

# Impact of consumers confidence on buying behaviour

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**Abstract.** This study looks at the connection between consumer confidence and purchasing patterns. An important psychological component that affects consumer decision-making and purchase behaviours is consumer confidence. Understanding how consumer confidence affects purchasing behaviour and the ramifications for businesses and policymakers is the goal of this research. According to the study's findings, consumer confidence and purchasing behaviour are positively correlated. The number of purchases made grows in tandem with rising consumer confidence. This shows that customers are more inclined to participate in purchasing behaviour when they feel more optimistic about the economy and their financial status.

## 1 Introduction

Consumer behaviour and decision-making are greatly influenced by consumer confidence. We can learn more about how consumer attitudes, beliefs and economic outlooks affect purchasing patterns by examining how it affects consumer behaviour. For companies looking to efficiently focus their marketing campaigns and modify their product offerings to fit customer wants, this information is priceless. Consumer spending habits are directly impacted by consumer confidence. Businesses may make wise choices about manufacturing, inventory management, pricing and marketing tactics by better understanding and forecasting consumer demand through researching its effects. This information aids companies in streamlining procedures and raising profits. A key economic indicator that reflects the overall strength and stability of the economy is consumer confidence. Policymakers and economists can evaluate the status of the economy and decide on monetary policies, fiscal actions, and economic interventions by researching its effect on consumer behaviour. Understanding how consumer confidence affects purchasing decisions aids in developing practical methods to promote economic stability and growth.

The financial health of individuals and households are directly impacted by consumer confidence. We can determine elements like income stability, job security, inflation, and interest rates that help or hurt consumer confidence by looking at how they affect purchasing decisions. This knowledge can assist policymakers in developing initiatives and regulations that advance consumer welfare, monetary stability and general economic prosperity. Businesses can gain important insights for market research and competitive

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analysis by examining the influence of consumer confidence on purchasing behaviour. Businesses can spot trends, preferences, and development possibilities by understanding how customer confidence affects buying decisions. Companies can use this information to create marketing tactics that work, set themselves apart from rivals, and achieve a market advantage. Understanding consumer psychology, directing corporate strategy, informing governmental decisions and fostering economic stability and consumer welfare all depend on research into how consumer confidence affects purchasing behaviour. Businesses and politicians may make decisions that support a successful economy and cater to customers' changing requirements by investigating the relationships between consumer confidence and purchasing behaviour.

## **1.2 Review of literature**

Frederic S Mishkin [3] noticed that the risk of financial distress as measured by the consumer sentiment index, which reflects customer views, might have a significant impact on the choice to buy durable goods.

Greg M Allenby et al. [4] found that consumer confidence is, in fact, a crucial variable that can affect both pre-season and in-season sales.

Sydney [11] found that consumers with high levels of consumer confidence have a high purchasing behaviour.

John et al. [5] observed that although consumer confidence is not a reliable predictor of future spending, it can offer some insights into consumer behaviour.

Sarah Gelper [9] pointed out that consumer sentiment, as measured by the consumer sentiment index, may have a bigger influence on consumers' decisions about services than it does on either durable or non-durable things (like food and clothing) or durable goods (like vehicles and appliances).

Sadullah Celik and Yasemin Ozerkek [8] noted that consumer confidence can, in fact, serve as a preliminary indicator of future rates of economic growth. When consumer confidence is high, it typically suggests that consumers have a positive outlook on the economy, their own financial situation, and the future.

Stephane Does et al. [10] ascertained that the consumer confidence index can, in some cases, be a reliable predictor of consumption.

Christian Gillitzer and Nalini Prasad [1] observed a causal relationship between consumer confidence and consumption.

Olorunsola et al. [7] observed that consumer spending in Nigeria can definitely be significantly influenced by the consumer confidence index. The consumer confidence index is a metric that captures how consumers feel about the state of the economy as a whole, their own financial status, and their propensity to spend. When consumer confidence is strong, it typically suggests that consumers are feeling good, which might result in higher spending.

