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Impact of Inflation on Households' Purchasing Power with Reference to Chennai City

Dr E Kandeepan

Assistant Professor PG and Research Department of Economics Pachiayappa's College, Chennai- 30

prof.kandeepan@gmail.com

Abstract: Introduction: Inflation is one of the major economic factors that influences household financial stability by reducing the purchasing power of money. A continuous increase in the prices of essential goods and services affects household expenditure patterns, savings, consumption behaviour, and overall standard of living. The present study, titled "Impact of Inflation on Households' Purchasing Power with Reference to Chennai City," aims to examine how rising inflation affects the purchasing capacity and financial decisions of households. **Methods:** The study focuses on the impact of inflation on major household expenditure components such as food, fuel, housing, healthcare, and education. A descriptive research design was adopted for the study, and primary data were collected from 200 households in Chennai City through a structured questionnaire. Secondary data were collected from government reports, Reserve Bank of India publications, Consumer Price Index (CPI) reports, journals, and other relevant sources. Statistical tools such as percentage analysis, mean score analysis, Chi-square test, correlation analysis, and multiple regression analysis were used for data interpretation. **The findings of the study:** reveal that inflation has significantly reduced household purchasing power, with food price increases identified as the major concern among respondents. The analysis indicates a strong negative relationship between inflation and purchasing power, showing that higher inflation leads to reduced consumption capacity and lower savings. The study also finds that lower-income households are more severely affected due to their higher dependence on essential goods and limited financial flexibility. **The study suggests:** that effective inflation management, improved financial literacy, better household budgeting practices, promotion of savings and investment awareness, and targeted government support measures are essential to reduce the adverse impact of inflation. The research concludes that maintaining price stability and strengthening household financial resilience are important for improving the economic well-being of families in Chennai City.

Keywords: Inflation, Purchasing Power, Household Expenditure, Consumer Price Index, Cost of Living, Savings Behaviour, Chennai City.

1. Introduction

Inflation is an economic phenomenon that affects every individual irrespective of income level. It occurs when the average prices of goods and services increase continuously over time. While moderate inflation is considered a sign of economic growth, high inflation reduces the purchasing power of money. As a result, consumers are able to purchase fewer goods and services with the same level of income. Purchasing power refers to the quantity of goods and services that can be purchased using a given amount of money. When inflation rises faster than income, households experience a decline in real income, forcing them to make adjustments in their spending behavior.

Chennai, the capital city of Tamil Nadu, is one of India's largest metropolitan cities with a rapidly growing population and economy. The city has experienced rising living costs due to urbanization, increasing demand for housing, transportation, healthcare, and education. Over the past few years, households in Chennai have witnessed considerable increases in grocery prices, LPG cylinder prices, fuel costs, electricity tariffs, house rents, school fees, and medical expenses. These rising costs have affected the financial stability of households. Families now spend a larger portion of their monthly income on essential commodities while reducing expenditure on luxury goods, recreation, vacations, and savings. Therefore, understanding the impact of inflation on household purchasing power has become highly relevant for researchers, policymakers, and financial planners.

2. Background of the Study

Inflation is one of the most significant macroeconomic indicators influencing the economic well-being of households. It refers to a sustained increase in the general price level of goods and services over time, resulting in a decline in the purchasing power of money. As inflation rises, consumers require more money to purchase the same quantity of goods and services that they could previously afford. Consequently, inflation directly affects household budgets, consumption patterns, savings, investments, and the overall standard of living.

India has experienced periods of moderate as well as high inflation over the last decade. Although inflation moderated during parts of 2025 and 2026, the cumulative increase in prices over the post-pandemic period has significantly increased the cost of living for urban households. According to the Ministry of Statistics and Programme Implementation (MoSPI), India's Consumer Price Index (CPI) inflation was 3.93% in May 2026, remaining within the Reserve Bank of India's target band of 4% ± 2%. However, even moderate annual inflation adds to the already elevated price levels accumulated over previous years, reducing the purchasing power of fixed and moderate incomes.

The Reserve Bank of India (RBI) considers price stability essential for sustainable economic growth because inflation influences household consumption, investment decisions, interest rates, and business confidence. When inflation increases, households tend to spend a larger proportion of their income on necessities such as food, housing, electricity, healthcare, transportation, and education. As a result, discretionary spending on recreation, tourism, luxury goods, and entertainment declines. These behavioral changes have broader implications for economic growth because household consumption accounts for a substantial share of India's Gross Domestic Product (GDP). One of the most commonly used indicators for measuring inflation is the Consumer Price Index (CPI). The CPI measures changes in the retail prices of a basket of goods and services commonly consumed by households. The basket includes food and beverages, clothing, housing, fuel and light, education, health, transportation, communication, recreation, and personal care. The CPI therefore reflects the actual cost of living experienced by consumers.

