

The Influence of Inflation on Consumer Expenditure Dynamics and Savings Practices: Exploring The Role of Fintech Tools in Managing Personal Finances

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ABSTRACT

Inflation is the consistent raise of price of commodities in an economy which reduces the purchasing power of the people. It affects the affordability of the consumers' towards satisfying their needs. This research broadly analyses the impact of inflation on consumption and savings practices among individuals, with the intention of understanding how the financial behaviour of the individual evolve in response to rising prices. The study explores key aspects, including how inflation affects consumption patterns, influences savings behaviors, and shapes individuals' financial decision-making processes. Additionally, it examines how people navigate these challenges by utilizing financial technology (fin-tech) tools to manage their finances more effectively. The findings disclose that inflation significantly influences consumption habits, with individuals prioritizing essential expenses and adopting coping strategies to manage rising costs. Regarding savings practices, a majority reported being able to maintain minimum savings and expressed concerns about inflation impacting their ability to save for the future, prompting them to seek optimization strategies. Furthermore, the research indicates that fin-tech tools, particularly mobile banking apps and digital wallets, play a crucial role in tracking and managing daily spending habits, enhancing financial literacy, and decision-making regarding savings. Thus, this study contributes to a better understanding of how inflation impacts consumption and savings practices, providing insights that can inform policymakers, financial institutions, and individuals in developing effective strategies to navigate inflationary environments.

Keywords: *Inflation, consumption behavior, savings practices, financial technology, financial decision-making.*

INTRODUCTION:

Inflation is the consistent raise of price of commodities in an economy which reduces the purchasing power of the people. In the present scenario, inflation is universally alarming situation and much talked about issue across nations, regardless of the various economic conditions, and impacts individuals from all walks of life, irrespective of their income levels or social statuses. It is extensively discussed in all the medias, news outlets, and policy-making arenas almost every day. Its influence extends across nations, India's retail inflation, based on the Consumer Price Index (CPI), was 3.21% in February 2026, with food inflation, a key concern, recorded at 7.2% for the same period. While overall inflation remains within the Reserve Bank of India's (RBI) 2%–6% target range, it exhibits volatility driven by food prices and energy

imports. (<https://tradingeconomics.com/india/inflati>

on-cpi) Inflation awareness is crucial in dynamic economic conditions, impacting consumption and savings. High inflation erodes purchasing power, leading to increased costs for essentials, reduced disposable income, and shifts in consumer behavior. It also diminishes the value of savings over time. Fin-tech solutions like digital banking and investment platforms offer avenues to navigate inflation's effects and make informed financial decisions. Inflation, significantly influences the people how they manage their personal finances and household expenses. Hence, possessing the knowledge of inflation enables people to navigate price fluctuations effectively and make informed financial decisions.

REVIEW OF LITERATURE:

Shraddha Yadiyal (2025) This study analysed the connection between inflation and consumer spending patterns in India over the long-run period from 1970 to 2024. The results showed that a

significant negative relationship between inflation and consumer spending. Despite continual inflationary pressures, consumer spending had exhibited an invariable upward trend over the five-decade period, suggesting that structural causes such as high income levels, wage growth, government intervention, and adaptive household behavior justify the adverse effects of inflation. The findings provided important implications for businesses, which must adopt inflation-sensitive forecasting models to manage demand and pricing strategies, and for policymakers, who must balance inflation management with measures that safeguard household purchasing power and ensure inclusive growth.

Simran Singh (2024) explored the forces shaping consumer spending behavior in the fin-tech age. The findings of the study indicated that overspending behavior was positively influenced by consumer fin-tech use, perceived convenience, and promotional discounts. However, self-control hinders overspending behavior. These results provide valuable insights for researchers conducting further studies on financial behavior and for individuals seeking to make informed financial decisions by utilizing fin-tech tools wisely.

