

THE IMPACT OF FUEL PRICE HIKE ON CONSUMERS

(A Study with special reference to Palani Taluk)

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ABSTRACT

Fuel has been the major source of energy for all these years. Each and every item has certain amount of petroleum. The fuel prices are a significant determinant of worldwide economic performance. The fuel price rise results in a transfer of income from fuel importing to fuel exporting countries according to a shift in terms of trade. This price hike not only affected at macro level but also to every individual users. It affects the ultimate consumers because the price hike is directly shifted by the fuel manufacturing and refining companies to the shoulder of the ultimate users. This price hike affects all range of people especially who are in middle class. Hence, an attempt is made to assess the impact level towards the raise in price of fuel.

KEYWORDS: The Impact of Fuel Price Hike on Consumers, Macro Level

INTRODUCTION

Petrol and diesel are the main components of fuel. Petrol and diesel have become indispensable necessity of our day-to-day life. But, the fuel prices are sky rocketing, and it is eventually going to affect our day to day life. Increase in fuel price will also increase in food price. This will have a more severe impact on poor people because poor households spend more than half of their income on food and only a tenth on fuel. It is a chain reaction which once started will affect all. Increase in fuel price will result in increase in the transportation cost, which will affect the price of goods. Increase in price of goods would gradually force the people to loosen their pockets even more. The chain will further propagate. These ups and downs push more people to poverty and a pathetic situation.

OBJECTIVES OF THE STUDY

- To identify the statement which influencing the level of impact
- To offer summary of findings, suggestion and conclusion

METHODOLOGY

The study involves the data collected from primary as well as secondary sources. The primary data have been collected from the respondents through questionnaire/ interview schedule and the secondary data have been collected from websites, newspapers, magazines, books, and journals. Having completed the data collection, the filled up questionnaire/ interview schedule were edited properly to make them ready for coding.

All the information collected with the help of questionnaire was summed up by preparing a Master Table with the help of spreadsheet. Data have been entered into computer using SPSS software (Statistical Package for the Social

Sciences) version 16.0 which comprises several types of analysis that can be used to analyze the data. Tools used is **Friedman's Ranking Technique**

Friedman's ranking technique has been applied to rank statement will influences more to the impact level.

RANKING FOR STATEMENTS WHICH INFLUENCE THE LEVEL OF IMPACT

Fifteen statements are used to test the level of impact. These statements are given under three point scale and it is measured by giving score to the respondents' answers. Mean score value for each statement was computed and finally all the statements had been ranked by applying Friedman's Rank test.