Li Sai-Wei et al. [6] ascertained that consumer preferences for farm-to-table traceability and area of origin in food items can be significantly influenced by consumer confidence.

Dunyatilimiah [2] identified that customer perceptions of the current economic situation, particularly those relating to increased income, employment availability, and purchasing of items, are what generate consumer confidence.

## **1.2 Research gap**

Previous studies have disclosed that gain in consumer confidence has a major impact on their spending and purchasing behaviours. Research on how consumer confidence influences consumer purchasing behaviour in the Indian context is scarce, nonetheless. By

studying the relationship between consumer confidence and purchasing behaviours in India, the current study seeks to fill this knowledge gap.

### **1.3 Statement of the problem**

Consumer purchasing behaviour is significantly influenced by consumer confidence. Consumer spending intentions are influenced by consumer confidence. People have more optimism about their financial status and the state of the economy as a whole when consumer confidence is high. Consumers are encouraged to spend more freely and buy bigger items because of this optimism. On the other side, people tend to be more frugal with their money and may delay or scale back their purchase activity when consumer confidence is low. Consumer decision-making when it comes to purchasing goods or services is influenced by consumer confidence. Customers who are confident in themselves are more inclined to make decisions based on their preferences, objectives, and desires. They are prepared to spend money on luxury items, durable commodities, or experiences that improve their quality of life. On the other hand, when consumer confidence is low, people tend to put their most basic requirements first and choose less expensive solutions. They can decide to put off making purchases or decide to preserve money.

Consumer perceptions of brands and willingness to interact with them might be influenced by consumer confidence. Consumers who are confident are more likely to view brands favourably, to believe in their goods or services, and to be more devoted to them. They are willing to try out new items and brands as well as stick with tried-and-true options. Contrarily, when consumer confidence is low, customers may start to show signs of hesitancy and become more selective in the products they buy. They might gather more information, evaluate their selections, and give precedence to well-known, reputable brands. Consumer confidence reflects how consumers feel about the overall economic environment. When consumer confidence is high, consumers predict a positive economic outlook that will include factors like job security, income growth, and general prosperity. This cheerful viewpoint might increase consumer spending and encourage economic growth. In contrast, when consumer confidence is low, people may be more frugal with their spending, which might stifle economic growth. Market circumstances and outside variables like stock market performance, interest rates, and inflation also have an impact on consumer confidence. Changes in these variables may have an effect on consumer confidence, which has an impact on purchasing decisions. For instance, consumer confidence may drop during times of market turbulence or economic unpredictability, which could result in more cautious purchasing and a concentration on necessities.

In conclusion, customer confidence is a key factor in determining consumer purchasing decisions. Spending habits, buying decisions, brand perception, the outlook for the economy and reactions to market volatility are all impacted. Consumer confidence levels are closely monitored by businesses and governments in order to understand consumer behaviour and modify their strategy accordingly. Therefore, the goal of this study is to investigate how consumer confidence affects consumers' ability to make decisions and their propensity to make purchases.

### **1.4 Objective of the study**

To ascertain socio-economic profile of consumers  
To identify impact of consumer confidence on buying behavior

### **1.5 Scope of the study**

The aim of the current study is to precisely examine how customer confidence affects purchasing decisions in district of Coimbatore in Tamil Nadu. In order to do this, the survey uses measures of consumer confidence and purchasing behaviour in addition to questions about the socioeconomic profiles of the participants.

## **2 Research methodology**

### **2.1 Data**

A common research strategy for getting information directly from respondents is applied to collect primary data through a questionnaire. Researchers can directly collect data from people through questionnaires, capturing their thoughts, opinions, and experiences related to consumer confidence and purchasing behaviour.

### **2.2 Sampling and Sample Size**

Data were gathered from the sample of 250 consumers living in different parts of Coimbatore district using the convenience sampling technique. The convenience and accessibility of this sampling strategy allowed for the collecting data from various points within the area.

