

The Effect of Income Changes on Consumer Choices

Mrs. Tanvi Meena

Lecturer

Tata Institute of Social Science, Mumbai

Email: tejakatanvi@gmail.com

Abstract

The study examined how consumer income level changes and consumer income elasticity of demand influence the purchasing behaviour and the decision made by consumers in the context of the consumer choice theory. The primary data were collected using a structured questionnaire to 150 respondents in the Delhi NCR through the use of a quantitative, descriptive and exploratory research design and analysed using correlation techniques and regression methods in SPSS 27. The outcome shows that the changes in income are statistically significant in their affective purchasing behaviour ($R = 0.379$; $R^2 = 0.144$; $p < 0.05$) and moderate in their positive relationship between income elasticity of demand and consumer choice decisions ($r = 0.426$; $p < 0.01$). The study establishes that changes in income levels have a significant impact on the consumption levels, savings habits and the decision-making processes. The study finds that the dynamics of income continue to be a key factor of utility maximization and market demand designations in a dynamic socio-economic setting.

Keywords: Consumer Income, Income Elasticity of Demand, Purchasing Behaviour, Consumer Choice, Consumption Patterns

1. Introduction

The consumer choice theory is a branch of microeconomics that evaluates consumer behavior by understanding the process by which consumers decide on purchasing in order to maximize their happiness or utility within the limitations of their limited resources. It operates under the fundamental economic law of scarcity, which knows that consumers have unlimited wants but limited income and time (Kreps 2020). According to the theory, the set of goods and services consumed by the consumers will be the one that will give as much enjoyment as possible without exceeding the financial means. The understanding of consumer choice theory helps economists to analyze the behavior of the market, predict demand patterns, and inform policy-making (Anker 2024).

The basic principles of the consumer choice theory were first developed in the late 19th century, usually referred to as the Marginal Revolution in economics (Posypanova and Zaikina 2020). In classical economics, the labor theory of value was largely stressed out earlier and the value of a product determined by how much effort it required to be produced. The concept of marginal utility which held that value was subjective and also depending on the incremental satisfaction gained by consuming an extra unit of an item, was independently developed by economists like “William Stanley Jevons in England, Carl Menger in Austria and Leon Walras in Switzerland” (D. Wade 2010).

Consumer choice theory is understood by examining how consumers distribute their finite resources among various goods and services to attain the maximum level of satisfaction. This entails comprehending their tastes, the costs of things, and their income levels. For instance, when the price of a good fluctuates, consumer choice theory forecasts the impact of that fluctuation on the quantity desired, differentiating between the income effect (alteration in purchasing power) and the substitution effect (variation in comparable prices) (Oszust & Stecko 2020).