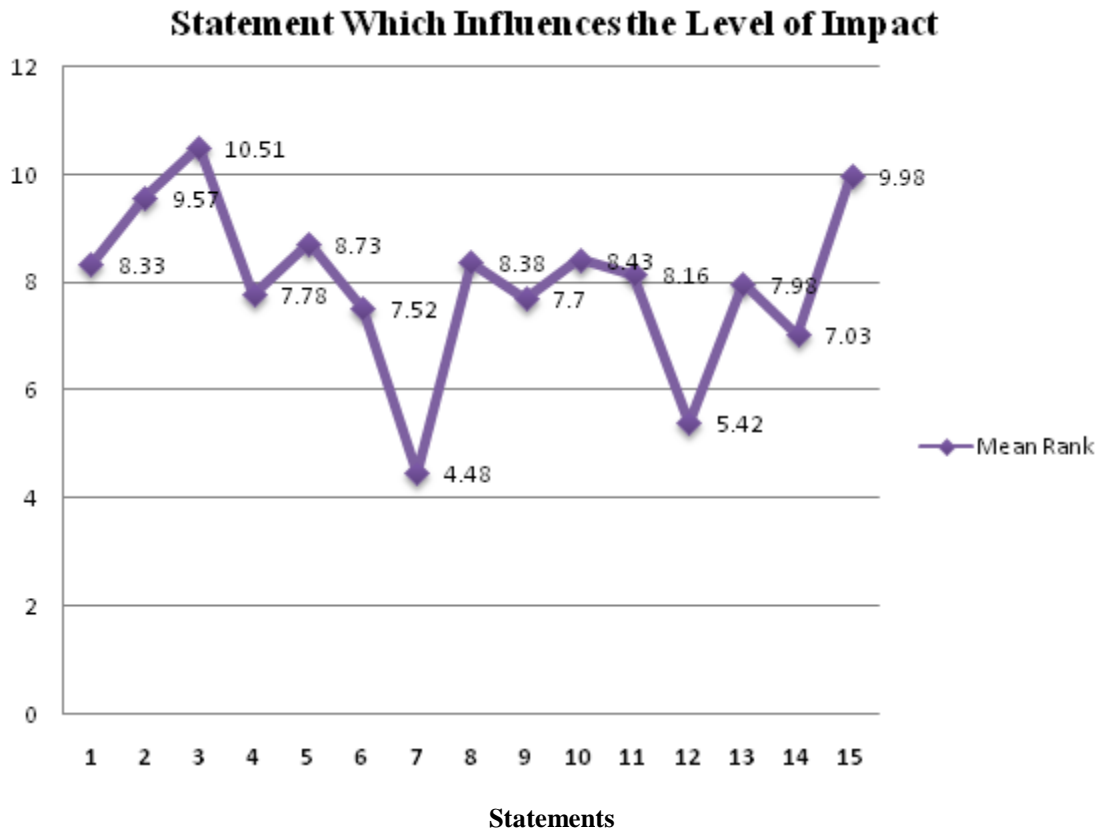
The above mentioned chi- square, ANOVA and 't' test are computed with the help of the 15 statements. These statements are related to the price hike of fuels and its level of impact. These statements were given under three point scale and it is measured by giving scores to their answers. Mean score value for each statement was calculated. Rank was assigned to each statement on the basis of mean score in descending order. The statement with the highest score was assigned to rank one and the lowest score was assigned the last rank, that is, fifteen.

These ranks are helpful to know which statement was more apt to measure price hike of fuel and its level of imp

Table 1: Ranking for Statements

Particulars	SA	A	DA	Total	Mean Rank	Rank
Reduces frequency of travel / usage	94 (31.33%)	152 (50.67%)	54 (18.00%)	300 (100.00%)	8.33	7
Increase spending on fuel	131 (43.67%)	148 (49.33%)	21 (7.00%)	300 (100.00%)	9.57	3
Increase the prices of all the products	186 (62.00%)	90 (30.00%)	24 (8.00%)	300 (100.00%)	10.51	1
Increase the usage of alternative sources	69 (23.00%)	176 (58.67%)	55 (18.33%)	300 (100.00%)	7.78	10
Reduces the savings	108 (36.00%)	150 (50.00%)	42 (14.00%)	300 (100.00%)	8.73	4
Induces to shift to more mileage giving vehicle	90 (30.00%)	122 (40.67%)	88 (29.33%)	300 (100.00%)	7.52	12
Enough subsidy for petrol products are given by Government	27 (9.00%)	72 (24.00%)	201 (67.00%)	300 (100.00%)	4.48	15
Affects purchase of additional vehicle	115 (38.33%)	113 (37.67%)	72 (24.00%)	300 (100.00%)	8.38	6
Reduces the extra usage of additional vehicle	82 (27.33%)	141 (47.00%)	77 (25.67%)	300 (100.00%)	7.70	11
Reduces the recreation	99 (33.00%)	151 (50.33%)	50 (16.67%)	300 (100.00%)	8.43	5
Affects the other household expenses	100 (33.33%)	135 (45.00%)	65 (21.67%)	300 (100.00%)	8.16	8
Shifting house nearer to the working place	45 (15.00%)	91 (30.33%)	164 (54.67%)	300 (100.00%)	5.42	14
Reduces the luxury	86 (28.67%)	151 (50.33%)	63 (21.00%)	300 (100.00%)	7.98	9
Share with friends for travel	71 (23.67%)	127 (42.33%)	102 (34.00%)	300 (100.00%)	7.03	13
Increase the fare of transportation	160 (53.33%)	113 (37.67%)	27 (9.00%)	300 (100.00%)	9.98	2

