



A STUDY ON INFLATION AND ITS IMPACT ON CONSUMPTION OF SELECTED ESSENTIAL COMMODITIES IN HYDERABAD - INDIA

Mohamed Zaheeruddin

Research Scholar, Rayalaseema University, Kurnool, Andhra Pradesh

Dr. Mohammed Osman Ahmed*

Principal, Presidency School of Management Studies, Hyderabad, Telangana
*Corresponding Author

ABSTRACT

Inflation is one of the key in economic growth of a nation. It is a worldwide phenomenon which makes every country ponder, either to control in some situations or to rid off in other. Though some inflationary pressures are inescapable, in developing countries like India. It is, in any case, critical that it doesn't intrude on relentless and rising energy of economic growth. Inflation, particularly in developing countries if not controlled may lead to see worst situations where most affected are common man and their consumption. In most recent years India has passed in to the extensive downturn situation, where even the most important essential commodities has seen a sky touch price and affected the most vulnerable groups changing their consumption patterns of commodities though they are ought to be most essential. Present paper aims to study inflation and its impact on consumption of selected essential commodities in India referring to Hyderabad city in Telangana state.

KEYWORDS :Developing countries, Economic growth, Essential commodities, Inflationary pressure.

INTRODUCTION:

Inflation assumes a key part in economic growth of a nation. In the brief introduction, it is uncovered that Inflation ended up noticeably hindering with the landing of Paper money. The financial expert around the world propounded their particular speculations managing Inflation and economic growth. A social noteworthiness between the Inflation and Economic Growth particularly in a creating economy like India needs advance deliberation. A country ought to have healthy citizens who can only be productive to enhance the output of goods and services entailing the national growth through their constant and substantial contribution. Their sound health, irrespective of their economic status, does solely depend on the quality of the essential commodities what they consume in day to day life. This is the point where the significance of essential commodities needs to be realized in a community from a bird's eye view. In India, the Government has the power under the Essential Commodities Act, 1955 to declare a commodity as essential and to ensure its availability to its people at reasonable prices (ECA 1955).

Food, clothing and shelter are the basic needs of a common man, without which his survival becomes difficult. Hence these general and minimum requirements should be available in a very affordable and convenient manner to each and every citizen of India, if not a person's survival can become difficult. In modern era the most talked about terms in general and specific is a continuous raise in prices of essential commodities. The Government, marketers and policy formulators are in its measures to control the essential commodity prices and tries to bring confidence among the people through its various efforts, but still the situation is not under control.

Chart-1: Inflation in India- Base Year 2012



Source: Ministry of Statistics and Implementation Programme (MOSPI).
Assessed from: tradeconomics.com

REVIEW OF LITERATURE:

Inflation is the situation where the prices of products increases and

the purchase power of consumer decreases and causes vulnerability to certain group of people leaving them destitute.

Inflation affects all segments of the society but mostly to the middle and poor. Many reasons may be pointed out for the causes of inflation; under demand side factors that affect are money supply increase, disposable income escalation, financing deficit, Forex reserves. On the other hand of supply side; price rise of products, unpredictable growth in agriculture, agro-price policy, extensive industrial growth. Any reason for inflation leaves a weakened economy and negative impact on weaker section citizens of a nation (Mahbubani.M and Chandramouli.V 2017).

In a study on the impact of food inflation on middle class consumers' with reference to household consumption of milk in Thane city, Mumbai, researchers found that there has been increasing trend in inflation in primary food articles over the years. It has been seen that, household milk consumption in upper middle class is higher compared to lower middle class consumers; as the income grows the awareness and affordability for nutritional diet increases (Kishore and Gabhane, 2012). Researchers have observed that a speculative move on commodity market distort prices, reinforces instability, promotes market inefficiency and periodically entails the formation of bubbles (Wahl, 2008).

Public Distribution System (PDS) plays an important role not only in the availability of commodities but also in providing essential items at reasonable price. However, the effectiveness of PDS is questioned by many, in a study on PDS in Satara District of Maharashtra Sawant and Jadhav (2013) have observed that only 29% of the people are satisfied with the current public distribution system in the study area. Further, it also has been found that lack of integrity on fair prices and timely supply is a biggest drawback of PDS system to the deprived sections of the area.

Twenfour et al. (2014) has conducted a study "a Statistical Model of Prices of Essential Commodities in Ghana". The study is to report an "index" that can be used as a measure of the standard of living of Ghanaians, and developed nine (9) principal components (indices such as food, transport, communication, housing etc.). With these indices, a comprehensive, comparative analysis of the cost of living for the nine Regions was carried out. And found that there is a significant different style of living and spending pattern based on the areas and regions.

