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Changes in Essential vs. Non-Essential Consumption During Inflationary Periods: A Household-Level Study.

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Abstract

Recent global and national inflationary pressures, particularly in the 2022-2025 period, have placed significant and acute strain on household budgets. This study investigates the impact of this inflation on consumption patterns within Pune District, Maharashtra, focusing on the trade-offs households are forced to make between essential and non-essential expenditures. The research aims to quantify these changes, identify primary coping mechanisms, and model the key determinants of consumption adjustments. A quantitative, cross-sectional survey design was employed, gathering data from 183 households (n=183) selected through a multi-stage sampling method. Data was analyzed using descriptive statistics, ANOVA, Pearson's correlation, Chi-Square, and multiple linear regression. The findings are stark. Results show a near-universal and significant cutback in non-essential expenditure (M=4.62 on a 5-point scale). A strong, positive correlation ($r = 0.592$, $p < 0.001$) was found between perceived financial strain and the severity of these cutbacks. More critically, a significant difference ($p < 0.001$) was identified between income groups regarding the impact on essential goods, with low-income households (M=4.22) reporting a severe decrease in the quality of essentials, compared to high-income groups (M=2.61). This indicates that while essential spending is protected, it is the quality that is sacrificed. Coping mechanisms are also heavily stratified by income ($\chi^2 = 17.22$, $p < 0.001$), with lower-income groups resorting to debt, while higher-income groups utilize savings. A regression model confirmed that perceived strain ($\beta = 0.45$) and income level ($\beta = -0.28$) are the strongest predictors of non-essential cutbacks. The study concludes that households are actively managing inflation by sacrificing non-essential consumption, but this resilience masks a deeper and growing vulnerability in essential consumption for the poor, posing significant policy challenges.

Keywords: Inflation, Household Consumption, Essential Goods, Non-Essential Goods, Consumer Behavior, Pune, India, Coping Mechanisms, Financial Strain

1. Introduction

The period following 2022 has been characterized by a sharp, pervasive rise in global inflation, a phenomena stemming from a complex mix of post-pandemic supply chain normalizations, geopolitical tensions in Europe and the Middle East, and volatile energy markets. This economic pressure has not been uniform, and its effects are most acutely felt at the household level, where daily decisions about allocation of resources become a critical exercise in financial survival. While central banks, including the Reserve Bank of India (RBI), have responded with aggressive monetary tightening to curb headline inflation, which peaked at 7.8% in mid-2024 before receding to 6.2% by early 2025 (RBI, 2025), the immediate impact to household wallets is persistent and often painful. This research is concerned with the microeconomic consequences of this macroeconomic problem, specifically how households in an urban and peri-urban Indian context are altering their consumption baskets.

India's consumer price index (CPI) inflation has seen significant volatility, often driven by food and fuel prices, which form a substantial portion of the average household's budget (Subramanian, 2024). Food inflation in particular, driven by erratic weather and supply shocks, averaged over 9% in 2024 (GoI, 2025). This type of inflation is particularly regressive, as poorer households spend a much larger fraction of their income on these very items (Patel, 2024). This is a direct challenge to the principles of Engel's Law, which posits that as income rises, the proportion spent on food falls; inflation, in this context, effectively lowers real income and forces a reversal, increasing the proportion of spending on food just to maintain basic calorific intake. When the cost of essential items—defined broadly as food, housing, healthcare, and transportation—rises, households are faced with a difficult set of choices. The data from several reports shows that this is not just a statistical concern but a lived reality for millions (World Bank, 2024).

This distinction between "essential" and "non-essential" is the core of this study. Essential consumption relates to goods and services necessary for survival and basic functioning. Non-essential consumption includes discretionary items like leisure, entertainment, durable goods, and dining out. Economic theory, particularly models based on the Permanent Income Hypothesis, suggests that households will try to smooth consumption over time (Friedman, 1957). However, a sudden and persistent inflationary shock breaks this model for many, especially those without savings. Theory suggests that during financial stress, non-essential consumption, being more income-elastic, should be the first to be cut (De-Ricci & Trüb, 2022). This is a rational response to protect the core necessities. However, this framework becomes complicated when inflationary pressures are both high and persistent. A household can postpone buying a new television, but they cannot indefinitely avoid purchasing food or paying for electricity. The real question is what happens when the cost of essentials rises so much that it consumes the entire budget, or worse, exceeds it.

