CHAPTER - 6

CONCLUSIONS AND SUGGESTIONS

6.1 Major Findings

1. The co-relation between WPI and Employment is 0.029. This explains that there is slight positive co-relation between inflation and employment. It means increase in WPI doesn’t create employment opportunity.

2. The co-relation between WPI and growth rate of GNP is 0.73. This explains that there is highly positive co-relation between inflation and economic growth. It means WPI affect the economic growth and increase in WPI leads to economic growth.

3. There is weak relationship between WPI and Gross Domestic Capital Formation, which is 0.068. It means that whenever WPI increases GDCF will not increase. Inflation reduces the capital formation in the economy.

4. There is weak relationship between WPI and interest rate, which is 0.069. It means that influence of interest rate on WPI is not acceptable.

5. The co-relation between WPI and Gross Domestic Saving is 0.073; this indicates there exists a week co-relation. Inflation reduces the saving and it is destructive for an economy.

6. The co-relation between supply of money M3 and WPI is 0.21. This explains that there is a positive co-relation between inflation and supply of money. Whenever M3 increases its have an effect on the inflation.

7. The co-relation between supply of money M1 and WPI is 0.45. This explains that there is a positive co-relation between inflation and supply of money. Whenever M1 increases its have an effect on the inflation.

8. The co-relation between rainfall and WPI of food articles is -0.08. This indicates that there is negative co-relation between them.

9. The Co-relation between WPI of primary articles and rainfall is -0.07. This indicates the negative co-relation between them.

10. The Co-relation between WPI of non-food articles and rainfall is -0.09. This indicates the negative co-relation between them.
11. From the Pair Sample T-Test we found that there is not major divide between pre and post reforms inflationary pressure.

12. From the Three Years Moving Average of WPI we found that during six decade we saw many fluctuations.

13. From the analysis of WPI in the six decade we found the highest rate of WPI in the year 1991-92 is 13.7 %, and the lowest rate was 0.2 % in the year 1961-62.

14. From the Trend Analysis of Highest WPI (double digit) amongst 60 years we saw thirteen times double digit inflation during the six decade. We found the highest rate of inflation which was 25.2 % in the year 1974-75.

15. From the Trend Analysis of Negative Inflation (WPI) amongst 60 years we saw five times negative inflation during the six decade. And it was -12.5 % in the year 1952-53. After 1975-76 we never had seen the negative inflation.

16. From the Trend Analysis of lowest WPI amongst 60 years we saw inflation below 4 % nine times lowest inflation. In the year 1961-61 we saw the lowest 0.2 % inflation.

17. From the Three Years Moving Average of CPI IW we saw highly fluctuations during the six decade.

18. From the Trend Analysis of CPI IW in the Six Decade we saw the highest 23.5 % inflation in the year 1991-92. And was lowest in the year 1961-62 which is 2.4%.

19. From the Trend Analysis of Highest CPI IW amongst 60 years we saw seventeen times double digit inflation. In the year 1974-75 we saw the highest rate of inflation during the 60 years which is 26.8%.

20. From the Trend Analysis of Negative CPI IW amongst 60 years. We saw six times negative inflation. In the year 1954-55 we saw the -6.6 % inflation.

21. From the Trend Analysis of Lowest CPI IW among 60 years we saw fourteen times lowest inflation which is below 4 %.

22. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 1951-52 to 1960-61; during the decade we found the highest rate of WPI in the year 1951-52 which is 435.1; and M1 and M3 were
highest in the year 1960-61. From the analysis we found the diminishing trend of WPI and the rising trend of M1 and M3 during the 1st decade.

23. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 1961-62 to 1970-71; during the decade we found the highest rate of WPI in the year 1970-71 which is 188.4; and M1 and M3 were highest in the year 1970-71. From the analysis we found the rising trend of WPI and the intensifying trend of M1 and M3 during the 2nd decade.

24. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 1971-72 to 1980-81; during the decade we found the highest rate of WPI in the year 1980-81 which is 257.3; and M1 and M3 were highest in the year 1980-81. From the analysis we found the rising trend of WPI and the intensifying trend of M1 and M3 during the 3rd decade.

25. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 1981-82 to 1990-91; during the decade we found the highest rate of WPI in the year 1981-82 which is 281.2; and M1 and M3 were highest in the year 1990-91. From the analysis we found the rising trend of WPI and the intensifying trend of M1 and M3 during the 4th decade.

26. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 1991-92 to 2000-01; during the decade we found the highest rate of WPI in the year 1993-94 which is 247.91; and M1 and M3 were highest in the year 2000-01. From the analysis we found the rising trend of WPI and the intensifying trend of M1 and M3 during the 5th decade.

27. From the decadal trend analysis of WPI and Supply of Money M1 and M3 during the period of 2001-02 to 2010-11; during the decade we found the highest rate of WPI in the year 2008-09 which is 233.9; and M1 and M3 were highest in the year 2010-11. From the analysis we found the constantly rising trend of WPI during the period 2001-02 to 2008-09; after that the trend of WPI was diminishing and the intensifying trend of M1 and M3 during the 6th decade.

