

Increased prices of necessary goods and inflation affecting the poor working clas...

[Finance](#), [Financial Analysis](#)



Research Paper Increased prices of necessary goods and Inflation affecting the poor working class people. Submitted By Minhazur Rahman Course: ENG -105 Abstract Global food price has shot up in the last years that have been succeeded by an extraordinary global economic down-turn; Rich, mid and poor economies are affected largely in terms of erosion of growth, shrunk investment and lessening of job creation. The global food crises and the economic recession in the major economies have created a complex scenario whereby food price may not stabilize creating erosion of income of the common mass and making investment more costly.

This is presenting tremendous challenge to countries like Bangladesh which is plunged further in economic deprivation and stagnation. The bad impacts of high prices on food stuff is devastating the on the poor producers, wage laborers and consumers in our country. These people are surviving very harshly in these dire situations and are having many difficulties living their lives. This paper is the outcome of a research conducted to analyze the impact of price hike over lower working class people.

The Research consists of the Introduction containing Background of the Research, Areas of the Research, Hypothesis, Methodology, Data Analysis, Findings, and Recommendations. The purpose of the research was to identify what are their actual problems these people are facing because of price hikes and high inflation.

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Introduction Since early 2007, Bangladesh has been experiencing a rising rate of inflation particularly in food grain at the backdrop of global hike of food grain prices.

The rising inflation has become a major threat to people from all segments of the society. This higher inflationary trend does not bode well with respect to the socio-economic progress, particularly, on the poor and vulnerable groups. Rapidly higher food inflation has made it difficult for the low income households to carry on with their daily basic expenditures. According to the World Bank, four million people have been pushed below the poverty line due to abnormal rise in food price.

Another statistics of the World Bank shows that between January 2010 and March 2011, the gross income of the poor decreased by 46.7 percent mainly due to surge of food items, pushing 3 million households below the poverty line. Even the bumper boro harvest could not save the people from the grip

of high inflation. On the other hand, the adverse impact of inflation has created a stumbling block to macroeconomic stability and curtailed the pace of economic growth, which is necessary to poverty reduction and meeting other development challenges and goals.

This research shows what problems the low earning people in our country are facing right now because of the inflation and the increasing food prices. This also shows that what are the foods they are likely to consume and the prices trend of those foods over a period of years. This shows that how much the price of necessary foods has gone up rapidly. 1. 1Background Bangladesh is a very populated country and most of the people of our country are below the poverty line so we have lots of people with very little income or with no income at all.

This sets a problem for the government to maintain food prices so that those people can feed themselves. This is one of the biggest challenges each government of our country has to accomplish but sadly none of them were ever able to defeat it, not only that the prices of everything is going up as there is a global crisis going on. Global crisis is also increasing our inflation rate and because of that the food prices of our country is going up and up. Also the amount of food needed to feed the country is increasing thus slots of food have to be bought from outside the country such as India, Vietnam, Ukraine etc.

Because of this our imports are getting higher than export thus we have a bad GDP than most of the countries in Asia. It is obvious nowadays that the price of everything ranging from essential daily commodities to

transportation, educational, medical and other expenses are increasing. According to the study, as a consequence of the price hike, the majority (97.7 percent) of people of Dhaka metropolitan city and other parts of the country are facing deep trouble in coping with the situation. In Dhaka city 43. percent of the people think that because of price increase almost everything, they are encountering economic hardship. To help people to overcome this economic crisis Government should come forward and take steps against this price hike. The low earning people are therefore having problems leading a normal life; they are facing tremendous hardships such as they have to buy food that is very low in quality thus they are getting less amount of nutrition, they cannot afford any kind of fruits for themselves or their family even if they can they are not so good.

Also they are not able to buy good clothes for themselves or their family and not only these they can't afford education for their children as they already have so little income that they can hardly feed the whole family. So they are being stripped from all sorts of happiness a normal human being can have and when asked they say that it is a curse to be born poor as there is very little help from them.

1. 2 AREAS OF RESEARCH

In this section, I will discuss about the areas of research that I have studied.

For working on it comfortably and getting my intended and expected result, I have prepared several questions, which helped me a lot for working on my survey. The whole questionnaires was based on the people with low income and there problems. From this questions I found out that people with low income are having difficulties leading there life and hardships they are facing

to overcome these problems. This inflation and high prices of foods are forcing them to survive with a very little amount of food and commodities they require.

While doing this research my overall analysis was correct that the people with low income are living in terrible conditions. My respondents were local people from where I live that is in Mohammadpur, here different levels of people live from poor to rich it is easy to find any category of people you like. So it was not hard for me to go through this interview, my primary focus was on the Rickshaw Pullers, Garments Workers, CNG & Taxi Drivers & Security Guards with a variable age difference with a range of 15 to 50.