Lowgren (2023) explored the impact of persuasive design in fin-tech apps on users' saving behavior, through semi-structured interviews and first-person research. The findings revealed that these apps effectively enhance users' confidence and ability to manage personal finances. The persuasive design elements, such as customization of saving strategies, proved crucial in accommodating diverse backgrounds and savings capabilities. The findings indicated that these apps significantly increased user motivation, simplified usage, and employed unique triggers to prompt saving behavior. Additionally, incorporating nudges played a pivotal role in actively engaging users in managing their savings and fostering positive emotions within the user base.

Dr. Amit Saha et.al., (2023) measured the impact of Inflation on consumption patterns of households in India. The researcher studied the inflationary trend of goods and services and the consumption pattern during the study period. The researcher discovered that the impact of inflation on household

consumption is not uniform where a significant portion of households experienced a notable reduction in consumption, and some households remained relatively unaffected. This discrepancy is attributed to the disparity in income levels, with lower-income households, earning less than Rs. 50,000 per month, being disproportionately affected by the rising prices of essential goods and services.

Dr. Kalpesh P et.al., (2023) researched the effect of inflation on the recreation of people of the Saurashtra region. The researcher examined the impact of inflation and the resultant change in the habit of watching movies in the theater. The researcher observed that gender and location are not associated with the change in inflation rate, while education, age, and income reflect a significant association. Lower education levels, age groups of 18 to 25 and 46 & above, and income up to Rs.25,000 exhibit decreased spending on theater visits in the face of inflation.

Neira Kratovac et.al., (2023) investigated the impact of rising costs on both savings and expenditures within households. The Researcher assessed whether people can save additional money amid inflation and discern the factors influencing these savings patterns. Additionally, the researchers aimed to uncover the inflation expectations held by households in the upcoming months. The researchers indicated that perceived inflation has a significant impact on people's attitudes towards money, as well as on how much money they save and spend.

OBJECTIVES OF THE STUDY

1. To evaluate the impact of inflation on the consumption behavior of individuals and identify the most affected spending category.
2. To evaluate the best strategies adopted by individuals to reduce the impact of inflation in various consumption categories.
3. To evaluate the impact of inflation on saving practices of individuals
4. To assess the effectiveness of fin-tech apps towards consumption behavior and savings practices among individuals.



RESEARCH METHODOLOGY

Research methodology refers to the systematic process of planning, conducting, and analyzing research studies to answer research questions or test hypotheses. It encompasses the methods, techniques, and procedures used to gather and analyze data, as well as the philosophical underpinnings guiding the research process. In this study, data was collected from primary sources

through a structured questionnaire from 133 people through the convenience sampling method. The data collected were analyzed using descriptive and inferential statistical tools using SPSS software.

DATA ANALYSIS AND INTERPRETATIONS

IMPACT OF INFLATION TOWARDS CONSUMPTION BEHAVIOR:

Table 1: Table showing Perception towards inflation and spending habits:

| Statement | Mean | Standard deviation | Rank |
|---|------|--------------------|------|
| Inflation significantly impacts the overall cost of living | 4.52 | .635 | 1 |
| During inflation, I prioritize necessary expenses over non-essential or luxury spending. | 4.32 | .792 | 2 |
| When prices are rising, I focus on what I need and cut back on non-essential or luxury spending | 4.24 | .780 | 3 |
| Inflation has increased my awareness and caution regarding how I handle my spending | 4.08 | .759 | 5 |
| Inflation noticeably changes how I spend money daily. | 2.39 | .857 | 6 |

Source: Computed data

INFERENCE:

Based on the data provided, it's apparent that respondents strongly believe inflation has a considerable impact on the overall cost of living, as reflected by a mean value of 4.52. Additionally, during inflationary periods, individuals tend to

prioritize necessary expenses over luxury spending, with a mean value of 4.32.

