Impact of Inflation on Low-Income Households in Nepal

Aditi Adhikari and Gangadhar Dahal, Ph.D.*

Abstract

This study analyzed the impact of inflation on low-income households in Nepal. The dependent variable selected for the study is low-income household. Similarly, the selected independent variables are inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services. The primary source of data is used to assess the opinions of the respondents regarding low-income household, inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services in Nepal. The study is based on primary data of 143 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation coefficients and regression models are estimated to test the impact of low-income households in Nepal.

The study showed that inflation rate has positive impact on low-income household. It indicates that inflation rate leads to increase the burden of low-income households. Likewise, unemployment rate has positive impact on low-income household. It indicates that increase in unemployment rate leads to increase the risk of low-income households. Furthermore, government policy has positive impact on low-income household. It indicates that fluctuation in government policies leads to increase the risk of low-income households. Likewise, exchange rate has positive impact low-income household. This implies that changes in exchange rates leads to increase the burden of low-income households. Similarly, price level of essential goods and services have positive impact on low-income households. It indicates that higher price levels of essential goods and services, higher will be the burden of low-income households.

Keywords: low-income household, inflation rate, unemployment rate, government policies, exchange rate, price level of essential goods and services

1. Introduction

Inflation can be defined as a sustained or continuous rise in the general price level or, alternatively, as a sustained or continuous fall in the value of money (Labonte *et al.,* 2008). Inflation refers to the general increase in prices of goods and services in an economy over a period of time, leading to a decrease in the purchasing power of money. Inflation is the rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country (O'Neill *et al.,* 2017). The inflation rate is calculated as the average price increase of a basket of selected goods and services over one year. High inflation means that prices are increasing quickly, with low inflation meaning that prices are increasing more slowly. Core inflation can be measured by simply excluding food and energy from monthly price data (Bryan *et al.,* 1997).

Inflation is colloquially described as the situation in which the flow of purchasing power is increasing faster than the flow of goods and services with consequent price increases (Smithies, 1957). Several countries have experienced moderate inflation for prolonged periods

* Ms. Adhikari is a Freelance Researcher, Kathmandu, Nepal and Dr. Dahal is the Managing Director, Uniglobe College (Pokhara University Affiliate), Kathmandu, Nepal

and theories of persistent inflation can be classified into those that emphasize seigniorage as a source of government finance and those that emphasize the costs of ending inflation (Dornbusch *et al.,* 1993). The rich and more sophisticated are likely to have better access to financial instruments that hedge in some way against inflation, while the small portfolios of the poor are likely to have a larger share of cash (Easterly *et al.,* 2001).

Low income typically refers to a financial status where an individual or household earns an amount of money that falls below a certain threshold considered necessary to meet basic needs such as housing, food, healthcare, and transportation. According to Kaplan *et al.* (2017), lower-income households experienced higher inflation, but most cross-sectional variation was uncorrelated with observables. Tawadros (2009) concluded that low-income residents were seriously harmed by an increase in food and residence prices, whereas their middle-income counterparts were mainly affected by price changes in healthcare, personal articles, transportation, communication, recreation, and education and also subjective well-being of debtors were significantly boosted by inflation.

Inflation expectations are more anchored in advanced than in emerging countries, which could also explain the smaller impact on inflation form global food price shocks (Madurapperuma*,* 2016). Low-income earners (persons at risk of poverty) are considered those whose household's disposable money income per consumption unit (so-called equivalent income) is lower than 60 per cent of the equivalent median money income of all households (Radović *et al*., 2015). Low-income households use relatively low number of natural resources, whereas wealthy consumers require more natural resources (Lettenmeier *et al.,* 2014).