Marketing Dimensions

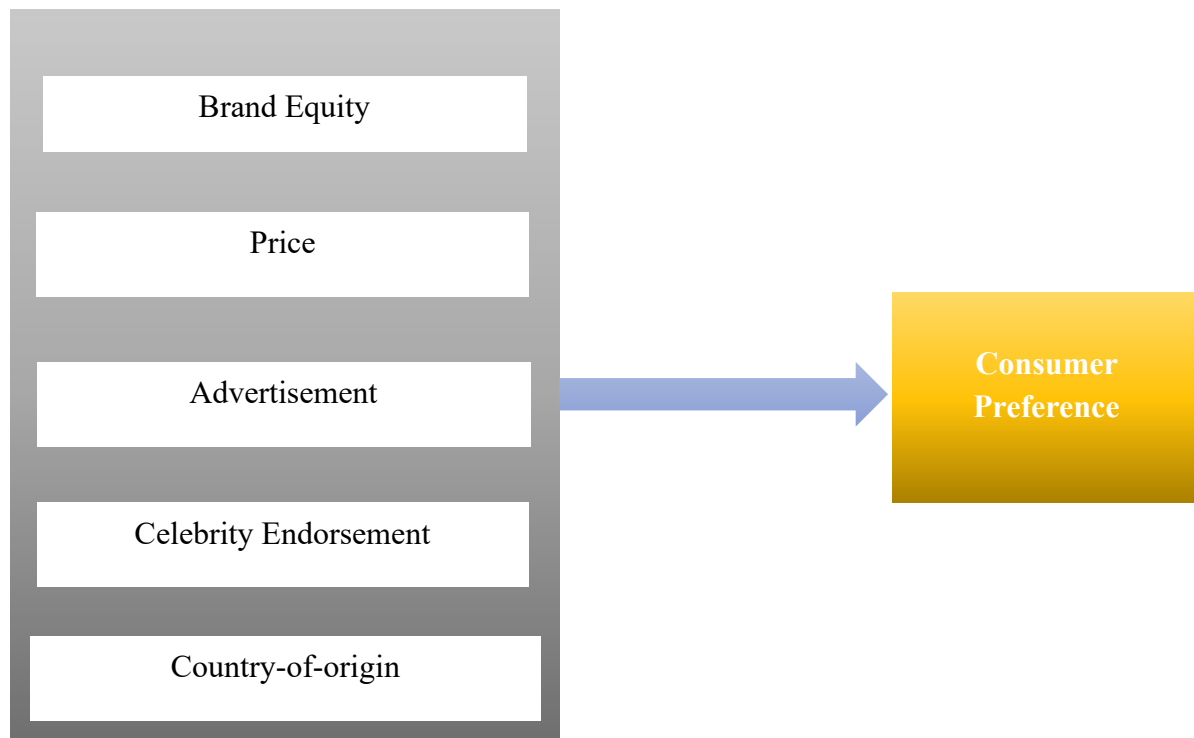


Figure 1: Impact of Marketing Mix Dimensions on Consumer Preference

Source: Bajpai et al., (2017)

The human behaviour of income on consumer choice is a key issue in the consumer choice theory since income directly relates to the budget constraint of the consumer. As the income grows, the purchasing power of the consumer widens, shifting outward the budget line and enabling the consumer to consume more goods and services (Baker et al., 2021). On the other hand, with the decrease in income, the budget line moves back inwards and limits the consumption possibilities. A Course in Microeconomic Theory by David M. Kreps says that the goal of rational consumers is to maximize their utility given their constraints of income (Nie et al., 2021). Accordingly, a shift in income will change the viable set of options and would possibly result in a new equilibrium point at which the maximum level of attained indifference curve would be achieved. The most important assumption is that the preferences do not shift and the income does, which allows the economists to isolate the pure effect of income changes on the consumption behavior and assume it is not confounded with the changes in tastes or prices (Bricker et al., 2021).

The Engel Curve is an income changes and it is used to represent the relationship between income and the quantity demanded of a specific good. In the case of most goods, which are known as normal goods, the higher the income, the higher the demand. To illustrate, the higher the household income, the higher the expenditure on better housing, education, and healthcare is expected to be (De Vreyer et al., 2020). The rate of increase can however vary based on the fact that it is a need or a luxury. Basic commodities like food items experience a relatively low proportional demand increase with increase in income, unlike luxury goods like the high-quality electronics or a trip abroad which also experiences a proportional increase in demand as well but in

a greater proportion. The classification aids economists in forecasting the demand aspects in the market and how industries react to either a prosperous or a recessionary economy (Kuokkanen & Sun 2020).

Contrarily, the behavior of inferior goods towards income fluctuation is different. In the case of inferior goods, the opposite happens with demand declining with the rise in income as shoppers move to the high-quality substitutes. Here, the most common example is the area of transportation: as people have more money at their disposal, they can switch buses or trains with personal cars (Onuma 2020). The effect of income in this case is negative. Nevertheless, one must differentiate between common low-quality goods and some special situations such as Giffen goods, in which the negative income effects prevail over the substitution effect, resulting in uncharacteristic demand behavior (Diaz and Medlock 2021). Giffen goods though predominantly theoretical, point out how complicated the consumer reaction to income changes is and show that income changes do not affect consumption in all types of goods in a consistent manner (Zhou 2022).

