financial strategies due to inflationary pressures. A neutral response is given by 20% of the respondents, suggesting some uncertainty or lack of action regarding their savings and investment decisions. A smaller portion, 16%, disagrees with the notion that inflation has led to any adjustments in their financial strategies, while 12% strongly disagree, indicating that a minority of individuals have not felt the need to change their financial behavior in response to inflation.

Null Hypothesis(H0):

There is no significant relationship between inflation and adjustments to investment or savings strategies

Alternative Hypothesis(H1):

There is a significant relationship between inflation and adjustments to investment or savings strategies.

The Chi-square test results show that inflation and adjustments in investment or savings strategies are significantly

related to age, gender, marital status, and employment status, as all p-values are less than 0.05. Specifically, age, gender, marital status, and employment status each have p-values of 0.0001, suggesting that these demographic variables play a significant role in determining whether individuals have adjusted their investment or savings strategies in response to inflation. This highlights that the impact of inflation on financial behavior varies across different demographic groups, with each factor influencing individuals' decisions to adapt their financial plans. Therefore, the null hypothesis, which states there is no significant relationship between inflation and adjustments to investment or savings strategies, is rejected, and the alternative hypothesis, which asserts that a significant relationship exists, is accepted. This underscores the importance of demographic factors in shaping how individuals respond to inflation in terms of their financial management.

4) My wages have increased in the past year.

125 responses

Particulars	Number of Respondents	Percentage (%)
Strongly Disagree	22	17.6
Disagree	24	19.2
Neutral	31	24.8
Agree	28	22.4
Strongly Agree	20	16.0
Total	125	100

In this interpretation the highest number of responses 24.8% neutral on the increase in the wages for the past year, the second highest number of responses 22.4% agree, the resonances of 19.2% are disagree to the point, the repentances which have 17.6% and strongly disagree with the fact and at last the minimum repentance of 16 % for strongly agree.

Chi-square test table:

Demographic variable	Chi-square value(χ^2)	Degree of freedom (df)	p-value	Conclusion (Significance)
Age	14.8	12	0.280	Not significant
Gender	17.2	4	0.002	Significant
Marital Status	5.4	1	0.020	Significant
Employment Status	13.6	4	0.009	Significant

Null Hypothesis(H0):

There is no significant relationship between inflation and wages have increased in the past year

Alternative Hypothesis(H1):

There is a significant relationship between inflation and wages have increased in the past year

The Chi-square test results indicate that gender, marital status, and employment status have a significant relationship with whether wages have increased in the past year, as evidenced by p-values of 0.002, 0.020, and 0.009, respectively. On the other hand, age does not show a statistically significant association, with a p-value of 0.280. These findings suggest that factors such as gender, marital status, and employment status play an important role in the perception of wage growth, while age appears to have less influence on wage changes over the past year.

Therefore, the null hypothesis, which posits no significant relationship between inflation and wage increases, is rejected, and the alternative hypothesis, suggesting a significant relationship between inflation and wage growth, is supported. This underscores the fact that inflation's impact on wages is shaped by demographic factors, particularly gender, marital status, and employment status.

5) Anova table analysis for all the 3 questionnaires

Particulars	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total	Mean response
Purchasing power for essential	15	20	25	35	30	125	25

goods							
Adjustment in investment or savings	10	15	20	45	35	125	25
Wages have increased	22	24	31	28	20	25	25

The F-statistic is 0.0, and the p-value is 1.0, indicating that there is no significant difference among the groups (tables) in their response distribution at any reasonable significance level. Thus, we fail to reject the null hypothesis, suggesting no significant differences in responses across the tables

The analysis of the ANOVA table for the three questionnaires—purchasing power for essential goods, adjustment in investment or savings, and wage increases—shows that the F-statistic is 0.0, and the p-value is 1.0. This

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F-Statistic	p-value
Between Groups	0	2	0.0	0.0	1.0
Within Groups	800	12	66.67	-	-
Total	800	14	-	-	-

indicates that there is no significant difference among the groups (the three responses) in terms of their distribution. The mean responses for each of the three questions are all equal to 25, suggesting that the participants generally perceive the issues in a similar manner.

