

An Investigation into the Various Socio-Economic and Psychological Impacts of Price Hike on Low-Income Households in Khyber Pakhtunkhwa, Pakistan

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Abstract

The terrestrial surface is confronting the jeopardy, facing the havoc and combating the atrocity of price hike that is worsening its social and economic spheres while bringing obnoxious results to the social stability and national development of the subject vulnerable masses. This study was conducted in District *Swat*, *Khyber Pakhtunkhwa* province of Pakistan, which evidently describes the socio-economic and psychological impacts of price hike on low-income households. Data was collected from 180 respondents of low-income households of the 4 Union Councils (*Tehsil Matta*) that were purposively selected through cluster sampling technique using interview schedule. The collected data has been assessed with the application of Chi-square test followed by tabular presentation in support with bar-charts, which have further been discussed on the basis of findings and results. The results show that price hike being a critical and sizzling phenomenon has numerous consequences upon the socio-economic and psychological well-being of low-income households, which demoralize their overall prosperity. The study strongly recommends awareness among masses, need based planning and practice of proper policy, confrontation and penalty to the misdemeanors and hoarders, and remunerative role of mass media are foreseeable that may bring assistance in alleviation of the curses of price hike.

Keywords: Price hike, Low-income, Households, Crises, Impacts, Social, Economic, Psychological.

Background of the Study

The sharp increase in food prices over the past couple of years has raised serious concerns about the food and nutrition situation of poor people in developing countries, about inflation, and—in some countries—about civil unrest (Braun, 2008). Recently it has been estimated by the United Nations Organization that more than one billion population in the world is going to be poor in terms of per capita calorie consumption, simply because the peoples have to expend about 40% of income on the food items in their normal food basket (Regmi, 2008). Further they are unable to pay but compelled to cut their daily ratio. Non-poor are also compelled to spend more on food affecting their expenditure on none food essentials such as education, health, fuel, clothing and housing. In addition, one third of Nepalese people are poor in terms of daily calorie requirement (CBS, 2007), and are subject to victimize due to sudden price hike on food items.

Price hike is one of the major social problems in today's modern era bringing many social evils and disadvantages that ultimately hampers social and national development. Similarly, it creates uncertainty, unrest and provokes the wave of discontentment among people of low-income and further they do not know what the money they earn today will be sufficient for tomorrow, which as a result discourages the productive output, saving for investment and reduces the competitiveness of the country in international trade (Robinson, 2007). Price hike; sometimes inflation also affects the economy of a nation and bring various disruptions in the social order of the society. It makes an environment where looses occurs in value of money and it further decreases the purchasing power of an individual while the uncontrolled condition of such a phenomena can also lead to higher wage demands affecting people to maintain a standard of life (Economics, 2010).

In order to judge the relational segment of price hike with that of purchasing power; change in relative prices have intensive impacts in shape of poverty yet most of the studies do not address such an issue. People with lower incomes are likely to have consumption patterns that differ from those with higher income. For instance people with lower income spend more of their budget on necessities than on luxuries, which represents that the faster increase in prices of necessities than luxuries will bring higher impacts over poor than non-poor (Hyun and Nanak 2006). On the other hand; students' dropout augments that causes long term decrease in literacy ratio where most of the families compulsorily pull-out there children from schools for earning additional income while others stop them sending to schools because they cannot buy enough food to eat as at the same they also have to pay higher fee for their schooling (CSOR, 2008).

Besides, high price hike has dual-folded paradigm to accelerate poverty; firstly, the inflation and price hike tax can reduce domestic income, while secondly, if nominal wages increase less than the price of goods consumed by wage earners, workers'; real income will decline (Eliana, 1992). Such a stinging crises in food scarcity manifolds and multiplies the fabric of impacts in numerous dimensions by increasing poverty and inequality, worsening nutrition, reducing utilization of education and health services, and depletion of the productive assets of the poor (Bhutta and Ahmad, 2008) while being a vulnerable class in the society, poor are crumbled because of no social support networks (Selim, 2009). On the contrary poor are extremely limited in their options to protect themselves against price hike; they are normally asset-poor, while most of their saving is in the form of cash, which is eroded that protects the rich who hold real assets (Fisher and Modigliani, 1978).

