NATIONAL SEMINAR

on

Epitomizing the Inflation and growth trajectory in India

11th October 2022 bschool.cms.ac.in

SEMINAR PROCEEDINGS

Message from Director

It is my pleasure to invite all the members and participants of the "National Seminar on Epitomizing the Inflation and Growth Trajectory in India" conducted by CMS Business School, Jain (Deemed-to-be University) on 11th October 2022.

Over the past year, inflation has been very high around the world. High inflation imposes costs on all households, and especially low-income households. The multiple waves of the pandemic, combined with Russia's war against Ukraine, unleashed a series of supply shocks hitting goods, labor, and commodities that, in combination with strong demand, have contributed to ongoing high inflation.

I am satisfied to see that the topic selected is very appropriate considering the current economic situation around the world.

It is my modest desire that the expert discourse among researchers, scholars, professionals and instructors proceeds past the occasion and that the kinships and coordinated efforts fashioned will wait and succeed for a long time to come. These kinds of seminars will illuminate the human brain and society.

I want to expand my warm wishes and backing to Conference Committee Members of CMS Business School, Jain (Deemed-to-be University). Wish every one of you to contribute something and gain something as well.

Dr. Dinesh Nilkant,

Director

CMS Business School,

Jain (Deemed-to-be University)

Message from Dean

Dear Esteemed Contributor,

It is with pride and honor I welcome you to the **"National Seminar on Epitomizing the Inflation and growth trajectory in India".**

The seminar aims to provide a platform for students, research scholars and academicians to deliberate on the recent trends in inflation. The students will be provided an opportunity to present papers on the sub-themes mentioned in the brochure.

The expected outcomes from the seminar are

- Interaction with eminent scholars
- Introspect on the efficacy policy to contain inflation
- Facilitate for publication

The full papers presented will focus on new experiences, and these are discussed in detail to highlight the diversity and variety of contexts to share possible solutions and viewpoints.

I wish the contributors participating in the seminar a renewed spirit and an optimistic mindset for creating a new destiny.

Harold Andrew Patrick, PhD

Professor and Dean- Academics

CMS Business School

Jain (Deemed-to-be University)

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Epitomizing Inflation and Growth Trajectory in India

Charan Singh

Former RBI Chair Professor of Economics, IIM Bangalore and Former Chairman, Punjab and Sind Bank.

The key policy objective of central banking is price stability, and the concept of giving it a numerical precision was considered very modern after monetary and exchange rate targeting had failed in the 1980s. After many trials and initial success, inflation targeting regime, explicitly or implicitly, was finally accepted in most countries of the world since 1988. In the last few years before the pandemic hit in 2020, world experienced low inflation rates generally in the range of 1 percent to 2 percent which was considered a new normal, and victory over inflation.

In sharp contrast, since 2020, global economy has been serially hit by a multitude of shocks, and the global output which had already been weakened by the pandemic has further deteriorated due to a combination of exogenous shocks and endogenous events, including the Russia-Ukraine war. Inflation has again raised its dragon-head in the last one year and has become an important risk factor in most advanced economies (AEs).

Global Scenario

A large number of factors are responsible for the sharp rise in prices like supply chain disruptions, commodity price shocks, ultra-expansive monetary policy in the USA, liberal fiscal policy in most AEs, pent-up consumer demand and changes in consumer preferences. Of particular importance is how inflation, especially in AEs, caused by rising food and energy prices, have prompted aggressive monetary tightening in last few months which induces capital outflow from EMEs, accompanied by currency depreciation. Global economic growth is expected to slump by end of 2022 and early 2023, with surging inflation, rising interest rates and the supply side disruptions. The global economy could be in the grip of stagflation, something not witnessed in last half a century.

The economic recovery since 2021 also brought an increase in demand for labour in many sectors. Initially, labour was slow to respond because of ongoing health reasons and difficulties in finding child and family care services impacting female labor force participation. This imbalance in demand and supply of labour led to wage pressure with average wage increasing while unemployment started declining. A unique situation emerged with rising inflation, positive nominal wage growth, declining real wages and rising employment, in many economies, especially USA. This cycle of wage price spiral persistent over many quarters is unique to macroeconomic analysis, as earlier, the spiral typically did not last long, and real wages remained unchanged. In case of other AEs, like Britain and countries in Euro area, higher energy and food prices contributed significantly to inflation.