CHART 1



1	Reduces frequency of travel / usage	9	Reduces the extra usage of additional vehicle
2	Increase spending on fuel	10	Reduces the recreation
3	Increase the prices of all the products	11	Affects the other household expenses
4	Increase the usage of alternative sources	12	Shifting house nearer to the working place
5	Reduces the savings	13	Reduces the luxury
6	Induces to shift to more mileage giving vehicle	14	Share with friends for travel
7	Enough subsidy for petrol products are given by Government	15	Increase the fare of transportation
8	Affects purchase of additional vehicle		

Reduces Frequency of Travel / Usage

Out of 300 respondents, 94 (31.33%) respondents strongly agree that they reduce the frequency of travel /usage when fuel price hikes, 152 (50.67%) respondents agree that they reduce the frequency of travel /usage when fuel price hikes and 54 (18.00%) respondents disagree that they reduce the frequency of travel /usage when fuel price hikes. Thus majority of the respondents agree that they reduce the frequency of travel /usage when fuel price hikes.

Increase Spending on Fuel

Out of 300 respondents, 131 (43.67%) respondents strongly agree that there is an increase in spending on fuel when fuel price hikes, 148 (49.33%) respondents agree that there is an increase in spending on fuel when fuel price hikes and 21 (7.00%) respondents disagree that that there is an increase in spending on fuel when fuel price hikes. Thus majority

of the respondents agreed that that there is an increase in spending on fuel when fuel price hikes.

Increase the Prices of All the Products

Out of 300 respondents, 186 (62.00%) respondents strongly agree that there is an increase in the price of all products when fuel price hikes, 90 (30.00%) respondents agree that there is an increase in the price of all products when fuel price hikes and 24 (8.00%) respondents disagree that there is an increase in the price of all products when fuel price hikes. Thus majority of the respondents' strongly agreed that that there is an increase in the price of all products when fuel price hikes.

Increase the Usage of Alternative Sources

Out of 300 respondents 69(23.00%) respondents strongly agree that the increase in fuel price leads to increase in the usage of alternative sources, 176(58.67%) respondents agree that the increase in fuel price leads to increase in the usage of alternative sources and 55(18.33%) respondents disagree that the increase in fuel price leads to increase in the usage of alternative sources. Thus majority of the respondents' agree that the increase in fuel price leads to the increase in the usage of alternative sources.

Reduces the Savings

Out of 300 respondents' 108(36.00%) respondents strongly agree that the increase in fuel price reduces their savings, 150(50.00%) respondents agree that the increase in fuel price reduces their savings and 42(14.00%) respondents disagree that the increase in fuel price reduces their savings. Thus majority of the respondents agree that the increase in fuel price reduces their savings.

Induces to shift to more mileage giving vehicle

Out of 300 respondents 90(30.00%) respondents strongly agree that increase in fuel price induces to shift to more mileage giving vehicle, 122(40.67%) agree that increase in fuel price induces to shift to more mileage giving vehicle, 88(29.33%) disagree that increase in fuel price induces to shift, more mileage giving vehicle. Thus majority of the respondents' agree that increase in fuel price induces to shift to more mileage giving vehicle.

Enough Subsidies for Petrol Products are Given by Government

Out of 300 respondents 27(9.00%) respondents strongly agree that government provides enough subsidies for petrol products, 72(24.00%) respondents agree that government provides enough subsidies for petrol products, 201(67.00%) respondents disagree that government provides enough subsidies for petrol products. Thus majority of the respondents disagree that government provides enough subsidies for petrol products

Affects Purchase of Additional Vehicle

Out of 300 respondents 115(38.33%) respondents strongly agree that increase in price of fuel affects the purchase of additional vehicle, 113(37.67%) agree that increase in price of fuel affects the purchase of additional vehicle, 72(24.00%) disagree that increase in price of fuel affects the purchase of additional vehicle. Thus majority of the respondents strongly agree that increase in price of fuel affects the purchase of additional vehicle.

Reduces the Extra Usage of Additional Vehicle

Out of 300 respondents 82(27.33%) respondents strongly agree that increase in price of fuel reduces the extra usage of additional vehicle, 141(47.00%) agree that increase in price of fuel reduces the extra usage of additional vehicle, 77(25.67%) disagree that increase in price of fuel reduces the extra usage of additional vehicle. Thus majority of the respondents agree that increase in price of fuel reduces the extra usage of additional vehicle.

