

A STUDY ON CAUSE OF INFLATION AND ITS EFFECTS ON COST OF SOCIAL CEREMONIES

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Abstract

Inflation and price of the products is one of the most hazardous aspects in the social and economic sphere of individuals that are persevering to vacate the social stability and development of the subject masses. This study describes the socio-economic and psychological impacts of inflation on social ceremonies ., which was conducted in District Tiruvallur . Data was collected from 350 respondents categorized in different segments with disproportionate stratified random sampling technique using interview schedule .while discussions have been made on the basis of findings and results. The results show that inflation as a social monster has multidimensional impacts upon the social, economic and psychological spheres of poor families, which paralyze their overall development. The study suggests however inflation affects the poor people and the middle class people the number of social ceremonies has not been reduces .marriage and other social ceremonies are consider to the signal of wealth of the individual

KeyWords: Inflation, Price hike, Poor families, Social monster, Impacts.

INTRODUCTION

In many developing countries where financial and insurance markets are lacking, the poor primarily rely on social networks to buffer shocks and risks. Over time, holding ceremonies and exchanging gifts have become a social norm to maintain social networks. The positive role of social networks and gift exchange as an informal insurance mechanism has been widely discussed in the literature ([Townsend, 1994](#); [Udry, 1994](#)). daughter's marriage is the most costly event in the life of an Indian family, often driving parents into severe debt at interest rates of over 200 per cent. These expenses, which amount to more than six times a

family's annual income, can force a family into destitution and bonded labor especially when there are several daughters to be married. The economic burden of a daughter's marriage has been identified as a major cause of gender discrimination ([Miller, 1981](#)) and domestic violence ([Bloch and Rao, 2002](#)) in the Indian sub-continent. A large proportion of marriage costs are in the form of dowries - transfers made from the bride's family to the groom's. The rest of the money is spent by the bride's family in celebrating the wedding. To an outsider these weddings can seem extremely lavish, especially in contrast with the extreme poverty of rural Indian life, with large numbers of people invited for feasts and ceremonies that can go on for several days. Such celebrations are, of course, not unique to India but are of special relevance in very poor societies where the money spent on weddings can be particularly wasteful given its high opportunity cost. While there is a large economics literature on marriage markets following the work of [Becker \(1990\)](#), and a rapidly expanding literature on dowry Tobin (1965) reported a significant positive output effect of inflation where higher inflation raises precautionary savings which in turn enhances economic growth via investment channel. The negative effects of inflation on output growth have been in a Cash-In- Advance model, [Stockman \(1981\)](#) reports a negative influence of inflation on economic growth whereas Sidrauski (1967) established super-neutrality of inflation. effective allocation of resources and hinders long-term contracting, thus reducing output growth. In addition, [Cukierman and Meltzer \(1986\)](#) claimed that surprise money shocks increases inflation uncertainty and in turn affects output growth. Further, [Pindyck \(1991\)](#) pointed out that the uncertainty associated with the returns on investment due to uncertain future prices adversely affects the growth rates.

.By comparison, the downside of participating in social networks has been much less studied. In a close-knit community, avoiding networking with neighbors may result in social exclusion. [Banerjee and Duflo \(2011\)](#) provide the following insightful observation on the phenomenon of “keeping up with the Joneses” Poor people in the developing world spend large amounts on weddings, dowries, and christenings. Part of the reason is probably that they don't want to lose face, when the social custom is to spend a lot on those occasions. In , poor families often spend so lavishly on funerals that they skimp on food for months afterward. Because the poor have limited resources, the burden of hosting or taking part in these ceremonies is much higher for the poor than for the rich. In order to save money to host the events or prepare a gift, the poor may have to cut back basic necessities such as food. Such a reduction in food consumption may have a lasting impact on the nutritional and health status of the poor, defined as squeeze effects, especially for pregnant women and their