Theoretically, there is a positive relationship with inflation expectations and wage setting process. Therefore, to control inflation, it is important to anchor inflation expectations at moderate levels which the AEs are attempting through aggressive hike in policy interest rates.

This is not an easy task as inflation has been high in different countries for varied reasons – (a) Shock to production capacity due to lockdown and social distancing; (b) International trade costs due to increasing shipping costs; (c) Commodity prices especially energy and food prices accentuated by the Russia-Ukraine war; (d) Increase in private savings; (e) Changes in composition of consumption; (f) Liberal Fiscal policy support during Covid, and (g) Unprecedented Monetary policy expansion in most AEs, especially US, UK and Euro. Empirically, evidence suggests that supply chain inflationary shocks have temporary effect on inflation and wage growth and do not lead to wage price spiral. If inflation expectations are anchored tightly, then supply chain shocks do not have long lasting impact.

The Scenario in India

In India, till 2015, Reserve Bank of India successfully followed multiple indicator approach (MIA) which covered different aspects of the economy like exchange rates, growth, liquidity conditions in the market and financial stability of institutions, employment and inflation. In 2016, the Reserve Bank of India (RBI) formally adopted flexible inflation targeting (IT) framework with price stability as the primary objective and maintaining operational target of inflation at 4 percent with a band of +/- 2, as measured by the Consumer Price Index (CPI). This approach has come under stress in recent quarters as CPI inflation exceeded the 6 percent benchmark due to multiple reasons.

A moderate level of inflation in any economy is considered healthy as it signifies economic growth driven by growing demand which induces higher production. In India, the threshold level for inflation is around 6 percent which implies that 4 percent IT may not be suitable for India. There is research to show that if inflation is lower than the threshold level, then potential output growth cannot be achieved and the system would remain in long-run disequilibrium requiring constant policy interventions to stabilize. Thus, not optimal for sustainable growth.

Recent Trends – India and the World

In sharp contrast to most countries in the world, India economy has been performing well in recent period. India is the fastest growing economy despite the Covid and all forecasts show the growth trend will be steady for next two years. Inflation as measured by Whole sale Price index (WPI) is declining both for food and fuel in recent months. The policy variable, Consumer Price Index (CPI), for food and all-commodities, is less than 7 percent which implies that domestic inflation is around the upper bound of the inflation target and not 4 to 5 times of the targets/trend, as in the USA, UK or Euro. The inflationary pressures in India, are not due to expansionary monetary policy (as in the US, UK and Euro) or wage price spiral (as in US) or fiscal policy (as in the UK), but temporary because of the rise in commodity prices due to the Russia-Ukraine war. These would correct as the war ends. The correction in the prices of crude oil have already begun and that due to food would ease with the new harvest of paddy/wheat in next few months as agriculture is holding robustly with continuous good monsoons. In contrast, correction in prices in the USA and other AEs are expected to correct in about 2 years because the reasons are embedded in expansionary monetary policy since 2008 and fiscal policy since 2020.

Conclusion

Globally, the aggressive increase in the interest rates by the central banks in most AEs against the background of rising prices especially energy, could lead to concerns about financial stability. India, is expected to be engine of growth for the world economy in next few years given good management of the fiscal and monetary policy reflecting in high growth and inflation close to its target.

DILEMMA OF INFLATION ON BUSINESS CONTEXT

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Abstract

Purpose / Objectives:- The purpose of this study is to gain the better understanding of the impact of inflation on business environment which create dilemma from small scale business to large scale MNC companies, and ultimately how it effects on the economic growth of country. And also this study did with the motive of convey the best solution and possible changes which business entity can adopt for overcome the inflation in open and competitive market environment.

Design / Methodology / approach:- This study / research is based on the detailed literature review of various researched articles published on how inflation affect the businesses from the year 2016-2022. Also We used descriptive research and brainstorming approach to detail analyzing and interpretation of information that we gather by secondary data and by interviewing industry exports in Bengaluru Peeny Industrial estate and with the support of various economic theories like, Supply and Demand theory, Phillip's curve theory.