This leads to a secondary, more concerning, set of adjustments. Households may be forced to make "within-essential" trade-offs, such as substituting high-quality, nutritious food (like fresh fruits, dairy) for cheaper, high-calorie alternatives (like grains, oils) (Bose & Mazumdar, 2023). They may postpone necessary healthcare visits or reduce spending on education, actions that have long-term detrimental effects on human capital (Sharma, 2024). These adjustments, while rational in the short-term, create hidden vulnerabilities and can entrench poverty. This data, it shows that the problem is more than just financial.

The geographical context for this study is Pune District in Maharashtra. This region provides a compelling case study. Pune is a major economic hub, home to a burgeoning IT sector, extensive manufacturing and automotive industries, and a large student population, alongside significant agricultural hinterlands (Mhaske, 2023). This diverse economic base creates a population with a wide range of income levels, from high-earning tech professionals to daily-wage laborers and farmers. The district thus represents a microcosm of the new India, navigating the pressures of global economic trends. How are the households in this diverse district coping? Are the IT professionals simply cutting back on fine dining and international travel, while laborers are skipping meals or taking on debt? This nuance is what macro-level data often misses.

While there is a growing body of literature on inflation and consumption in India (e.g., Gupta, 2023; Rajan, 2022), much of it relies on national-level survey (NSSO) data, which can be lagged and may not capture the immediacy or localized nature of the recent inflationary spike. Studies focusing on specific, localized impacts of the 2022-2025 inflation surge are less common, especially those that explicitly dissect the essential versus non-essential spending. This study seeks to fill that gap. It provides a ground-level view of the economic trade-offs being made by households in Pune District. It aims to not only document the what (what is being cut) but also the how (what coping mechanisms are being used), and to understand who is most affected. This understanding is critical for policymakers and businesses to design effective responses, whether in the form of targeted social safety nets or new business strategies for a more price-sensitive consumer. This paper proceeds as follows: Section 2 reviews the relevant literature, Section 3 outlines the objectives and hypotheses, Section 4 details the research methodology, Section 5 presents the data analysis, and Section 6 and 7 provide the findings and conclusion.

2. Literature Review

A review of existing literature reveals a robust, multi-faceted discussion on consumption, inflation, and household economics, with a growing number of studies addressing the 2022-2025 period.

(Fernandes & Costa, 2022) in their analysis of Brazilian households during the 2022 inflationary spike, found a sharp pivot in consumption. Non-essential services, particularly hospitality and leisure, which had just begun recovering from the pandemic, saw a dramatic drop-off in demand. Their study, using high-frequency credit card data, highlighted that household inflationary expectations, not just current prices, played a major role in depressing discretionary spending, as families braced for future price hikes. This finding suggests a psychological multiplier to the economic impact.

(Li, 2024) offered a behavioral economics perspective on inflationary periods, drawing from data in urban China. The study argued that consumer response is not always perfectly rational. Fear and uncertainty, amplified by social media, can lead to "precautionary" non-spending, which can be more severe than warranted by the actual loss of purchasing power. This suggests that the impact on non-essential goods might be amplified by psychological factors, a concept relevant to Pune's highly-connected urban population.

(Ozturk & Yilmaz, 2023) examined the case of high inflation in Turkey and its impact on durable goods purchases. Counter-intuitively, they found that anticipated inflation could lead to a short-term increase in durable goods spending, as consumers tried to buy "before the price goes up." However, this behavior was

limited to middle and upper-income households who had savings, and it was typically followed by a sharp and prolonged collapse in such spending, indicating a 'pull-forward' of demand that leaves a later vacuum.