In order to illuminate the pace of price hike; the move is forward as increase in prices of edibles affects people at varying income levels differently and ascends the pressure on cost

of living and thus lowers-down the overall standard of living (ADB Report, 2008). In addition, such a heavy rise in daily commodities has become one of the major matters of concern for consumers and stability-obsessed policymakers; who are ever fearful that prolonged price hike and inflation could spark unrest (The Daily Times, March 12, 2011). During the last 12 months, eight to nine times upward revision in rates of almost all brands of *ghee* and cooking oil took place that has adversely affected the purchasing power of buyers where they used to buy 50 percent less quantity (The Daily Times, March 09, 2011). An investigation has been made that price hike and inflation primarily paves the way for criminal conducts, which further enhances the miseries of government to spare and spend huge monetary incentives in respect of controlling crimes and provision of security to the masses.

Adverse consequences of price hike affect the balance of payments where it enhances imports and abates exports because imports become relatively cheaper due to rising domestic prices. Furthermore, such imbalance devalues the domestic currency that puts more pressure on payments (Miccio, 2008). The daily use commodities have already gone out of the reach of masses in respect of their inability to feed their children and if the position of fuel price continues with such pace; it would lead to more problems (The Daily Dawn, 2011). Resultantly, changes in relative prices can instigate modifications in family behavior where the households may partially or totally substitute some food products into or out of their diet to incorporate behavioral changes (Carlos, 2009). Agricultural inputs such as gasoline, fertilizers, and transportations are the challenges for farmers, which may limit the agricultural productivity and make the production costly, and consequently devalues the product against the imported ones (CSO Report, 2008). Furthermore, most of the farmers have limited capacity to boost their productivity that leads to dis-flamboyance of investors (Nasir and Saima, 2008). Price hike and inflation can disrupt business planning as budgeting becomes difficult because of the uncertainty created by rising inflation of both prices and costs while this may reduce planned capital investment and spending. In addition, the nucleus of effects also extends the concerns to status of people's nutrition, health and children's education, which are all what the government wants to achieve in its policy. Low income households spend a large proportion of their income on those tradable staple products, whose prices increase substantially, are likely to be the ones whose overall welfare is worsened (Zezza et. al, 2008).

Statement of the Problem

"We are continually reminded that the world's food systems are not working in ways that ensure food security for the most vulnerable members of our societies," further, "When people are hungry, they cannot break the crippling chains of poverty, and are vulnerable to infectious diseases," were the messages, forwarded by the UN Secretary General Ban Ki-Moon on World Food Day, 2010. Meanwhile, the United Nations has called for a united front against hunger with nearly one billion people suffering from food shortages worldwide. In addition, a new global hunger index released by the International Food Policy Research Institute (IFPRI) showed that one billion people face hunger this year (Amin, 2010).

The para shows a global crisis and recognition of the phenomena in terms of price hike and food shortage, however, the situation is worst in Pakistan particularly in *Khyber Pakhtunkhwa*, where hundreds of children are suffering from diseases due to malnutrition and poverty as price-hike and the recent devastating floods have caused food crises in the province. Further malnutrition causes various diseases among growing children, increasing the number of those malnourished children who do not have accesses to proper food.

Unusual rise in prices of food items in the province has made it difficult for the common man to get proper food. According to the United Nations, about 9 to 11 percent of children are faced with hunger and starvation in Khyber Pakhtunkhwa as argued by Dr. Khalid (The Daily Times, 2010). Further, about 10 to 15 percent of the children brought to hospitals were facing food shortage and this percentage was growing, further out of ten, every two children could die, if the price-hike was not controlled.

Besides, the same report explains that drastic increase in the prices of daily edible commodities that has been occurred in the last one year, showed an amazing fluctuation in prices i.e. the price of one kilogram sugar has increased from Rs. 56 to Rs. 80, Yogurt from Rs. 50 per kg to 60, a Liter of milk from Rs. 40 to Rs. 45, one Kg Mutton from Rs. 280 to Rs. 350, Beef from Rs. 160 to Rs. 220. Similarly the prices of vegetables have alarmingly increased such as tomato is at Rs. 50, onion Rs. 40 and potato Rs 35 per kg. In addition, the prices of pulses have been increased i.e. *daal mash* (a kind of pulses) is at Rs. 200 per kg whereas *daal chana* (pulse) is at Rs. 80 per kg. In fruits, guava is at Rs 150 per kg, apricot Rs. 70 per kg, banana Rs. 50 to Rs. 60 a dozen and apple Rs. 60 to Rs. 120 per kg (The Daily Times, 2010).

