

A STUDY ON THE IMPACT OF INFLATION ON HOUSEHOLD BUDGET WITH SPECIAL REFERENCE TO COIMBATORE DISTRICT

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ABSTRACT

This study examines the impact of inflation on household budget management, with special reference to Coimbatore district. Rising price levels across essential commodities such as food, fuel, housing, healthcare, and education have significantly influenced household spending patterns, saving behaviour, and financial decision-making processes. The study focuses on how households in Coimbatore are adapting their budgets to cope with inflationary pressures, and explores the challenges faced in maintaining financial stability. The research highlights the importance of financial literacy in managing inflation and suggests strategies for effective household budget planning. The findings indicate that inflation plays a critical role in transforming traditional household financial practices and emphasizes the need for structured budgeting approaches.

Keywords: *Inflation, Household Budget, Financial Management, Consumer Price Index, Cost of Living, Budgeting Strategies, Coimbatore District*

INTRODUCTION OF THE STUDY

Inflation has become one of the most significant macroeconomic challenges affecting the financial well-being of households across the world. Defined as the sustained rise in the general price level of goods and services over time, inflation directly reduces the purchasing power of money and compels households to reassess their spending and saving decisions. In recent years, households in Coimbatore district have increasingly faced the pressure of rising prices across essential expenditure categories including food and groceries, fuel and transportation, housing, healthcare, and education.

Inflation affects household budgets in multiple dimensions. When prices rise faster than income, households are forced to make difficult choices — cutting back on nutrition, reducing savings, delaying major purchases, or taking on debt to meet day-to-day needs. In a growing commercial and industrial hub like Coimbatore, where a large proportion of the population depends on fixed incomes, understanding the dynamics of inflation and its household-level impact is essential for financial planning and policy design. This study aims to analyse how inflation affects household budget allocation and evaluates the coping strategies adopted by households in Coimbatore district.

OBJECTIVES OF THE STUDY

- To study the impact of inflation on household budget management in Coimbatore district.
- To analyse the level of inflation awareness among households in Coimbatore district.

- To evaluate the effect of inflation on essential expenditure categories including food, fuel, housing, and healthcare.
- To identify the coping strategies adopted by households to manage inflationary pressures.

STATEMENT OF THE PROBLEM

In the modern economic environment, inflation has become an unavoidable reality that directly affects the financial stability of households. Rising prices across essential commodities and services place enormous pressure on household budgets, particularly for lower and middle-income families. In Coimbatore district, which is a rapidly developing commercial and industrial hub, many households — especially those dependent on fixed salaries or informal employment — still lack the financial literacy and budgeting skills necessary to effectively manage the impact of inflation. Despite the availability of financial education resources, there is a lack of awareness, structured budgeting practices, and access to inflation-hedging instruments among common households. Additionally, households face challenges such as stagnant real incomes, rising living costs, and uncertainty about future price levels.

Moreover, there is limited empirical research focusing on how inflation is actually influencing household budget management at the regional level, particularly in Coimbatore district. This creates a gap in understanding the extent of inflation's impact, the adaptive strategies employed by households, and the challenges faced in maintaining financial stability. Therefore, the problem of this study is to analyse the impact of inflation on household budget management, to assess the level of financial awareness among households in Coimbatore district, and to identify the challenges and opportunities associated with effective inflation management at the household level.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The study is based on a descriptive and analytical research design.

DATA COLLECTION

Both primary and secondary data are used for analysis.

1.Primary Data

Primary data is collected through structured questionnaires distributed to household members, working professionals, homemakers, and residents in Coimbatore district. The questionnaire includes Likert-scale questions related to inflation awareness, expenditure impact, and coping strategies.

2.Secondary Data

Secondary data is collected from journals, research articles, websites, Reserve Bank of India publications, and government reports related to inflation and household financial management.

Sample Size

A sample of 90 respondents from various household categories such as salaried employees, self-employed individuals, homemakers, and students in Coimbatore district is selected.