### **2.3 Framework of Analysis**

The collected data have been analyzed by employing simple percentage and correlation.

### **2.4 Significance of the study**

Understanding consumer behaviour, directing business strategy, informing governmental decisions, and fostering economic stability and consumer welfare all depend on research on the relationship between consumer confidence and purchasing activity. It offers relevant information that businesses and decision-makers may use to make decisions that support a successful economy and take into account the changing requirements and preferences of customers.

The ability of customers to make informed decisions about their purchases is essential. By researching the effect of consumer confidence on purchasing behaviour, researchers and businesses can learn more about the factors that influence purchases, such as the prognosis for the economy, opinions of financial stability, and overall consumer sentiment. With this knowledge, businesses can alter their pricing, offers, and marketing plans to better satisfy customer needs and increase sales. Businesses can use the study's analytical data to guide their decisions about product development, market positioning, and advertising initiatives. Businesses may predict changes in customer demand, adjust inventory levels, and execute efficient marketing tactics to maintain sales and profitability by understanding how consumer confidence affects purchase behaviour. It aids companies in locating growth possibilities and formulating plans for maintaining market dominance.

Consumer confidence is frequently seen as a trustworthy economic indicator that depicts the economy's overall health and stability. By examining how the economy affects consumer behaviour, policymakers and economists can assess the status of the economy and make decisions about monetary policies, fiscal measures, and economic interventions. The development of policies to support general stability, employment, and economic growth can benefit from this information. Consumer confidence has a direct impact on the

financial well-being of individuals and households. Having a better understanding of the relationship between consumer confidence and purchasing behaviour will help policymakers to identify policies and initiatives that boost consumer welfare. Examples of such policies and interventions include ensuring pricing stability, fostering employment opportunities, and improving consumer protection laws. Government decision-makers can support higher living standards and general economic development by promoting a favourable consumer sentiment. Businesses can use the study’s insightful market research to determine consumer preferences, trends, and patterns of purchasing behaviour. Businesses can use this knowledge to create marketing tactics that work, set themselves apart from rivals, and achieve a market advantage. Businesses can strategically position themselves to fulfil customer requirements and preferences by understanding how consumer confidence affects purchasing behaviour.

**2.5 Limitation of the study**

Due to the study’s concentration on a particular geographic location or demographic group, its conclusions might not be very generalizable. It is crucial to understand that socioeconomic groups and geographic locations can have varying influences on customer confidence. Because of this, care should be used when trying to extrapolate the findings to larger populations or other contexts. Additionally, it is critical to recognise any potential bias that can appear while gathering primary data. The self-reporting of respondents, sample techniques, and researcher biases are only a few examples of the different types of bias. When analysing and extrapolating the study’s findings, it is essential to pay close attention to the data’s constraints and the possibility of bias.

**3 Findings**

**Socio Economic Profile**

Individuals’ socioeconomic profiles, which include elements like income, education, occupation, and demographic features, have a big impact on how they make purchases. Researchers can learn more about the particular variables and motivations that drive customer purchase decisions by examining the socioeconomic profile. The results of examining the socioeconomic profile can be used by governments and policymakers to create successful economic strategies and policies. Policymakers can identify areas where action or support may be required, such as enhancing access to credit, resolving income gaps, or encouraging financial literacy, by understanding how consumer confidence affects purchasing behaviour across various socioeconomic groups.

