



THE IMPACT OF INCREASE IN PETROLEUM PRICE AMONG MIDDLE INCOME GROUPS

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ABSTARCT

An increase in petroleum prices disproportionately impacts middle-income groups, leading to reduced spending on other goods and services, increased inflationary pressures, and potential economic hardship. The effects are felt directly through higher fuel costs and indirectly through increased costs for transportation, food, and other goods. The increasing of petroleum price actually was caused by the global crisis but government still received negative response from the announcement. Statistic of oil price hike, absolutely this year is the highest increasing amount which the last few years the oil prices normally increase only at an average level. The increasing of petroleum price gave the large impact to many industries such as automobile, transportation, and machinery in many factoring industries. Due to that, in depth study need to be done in order to overcome the impacts from the increasing of fuel price especially to the middle income group.

INTRODUCTION

Petroleum, along with oil and coal, is classified as a fossil fuel. Fossil fuels are formed when sea plants and animals die, and the remains become buried under several thousand feet of silt, sand or mud. Fossil fuels take millions of years to form and therefore petroleum is also considered to be a non-renewable energy source.

Petroleum is formed by hydrocarbons (a hydrocarbon is a compound made up of carbon and hydrogen) with the addition of certain other substances, primarily sulphur. Petroleum in its



natural form when first collected is usually named crude oil, and can be clear, green or black and may be either thin like gasoline or thick like tar.

OBJECTIVES OF THE STUDY

- To study the impact of rising fuel price towards middle income group.
- To analyze the consequences met by the middle-income group to overcome the hazards.
- To study how the fuel price hike increases the price of other products which middle income people use.

SCOPE OF THE STUDY

Recently, the volatility of fuel price fluctuates aggressively and gives wider implications towards middle income groups. This current situation has a possibility to be reoccurring again in the future.

Even though, this current problem arises now but the implication of this situation can be reuse in the future. With the information at hand, the findings of the study are very important to the people especially middle income people in order to be more prepared with the strategic action to face this situation if it happens again.

LIMITATION OF THE STUDY

In any project it is difficult to gain the exact information from the sample due to some complexities. Due to time constraints the study consists of only 115 respondents



RESEARCH METHODOLOGY

A sample consist of 115 customer was chosen among the people residing at Coimbatore. The sample consumers were selected on the basis of random sampling. The analysis was made on the basis of the information provided by the respondents.

SAMPLE SIZE

Totally 115 users were selected as respondents.

SAMPLING DESIGN

For collecting primary data, field survey technique was undertaken in the study area for the of the study, Coimbatore was selected and the data were collected as per the requirement.

Random sampling is the method used and it was much careful to ensure that the sample represents the whole area of the study. A sample of 100 consumers has been selected for the study by using convenient sampling method. The sample has consisting of only middle income group.



LITERATURE REVIEW

Higher fuel prices, all else equal, affect directly and indirectly inflation and hence the cost of living of households. Since households consume fuels for transport, lighting and cooking, the prices of which being included in the CPI index, any increase in fuel price would mechanically translate to an increase in the overall CPI index. Where fuel prices are subject to market forces, the magnitude of this pass-through to inflation depends on the extent to which consumers can adjust to the new fuel price level, either by reducing their consumption or switching to alternative energy sources, although the likelihood of a significant dampening effect on the initial fuel price increases is small for a comprehensive discussion on the channels.

The indirect effect of a fuel price increases feeds through the supply chain by effecting the price of goods and services for which fuel enters in the production. The extent to which the rise in production cost translates into higher consumer prices depends on producers' behaviour and product market structure. Some production cost by reducing their margins, improving energy efficiency or opting for alternative energy sources. Others may fully pass the cost on to the consumer prices, in which case the impact of inflation would be larger than if they were to absorb part of the cost.

BAIC Economic Review Autumn (2006) (The business and industry advisory committee to the OECD), it has shown that the world economy slows down based on the BAIC Member Survey and at that time it was anticipated that the OECD – wide real GDP growth to drop from 3.1% to 2.6% in 2007 and risk for growth was associated to oil price.