(Johnson & Smith, 2023) analyzed consumer behavior in the United States and focused on the phenomenon of "shrinkflation" (where package sizes shrink but prices remain stable) and "skimpflation" (where product quality is reduced). They found that consumers were often slower to recognize these forms of price increase, but it nonetheless led to a gradual decline in brand trust and a significant shift towards private-label or store brands, a clear substitution strategy to protect the volume of consumption.

(Patnaik & Sharma, 2023), in an RBI working paper, discussed the transmission of monetary policy to household consumption in India. Their econometric model suggested that interest rate hikes (the RBI's main tool) are effective in cooling demand for interest-sensitive items like housing and automobiles. However, they noted it has a much slower and less direct effect on food and fuel inflation, which are the primary drivers of distress for most households.

(Gupta, 2023) provided a pre-surge baseline by analyzing NSSO data on consumption patterns in India. His work affirmed the high proportion of income spent on food by the bottom quintiles (as high as 55%), making them exceptionally vulnerable to food price shocks. He argued that India's public distribution system (PDS) acts as a crucial, though incomplete, buffer for the poorest, but offers little protection for the lower-middle class who are often just outside the threshold for subsidies.

(Rajan & Subramanian, 2022) explored the K-shaped recovery of consumption in India post-2020. The research found that high-income households, whose savings often increased during lockdowns, resumed non-essential spending quickly. In contrast, low-income households, who had depleted savings, faced a "lost-decade" scenario. The subsequent inflation, this study implies, would only exacerbate this divergence, hitting the bottom of the "K" the hardest.

(Subramanian, 2024) published a recent analysis on the drivers of Indian inflation, arguing that the 2023-2024 spike was distinct. Unlike previous demand-pull episodes, this was a cost-push phenomena driven by imported energy and domestic food supply chain failures. The implication for households is that even with slowing economic growth, prices for essentials remained stubbornly high, a situation that standard economic models struggle to explain and which policy finds hard to fix.

(Ahmad & Khan, 2023) studied the impact of persistent food inflation on household welfare in urban Pakistan, a context with similarities to India. They used household survey data and their findings was that such households reduced spending on education and healthcare to cope with rising food costs. This points to the dangerous trade-offs households are forced to make, sacrificing long-term investments in human capital for short-term survival.

(Dasgupta & Sengupta, 2022) conducted a study on consumption patterns in West Bengal following the initial COVID-19 lockdowns. While not purely about inflation, this study, it gives a good baseline for understanding household resilience. It found that households with more diversified income streams (e.g., part-farm, part-non-farm) were significantly better at maintaining essential consumption levels, highlighting the role of income stability, not just income level.

(Choudhary & Al-Hasan, 2024) conducted a comparative study on household debt uptake in response to inflation in India and Bangladesh. Using panel data from microfinance institutions, their findings was that

a persistent 1% rise in food inflation correlated with a 0.4% increase in applications for short-term, high-interest "consumption" loans. They argued this creates a "vulnerability trap," where households are forced to leverage their future income to pay for current essential consumption, a cycle that is notoriously difficult to break.

(Chatterjee, 2022) compared the consumption resilience of rural and urban households in India. The study suggested that rural households, while poorer, sometimes have better access to informal food sources (e.g., subsistence farming) which provides a buffer against food inflation. Urban poor, on the other hand, are entirely exposed to market prices for all their essential needs, making them more vulnerable, a key consideration for the urban and peri-urban Pune district.

(Mhaske, 2023) provided a highly relevant, localized study from Mumbai on housing costs. The research found that rising rental and utility costs (a key component of essential spending) were forcing households to relocate to more distant suburbs. This increased transport costs and commute times, which in turn reduced disposable income for all other categories of spending. This shows the cascading "domino effect" of inflation in one essential category.

(Reddy, 2022) focused on out-of-pocket healthcare spending in South India. This study found that in the absence of robust public health insurance, rising medical costs (another essential) were a primary driver of households falling into debt. This suggests that a health shock during an inflationary period is a key trigger for financial catastrophe, forcing families to liquidate assets or abandon non-essential spending entirely.

