



AN INFLATION CONCERNS IN THE INDIAN ECONOMY

Dr. M. Pushpalatha

Assistant Professor, Department of Commerce, Sri Krishna Arts and Science College, Kuniyamuthur, Coimbatore

Ms. V. Nagarathinam

Assistant Professor, Department of Commerce, Sri Krishna Arts and Science College, Kuniyamuthur, Coimbatore

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**INTRODUCTION**

This Paper aims to explore inflation targeting in the Indian context. Inflation is affected by imbalances in the supply and demand of money, Changes in production and distribution of costs, or increases in taxes on products. When the economy experiences inflation, that is, when the price level of goods and services rises, the value of the currency decreases. This means fewer goods and services are purchased per unit of currency. The most well-known indicator of inflation is the Consumer Price Index (CPI). It measures the rate of change in the price of baskets of goods and services consumed by households. Inflation in India accelerated from 6.71% in July 2022 to 7% in August 2022 for the first time in four months, beating market expectations of 6.9%. Food prices (7.62% from 6.75% in July), meat and fish (206.4%), keep (192)4%, spices (193%), and 6% increase), vegetables (186.6%) and fruits (172.9%) showed the largest increases. Housing prices (4.06% vs. 3.9%) and education (5.51% vs. 5.02%) also rose, while fuel and electricity fell (10.78% vs. 11.8%).

Transportation and communications (52% vs. 5.55%) and health (5.43% vs. 5.45%). Consumer prices rose 0.52% from the previous month declared by the Ministry of Statistics and Program Implementation of India. The inflation rate in India was recorded at 6.2% (WPI) in August 2013. Historically, from 1969 until 2013, the inflation rate in India averaged 7.7% reaching an all-time high of 34.7% in October 1974 and a record low of 11.3% in May 1976. The inflation rate for Primary Articles is currently at 9.8% (as of 2012). This breaks down into a rate of 7.3% for Food, 9.6% for Non-Food Agricultural, and 26.6% for Mining Products. The inflation rate for Fuel and Power is at 14.0%. Finally, the inflation rate for Manufactured Articles is currently at 7.3%.

Causes of Inflation

An increase in the money supply is the root of inflation which can be expressed through various mechanisms in the economy. country's money supply can have increased by monetary authorities in the following ways: Print more money and distribute it to citizens. Statutory devaluation (depreciation) of fiat Currency.

Secondary market banks (the most common method) In all these cases money ends up with purchasing power loss. The mechanisms by which this causes inflation can be categorized into Demand-pull inflation

1 Aggregate demand

grows faster than aggregate supply (growing too fast)

2. Cost-push inflation

For example, rising oil prices lead to rising costs.

3. Devaluation

higher cost of imports and increased domestic demand.

4. Rising Wages

Rising wages will increase costs for businesses and increase consumers' disposable income to encourage them to spend more.

5. Inflation Expectation

When inflation expectations are high, workers demand higher wages and firms raise prices.

Main causes of Inflation in our current Economy

- Money Supply Increase
- Supply Chain Disruption
- Government-Sponsored Unemployment
- Poor Government Policies.

Factors that help to control Inflation

- Demand factors
- Supply factors
- Domestic factors
- External factors

Review of Literature

Analytical studies show that inflation is becoming an important issue for both academic and policymakers. They explained how it is hindering the country's growth. They have made a clear analysis of the demand and supply side factors behind food inflation, especially food inflation, over the past five years. rice field. Notice how the guidelines affect food and its price rises and falls..

They emphasized improving agricultural productivity. According to the Ascham Eco Pulse survey FY 2009-2010, inflation averages around 5%. Inflation fears the for the Indian economy, rising international commodity markets led by energy (oil, natural gas, coal), metals (copper, aluminum, iron ore), food (cereals and meat), responding to crisis, according to AEP research Domestic prices are likely to rise as large-scale fiscal and monetary measures taken in the United States are beginning to support economic activity.

According to one school of thoroughly explained what the best measure of inflation was. This is a good level and relevant for monetary policy. In the current economic climate, the

Industrial Workers' Consumer Price Index (CPI-IW) outperforms either the wholesale price index or the GDP deflator.

The analytical framework they explore aims to empirically identify the determinants of inflation in India. Co-integrated vector auto regression (VAR) framework performs empirical estimation. An error correction mechanism (ECM) for integration variables is also performed. The impulse response function (IRF) of the integrated VAR system shows that the VAR system has a delay. There is a systematic analysis of what is the best measure of inflation and what causes it.

Statement of the Problem

A very dangerous economic recession in the Indian economy is inflation, which prevents people from living economically. In India, most people are still suffering from inflation. Governments and economists need to formulate better strategies for the country's development.