Keeping in view such a devastating situation regarding commodities, unequal distribution of economic assets, lack of price hike's control policy and measurement, price hike and inflation causes various social, economic and psychological disorders in society. For low-income households in particular and for larger population of the country in general; price hike produces adverse impacts in the form of anxiety, tension etc. In this context the subjective poverty remains high and the every day life becomes miserable for inhabitants. The price of daily commodities i.e. wheat, rice and other edibles has been increased up-to a maximum extent, indicated in food price index (World Bank, 2008). Severity of the problem can best be observed to see the ratio of overall development of the country. Price hike is one the major social problems affecting both local and non-local people. Besides its impacts on education, income, it also has enormous impacts upon the health condition of people as it restricts people to access health care centers and to buy medicines to cure the diseases (World Bank, 2008). Thus in a nutshell price hike is a threat to life of the larger population in *Khyber Pakhtunkhwa* and even throughout the country.

Objectives of the Study

- To investigate the various socio-economic impacts of price hike on the living standard of low-income households
- To probe and explore the negative impacts of price hike on the psyche and health of low-income people

Hypotheses of the Study

- There is a strong relationship between price hike and its negative impacts upon the socio-economic conditions of the low-income households
- Price hike causes health and psychological problems among low-income households

Methods and Procedures

The primary objectives of this research study are to investigate and analyze the devastating condition of hasty price hike and the degrees of its negative impacts upon the socio-economic, health and psychological conditions of low-income households. The study was conducted in Tehsil *Matta*, District *Swat*, *Khyber Pakhtunkhwa*, Pakistan. A sample of 180 households was taken from a total of 3576 low-income households of the 4 purposively

selected Union Councils (Union Council *Kharerai*, Union Council *Chuprial*, Union Council *Barthana* and Union Council *Gwaleri*) denoted by UC-K, UC-C, UC-B and UC-G respectively of the said Tehsil (LMO, Survey Report, 2011) through cluster sampling technique, a method of sampling to select clusters or groups (households or families) instead of individuals units (Alam, 2002).

The data collected through interview schedule has been analyzed using statistical tools, specifically by applying Chi-square test. As the concepts used in the study are abstracted in nature, therefore for measurable analysis, the concept of socio-economic has been divided into variables including “low standard of living, low purchasing power, poverty and inequality, crimes, economic dependency, illiteracy and child labor, low agricultural productivity, lack of educational and health services, adverse impacts on saving and loans’ dependency”, which are coded by digits 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 respectively during analysis. Further, the concept of psycho-health has been divided into the following variables “malnutrition, hunger and health problems, violence and aggression, depression, restlessness, stress and strain, tension and anxiety, hopelessness and suicidal tendencies”, which are coded by digits 1, 2, 3, 4, 5, 6, 7, 8 and 9 respectively. In addition, the response of the households about price hike has been categorized into “to some extent” and “to greater extent” denoted by (TSE) and (TGE), coded by digits 1 and 2 respectively during SPSS programming. Similarly, responses of the respondents have been enumerated in the form of frequencies in tables, which are further explained qualitatively by mentioning the percentage on the concerned variable followed by presentation of data in bar-charts and the mentioned percentages have been comparatively analyzed by ratio (:) to demarcate between the responses for “to some extent” and “to greater extent”.

Results and Discussion

The analyzed data indicates that price hike as a burning social issue affects the socio-economic spheres of low-income households. The negative impacts of price hike to some extent (TSE) are favored by few of the respondents and to greater extent (TGE) are marginalized by majority of the respondents who evidently enumerate that the issue of price hike lowers the standard of living of the households, in such a run the prices of daily commodities has been increased that had paralyzed and vanished the purchasing power of the low-income households to buy daily edibles food items for their survival.

