



A Study on Effects of Inflation on Middle Class People with Special Reference to Tiruppur City

KEYWORDS

Inflation, Middle class people, Standard of living.

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ABSTRACT Inflation is a persistent increase in the general price level of goods and services in an economy over a period of time. The main objective of this study are to identify the effect of inflation in middle class purchasing power in Tiruppur city and to identify the changes in life style and standard of living and to know about the awareness about inflation among the middle class people of Tiruppur city. For this research convenient sampling technique was selected. Statistical tools like chi square and weighted average method have been used. Thus the study helped to find out the difficulties that people of middle class face with the inflation. People have cut down the family's spending on entertainment. Though it is difficult to maintain a vehicle in middle class family they feel it is necessary and they were spending a valuable amount in that.

INFLATION

In economics, inflation is a persistent 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; it is a loss of real value, as a single dollar is able to purchase fewer goods than it previously could.

STATEMENT OF THE PROBLEM

Inflation, in recent years this affects the life of the people and country's economical stability. Specially inflation has caused a drastic change in the life style and standard of living in the middle class families. Hence the study gains important by studying the changes that inflation has caused among the middle class people, the remedial actions that the people have adapted to cope up with the inflation.

OBJECTIVES OF THE STUDY

1. To identify the effect of inflation in middle class purchasing power in tiruppur city.
2. To identify the measures taken to cope up with the inflation with special reference to Tiruppur 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 Tiruppur city.

SCOPE OF THE STUDY

1. To get suggestions from middle class people in controlling inflation
2. The lifestyle and spending pattern of the middle class people can be understood.
3. Helps to identify and understand the various difficulties faced by rising inflation of middle class people of Tiruppur city.

POPULATION AND SAMPLE SIZE

Samples can be defined as the selection of a part or a group with a view in obtaining about the whole middle class population of Tiruppur city and by convenient sampling method 400 samples was selected for the study.

SAMPLING METHOD- CONVENIENT SAMPLING

Convenient sampling is a non probability sampling technique where the subjects are selected because of their convenient accessibility and proximity of the researcher. The subjects are selected just because they are easiest to recruit for the study.

WEIGHTED AVERAGE FOR THE REMEDIAL ACTIONS TO COPE UP WITH THE INFLATION

| Actions to cope up with inflation | 4 | 3 | 2 | 1 | Weightage | Rank |
|---|--------------|--------------|--------------|--------------|-----------|------|
| Reducing Spending On Entertainment | 48 (192) | 90 (270) | 166 (332) | 96 (96) | 8.9 | 4 |
| Shifting Children From Matric To Government Schools | 80 (320) | 154 (462) | 126 (252) | 40 (40) | 10.74 | 1 |
| Reducing Spending On Medical Care | 148 (592) | 86 (258) | 72 (144) | 94 (94) | 10.8 | 3 |
| Planning Budgets With Purchases And Expenses | 168 (672) | 42 (126) | 64 (128) | 126 (126) | 10.52 | 2 |

INTERPRETATION

The above table shows that the middle class gives more importance to the people education, thus they rank that as the most important factor. Thus the middle class people prefer reducing spending on entertainment, planning budgets to run the family and reducing spending on medical care than shifting children from matriculation schools.

FINDINGS, SUGGESTIONS AND CONCLUSION FINDINGS

- ❖ Middle class people prefer education and they feel that is the way to develop themselves. Hence 41% of the respondents were graduates and had education up to school level.
- ❖ Most of the families have planned their family size according to their income range and family type, thus 64% of the respondents have only 4 members in their family.
- ❖ Individuals of middle class people have to earn in average to run their lives. Thus 42% of the respondents have income range of Rs.15, 000 to Rs.25, 000.
- ❖ It was found that 51% of the respondent's family income falls below Rs.50,000
- ❖ As their income is spent mostly for running day to day lives, 58% of the people do not have an own house.