Findings:- The finding from this research reveals that, inflation have both positive and negative side of impacts on business, and also we find that, huge effect of inflation is all based on company in which industry it's operate and competitiveness in the market. The major finding of this study is, inflation effects based on the capability of business to pass the cost on customer.

Practical implication / limitations:- This paper enables the concern of educational institution and small, medium scale business entity some extent to have a profound understanding of issues faces by the impact of inflation on business activities. The current study also has some limitation because of non-availability of sensitive and complete data from literature review and non-sharing attitude of responded.

Keywords:- Inflation, Consumer price Index (CPI), Fiscal policy, Monetary policy, Phillip's curve, Monopoly market, Oligopoly market, Monopolistic market.

ECONOMY OF INDIA – BEFORE AND AFTER INFLATION TARGETING: A CASE STUDY

By

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Abstract

To provide a nominal anchor to the economy, the reserve bank of India implemented a policy called inflation targeting in India in September 2016. In this paper we study the implementation processes, examine the relevancy of such a framework or policy in an economy like India and give a detailed analysis on the country's economy from 2000 to 2016 (pre-IT period) and 2016 to 2021 (post-IT period). The inflation rate of each year along with the reasons for the varying rates are discussed. The role of reserve bank of India on aligning this framework is highlighted together with the measures taken and the response of the economy to this policy. The idea of inflation targeting to come into existence took several years due to differing perspectives of economists. The paper discusses the contractions and controversies happened around the implementation of the policy. The overall growth of the economy was affected to some extent due to IT's implementation and there are certain other variations in the inflation rates of some commodities which is discussed in the paper.

IMPACT OF INFLATION ON INDIAN ECONOMY

By

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Abstract:

Inflation is one of the economic parameter to be associated with the hike of price, it has its long and far reaching effects on the society and social concerns. Inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services. Consequently, Inflation reflects a reaction in one purchasing power per unit of money. Fluctuations in prices create an atmosphere of uncertainty which is not conducive to development activity. So inflations mean paying more for goods than paying earlier. Not only essential goods see a hike, non-essential items like cigarettes etc. would also cost more. The price of everything goes up over time. The present article made an attempt to study the impact of inflation on the economy, and measures of inflation in India. So in respect of obtaining a better view of the effects and influence of inflation on the society we need to take mainly the experience of poor and developing nations. This paper analyses the effects of inflation on our country's economy that emerged in the recent past.

Keywords: Inflation, Causes, Positive impact, negative impact, Demand & Supply .

IMPACT OF INFLATION ON THE FINANCIAL MARKETS

By

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Abstract

Experts are searching for many pre-conditions of these consequences, one of which is stable inflation rates, as a result of the recent literature expressing increasing worry about the effects of financial development on economic and social factors. Since Iran's economy has experienced two-digit inflation over the last three decades, research on the relationship between inflation and finance is important. As a result, the goal of this essay is to investigate how Iran's financial markets function in relation to inflation. I use an ARDL approach to look at the impact of inflation on the financial performance of Iran's banking sector from 1973 to 2007 and a multilateral index, generated using Principle Component Analysis, for this purpose. The empirical results showed that Iran's high inflation rates prevented financial intermediaries from operating at their peak capacity. In reality, inflation had a detrimentally big impact on Iran's financial development, making it one of the major difficulties facing the country's financial intermediaries.

Keywords: Inflation, Financial Development, Principle Component Analysis.

RATE OF INFLATION (1991-2022) AND UNEMPLOYMENT RATES

by

Nishat Choudhury

Abstract

Inflation is defined as an increase in prices that results in a loss of purchasing power over time. The average increase in price of a basket of specified items and services over time might indicate the rate at which purchasing power falls. Price increases, which are typically expressed as percentages, indicate that a unit of money now buys less than it did previously. Inflation is distinct from deflation, which occurs when prices fall but purchasing power grows. Prices in a nation like India fluctuate owing to a variety of economic and natural variables. This insecurity produces a climate of uncertainty that extends beyond a country's economic prosperity.