**Table 1.**Socio Economic Profile

Particulars	Numbers (n=250)	Percentage
Age (Years)		
Up to 25	24	9.6
26 – 40	176	70.4
Above 40	50	20.0
Gender		
Male	134	53.6
Female	116	46.4
Area of Residence		
Urban	121	48.4
Semi-urban	76	30.4
Rural	53	21.2

Marital Status		
Married	201	80.4
Unmarried	49	19.6
Type of Family		
Joint	107	42.8
Nuclear	143	57.2
Educational Qualification		
Diploma	37	14.8
Graduate	68	27.2
Post Graduate	101	40.4
Professional	15	6.0
Others	29	11.6
Occupation		
Business	5	2.0
Govt. Employee	104	41.6
Pvt. Employee	124	49.6
Professional	17	6.8
Monthly Income (Rs.)		
Up to 25000	92	36.8
25001-40000	107	42.8
Above 40000	51	20.4
Family Income (Rs.)		
Up to 40000	96	38.4
40001-80000	124	49.6
Above 80000	30	12.0
Earning Members		
One	69	27.6
Two	142	56.8
Above Two	39	15.6
Non -Earning Members		
One	99	39.6
Two	101	40.4
Above Two	50	20.0
Family Size		
Up to Three	112	44.8
Four	92	36.8
Above Four	46	18.4

- The majority of consumers fall within the age range of 26 to 40 years.
- Most of the consumers are male.
- The majority of consumers reside in urban areas.
- Most of the consumers are married.
- Majority of consumers belong to nuclear families.
- Most of the consumers have post-graduate educational qualifications.
- The majority of consumers work in private companies.
- Most of the consumers have monthly income ranging from Rs. 25,001 to Rs. 40,000.
- Majority of consumers have family income ranging from Rs. 40,001 to Rs. 80,000.
- Most of the consumers have two earning members in their family.
- Most of the consumers have two non-earning members in their family.
- Most of the consumers have up to three family members.

## 4 Impact of consumer confidence on buying behaviour

Consumer purchasing behaviour is significantly influenced by consumer confidence. Consumers tend to have more favourable attitudes and purchasing behaviours when they are confident about the economy's present and future conditions. Businesses and politicians must comprehend how customer confidence affects their purchasing decisions. Consumer confidence affects people's propensity to make purchases. People are more willing to purchase products and services, including expensive items like cars or homes, when consumer confidence is strong. On the other side, low consumer confidence may cause cautious spending and a reluctance to make discretionary purchases. Consumer confidence has an effect on all levels of consumer expenditure. Consumers are more likely to boost their spending when they are upbeat and financially secure. This benefits the economy since rising consumer spending spurs expansion of businesses and the creation of jobs.

To examine the relationship between consumer confidence and buying behavior, a correlation test was conducted. The findings of the study are presented and discussed in the subsequent paragraphs.

**Table 2.** Impact of Consumer Confidence and Buying Behaviour

		VAR00001	VAR00002
Buying Behaviour	Pearson Correlation	1	0.404**
	Sig. (2-tailed)		0.000
	N	250	250
Consumer Confidence	Pearson Correlation	0.404**	1
	Sig. (2-tailed)	0.000	
	N	250	250
**. Correlation is significant at the 0.01 level (2-tailed).			

According to the study's findings, consumer confidence and purchasing behaviour are positively correlated. The results imply that there is a parallel increase in purchasing behaviours when consumer confidence rises. In other words, people are more inclined to engage in purchase activities when they feel more confident about the economy and their financial status.

## 5 Suggestions

To raise consumer confidence and increase buying behavior, the following suggestions are put forth:

Focus on executing sensible fiscal and monetary policies in order to preserve a healthy economy. This includes preserving a welcoming business environment, ensuring employment opportunities, and limiting inflation.

Effectively convey economic efforts, policies and their favourable effects on customers' lives. Consumer confidence can be increased by open and honest information regarding economic indicators including GDP growth, employment rates, and inflation.

Create trust between customers and businesses by offering reasonable prices, high-quality goods and services, and top-notch customer care. Use moral behaviour, offer warranties or guarantees, and react quickly to customer complaints.

Teach consumers how to manage their own finances, create budgets and save money. Increasing financial literacy gives people the power to handle their money wisely and make informed decisions, which gives them more assurance when making purchases.

To entice customers, offer competitive prices and value-added benefits. To encourage purchasing, provide discounts, loyalty programmes, and promotions.