As most of them were illiterate I had to translate each and every query for them and so were the results of the questionnaires. I interviewed a total of 40 eligible people that fit into my profile and gathered the other required information to complete this research.

1. 3 Hypothesis Majority of the people of our country is this low earning people so high inflation and increases food prices is making their life hard to live.

1. 4 Methodology Primary Source: - Through Questionnaire - Interviews with general people Survey respondents: 40 people- targeted segment is general low income earning people with ages between 15 to 50

Secondary Source: - Websites - Newspaper archive in web - Articles and other reports At the beginning I searched the web for relevant resources and took some ideas for my research and later with that knowledge I developed the questionnaires and conducted the interviews and later started compiling the primary and the secondary data to complete this research paper.

1. 5

Review of Literature My secondary data includes online article and journals, government report on inflation also some independent research conducted by various NGO's. This research is based on the primary data that I collected using the ideas of those secondary researches.

As is this topic is a very vast one and it changes form area to area but the base of the facts remains the same but more sample would have been better to make it a good quality research paper. For the research I used data from the Bangladesh Bureau of Statistics, Bangladesh Bank, and World Bank. From here I used the information about the prices of the foods and other necessary goods. For research I used different journals such as the journal written by Shamsu Uddin Shakib in the European Journal of Business and Management regarding the high inflation of Bangladesh and it causes an affects.

Also for the research I used one article Iqbal Ahmed on regarding the Inflationary Trend in Bangladesh and Impact on High Food Commodity Prices. Here the writer has shown how the inflation is affecting all the people of Bangladesh this paper is done with the help of a sponsor from a NGO as it is a national level paper. 1. 6 Key terms Inflation: Inflation is a rise in the general level of prices of goods and services in an economy over a period of time. Commodity: A commodity is the generic term for any marketable item produced to satisfy wants or needs.

GDP: Gross Domestic Product is the market value of all officially recognized final goods and services produced within a country in a given period. 1. 7

LIMITATION While preparing this research paper I had faced a number of

problems. Some of these had very little effect on the paper while other ones caused my research to be limited. The first limitation is I could not do my survey to the whole population for my primary research. I did my primary survey on my area and most of the people did not want to answer the questions. Besides, I had difficulty finding necessary information in the internet related with my topic.

The secondary sources were very limited. Lastly because of being inexperience I might have not been able to organize all the materials properly. 2 Primary data presentation and analysis For my primary research, I collected data from 30 male and 10 female respondents, aged between 15-50 years. I conduct this survey within the married and unmarried people who have similar social positions. The “ Data Analysis” section is an explanation of data gathered from the primary research. My respondents were: PART: A (Questionnaires) Q1. What is your highest Qualification?

When I asked this question I knew that I was going to get this kind of result with 20 people who are illiterate, 14 people who passed class - 5, 4 people who passed class - 8, and 1 person SSC and 1 person HSC graduate but still they are earning very low level income. Q2. What kind of Job do you do? Well it was my choice actually, to get a more accurate result I interviewed 14 rickshaw puller, 10 garments worker, 6 drivers, and 10 security guards. Q3. Are you married or not? This question was conducted in order to know the number of family member they have. Q4. What is number of total family members that live in your household?

Here we can see that 13 people has a family of 4 people, but there is 16 people who has 5 people family, and 9 people who has 6 family members and 2 people with a family of 8 or more people. So here we can see a total of 202 people who are depended on maybe one or sometimes 2 bread winners for the family. PART B Q1. What is your total family income? This shows that there is 21 people who are earning less than 4000 Tk, 11 people who are earning less than 6000 Tk, 5 people are earning less than 8000 Tk and just a lucky few among this group of people is earning 8000Tk or more.

This shows that how low amount of salary they are getting but still they are doing a veryhard workcompared to middle class people. This shows that how bad the state of our countries low earning people. Q2. What is your total family expense? When asked this question many of them were not sure how much to say but after a while they gave me the answers which shows that 23 of the people spend less than 3000 Tk, 10 people 5000 Tk, 6 people 7000 Tk and only one person spends 7000 Tk.

When asked why they do not spend all of themoneythey say that most of the time they do have to spend it all but they sometimes are able to save some money for some other extra use. Q3. How many hours of work do you do each day? As we can see from the above chart that most of the people have to work more than the usual amount of work that should be done by a normal person, because as they have every little knowledge they are required to do multiple jobs sometimes overtimes as a result they tend to work more than the natural working hour which is 8 hours.

Q4. What is the total amount of money you spend on food? This chart shows that these people are spending most of their salary on food, 15 people is spending 1500tk as they have a pretty low income, 13 people spends 3000tk, 7 people spends 4000tk, and only 2 people spends 5000tk. Here it clearly shows that as these people has low income so they are forced to spend less on food and they are spending the most amount of money on the food. # The relationship between the number of family members and the amount of money they spend on food.