The Indian economy has been afflicted by the disease of inflation since the 1950s; nevertheless, the implications of these growing rates became more obvious following the 1991 liberalisation. The country's high inflation rates have been attributed to a number of causes. Because price stability is the basic aim of any monetary policy, it has a considerable influence on a country's growth and elevation. This is due to a significant decline in the buying power of money. As a result, the rate of inflation is linked to the country's unemployment rate. As a result, the article investigates the link between unemployment and the inflation rate.

THE ART OF INFLATION CONCERNS IN THE INDIAN ECONOMY

by

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Abstract

Inflation is a burning problem that is hampering the country's economic growth. Economists, Politicians, and even people are getting busy. It is very dangerous because it directly affects people's living standards. The responsibility of governments, politicians, and economists is to protect the common man from inflation. Statistical data show that India's inflation rate is high, especially for food. The cause could be the supply/demand side that reduces people's purchasing power and also affects people's savings. This paper uses the statistics given to describe agricultural productivity and sophisticated retail techniques and reforms that help protect people from inflation. Government policies such as monetary and industrial policies should prepare India for lower inflation**.**

Keywords: Inflation, Indian Economy, Consumer Price Index. Control Inflation.

INFLATION MANAGEMENT TECHNIQUES IN THE POST-PANDEMIC ERA: AN EXAMINATION OF TOP 10 ECONOMIES

by

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Abstract

Countries globally are fighting inflation after Governments have printed monies to meet their COVID-19 expenditure. However, slower economic growth rates, geopolitical tensions, sanctions, elevated prices of crude oil and other commodities, and supply chain bottlenecks are making this fight more difficult. This research article examines the inflationary control approaches followed by the governments and the authorities of the top 10 economies of the world according to their GDP in controlling the rising inflation. The study sample includes the United States of America, China, Japan, Germany, India, the United Kingdom, France, Brazil, Italy, and Canada. This study examines the question: Can developed countries, despite having most of the necessary resources with them, be able to manage rapidly rising inflation? A clear research gap arose because of the falling economic growth in the world post-pandemic. Therefore, this paper focuses on how countries have changed their monetary and fiscal policies to manage high inflation rates. Lessons from this inflationary study can help Governments and administrations handle saving their economies better.

Keywords: macro inflation, GDP, central banks, monetary policy, fiscal policy

Effects of Monetary Policies on Inflation in India

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Abstract

The objective of this paper is to analyze and discuss the impacts of monetary policy on inflation in India, identify the major drawbacks of the policies in minimizing the inflation rate and suggest policy recommendations on some key issues of India inflation. To estimate the effects of the monetary policy in India, at first discussed about Inflation trends in India from 1991-2022. Next, the instruments of the monetary policy on Indian Banks and government have been analyzed for which the data on growth of the GDP, changes in the price level, comparison of different monetary instruments have been quantitatively analyzed. We compared Inflation and economic growth of nation of last 30 years. We also compared the open market operations of the different nations. Reserve Bank of India is the authority to control inflation through monetary policies which it does by increasing bank rates, repo rates, cash reserve ratio, buying dollars, regulating money supply and availability of credit. These measures reduce the money supply in the market thus reducing demand which further decreases the prices. But the ineffectiveness of these tools is hampering the growth rate and investment patterns. Here the question arises whether monetary policies are efficient to control inflation issues?. The monetary measures adopted by the RBI are undisputedly essential to handle the persistently rising inflation. But these mechanisms have their limits of productivity.

JEL Classification: E31, E42, E52, E58

Keywords: Inflation**,** Central Bank, Inflation Targeting, Monetary Instrument, Monetary Policy, Monetary Target, Open Market Operations.