A study conducted on The Effect of Increase in Wage and Fringe

Benefits on the Productivity of Workers in Nigeria: A Case Study of Federal Ministry of Transportation, Enugu, Nigeria. Yida M.N. (2015), and found out that the monetized fringe benefits could only satisfy the basic need of staff to a very small extent. This is because the monetized benefit is not sufficient to meet the basic need of workers such as food, clothing, shelter, hospital bills and school fees. It is only when the basic needs of workers are satisfied that one can get the best out of them. Finally, the researcher found out that improved fringe benefits will reduce the agitation for salary increase to a very small extent. This is because there are other factors that influence salary agitation, for instance high cost of living and inflation that affects the purchasing power of workers. These factors made it impossible for them to manage the salary paid to them. Moreover, the salary that is paid is not a living wage and so not enough to buy what the workers need, because it is not sustainable. Harish and Mamata (2015) has conducted a study on Inflation and its impact on consumption pattern of daily household items in middle class income group of Pune city and found that, the quantities consumed by middle class families before inflation and after inflation is the same but for the lower income group price as well as consumption pattern has changed. Monthly saving gets affected for the majorities of the income group due to increase in rate of food prices. Lower income group has been effected more than compared to middle and high income people.

INFLATION MEASUREMENT INDIAN CONTEXT

In India inflation is measured using Wholesale price index (WPI), Consumer Price Index (CPI) and Gross Domestic Product (GDP) deflator (Patnaik.I. et.al 2011). Under Whole sale Price Index, the index basket comprise of producer goods at wholesale prices where as in Consumer Price Index the basket consists of consumer goods in which consumers are scattered as Industrial labors, rural and urban. GDP deflator on the other hand specifies inflation where a base year inflation itself is reflected as base for measuring inflation trend. Under GDP deflator no precise baskets of goods is deliberated rather basket changes from year to year based on consumption patterns and investment procedures of common man. GDP deflator persist to be similar as WPI (Nadhanel and Pattnaik 2010).

IMPORTANCE OF THE STUDY:

Essential commodities play a vital role in every human beings life and it cannot be expected a world without these. As these are very essential it must reach all in a way they can be easily affordable. But unfortunately there is a very bitter experience observed in the price trends of these essential commodities (upper direction) which has significant effect the public consumption, according to United Nations Food and Agriculture Organization "World food prices are roughly doubled since 2006 and most spectators guess still it will be high (Marktanner.M and Noiset L.P 2013). Neither Marketer, consumers, policy makers, Government is able to control the situation. As mentioned in the literature review many researches have been conducted relating to this area but certain factors like types of commodities, time period, geographical area, are varied from this research. Moreover the present study also attempts to suggest some measures how to overcome or control the situation to possible extent.

OBJECTIVES OF THE STUDY:

1. To analyze the relationship of inflation and household consumption of local dwellers in Hyderabad city.
2. To explore the changes in the expenditure pattern among households in response to the price variations.
3. To identify the most vulnerable groups in response to inflation.

SCOPE OF THE STUDY:

The study aims to investigate inflation and its impact on consumption of selected essential commodities in city of Hyderabad, India. The results of the study may be helpful for the policy formulators and marketers to take precautionary steps over to control.

RESEARCH METHODOLOGY:

The study the effect of inflation on the consumption of essential commodities Hyderabad city has been selected decisively, as Hyderabad is well known for its diverse group of people because of its popularity and simplicity of living. Due to its attractiveness people from different states also migrates and settles here. Thirty households has been selected randomly from ten different residential areas viz., Ameerpet, Saroor Nagar, Asif nagar, Falaknuma, Qutubullahpur, Gagilpur, Miyapur, Manneguda, Venkatapur, Satmarai. For the study under which the data will be gathered through structures questionnaire considering the consumption patterns of ten randomly selected essential commodities categorized into four broad categories over two years.

DATA ANALYSIS:

The major affected segment in a country due to inflation is common public who buys and consumes the commodities and services. The CPI, WPI and Deflator all the inflationary measures assigns more weights to the consumer foods items, hence the present paper is conducted to study the trend of inflation in certain selected essential commodities under food and fuel category.

Table-1: Sample commodities collected for analysis

Group No.	Groups	Sl.No.	Commodity
I	GENERAL PROVISIONS	1	Wheat
		2	Gram Dal
		3	Sunflower Oil
		4	Rice
II	VEGETABLES	5	Potatoes
		6	Tomatoes
		7	Cauliflower
III	FRUITS	8	Banana
		9	Apple
IV	FUEL	10	Petrol

These 10 commodities grouped into categories are analyzed to know the relationship of inflation and household consumption. The below table depicts the mean averages of inflation, consumption and expenditure of selected essential commodities over sample respondents.