DATA INTERTATION AND ANALYSIS

TABLE NO: 1

AGE OF THE RESPONDENTS

Age	Percentage	Response
18 to 23	33.9	75
24 to 29	0.9	1
30 to 35	0	0
Above 36	65.2	39
Total	100	115

INTERPRETATION

The above table showing shows that 33.9% percentage of the respondents are below 18-23 years of age ,0.9% percentage of the respondents are between the age of 24-29 years ,0% of the respondents are between the age Of 30-35 years ,39%of the respondents are above thirty six years.



CHART NO: 1

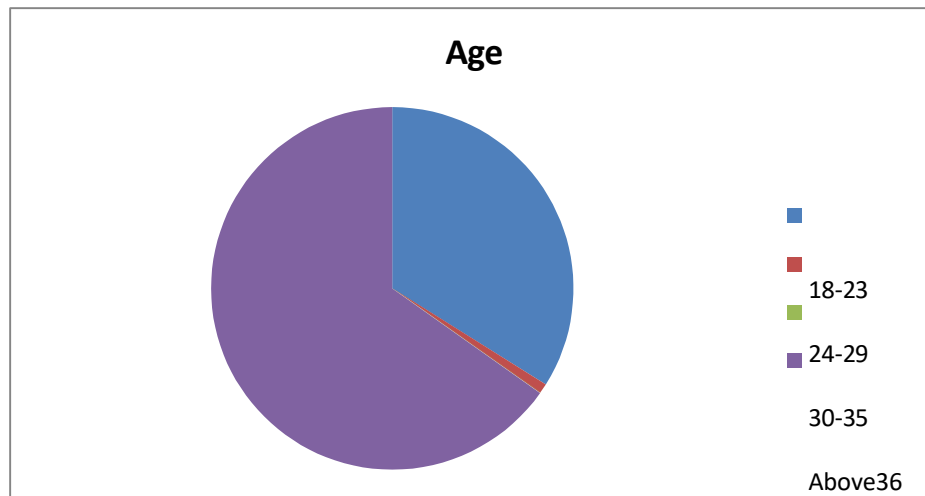


TABLE NO: 4.1.2

GENDER OF THE RESPONDENTS

Gender	Percentage	Respondents
Male	76.5	88
Female	23.5	27
Total	100	115



INTERPRETATION

The above table reveals that 76.5% of the respondents are male and the 23.5% of the respondents are female