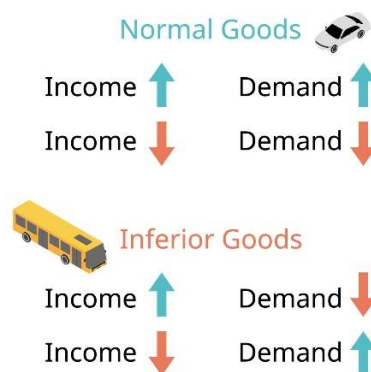


Figure 2: Income Effect on Demand – Normal Goods versus Inferior Goods

Source: Author's own compilation

Changes in income also affect the saved income and intertemporal consumption choices. Consumers will not use the extra income to consume more but can also save or invest some of it to be used in future utility. In the intertemporal choice models of modernity, people make consumption choices between the current and the future depending on preferences, interest rates, and anticipations related to future income (Dioikitopoulos et al., 2020). Consumers can use a saving amount in place of raising current expenditure by significant amounts when income temporarily increases, as in the case of a bonus. On the other hand, higher income growth rates are expected to implement more significant and lasting modifications in the consumption behaviour. This point of view highlights that the effects of income are not only across goods but also across time (Silvi and Rosa 2021).

The social and behavioural implications of incomes also go beyond the rational models. According to recent studies in consumer psychology and consumerism, including debates in Marketing Theory, the increase in income can redefine identity and lifestyle aspirations and perceived autonomy in consumption (Cox et al., 2020). More money can result in change of consumption patterns, trying out new products and also more focus on symbolic or status-based goods. In the meantime, the loss of income is usually followed by precautionary expenditures, a focus on necessities, and a decrease in risk when making purchasing choices (Challoumis-Konstantinos 2024). Thus, the impact of income variations on the consumer decision is complex: it changes the budget constraint, the demand of various kinds of goods, the saving behaviour, and psychological factors behind the consumption (diversification.com).



➤ **Aim of the study**

The study intends to discuss the impact of consumer income change on purchasing choice, consuming behaviour, and utility maximisation behaviour in terms of the consumer choice theory. To be more precise, the research aims at examining the way in which changes in income influence the way in which limited resources are allocated to various types of goods such as “normal goods, inferior goods, necessity goods and luxury goods”. It seeks to investigate the influence of income effects to drive demand, savings behaviour and intertemporal consumption decisions. The proposed study examines the theoretical and behavioural aspects with the view of coming up with a holistic insight into the effects of income changes on consumer preference, market structure demand, and economic welfare. The study is relevant to policy making and business strategy formulation by providing information on how consumers react to the increase in income, inequality, and economic turmoil.

2. Literature Review

Cooper, M., & Pugh, A. J. (2020) focused on families that spanned the income spectrum. Over the last ten years, researchers concentrated on the effects of wider economic trends on families of varying income levels. Income and wealth inequality, along with economic uncertainty, existed, and in some instances, the disparities between the affluent and the impoverished widened during this period. The study delineated a novel academic focus on uncertainty and instability, alongside the factors that intensified or alleviated these conditions, including “employment quality, economic volatility, wealth, and incarceration”. Study conducted over the previous decade focused on the experiences and repercussions of dynamism, emphasizing that families not only matured but also encountered ongoing changes in their economic, social, and political environments.

Vetury Sitaramam, M. B (2020) focused on “Engel's curves” and the economics of deprivation. The demand function for expenditures on distinct goods in relation to income was redefined. Human beings and their affluence served as catalysts for the consumption of resources known as commodities. Although this had been recognized since Engel initially quantified those expenditures, the essence of the demand itself endured ambiguous. The economics of consuming was redefined based on its fundamental “variables, income and expenditures”, within a self-consistent universal hierarchy. The study illustrated the universality of the rectangular hyperbola that characterized consumption for each product based on residual income, by subtracting expenditures of higher preference according to elasticity coefficients, utilizing data from the “National Sample Survey Organization of India”.

Komarek, A. M et al., (2021) examined the income, customer preferences, and the future demand for livestock-derived food products. In recent decades, a significant and enduring transition occurred in global human diets towards the inclusion of more livestock-derived foods. Discussions examined the impact of those dietary changes on human health, the environment, and livelihoods. Changes in human population and income were derived from three shared socioeconomic pathways. Prices significantly influenced demand, and our findings indicated that the decrease in red meat demand in high-income nations was closely associated with increasing red meat prices, as forecasted by our scenario-based modelling. The results underscored the significance of the interplay among income, pricing, and the “income elasticity of demand” in forecasting future demand for livestock-derived foods.