Objectives of the Study:

- Identifying the best tools for measuring inflation in India.
- Identifying the factors that have the greatest impact on the Whole Selling Price Index (WPI).
- Identifying the subcategories of the factors that have the greatest impact on groceries.
- Identify the factors that have the greatest impact on your customers' purchasing power.

How Inflation Can Be Measured

The price level change determines the index level. Various goods and services and their prices are intended to increase index inflation. Inflation is a very difficult concept, and one that is becoming a serious problem for economists, politicians, and even members of society. Governments should focus primarily on ways to bring inflation down, as inflation primarily affects the country's ordinary people. Inflation is the movement in which the price of goods increases and people's purchasing power decreases. When purchasing power declines, people's living standards decline.

Inflation can be measured using basically five different measures. In India, the Wholesale Price Index (WPI) is commonly used to measure inflation. The remaining four belong to the Consumer Price Index (CPI) for different groups:

- i) industrial workers (IW),
- ii. Agricultural work (AL)
- iii. Rural Labor (RL)
- iv. Urban Un manual Workers (UNME).

India has its own wholesale price index (WPI) to measure inflation, which is basically a wholesale price index (WPI) that uses data on 435 commodities of varying weights to show price movements of commodities used in all trade and trading operations. Use a scale of The reason for measuring inflation in India is data on commodities to measure inflation and wholesale prices are readily available from the market. Inflation in India has been increasing year by year, reaching around 9% in 2011, while grocery inflation at current prices was 9.5%.

The study says that inflation was above 5% from 2004-2005 to 2007-2008. We can see that the inflation rate is constant around 5% and the GDP also fluctuates between 14% and 16% in 2004-2005 and 2007-2008. Between 2004-2005 and 2007-2008, the economy grew even with inflation. This can be treated as growth inflation by the country's so-called economists. If the inflation rate rises from 2007-2008 to 2009-2010, there are specific reasons why GDP will fall from 2007-2008 to 2009-2010. To understand this anomaly, all commodities (AC) are divided into the following subcategories: primary commodities (PA) consisting of food

(FA) and non-food (NF), fuels, electricity, light and lubrication. agent (FPLandL), and product manufacturing (MP). By charting the values for each category, you can see which products and their prices deviate anomalous from the true trend. This explains what is the reason for the decline in GDP and product listings, and their values deviate from actual trends. This Study express that the most important situation is food inflation. It changed from the five years from 2004 to 2005 to 2009 to 2010, and shows an increasing trend from 2009 to 2010. Non-food items also show an increasing trend from 2007 to 2008, and then show a decreasing trend along with GDP. Food prices are rising faster than GDP. That could be one reason why food inflation is higher. Grocery inflation has been around 8% to 9% over the last five years. The recent food inflation rate is also high compared to previous ones. Please explain this scenario. We have others, so Research is needed to better understand what is causing India's food inflation. Wholesale Price Index (WPI) groceries consist of eggs, meat, fish, milk, vegetables, fruits, legumes, grains, and other foodstuffs and determine their contribution to the WPI. Inflation mainly in foods 2.2% of the WPI was found in eggs, meat, and fish, further contributing to inflation. Other influential commodities are vegetables, grains, and milk. Legumes are his fifth determinant of food inflation, contributing 0.6% to the WPI. This scenario explains that food is the cause of India's inflation. We can see that milk contributes more, with a higher pulse rate than other grains, vegetables, eggs, meat and fish. All food items and their price rates show an upward trend in the future. Eggs, meat and fish are also contributing significantly to rising food prices. The overall trend for groceries is upward. This graph clearly shows that inflation is likely to occur in groceries.

Recent Reports. India's annual wholesale price inflation rate fell to 12.41% in August 2022 from 13.93% the previous month, below the market forecast of 13%. This was the lowest since October 2021 amid a slowdown in processed product prices (7.51% vs. 8.16% in July), mainly for base metals (9.35% vs. 11.12%). Fuel and power (33.67% vs 43.75%). Prices of commodities also continued to fall (14.93% vs 15.04%), while food cost increases accelerated (12.37% vs 10.77%).

In India Wholesale Price Index changes: Wholesale Price Index in India in India, the Wholesale Price Index (WPI) is the Leading indicator of inflation? WPI measure. the price of a representative wholesale basket of goods. In India, the wholesale price index is divided into three groups: fuel and electricity (13.2%), primary commodities (22.6% of total weight), and, finished products (64. 2%). Food in the primary commodity group accounts for 15.2% of the total weight. The most important component of the group of manufactured products is base metis (9.7% of total weight). food (9.1%); chemicals and chemical products (6.5% and textiles (9%). Actual Pre-High Minimum Daily Frequency 12.37 13 days.

Current Status of WPI inflation for May at 15.88% as against 15.08% in April: WPI inflation for May at 15.88% as against 15.08% in April The ministry added that the on-month change in WPI index for the month of May stood at 1.38 percent compared to April 2022. The annual rate of inflation has been recorded at 15.88 percent for the percent of May as opposed to 15.08 percent for t percent of April. In May 2021, the rate of inflation was 13.11 percent.