CHARTNO: 2

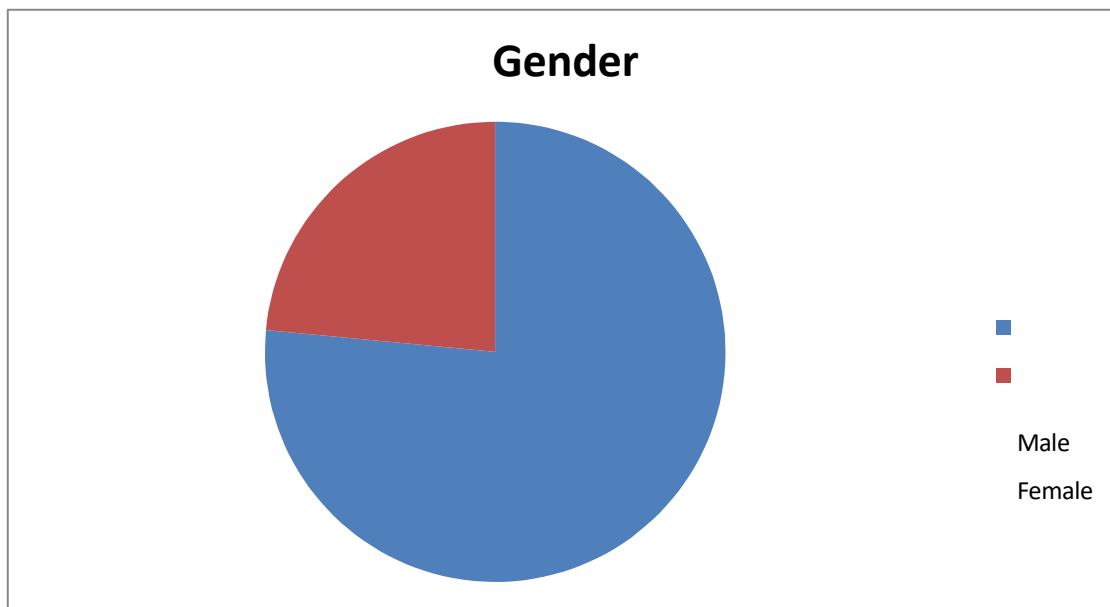




TABLE NO : 3

CURRENT PRICE OF PETROLEUM

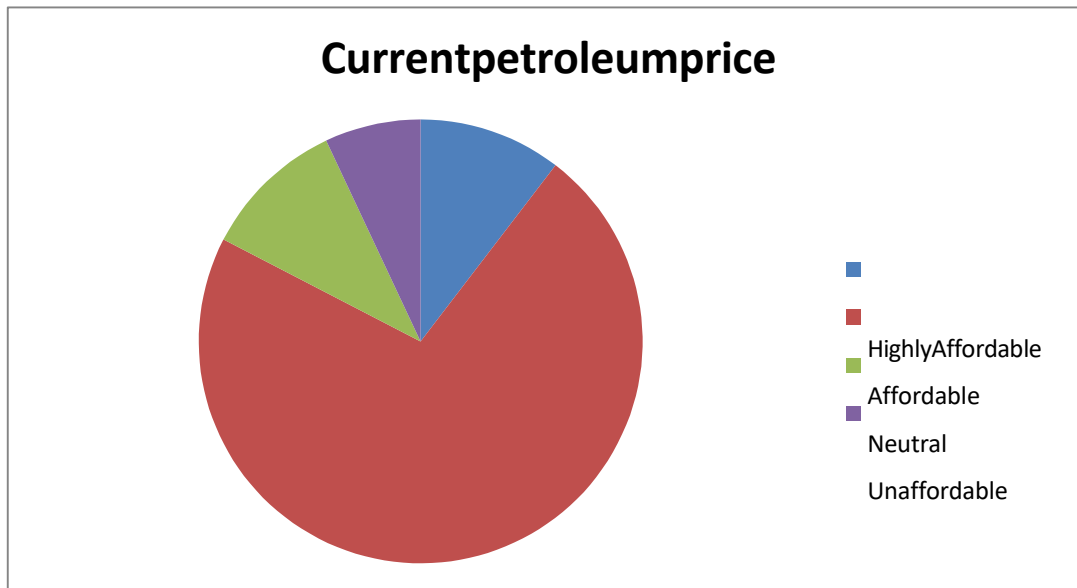
Currentpetroleum price	Percentage	Response
HighlyAffordable	10.4	12
Affordable	72.2	83
Neutral	10.4	12
Unaffordable	7	7
Total	100	115

INTERPRETATION

The above chart shows that 10.4% of respondents saying that the current petroleum price is highlyaffordable,72.2%ofrespondentssayingthatcurrentpetroleumpriceisaffected,10.4%of respondents saying that current petroleum price is neutral, 7%of respondents saying that the current petroleum price in not affordable.



CHARTNO: 3



FINDINGS

- Majority of the respondents states that 80 and above of the petrol price are affordable.
- Majority of the respondents standard of living is neutral.
- Majority of the respondents family budget have increased to Rs. 4000 to Rs. 5000 due to petrol price hike.
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SUGGESTION

- Petrol price is not affordable to middle income groups so government should take steps to decrease taxes for petroleum which in turn decrease the price of petrol.



- Alternative for petrol should be petrol effectively used to reduce the petrol price.
- Government should keep a check that price hike in petrol should not have an impact on price of vegetables, by providing free transport facilities to the sellers

CONCLUSION

Price hike in a product is very crucial and challenging problem for any country, the first problem a country will be decrease in saving of people and inflationary tendency a price of an ordinary product itself has a huge impact on the country's development. If the price of petrol rises the price of all products will be a presence of transport for taking the goods to its market. Not only low income people group people but also middle income people gets much affected due to the price hike and most of the people in the middle income groups purchasing power towards even vegetables have been highly influenced by the price of the petroleum.

BIBLIOGRAPHY

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Uma Sekaran is Professor Emeriti of Management, Southern Illinois **OIL** is found, EM pumps the **OIL** without any significant lapse of time.

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