This graph clearly shows that as the number of family members increases the amount of money spent in buying food increases thus making a clear assumption that more number of people will require more food and more money is therefore required to feed a large family, which increases more difficulty of the bread winners and they have to work more hours as shown in previous charts. So one way to reduce this spending can be done by giving birth to less number of kids as a result there will be less amount of mouths to feed also the population will get lower Q5.

What food items do you consume and how much of it? This chart shows the average percentage of food items they consume in order to survive. A total of 40 percent of food out of 100 percentages is rice as rice is the most common staple food of our country. Than the potato it is because it is cheap and it provides lots of energy and therefore it is eaten a lot, then the other staple foods that the people consume. The food items that they consume are of very low quality and that's why they are available at a cheaper rate. Q6.

What are the other areas that you spend your money other than food?

This chart shows that after they buy their food the rest of money rather getting the opportunity of saving it, it is required in other places such as the rent, medicine and doctors, clothing and education. These are the general areas that they spend next to the food. Rent is the highest among all of this because the living cost in Dhaka city is increasing rapidly and to make sure that there is a roof above their head they are sometimes willing to pay the rent before they go and buy the food. Even in the slums the rent is getting higher rapidly so much of the income goes into paying the rent after food expenses.

Doctors & Medicines Usually this entire people receive a very low class treatment. All of them have to go to the cheap government hospital which has a very well reputation in providing the worst kind of treatments. Also they cannot afford good medications as a result they become sicker and are more prone to catch diseases. If the government made some efforts to at least improve the quality of the hospitals and provide good generic medications at a cheaper rate than they would be able to save some money. Clothing

The people that I researched on are low income people no naturally they have a very low budget for clothing. Most of the times the clothes they wear are given by the people to them as charity or they wear 2nd hand clothes or clothes which are of very poor quality. Education Education is the most important requirement for a nation to grow but most of the people I interviewed are illiterate or just primary graduate. Also most of the children of these people do not go to school as they have to pay the fees so they don't want to waste their money school. Some of the children go to school but

they dropout early to help earn money for the family. The ones that remain they hardly pass the PSC, JSC or SSC exams and starts working. Inflation and Food prices trend of the last 4 years This graph shows the general inflation that is the inflation of everything all over the country and the inflation of the food price over a period of 4 years. It shows that during 2008 and 2009 the general inflation increased 1. 5% more and food price inflation to 2. 8%, this shows that the problem of inflation is not recent but we all were suffering since 2008.

But in 2010 there was a small hike in general inflation and the food price inflation reduced but in 2011 due to some social and political turmoil the food price inflation during shot up more than 2. 8% as a result the price of food increased drastically. This graph shows the price of some common food that everyone consumes but the quality of the products are of low grade as this research is about the low income earning people so is the price of this products but still this is high enough for these people.

As we can see that during the year 2008 there was a price hike in both rice and atta this was because of the global financial crisis, because the amount of rice that is produced in our country is not enough so we import most of our rice from Vietnam and Ukraine and due to the global recession Bangladesh also suffered the impact of recession as result our exports decreased but our imports increased as the population has also increased.

Than in later years it stabilized but in 2011 it again hiked because of some political unrest in our country and also there was a breakdown of relationship with the neighboring countries as a result we took a huge hit. But for potato

it was not a problem because we produce a lot of potatoes enough to the poor people of our country. 3 Recommendation It is obvious nowadays that the price of everything ranging from essential daily commodities to transportation, educational, medical and other expenses are increasing.

To help people to overcome this economic crisis people from all walks of life should come forward and take necessary steps against this price hikes.

Following steps should be taken Quick action: 1) To control price of commodity deposit rate and lending rate of Banks should control. 2) Provide more importance to agriculture sector. 3) Control Business syndicate as well as stockiest who create artificial crises in market. 4) Provide micro credit facility by government. The interest rate of that disbursement should not more than 6%.) Import duties of fundamental goods have to deduct. 6) Consider corporate tax rate. 7) Established government regulated mega shop. 8) Tax rate of medical instrument & medicine should minimum. Long run Action: 1) To remove unemployment problem seek different sources of sector. 2) Utilize our natural gas directly by government. 3) Growth rate of population control. 4) Indifferent monetary policy provides both public & private sector. 5) Overall control of malpractice. 6) Reduction of corruption.

Conclusion High inflation is not good for any country it holds a nation back.

This inflation does not only harms the low income people but also everyone in the country, this affects everyone this decreases the living standards of people. As I have shown high inflation limits the low income people they all live a very hard life, they buy very less amount of food as they have to pay the rent to live under a roof they constantly need medications as their living

conditions are very bad and if they have enough money left they try to buy some new clothes or send their kids to school but many of them are not lucky enough. Most of their income is only enough for just rent and food.

Because they already have low income and this high inflation is causing the prices of food and other commodities to increase rapidly as shown earlier, so they have no other choice but to live a very hard life. References

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