Table-2: commodity wise inflation, consumption and expenditure averages for 2015-2017

Commodity	Inflation Average 15-16	Inflation Average 16-17	Consumption Change 15-16	Consumption Change 16-17	Expenditure Change 15-16	Expenditure Change 16-17
Wheat	0.04	0.08	0.00	0.00	0.119	0.050
Gram Dal	0.46	0.04	0.00	0.01	0.145	0.082
Sunflower Oil	0.06	0.02	0.02	0.00	0.166	0.032
Rice	0.04	0.08	0.00	0.02	0.121	0.040
Vegetables	0.07	-0.09	0.04	0.03	0.083	0.044
Fruits	0.00	-0.17	0.07	0.00	0.143	0.016
Petrol	-0.05	0.03	0.14	0.13	0.144	0.134

Source: computed inflation mean averages based on data available from Annual publication on price statistics, Directorate of Economic and Statistics, Government of Andhra Pradesh and Telangana- Hyderabad.

Consumption and expenditure pattern are gathered from field survey.

The above table shows the mean average changes of inflation from year 2015-16 to 2016-17 where wheat and rice prices has changed in average from 0.04 to 0.08 almost showing the double increase gram dal and oil showed constant with slight average price variation.

Consideration of vegetables and fruits the prices in 2016-17 shows a negative figure over 2015-16 showing the decrease in prices (vegetables 0.07 to -0.09 and fruits 0.00 to -0.17) petrol price has again showed a significant increase from -0.05 to 0.03.

To analyze the correlation between these inflation, consumption and expenditure patterns of the sample respondents Pearson correlation has been applied and the below table depicts the correlation matrix: The above table analysis reveals that there is no

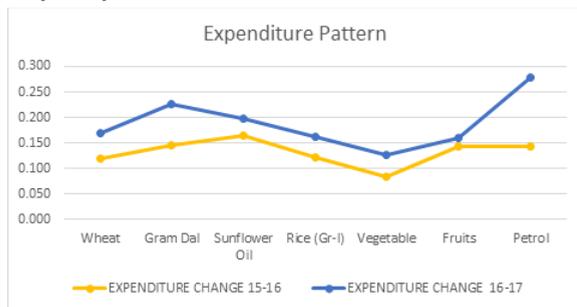
Table-3: correlation between inflation, consumption and expenditure for 2015-2017

	Inflation 15-16	Inflation 16-17	Consumption change 15-16	Consumption change 16-17	Expenditure change 15-16	Expenditure change 16-17
Inflation 15-16						
Inflation 16-17	.180					
Consumption change 15-16	-.523	-.324				
Consumption change 16-17	-.346	.136	.849 [*]			
Expenditure change 15-16	.122	.160	.192	.059		
Expenditure change 16-17	.105	.406	.568	.864 [*]	.144	

*. Correlation is significant at the 0.05 level (2-tailed).

significant relationship between inflation and consumption for selected essential commodities over sample respondents. Though it is observed a negative correlation between inflation and consumption of commodities for year 2015-2016 (r= -0.523), however the correlation coefficient was not significant. Similarly it is also observed insignificant positive correlation between inflation and commodity consumption for the year 2016-17, the correlation coefficient (r= 0.14) was not significant. Hence it can be clinched that consumption of selected essential commodities does not associate with inflation.

Chart-2: Expenditure pattern of selected commodities over Sample respondents



From the above chart it can be observed that the expenditure pattern among the sample respondents has shown a substantial increase over all most all commodities from year 2015-16 to 2017-18.

SUGGESTIONS AND CONCLUSIONS:

The study reveals that though the inflation (price rise) is found in most of the commodities the consumption has no affect, this was because of the selected commodities being most essential. Without the consumption of these commodities no individual can survive and hence these are consumed by the people though they are available in increased prices over the years. It is also observed in the study that along with the consumption increase from 2015-16 to 2016-17 the expenditure spent by the consumers on these commodities also increase. If there is price rise and proportionately consumption and expenditure on these consumption being most essential rises the people may suffer a lot if these prices are not controlled. Hence it is suggested that the policy makers and government should make considerable policies so as to which the prices must be under control and available in affordable price even to the poorest segments of the country.

LIMITATIONS:

The study is based on both primary and secondary data, where the prices of commodities has been studied based on the published sources of various statistical organizations which may be lineated to unreliable factors. Consumption and expenditure pattern has been studied based on questionnaire field survey which may be biased due to unscrupulous responses of the respondents.

SCOPE FOR FURTHER RESEARCH:

The study depicts that there is no significant relationship between price rise and consumption, this is due to the commodities selected being most essential and mostly under food categories. Also the study has not considered the proportionate income change of the respondents over the study period, hence there is a further scope of research to conduct study on non-food commodities and changes of prices of commodities proportionate to the income change in detail.

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