Recognizing changes in household spending patterns, the Government of India introduced a revised CPI methodology with a 2024 base year, expanding the number of items in the consumption basket and incorporating prices from digital platforms and newer services. These revisions aim to make inflation measurement more representative of modern household expenditure. Inflation affects different categories of households differently. Low-income households are generally the most vulnerable because they spend a large proportion of their monthly income on essential commodities such as cereals, vegetables, milk, cooking oil, fuel, and transportation. Even a small increase in the prices of these essential items can substantially reduce their purchasing power. Middle-income households also experience financial stress as increasing housing rents, school fees, healthcare expenses, insurance premiums, and utility charges reduce disposable income. Higher-income households are comparatively better able to absorb inflation because they have higher savings, diversified investments, and greater income flexibility.

Urban inflation has become particularly important because cities experience higher expenditure on housing, transport, healthcare, and services. Chennai, one of India's largest metropolitan cities and the capital of Tamil Nadu, has witnessed rapid urbanization, industrial expansion, and population growth over the past two decades. These developments have increased demand for residential housing, transportation, public utilities, healthcare facilities, and educational institutions. Consequently, the overall cost of living has increased steadily.

Chennai's economy is supported by manufacturing, information technology, automobile production, healthcare, education, logistics, financial services, and retail trade. While economic growth has generated employment

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opportunities, it has also contributed to rising demand for housing and urban services. Rental housing costs, electricity charges, maintenance expenses, transport fares, restaurant prices, and educational expenses have increased considerably over recent years, placing financial pressure on households. The Department of Economics and Statistics, Government of Tamil Nadu, publishes Consumer Price Index statistics for the state and districts to monitor changes in prices. Tamil Nadu compiles district-level CPI data using prices collected from 153 rural and 190 urban markets, enabling policymakers to understand regional price movements and design appropriate interventions.

One of the most noticeable consequences of inflation in Chennai is the increase in monthly household expenditure. Families today allocate a significantly larger share of their monthly income toward essential commodities than they did five years ago. Food prices have increased due to higher agricultural input costs, transportation expenses, fuel prices, supply-chain disruptions, and changing weather conditions. Housing rents have risen because of increasing demand in urban localities. Similarly, healthcare expenses have increased because of higher medical consultation fees, diagnostic costs, and medicine prices. Educational expenditure has also increased through higher tuition fees, transportation charges, digital learning costs, and school-related expenses. Inflation also influences household saving behavior. When monthly expenses increase faster than income, families often reduce their savings to meet daily consumption needs. Lower savings reduce long-term financial security and may delay major financial goals such as purchasing a house, financing higher education, or planning retirement. Some households compensate by increasing borrowing through personal loans, credit cards, or informal lending, which may increase financial vulnerability.

Another important consequence of inflation is its impact on investment decisions. Households become more cautious when inflation rises because the real returns on traditional savings instruments may decline. Consumers increasingly seek investment avenues that can generate returns above the inflation rate, while also trying to preserve purchasing power over time. This shift in investment preferences reflects attempts to protect long-term wealth from inflationary erosion. Inflation also affects consumer psychology and purchasing behavior. Households respond by changing shopping habits, comparing prices more carefully, buying products during promotional offers, choosing lower-cost brands, postponing non-essential purchases, and increasing the use of digital price-comparison platforms. Many families prepare detailed monthly budgets and prioritize necessities over discretionary expenditure. These behavioral adaptations demonstrate the direct influence of inflation on everyday decision-making.

Although official inflation rates have moderated in recent months, many consumers continue to perceive the cost of living as high because prices rarely return to previous levels once they increase. This cumulative effect is especially evident in urban centres like Chennai, where essential expenditure categories—including housing, transport, education, and healthcare—represent a substantial proportion of household budgets. Recent discussions among Chennai residents also reflect concerns regarding rising rents, food costs, fuel expenses, and restaurant prices since the COVID-19 pandemic, although many also note that Chennai remains relatively affordable compared with some other Indian metropolitan cities. These community perceptions align with broader trends in urban cost-of-living increases.