The annual inflation rate is 15.88% (preliminary) in May 2022 (over May 2021) compared to 13.11% in May 2021. High inflation in May 2022 is mainly due to higher mineral oil prices. Crude oil/natural gas, food products, base metals, non-food products, chemicals/chemical products, and food products increased year-on-year. The ministry added that the monthly change in his WPI index was 1.38% in May compared to April 2022. The product group rose from 172.9 in April to 176.1 in

May. Inflation, based on the WPI Food Index, rose to 10.89% in May from 8.88% in April.

The month-over-month change in the WPI index for the month of August 2022 stood at (-) 0.46% as compared to July, 2022. The monthly change in the WPI index for the last six months is summarized below: Table-1&2

Findings of Study

- I) Food inflation is high
- ii. This has a greater impact on the middle and lower class.
- iii. on food arts it is high in pulses and vegetables, iv. egg, meat and fish, and milk are also taking major contributions to the inflation

The suggestion of the study

- I) Food inflation is at a high level and the government needs to develop better policies and procedures to curb inflation in India.
- ii) Food inflation mainly affects the lower tiers of the economy
- iii. Governments should watch out for price hikes on people's essentials

Scope for Future Research

The gross domestic product of the country shows an upward trend. At the same time, inflation is gradually rising. We can call this situation "growth inflation". Further research can extend to the consumer price index and its impact on the economy. Further research could extend to things like the effects of inflation on other goods and services.

CONCLUSION

I would like to conclude that inflation plays a major role in weakening the economy. Inflation is mainly seen in food and affects weak segments of the country's population. Governments and economic policymakers should think more about how to bring down inflation. Food is a universal human need. High food inflation would hurt our fellow countrymen. There should be no food inflation as food is a basic need for all population groups. Per capita income is low and per capita income is very difficult to survive with high inflation in the country. Next Further analysis can be gleaned from the following references which help to get a clear understanding of the Indian inflation situation.

Source: The Office of the Economic Adviser, Department for Promotion of Industry and Internal

REFERENCES

1. Alexiou, C. (2009). Government Spending and Economic Growth: Econometric Evidence from South Eastern Europe (SEE). *Journal of Economic & Social Research*.
2. 11(1): 1.16. Arrellano, Manuel and Stephen Bond. (1991). Some Tests of Specification for Panel Data: Monte arlo Evidence and an Application to Unemployment Equations. *Review of Economic Studies* 58:277-297.
3. Pratima Singh, Inflation in India: An Empirical Analysis, ISAS Institute of South Asian Studies, No.128 - 10 May (2011).
4. Gaurav Sharma, Inflation concerns for the Indian economy: Assocham Research Bureau, (2009)
5. Ila Patnaik, Ajay Shah, Giovanni Veronese., How to measure inflation in India, NIPFP-DEA, Research Program on Capital Flows and their Consequences National Institute of Public Finance and Policy New Delhi Working Paper 2011-83 (2011).
6. Anuradha Patnayaak, Study of Inflation in India: A Co integrated Vector Auto Regression Approach, *Journal of Quantitative Economics*, 8(1) (2010).
7. http://en.wikipedia.org/wiki/Inflation_in_India (2013).

Table-1 Month Over Month (M-o-M in %) change in WPI Index#

All Commodities/ Major Groups	Weight	Mar-22	Apr-22	May-22	Jun-22	Jul-22 (P)	Aug-22 (P)
All Commodities	100.00	2.48	2.28	1.77	0.26	-1.03	-0.46
I.PrimaryArticles	22.62	2.03	2.11	2.29	1.68	-2.20	0.62
II. Fuel & Power	13.15	4.05	5.07	8.20	2.14	-0.90	-4.83
III.Manufactured Products	64.23	2.45	1.69	0.21	-0.76	-0.56	0.07
Food Index	24.38	0.90	3.03	1.33	1.03	-1.69	0.92

Table-2 Index Numbers & Annual Rate of Inflation (Y-o-Y in %)*

All Commodities /Major Groups	Weight (%)	Jun-22 (F) Index	Jun-22 (F) Inflation	Jul-22 (P) Index	Jul-22 (P) Inflation	Aug-22 (P) Index	Aug-22 (P) Inflation
All Commodities	100.0	155.4	16.23	153.8	13.93	153.1	12.41
I. Primary Articles	22.6	181.5	18.63	177.5	15.04	178.6	14.93
II. Fuel & Power	13.2	167.1	50.95	165.6	43.75	157.6	33.67
III.Manufactured Products	64.2	143.9	9.35	143.1	8.16	143.2	7.51
Food Index	24.4	177.4	11.78	174.4	9.41	176.0	9.93