28. From the decadal trend analysis of WPI during the period 1951-52 to 1960-61 we found the three times negative inflation. During the decade we saw the highest rate of WPI was 14 % in the year 1956-57. During the entire decade we saw many ups and downs in the trend of WPI.
29. From the decadal trend analysis of WPI during the period 1961-62 to 1970-71 we found the only one times negative inflation and in the beginning of the decade we saw the lowest level of inflation which is 0.2 %. During the decade we saw the highest rate of WPI which was 13 % in the year 1966-67. In this decade we faced three times double digit inflation.

30. From the decadal trend analysis of WPI during the period of 1971-72 to 1980-81 we found the highest rate of inflation in the year 1974-75 which is 25.2 %, Which is all time high in the six decade after that we never had seen this kind of inflation. During this decade we saw many fluctuations.

31. From the decadal trend analysis of WPI during the period of 1981-82 to 1990-91 the inflationary pressure came under control and an economy faced the 4.9 % to 10 % inflation. During the decade we found the highest rate of inflation in the year 1990-91 which is 10.3% from this year the rising trend of inflation takes place.

32. From the decadal trend analysis of WPI during the period of 1991-92 to 2000-01 the rising trend of inflation occurs in an economy. In the beginning of the decade we found the highest rate of inflation which is 13.7%. During the decade we saw three times double digit inflation and also the lowest rate of inflation in the year 1999-00 which was 3.3%.

33. From the decadal trend analysis of WPI during the period of 2001-02 to 2011-12 we witnessed the sluggish rate of inflation. During the decade the economy faced the 3 to 9 % of rate of inflation.

34. From the decadal trend analysis of CPI IW during the period of 1951-52 to 1960-61 we found so many fluctuations. In the decade we saw three time’s negative inflation and the highest rate of inflation in the year 1956-57 which is 11.3 %.

35. From the decadal trend analysis of CPI IW during the period of 1961-62 to 1970-71 we saw the highest rate of inflation in the year 1964-65 which was 15.2% and the negative inflation in the year 1968-69 which was -0.5 %. During the decade we saw many ups and downs in the inflationary strain.

36. From the decadal trend analysis of CPI IW during the period of 1971-72 to 1980-81 we witnessed the all time high inflation rate. In the middle of the decade we saw the 20.8 and 26.8 % rate of inflation. After that the rate of
inflation became negative and riches to -1.3 and -3.8 %. In the decade first we saw the rising trend of inflation and then diminishing trend of inflation.

37. From the decadal trend analysis of CPI IW during the period 1981-82 to 1990-91; its starts with double digit inflation which is 12.5 % and in the whole decade we saw three times double digit inflation.

38. From the decadal trend analysis of CPI IW during the period 1991-92 to 2000-01; it’s seen rising trend and the rate of inflation was 13.5 % in 1991-92. In the entire decade we saw four times double digit inflation.

39. From the decadal trend analysis of CPI IW during the period 2001-02 to 2011-12; its starts with lowest rate of inflation. The whole decade was steady. In the year 2009-10 and 2010-11 we saw the double digit rate of inflation which is 12.41 and 10.42%.

40. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 1951 to 1960; we found the rising trend of WPI, the rising trend of actual rainfall and in the whole decade we saw in first two years the trend of food production was increasing and then after it was diminishing.

41. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 1961 to 1970; we found the rising trend of WPI, the rising trend of food production and the rising trend of actual rainfall.

42. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 1971 to 1980; we found the rising trend of WPI, the rising trend of food production and the rising trend of actual rainfall.

43. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 1981 to 1990; we found the rising trend of WPI, the rising trend of food production and the rising trend of actual rainfall.

44. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 1991 to 2000; we found the rising trend of WPI, the rising trend of food production and the rising trend of actual rainfall.

45. From the decadal trend analysis of WPI, Food Production and Actual Rainfall during the period 2001 to 2012; we found the rising trend of WPI, the rising trend of food production and the rising trend of actual rainfall.

46. From the decadal trend analysis of WPI and IIP during the period 1981-82 to 1990-91 both is rising.
47. From the decadal trend analysis of WPI and IIP during the period 1991-92 to 2000-01 both has upward trend.

48. From the decadal trend analysis of WPI and IIP during the period 2001-02 to 2011-12 both has growing trend.

49. From the decadal trend analysis of component wise CPI during the period 1970-71 to 1980-81; the CPI IW, CPI IW Food, CPI AL and CPI UNME all have upward trends.

50. From the decadal trend analysis of component wise CPI during the period 1981-82 to 1990-91; the CPI IW, CPI IW Food, CPI AL and CPI UNME all have rising trend during the first three years of the decade. And after that all component have rising trend.

51. From the decadal trend analysis of component wise CPI during the period 1991-92 to 2000-01; the CPI AL and CPI UNME have rising trend. And other two component remaining stable.

52. From the decadal trend analysis of component wise CPI during the period 2001-02 to 2011-12. We saw many ups and downs during the decade.