Concentrate on providing outstanding customer experiences at each touchpoint. This involves offering individualised service, responding quickly to consumer questions and complaints, and having simple refund or exchange policies.

To reach a larger audience, spend money on a user-friendly website, an e-commerce platform, and digital marketing techniques. Facilitate simple online shopping and offer safe payment methods.

Encourage favourable client feedback and reviews to inspire confidence in prospective customers. Consumer behaviour is significantly influenced by social proof.

Showcase corporate social responsibility by assisting environmental and social causes. Customers are more inclined to support companies that share their beliefs.

Constantly keep an eye on competition tactics, market developments and consumer attitude. To remain relevant and uphold consumer confidence, be flexible and adapt to shifting consumer preferences and needs.

By putting these tactics into practise, companies may work to boost consumer confidence and encourage spending, which will support general economic growth and prosperity.

## **6 Conclusion**

The study on how consumer confidence affects consumer purchasing patterns concludes by emphasising the crucial role that consumer confidence plays in influencing consumer purchasing patterns. According to the strong association between consumer confidence and purchasing patterns, rising consumer confidence results in more frequent purchases. Consumers are more likely to make purchases when they believe the economy is doing well and are confident in their financial status. These findings have significant business and marketing ramifications. Businesses can modify their marketing tactics to take advantage of periods of rising consumer confidence by having a better understanding of the effect of consumer confidence on purchasing behaviour. Businesses can increase consumer trust and promote purchase behaviour by creating confidence in consumers through a variety of strategies, including positive economic messaging, successful advertising campaigns, and the provision of quality goods or services.

Furthermore, consumer confidence positively affects economic growth, authorities can use these findings to create initiatives that support it. Policymakers may foster an atmosphere that encourages consumer confidence and greater spending by putting into place measures that address economic stability, employment prospects, and inflation management. It is important to remember that a variety of factors, such as sociological and economic issues, employment stability, and economic situations, can affect consumer confidence. In order to adjust marketing strategies and policy actions appropriately, ongoing monitoring of these elements and periodical studies on the impact of consumer confidence on purchasing behaviour are required. Overall, the study emphasises how important consumer confidence is in influencing purchasing decisions. Businesses and politicians may support economic growth and stability by encouraging consumer confidence, which ultimately benefits both consumers and the overall economy.

## **7 Scope for further research**

The research on how consumer confidence affects purchasing behaviour offers important new information on how these two factors are related. There is certainly room for more research in this area, though. Potential research directions include the following aspects:

Examining the long-term effects of customer confidence on purchasing behaviour through longitudinal studies. The impact of cultural influences on consumer behaviour and how it interacts with consumer confidence would be seen from a wider perspective as a result. Examining how various consumer groups react to shifts in consumer confidence and how this affects their purchasing decisions. The development of tailored marketing strategies can benefit from an understanding of the varying responses among various demographic groups.

Examining how consumer confidence affects purchasing decisions in the context of online shopping and e-commerce. Examining the interactions between online factors that affect consumer confidence, such as online reviews, social media influence, and user-generated content. Determining the effects of particular economic policies, such as tax changes, changes in interest rates, or government subsidies, on consumer confidence and ensuing purchasing patterns. This would shed light on how monetary policies influence consumer behaviour. Investigating the psychological elements such as feelings, attitudes, and risk perception that affect consumer self-confidence and purchasing decisions. A deeper comprehension of the psychological processes that underlie consumer decision-making can help to clarify the significance of customer confidence. Analysing how the COVID-19 epidemic has affected consumer confidence and resulting changes in purchasing behaviour. Recognising how the pandemic has impacted consumer confidence and the ramifications for post-pandemic consumer behaviour. Examining the impact of technical developments on customer confidence and consequent purchasing behaviour, such as artificial intelligence, virtual reality, or personalised marketing. This would offer information about how the consumer landscape is changing in the digital era. We can better understand the complicated relationship between consumer confidence and purchasing behaviour and its implications for businesses and policymakers by examining these areas of further research.

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