In addition, price hike and inflationary conditions push the masses towards the cave of poverty and divides the society into different classes by creating inequality among the subject masses. It is observed that unavailability of basic needs of life provoke the people to be indulged in various criminal activities that increases the ratio of crimes as well as the low-income households are made economically dependent by those who want to exploit their helplessness for their personal gains; indicated by respondents in percentages like wise (25%:75%), (06%:94%), (35%:65%), (20%:80%) and (44%:56%) respectively (See Table-1).

Table-1

Socio-Economic Impacts of Price Hike on Low-Income Households

Socio-Economic Impacts	Price Hike		Total
	To Some Extent	To Greater Extent	
Low standard of living	06	18	24
Low purchasing power	02	29	31
Poverty and inequality	14	26	40
Crimes	02	08	10
Economic dependency	04	05	09
Illiteracy and child labor	03	05	08
Low agricultural productivity	03	04	07
Lack of educational and health services	03	03	06
Adverse impacts on saving	01	05	06
Loans' -dependency	03	36	39
Total	46	134	180

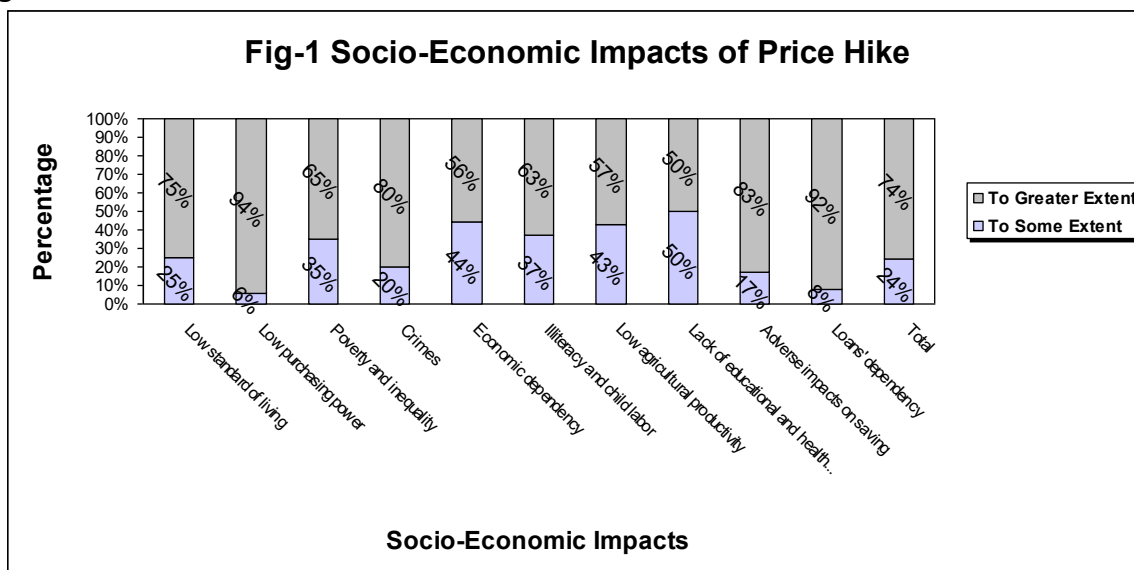
$P=.000^{**} < .05$ shows that there is a significant relationship between price hike and its socio-economic impacts, ($\chi^2 = 31.2256$, D.f. = 9

Price hike in one form or another, always been found as a threat to the smooth running and development of society and individuals' activities signified by the present research study. Findings and results palpably show that price hike has adverse impacts whether TSE or TGE increases illiteracy among the masses and compels the low-income parents to send their innocent children for earning instead to get education that further causes child labor. Additionally, in the fluctuation of prices and price hike, farmers become unable to cope with and to buy expensive items used as input for agricultural productivity such as seeds, fertilizers, pesticides and insecticides etc, resulted in low agricultural productivity. Further, the data highlighted that inflationary conditions hampered the way to access and avail the educational as well as health services, needed for masses to live healthy and to achieve the goals of development. It also has adverse impacts on saving and had made the people dependent on loans to run the expenditure of their families as figured by the percentages (37%:63%), (43%:57%), (50%:50%), (17%:83%) and (08%:92%) respectively.