Nie, W., et al., (2021) analysed the disparities in consumer valuation of food safety and food quality, emphasized the impact of loss aversion on psychological factors and the income effect on socio-demographic variables. The results demonstrated that loss aversion and the income impact substantially affected consumers' valuation of food safety compared to quality labels in the context of potential health concerns and food pricing. Consumers who were highly risk-averse, possessed limited income, exhibited significant loss aversion, and demonstrated a weak income effect showed an increased need for food safety labels to facilitate straightforward access to safety information. The study provided insights that aided public authorities and the food sector in



reconciling food safety regulation with enhancements in food quality to address the diverse market demands that evolved with the transformation of China's food consumption and production.

Ghoddusi, H., et al., (2021) analysed the “income elasticity of demand” about consumption. The income elasticity of consumption was affected by the demand function, and the attributes of the supply function were discussed. If the supply of the underlying good (e.g., gasoline, natural gas, or housing) was not fully elastic, the income elasticity of equilibrium consumption was inferior to the income elasticity of demand, with the disparity contingent upon the characteristics of both the demand and supply functions. The study formulated mathematical equations to quantify the disparity between the two elasticities and investigated the implications for energy policy analysis.

Bricker, J., et al., (2021) observed the relevance of household status in household consumption and credit decisions using “Survey of Consumer Finances data and correlated with American Community Survey” data at the tract level. One of the studies has found out that richer households in the census tract used more debt and spent a lot of money on luxury cars. At the county level data showed that consumption of high-status vehicles was higher in more inequality counties. The results demonstrated that the higher income inequality affected household consumption and credit decisions since richer households express their higher status to their neighbours through consumption of conspicuous status goods.

Thøgersen, J. (2021) assessed consumer behavior and climatic change: Consumers needed a lot of help. The consumer behavior and climate change study had continued to increase understanding of effective approaches that could be used to involve consumers in mitigation of climate change. The interdependence between consumer behavior and climate change turned out to be a complex phenomenon and most of the customers were unable to identify which behavioral adjustments were useful. The main conclusion of the reviewed article was that it was necessary to focus on the promotion of climate-friendly behavior through proper representation of carbon footprints in pricing, offering climate-friendly products, which were rather competitive in the market than their toxic versions, and providing carbon labelling.

Lei, L. I. (2021) devoted to the dynamic effect of income and distribution on the demand of food in the rural China. This paper has used the data of the “China Health and Nutrition Survey” and has used a two-step quadratic model of nearly ideal demand system to tackle the problem of endogeneity of total expenditure and zero shares, in estimating food demand elasticities among adult people in rural areas among various income groups. Its results showed that the income differences and income levels had a significant impact on food demand in rural areas. The projections of the income elasticities indicated that the food consumption projections indicated that a reduction in income inequality in rural communities boosted the nutritional status of people with low incomes.

Zhou, Z. (2022) used the origin and economic consequences of Giffen commodities as a foundation, evaluated the Giffen effects throughout the pandemic with the relevant real-life examples, and proposed the relevant solutions to this anomaly, the Giffen phenomenon. The main cause of this scenario in the pandemic was the enormous reduction in supply in the conditions of high demand, which occurred due to the psychological fear of survival in the future. With the decline of the pandemic, the price of Giffen goods also began to move towards normalizing and the government took up the role of regulating the very high prices.

Salisbury, L. C., et al., (2023) explained dynamic customer financial vulnerability. The study challenged the existing belief that low-income customers were the only ones affected by financial vulnerability. Majority of the consumers across the socioeconomic ladder faced varying financial vulnerability periodically or continuously across several periods or phases of their lives; vulnerability was dynamic and heterogeneous. This research proposed a new theory-driven conceptualization of consumer financial vulnerability (CFV) as the prospective harm, depending on the current availability of various financial means to the customer. These propositions and their implications to the marketing strategy, the public policy, and consumer welfare were a significant area of research.



