

As the monetary policy needs to stay accommodative it is time for RBI to take measures ~~to~~ to soften inflation blow. Explain (200 words).

During the course of pandemic and post pandemic government initiated many welfare measures and followed a expansionary policy. As continuous expansionary monetary policy could lead to inflation and any contractionary measures would affect recovery of economy, RBI needs to take accommodative stands to control inflation.

Indicators of growing inflation :

The whole sale price Index (WPI) was on rise until this April due to price hike of fuel. Further in the month of ~~the~~ May Consumer Price Index (CPI) crossed the RBI's upper limit of 6%.

Impacts of the policy measures on Stakeholders

Government being a largest borrower have benefits as high inflation will reduce the national debt loan in relation to size of economy. The assumed GDP growth of 14.4% in budget 2021-22 is expected to exceed. As gap between growth and interest rate rises debt / GDP ratio falls.

The other stakeholder is people.

Inflation reduces the purchasing power and hits private consumptions. The food CPI inflation was lower than the non food ~~in~~ inflation in May. This reduces the purchasing power at primary and secondary sector. Further this will impact worse in rural than in urban. Last year rural economy was supported by schemes like MGNREGA and PM-KISAN, but this year they are at lower level.

Way forward :

As "input prices are pillar of all sectors"

RBI has closely watch and calibrate monetary policy through accomodative measures. It could also consider measures like cuts in excise duty on petroleum to soften inflation