CHANGING CONSUMER EXPENDITURE PATTERNS DUE TO INFLATION IN INDIA

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Abstract

The return of inflation is causing chaos. In 2021, a combination of booming economic activity, supply-chain disruptions, and rising commodity prices drove global inflation to its highest level since 2008. Inflation in developing and emerging market economies rose to its highest level since 2011. In more than half of these economies with an inflation-targeting system, it now exceeds inflation targets. Prices actually fluctuate at various rates. Others, such as wages set by contracts, take longer to adjust (or are "sticky," in economic language), while some, like the prices of traded commodities, vary daily. The main cost of inflation is the erosion of real income, which occurs when prices rise unevenly and cause some customers' purchasing power to decline. The current study is based on secondary data analysis from different reports from RBI, IMF, and World Bank. The study's main aim is to analyse the impact of inflation on consumption expenditure. Further, a correlation test is performed between inflation & consumption expenditure, and the result of the same shows both indicators are strongly negatively correlated at -0.74.

IMPACT OF INFLATION ON THE STOCK MARKET OF INDIA

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Abstract

The popular term of concern in recent times is inflation and its increase over time. Inflation is affecting all the sections of economies from consumption, investment in the business, rate of employment, stock market, etc. This Paper focuses on the relationship between Indian stock prices and inflation. The current study analyses the volatility of the stock market the duration

of January 2021 to Mid of 2022. As inflation rises the stocks will tend to be more volatile. Value of stocks performs better in rise in inflation and growth stocks perform better in a low inflation environment. Rising inflation can be costly for consumers, stocks, and the economy. It is crucial to keep in mind that if inflation rates are excessive, the purchasing power can significantly decline, wreaking havoc in the economy. However, if inflation rates are too low, the economy's expansion may be hampered. Investors must therefore examine recent inflation rates to see if the rise is abrupt or steady. It can be beneficial for businesses, the economy, and the stock market if inflation rates are rising steadily. Stock expenses are pushed with the aid of using a whole lot of elements, however in the end the charge at any given second is because of the delivery and call for at that factor in time within side the marketplace. It is observed that the pressure on stock prices has a negative impact on inflation. The tight financial approach policy can keep this inflation at low level. Investors would thus have confidence in their returns from securities, and stock prices would not be negatively impacted.

IMPACT OF DIRECT & INDIRECT TAXES ON INFLATION IN INDIA

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Abstract

Taxes are termed obligatory contributions made by individuals or corporations to the government of India. Direct tax is a type of tax where the incidence and impact of taxation fall on a person or the

organization and pays directly to the government of India. Indirect tax is a type of tax where the incidence and impact of taxation do not fall on the same entity; tax is levied on goods and services before they reach the customers rather than on the income or profit of a person or organization. Implementation of GST (Goods and Services Tax 2017) on 1st July 2017, all these indirect taxes were bundled into one singular tax for the citizens of India. Inflation is defined as an increase in the prices of goods and services in an economy. Inflation is a barrier to a country's GDP growth, when inflation exceeds the target (for India is 4-6%), it must be controlled through fiscal and monetary measures. The fiscal measure is defined as Governmental measures used to stabilize the economy, specifically by manipulating the levels and allocations of taxes and government spending. The current study is based on secondary data analysis of inflation direct tax and indirect tax revenue and GDP (Gross Domestic Product) of the period 2010 to 2021 from different government publish reports. The study is based on a trend analysis of center and state combined tax revenue. To understand the trend analysis the correlation test is done, and the result shows a strong negative correlation, hence the current study shows that increasing the tax rates to curb inflation in India.

IMPACT OF INFLATIONARY ON ECONOMIC GROWTH

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Abstract

This paper analyses the effects of inflation on our country's economy that emerged in the recent past. With its long-lasting effects on society and societal issues, inflation is one of the economic factors that can be linked to price increases. A steady rise in the average price of goods and services over an extended period of time is referred to as inflation. Each unit of currency may

purchase fewer products and services as the price level rises. As a result, inflation represents a change in the purchasing power of a unit of currency. Price fluctuations foster an unpredictable environment that is not favorable to development activity. Inflation, therefore, means paying more than you did in the past for products. Everything's cost increases over time. The current study investigates the effects of inflation on the Indian economy. Trend analysis has been done to capture the last 10 years' CPI and WPI. Further, to measure the relationship between inflation and economic growth a trend analysis is done. The result of the same shows both are negatively correlated, when there is higher inflation in the economy the economic growth tends to slow down.