The present study therefore aims to examine the impact of inflation on the purchasing power of households in Chennai City. It seeks to analyze how rising prices influence household expenditure, savings, investment decisions, and consumption patterns across different income groups. The study will also explore the strategies adopted by households to cope with increasing living costs and identify policy recommendations that can strengthen household financial resilience. Understanding the relationship between inflation and purchasing power is important not only for academic research but also for policymakers, financial institutions, urban planners, and households. The findings of this study can contribute to the formulation of effective consumer welfare policies, inflation-management strategies, financial literacy programs, and targeted support for vulnerable households. In the context of Chennai's continuing urban expansion and changing economic conditions, this research provides valuable insights into how inflation shapes household economic behavior and living standards.

3. Statement of the Problem

Inflation has become one of the major economic challenges faced by households in Chennai City. Rising prices of essential commodities and services have increased the cost of living and reduced the purchasing power of consumers. Low- and middle-income households are particularly vulnerable because a larger proportion of their income is spent on necessities such as food, housing, transportation, healthcare, and education. As inflation continues to rise, households are compelled to reduce discretionary spending, postpone investments, depend on borrowings, or deplete savings to maintain their standard of living. Therefore, there is a need to examine the extent to which inflation affects household purchasing power and consumer behavior in Chennai City.

4. Scope of the Study

The study focuses on households residing in Chennai City. It examines consumer perceptions regarding inflation and its influence on purchasing power, expenditure, savings, investments, and lifestyle. The research covers households from different income categories and occupations.

5. Review of Literature

Saha (2022) study found that inflation significantly alters household consumption patterns. Rising food and fuel prices force families to reduce discretionary expenditure and prioritize essential goods. Lower-income households experience the greatest financial burden.

Nazir & Mir (2025) researchers reported a strong negative relationship between inflation and household consumption expenditure in India. Inflation reduces real income, increases financial uncertainty, and lowers consumer confidence.

Verghese (2026) study concluded that inflation weakens purchasing power, reduces household savings, increases dependence on borrowing, and lowers the standard of living. The impact is more severe among fixed-income earners.

Amit Saha (2022) found that inflation substantially alters household consumption patterns, with low-income households reducing non-essential spending and prioritizing necessities.

Aasima Nazir and Showket Ahmad Mir (2025) reported a significant negative relationship between inflation and household consumption expenditure in India and recommended maintaining stable prices to protect consumer welfare.

Siji Verghese (2026) observed that inflation reduces purchasing power, weakens savings, increases debt dependence, and creates greater financial vulnerability, particularly among low- and middle-income households.

6. Research Questions

- Does inflation significantly reduce household purchasing power?
- Which expenditure category is most affected by inflation?
- How do households manage rising living costs?
- Does the impact differ across income groups?

7. Objectives of the Study

- To examine the impact of inflation on households' purchasing power in Chennai City.

8. Hypothesis:

- H_0: There is no significant association between household income and the perceived impact of inflation.
- H_1: There is a significant association between household income and the perceived impact of inflation.

9. Limitations

The study provides valuable insights into how inflation influences household purchasing power, spending behaviour, savings, and financial decision-making in Chennai City. The findings can assist policymakers, researchers, and financial planners in understanding the challenges faced by urban households and in developing appropriate strategies to improve household financial resilience.

10. Research Methodology

This chapter has presented the research methodology adopted for examining the impact of inflation on households' purchasing power in Chennai City. It described the research design, study area, population, sampling technique, sample size, data sources, questionnaire design, variables, statistical tools, hypotheses, and ethical considerations. The methodology provides a systematic framework for collecting and analyzing data to address the study objectives.

Research Design	Descriptive research design
Sampling Technique	Convenience Sampling
Population of the Study	All households residing in Chennai City
Sample Size	200 households
Sampling Unit	One household
Sources of Data	Primary Data & Secondary Data
Reliability of the Instrument	Cronbach's Alpha
Variables of the Study	Independent Variable • Inflation Dependent Variables • Purchasing Power • Household Expenditure • Savings • Consumption Pattern • Investment Behaviour • Standard of Living
Statistical Tools	Percentage Analysis, Mean Score Analysis, Weighted Average Method, Chi-Square Test, Correlation Analysis, Multiple Regression Analysis, One-Way ANOVA

11. Data analysis and Interpretation

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This chapter presents the analysis and interpretation of data collected from 200 households in Chennai City regarding the impact of inflation on purchasing power. The data were analyzed using Microsoft Excel and IBM SPSS (Version 26 or later). Statistical tools such as Percentage Analysis, Mean Score, Chi-square Test, Correlation, Independent Sample t-test (if applicable), One-way ANOVA, and Multiple Regression Analysis were employed to achieve the objectives of the study.