Beyer, B., et al., (2024) released the outcomes of field research undertaken to explore the role of carbon footprint information properties on consumer judgment in a large dining institution. We evaluated the effects of changing carbon footprint data on the product labels in terms of the dietary choices of consumers by changing the measuring units and visual display of the data. These effects were the most noticeable when the carbon footprint data were displayed in monetary and color-coded using the conventional traffic-light system (environmental costs). This research provided an information-processing paradigm, which explained the information use and decision-making of increasing number of users of accounting information: consumers.

Fellini, I. (2024) concentrated on the effect of employment: replacement, substitution, complementarity and segmentation. In all prosperous host countries migrant workers became the inseparable element of labor market, whose percentage of the labor force is growing. The discussion on the impact of immigrants on workforce revolved around whether they replaced, crowded out or complimented indigenous employees. The paper considered the replacement effect that was mainly caused by immigrants which was explained by demographic and social changes that made native workforce less accessible and less able to take up low-skilled and underpaid jobs. It focused on the role of structural and institutional characteristics in describing different degrees of segmentation between the ethnic and the native labor market in the different countries forming different patterns of economic integration of immigrants.

Botelho, T. L., et al., () concentrated on the manner in which scale dichotomization mitigates racial prejudice among customers and alleviates economic disparity. Online platforms are permeated by racial inequality; nevertheless, existing solutions prioritize employers over customers. Dichotomization eradicated racial discrimination against customers, resulting in non-white workers receiving lower ratings and earning 91 cents for every \$1 earned by white workers for same labor. The study presents a promising intervention aimed at mitigating subtle racial prejudice among customers in a significant segment of the economy and enhances the multidisciplinary literature on evaluation processes and racial inequality.

➤ **Research Gap**

Although a lot of research has been conducted on income inequality, demand dynamics, and consumer behaviour, there are gaps that are still left unsealed. Current literature tends to decouple macro-level economic systems and micro-level consumption behavior, and does not put together income distribution, psychological determinants and market conditions into a coherent explanation. Income elasticity and food demand research often do not account for behavioural biases or the influence of economic shocks, whereas climate awareness and sustainable consumption research do not sufficiently consider behavioural change as dependent on income differences. In addition, big data analysis does not have longitudinal and cross-income insights that covered inequality and economic volatility. All in all, there is a necessity to have an all-rounder model that links income dispersion, behavioural predictors, and macroeconomic instability in describing the consumption pattern among various socioeconomic cohorts.

3. Research Methodology

The quantitative, descriptive, and exploratory research design is used in this study in the city of Delhi NCR. The target market group consists of individual customers or households who make regular or irregular income and actively engage in the buying process. This was done through stratified random sampling where 150 respondents were chosen. Primary and secondary sources were used to gather the information, and the main research tool was a structured questionnaire. Changes in consumer income levels and income elasticity of demand are the independent variables whereas the dependent variables are the purchasing behaviour and consumption patterns and choice decisions of the consumer. The data analysis was conducted with the help of MS Excel and SPSS 27, with mean, standard deviation, correlation, and regression methods.

