

Impact of Price Hike over Lower Middle Class: A Case Study on Dhaka Metropolitan Area and Sylhet Division of Bangladesh.

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Abstract

This paper is the outcome of a research conducted to analyze the impact of price hike over lower middle class people. The paper has been divided into two major sections, namely, Theoretical over view and the Research. The section called Theoretical over view consists of detailed information regarding pricing strategy, price changes as well as pricing policy. The section called The Research consists of the Introduction containing Background of the Research, Problem Enunciation, and Rationale of the Study, Objectives, Methodology, Data Analysis, Findings, and Recommendations. By handle a wide variety of products ranging from consumer goods like Rice, atta, soybean oil, palm oil, masur dal, potato, onion, garlic, powder milk sugar, soap, toothpaste, condoms, contraceptive pills, soft drinks, toiletries, agricultural, pharmaceutical and even telecommunication products selling market gather essential respondent who are fighting against recent hikes. The purpose of the research was to make a comparison between the behaviors of different consumer of different professions and identify what is their actual demand related to consumer goods because of price hikes.

Keywords: Strategy, Behavior, Price Hike, Consumer, Demand.

1. Introduction

In the world of globalization, internationalization, competition or consumerism, the business enterprises or organization of the world strives to please or to satisfy the consumers directly and indirectly. The price hike of necessary food commodities has a major impact on food security particularly on the marginalized section of the society in Bangladesh. Current raise in domestic cost of production of food, together with high price in international market may boost up further food inflation, leaving adverse effects on the poor. Most of the poor spend more than half their income on food. Price hikes for essential commodities can force them to cut back on the quantity or quality of their food as well as change their consumption patterns.

Recently, the researcher commissioned a study of people's attitudes and behavior as well as the situation of lower middle class people who struggle very much against economic crises. The results gained from the study make interesting reading and could be useful to the government in its efforts to address issues such as price hike.

2. Background of the study

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 43.8 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.

2.1 Objective of the study

2.1.1 Broad Objective

To measure the consumer response in shopping due to Price Hike specially lowers middle class.

2.1.1 Specific Objective

1. Reasons for price hike in view of respondents.
2. Ways of coping up with price hike of people.
3. To identifying the specific consumption areas mostly affected by the price hike.
4. To identifying the changing pattern of bargaining of consumers while shopping.
5. To identify the crises of lower middle class.

2.2 Methodology

2.2.1 Data Collection Source & Method

The study is a quantitative study relied on the primary sources of data. A combination of location & stratified random sampling method was used for the study. Researcher developed an interview schedule containing dichotomous, close-ended & open-ended questions. Before the main study, an in-house small study was carried out to figure out the simplicity of the interview schedule. The study is a quantitative study where prim it has surveys among the target group.

2.2.1 Structure of the research

This research is quantitative and descriptive because the data were collected from various sources and it was explained in details with related tables, graphs and necessary written information is also available here. It is quantitative because researcher considers some similar characteristics which can measure various issues. Researcher went too many middle class families and tired to collect the data and information about the impact of price hikes.

2.3 Research Design

For the study researcher developed a research design in the following way:

2.3.1 Sample Criteria

- Age 18 years & above.
- Regardless of Sex.
- Lower middle socio- economic class

2.3.2 Sample Size

Respondent: 153 (Male and Female) randomly selected.

2.3.3 Area Coverage

The middle class families' of Sylhet division & Dhaka metropolitan area (Bangladesh) have been considering as the population of the research. Because many families of this area fight against recent price hikes.

2.3.4 Questionnaires

A structured technique for data collection consisting of a series of questions, written to which a respondent replies comprise with both close and open-ended questions.

2.3.5 Analysis Procedure

Frequency distribution using MS EXCEL and cross-tabulation using SPSS are used to analyze the data.

3. Theoretical Background

Every Research study is based on the theory. This theory is known as the theoretical background of the study. That means the theoretical background gives authentic support for successful completion of research work. The essential market theory and concept of the study may be defined below.

Survey, in statistics, a method of collecting data in which people are asked to answer a number of questions (usually in the form of a questionnaire).An opinion poll is an example of a survey. The reliability of a survey's results depends on whether the sample of people from which the information has been collected is

free from bias and sufficiently large.

Price fixing by marketer of Bangladesh and one class one stockiest partially responsible for recent high prices. Insufficient productive sector low contributions by agriculture in GDP as well as international trading discrimination are the factors of price hikes.