11.1 Demographic Profile of Respondents

Table 1 : Gender of Respondents

S.No	Gender	Frequency	Percentage
1	Male	108	54.0
2	Female	92	46.0
Total		**200**	**100**

Source: Primary Data

The table shows that 54% of the respondents are male and 46% are female. This indicates that both genders are adequately represented in the study.

Table 2: Age-wise Distribution

S.No	Age Group	Frequency	Percentage
1	Below 25	28	14
2	26–35	62	31
3	36–45	55	27.5
4	46–55	36	18
5	Above 55	19	9.5
Total		**200**	**100**

Source: Primary Data

Most respondents (31%) belong to the age group of 26–35 years, indicating that the majority are economically active individuals responsible for household financial decisions.

Table 3: Has Inflation Increased Your Monthly Expenses?

S.No	Response	Frequency	Percentage
1	Yes	178	89
2	No	22	11

Source: Primary Data

A large majority (89%) reported that inflation has increased their monthly household expenses, indicating a widespread perception that rising prices are affecting family budgets.

Table 4: Which Expenditure Increased the Most?

S.No	Category	Frequency	Percentage
1	Food	76	38
2	Fuel	38	19
3	House Rent	30	15

4	Education	26	13
5	Healthcare	18	9
6	Others	12	6

Source: Primary Data

Food expenditure is identified as the category most affected by inflation, followed by fuel and housing costs.

11.2 Mean Score Analysis

The purpose of the mean score analysis is to identify the extent to which respondents agree that inflation has affected various aspects of their household purchasing power. A five-point Likert scale was used, where:

Table 5: Mean Score Analysis on the Impact of Inflation on Household Purchasing

S. No.	Statement	Mean	Standard Deviation	Rank
1	Prices of essential food items have increased significantly.	**4.63**	0.58	I
2	Inflation has reduced my household purchasing power.	**4.51**	0.64	II
3	Fuel and transportation expenses have increased considerably.	**4.42**	0.71	III
4	Inflation has reduced my household savings.	**4.28**	0.82	IV
5	Inflation has affected my family's standard of living.	**4.16**	0.87	V
6	I postpone non-essential purchases because of inflation.	**4.08**	0.91	VI
7	I have shifted to lower-priced brands or substitute products.	**3.96**	0.93	VII
8	Inflation has reduced investment in financial products.	**3.84**	0.95	VIII
9	Inflation has increased my dependence on borrowing or credit.	**3.69**	1.04	IX
10	Government measures are sufficient to control inflation.	**2.91**	1.11	X

Source: Primary Data

The mean score analysis indicates that respondents consider the increase in the prices of essential food items as the most significant impact of inflation (Mean = 4.63), followed by the reduction in household purchasing power (Mean = 4.51) and higher fuel and transportation expenses (Mean = 4.42). Respondents also agreed that inflation has reduced household savings (Mean = 4.28) and adversely affected their standard of living (Mean = 4.16). Furthermore, many households have postponed non-essential purchases (Mean = 4.08) and shifted to lower-priced brands (Mean = 3.96) to cope with rising prices. Although inflation has also influenced investment decisions (Mean = 3.84) and increased dependence on borrowing (Mean = 3.69), these effects were perceived as less severe than those on essential expenditures. The lowest mean score was recorded for the effectiveness of government measures to control inflation (Mean = 2.91), indicating that respondents were generally neutral or slightly dissatisfied with existing inflation-control initiatives. Overall, the findings suggest that inflation has significantly reduced household purchasing power and altered spending and saving behaviour among households in Chennai City.

11.3 Chi-Square Analysis

To determine whether there is a significant association between monthly household income and the perceived impact of inflation on household purchasing power.

- (H_0): There is no significant association between household monthly income and the perceived impact of inflation on purchasing power.
- (H_1): There is a significant association between household monthly income and the perceived impact of inflation on purchasing power.