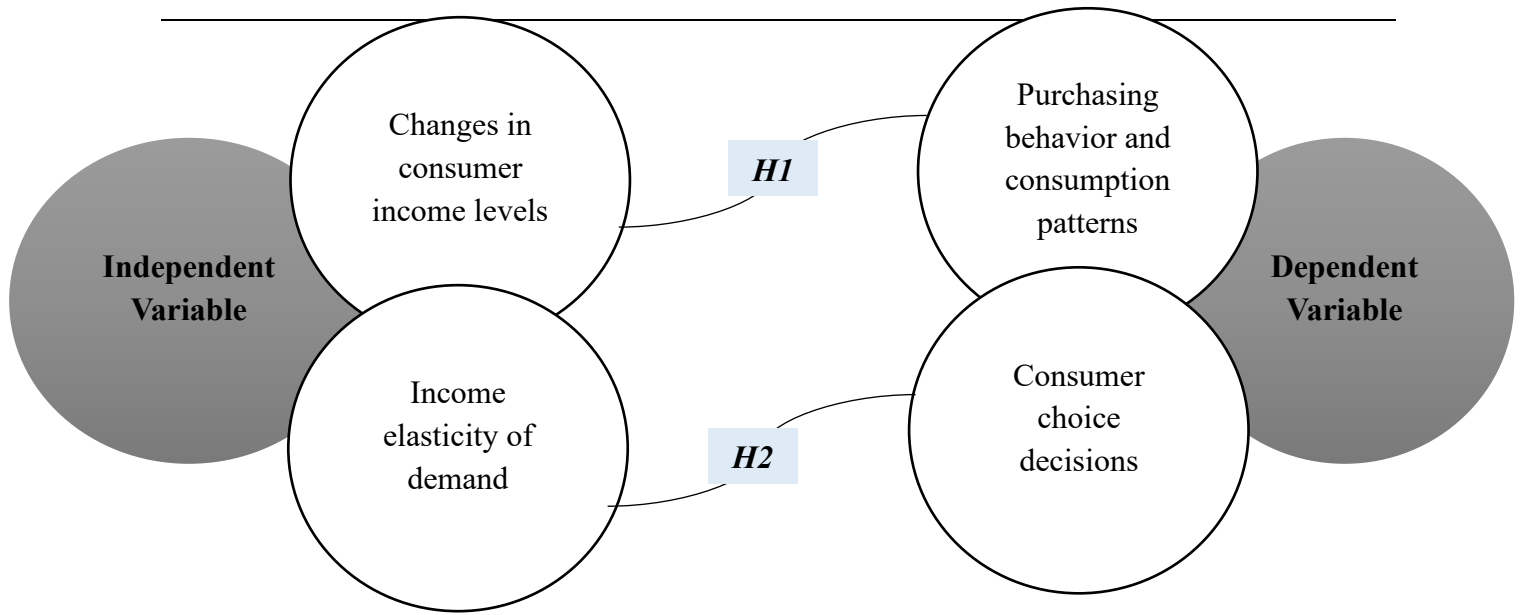


Figure 3: Conceptual Model
Source: Author's own compilation

4. Result and Hypothesis Testing

Table 1: Demographic Characteristics of respondents

S.NO.	Demographic Characteristics		N	%
1	Gender	Male	68	45.30%
		Female	82	54.70%
2	Age Group	Below 25 years	23	15.30%
		25–34 years	42	28%
		35–44 years	30	20%
		45–54 years	28	18.70%
		55 years and above	27	18%
3	Occupation	Government Employee	26	17.30%
		Private Sector Employee	24	16%
		Self-Employed	24	16%
		Professional	40	26.70%
		Homemaker	36	24%
4	Monthly Household Income	Below Rs 20,000	36	24%
		Rs 20,001 – Rs 40,000	32	21.30%
		Rs 40,001 – Rs 60,000	30	20%
		Rs 60,001 – Rs 80,000	28	18.70%
		Above – Rs 80,000	24	16%
5	Major Category of Expenditure	Food & Groceries	27	18%
		Education	19	12.70%

		Healthcare	18	12%
		Housing & Utilities	25	16.70%
		Luxury / Lifestyle Products	30	20%
		Savings & Investments	31	20.70%

The demographic characteristics of the sample (N = 150) represent a fairly balanced, yet slightly female-dominated sample, including 54.70 and 45.30 female and male respondents, respectively, which allows including the representation of all household purchasing decision-makers in the Delhi NCR. The age distribution indicates that the highest proportion is in the 25-34 years (28%), 35-44 years (20%), which depicts a host of the young and economically active population. Professionals makes the largest percentage (26.70), then there is the homemakers (24%) which means that not only income earners but also those making decisions in the household have been well represented in the study. In terms of monthly household income, a portion of the respondents falls under the lower to middle-income category with 24% of them below Rs 20,000 and 21.30% in the category of 20,001-Rs 40,000, which is relevant in terms of determining the elasticity of income and adjustments made to purchases. With regard to the expenditure patterns, the share of Savings and Investments (20.70) and Luxury/Lifestyle Products (20) is substantial, which indicates a combination of precautionary financial behaviour with aspirational consumption. In general, the population distribution gives a sufficient and adequate foundation to study how the changes in the income affect consumer decisions.

Obj. 1. To examine the impact of changes in consumer income levels on purchasing behaviour and consumption patterns.

H1: There is a significant impact of changes in consumer income levels on purchasing behaviour and consumption patterns.