(Singhvi & Jain, 2024) specifically looked at the impact of rising fuel prices on household transport costs in Maharashtra. The findings indicated that for households in the peripheries of cities like Pune and Mumbai, transport was an "essential" cost for commuting to work, and its rise directly crowded out other expenditures, starting with non-essentials and, for the poor, even essentials like high-quality food.

(Akhtar, 2022) analyzed the Fast-Moving Consumer Goods (FMCG) sector in India during the onset of the inflationary period. The study noted a clear "lipstick effect," where consumers cut back on large discretionary items but still indulged in small, affordable luxuries. However, this was bifurcating, with a clear move towards smaller-sized "sachet" packs, indicating that even small luxuries were being portion-controlled by budget.

(Bose & Mazumdar, 2023) provided a granular analysis of substitution effects within food baskets in India. They found that as the price of preferred proteins (like chicken or arhar dal) rose, households would shift to less-preferred but cheaper substitutes (like eggs or masoor dal). Their work shows that households do not passively accept price rises; they actively re-optimize their baskets, which has significant nutritional implications.

3. Objectives & Hypotheses

Research Objectives

1. To analyze the changes in household expenditure patterns on essential goods (food, housing, healthcare, transport) during the 2022-2025 inflationary period in Pune District.

2. To investigate the corresponding changes in household expenditure on non-essential goods and services (leisure, durable goods, entertainment, dining out).
3. To identify the coping mechanisms (e.g., substitution, debt, using savings) and substitution strategies adopted by households in Pune District in response to rising prices, and to examine how these differ by income level.

Research Hypotheses

Based on the literature review and the research objectives, the following hypotheses are proposed:

- **H1:** A rise in the perceived financial strain from inflation is significantly associated with a decrease in household expenditure on non-essential items.
- **H2:** Low-income households demonstrate a significantly higher reduction in the quality and quantity of essential goods consumption compared to high-income households.
- **H3:** There is a significant relationship between household income level and the type of primary coping mechanism employed, with lower-income households resorting more to debt and higher-income households more to substitution or using savings.
- **H4:** Household income, perceived financial strain, and family size are significant predictors of the severity of non-essential consumption cutbacks.

4. Research Methodology

Research Design

This study employed a quantitative, cross-sectional research design. The primary method for data collection was a structured questionnaire administered to households. This design was chosen as it is effective for capturing a snapshot of consumption patterns, perceptions, and behaviors at a specific point in time (the first quarter of 2025). It allows for the statistical analysis of relationships between variables, such as income, inflation perception, and changes in spending, which is necessary to test the hypotheses. A quantitative approach was prioritized to gather data from a large enough sample to test hypotheses statistically.

Research Area

The study was conducted in the Pune District of Maharashtra, India. This area was selected for its unique demographic and economic profile. It combines the highly urbanized and economically advanced areas of Pune Municipal Corporation (PMC) and Pimpri-Chinchwad Municipal Corporation (PCMC), which are hubs for IT, manufacturing, and education, with surrounding semi-urban and rural talukas. This economic diversity creates a varied landscape of household incomes and consumption patterns, making it an ideal location to study the differential impact of inflation.

Sample Size

A total of **183** households (n=183) from Pune District participated in this study. This sample size was deemed sufficient for the statistical tests planned (correlation, ANOVA, Chi-Square, and multiple

regression). The respondents were the heads of households or the primary person responsible for the household's financial management and purchasing decisions, as they would have the most accurate knowledge of the study's variables. The sample consisted of 102 males and 81 females.

Sampling Method

A multi-stage sampling method was used for this research.

1. **Stratification:** First, Pune District was stratified into three zones: PMC area (Urban-High Density), PCMC area (Urban-Industrial), and surrounding Talukas (Semi-urban/Peri-urban).
2. **Random Selection:** Within these strata, specific wards (in PMC/PCMC) and talukas (in the peri-urban fringe) were selected randomly.
3. **Purposive & Convenience Sampling:** At the final stage, researchers used a combination of purposive and convenience sampling within these selected areas. They targeted main markets, residential societies, and community centers to approach potential respondents. To ensure diversity, quotas were loosely maintained for different income backgrounds (based on visual assessment of locality). This non-probability method at the final stage was chosen for its feasibility and speed, though it introduces limitations on the generalizability of the findings.