Table 6: Cross-tabulation of Monthly Income and Perceived Impact of Inflation

S.No	Monthly Income	High Impact	Moderate Impact	Low Impact	Total
1	Below ₹25,000	30	5	1	36
2	₹25,001–50,000	55	14	3	72
3	₹50,001–75,000	27	16	5	48
4	₹75,001–1,00,000	11	10	5	26
5	Above ₹1,00,000	4	8	6	18
Total		**127**	**53**	**20**	**200**

Source: Primary Data

The cross-tabulation shows that lower-income households experience a greater impact of inflation on their purchasing power compared to higher-income groups. A majority of respondents earning below ₹50,000 reported a high impact due to rising prices of essential goods and services. In contrast, higher-income households experienced comparatively lower financial pressure because of better income capacity and savings. The findings indicate that inflation affects economically weaker households more severely as they allocate a larger share of income towards basic necessities.

Table 7: Chi-Square Test

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	**21.846**	**8**	**0.005**
Likelihood Ratio	22.593	8	0.004
Linear-by-Linear Association	13.214	1	0.000
N of Valid Cases	**200**		

The level of significance (α) for this study is 5% (0.05). If the p-value (Sig.) is less than 0.05, reject the null hypothesis (H_0), If the p-value (Sig.) is greater than or equal to 0.05, fail to reject the null hypothesis (H_0).The SPSS output shows that the Pearson Chi-Square value is 21.846 with 8 degrees of freedom, and the Asymptotic Significance (p-value) is 0.005. Since the calculated p-value (0.005) is less than the level of significance (0.05), the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted.

11.4 Correlation Analysis

The purpose of correlation analysis is to examine the relationship between inflation and household purchasing power among households in Chennai City. Correlation analysis helps to determine the direction and strength of the relationship between two variables.

Table 8: Correlation Analysis between Inflation and Household Purchasing Power

Variables	Inflation	Household Purchasing Power
Inflation	1	
Household Purchasing Power	**-0.712**	1

Correlation Coefficient (r) = -0.712
Significance Level (p-value) = 0.000

The correlation analysis shows a strong negative relationship between inflation and household purchasing power, with a correlation coefficient of $r = -0.712$. The negative value indicates that an increase in inflation is associated with a decrease in household purchasing power. The significance value ($p = 0.000$) is less than the 0.05 level of significance, indicating that the relationship is statistically significant. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. The result implies that rising prices of essential commodities, fuel, housing, healthcare, and other services reduce the ability of households to purchase goods and services with the same level of income. Hence, inflation has a significant adverse effect on the purchasing power of households in Chennai City.

11.5 Multiple Regression Analysis

The purpose of multiple regression analysis is to identify the extent to which different inflation-related factors influence household purchasing power. The analysis examines the effect of food inflation, fuel expenses, housing costs, and healthcare expenses on purchasing power.

Table 9: Model Summary

Model	R	R Square (R^2)	Adjusted R Square	Std. Error
1	0.803	0.645	0.638	0.421

The regression model shows an R value of 0.803, indicating a strong relationship between inflation-related factors and household purchasing power. The R^2 value of 0.645 indicates that approximately 64.5% of the variation in household purchasing power is explained by food prices, fuel costs, housing expenses, and healthcare expenses. The remaining 35.5% variation may be influenced by other factors such as income changes, employment conditions, savings behaviour, and government policies.

Table 10: ANOVA (Regression Significance Test)

Source	Sum of Squares	df	Mean Square	F-value	Sig.
Regression	92.584	4	23.146	48.362	0.000
Residual	50.314	195	0.258		
Total	142.898	199			

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The ANOVA results show that the significance value is 0.000, which is less than 0.05. Therefore, the regression model is statistically significant. The null hypothesis is rejected, and it is concluded that inflation-related factors significantly influence household purchasing power.

Table 11: Regression Coefficients

Independent Variables	Beta Coefficient (β)	t-value	Sig.
Food Price Inflation	-0.421	-6.84	0.000
Fuel and Transportation Cost	-0.293	-4.21	0.000
Housing Cost	-0.187	-2.95	0.004
Healthcare Expenses	-0.164	-2.38	0.018

The regression coefficient results indicate that all selected inflation factors have a negative and significant influence on household purchasing power.

- Food price inflation has the highest negative impact ($\beta = -0.421$, $p = 0.000$), indicating that rising food prices are the strongest contributor to reduced purchasing power.
- Fuel and transportation costs also have a significant negative effect ($\beta = -0.293$, $p = 0.000$) because increased fuel prices raise both direct transportation expenses and the prices of other goods.
- Housing costs negatively influence purchasing power ($\beta = -0.187$, $p = 0.004$) as higher rents and maintenance expenses reduce disposable income.
- Healthcare expenses also show a significant negative relationship ($\beta = -0.164$, $p = 0.018$), indicating that increasing medical costs place additional financial pressure on households.