HIGH SPENDING CATEGORY DUE TO INFLATION:

Table 2: showing the category which has the highest increase in spending due to inflation

| Spending categories | Mean | Std. Deviation | Rank |
|--|------|----------------|------|
| Groceries and essentials (Vegetables, dairy, meat, cooking essentials) | 3.94 | 1.106 | 1 |
| Transportation (Fuel and gas) | 3.88 | 1.101 | 2 |
| Health (Medical appointments, checkups, medicines) | 3.87 | 1.157 | 3 |
| Clothing | 3.79 | 1.023 | 4 |
| Durable (Home appliances, electronics, furniture, automobile) | 3.72 | 1.054 | 5 |
| Education (Tuition fees, books, and supplies) | 3.66 | 1.161 | 6 |
| Housing (Rent and mortgage) | 3.63 | 1.153 | 7 |
| Entertainment (movies, dine-out) | 3.62 | 1.197 | 8 |
| Personal care (Toiletries, haircut, cosmetics) | 3.61 | 1.058 | 9 |
| Luxury products | 3.56 | 1.239 | 10 |

Source: Computed data

INFERENCE:

From the above, it is inferred that the category "groceries and essentials" saw a high increase in spending due to the rise in general prices, as indicated by the highest mean value of 3.94. This suggests that consumers prioritize spending on necessities, which are essential for daily living and

are particularly sensitive to price fluctuations. Factors such as increased demand, supply chain disruptions, and rising production costs likely contribute to the significant impact of inflation on this category. Following this, transportation and healthcare are also significantly affected by inflation, with mean values of 3.88 and 3.87 respectively.

PERCEPTION TOWARDS SAVINGS AND INFLATION:

Table 3: Table showing perception towards savings and inflation

| Statement | Mean | Standard deviation | Rank |
|---|------|--------------------|------|
| I believe that inflation significantly affects my ability to save for the future | 4.14 | 0.811 | 1 |
| I actively seek ways to optimize my savings to counter the impact of inflation | 3.86 | 0.809 | 2 |
| I am more inclined to keep my savings in liquid assets for easy access | 3.85 | 0.892 | 3 |
| The current inflationary environment has led me to explore alternative savings strategies | 3.79 | 0.985 | 4 |
| Inflation has prompted me to prioritize short-term savings over long-term goals | 3.68 | 0.958 | 5 |

Source: Computed data

INFERENCE:

According to the table, regarding the perception of the impact of inflation on the savings of respondents, the majority strongly believe that inflation significantly affects their ability to save for the future, with a mean value of 4.14. Additionally, respondents confirmed that they actively seek ways to optimize their savings to counter the impact of

inflation, with a mean value of 3.86. Furthermore, respondents prioritize savings in liquid assets to ensure easy access to funds.

IMPACT OF DIGITAL TOOLS ON THE CONSUMPTION BEHAVIOR OF INDIVIDUALS:

Table 4: Table showing perception towards the impact of digital tools on your spending habits

| Statement | Mean | Standard deviation | Rank |
|--|------|--------------------|------|
| Digital tools have helped me track and manage my daily spending habits effectively | 3.96 | 0.957 | 1 |
| I find that digital spending platforms provide a more transparent overview of my expenditures, aiding in financial planning. | 3.77 | 0.910 | 2 |
| I often find myself overspending due to the convenience of digital payment methods. | 3.74 | 1.152 | 3 |
| I find the budget alerts provided by digital tools to help control impulsive spending during inflationary periods. | 3.66 | 0.953 | 4 |
| Using credit/debit cards or mobile wallets has led to increased debt or financial strain for me. | 3.57 | 1.202 | 5 |

Source: Computed data

INFERENCE:

Based on the above table it is observed that the majority express a strong belief in the effectiveness of digital tools in tracking and managing their daily expenses, reflected in a mean value of 3.96. Moreover, respondents indicate that digital spending platforms offer greater transparency in understanding their expenditures, thereby assisting

in financial planning. However, a significant portion of individuals admit to overspending as a result of the convenience afforded by digital payment methods, as indicated by the mean value of 3.74.