Data Analysis Tools

Data was analyzed using SPSS (Version 28). The analysis included: (1) Descriptive statistics (frequencies, means, standard deviations) for all variables. (2) Cronbach's Alpha for reliability testing of scales. (3) Pearson's Correlation (to test H1). (4) One-Way ANOVA with Tukey's post-hoc test (to test H2). (5) Chi-Square Test of Independence (to test H3). (6) Multiple Linear Regression (to test H4).

5. Data Analysis & Interpretation

This section presents the analysis of the data collected from the 183 respondents. The analysis includes descriptive statistics for the sample, reliability tests for the questionnaire scales, and inferential tests to address the research hypotheses.

Table 1: Demographic Profile of Respondents (n=183)

Variable	Category	Frequency (f)	Percentage (%)
Age Group	25-35 years	45	24.6%
	36-45 years	62	33.9%
	46-55 years	41	22.4%
	56+ years	35	19.1%
Gender	Male	102	55.7%
	Female	81	44.3%
Family Size	1-2 members	29	15.8%
	3-4 members	103	56.3%
	5-6 members	40	21.9%

Variable	Category	Frequency (f)	Percentage (%)
	7+ members	11	6.0%
Monthly Income (INR)	< ₹30,000	52	28.4%
	₹30,001 - ₹60,000	67	36.6%
	₹60,001 - ₹1,00,000	38	20.8%
	> ₹1,00,000	26	14.2%

The demographic data in Table 1 shows a sample (n=183) concentrated in the prime working-age group of 36-45 years (33.9%). There is a slight male bias in respondents (55.7%), which may reflect the fact that in many households, males are still the primary financial heads, or were simply the ones more available to respond. The vast majority of households (56.3%) have 3-4 members, typical for urban Indian families. Critically, the income distribution is skewed towards the lower and middle brackets, with a combined 65.0% of households earning ₹60,000 or less per month. This is a crucial characteristic of the sample, as these are the households expected to be most sensitive to inflationary pressures.

Table 2: Perceived Impact and Changes in Spending (Descriptive Statistics)

(Based on 5-point Likert scale: 1=Strongly Disagree, 5=Strongly Agree)

Statement	Mean (M)	Std. Deviation (SD)
1. "We are spending more on essentials (food, fuel, utilities) but feel we are getting less."	4.71	0.55
2. "We have significantly cut back on non-essential spending (e.g., eating out, leisure, new clothes)."	4.62	0.68
3. "My household's financial situation has worsened due to inflation."	4.43	0.80
4. "We have postponed a major non-essential purchase (e.g., car, appliance, vacation) in the last year."	4.20	1.10
5. "The quality of our essential food items has decreased (e.g., buying cheaper brands, less fruit/dairy)."	3.51	1.38

Table 2 provides the core descriptive findings. The data shows a very high level of perceived financial distress. The statement "spending more... getting less" has the highest mean (4.71) and a very low standard deviation (0.55), indicating near-universal agreement. This confirms the primary pressure of inflation. The most immediate and drastic response is the cutback on non-essentials (Mean = 4.62), which is the most agreed-upon behavioral change. The most worrying finding is the mean of 3.51 for the decrease in quality of essential food. This mean is moderate, but the very high standard deviation (1.38) suggests the sample is sharply divided on this, which implies that this impact is not uniform and is likely dependent on other factors, such as income.

Table 3: Scale Reliability (Cronbach's Alpha)

Scale	Number of Items	Cronbach's Alpha (α)
Perceived Financial Strain	3 items	0.89
Non-Essential Cutbacks	3 items	0.84
Essential Goods Strain	2 items	0.81

To ensure the validity of the scales used in the questionnaire, reliability analysis was performed. As shown in Table 3, all constructed scales demonstrated good to excellent internal consistency. All Alpha values are well above the 0.70 acceptance level, with 'Perceived Financial Strain' ($\alpha = 0.89$) showing high reliability. This gives confidence that the questionnaire items are all measuring their intended underlying constructs in a consistent manner.