53. From the decadal trend analysis of component wise WPI during the period 1953-54 to 1960-61; we found the highest rate of inflation of food articles in the year 1956-57 which is 18.1%. The trend of fuel, power, light and lubricants was highest in the year 1956-57 which is 9.5%. The trend of manufactured products was highest in the year 1960-61 which was 10.9%. We saw the negative trend during the decade in all three components.

54. From the decadal trend analysis of component wise WPI during the period 1961-62 to 1970-71; we found the highest double digit rate of inflation in food articles in the year 1964-65, 1966-67 and 1967-68 which is 17.3%, 18.3%, 21.4%. The trend of fuel, power, light and lubricants was highest in the year 1963-64 which is 14.4%. We saw the negative trend during the decade in only food articles.

55. From the decadal trend analysis of component wise WPI during the period 1971-72 to 1980-81; we saw five times highest double digit inflation in food articles and also three times negative inflation during the decade. In fuel, power, light and lubricants we saw the ever highest rate of inflation in the year
1974-75 which was 51%. The whole decade was full of upward and downward trend.

56. From the decadal trend analysis of component wise WPI during the period 1981-82 to 1990-91; we found the entire five component have the upward and downward trend during the decade. The non-food article faced the 21.6% rate of inflation in the year 1987-88.

57. From the decadal trend analysis of component wise WPI during the period 1991-92 to 2000-01; we found negative inflation in non-food articles and highest double digit inflation in food articles. Entire five components have faced upward and downward trend during the decade.

58. From the decadal trend analysis of component wise WPI during the period 2001-02 to 2011-12; we found the double digit inflation rate in non-food articles in the year 2010-11 which was 22.3%. All five components found very high degree of inflation during the decade.

59. From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 1951 to 1960; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But we saw the downward trend in WPI of food articles.

60. From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 1961 to 1970; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But we saw the upward trend in WPI of food articles. It was three times highest double digit rate of inflation and also saw the negative trend during the decade.

61. From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 1971 to 1980; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But we saw the upward trend in WPI of food articles; the food article was at the highest level of 26 and 22.7% and also saw the negative trend during the decade.
From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 1981 to 1990; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But we saw the upward trend in WPI of food articles; the food article was found very sharply fluctuated.

From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 1991 to 2000; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But we saw the upward trend in WPI of food articles; the food article was found very sharply fluctuated.

From the decadal trend analysis of per capita net availability of cereals and pulses, total net availability of cereals and pulses and WPI of food articles in the year 2001 to 2011; we found the rising trend in per capita net availability of cereals and pulses and total net availability of cereals and pulses. But initially in the decade we saw the downward trend but after few years we saw the upward trends in WPI of food articles.

From the Multiple Regression Model of WPI we found that the supply of money (M1) has a positive effect on WPI. The coefficient of supply of money (M1) is 3.656.

From the Multiple Regression Model of WPI we found that the supply of money (M3) has a negative effect on WPI. The coefficient of supply of money (M3) is -3.186.

From the Multiple Regression Model of WPI we found the negative effect of WPI on saving. The coefficient of Gross Domestic Saving at current prices is -1.039 which indicates the negative effect on the WPI.

From the Multiple Regression Model of WPI we found the positive effect of WPI on capital formation. The coefficient of Gross Domestic Capital Formation at current prices is 1.075 which shows positive effect on WPI.

The coefficient of NNP At Current Prices is -0.280 which shows negative effect on WPI
70. From the Multiple Regression Model of CPI IW we found the negative effect of supply of money on CPI IW. The coefficient of supply of money (M1) has a negative effect on the price level (CPI IW) which is -1.055. The coefficient of supply of money (M3) has a negative effect on the price level which is -1.659.

71. From the Multiple Regression Model of CPI IW we found the coefficient of Gross Domestic Saving at current prices is 8.604 which indicate the Positive effect on the CPI IW.

72. From the Multiple Regression Model of CPI IW we found the coefficient of Gross Domestic Capital Formation at current prices is -9.164 which shows negative effect on CPI IW.

73. From the Multiple Regression Model of CPI IW we found the coefficient of NNP at Current Prices is 3.287 which show positive effect on CPI IW.

74. From both the multiple regression model of WPI and CPI IW we understand the variation in context of affecting factors which shows the different impact on an economy. It means both are not reveal true picture of economic conditions.


6.2 **Suggestions:**

1. We should use the straightforward method to calculate the inflation which indicates the actual situation. We should make price index for particular commodity i.e. price index of food articles which gives 100% weight to food articles, price index of manufacturing products which gives 100% weight to manufacturing products.

2. From time to time we have to update the measurement techniques of inflation by which the real situation come out.

3. There should be a monetary policy and fiscal policy which gives price stability and also sought to sustain the surprising rate of economic growth. There is felt need to have effective co ordination between fiscal policy measures and monitory policy measures to minimize the trade off between growth and inflation.

4. We should revise the Public Distribution system.

5. For the economic growth we have to generate the position where poor and middle class people also satisfy their requirements.

6. Government has to play a key role to frame an effective policy.

7. We must grow our food production to fight again higher food prices.

8. We should make an effective price control board that look into the matters of essential commodities.