Ball (2017) explored the empirical link between income inequality and inflation in ten OECD countries over the period 1971 to 2010. The study found a U-shaped link between long-run inflation and income inequality. Similarly, Tawadros (2009) examined the effect of food and residence prices on low-income and middle-income residents. The study found that specifically, low-income residents are seriously harmed by an increase in food and residence prices, whereas their middle-income counterparts were mainly affected by price changes in healthcare, personal articles, transportation, communication, recreation, and education. Likewise, Logue *et al.* (1976) examined factors affecting inflation in two groups of countries (high inflation group and low inflation group). The results respectively indicated that GDP growth and imports of goods and services have significant long run impact on inflation in low inflation countries. Similarly, French *et al.* (2016) explained a significant proportion of wealth inequality. The main finding from the analysis was that money management skills are important determinants of financial outcomes but that numeracy has almost no role to play.

Inflation will start in any generic universe (Goldwirth *et al.,* 1992). Inflation is seen as a crucial variable for potential economic conditions, where sustainable economic growth is a primary goal of every nation (Musarat *et al.,* 2021). Inflation is costly, when it is unanticipated, it arbitrarily benefits debtors and hurts creditors by decreasing the nominal value of outstanding debt (Billi *et al.,* 2008). Increases in government expenditure, especially deficits, tend to increase the money supply and worsen depreciation of the exchange rate, which in turn intensify the inflationary pressure (Asogu, 1991). The two political causes of inflation are, first, a deliberate centralized decision to start up inflation in pursuit of some high priority political objective; and second, a weakening of the power structure underpinning a given

market, so that sectional conflicts of interest can no longer be peacefully resolved except by tolerating inflation (Whitehead, 1979). Inflation denotes a rise in prices (Armesh *et al.,* 2010). Inflation deals not with particular prices or relation among prices but with the general price level, a drop in the purchasing power of the dollar (Harriss, 1975).

Madurapperuma (2016) studied the impact of global food price shocks on domestic inflation in a large group of countries. The study also provided evidence that inflation expectations are more anchored in advanced than in emerging economies, which could also explain the smaller impact on inflation from global food price shocks. Likewise, Arlt *et al.* (1999) investigated and determined the effects of unemployment and inflation on economic performance in Nigeria within the specified period as in the title and to establish the relationship between unemployment and inflation with Real Gross Domestic Product in Nigeria. The study found that there exists long-run relationship between unemployment and inflation. Similarly, Kaplan *et al.* (2017) found that households' deviations from aggregate inflation exhibited only slightly negative serial correlation. Likewise, Charaia *et al.* (2017) observed that the inflation index regrettably failed to fully reflect the expectation of the population in developing and, especially, poorer countries.

Siami *et al.* (2019) indicated that there is no bi-directional Granger causality between inflation and income inequality in the short-run, but there is bi-directional Granger causality in the long-run for both the DCs and LDCs group. The results helped to assess the effectiveness of monetary policy in reducing income inequality in both the DCs and LDCs group. Similarly, Vinayagathasan *et al.* (2013) examined the relationship between inflation and savings. This study found that most of the households saved less when the inflation rate becomes high. Likewise, Wulandari *et al.* (2019) examined the relationship between inflation and unemployment rate in Indonesia during 1987 to 2018 period. The findings showed that inflation has a one-way relationship toward unemployment in Indonesia and it occurs at the third lag. Similarly, Atesoglu *et al.* (1998) examined the influence of inflation on the growth prospects of the Nigerian economy. The result showed the unidirectional relationships between interest rate, exchange rate, government consumption expenditures and gross domestic product.

Logue *et al.* (2020) observed the impact of inflation rate on income inequality. The study observed that inflation rate has ambiguous effects on income inequality, implying that the effects could be affected by another variable. Likewise, Bach *et al.* (1957) confirmed that there is a statistically significant long- and short-run negative effect of inflation on financial sector development. similarly, Burke *et al.* (2023) studied the relationship between inflation and spending. The study found that durables spending increased with expected inflation only for selected types of households while nondurables spending did not respond to expected inflation. Moreover, spending decreased with expected unemployment. Likewise, Ravallion *et al.* (2006) examined the relationship between inflation rate and price changes and also studied the correlation between them and self-reported satisfaction with living standards. The study found that the well-being cost of the inflation crisis would be underestimated if looking at aggregate figures only.