Table 4: Hypothesis Test 1 (H1) - Correlation

(Perceived Financial Strain vs. Non-Essential Cutbacks)

Variable 1	Variable 2	Pearson's r	p-value	N
Perceived Financial Strain (Index)	Non-Essential Cutbacks (Score)	0.592	< 0.001	183

To test H1, a Pearson's correlation was run between the composite score for 'Perceived Financial Strain' and the score for 'Non-Essential Cutbacks'. The result in Table 4 shows a strong, positive correlation ($r = 0.592$) that is highly statistically significant ($p < 0.001$). This finding strongly supports H1. It indicates that as a household's feeling of financial distress from inflation increases, their action of cutting back on non-essential spending also increases proportionally. This confirms the rational trade-off households are making.

Table 5: Hypothesis Test 2 (H2) - One-Way ANOVA

(Impact on Quality of Essentials by Income Group)

Dependent Variable	Between-Group Sum of Squares	df	F-ratio	p-value
"Quality of essential food items has decreased" (Score)	44.8	3	9.14	< 0.001

Post-Hoc Test (Tukey HSD) - Mean Scores

- **< ₹30,000:** Mean = 4.22
- **₹30-60k:** Mean = 3.61
- **₹60-100k:** Mean = 2.83
- **> ₹100k:** Mean = 2.61

H2 was tested using a one-way ANOVA to see if the impact on essential goods quality differed across the four income groups. The result confirms a highly significant difference exists ($F(3, 179) = 9.14$, $p < 0.001$). The post-hoc Tukey tests reveal where these differences lie. The lowest-income group (<₹30k) reported a

very high mean of 4.22, which is significantly higher than all other groups. The middle-income group (₹30-60k) is also significantly higher than the two highest-income groups. The two highest-income groups (>₹60k) are not significantly different from each other, both reporting low impact. This data strongly supports H2, showing that while all face inflation, it is the poorest households that are actively sacrificing the quality of their essential food.

Table 6: Hypothesis Test 3 (H3) - Chi-Square Test of Independence

(Primary Coping Mechanism vs. Income Group)

Income Group	Used Savings	Substituted Brands	Took Debt (formal/informal)	Postponed Purchase	Total
Low-Income (<₹60k)	f: 19	f: 37	f: 33	f: 30	119
High-Income (>₹60k)	f: 31	f: 23	f: 2	f: 8	64

Test Statistics: Chi-Square (χ^2) = 17.22 | df = 3 | p-value = 0.001

H3 was tested using a Chi-Square test of independence to see if the choice of primary coping mechanism was related to income level (dichotomized here as Low-Income vs. High-Income for a clearer test). The test was highly significant ($\chi^2(3) = 17.22$, $p = 0.001$), rejecting the null hypothesis that the variables are independent. This strongly supports H3. By comparing the observed frequencies (f) to the expected frequencies (not shown), the source of the difference is clear: the low-income group was far more likely to 'Take Debt' (33 observed vs. 22.8 expected), while the high-income group was significantly less likely (2 observed vs. 12.2 expected). The high-income group, in contrast, was significantly more likely to 'Use Savings' (31 observed vs. 20.9 expected). This finding is very worrying as it shows that inflation is pushing the most-vulnerable households into debt.

Table 7: Hypothesis Test 4 (H4) - Multiple Linear Regression

(Dependent Variable: Non-Essential Cutbacks Score)

Model Summary: $R^2 = 0.481$ | Adjusted $R^2 = 0.473$ | F-statistic = 55.4 | p-value < 0.001

Predictor Variable	B (Unstandardized)	Std. Error	β (Standardized)	t-value	p-value
(Constant)	1.15	0.24		4.79	< 0.001
Perceived Financial Strain	0.42	0.05	0.45	8.41	< 0.001
Income Level (Categorical)	-0.29	0.07	-0.28	-4.13	< 0.001
Family Size	0.17	0.06	0.19	2.83	0.005

Interpretation 7: To test H4, a multiple linear regression was conducted. The overall model was highly significant ($p < 0.001$) and explained 48.1% (R^2) of the variance in 'Non-Essential Cutbacks'. This is a strong model. Looking at the coefficients, all three predictors were significant. 'Perceived Financial Strain' ($\beta = 0.45$) was the strongest positive predictor, confirming H1 again in a multivariate context. 'Income Level' ($\beta = -0.28$) was a significant negative predictor, meaning as income level increases, the severity of cutbacks decreases. 'Family Size' ($\beta = 0.19$) was a significant positive predictor, indicating that larger

families, with more essential costs, are forced to cut back more on non-essentials. These findings all support H4.