children born to poor families ([Aizer and Currie 2014](#); [Aizer et al. 2016](#); [Hoynes et al. 2016](#)). It is challenging to test the squeeze effects of “keeping up with the Joneses” using commonly available household surveys due to a lack of complete reference groups. In this study, we administered a census-type household survey in 26 villages in rural China over eight years to test the squeeze effects of social spending on child health. In each community, preventing researchers from observing the complete reference groups, all the households in our villages are interviewed. Since the villages are in mountainous areas, each forms a natural reference group, which enables us to measure everyone’s socioeconomic status (hereafter SES) within the group. Second, we collected detailed household food consumption data and anthropometric information for all the children. A predictable response to declining purchasing power is to buy now, rather than later. Cash will only lose value, so it is better to get your shopping out of the way and stock up on things that probably won't lose value. ([Rayon2013](#))

Besides providing one of the few evidence about the dark side of social networking on health, this paper contributes to at least two strands of the literature. First, our paper is tied to the large fetal origins literature that fetal nutrition has a lasting impact on later health outcomes. However, this literature has mainly relied on rare natural experiments, such as famine, to test this hypothesis. We show that prenatal exposures to more common and milder shocks in our daily lives, such as social events, can also exert a lasting health effect for children of the poor ([Deaton \(2010\)](#)) food puzzle. Despite rapid economic growth in India and China, calorie consumption has declined and the rate of improvement in nutritional status, in particular among the poor, has been relatively slow. Surprisingly, when given more resources, the poor tend to eat less basic staple food but consume greater amounts of tastier, albeit less nutritious, food ([Jensen and Miller 2008](#)). They are also more likely to spend their extra income on entertainment and social festivals than on food ([Banerjee and Duflo 2007](#)). A question arises there are many potential explanations to the puzzle, such as the reduction in physical activity associated with economic growth and therefore the calories needed to fuel that activity ([Deaton 2010](#)). the poor are under social pressure to cut necessities, including basic food, in order to afford gift and ceremonies in their communities. This is probably due to their binding budget constraint, little knowledge about grave health consequences of the exposures, different beliefs about human capital production of their children ([Cutler and Lleras-Muney 2011](#)), impatience to invest in children ([Khalil et al. 2015](#)), and social pressure, to the poor in particular, to participate in ceremonies and competitive social spending

([Hopkins and Kornienko 2004](#)). It has been recognized that people care about relative standing, which shapes both consumption and savings behavior ([Veblen 1989](#); [Duesenberry 1949](#); [Easterlin 1974](#); [Sen 1983](#); [Frank 1985 & 1997](#); [Frank et al. 2010](#); [Van de Stadt et al. 1985](#)). While the literature largely focuses on rich contexts, an emerging body of literature documents that the phenomenon of “keeping up with the Joneses” applies to the poor as well. For example, the poor tend to spend much of their extra income on positional goods, such as buying designer-label goods in Bolivia ([Kempen, 2003](#)) and holding lavish weddings and funerals in India, Ghana and South Africa ([Banerjee and Duflo 2007](#); [The Economist 2007](#); [Caseetal.2008](#)).

Apart from status concerns, social norms may dictate the behavior of social spending. In developing countries, social networks, particularly within villages, provide informal insurance ([Udry 1994](#)). Gift exchanges play an important role in lubricating social networks. For instance, in the event of a family member’s death, the pooled gifts from social networks can help the survivors to defray part of what are quite ([Dr.Lakshmi 2018](#)) often costly funeral expenses. Presenting a gift at friends’ and neighbors’ weddings, funerals, and other social occasions is a social norm in many parts of the world. the main objective of the research is to find the economic impact of the inflation in the social ceremonies

Hypothesis

Null Hypothesis: there is no significant change in social ceremonies due to inflation

Alternate Hypothesis: there is a significant change in social ceremonies due to inflation

Materials and methods:

The research paper is based on the empirical study the method used is sampling method , many other articles ,books and websites.