The above discussion shows that empirical evidences vary greatly across the studies on the impact of inflation on low-income households in Nepal. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such

findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The major objective of the study is to determine the impact of inflation on low-income households in Nepal. More specifically, it examines the relationship of inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services with low-income households in Nepal.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws the conclusion.

2. Methodological aspects

The study is based on the primary data. The data were gathered from 143 respondents through questionnaire. The respondents' views were collected on low-income households, inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services in Nepal. The study is based on descriptive and causal comparative research designs.

The model

The model estimated in this study assumes that low-income households depends on inflation. The dependent variables selected for the study are low-income households. Similarly, the selected independent variables are inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services. Therefore, the models take the following forms:

$$LH = \beta o + \beta_1 IR + \beta_2 UR + \beta_3 GP + \beta_4 ER + \beta_5 PL + e$$

Where,

LH=Low-income household

IR=Inflation rate

UR=Unemployment rate

GP=Government policies

ER=Exchange rate

PL=Price level of essential goods and services

Low-income household was measured using a 5-point Likert scale where respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Inflation has made it increasingly difficult for low-income households to save money and invest in the future", "I am extremely worried about my family's financial stability in the future considering the current inflationary trends" and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.782$).

Inflation rate was measured using a 5-point Likert scale where the respondents

were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "The current inflation rate significantly increases financial strain on low-income households in Nepal", "Inflation has substantially eroded the purchasing power of low-income households in Nepal" and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.759$).

Unemployment rate was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "High unemployment rates significantly increase financial stress among low-income households in Nepal", "High unemployment rates contribute to increased job insecurity among low-income households in Nepal", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.831$).

Government policies were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Government policies aimed at controlling inflation have a positive impact on the financial stability of low-income households in Nepal", "Government assistance programs designed to alleviate the impact of inflation are easily accessible to low-income households in Nepal" and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.832$).

Exchange rate was measured using likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Fluctuations in exchange rates significantly affect the purchasing power of low-income households in Nepal due to changes in the prices of imported goods", "Changes in exchange rates have a substantial impact on the overall cost of living for low-income households in Nepal, particularly in terms of essential goods and services", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.714$).

Price level of essential goods and services was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Rising prices of essential goods and services significantly impact the affordability for low-income households in Nepal", "Increasing prices of essential goods and services create financial strain for low-income households in Nepal", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.835$).

The following section describes the independent variables used in this study along with hypothesis formulation:

Inflation rate

The inflation rate is a measure of the percentage change in the general price level of goods and services in an economy over a specific period, usually annually. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country (O'Neill *et al.,* 2017). Inflation is one of the important macroeconomic variables that has a close relationship with many of the real and monetary variables and has unfavourable effects such as loss of productivity, reduction of economic growth, and rise of economic inequality (Ahking *et al.,* 1985). Inflation rates may vary widely depending on

economic situation and should be estimated in a dynamic perspective (Sapir, 2006). Inflation erodes the purchasing power of money, meaning that as prices rise, the same amount of money buys fewer goods and services (Ball, 2017). Based on it, this study develops following hypothesis:

$H_{1:}$ There is positive relationship between inflation rate and low-income households.

Unemployment rate

The unemployment rate is a measure of the percentage of the labor force that is currently unemployed and actively seeking employment within an economy. Those who are not working and not looking for work as out of the labor force or not in the labor force (Dean *et al.,* 2020). When members of low-income households lose their jobs, they immediately lose their primary or sole source of income, leading to difficulties in meeting basic needs such as food, housing, and healthcare (Parks *et al.,* 1978). To cover essential expenses, households may resort to borrowing, leading to increased debt and interest payments, further straining their finances (Rissman *et al.,* 1986). The increase in the unemployment rate exacerbates existing vulnerabilities in low-income households, creating a cycle of financial instability and hardship that can be challenging to overcome (Labonte *et al.,* 2008). When the unemployment rate rises, low-income households are disproportionately affected (Crump *et al.,* 2020). Based on it, this study develops following hypothesis:

H_2: There is positive relationship between unemployment rate and low-income households.

