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THE STUDY ON THE IMPACT OF RISING FUEL PRICES ON HOUSEHOLD EXPENDITURE AND SAVINGS OF MIDDLE-CLASS FAMILIES IN CHENNAI

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ABSTRACT

Fuel prices greatly affect how much money households spend, how much they save, and how they plan their finances, especially for middle-class families. This research looks at how increasing fuel costs influence the amount of money middle-class families in Chennai spend and save. Primary data were gathered from 103 people using a structured questionnaire on Google Forms, and the sampling method used was convenience sampling. The data were analyzed using frequency analysis, mean, and standard deviation. The results show that higher fuel prices have made household spending go up, led to less money being saved, and changed how people plan their budgets. The study highlights the importance of good financial planning and proper policies to lessen the financial pressure on middle-class families.

Keywords: Rising fuel prices, Household expenditure, Household savings, Middle-class families, Chennai, Financial planning, Household budgeting, Cost of living.

INTRODUCTION

Fuel is a very important resource in every economy because it helps with moving people and things, making products, and getting goods and services to where they need to go. In recent years, increasing fuel prices have become a big problem for the economy in India because they directly affect transportation costs and also influence the prices of everyday goods. Middle-class families are especially hit because they usually have steady or slow-growing incomes, but they also have to handle many different financial tasks. In a big city like Chennai, where people rely on daily commuting, rising fuel prices add more stress to family budgets and affect overall financial health. In addition to increasing transportation costs, rising fuel prices also raise the cost of food, household goods, and other necessities.

To manage the increasing cost of living, many households have adjusted their spending habits by reducing unnecessary expenses and revising their budgeting and savings practices. These financial adjustments may also affect their long-term financial planning and overall

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quality of life. Against this background, the present study examines the impact of rising fuel prices on the household expenditure and savings of middle-class families in Chennai. It aims to understand how increasing fuel prices influence their spending patterns, saving behaviour, and financial planning.

Rising fuel prices have become a major concern because they affect not only household transportation costs but also the overall financial well-being of families. Understanding how households respond to these increasing expenses through changes in expenditure, savings, and budgeting is essential. Therefore, this study focuses on middle-class families in Chennai to examine the financial challenges they face due to rising fuel prices. The findings provide valuable insights into these challenges and may assist policymakers in developing measures to reduce the financial burden caused by rising fuel costs.

REVIEW OF LITERATURE

Folami Rahmon Abiodun et al. (2025) conducted research on Fuel Subsidy Removal, Prices and Household Financial Health in Nigeria. The researcher studied the impact of fuel subsidy removal and fuel price changes on household financial health in Nigeria. The findings showed that fuel subsidy removal increased household income and consumption in the short term, mainly due to higher wages and rising fuel prices, but it also caused a decline in savings as households focused more on consumption. Household debt rose temporarily, while price changes had a limited influence compared to the direct impact of subsidy removal.

Kamal Muhammad Sani et al. (2025) conducted research on implications of fuel subsidy removal on household expenditure and savings in Birnin-Kebbi metropolis. The researcher studied the impact of fuel subsidy removal on household spending and saving behavior among 190 households in Birnin-Kebbi, Nigeria. The study found that households reduced nonessential spending, struggled to save, and experienced financial stress affecting their health and well-being, showing that rising fuel prices directly constrain household expenditure and savings patterns.

Michael Gelman et al. (2023) conducted research on the response of Consumer Spending to Changes in Gasoline Prices. The researchers studied how changes in gasoline prices affect overall consumer spending by analyzing individual transaction-level data during the sharp fall in fuel prices in 2014. The study found that consumers quickly adjusted their spending when gasoline prices changed, with a high marginal propensity to consume. This indicates that fluctuations in fuel prices have a strong impact on household spending and can significantly affect the overall cost of living.

Harnida Wahyuni Adda (2022) conducted research on the increase in fuel prices and the problems for the economy. The researcher studied the impact of rising fuel prices on the Indonesian economy using qualitative methods involving public members and business actors. The study found that increased fuel prices negatively affected the economy by raising the prices of basic goods, increasing unemployment and inflation, reducing real wages and household consumption, and creating a need for government compensation policies.

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Kangni Kpodar & Boya Liu (2022) conducted research on the distributional implications of the impact of fuel price increases on inflation. They studied how changes in domestic fuel prices affect consumer price inflation by examining different components of the consumer price index and household income groups across 190 countries. The study found that fuel price increases lead to persistent inflation, especially in developing economies, and reduce the purchasing power of households, with lower-income groups experiencing longer-lasting effects compared to higher-income groups.

Gowtham Ramkumar & Vasanth Ramkumar (2019) examined consumer perceptions towards rising fuel prices in Chennai, focusing on how fuel price fluctuations reshape income distribution and daily spending priorities. Their study highlights that increasing fuel prices driven mainly by high central taxes, inconsistent pricing strategies, and international market volatility directly affect consumers' purchasing power and savings behavior. By analyzing pre- and post-fuel price hike spending patterns, the study provides evidence that consumers shift from prioritizing future savings to meeting immediate basic needs when fuel prices surge. This establishes how fuel price variations significantly impact household financial decisions and overall cost of living.