Table 2: Model Summary Table

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.379 ^a	.144	.138	2.39069
a. Predictors: (Constant), Changes in consumer income levels				

The summary of the model shows positive association between variations in the income levels of consumers and purchasing behaviour and consumption patterns that is moderate in nature. The correlation value ($R = 0.379$) indicates that the independent and dependent variables have a positive relationship. The determination coefficient ($R^2 = 0.144$) indicates that consumer income level has determined the buying behaviour and consumption patterns to be about 14.4%. Whereas this fact proves that the change in income is a measurable effect, a considerable part (85.6) of the variation is also determined by the other things which are not covered in the model like preferences, price levels, lifestyle, or socio-economic conditions. The adjusted R² value (0.138) is a bit less than R² which means that the model does not lose much of its predictive power even when it is corrected with the sample size and predictors. The standard error of the estimate (2.39069) signifies the average variance between observed values and the regression line indicating that there is a moderate amount of dispersion.

Table 3: ANOVA^a Table

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	144.636	1	144.636	25.306	.000 ^b
	Residual	863.024	151	5.715		
	Total	1007.660	152			
a. Dependent Variable: Purchasing behaviour and consumption patterns						
b. Predictors: (Constant), Changes in consumer income levels						

The outcome of the ANOVA shows that the regression model is statistically positive in determining the influence of variation in the income level of consumers on purchasing behaviour and consumption patterns. F-value of 25.306 with an implication level of $p = .000$ ($p < 0.05$) shows that the overall regression model is a better fit as compared to a model with no predictors. It implies that the fluctuations in consumer income levels are influential predictors of shifts in the purchasing behaviour and consumption patterns of the respondents in Delhi NCR. The regression sum of squares (144.636) relative to the residual sum of squares (863.024) indicates that impact of change in income is one of the reasons that explain the variability, but the other factors are also significant in consumer behaviour. The significance value falls below 0.05 indicates the rejection of the null hypothesis (H_0) and the acceptance of the alternative hypothesis (H_1).

Table 4: Coefficients^a Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.153	.852		7.224	.000
	Changes in consumer income levels	.378	.075	.379	5.031	.000
a. Dependent Variable: Purchasing behaviour and consumption patterns						

According to the analysis of coefficients, there is a positive and statistically significant effect of income changes on the level of consumer income on the purchasing behaviour and consumption patterns. The coefficient ($B = 0.378$) is unstandardized implying that an increase in income change of one unit will result in an increase in purchasing behaviour of 0.378 units, other factors being constant. The SC ($Beta = 0.379$) depicts a positive moderate effect. The significant level of p ($= 0.05$) is confirmed by the t-value (5.031) with the significance level of $p = .000$ ($p < 0.05$). Constant value ($B = 6.153$) is the minimum purchasing behaviour when there is no change in income. Consequently, the null hypothesis is rejected, and conclusion is made that there is a significant change in purchasing behaviour of consumers due to influence of income changes.

Obj. 2. To evaluate the relationship between income elasticity of demand and consumer choice decisions.

H2: There is a significant relationship between income elasticity of demand and consumer choice decisions.

Table 5: Descriptive Statistics Table

Descriptive Statistics			
	Mean	Std. Deviation	N
Income elasticity of demand	9.6405	3.01229	153
Consumer choice decisions	9.8497	2.71635	153

The descriptive statistics shows that the mean score of income elasticity of demand is 9.6405 with a standard deviation of 3.01229 and the mean score on consumer choice decisions is a little higher at 9.8497 with a standard deviation of 2.71635 (N = 153). The mean values are relatively close indicating that the association between income elasticity and consumer decision-making behaviour is consistent. The standard deviations are moderate as they demonstrate that the respondents have significant variability but still fairly close around the mean. In general, the findings indicate that income elasticity is a significant factor that affects the consumer choice decisions, and additional correlation and regression analysis should be led to test the hypothesis.

