



IMPACT OF INFLATION ON GROWTH & DEVELOPMENT

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Abstract :

One of the most important aspects of human development is the ability to have a decent standard of living. Inflation is having a higher effect on the consumption Pattern of Low Income people. Because Increase in price levels several affect their consumption due to reduction in purchasing power. Economic growth of a Country is the result of monetary fiscal and economic policies undertaken by its policy makers. Inflation has long been the common man's concern about economy. (Economic growth relationship between price growth and economic Growth).

Economic growth is affected by a number of factor's one of which is Inflation. The relationship between economic growth and price growth is a complex one. Empirical studies have shown that the relationship between economic Growth and Inflation may be positive, negative and neutral.

Today, there are no doubts that high Inflation has a negative effect on economic growth-Economic growth Leads to an Increase in the wealth of the country as a whole by extending its potential in the fight against poverty, unemployment Income distribution and social problems.

Keywords: *Inflation, Economy, Monetary & Fiscal Strategy*

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Introduction :

As we know Inflation is the Increase in the price of general goods and service: Thus food, Commodities and other services become expensive for consumption. Mild inflation can cause both short term damages to the economy most importantly its shows in the economy. Mostly important point is the by positive impact on Growth and development. Basically productivity and production is increases and its effect for market demands all production price factor's (is) increase. Especially wage and wage rates are per monthly and per year day to day is increase. This is effect of inflation.

- Today this is Inflation Tomorrow change the life cycle feature
 - Innovation is need for Growth and improvement for need is Inflation.
 - Improvement for production function. This is the Impact of Inflation.
- Impress the Inflation on revolutionary change in technology new creation of quality and quantity production



Definition

- An increase in the capacity of an economy to produce goods and services, compared from one period of time to another; economic growth can be measured in nominal term, which include Inflation or in real term which are adjusted for Inflation.
“Economic Growth from the concise Encyclopedia of Economic”
- Economic Growth is defined as the rise in the money value of. As the former uses various indicators to judge the progress in a
- A Country’s economic growth may be defined as a long term rise in characteristics different from those of economic growth in earlier.

Causes of Inflation :

1. Increasing Population and increase in demand of goods and services in an economy
2. Increase in income levels leads to increasing purchasing power of people to purchase more goods.
3. Increase in money supply and inequality in the economy.
4. Rise in production costs
5. Excess printing of money
6. International lending and national debts
7. Rise in tax and duties

Effects of Inflation:

1. Banks will increase Interest rates
2. Demanded for higher wages,
3. Profit is higher but wage is low

Objective of the study :

- The main objective of the study is to analysis the Impact of Inflation In Indian economy with respect to growth rate from the 1999 to 2015
- Inflation Impact the overall economy in negative, positive natural.

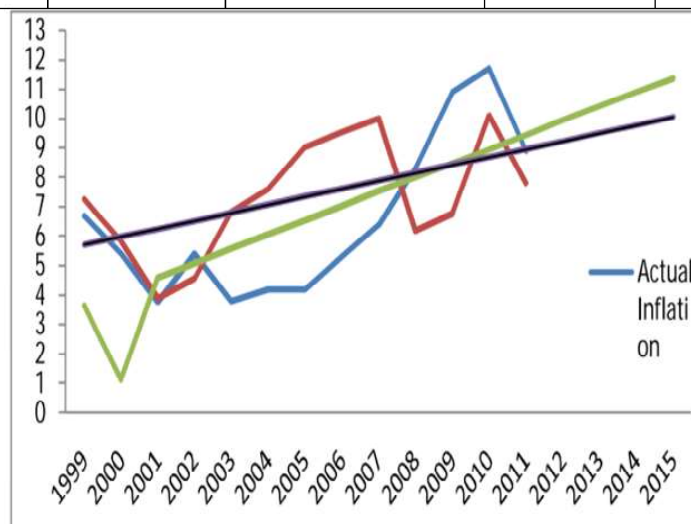
Methodology :

1. The study is Based on secondary data
2. Inflation and growth rate is collected from world economic outlook for the period of sixteen year’s 1999 to 2015


Data and graphs :

Inflation and growth in India from year 1999 to 2015 and Trend Value for Inflation and growth from 1999 to 2015

Sr.no.	Year	Inflation	Inflation Trend	Grow7 th	Growth Trend
1	1999	6.7	3.63	7.24	5.71
2	2000	5.4	1.11	5.83	5.98
3	2001	3.77	4.60	3.89	6.25
4	2002	5.9	5.60	4.56	6.52
5	2003	3.8	5.57	6.85	6.79
6	2004	4.2	6.05	7.59	7.06
7	2005	4.2	6.54	9.03	7.34
8	2006	5.3	7.02	9.53	7.61
9	2007	6.4	7.51	9.99	7.88
10	2008	8.3	7.99	6.19	8.15
11	2009	10.9	8.48	6.77	8.42
12	2010	11.7	8.96	10.09	8.69
13	2011	8.9	9.44	7.8	8.96
14	2012		9.93		9.23
15	2013		10.41		9.50
16	2014		10.90		9.77
17	2015		11.38		10.04


Actual inflation and growth as well as trend value of inflation and growth



The chart shows that the Inflation and growth is always fluctuating in India. There is no steady growth in Indian economy whereas trend value predicted for both inflation and growth is in straight lines showing a steady growth which could be accepted for growth but has to be curbed for Inflation

Controlling measures :

Inflation is necessary for development process because the Inflation impact the market. Its effect for investor. Fast investment and fast production and demand factors, demand for factors, impact of purchasing power etc.

In simple term inflation refers to situation when prices in an economy tend to increase. Inflation contributes to Economic Growth related to positive affect.

Improvement in the Government policy and new system of inflation control polices and Economic stabilization is necessary for development.

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