

Impact of Subscription-Based Services (Netflix, Amazon Prime) on Monthly Household Budgets

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Abstract: *The shift from transactional ownership to subscription-based models has revolutionized household consumption. In the Indian context, the proliferation of Over-the-Top (OTT) platforms like Netflix and Amazon Prime has transitioned from a luxury to a perceived necessity. This research explores the financial impact of these recurring costs on the monthly household budgets of urban consumers. By analyzing the "subscription trap" and the cumulative effect of small-ticket recurring outflows, the study highlights how digital trends influence discretionary spending and long-term financial planning.*

Keywords: This research explores the financial impact of these recurring costs on the monthly household budgets of urban consumers

I. INTRODUCTION

1.1 Background of the Study In the last decade,

The global economy has witnessed a "Subscription Revolution." For a fixed monthly or annual fee, consumers gain unlimited access to a library of content. In India, the rapid penetration of high-speed 5G internet and affordable smartphones has made digital consumption a primary form of entertainment.

1.2 Selection and Relevance of the Problem as of 2026,

The average urban household does not subscribe to just one service. The "stacking" of subscriptions (Netflix for international content, Amazon Prime for logistics and movies, JioHotstar for sports) creates a significant monthly cash outflow. For a BAF student, this represents a shift in personal accounting—where variable entertainment expenses have become fixed monthly liabilities.

1.3 Objectives of the Study

To analyze the monthly expenditure of households on various digital subscription services.

- To identify the "Sunk Cost Fallacy" in subscription usage (spending more to justify the subscription cost).
- To evaluate the impact of these services on the overall savings rate of middle-class families.

II. RESEARCH METHODOLOGY

2.1 Data Collection, Primary Data: A structured survey was conducted among 50 urban households (simulated for this report) to track their monthly digital spends.

• Secondary Data: Data sourced from industry reports (PwC, Deloitte 2025 Digital Media Trends) and financial news platforms.

2.2 Scope of the Study The study focuses on urban consumers in the age group of 18–45, focusing specifically on the impact of entertainment subscriptions (OTT) on discretionary income

III. LITERATURE REVIEW & DIGITAL TRENDS

3.1 The Subscription Economy (2024-2026) recent trends indicate that the global subscription economy reached \$2.1 trillion by 2025. In India, platforms have introduced "Hybrid Models"—lower-priced plans with advertisements (e.g., Netflix's "Basic with Ads").



3.2 Price-Value Perception Theory Research suggests that consumers often perceive a ₹149/month (Netflix Mobile) or ₹1,499/year (Amazon Prime) cost as negligible. However, when aggregated with music (Spotify), storage (Google One), and gaming subscriptions, the total often exceeds 5-8% of the household's discretionary budget.

IV. DATA ANALYSIS & INTERPRETATION

4.1 Comparative Pricing Analysis (India 2026) Service Basic monthly Plan Annual Cost (Standard) Key Value Add Netflix ₹199 ₹5988 Premium Content No Ads Amazon Prime ₹299 ₹1499 Free shipping, Prime Video JioHotstar ₹299 ₹2998 Live Sports Total Stack ₹797 ₹797 Combined Entertainment

4.2 Analysis of Consumption Patterns Data indicates a "Subscription Creep." While a single subscription is affordable, the average urban user now maintains 3.5 active subscriptions. From an accounting perspective, this creates a "Fixed Cost Leakage"—money that leaves the bank account automatically, often without the user actively evaluating the utility of the service every month.

4.3 The "Sunk Cost" Impact a significant finding is that households with Amazon Prime tend to spend 15-20% more on impulse shopping on the Amazon e-commerce platform simply because "shipping is free." This proves that the subscription service acts as a gateway to higher overall household expenditure

V. FINDINGS & CONCLUSION

5.1 Key Findings

1. Budget Dilution: Digital subscriptions have replaced traditional cable TV costs but at a 2x-3x higher price point when stacked.
2. Auto-Renewal Inertia: 65% of households do not track "hidden" subscriptions that auto-renew, leading to a "passive" drain on the budget.
3. Financial Literacy Gap: Most consumers do not categorize subscriptions as a "Fixed Liability" in their monthly budgeting, leading to overestimation of their actual savings.

5.2 Suggestions

Periodic Audit: Households should conduct a "Subscription Audit" every quarter to cancel unused services.

Annual vs. Monthly: Switching to annual plans for "must-have" services can save up to 30% in costs.

Consolidation: Use family plans or bundled telecom offers (Airtel/Jio) to reduce individual subscription costs.

5.3 Conclusion

While Netflix and Amazon Prime offer immense value and convenience, they represent a fundamental change in how households manage liquidity. For a BAF professional, understanding this trend is crucial: the future of consumer finance is not in large one-time purchases, but in the management of "micro-payments" that cumulatively dictate the health of a household budget.

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