Government policies

Government policies refer to the set of principles, guidelines, regulations, and laws formulated and implemented by governmental bodies to address various social, economic, environmental, and political issues within a country or jurisdiction. Studies policy convergence among advanced industrial states are often based on an overly deterministic logic, a static conception of convergence and unclear specifications of the aspects of policy that are supposed to be converging (Bennett, 1991). Higher sales taxes disproportionately affect low-income households, as they spend a larger percentage of their income on taxable goods (Gokal *et al.,* 2004). Policies that tie school funding to local property taxes can result in underfunded schools in low-income areas, leading to poorer educational outcomes and limited opportunities for children from these households (Ruge *et al.*, 1999). Policies that impose high fines and fees for minor infractions can disproportionately burden low-income individuals who may be unable to pay, leading to further legal and financial troubles (Fischer *et al.,* 1989). The policies that provide direct financial support, improve access to essential services, and enhance economic opportunities are advantageous for the low-income households (Wulandari *et al.*, 2019). Based on it, this study develops following hypothesis:

H_3: There is positive relationship between government policies and low-income households.

Exchange rates

Exchange rates refer to the value of one currency in terms of another which fluctuates based on various factors such as economic conditions, geopolitical events, interest rates, and market speculation. The inevitable neutralizing effect of inflation on the real exchange rate following devaluation cannot be delayed indefinitely. In the long run anti-inflationary and

exchange rate policies cannot be set independently and the focus needs to be placed on such policies that are in effective control of monetary authorities such as money supply (Ahmad *et al.,* 1999). Exchange rates are driven by psychological factors and other irrelevant market dynamics, rather than by economic fundamentals (Frankel *et al.,* 1993). A weaker local currency means higher prices for these imports, directly increasing the cost of living for low-income households (James *et al.,* 2012). Reduced government spending on infrastructure can lead to deteriorating public services and amenities, which often disproportionately impacts low-income communities (Krugman *et al.,* 1990). Based on it, this study develops following hypothesis:

H_4: There is positive relationship between exchange rates and low-income households.

Price level of essential goods and services

The variance of relative price change is shown to be correlated with the rate of change in the price level using data for consumer goods in both the Netherlands and the United States (Parks, 1978). The price level of essential goods and services is determined by the market demand and supply, inflation rate also plays a key role in it (Radukić *et al.,* 2015). When the price levels of essential goods and services rise, low-income households are disproportionately affected due to their limited financial resources (Genberg, 1977). When food prices rise, low-income households may face difficulties in affording nutritious food. This can lead to food insecurity, malnutrition, and associated health problems (Radukić *et al.,* 2015). Based on it, this study develops following hypothesis:

H_5: There is positive relationship between price level of essential goods and services and low-income households.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with means and standard deviations have been computed, and the results are presented in Table 1.

Table 1

Kendall's correlation coefficients matrix

This table presents Kendall's Tau correlation coefficients between dependent and independent variables. The correlation coefficients are based on 143 observations. The dependent variable is LH (low-income household). The independent variables are IR (Inflation Rate), UR (Unemployment Rate), GP (Government Policies), ER (Exchange Rates) and PL (Price Level of Essential Goods and Services).

Variables	Mean	S.D.	LH	IR	UR	GP	ER	PL
LH	3.639	0.430	1					
IR	4.123	0.577	0.244**	1				
UR	4.184	0.653	0.249**	0.566**	1			
GP	3.138	0.817	0.295**	-0.185**	-0.152*	1		
ER	3.907	0.483	0.167**	0.149**	0.205**	0.141*	1	
PL	4.104	0.631	0.253**	0.612**	0.575**	-0.165**	0.281**	1

Notes: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level

respectively.