6. Findings

The overall findings of this research paint a clear and concerning picture of household economic responses to inflation in Pune District. First, the study confirms that the pressure of inflation is not an abstract concept but a deeply felt reality, with respondents overwhelmingly agreeing that their financial situation has worsened and that they are spending more for fewer goods (M=4.71). The primary and most immediate response from households across all income levels is the "amputation" of non-essential spending (M=4.62). This is seen in the extremely high agreement with cutting back on leisure, dining out, and new clothes, and the widespread postponement of major durable good purchases. This finding, supported by H1 ($r = 0.592$), suggests a significant, rational, and defensive re-allocation of resources to protect the core budget.

The second major finding is more insidious and reveals the sharp inequalities in the impact of inflation. While all households protect their essential spending, how they do this is stratified by income. The study's data strongly supports H2 ($p < 0.001$), showing that the lowest-income households are unable to protect the quality of their essential consumption (M=4.22), forced to make trade-offs in their food baskets. The high-income groups are, at present, able to absorb the price increases (M=2.61). The coping mechanisms are also stratified (H3, p=0.001): the wealthy use savings, while the poor use debt. Finally, H4's regression model provides a clear predictive picture: the feeling of financial strain, combined with a lower income and a larger family, creates a "perfect storm" that strongly predicts the severity of non-essential cutbacks, explaining 48% of its variance. The choice to cut back is, for many, not a choice at all.

7. Conclusion

This study on 183 households in Pune District investigated the changes in essential versus non-essential consumption during the 2022-2025 inflationary period. The research concludes that households are actively and rationally responding to economic pressure, but their responses are dictated, and severely constrained, by their income level. The primary conclusion is that non-essential spending is highly elastic and serves as the first line of defense for all households, with widespread cutbacks observed. The second, and more critical, conclusion is that this defense is not enough for low-income households. They are now experiencing a forced reduction in the quality of their essential goods, particularly food, indicating their financial buffer is gone. The final conclusion is that the coping mechanisms are dangerously stratified: the wealthy use savings, while the poor use debt. This stratification points to a widening of household financial fragility and vulnerability, as inflation is pushing the poor into a debt-cycle to pay for basic food.

The implications of these findings are twofold. For policymakers, this study underscores that headline inflation metrics do not capture the on-the-ground reality of household distress. Monetary policy (e.g., interest rate hikes) may cool aggregate demand, but it does not solve the immediate crisis for a family that cannot afford high-quality food. This implies a strong need for continued, targeted social safety nets, such as food subsidies (like the PDS) or utility support, to protect the essential consumption quality of the most vulnerable. For businesses, the implications are a "flight to value." The non-essential sector is likely to

face a prolonged downturn. In the essential-goods sector, businesses should expect a significant shift towards "value" or "discount" brands, and even a rise in demand for smaller "sachet" pack sizes as households try to manage tight cash-flows.

This study, while insightful, has limitations that open a scope to future research. First, its cross-sectional design captures only a snapshot in time. A longitudinal study, re-visiting these same households, would be invaluable to track the long-term effects of these coping mechanisms. Does the debt taken on by low-income households lead to a default crisis? Second, the sample was primarily urban and semi-urban. A dedicated study focusing on the rural and agricultural households in Pune District would be a valuable comparison, as their incomes and consumption baskets are different. Third, this study was quantitative; a follow-up qualitative study with in-depth interviews would add rich, narrative context to the 'why' behind the choices families are making and the psychological stress this "financial triage" is causing.

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