Wiggins et al, (2010), in their discussion paper, 'Food Price Crisis Frequently Asked questions' highlighted the issue of rising food prices came to international attention in early 2008. Due to price hike of essential commodities in the local market, the poor has to suffer a lot resulting into high dropout rate of boys for helping their families in income generation. Bangladesh Economic Update, (June 2011), highlighted that the dropout rate of boys was 6.11 percent higher than girls in 2005 and 6.88 percent in 2010. Among the non-poor families, only 8.89 percent boys dropped out in 2010 from the age group of 11-15 years, however, 17.48 percent dropped out from poor families. The increase in food and non-food prices erodes the purchasing power of the poor. The poor women both in urban and rural have to suffer a lot due to high food and non-food prices. The urban women slum dwellers, female headed households and rural poor women are more vulnerable. There exists a positive relationship between food inflation and poverty. As the food inflation increases, the additional number of people goes under the poverty line. People living below poverty line in 2000 were 55.8 million when the food inflation was 2.68 percent. This rate of food inflation increased to 7.91 percent in 2005 and at the same time another 0.2 million people newly gone under poverty line. Food inflation of 11.0 percent (12-Month average) in April 2011 indicates that more people are likely to go under poverty line in the upcoming years. Prices precursors to every thing that happens in the market economy. People's right to know: The Daily Star Web Edition Vol.5 Num 601(March 8, 2008) reported that according to a survey report in 2007 the cost of living increased by 10.48 percent. According to another press report the International Monetary Fund mission that visited Bangladesh recently expressed dissatisfaction over rising inflation rate which has already crossed 6.5 per cent this year against the government target of 4.5 percent.

The impact of price hike of essential commodities on high and low income groups is different because of different consumption levels and patterns. The main cause of the high inflation today is cost push, fuelled by rise in prices of food, which accounts for the largest part of poor people's consumption. Since CPI influences people of different income levels differently, it cannot reflect the real predicament of the poor. However, Consumer Price Indexes (CPI) in April 2011 were 246.24 (general), 275.02 (food) and 207.23 (non-food).

The food price of necessary commodities is rising rapidly since 2007 and climbed at the highest peak of the decade in 2008. Though, prices declined a bit in 2009 but again on track to rise from 2010 and till June 2011. Prices of most of the necessary commodities have risen more than those of 2008. If taken 2005 as base year, the scenario of food prices in 2011 becomes a subject of shock and awe. The prices of coarse, medium and fine rice have been nearly doubled in 2011 than those of 2005. The prices of soybean and palm oil increased by 118.36 and 146.15 percent by June 2011 relative to 2005. The price of garlic in 2005 was Tk. 54/Kg while it increased by 168.52 percent by June 2011 and the price at present has averaged at Tk. 145/Kg. The prices of different types of pulses have increased over the years at staggering rate. The prices of baby food items, powder milk and sugar are also on an upward movement. Under the business as usual scenario, the prices of all commodities may rise further during the month of Ramadan, if the past trend prevail. It might be very difficult for the poor people to manage three meals a day when the prices of necessary commodities are on the rise and unstable.

[Insert Table: 1 about here]

The United Nations Food and Agricultural Organization (2011), in its report 'The State of Food Insecurity in the World 2011', highlighted the differential impacts that the world food crisis of 2006-08 had on different countries where the poorest were most affected. While some large countries were able to deal with the worst of the crisis, people in many small import-dependent countries experienced large price increases

that, even when only temporary, can have permanent effects on their future earnings capacity and ability to escape poverty and increase number of undernourished people in the world.

No one really knows how many people are malnourished. The statistic most frequently cited is that of the United Nations Food and Agriculture Organization, which measures 'undernourished'. The FAO did not publish an estimate in its most recent publication, 'The State of Food Insecurity in the World 2011' as it is undertaking a major revision of how it estimates food insecurity. FAO (2010), estimate the most recent, says that 925 million people were undernourished in 2010. World Hunger and Poverty Facts and Statistics (2011), highlighted the figure below shows, the number of hungry people has increased since 1995-97. The increase has been due to three factors: 1) neglect of agriculture relevant to very poor people by governments and international agencies; 2) the current worldwide economic crisis, and 3) the significant increase of food prices in the last several years which have been devastating to those with only a few dollars a day to spend. 925 million people are 13.6 percent of the estimated world population of 6.8 billion.

[Insert Graph: 1 about here]

4. Findings

This research is aimed at finding out the impact of price hike over the lower middle class. Out of 97.7 percent people only 9.8 percent are trying to reduce using electrical appliances to reduce their electric bill, but 8 percent of the people are reducing their daily bazaar, 6.7 percent stopped going out unnecessarily, and 4.9 percent are not attending social parties.