IMPACT OF DIGITAL TOOLS ON SAVING PATTERN:

Table 5: shows the level of agreement with the statements regarding the impact of digital tools on savings habits

| Statement | Mean | Standard deviation | Rank |
|--|------|--------------------|------|
| fin-tech tools have made it easier for me to track and monitor my savings progress | 3.89 | 0.918 | 1 |
| The educational resources and insights offered by fin-tech apps have improved my financial literacy and decision- making regarding savings | 3.71 | 0.944 | 2 |
| The automated features of fin-tech apps have encouraged consistent contributions to my savings | 3.69 | 0.923 | 3 |
| I am concerned that the constant connectivity required for fin-tech apps may expose my savings to cyber security risks | 3.62 | 1.020 | 4 |

Source: Computed data

INFERENCE:

According to the table data on how digital tools impact respondents' savings habits, most believe these tools effectively track and monitor savings progress (mean value: 3.89). Additionally, respondents feel that fin-tech apps enhance financial literacy and decision-making about savings. However, many worry about cybersecurity risks due to the constant connectivity needed for these apps (mean value: 3.74).

STRATEGIES ADOPTED IN VARIOUS

CONSUMPTION CATEGORIES DURING INFLATION

Null Hypothesis (H0): There are no significant differences among the coping strategies adopted by individuals during inflation across various consumption categories.

Alternative Hypothesis (H1): There are significant differences among the coping strategies adopted by individuals during inflation across various consumption categories.

Table 6: Strategies adopted in various consumption categories during inflation

| Statement | Mean rank | Rank | Chi-square | df | sig |
|---|-----------|------|------------|----|-------|
| Choose store brands or generic products for affordability without compromising quality | 8.58 | 1 | 72.604 | 13 | 0.000 |
| Take advantage of bulk purchasing for non-perishable items when feasible. | 7.63 | 6 | | | |
| Consider affordable living space. | 7.76 | 4 | | | |
| Consider using public transportation as an alternative or fuel-efficient vehicle to reduce fuel and maintenance expenses. | 8.00 | 3 | | | |
| Explore carpooling or ride-sharing options to share commuting costs with others. | 7.61 | 8 | | | |
| Regularly check health insurance plans for sufficient coverage | 7.36 | 9 | | | |
| Choose generic or subsidized medications when available for cost-effectiveness | 7.27 | 10 | | | |
| Take advantage of sales and discounts for affordable clothing purchases | 8.12 | 2 | | | |
| Explore the market for second-hand or refurbished durable goods | 5.67 | 11 | | | |
| Prioritize essential and long-lasting items, such as quality furniture and appliances, over non-essential or short-lived products | 7.62 | 7 | | | |
| Allocate a specific budget for entertainment and stick to it | 7.69 | 5 | | | |

Source: Computed data

INFERENCE:

From the Friedman test, it is observed that the p-value (0.000) is less than the significance level of 0.05. Consequently, the null hypothesis is rejected at a 5% significance level. Therefore, it is inferred that significant differences exist among the coping strategies adopted by individuals during inflation across various consumption categories.

According to the table, the highest-rated strategies include choosing store brands or generic products for affordability without compromising quality (8.58), taking advantage of sales and discounts for affordable clothing purchases (8.12), and considering affordable living space

(7.76). These ratings suggest that respondents highly prioritize cost-effective solutions in their financial decision-making processes. However, some strategies received lower ratings, such as exploring the market for second-hand or refurbished durable goods (5.67). This suggests that while respondents are willing to consider cost-saving measures, they may have reservations about certain options, possibly due to concerns about quality or convenience.

CONCLUSION:

This study has shed light on the multifaceted impact of inflation on individuals' financial behavior, consumption behavior, coping strategies, savings practices, and the role of fin-tech apps. The study explains how inflation exerts a significant influence on spending habits, with individuals adapting strategies to prioritize essential expenses amidst economic pressures. Furthermore, it identifies diverse coping mechanisms employed by individuals to navigate inflationary periods, emphasizing the need for tailored approaches to mitigate financial strain. Additionally, the research underscores the substantial impact of inflation on savings behavior, emphasizing the importance of proactive measures to safeguard long-term financial security. Lastly, it explores the transformative role of fin-tech apps in reshaping spending and savings practices, highlighting their potential to empower individuals with financial literacy and decision-making tools. In essence,

these findings underscore the importance of holistic strategies, encompassing education, proactive financial management, and innovative technological solutions, to empower individuals to effectively navigate the challenges posed by inflation and achieve financial resilience in an ever-evolving economic landscape.

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