

Understanding Inflation: How Rising Prices Affect Daily Life

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Abstract: *This paper explores how Inflation refers to the general increase in prices of goods and services over time, leading to a decrease in the purchasing power of money. It affects daily life by increasing the cost of essential items such as food, fuel, and housing, thereby reducing disposable income and altering consumption patterns. Inflation can be driven by demand-pull factors, cost-push factors, or monetary policies. While moderate inflation is considered normal for economic growth, excessive inflation can erode savings, increase borrowing costs, and widen income inequality. Understanding inflation and its impact helps individuals and policymakers make informed financial decisions.*

Keywords: Rising price, cost of living, purchasing power, monetary policy, economic impact etc

I. INTRODUCTION

Inflation is a key economic phenomenon that affects individuals, businesses, and government worldwide. It refers to the sustained increase in the general price level of goods and services over time, leading to a decline in the purchasing power of money. Inflation impacts daily life by making essentials such as food, fuel, and reducing savings, and altering spending habits. While moderate inflation is necessary for economic growth, high inflation can create financial instability, increasing borrowing costs, and real wages. Various factors, including demand-supply imbalances, rising production costs, and monetary policies, influence inflation. Understanding its causes and effects is crucial for individuals to manage their finances effectively and for policymakers to implement measures that ensure economic stability.

Objectives

1. To define inflation and its significance in the economy.
2. To identify the key causes of rising prices.
3. To analyse the impact of inflation on daily life.
4. To suggest strategies for managing inflation effectively.
5. To promote awareness for better financial planning.

Research Methodology

Present research work is descriptive study based on survey method. This data is collected from individuals of different localities of Pimpri chinchwad area.

Primary data

The primary data has been collected with the help of a structured questionnaire, which include close ended questions and open ended questions. Primary data is collected from this 80 randomly selected respondent of different localities of people more than 20 years.

Secondary data

Secondary data has been collected from various published Research Paper, Websites and Articles economic journals, etc.

II. LITERATURE REVIEW

The literature review is a reference to write a research paper. It is useful source. The review is as follows.

Juan Ospine and Michael Weber

The paper studies how people's daily experiences with prices affect their expectations of inflation. It builds on past research showing that individuals often use simple methods and personal experiences to predict inflation, sometimes leading to biased expectations. The study tracks household shopping data over time to understand how personal price changes influence overall economic beliefs. It also explores factors like cognitive abilities, attention to prices, and central bank communication in shaping inflation expectations. The research provides real-world evidence, complementing previous experimental studies, and connects inflation expectations to actual financial decisions like spending and investments.

Research Gap

Understanding Inflation and Its Impact on Daily Life Inflation is a common economic phenomenon, but there is still a lack of research on how rising prices affect people's daily lives in practical terms. Most studies focus on inflation at a national or global level, but fewer explore its direct impact on individuals, especially in developing countries like India. There is also limited research on how inflation affects different income groups, particularly low and middle-income households, who feel the effects the most. Additionally, while many studies explain the causes of inflation, they provide fewer practical solutions for managing rising expenses. Another gap is the lack of research on how inflation changes consumer spending habits and savings patterns. Addressing these gaps will help individuals and policymakers better understand inflation's real effects and find ways to cope with its challenges.

III. DATA ANALYSIS AND INTERPRETATION

Data analysis means studying collected information to find patterns, trends, or important details. It involves organizing the data, checking for mistakes, and using different methods to understand it. Once the data is analysed, interpretation helps explain the findings in a clear and useful way.

This process helps people make better decisions, solve problems, and plan for the future based on the insights from the data. It gives meaning to the information and helps reach a relevant conclusion.

TABLE 1 -General Awareness of Inflation

Sr.No	Particulars	No of Respondent	Percentage
1	Yes	78	97.5%
2	No	2	2.5%
	Total	80	100%

From the above Table 1 it is observed that 97.5% of maximum respondents are aware about the inflation and how it effect on various aspect of our daily needs and the economy of the country.

TABLE 2 –Impact of Inflation on Daily Needs Essentials

Sr.No	Particulars	No of Respondent	Percentage
1	Yes	76	95%
2	No	4	5%
	Total	80	100%

