Economic factors influencing purchase behaviour

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are a) Personal Income, b) Family income, c) Income expectations, d) Savings, e) Liquid assets of the Consumer, f) Consumer credit, g) Other economic factors.

a) Personal Income: The personal income of a person is determinant of his buying behaviour. The gross personal income of a person consists of disposable income and discretionary income. The disposable personal income refers to the actual income (i.e. money balance) remaining at the disposal of a person after deducing taxes and compulsorily deductible items from the gross income. An increase in the disposable income leads to an increase in the expenditure on various items. A fall in the disposable income, on the other hand, leads to a fall in the expenditure on various items.

The discretionary personal income refers to the balance remaining after meeting basic necessaries of life. This income is available for the purchase of shopping goods, durable goods and luxuries. An increase in the discretionary income leads to an increase in the expenditure on shopping goods, luxuries etc. which improves the standard of living of a person.

b) Family income: Family income refers to the aggregate income of all the members of a family.

Family income influences the buying behaviour of the family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries.

c) Income Expectations: Income expectations are one of the important determinants of the buying behaviour of an individual. If he expects any increase in his income, he is tempted to spend more on shopping goods, durable goods and luxuries. On the other hand, if he expects any fall in his future income, he will curtail his expenditure on comforts and luxuries and restrict his expenditure to bare necessities.

***d) Savings**:* Savings also influence the buying behaviour of an individual. A change in the amount of savings leads to a change in the expenditure of an individual. If a person decides to save more out of his present income, he will spend less on comforts and luxuries.

***e) Liquid assets**:* Liquid assets refer to those assets, which can be converted into cash quickly without any loss. Liquid assets include cash in hand, bank balance, marketable securities, etc. If an individual has more liquid assets, he goes in for buying comforts and luxuries. On the other hand, if he has less liquid assets, he cannot spend more on buying comforts and luxuries.

***f) Consumer credit**:* Consumer credit refers to the credit facility available to the consumers desirous of purchasing durable comforts and luxuries. It is made available by the sellers, either directly or indirectly through banks and other financial institutions. Hire purchase, installment purchase, direct bank loans etc. are the ways by which credit is made available to the consumers.

Consumer credit influences consumer behaviour. If more consumer credit is available on liberal terms, expenditure on comforts and luxuries increases, as it induces consumers to purchase these goods, and raise their living standards.

***g) Other economic factors**:* Other economic factors like business cycles, inflation, etc. also influence the consumer behaviour.