Reduces the Recreation

Out of 300 respondents 99(33.00%) respondents strongly agree that increase in price of fuel reduces the recreation, 151(50.33%) agree that increase in price of fuel reduces the recreation, 50(16.67%) disagree that increase in price of fuel reduces the recreation. Thus majority of the respondents agree that increase in price of fuel reduces the recreation.

Affects the other Household Expenses

Out of 300 respondents 100(33.33%) respondents strongly agree that increase in price of fuel affects the other household expenses, 135(45.00%) respondents agree that increase in price of fuel affects the other household expenses, 65(21.67%) disagree that increase in price of fuel affects the other household expenses. Thus majority of the respondents agree that increase in price of fuel affects the other household expenses.

Shifting House Nearer to the Working Place

Out of 300 respondents 45(15.00%) respondents strongly agree that increase in price of fuel leads to shift the house nearer to the work place, 91(30.33%) respondents agree that increase in price of fuel lead to shift the house nearer to the work place, 164(54.67%) respondents disagree that increase in price of fuel leads to shift the house nearer to the work place. Thus majority of the respondents disagree that increase in price of fuel leads to shift the house nearer to the work place.

Reduces the Luxury

Out of 300 respondents 86(28.67%) respondents strongly agree that increase in price of fuel leads to reduce the luxuries, 151(50.33%) respondents agree that increase in price of fuel leads to reduce the luxuries, 63(21.00%) respondents disagree that increase in price of fuel lead to reduce the luxuries. Thus majority of the respondents agree that increase in price of fuel lead to reduce the luxuries.

Share with Friends for Travel

Out of 300 respondents 71(23.67%) respondents strongly agree that increase in price of fuel induces to share the vehicles with friends for travel, 127(42.33v) respondents agree that increase in price of fuel induces to share the vehicles with friends for travel, 102(34.00%) respondents disagree that increase in price of fuel induces to share the vehicles with friends for travel. Thus majority of the respondents agree that increase in price of fuel induces to share the vehicles with friends for travel.

Increase the Fare of Transportation

Out of 300 respondents 160(53.33%) respondents strongly agree that increase in price of fuel leads to increase in the fare of transportation, 113(37.67%) respondents agree that increase in price of fuel leads to increase in the fare of

transportation, 27(9.00%) respondents disagree that increase in price of fuel leads to increase in the fare of transportation. Thus majority of the respondents' strongly agreed that increase in price of fuel lead to increase the fare of transportation.

The statement which was more apt to measure the price hike of fuel and the level of impact was increase in the price of all the products followed by increase in the fair of transportation, increase in the amount of spending for fuel, reducing the saving and so on.

SUGGESTIONS

Suggestions not only to the government but also to the general public for controlling the further raise in price of fuel.

For Government

- Public transport system can be increased by way of good connectivity i.e., transport arrangements to small villages, better roads, etc., by way of increasing the quality of public transport system. This may reduce the consumption of fuel resulting in reduction of price.
- It can promote awareness program about how to save fuel.
- Government may determine the price of fuel instead of allowing the market forces to dictate the pricing of the essential fuel
- It can start using alternative sources of energy such as solar energy, electric energy, wind energy, hydro energy etc., as solution to curb the rising in the price of fuel.
- Uniform tax structure on fuel can be imposed instead of multiple level of tax prevailing in forms of import tax, central excise and state tax.
- It may try to reduce current account deficit. This will result in appreciation of rupee value and there by crude oil cost will be reduced.

For Public

Government alone cannot control the rise in fuel price. Public also should take effort with the government in order to curb the fuel price by using vehicle efficiently.

- Public may reduce the usage of vehicle for unnecessary purpose which helps to reduce the consumption level.
- Enhance the using of public transport system which results in reduction of consumption level.
- Bicycle can be used for short distance and walking also can be preferred for the same, which will not only save the fuel but also improve the health as well as the environment.
- Use one vehicle if more than one family member or friends are going to the same route. This method is called pooling which is popular in foreign countries.

CONCLUSIONS

It is concluded that should all join our hands together so that we can fight the problem of high fuel prices. Suggestions are many, to bring those suggestions into action is necessary because

Action - Speaks Louder than Words