The correlation matrix indicates that inflation rate is positively correlated to low-income household. It indicates that inflation rate leads to increase the financial burden of low-income households. Likewise, unemployment rate is positively correlated to low-income household. It indicates that increase in unemployment rate leads to increase in the risk of low-income households. Furthermore, government policy is positively correlated to the low-income household. It indicates that fluctuation in government policies leads to increase in the risk of low-income households. Likewise, exchange rate is positively correlated to the low-income household. This implies that changes in exchange rates leads to increase in the burden of low-income households. Similarly, price level of essential goods and services is positively correlated to the low-income households. It indicates that higher the price levels of essential goods and services, higher will be the burden of low-income households.

Regression analysis

Having analysed the Kendall's Tau correlation coefficients matrix, the regression analysis has been carried out and the results are presented in Table 2. More specifically, it presents the regression results of inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services in Nepal.

Table 2

Estimated regression results of inflation rate, unemployment rate, government policies, exchange rate and price level of goods and services on low-income households in Nepal

The results are based on 143 observations using linear regression model. The model is $LH= \beta_0 + \beta_1 IR+ \beta_2 UR + \beta_3 GP + \beta_4 ER+ \beta_5 PL+ e$, where the dependent variable is LH (Low-income household). The independent variables are IR (Inflation rate), UR (Unemployment rate), GP (Government policies), ER (Exchange rate), and PL (Price level of essential goods and services).

Model	Intercept	Regression coefficients of					Adj. R_ bar2	SEE	F-value
		IR	UR	GP	ER	PL			
1	2.350 (9.909)	0.214 (2.721)					0.170	0.392	30.125
2	2.562 (11.841)		0.257 (5.036)				0.146	0.397	25.364
3	3.066 (22.711)			0.183 (4.383)			0.114	0.405	19.208
4	2.467 (8.867)				0.300 (4.247)		0.107	0.406	18.040
5	2.373 (11.164)					0.308 (6.027)	0.199	0.385	36.326
6	2.230 (9.130)	0.214 (2.721)	0.126 (1.818)				0.184	0.389	16.961
7	1.238 (4.707)	0.302 (4.295)	0.101 (1.649)	0.234 (6.518)			0.370	0.341	28.821
8	1.004 (3.375)	0.288 (4.097)	0.081 (1.318)	0.220 (6.006)	0.106 (1.647)		0.378	0.339	22.560
9	1.052 (3.601)	0.195 (2.509)	0.021 (0.326)	0.236 (6.483)	0.030 (0.439)	0.204 (2.615)	0.403	0.332	20.179

Notes:

i. Figures in parenthesis are t-values
ii. The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.
iii. Low-income household is dependent variable.

The regression result shows that the beta coefficients for inflation rate are positive with low-income household. It indicates that inflation rate have positive impact on low-income household. This finding is consistent with the findings of Ball (2017). The beta coefficients for unemployment rate are positive with low-income household. It indicates that unemployment rate have positive impact on low-income households. This finding is consistent with the findings of Madurapperuma (2016). In addition, the beta coefficients for government policies are positive with low-income household. It indicates that government policies have positive impact on low-income households. This finding is consistent with the findings of Ravallion *et al.* (2006). Similarly, the beta coefficients for exchange rate are positive with low-income household. It indicates that exchange rate have positive impact on low-income households. This finding is consistent with the findings of Wulandari *et al.* (2019). Similarly, the beta coefficients for price level of essential goods and services are positive with low-income household. It indicates that price level of essential goods and services have positive impact on low-income households. This finding is consistent with the findings of Logue *et al.* (1976).