- ❖ Middle class people feel that the children of their family should have valued education and so they prefer matriculation schools and private colleges for educating their children.
 - ❖ In this modern world people feels that two wheelers are unavoidable and thus 58% of the respondents has two wheelers in their homes.
 - ❖ Due to price hike, most of the people say 85% of respondents feel that family income was not enough to run the life with ease.
 - ❖ When the family income is not enough to run the life people will be searching for a new way to earn money, thus 77% of the respondents accepted that they are looking forward to make further earnings into the family.
 - ❖ People of middle class used to buy groceries mostly once in a week and some families prefer buying daily.
 - ❖ Though the price hike affects the spending on various aspects, middle class people were not ready to compromise with medical care.
1. Thus 42% of respondents said that they had spent below Rs.2, 000 and 22% of respondents said that it was Rs.2, 000 to Rs.5, 000 before inflation.
 2. Now 30% of people said that it is below Rs.2, 000 and 32% of respondents said that it is Rs.2, 000 to Rs.5, 000.
- ❖ Middle class people were very much concern about medical care and thus they prefer hospitals and clinics when their children are in need of medical care.
 - ❖ From the study it was found that 76% of the respondents agreed that they encourage savings in their families.
 - ❖ Before inflation 52% of the families have spent Rs.3,000 to 6,000 for transportations and now due to price hike and vehicles became necessary in homes, it have raised to Rs.6,000 to Rs.10,000.
3. Families having both two wheeler and four wheeler are spending more than Rs.10, 000 for transportation.
- ❖ It was found that 66% of the respondents said that they have not prepared budgets in their homes for running their life.
 - ❖ As price hike has made vast changes in all the aspects of the middle class people's life, 55% of the people agreed that inflation has affected their life style.
 - ❖ Even though inflation caused changes in most of the aspects of middle class people's lives, they were not ready to compromise with their children's education. Hence it was found that 34%of the people have said that inflation had affected children education.
 - ❖ It was known that 36% of the respondents said that their family savings has been affected by inflation.
 - ❖ When concerning about spending behavior most of the respondents said that inflation has affected it.
 - ❖ Middle class people were in need of loans from banks and financial institutions to fulfill their dreams. Hence 37% of the respondents have availed education loans and housing loans.
 - ❖ There was no relationship between the respondent age and the saving schemes they prefer, because the banks and their ATM facilities have reached them all.
 - ❖ There was no relation between the occupation of the respondents and the effect of inflation on children education, as everyone was very much concern about providing quality education for their children.
 - ❖ To cope up with the inflation people prefer the following options in the mentioned order.
4. Reducing spending on entertainment
 5. Planning budgets for purchases and expenses
 6. Reducing spending on medical care
 7. Shifting children from Matric schools to government

schools.

SUGGESTIONS

1. Government should take care to create entrepreneurs from the middle class people, hence it will helps in standardizing the living of them. Government should bring some specific schemes to develop middle class entrepreneurs.
2. Government and the educational institutions should understand the middle class peoples mind towards the education. Thus government should try to deliver quality education from government schools and private schools should concern in reducing the term fee.
3. In this modern world people think that vehicles in home are necessary. But middle class spends a considerable amount of money in this. So government should take necessary steps in stabilizing the price level of fuels.
4. When comes to private companies and institutions, it is recommended that the concerns should arrange adequate transportation facilities at free of cost or at a minimum cost. Thus it helps most of the families in reducing transportation cost and to add a little more to their savings.
5. Middle class people prefer bank deposits and accounts for savings. So banks and government may prefer setting interest rates with respect to family's income. Hence it helps in increasing currency flow and thus leads to economic development.
6. Chits are the second scheme that middle class prefer a=next to bank deposits. Governments should strict the guide lines for chit funds and ensure adequate safety for the money invested in chits.
7. Middle class are looking forwards to make further income beyond their routine. Thus it may lead people to invest money in insecure and criminal activities. So enough concern should be given to the agencies and companies who promise a high rate of return.
8. Most of the people of middle class were not aware of the term "INFLATION" and they meant it as "Price hike". Hence government should take necessary steps to create awareness among the people about inflation, the effects of inflation and also how to manage it.
9. People of middle class reduced the costs spent in entertainment. Hence the people visit the amusement parks have gone low in recent years. The management should take necessary steps to attract towards them thus nation's second highest income is through tourism and entertainments. When government and private managements should concern in attracting in middle class people.
10. Now RBI has announced that non account holders also can avail ATM facilities. This will surely increase currency flow between public and banks and institutions. RBI should introduce more schemes like this in order to facilitate increased currency flow.

CONCLUSION

The study was conducted for a period of four months and thus with a motive of analyzing the effects of inflation (price hike) on middle class people of tirupur city. Thus the study helped to find out the difficulties that people of middle class face with the inflation. People have cut down the family's spending on entertainment. Though it is difficult to maintain a vehicle in middle class family they feel it is necessary and they were spending a valuable amount in that. When middle class people are ready to cut expenses on entertainment, to prepare budgets and contract their spending they were not ready to compromise with children education and medical care of the family members, especially children. The middle people have agreed that their life style, spending nature were affected by the inflation.

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