- In Shreemongal, (Sylhet, Bangladesh) 2.3 percent of the people do not bargain at all while doing their daily bazaar. However, it was revealed that during their daily bazaar 45.6 percent of the consumers were bargaining regularly and 45 percent occasionally. In purchasing fish and vegetables, 30.2 percent bargain.
- 81.9 percent of the people in Sylhet area do not think of cutting the education expenses of their children. 42.9 percent try to reduce their education expenses by not keeping private tutors and 21.4 percent try to teach their children themselves. Moreover, a significant percentage of parents convince their children to use bus instead of motor vehicles, advise their children to use stationeries properly, and give homemade Tiffin for school.
- 75.4 percent of the people participate in entertainment related activities. Those who participate, among them 26.3 percent watches TV, 18.4 percent read newspaper, and 10.5 percent go for outings as their sources of entertainment in Dhaka city.
- To cope with medical expenses, 38.5 percent in Sylhet area try to avoid going to specialist as much as possible because of high fees, while 20.3 percent take medicine when they feel it is necessary and 11.1 percent try to take homeopathic medicines in case of normal and even in complex diseases.
- 10.4 percent opinioned that population boom, 9.0 percent administrative inefficiency, 7.6 percent corruption, and 3.5 percent opinioned that political pandemonium were the main reasons for price hike. Beside those, the reasons people pointed out are black money, greediness of businessmen, extra imposed tax and VAT, changing life style of people, increased demand of people, etc.
- 23.6 percent opinioned that population boom, 5.5 percent political pandemonium, 3.6 percent corruption and administrative inefficiency, and 2.4 percent opined that the new pay scale were the main reasons for price hike. Beside these, the other reasons people pointed out are changing life style of people, terrorism, and competition among people for status and advertisement.
- Recent price hikes responsible for up growing social crises.
- Price Hikes increase social & economic discrimination as well as creates various social classes.

- More than 66% people of lower middle class (Income below BDT 10000/-) are failing to meet fundamental needs.
- 54 % (Approx) people (Income below BDT 10000/-) are failing to get proper treatment or suggestion of a specialist physician.

5. Recommendation

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 the people in Dhaka metropolitan city and in other parts of the country are facing deep trouble in coping with the situation. In Sylhet & Dhaka city 44.30 & 43.8 percent of the people think that because of price increase of almost everything, they are encountering economic hardship.

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%.
- 5) 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. Conclusion

Price hike of essential commodities has been a matter of constant concern for the people of Bangladesh in general and the poor and the fixed wage earner in particular. Due to increase in food prices, inflation is up in many countries and the external balances of most net commodity importers have deteriorated. These are affecting the net food importing developing countries very badly. Even within the countries which are expected to benefit, the poorer segment of the society or the net food buyers are likely to suffer from such rising food prices. On balance, poverty is expected to rise in the poorer countries like Bangladesh. The short-run impacts of higher staple food prices on poverty may differ considerably by commodity and by country, but, poverty increases are much more frequent, and larger, than poverty reductions. The recent large increases in food prices appear likely to raise overall poverty in low income countries like Bangladesh substantially.

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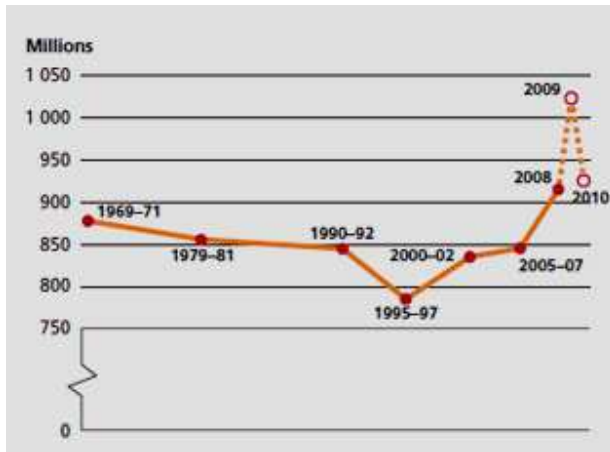
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Table 1. Percentage of retail price change of essential commodities

Commodity	Unit	2005	2006	2007	2008	2009	2010	2011
Rice(Coarse)	1 kg	16	17	21	31	22	29	32
Rice(Medium)	1 kg	19	19	24	35	26	34	39
Rice(Fine)	1 kg	24	23	27	40	32	39	46
Atta(White)	1 kg	18	20	27	37	20	23	30
Soyabean Oil	1 Lit.	49	53	73	104	75	80	107
Palm Oil	1 Lit.	39	45	71	85	60	69	96
Masur Dal	1 Kg	48	59	65	90	99	100	91
Potato	1 kg	18	17	17	14	21	13	9
Onion	1 kg	30	16	33	21	26	23	21
Garlic	1 kg	54	70	56	34	55	125	145
Powder Milk (Dano)	2 kg	637	681	890	1114	1089	981	982
Sugar	1 kg	43	45	32	35	43	48	57
Egg(Farm Red)	4 pcs.	21	17	17	22	26	24	24

Source: Department of Agricultural Marketing, Ministry of Agriculture, Peoples Republic of Bangladesh, June 2011.

Graph 1. Number of undernourished people in the world



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