STATEMENT OF PROBLEM

Fuel price increases have become a significant economic concern, especially for middle-class families whose incomes are either fixed or only slightly rising. Budgets for households are further strained by rising fuel prices, which also raise the cost of transportation and necessities. Many families are consequently compelled to cut back on unnecessary spending, alter their savings, and modify their financial planning. Since Chennai is a metropolitan city where transportation plays a vital role in daily life, it is important to examine how rising fuel prices influence the household expenditure, savings behaviour, and budgeting practices of middle-class families.

RESEARCH GAP

The review of literature shows that several studies have examined the impact of rising fuel prices on inflation, household expenditure, consumer spending, and economic growth. However, limited research has focused on the combined impact of rising fuel prices on household expenditure, savings, and financial planning among middle-class families in India, particularly in Chennai. Most previous studies have concentrated on broader economic issues or different demographic groups. Therefore, this study attempts to bridge this gap by examining how rising fuel prices influence the expenditure patterns, savings behaviour, and budgeting practices of middle-class families in Chennai.

OBJECTIVES

- To analyse the impact of rising fuel prices on the overall household expenditure of middle-class families in Chennai.

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- To study the effect of fuel price increases on the savings behavior of middle-class households.
- To examine changes in household budgeting and financial planning due to increased fuel costs.

RESEARCH METHODOLOGY

This research is based on primary data collected from 103 middle-class respondents in Chennai through a structured questionnaire prepared through Google Forms using the Convenience Sampling method, over a period of six months. The data collected was analysed by Frequency Analysis to find the percentage distribution of responses and Mean and Standard Deviation to analyse the opinions of respondents regarding the impact of increasing fuel prices on household expenditure, savings, budgeting, and financial planning.

CONCEPTUAL FRAMEWORK

The conceptual framework of the study explains the relationship between **rising fuel prices and the financial well-being of middle-class families in Chennai**. Rising fuel prices are considered the major factor influencing household financial decisions. They directly increase transportation expenses and may also contribute to higher prices of food, household goods, and other essential commodities. As a result, households may experience greater financial pressure while managing their regular income and expenses. The increasing cost of fuel can therefore influence both their present spending patterns and their overall financial management.

The framework mainly focuses on the impact of rising fuel prices on **household expenditure**. Increased fuel costs can lead to higher transportation expenses and may increase the overall cost of essential goods and services. This can cause households to allocate a larger portion of their income towards necessary expenses. Consequently, families may adjust their spending patterns by giving greater priority to essential requirements and reducing expenditure on non-essential items. Such changes in expenditure patterns reflect the financial adjustments made by households to manage the increased cost of living.

The framework also considers the effect of rising fuel prices on **household savings and financial planning**. As household expenditure increases, families may have less income available for regular savings. Some households may reduce their monthly savings or rely on their existing savings to meet additional fuel-related expenses. Rising fuel prices may also influence long-term financial planning and the way households manage their available financial resources. These changes can affect the ability of families to maintain their planned savings and manage their future financial requirements.

Finally, the framework considers the **budgeting and coping responses** adopted by middle-class families. To manage the financial pressure caused by rising fuel prices, households may increase their use of public transportation, reduce non-essential spending,

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prioritize essential needs, and postpone purchases. These changes reflect adjustments in household budgeting and financial planning practices. Overall, the framework shows how rising fuel prices influence household expenditure and savings and subsequently affect the budgeting, spending, and financial decisions of middle-class families in Chennai.

DATA ANALYSIS AND INTERPRETATION

FREQUENCY ANALYSIS ON DEMOGRAPHIC DATA

Table: Frequency Table Representing Demographic Data

FEATURES	FACTORS	FREQUENCY	PERCENTAGE
AGE	Below 25 years	67	65
	25 to 34 years	25	24.3
	35 to 44 years	4	3.9
	45 and above	7	6.8
GENDER	Male	37	35.9
	Female	66	64.1
EDUCATION	School Level	1	1
	Diploma	3	2.9
	Undergraduate	40	38.8
	Postgraduate	43	41.7
	Professional Course	16	15.5
OCCUPATION	Salaried Employee	59	57.3
	Business	16	15.5
	Professionals	28	27.2
MONTHLY INCOME	Below 25000	47	45.6
	25000 to 50000	28	27.2
	50001 to 75000	16	15.5
	75001 to 100000	5	4.9
	Above 100000	7	6.8

Source: Primary Data

INFERENCE

The demographic profile of the respondents indicates that the majority belonged to the age group below 25 years, with female respondents outnumbering male respondents. Most of the respondents were postgraduates, followed closely by undergraduates, while salaried employees constituted the largest occupational group. In terms of monthly household income, nearly half of the respondents reported earnings below ₹25,000. Overall, the demographic characteristics show that the study primarily represents young, educated, salaried middle-class individuals in Chennai.

