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## INFLATION AND ECONOMIC GROWTH IN INDIA AN ECONOMETRIC STUDY

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### Abstract

One of the most important objectives of any country is to achieve high economic growth with low inflation. The relationship between inflation and economic growth has been a controversial issue among macroeconomist, policy makers and monetary authorities in the last few decades. Both theoretical and empirical studies demonstrate different views regarding the existence of relationship between inflation and economic growth and also the causal relationship. The present study investigates the relationship between inflation and economic growth in India over the period 1961 to 2015. Both ADF and PP test report that inflation and growth series are integrated of order 0 i.e I(0) suggesting the level data are stationary. The results of vector autoregressive model confirm the negative relationship between inflation and economic growth and growth Granger causes the inflation in India over the period of study. Variance Decomposition and Impulse Response Function confirm the results of Vector Autoregressive model. Therefore, the policy makers should accelerate economic growth in order keep the inflation under control.

**Key words:** inflation, Economic Growth, ADF, PP, VAR, Variance Decomposition, Impulse Response Function, Granger causality.

**JEL Classification:** C32; C87; E31; E43

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