4. Summary and conclusion

A considerable proportion of Nepalese households still struggle with low incomes and limited access to basic necessities. Economic growth has always been a substantial part of discussions in context of developing economies like Nepal. Poverty reduction, employment generation, proper utilization of natural resources is only possible through sustained economic growth. Over the last few years, Nepal has experienced low inflationary pressure mainly due to significant improvement in agriculture production along with continuous progress in overall supply system, expansion of money supply within desirable limit and low-price level in neighbouring countries. Inflation creates uncertainty about future costs, making it harder for individuals and businesses to plan and save, can also erode the value of savings, discouraging people from saving money.

This study attempts to examine the impact of inflation on low-income households in Nepal. The study is based on primary data with 143 respondents.

The study found that inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services have positive impact on low-income households. It indicates that higher the inflation rate, unemployment rate, government policies, exchange rate and price level of essential goods and services, higher would be the burden to the low-income households. Similarly, the study also concludes that price level of essential goods and services followed inflation rate and unemployment rate are the most influencing factors that explains the impact of inflation on low-income households in Nepal.

References

Adhikari, R., 2014. Whether inflation hampers economic growth in Nepal. *IOSR Journal of Economics and Finance* 5(6) 52–56.

Ahking, F. W., & S. M. Miller, 1985. The relationship between government deficits, money growthm and inflation. *Journal of Macroeconomics* 7(4) 447-467.

Arlt, J., & Arltová, M. (1999). The problem of the rate of inflation. *Acta Oeconomica Pragensia* 7(4), 7-12.

Armesh, H., H. Salarzehi., N. Yaghoobi., & A. Heydari, 2010. Causes of inflation in the Iranian

economy. *International Review of Business Research Papers* 6(3) 30-44.

Asogu, J. O. 1991. An econometric analysis of the nature and causes of inflation in Nigeria. *Economic and Financial Review* 29(3) 2-9.

Atesoglu, H. S. 1998. Inflation and real income. *Journal of Post Keynesian Economics 20*(3) 487-492.

Bach, G. L., and A. Ando, 1957. The redistributional effects of inflation. *The Review of Economics and Statistics* 39(1) 1-13.

Ball, R. J., 2017. Inflation and the theory of money. *Routledge* 1 (1) 3-313.

Basnet, H. C., F. Donou-Adonsou, & K. Upadhyaya, 2022. Remittances-inflation nexus in South Asia: an empirical examination. *Journal of Financial Economic Policy* 14(2) 152-161.

Bennett, C. J., 1991. What is policy convergence and what causes it? *British Journal of Political Science* 21(2) 215-233.

Billi, R. M., & G.A. Kahn, 2008. What is the optimal inflation rate?. *Economic Review* 93(2) 1-24.

Bryan, M. F., S. G. Cecchetti, and R. L. Wiggins, 1997. Efficient inflation estimation. *NBER Working Paper* 1(1) 3-24.

Buehler, A. G. 1959. The problem of inflation. *The ANNALS of the American Academy of Political and Social Science* 326(1) 1-10.

Burke, M. A., & A. Ozdagli, 2023. Household inflation expectations and consumer spending: Evidence from panel data. *Review of Economics and Statistics* 105(4) 948-961.

Charaia, V., and V. Papava, 2017. The role of inflation and its targeting for low-income countries. *European Journal of Economic Studies* 6(2) 96-103.

Ciccarelli, M., & B. Mojon, 2005. Global inflation. *ECB Working* 1(1) 4-47.

Dean, E., J. Elardo., M. Green., B. Wilson., & S. Berger, 2020. How economists define and compute the unemployment rate. *Principles of Economics: Scarcity and Social Provisioning* 2(1) 2-24.

Donbusch, R.S., 1996. Determinants of economic growth. *Reserve Bank of Fiji* 6(1) 3-16.

Dornbusch, R., and S. Fischer, 1993. Moderate inflation. *The World Bank Economic Review* 7(1) 1-44.

Easterly, W., and S. Fischer, 2001. Inflation and the Poor. *Journal of Money, Credit and Banking* 33(2) 160-178.

French, D., and D. McKillop, 2016. Financial literacy and over-indebtedness in low-income households. *International Review of Financial Analysis* 48 (1) 1-11.

