

Impact of Fiscal Policy Initiatives on Inflation in India

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Chapter

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Abstract

This paper examines the impact of fiscal policy initiatives on wholesale price index (WPI) based inflation in India. Total central government expenditure has been taken as the proxy for fiscal policy initiatives. The models used are VECM and ARDL-bound testing for estimating long run relationship. The results show that there is long run relationship between total central government expenditure and inflation in India. The IRF shows that if fiscal expenditure is given a positive shock of 100.0%, its cumulative impact on WPI in 5 years will be 14.0%.

Keywords

Total Central Government Expenditure Vector Error Correction Model (VECM)

Wholesale Price Index (WPI)

Department Of Industrial Policy And Promotion (DIPP) VECM Model

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