Impact of Inflation on Employment in India: An approach of Philip's Curve

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Abstract

India is one of the fastest-growing economies. One of the important socio-economic indicators in improving economic growth is employment. The higher the per capita income higher will be the growth of the economy. Despite the increase in economic growth there exist a large

share of unemployment in the country. The rural unemployment rate stands at 5.9 % and urban unemployment lies at 5.9% as on October 2022 (CMIE). The aim of the current study is to measure the trend and pattern of employment and analyze the impact of inflation on employment. The current study is based on examining Philip's curve on the relationship between the unemployment rate and the inflation rate in the country. Extensive literature review and trend analysis are done based on different published data. The result indicates that there is a trade-off between unemployment and inflation. Considering the Phillips curve which hypothesized a negative correlation that means a higher unemployment rate would reduce the inflation rate does not hold well for economic growth It is important that corrected policy measures should be implemented to control inflation and provide job opportunities to reduce the unemployment rate

IMPACT OF INFLATION ON THE EXCHANGE RATE AND EXTERNAL DEBT OF INDIA

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Abstract

India is one of the emerging economies and growing rapidly. Currently, India is facing inflation due to geopolitical issues, and the war between Russia and Ukraine. This has led to cost-push inflation due to disruption in the supply. It is evident that external debt and exchange rates depict a country's development status in the economy. The aim of the current study is to understand India's external debt, exchange rate, and inflationary trend and analyse the impact

of inflation on both indicators. The current study is based on an extensive literature review and secondary data analysis on inflation, exchange rate, and external debt from different published reports. To understand the trend of inflation, exchange rate, and external debt, a trend analysis has been done. Further to measure the impact of inflation and exchange rate a correlation test has been performed. The result of the correlation test inflation rate and external debt are strongly positively correlated. A one-unit increase in the inflation rate would increase the external debt by 0.84. Further, the correlation result between the inflation rate and exchange rate shows moderately negatively correlated at -0.58. The association between public debt and inflation is important to measure the inflationary trend of an economy.

INFLATION TARGETING: A COMPARATIVE ANALYSIS OF THE WORLD ECONOMY WITH INDIA

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ABSTRACT

Introduced as an amendment to the RBI Act of 1934 to provide a flexible framework, Inflation Targeting was introduced to the public and economic front on May 2016. This flexibility in the policy framework has proved to be extremely useful for the economy of India. Even though some of India's economic structures do not side well with the inflation-targeting framework; when compared to other economies in Asia that follow the framework, India has shown the highest achievement in reducing inflation. This paper focuses on India's framework of inflation targeting and provides details on the current and 10-year period fluctuation in the inflation rates of the country. The study also provides information on the various indices and methods used to measure the inflation rate in India One of the main targets achieved through this paper is the

comparative analysis of India's inflation rate with some of the biggest economies of the world, namely the U.S.A and China. Through detailed charts and information, a study is done on the change in inflation rates of countries with the highest to lowest inflation rates as per current data, in contrast to India, and the cause of such high and low rates.

RISING INFLATION: A THREAT TO GROWTH OF MSMEs IN INDIA

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ABSTRACT

Micro, small and medium enterprises are highly dynamic sectors and play an important role in the Indian economy. The sector suffered due to the pandemic, as many MSMEs were shut down due to economic disruption. The current study focuses on the burning issue of inflation and its impact on MSMEs in India. The study is based on secondary data analysis from different published reports. The MSMEs' growth has been projected using trend analysis and further, a correlation test is performed to measure the interlinkage between inflation and MSMEs growth, and a multiple regression test is done to analyze the relationship between the economic growth, manufacturing growth, and inflation. The correlation test shows both MSMEs growth and inflation are negatively correlated at 0.08 which is a weak correlation. However, the regression result shows a strong relationship where R^2 shows 80 percent with a significant result of a P

value at 0.0014. The variables GDP growth rate and inflation show a negative relationship, a 1unit increase in inflation will reduce economic growth by 0.14 units. Further, a 1unit increase in manufacturing growth will increase the economic growth by 0.74 showing a positive relationship.