Table 6: Correlations Table

Variables	Income Elasticity of Demand	Consumer Choice Decisions
Income Elasticity of Demand	1	0.426**
Sig. (2-tailed)	—	0.000
N	153	153
Consumer Choice Decisions	0.426**	1
Sig. (2-tailed)	0.000	—
N	153	153

The correlation analysis indicates an average positive relationship between consumer choice decisions and income elasticity of demand ($r = 0.426$). The value of the significance ($= .000$) falls below 0.01 meaning that the correlation is statistically significant at the 1% level (2-tailed). This implies the high the income elasticity the more likely to change consumer choice decisions. The high value of the correlation suggests that there is relevant relationship, but not a very high one, which means that the income elasticity is a significant but not a unique determinant of consumer decisions. The sample size of 153 respondents gives the results good evidence to dismiss the null hypothesis and accept H2, which affirms that there exists a significant relationship among income elasticity of demand and consumer choice decision.

5. Discussion

The analysis of the study is in line with the available literature which makes income a key element in consumer decision-making. Kreps (2020) examined that consumer maximises utility under a constraint of the budget which means that any income change systematically changes decisions of consumption. Equally, Lei (2021) discovered that income growth also adjusts the food demand trend among income levels in a substantial manner, which supports the Engel curve hypothesis according to which structures of consumption change as income grows. Ghoddusi et al. (2021), on the other hand, postulated that because of the supply-side rigidities, income elasticity of consumption and income elasticity of demand do not necessarily coincide and thus makes it challenging to directly relate income to consumption outcomes. In contrast, Komarek et al. (2021) have focused on the fact that aggregate demand is changed significantly in the long-run due to changes in long-term income

trajectories, including livestock-based products, which point to the macro-level consequences of income responsiveness. Behaviourally, it was established by Nie et al. (2021) that there is an interaction between income effects and psychological biases like loss aversion, indicating that consumption changes are not necessarily rational but socio-psychologically mediated. Moreover, Bricker et al. (2021) found out that relative income also affects status-oriented consumption, which shows that social comparison increases the expenditure on conspicuous goods. In the meantime, Cooper and Pugh (2020) emphasized that income inequality and economic insecurity also define household adjustment strategies and thus extended the discussion of the individual utility maximization to structural and distributional settings.

6. Conclusion

The study concludes with the identification that the shifts in consumer income levels and the income elasticity of demands are the key factors when it comes to the purchasing behaviour and consumer choice decisions in the context of the consumer choice theory. Regression analysis showed a positive significant effect of income changes on purchasing behaviour ($R = 0.379$; $R^2 = 0.144$; $p < 0.05$), meaning that changes in income are a significant influence in account of consumption changes in households in Delhi NCR. In addition, a correlation test showed that income elasticity of demand and consumer choice decision are moderately and significantly related ($r = 0.426$; $p < 0.01$): responsiveness to income changes is an important factor determining consumer preferences and expenditure priorities. These results confirm the theoretical hypothesis that consumers change the way they distribute their scarce resources as income changes to maximize utility in response to changes in elastic demand in various types of goods, as well as indicate the role played by the shifts in demand elasticity. On the whole, the study is based on both theoretical and empirical views, and it concludes that income dynamics is one of the most important factors that determine consumption patterns, market demand structure and rational consumer decision-making in the constantly changing socio-economic environment.

➤ Implications, Limitations, and Future research direction

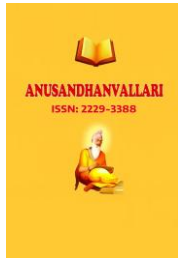
The study has significant practical and theoretical implications as it emphasizes that policy makers and businesses should take into cognizance income dynamics and elasticity patterns when crafting the pricing strategy, welfare and market segmentation strategies, especially in various urban areas such as Delhi NCR. The results can help the marketers predict the change in demand in both necessity and discretionary products whereas the policymakers can utilize the findings to contextualize income-supported and stabilization policies that maintain household consumption. The study design is however restricted by the fact that it is cross-sectional, the sample size is relatively small ($N = 150/153$), and it is geographically concentrated, which can limit the generalizability of the findings to the other regions or rural residents. Also, the analysis was done on only a selected set of variables and not on psychological, cultural or price related determinants. Future studies can employ longitudinal studies, bigger and wider samples, structural equation modelling to combine behavioural biases, income inequality and macro-economic volatility towards a more comprehensive consumer decision-making.

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