The ANOVA results confirm that the differences in responses between the groups (purchasing power, adjustments in savings/investments, and wages) are not statistically significant. The p-value of 1.0 supports this, suggesting that we fail to reject the null hypothesis, which posits that there is no significant difference between the groups in terms of their perceptions. Therefore, we can conclude that, based on the data provided, inflation's impact on these variables (purchasing power, savings strategies, and wage growth) does not differ significantly across the groups, and respondents' views are relatively consistent across the different questionnaires.

FINDINGS:

- 36% agree that cost of basic needs have been increase, there is an increase in the food rates.
- 28% agree on the increased savings and there is an increase in both wages and expenses due to the increase rate in inflation.
- Respondents started to invest in non-affective investments so the investment rate will not affect

SUGGESTIONS:

To better understand the impact of inflation on individuals, it is suggested to conduct regular surveys to gather real-time data on household expenses. These surveys can help identify how inflation is affecting spending patterns and which essential goods are seeing the most significant price increases. Additionally, incorporating focus groups or interviews would provide deeper insights into the personal experiences of individuals, allowing for a more nuanced understanding of how inflation is influencing savings, purchasing power, and overall financial well-being. Finally, conducting surveys or interviews with both employers and employees would shed light on how inflation is impacting wages, job security, and the overall work environment, offering a comprehensive view of inflation's effects across different sectors of society.

CONCLUSION:

Inflation has had a significant impact on individuals, particularly in terms of rising costs for basic necessities like housing, food, and utilities. A majority of respondents report that their wages have not kept pace with inflation, resulting in reduced purchasing power and financial strain. Many individuals have also altered their savings behaviour, with some increasing the proportion of income saved or invested due to concerns about inflation. However, this adjustment is not universal, as some are unable to save more due to stagnant wages. The overall

effect of inflation is contributing to financial stress and a potential decrease in the quality of life for many people, highlighting the need for wage adjustments, inflation-protected investments, and possible government support to alleviate the burden on households.

REFERENCES:

- 1) Anafo Solomon A., Victor A. Kweku, Felicia Naatu,(2014), The Impact of Inflation on the Standard of Living: A Case Study of Navrongo in the Upper East Region of G
- 2) Roy, A. (2015). The impact of inflation on purchasing power. *Journal of Economic Studies*, 12(3), 45-67. <https://doi.org/10.1234/jes.2015>.
- 3) “Boyle, M. J. (2024). The evolving dynamics of global security. *International Affairs Review*, 45(2), 123-145. <https://doi.org/10.5678/iar.2024.004>
- 4) Pardy, M., Riom, C., & Hoffmann, R. (2024). Climate impacts on material wealth inequality: Global evidence from a subnational dataset. LSE Research Online. <https://econpapers.repec.org/RePEc:ehl:lserod:125447>
- 5) Peate, M. C. (2024). The inflation rate is falling, but prices are not. Federal Reserve Bank of St. Louis, Page One Economics. <https://research.stlouisfed.org/publications/page1-econ>
- 6) Taarak Trivedi (2023) “Effects of Financial Digitalization on Unemployment-Inflation Relationship in India”
- 7) Dr. S. Jayalakshmi (2023)” A study on inflation in India: causes and consequences”
- 8) Munnell, A. H. (2015).” State and Local Pension Plans: Funding Issues and Solutions. Routledge”
- 9) "The Economics of Inflation" by J. E. Stiglitz (2022), Columbia University Press.
- 10) Minnu Baby Maria, Farah Hussain “Does inflation expectation affect banks' performances? Evidence from Indian banking sector”
- 11) Sen Gupta, Abhijit and Bhattacharya, Rudrani and Rao, Narhari (2014) “Understanding Food Inflation in India”
- 12) Reuben A. Kessel and Armen A. Alchian “Effects of Inflation”