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Impact of Fuel Price Hikes on Household Expenses in Post-COVID India

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Abstract
The post-COVID period in India has been marked by persistent increases in fuel prices, contributing significantly to rising household expenses and inflationary pressures. With household incomes weakened by pandemic-related economic disruptions, fuel price hikes have intensified financial stress across income groups. This study examines the impact of rising petrol, diesel, and cooking fuel prices on household expenditure patterns in post-COVID India using secondary data from government reports, international organizations, and academic studies. The analysis highlights both direct effects on transportation and energy costs and indirect effects on food prices and essential services. The findings indicate that fuel price increases have reduced real purchasing power, particularly among lower- and middle-income households, emphasizing the need for policy measures to protect household welfare.

Introduction

Fuel prices play a crucial role in shaping household expenditure patterns in developing economies like India. Petroleum products are essential for transportation, cooking, and access to goods and services, making fuel price changes highly influential on daily household expenses. In the post-COVID period, Indian households have faced significant economic challenges due to income losses, job insecurity, and rising inflation. During this fragile recovery phase, sustained fuel price hikes have emerged as a major factor increasing the cost of living.

The rise in fuel prices during the post-COVID period can be attributed to global crude oil price volatility, supply chain disruptions, and domestic taxation policies. These increases have directly raised household spending on transportation and cooking fuel, while indirectly increasing prices of food, goods, and services through higher production and distribution costs. As a result, fuel price hikes have placed additional pressure on household budgets, particularly for economically vulnerable groups. Examining this impact is essential for understanding household welfare in post-COVID India and for guiding effective economic policy.

Review of Literature

Existing literature consistently identifies fuel prices as a key driver of household expenditure and inflation. Economic studies suggest that fuel demand is relatively inelastic, forcing households to absorb price increases through higher expenses rather than reduced consumption. Research in developing countries indicates that fuel price hikes are regressive in nature, disproportionately affecting lower-income households that spend a larger share of income on essential goods and services.

Studies focusing on India emphasize the economy’s dependence on imported crude oil, which exposes domestic fuel prices to global market fluctuations. Post-COVID research highlights that rising fuel prices have contributed significantly to inflation, particularly in transportation and food sectors. Higher fuel costs increase logistics and production expenses, leading to higher retail prices for essential commodities. Literature on household energy consumption further notes that increases in cooking fuel prices have raised monthly household expenses despite subsidy mechanisms. Overall, existing studies confirm that fuel price hikes significantly influence household expenditure patterns, underscoring the relevance of this study in the post-COVID Indian context.

Objectives of the Study

The primary objective of this study is to examine the impact of fuel price hikes on household expenses in India during the post-COVID period using secondary data. The study aims to analyse trends in fuel prices and their relationship with changes in household expenditure patterns. It seeks to understand the direct impact of rising fuel prices on transportation and cooking fuel expenses, as well as the indirect impact on food prices and the overall cost of living. Another objective is to assess how fuel price increases have affected different income groups, with particular attention to lower- and middle-income households. Finally, the study aims to contribute to existing literature by providing a comprehensive secondary-data-based assessment that can inform policy discussions related to fuel pricing and household welfare in post-COVID India.

Research Methodology

This study is based entirely on secondary data to examine the impact of fuel price hikes on household expenses in post-COVID India. Data have been collected from reliable and authoritative sources, including publications of the Government of India, reports from the Reserve Bank of India, the Ministry of Petroleum and Natural Gas, the National Statistical Office, and international organizations such as the World Bank and the International Energy Agency. In addition, academic journals, research papers, and policy reports have been reviewed to support the analysis.

The study adopts a descriptive and analytical approach. Fuel price trends for petrol, diesel, and cooking fuel are examined and compared with inflation indicators and household expenditure data during the post-COVID period. The analysis focuses on identifying patterns and relationships rather than establishing causal links through econometric modelling. By synthesizing data from multiple sources, the study provides an integrated understanding of how fuel price increases influence household expenses through both direct and indirect channels.