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OBJECTIVE I

FREQUENCY ANALYSIS ON THE MONTHLY FUEL EXPENDITURE INCREASE

Table: Frequency Table Representing the Increase in Monthly Fuel Expenditure Due to Rising Fuel Prices

Increase in Monthly Fuel Expenditure	Frequency	Percentage
Less than 10%	28	27.2
10-20%	51	49.5
21-30%	13	12.6
More than 30%	11	10.7
Total	**103**	**100**

Source: Primary Data

INFERENCE

The table shows that 49.5% of respondents experienced a 10–20% increase in monthly fuel expenditure, indicating the financial impact of rising fuel prices.

FREQUENCY ANALYSIS ON THE HOUSEHOLD INCOME SPENT ON FUEL

Table: Frequency Table Representing the Percentage of Household Income Spent on Fuel Expenses

Percentage of Household Income spent on fuel	Frequency	Percentage
Below 5%	17	16.5
5-10%	60	58.3
11-15%	17	16.5
Above 15%	9	8.7
Total	**103**	**100**

Source: Primary Data

INFERENCE

The table shows that most respondents (58.3%) spend 5–10% of their household income on fuel, indicating that fuel expenses form a considerable part of their monthly budget.

FREQUENCY ANALYSIS ON REDUCTION IN NON-ESSENTIAL SPENDING

Table: Frequency Table Representing Reduction in Non-Essential Spending Due to Rising Fuel Prices

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Reduction in Non-Essential Spending	Frequency	Percentage
Yes	68	66
No	35	34
Total	**103**	**100**

Source: Primary Data

INFERENCE

The table indicates that 66% of the respondents have reduced non-essential spending due to rising fuel prices, reflecting changes in household spending priorities.

OBJECTIVE II

DESCRIPTIVE ANALYSIS ON THE EFFECT OF RISING FUEL PRICES ON HOUSEHOLD SAVINGS BEHAVIOUR

Table: Mean and Standard Deviation of the Effect of Rising Fuel Prices on Household Savings Behaviour

Effect on Household Savings Behaviour	Mean	Standard Deviation	Rank
Use of Existing Savings	4.07	0.889	I
Reduction in Monthly Savings	4.01	0.902	II
Change in Savings Instruments	3.86	0.875	III
Difficulty Maintaining Savings	3.74	0.939	V
Use of Emergency Savings	3.73	1.012	VI
Impact on Financial Planning	3.79	0.967	IV

Source: Computed Data

INFERENCE

The descriptive statistics indicate that rising fuel prices have adversely affected the savings behaviour of middle-class households. Respondents mainly relied on their existing savings, reduced their monthly savings, and made changes to their financial planning to cope with rising fuel costs.

OBJECTIVE III

DESCRIPTIVE ANALYSIS ON CHANGES IN HOUSEHOLD BUDGETING AND FINANCIAL PLANNING

Table: Mean and Standard Deviation of Changes in Household Budgeting and Financial Planning Due to Rising Fuel Prices

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Changes in Household Budgeting	Mean	Standard Deviation	Rank
Increased Public Transport Usage	3.83	1.024	I
Postponement of Purchases	3.56	1.016	IV
Impact on Standard of Living	3.71	0.996	II
Priority to Essential Spending	3.69	1.000	III

Source: Computed Data

INFERENCE

The descriptive statistics indicate that rising fuel prices have influenced household budgeting practices. Respondents mainly increased their use of public transport, prioritized essential spending, and adopted more cautious financial planning.

FINDINGS

- The study found that the majority of the respondents were young, female, postgraduate, salaried employees with a monthly household income below ₹25,000.
- It was observed that 49.5% of the respondents experienced a 10–20% increase in their monthly fuel expenditure, indicating the financial impact of rising fuel prices.
- The study revealed that 58.3% of the respondents spent 5–10% of their household income on fuel, showing that fuel expenses form a significant part of their monthly budget.
- It was found that 66% of the respondents reduced their non-essential spending to cope with rising fuel prices.
- The descriptive analysis showed that rising fuel prices have negatively affected household savings, leading respondents to rely on existing savings, reduce monthly savings, and modify their financial planning.
- The study also found that rising fuel prices have influenced household budgeting practices, encouraging greater use of public transport, prioritization of essential spending, and more cautious financial planning.

SUGGESTIONS

- Middle-class families should adopt effective budgeting and financial planning to manage the impact of rising fuel prices.
- Households should encourage the use of public transportation and fuel-efficient practices to reduce fuel expenses.
- The government should take suitable measures to control inflation and improve affordable public transport to reduce the financial burden on households.

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CONCLUSION

The study concludes that rising fuel prices have significantly affected the household expenditure, savings, and financial planning of middle-class families in Chennai. Increased transportation expenses, reduced monthly savings, and changes in budgeting practices were observed among the respondents. Many households reported reducing non-essential spending, relying on their existing savings, and making greater use of public transportation to manage rising fuel costs.

The findings indicate that the impact of rising fuel prices extends beyond transportation and influences the overall financial well-being of households. Therefore, effective household financial planning, along with government measures to control inflation and improve affordable transportation, can help reduce the financial burden on middle-class families. The study contributes to a better understanding of how rising fuel prices influence household expenditure, savings, and budgeting decisions in Chennai.

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