Results:

An survey conducted in Chennai around 367 peoples around 60.1% of the people feeling that demand is the major reason and more responsible for inflation when the demand level of commodity increases and the price of the commodities also increases .and 39.4% of the people feeling supply is responsible for inflation .the survey finds that around 77.9% of the people feels that market plays a very important role in inflation .and many other factors also causes inflation .according to survey conducted around 64.8% of people says that population is the major factor and cause of inflation in the society and around 18.1% of peoples feels that FDI also the major factor plays a key role in inflation .policies inflation provides a momentum in the growth of the country?and it is necessary for deflation ? According to the survey over 81.7% of the people ([Trishala2018](#).) says that inflation provides

a momentum in the growth the country It follows that the more goods that are produced, the lower the prices of goods. This connection between the level of production and the level of prices also holds for the rate of change of production (that is, the rate of economic growth) and the rate of change of prices (that is, the inflation rate).and around 17.8% people disagreed with this .there feels inflation does not provides any momentum in economic growth of the country.and over 52.2%of the people says that deflation is necessary to benefit the poor people from poverty and 47.8%of people feels that However, deflation often traps people into cutting off spending until prices reached rock bottom. A slowdown in spending then causes businesses to slow production and to decrease their own spending, including laying off and/or firing employees. This cycle continues until the scales are balanced again and consumers have faith in the government and businesses and it also affects the social ceremonies and other economic activities.

Does inflation really affect the social ceremonies ? Around 75.4%of the thinks that inflation does not affects social ceremonies and other social and economic activities even though the price of the commodities has been raised the cultural and social ceremonies does not affected people considers that spending money in ceremonies indicates the wealth and economic level and capacity of the individual If you recently noticed retail prices have increased, you can blame inflation. Our money does not buy the same amounts of goods and services as before. However, this is not entirely negative, because inflation allows businesses to offer more employment opportunities. In fact, many economists believe a gradual and stable inflation rate of 2 to 3% per year is a positive factor in maintaining a low unemployment rate, a stable amount of consumer spending, and desirable lending and savings rates. Right now, for example, the hope in inflating prices is that companies may begin to hire employees and reduce the unemployment rate. However, this only works if consumers continue to spend and invest.and around 72.8%of the people's says that raise in cost of commodities does not affects the social ceremonies and it affects the poor people in borrowing money to spend the expenditure .and 14.3%of the people feels that it also affects the middle class people more in the same way

Discussion

Sometimes inflation play a good role in economy. When it's mild, inflation it leads to a healthy side effect. If once the people is aware of inflation there will spend money now the. Later . That's because they know prices will be higher in the future. Consumer spending drives economic growth.In fact, the Federal Reserve sets an inflation target. It wants a healthy inflation rate of 2.5percent. That applies to the core inflation rate. It takes out the

effect of food and energy prices. The central bank does this to make you believe prices will continue rising. It spurs the economy by making you buy things now before they cost more. We develop a status signaling model of wedding celebrations where the size of the celebration signals the quality of the new groom's family and thus the enhanced social status of the bride's family. Predictions from the model are tested with survey data from South India using a natural experiment derived from variations in norms of village exogamy – when daughters have to marry grooms from another village - to identify the availability of information on the groom's family to the bride's village. The econometric results are consistent with a status signaling interpretation. Social ceremonies celebrations have a lot to do with social status and prestige. What does status mean in this context and how does it matter? Anthropologists have long believed that Indian concepts of individuality differ markedly from the Western. An Indian is defined not just by his or her own accomplishments and character, but also by their circle of acquaintances and friends – how many important people they know, and the status and respect accorded to them by their social group. Mines (1994), in a study of a South India community, shows that men will often describe themselves to a stranger not simply by providing information about who they are and what they do, but by listing all their prominent acquaintances.

Conclusion

Stabilization policies aiming at reducing inflation may lower the effective functioning of price system and have its own real effects through uncertainty channel. Hence policies must be framed with more caution about the future course of the real economic activity. The significant volatility transmissions and spillover effects between the real and nominal uncertainties need a policy that balances these shocks that affects inflation and the output growth. As inflation creates the people to invest their money now then in future. However inflation leads to high price level it induces the economic growth. People consider spending more money in social ceremonies is the signal of wealth and expanding more even though the inflation level is high. There is no significant change in number of social ceremonies due to inflation hence the null hypothesis is proved. Therefore inflation does not affect the social ceremonies.

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