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### **FINDING**

#### **Inflation Targeting in India: Macroeconomic Implications**

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Inflation targeting (IT) has emerged as a prominent monetary policy framework worldwide. In the Indian context, the adoption of IT reflects the country's pursuit of a more flexible and forward-looking approach towards price stability. India's IT framework has demonstrated a balance between best global practices and country-specific needs. The thesis explores three important empirical questions related to IT in India- inflation convergence, Exchange rate pass-through (ERPT) and impact of IT on selected macroeconomic variables. The results show that there is increase in convergence of States/UTs level with National level inflation during the IT period. This implies that the credibility of the monetary policy has improved during this period. However, the varying rate of inflation convergence and dominating impact of local shocks on State/UTs level inflation warrants the augmenting of monetary policy with region-specific measures. The NEER is found to be performing its role effectively as a shock absorber. However, one of the causes of concern for policy makers is that the ERPT is high for food and beverage group. The study highlights the varying nature of ERPT during appreciation and depreciation. The RBI needs to take this into consideration while designing the monetary policy. With regard to the evaluation of macroeconomic performance under the IT framework, the study yields mixed results. While the expectations and interest rate channels remain essential in policy transmission, their improvement seems limited in India's context. Despite this, the benefits of IT become apparent in terms of inflation anchoring and the enhancement of decision-making processes through transparent communication. The continuity of the IT framework is justified by India's successful adherence to the targeted inflation range during the initial period. To maximize its effectiveness, there is a need to improve the transmission of monetary policy.