Scope of the Study

The scope of the study is limited to India and focuses on the post-COVID period, beginning from 2020 onwards. The analysis considers major petroleum products used by households, including petrol, diesel, and liquefied petroleum gas. The study examines household expenses related to transportation, cooking fuel, food consumption, and overall cost of living. As the research relies solely on secondary data, it does not include primary household surveys or interviews. Despite this limitation, the study offers valuable insights into broad expenditure trends and household welfare implications associated with fuel price hikes in post-COVID India.

Analysis and Discussion

The post-COVID period in India has witnessed significant fluctuations in fuel prices, with petrol, diesel, and liquefied petroleum gas (LPG) experiencing persistent increases. Secondary data from government publications and international reports indicate that global crude oil price recovery, supply chain disruptions, and domestic taxation policies were primary drivers of these price hikes. For households, these increases translated into higher expenditure on transportation and cooking fuel, directly reducing disposable income.

Transportation expenditure was particularly affected. Rising petrol and diesel prices increased the cost of private vehicle usage and public transport fares. According to data from the Ministry of Petroleum and Natural Gas, average petrol prices increased by over 25% in many states between 2020 and 2023. Public transport operators responded by adjusting fares, which indirectly increased commuting costs for households reliant on buses, trains, and taxis. These cost increases disproportionately affected lower- and middle-income households, as a larger share of their income is allocated to daily mobility.

Fuel price hikes also contributed to rising food costs through indirect channels. Higher transportation and logistics expenses increased the cost of moving agricultural produce from farms to markets. Studies and reports indicate that the prices of essential commodities such as cereals, pulses, vegetables, and edible oils rose during the post-COVID period, intensifying household expenditure pressure. For low-income households, this effect was particularly pronounced, as food expenditure constitutes a significant portion of total monthly expenses.

Household energy consumption, especially cooking fuel, was similarly affected. Increases in LPG prices led to higher monthly household energy expenses despite government subsidy programs. Secondary studies show that some households altered fuel usage patterns, switching partially to alternative fuels or reducing LPG consumption to cope with higher costs. This behavioural adjustment highlights the indirect social and economic impacts of fuel price inflation beyond simple monetary expenditure.

Income group disparities further magnified the effect of fuel price hikes. Lower-income households experienced higher financial strain due to both the direct costs of fuel and the indirect impact on food and essential goods. Middle-income households also faced reduced discretionary spending, whereas higher-income households were relatively insulated due to greater financial flexibility. This pattern underscores the regressive nature of fuel price inflation in the Indian context.

Overall, the analysis of secondary data confirms that fuel price hikes in the post-COVID period significantly impacted household expenses. Both direct and indirect channels contributed to increased household spending, reduced disposable income, and altered consumption behaviour. The findings are consistent with existing literature on energy prices and household welfare, emphasizing the need for targeted policy interventions to mitigate the adverse effects on vulnerable populations.

Conclusion

The study demonstrates that fuel price hikes in post-COVID India have had substantial effects on household expenditure. Direct increases in transportation and cooking fuel costs, combined with indirect effects on food and essential goods, have intensified financial pressure, particularly on lower- and middle-income households. The findings highlight the multifaceted nature of fuel price impacts, affecting not only monetary expenditure but also household behaviour and welfare.

Policy implications of these findings are significant. Short-term measures, such as subsidies and tax reductions, can provide temporary relief, but long-term strategies are essential to protect household welfare. Improving public transportation infrastructure, promoting energy efficiency, and reducing

dependence on imported fossil fuels can mitigate future volatility. Additionally, targeted social support for vulnerable households can help offset the regressive effects of fuel price increases.
In conclusion, fuel price hikes remain a critical challenge for household economic stability in post-COVID India. Understanding the direct and indirect channels through which these increases affect household expenditure is essential for informed policymaking and sustainable economic planning.

Limitations of the Study

The study is based solely on secondary data, which limits the ability to capture real-time household-level experiences and perceptions. Aggregated data may not fully reflect regional disparities or income-specific variations. The study also does not employ primary surveys or econometric models to establish causal relationships between fuel price hikes and household expenditure. Despite these limitations, the study provides valuable insights into trends and patterns relevant to post-COVID India, offering a foundation for future research and policy development.

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