

# An Analytical Study of Inflation Trends and it's Impact on Common People

**Dr. Vaishali Nadkarni and Akshita Sutar**

The Byramjee Jeejeebhoy College of Commerce, Mumbai

**Abstract:** *Inflation is an important economic factor that affects the cost of living and purchasing power of people. When prices of goods and services increase, people need more money to buy the same things. This situation mostly affects middle- and low-income households. The purpose of this study is to analyze inflation trends in India and understand how they affect common people. The study uses secondary data from sources such as the Consumer Price Index (CPI) and reports from the Reserve Bank of India (RBI). The analysis shows that rising inflation increases household expenses and reduces savings. Therefore, controlling inflation is important for maintaining economic stability and protecting the financial well-being of common people.*

**Keywords:** Inflation.

## I. INTRODUCTION

Inflation is the continuous rise in the prices of goods and services, which reduces the purchasing power of money. It directly affects common people, especially low- and middle-income groups. In India, inflation often increases due to rising food prices and higher demand (Singh, 2010).

Studies show that high inflation can harm economic growth, so maintaining price stability is important (Ghosh & Phillips, 2003). Inflation beyond a certain level also increases the financial burden on households (Kumar & Kumar, 2020). Additionally, people's expectations about future inflation influence their spending and saving behavior (Das et al., 2019).

Therefore, analyzing inflation trends is important to understand its impact on common people and for better policymaking.

## II. LITERATURE REVIEW

Many researchers have studied the relationship between inflation and economic growth.

Studies show that moderate inflation can support economic development, but high inflation can reduce purchasing power and slow economic growth.

Some researchers found that inflation above a certain level can negatively affect economic performance. For example, studies suggest that inflation above about 6% in India can harm economic growth and stability.

Other research focuses on inflation expectations among households. When people expect prices to increase in the future, they may change their spending and saving habits. This behavior can influence overall economic activity.

Overall, previous research shows that inflation is an important economic issue that affects both economic growth and the daily lives of common people.

## III. RESEARCH METHODOLOGY

This study uses a descriptive research method to analyze inflation trends.

### A. Data Sources

The research is based on secondary data, collected from:

Reserve Bank of India (RBI)

Consumer Price Index (CPI) reports Government economic reports

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**B. Method of Analysis The study uses:**

Trend analysis

Simple statistical comparison Interpretation of CPI data

These methods help in understanding how inflation has changed over time and how it affects common people.

**IV. DATA ANALYSIS**

Inflation in India is measured mainly using the Consumer Price Index (CPI). CPI tracks the price changes of goods and services that people commonly buy.

**Table 1: CPI Inflation Trend in India**

Year	CPI Inflation Rate (%)
2020	6.2
2021	5.1
2022	6.7
2023	5.4
2024	4.8

**Explanation:** Food prices, fuel costs, and transportation expenses are the major factors influencing inflation in India. Since these goods are essential for daily life, any increase in their prices directly affects household expenses.

**Table 2: Impact of Inflation on Household Expenses**

Category	Average monthly Expense before Inflation	Average monthly Expense after Inflation
Food	4000	5200
Transport	1500	2000
Fuel	1200	1800
Utilities	1800	2200

**Explanation:**

The table shows how inflation increases household spending and reduces savings for common people.

**Table 3: income group impact**

Income group	% income spent on essentials
Low income	70
Middle income	50
High income	30

**Explanation :**

Low-income groups are the most affected by inflation as they spend a higher portion of income on necessities.

**V. INTERPRETATION**

The data analysis shows that inflation has a strong impact on the financial condition of common people.

When inflation increases:

The cost of living rises

Purchasing power decreases Household savings reduce

Low-income households are more affected because most of their income is spent on basic necessities like food and transportation.

Therefore, controlling inflation is important to protect the economic well-being of common people.



## VI. CONCLUSION

Inflation is an important economic issue that directly affects the lives of people. The study shows that rising inflation increases the cost of living and reduces purchasing power.

Although moderate inflation is normal for economic growth, high inflation can create financial difficulties for households. The government and central bank must therefore implement effective policies to control inflation and maintain price stability.

By keeping inflation under control, it is possible to improve the financial stability and living standards of common people. An Analytical Study of Inflation Trends and its Impact on Common People

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