Consequently, the socio-economic impacts of price hike that is proposed in the hypothetical statement i.e. "There is a strong relationship between price hike and its negative impacts upon the socio-economic conditions of low-income households" has been judged as well as analyzed through the application of chi-square test where the value of $P=.000^{**} < .05$ with Chi-square value $\chi^2 = 31.2256$ and degree of freedom value D.f. = 9, shows that the result is highly significant and there is a strong relationship between price hike and its negative impacts upon the socio-economic conditions of the low-income households. Further, the

mentioned hypothesis has been proved and validated to be correct through the help of above results as proof.

Fig-1



Keeping in consideration other important aspects of this research study, health and psychology of the masses that are affected by price hike. Results presented in the following table indicates that price hike has devastating impacts, whether to some extent (TSE) or to greater extent (TGE) over the health and psychology of the people particularly low-income households. In this context the people are unable to live in a hygienic environment as well as to eat hygienic food, leads to malnutrition. This condition further cause hunger and creates various health problems among low-income households. As for as the psychology of individuals is concerned, badly affected by the price hike to create violence and aggression, causes depression and most of them are pushed to the cave of restlessness; as has mentioned in the following percentages; (31%:69%), (10%:90%), (40%:60%) and (09%:91%) respectively (See Table-2)

Table-2

Health and Psychological Impacts of Price Hike on Low-Income Households

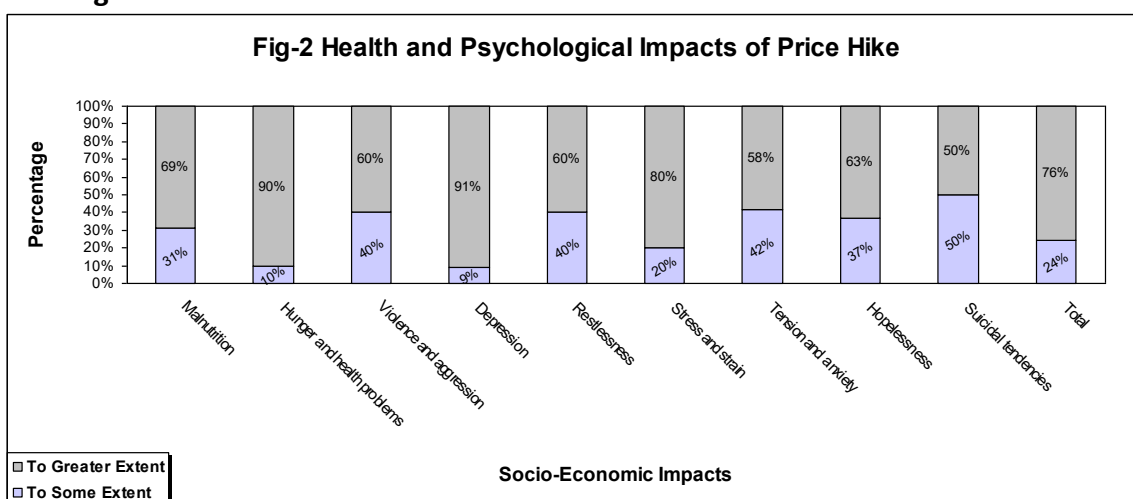
Health and Psychological Impacts	Price Hike		Total
	To Some Extent	To Greater Extent	
Malnutrition	09	20	29
Hunger and health problems	04	37	41
Violence and aggression	02	03	05
Depression	04	39	43
Restlessness	02	03	05
Stress and strain	01	04	05
Tension and anxiety	15	21	36
Hopelessness	03	05	08
Suicidal tendencies	04	04	08
Total	44	137	180

P=.000 ** < .05) shows that there is strong relationship between price hike and its psycho-health impacts, ($\chi^2 = 23.089$, D.f. =8

In addition, the impacts of price hike on the health and psyche of human beings, this research study explains that price hike; whether TSE or TGE, has adverse impacts over psyche, mental level as well as health of individuals as it keep the people in stress and strain, they become worried about their expenditures and always live in tension and anxiety. The results show the factual alarming situation of price hike in which poor people become hopeless and failed to provide subsistence to their natural dependants, further, they prefer to commit suicide in order to get rid of their lives instead to live in such a shameful situation; figured in a respective form of percentages in parenthesis as (20%:80%), (42%:58%), (37%:63%) and (50%:50%).