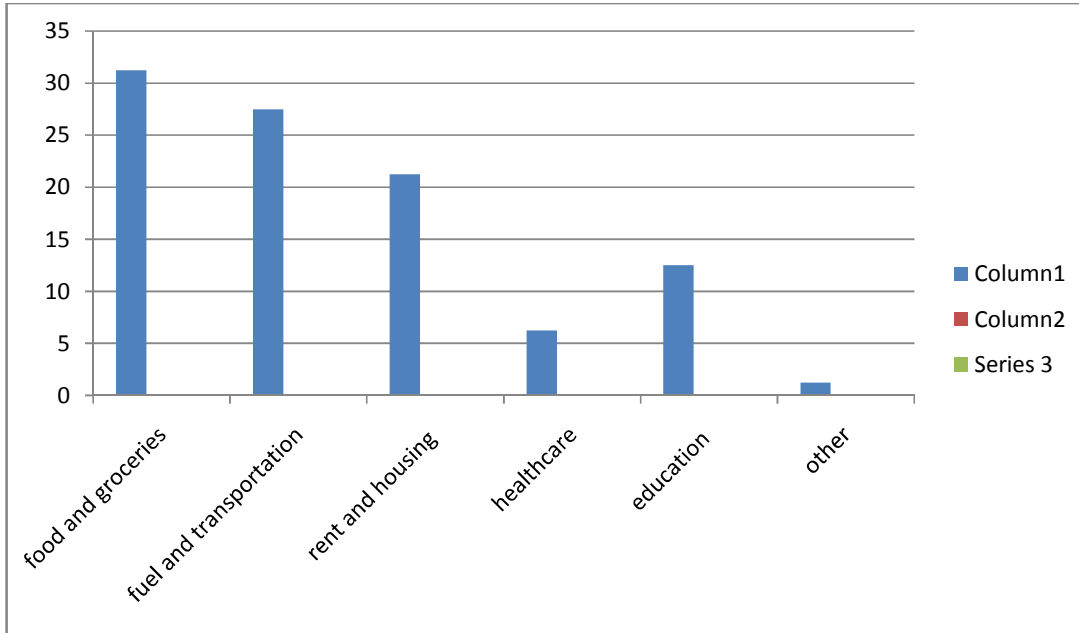
From the above Table 2 it is observed that 95% of maximum respondents are aware of inflation. Due to rising prices, daily needs like food, fuel, and healthcare become more expensive, making it harder to manage household budgets. As a result, people may cut down on non-essential spending and look for ways to save money.

TABLE 3 –Areas Affected due to Increase in Expenses

Sr.No	Particulars	No of Respondent	Percentage
1	Food and groceries	25	31.25%
2	fuel and transportation	22	27.5%
3	Rent and housing	17	21.25%
4	Healthcare	5	6.25%

5	Education	10	12.5%
6	other	1	1.25%
	Total	80	100%

Graph 1 - Areas Affected due to Increase in Expenses



From the above Table 3 and Graph 1 it is observed that maximum 31.25% of respondents know that inflation affects many areas, when expenses increase, food and groceries are affected the most because they are daily needs. People have to spend more money on basic items like vegetables, grains, and dairy. This can make it harder to save money or buy other things.

TABLE 4 – Ease of Inflation Ability to Save Money

Sr.No	Particulars	No of Respondent	Percentage
1	Yes	15	18.75%
2	No	65	81.25%
	Total	80	100%

From the above Table 4 it is observed that 81.25% of maximum respondents are agreeing that inflation makes it harder for people to save money. Many agree that rising prices take up most of their income, leaving little to save. As a result, they struggle to set aside money for the future.

TABLE 5– Changes Face in Spending Habit of Rising Prices

Sr.No	Particulars	No of Respondent	Percentage
1	Yes	74	92.5%
2	No	6	7.5%
	Total	80	100%

From the above Table 5 it is observed that 92.5% of maximum respondents has affected. Due to rising prices, people are changing their spending habits by reducing unnecessary expenses and focusing on essential needs. They are also looking for discounts, buying in bulk, and choosing more affordable alternatives to manage their budgets better.