Goldwirth, D. S., & T. Piran, 1992. Initial conditions for inflation. *Physics Reports 214*(4) 223-292.

Harriss, C. L. 1975. Causes and Effects of Inflation. *Proceedings of the Academy of Political Science* 31(4) 3-19.

James, J., I. Marsh, & L. Sarno, 2012. Handbook of exchange rates. *John Wiley & Sons* 1(1) 3-74.

Kaplan, G., and S. Schulhofer-Wohl, 2017. Inflation at the household level. *Journal of Monetary Economics* 91 (1) 19-38.

Krugman, P. R. 1990. Equilibrium exchange rates. In *International Policy Coordination and Exchange Rate Fluctuations* 1(1) 159-196.

Labonte, M., and G. Makinen, 2008. Inflation: Causes, costs, and current status: Congressional research

service, *Library of Congress* 1(1) 4-16

Lettenmeier, M., S. Lähteenoja., T. Hirvilammi., and S. Laakso, 2014. Resource use of low-income households: approach for defining a decent lifestyle?, *Science of the Total Environment* 481(1) 681-684.

Logue, D. E., & T.D., Willett, 1976. A Note on the Relation between the Rate and Variability of Inflation. *Economica* 43(170) 151-158.

Logue, D. E., T. D. Willett, 1976. A note on the relation between the rate and variability of inflation. *Economica 43*(170) 151-158.

Madurapperuma, W. 2016. Impact of inflation on economic growth in Sri Lanka. *Journal of World Economic Research 5*(1) 1-7.

Musarat, M. A., W.S. Alaloul., & M.S. Liew, 2021. Impact of inflation rate on construction projects budget: A review. *Ain Shams Engineering Journal 12*(1) 407-414.

O'Neill, R., J. Ralph., P. Smith, 2017. What is inflation? *Springer International Publishing* 1(1) 21-43.

Parks, R. W. 1978. Inflation and relative price variability. *Journal of Political Economy* 86(1) 79-95.

Paudyal, S.B. 2011. Determinants of inflation in Nepal: an empirical assessment. *NRB Economic Review. Nepal Rastra Bank, Research Department* 26(2) 61-82.

Radukić, S., M. Marković., & M. Radović, 2015. The Effect of food prices on inflation in the Republic of Serbia. *Journal of Central Banking Theory and Practice* 4(2) 23-36.

Ravallion, M. and M. Lokshin. 2006. Testing poverty lines. *Review of Income and Wealth* 52(1) 399-421.

Rissman, E. R. 1986. What is the natural rate of unemployment? *Federal Reserve Bank of Chicago Economic Perspectives* 10(5) 3-17.

Ruge-Murcia, F. J. 1999. Government expenditure and the dynamics of high inflation. *Journal of Development Economics* 58(2) 333-358.

Sapir, J. 2006. What should the inflation rate be? (On the importance of a long-standing discussion for defining today's development strategy for Russia). *Studies on Russian Economic Development* 17(1) 240-247.

Siami-Namini, S., and D. Hudson, 2019. Inflation and income inequality in developed and developing countries. *Journal of Economic Studies* 46(3) 611-632.

Smithies, A. 1957. The control of inflation. *The Review of Economics and Statistics* 39(3) 272-283.

Tawadros, G. B. 2009. Testing the impact of inflation targeting on inflation. *Journal of Economic Studies* 36(4) 326-342.

Vinayagathasan, T. 2013. Journal of Asian economics inflation and economic growth: A dynamic panel threshold analysis for Asian economies. *Journal of Asian Economics 26*(1) 31–41.

Whitehead, L. 1979. The political causes of inflation. *Political Studies 27*(4) 564-577.

Wulandari, D., H. Utomo., B. Narmaditya., & M. Kamaludin, 2019. Nexus between inflation and unemployment: Evidence from Indonesia. *The Journal of Asian Finance, Economics and Business* 6(2) 269-275.