Resultantly, the health and psychological impacts of price hike upon the low-income households that is proposed in the hypothesis “Price hike causes health and psychological problems among the low-income households”, has been judged and proved to be correct through the appliance of chi-square test where the value of $P=.000^{**}<.05$, with the Chi-square value $\chi^2 = 23.089$ and degree of freedom value D.f. =8, shows that the result is highly significant and there is a relationship between price hike and its health and psychological problems among low-income households.

Fig-2



Conclusion

Price hike; being a burning social evil and matter of concern have devastating impacts upon the individuals and society as a whole. These impacts are multidimensional in nature i.e. social, economic and psychological that has been explicitly concluded by this research study. Rapid increase in the prices of daily commodities affects the people adversely where the low-income households are obnoxiously influenced. The severity of this issue as well as the intensity of its impacts over the individuals’ character building and national development have thoroughly been studied during the course of this research study, which clearly signifies that when-ever and where-ever the prevalence of price hike is observed that will be definitely considered as a threat to the smooth running and order of the society. This study has drawn-out the figured impacts of price hike including distortion of socio-economic as well as psychological status of the individuals in shape of low purchasing power, low standard of living, augmentation in poverty and inequality, enhancement in crime ratio, social instability and child labor.

The results have been drawn during analysis, which conclude that excessive and un-prophesized increase in the prices of daily commodities; whether edibles or non-food items has compelled the people to spend a mischievous life with an abject and abhorred status. Further, it has been analyzed during the research that hasty proliferation of price hike paves the way for economic and loans'-dependency, increase in illiteracy and destabilization of saving, paralyzed-agricultural-productivity. The real picture of this research study indicates the intensity and severity of problems in the context of its negative consequences over the health and psychology of the low-income masses; who are more exposed to the menace of price hike. In this regard it has been found that prevalence of excessive price hike has brought molded the psychology as well as their health where they are highly exposed to malnutrition, hunger and other health problems, which further leads to creation of violent and aggressive attitude. Besides, the negative impacts of price hike over the psycho-health of subject masses have been quantified as depression followed by the environment of hopelessness and restlessness. Furthermore, in the course of psychological consequences of price hike; the suicidal tendencies have been noted as results of extreme tension and anxiety.

In nutshell, being a social evil; price hike is worsening day by day and has devastating consequences over the social, economic and psychological well-being of people, shuddering the smooth and normative pattern of life that are considered as prerequisites for the overall social and national development.

Recommendations

Diagnosis of a problem is step towards solution; this study has palpably diagnosed the relevant aspects of the entitled issue that needs an elegant set of recommendations. In this regard; to overcome the issue in a manageable way, the researchers put forward few practical and reasonable suggestions. This research deems awareness among masses about the price hike and its negative consequences as inevitable in order to root-out the issue that is hampering the social and national development of the vulnerable masses.

Policy formulation, implementation and follow-up regarding any disturbing situation are the normative steps considered as prerequisites for improvement, progress and stability that are barely practiced in Pakistan. Need based, mass-friendly and nation's-lucrative planning and practice of proper policy should be formulated and implemented while practical steps should be taken to bring possible changes in the prices of daily commodities both edibles and non-food items in order to make them affordable for the common masses. In addition, policy should be instilled in shape of proper check and balance to ensure the standardized gap between actual prices (net expenses) and buyers/consumers' prices.

Strict laws should be incorporated to bring attention of the high-ups to discourage hoarders and law violators in the context of price hike. In this regard, harsh penalties should be given to such violators and offenders to eschew such acts and not to repeat them again that will ultimately lead to improvement and social solidarity.

Media's positive role should be popularized and encouraged to highlight the prevalence of hazardous and deep-rooted social issues like the evil of price hike having obnoxious consequences over the socio-economic and national development. In addition, to overcome the issue of price hike through media, attention of the concerned authorities towards the issue should be brought to unveil the culprits, conspirators and hoarders etc. who are intentionally involved in raising the prices.

Researchers play a significant role in illuminating the social evils particularly the social scientists who are always interacting and confronting such issues. They should initiate and

highlight such issues through their fabulous writings in shape of articles, research publications, social surveys, observations and case studies, which will help the concern authorities during diagnosis, treatment and solution of the problems through suitable and practical recommendations.

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