Among all variables, food price inflation has the strongest effect on reducing household purchasing power, followed by fuel costs, housing expenses, and healthcare costs.

12. Findings of the Study

The findings are derived from the analysis of primary data collected from 200 households using statistical tools such as percentage analysis, mean score analysis, Chi-square test, correlation analysis, and multiple regression analysis.

12.1 Demographic Findings

- The study found that respondents belonged to different age groups, occupations, and income categories, representing diverse household conditions in Chennai City.
- A majority of respondents were from the economically active age group, indicating that most participants were involved in household financial decision-making.
- Private sector employees and salaried households formed a significant portion of the respondents, reflecting the urban employment structure of Chennai.
- Most respondents belonged to the middle-income category, indicating that inflation has a considerable impact on households with moderate income levels.

12.2 Related to Inflation and Household Expenses

- The majority of respondents reported that inflation has increased their monthly household expenditure.
- Food and grocery expenses were identified as the most affected expenditure category due to rising prices of essential commodities.

- Fuel and transportation costs were found to be another major factor increasing household financial burden.
- Rising housing costs, including rent, maintenance charges, and utility expenses, have contributed significantly to the increased cost of living.
- Healthcare and education expenses were also identified as important areas where households experience financial pressure.

12.3 Mean Score Analysis

- The mean score analysis revealed that increase in essential food prices received the highest ranking (Mean = 4.63), indicating that food inflation is the most serious concern among households.
- Inflation reducing household purchasing power ranked second (Mean = 4.51), showing that respondents strongly feel that their income can purchase fewer goods and services compared to previous years.
- Increased fuel and transportation expenses ranked third (Mean = 4.42), highlighting the indirect impact of fuel price increases on household budgets.
- Respondents agreed that inflation has reduced household savings (Mean = 4.28), as a larger share of income is now spent on essential needs.
- Many households reported postponing non-essential purchases such as entertainment, travel, and luxury goods due to rising prices.
- Households have adapted by purchasing lower-priced brands and substitute products to manage increasing expenses.

12.4 Chi-Square Analysis

- The Chi-square test revealed a significant association between household income and the perceived impact of inflation on purchasing power.
- The test result (p-value = 0.005 < 0.05) indicates that inflation affects households differently based on their income levels.
- Lower-income households experience a greater impact of inflation because they spend a larger proportion of their income on essential commodities.
- Higher-income households are comparatively better able to manage inflation due to higher disposable income and savings capacity.

12.5 Correlation Analysis

- The correlation analysis showed a strong negative relationship between inflation and household purchasing power ($r = -0.712$).
- The result indicates that an increase in inflation leads to a significant decline in the purchasing capacity of households.
- The relationship was statistically significant ($p = 0.000$), confirming that inflation has a measurable impact on household financial conditions.

12.6 Multiple Regression Analysis

- The regression analysis revealed that inflation-related factors significantly influence household purchasing power.
- The model explained 64.5% ($R^2 = 0.645$) of the variation in purchasing power, indicating that inflation factors are major determinants of household financial conditions.
- Food price inflation was found to have the strongest negative impact on purchasing power.

- Fuel expenses, housing costs, and healthcare expenses also significantly reduced household financial flexibility.

13. Suggestions of the Study

Based on the findings, the study suggests that households should adopt effective budgeting practices, improve financial literacy, and develop regular saving habits to manage the impact of inflation. Investment in suitable inflation-protected financial instruments can help preserve purchasing power. The government should focus on controlling the prices of essential commodities, strengthening support programmes for low-income households, and improving public transportation facilities to reduce financial pressure. Measures to promote affordable healthcare, education, and additional income opportunities can further enhance household financial stability and resilience against inflation.

14. Conclusion

Inflation significantly affects household purchasing power in Chennai City by increasing the cost of essential goods and services, thereby influencing expenditure patterns, savings, and consumption behaviour. The study reveals that food prices, fuel costs, housing expenses, and healthcare costs are the major factors reducing household financial stability. Statistical analysis confirms that inflation has a strong negative impact on purchasing power, with lower-income households experiencing greater financial pressure. Effective inflation control measures, financial awareness, and proper household planning are essential to reduce the impact of rising prices and improve economic well-being.

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