TABLE 6 – Inflation Directly/Indirectly Effect on Income

Sr.No	Particulars	No of Respondent	Percentage
1	Yes	79	98.75%
2	No	1	1.25%

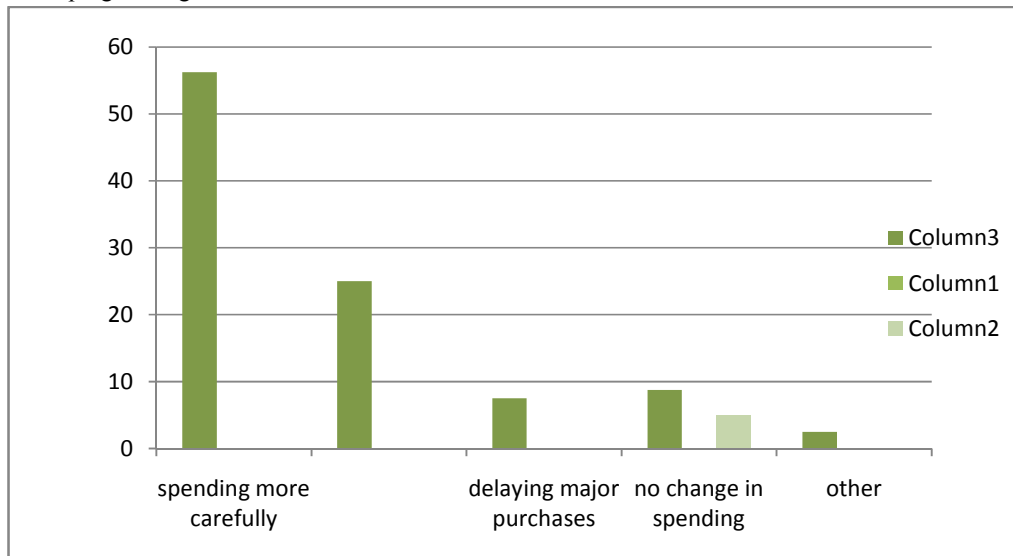
Total	80	100%
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From the above Table 6 it is observed that 98.75% of maximum respondent's inflation affects income both directly and indirectly. When prices rise, the cost of living increases, making it harder to afford basic needs if income stays the same. Over time, inflation can reduce the value of money, impacting savings and purchasing power.

TABLE 7 – Coping Strategies for Inflation

Sr.No	Particulars	No of Respondent	Percentage
1	Spending more carefully	45	56.25%
2	Buying fewer non-essential items	20	25%
3	Delaying major purchases	6	7.5%
4	No change in spending	7	8.75%
5	Other	2	2.5%
	Total	80	100%

GRAPH 2 - Coping Strategies for Inflation

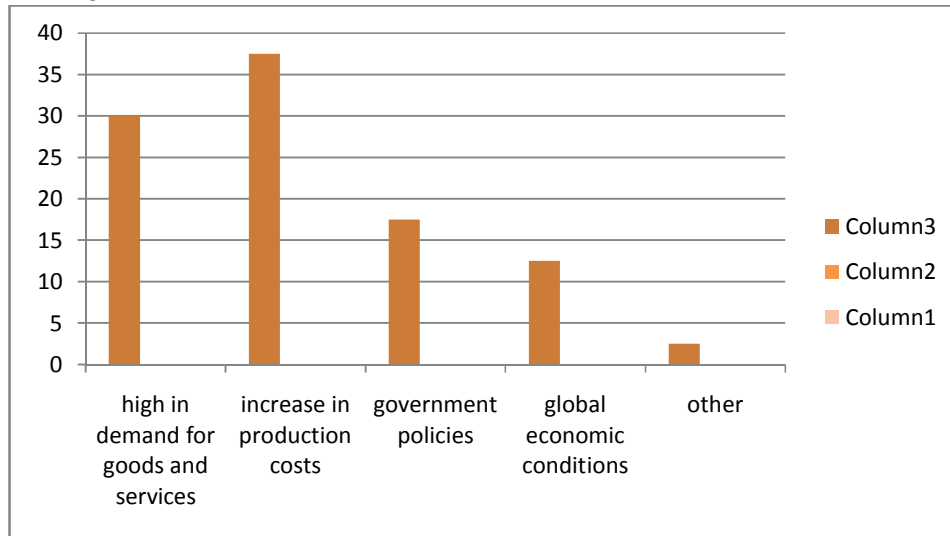


From the above Table 7 and Graph 2 it is observed that maximum 56.25% of respondents agree that spending more carefully is a key strategy to cope with inflation. They focus on buying only essential items, avoiding unnecessary expenses, and looking for discounts. This helps them manage their budget better during rising prices.

TABLE 8 – Challenges occur due to Inflation

Sr.No	Particulars	No of Respondent	Percentage
1	High demand for goods and services	24	30%
2	Increase in production costs	30	37.5%
3	Government policies	14	17.5%
4	Global economic conditions	10	12.5%
5	Other	2	2.5%
	Total	80	100%

GRAPH 3 - Challenges occur due to Inflations



From the above Table 8 and Graph 3 it is observed that maximum 30% of respondents has one major challenge of inflation is the high demand for goods and services, which leads to rising prices. As demand increases, supply may not always match, causing shortages and making essentials expensive. This affects consumers' purchasing power, making it harder to afford necessities. Businesses also face higher costs, which may lead to reduced production or increased prices.

Prospective

Inflation is the rise in the prices of goods and services over time, reducing the purchasing power of money. It affects everyone, from individuals to businesses and governments. Understanding inflation helps people prepare for its impact and make informed financial decisions. Inflation directly affects financial stability. Rising prices of essentials like food, rent, and fuel reduce disposable income, making budgeting more challenging. Stagnant wages compared to inflation create financial stress, affecting savings and long-term goals. High inflation lowers the value of money, pushing individuals to invest in assets like mutual funds and gold. Borrowing also becomes expensive, impacting loans and credit use. Understanding inflation helps in making informed financial decisions, adapting spending habits, and securing long-term financial stability despite economic fluctuations. Below are some key prospective on how inflation influences daily life.