Sampling Technique

Convenience sampling method is used for selecting respondents.

Tools for Analysis

- Percentage analysis
- Chi-square test

Limitations

- Limited sample size
- Possible bias in self-reported expenditure data
- Limited financial literacy awareness among some respondents

REVIEW OF LITERATURE

1. **Sharma & Verma (2025)** : studied the impact of inflation on household consumption patterns in India and found that rising food and fuel prices act as key drivers of budget stress. The study highlighted that financial literacy significantly moderates the adverse effects of inflation on household saving behaviour.
2. **Lusardi & Mitchell (2024)** : analysed the role of financial literacy in protecting household budgets from inflationary shocks and concluded that financially literate households are better equipped to diversify savings and maintain stable consumption levels during periods of elevated inflation.
3. **Gupta & Singh (2025)** : conducted a study on household budget management under inflationary conditions in Tier-2 Indian cities and found that structured budgeting significantly reduces financial stress during inflationary periods.

DATA ANALYSIS AND INTERPRETATION

Table 1.1 Showing the Respondents' Awareness of Inflation Impact on Household Budget

Response	Number of Respondents	Percentage
Strongly Agree	38	38%
Agree	34	34%
Neutral	14	14%
Disagree	9	9%
Strongly Disagree	5	5%
TOTAL	90	100

Interpretation:

The data shows that a strong majority (72%) of respondents either agree or strongly agree that inflation has significantly impacted their household budget, indicating a high level of awareness and direct financial impact. Only 14% express disagreement, while another 14% remain neutral. Overall, this suggests that inflation awareness is high among respondents, with most households experiencing measurable budgetary pressure due to rising prices.

Table 1.2: Showing the Respondents' Challenges in Managing Household Budget During Inflation

Challenge Level	Number of Respondents	Percentage
High	45	45%
Moderate	30	30%
Low	25	25%
TOTAL	90	100

Interpretation:

The data indicates that a significant portion of respondents (45%) experience a high level of challenges in managing their household budget during inflationary periods, while 30% report moderate challenges. A smaller group (25%) faces low challenges. Overall, this suggests that most respondents encounter considerable difficulties in budget management due to rising prices, though a notable share is able to manage inflationary pressures with relatively less difficulty.

FINDINGS

The analysis shows that a majority of respondents (72%) report a significant impact of inflation on their household budget, indicating strong awareness and direct financial pressure from rising prices. Only a small proportion (14%) express minimal impact, while another 14% remain neutral. At the same time, 45% report facing high challenges in managing budgets during inflationary periods, with 30% experiencing moderate challenges and 25% reporting low challenges. These findings suggest that although inflation awareness is high, many respondents still encounter considerable difficulties in managing their budgets effectively, highlighting a gap between awareness and practical budget management capacity.

SUGGESTIONS

1. **Provide financial literacy programs** for households on inflation management, budgeting strategies, and savings instruments.
2. **Government** should offer financial support, subsidies on essential commodities, and targeted relief for lower-income households during periods of high inflation.
3. **Households** should invest in diversified savings instruments including gold, mutual funds, and inflation-linked bonds to protect purchasing power.
4. **Educational institutions** should include personal finance and household budgeting courses in commerce and management studies.
5. **Awareness programs** should be conducted to promote structured budgeting habits and inflation management strategies among households in Coimbatore district.

CONCLUSION

Inflation plays a significant role in shaping household budget management in Coimbatore district. The study shows that rising prices across essential expenditure categories compel households to revise their budgets, reduce discretionary spending, and seek alternative

income sources. While most households demonstrate awareness of inflation's impact, many still lack the financial tools and knowledge to manage it effectively. With proper financial education, structured budgeting strategies, and access to inflation-hedging instruments, households can better manage their finances and maintain their standard of living. Therefore, households must embrace proactive financial planning to safeguard their economic well-being in an increasingly inflation-prone environment.

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