- Inflation increases the cost of essential goods like food, fuel, and healthcare.
- Savings lose value over time if inflation is higher than interest rates.
- People may need to adjust their budgets to manage rising expenses.
- Businesses often increase product prices, affecting consumer purchasing power.
- Higher inflation can lead to increased borrowing costs, making loans expensive.
- Wages may not always rise at the same rate as inflation, reducing real income.
- Investors look for assets like gold and real estate to protect their wealth.
- Governments use monetary policies to control inflation and stabilize the economy.
- Rapid inflation can create uncertainty, affecting economic growth and employment.
- Managing personal finances wisely helps individuals cope with rising prices.

Challenges

Inflation creates several financial challenges for individuals, making it difficult to manage daily expenses. As prices of essential goods like food, fuel, and healthcare rise, people must adjust their budgets, often cutting back on non-essential spending. Savings lose value over time if inflation is higher than interest rates, reducing financial security. Fixed-

income earners, such as retirees, struggle the most as their income does not increase with rising prices. Higher inflation also leads to increased loan and credit costs, making borrowing expensive. Uncertainty about future prices affects financial planning, forcing individuals to constantly adapt their spending and saving habits.

- Rising prices make daily necessities more expensive.
- Savings lose value due to decreased purchasing power.
- Fixed incomes do not always increase with inflation.
- Higher loan interest rates make borrowing costly.
- Budgeting becomes difficult due to unpredictable expenses.
- Rent and housing costs rise, affecting affordability.
- Healthcare and education expenses increase over time.
- Job security may be affected as businesses cut costs.
- Investments may not always keep up with inflation.
- Financial planning requires constant adjustments to cope with rising prices.

Findings

The findings show that rising prices have made daily life more expensive, affecting household budgets. People are spending less on non-essential items and switching to cheaper alternatives. Higher costs of groceries, fuel, healthcare, and education have reduced savings and increased financial stress. Many find it harder to repay loans, while salaries are not increasing at the same rate as inflation. Overall, inflation is making it difficult for people to manage expenses, forcing them to adjust their lifestyle and spending habits.

- 31.25% of respondent Inflation significantly impacts food and grocery prices, making essential items more expensive for consumers. As costs rise, households may adjust their spending habits by purchasing fewer items or switching to cheaper alternatives.
- 56, 25% of respondent during inflation, individuals become more cautious with their spending as prices rise, prioritizing essential goods and services. They may cut back on discretionary expenses to manage their budgets effectively.
- 30% of respondent are facing challenges due to Inflation generally occurs when demand for goods and services exceeds supply, leading to higher prices. As prices rise, consumers may rush to buy before further increases, temporarily boosting demand. However, if inflation persists, purchasing power declines, eventually reducing demand.

Suggestions

Managing inflation effectively requires smart financial planning and awareness. Individuals should focus on creating a budget that prioritizes essential expenses while cutting unnecessary costs. Investing in inflation-protected assets like gold, real estate, or mutual funds can help preserve wealth. Saving regularly and keeping an emergency fund ensures financial stability during uncertain times. Comparing prices, shopping wisely, and reducing waste can also ease financial pressure. Additionally, learning new skills or exploring additional income sources can help offset rising costs. Staying informed about economic trends and adjusting financial strategies accordingly will help individuals navigate inflation and maintain a stable lifestyle.

- Create a budget to track expenses and prioritize essentials.
- Invest in assets that can protect against inflation.
- Reduce unnecessary expenses to manage rising costs.
- Look for discounts and cost-effective alternatives.
- Increase financial literacy to make informed decisions.
- Save regularly to build an emergency fund.
- Consider multiple income sources to maintain financial stability.
- Plan long-term financial goals to stay prepared.
- Monitor inflation trends and adjust spending accordingly.

- Use banking and investment options that offer inflation-adjusted returns.

V. CONCLUSION

Inflation is a natural part of the economy, but when prices rise too quickly, it creates challenges for individuals and businesses. It affects daily life by making essential goods and services more expensive, reducing the value of savings, and increasing borrowing costs. People with fixed incomes struggle the most, while businesses may raise prices to maintain profits. However, with careful financial planning, individuals can manage inflation effectively.

By budgeting wisely, investing in assets that grow with inflation, and finding ways to increase income, people can protect their financial stability. Reducing unnecessary expenses and staying informed about economic trends also help in making better financial decisions. Governments and central banks play a key role in controlling inflation through policies, but individuals must take responsibility for their financial well-being.

Understanding inflation and taking proactive steps can help individuals navigate rising prices and maintain their standard of living in an ever-changing economy.

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