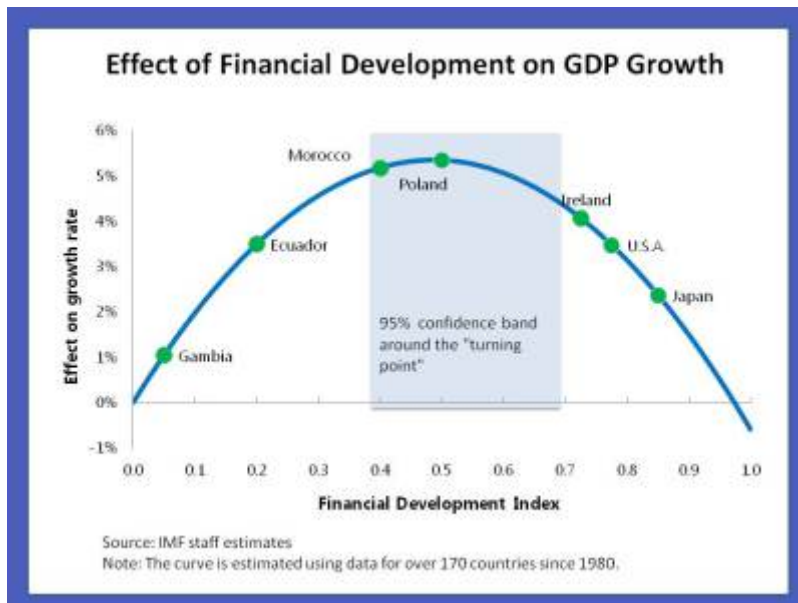




Growth and financial stability

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There is no doubt that the Indian economy needs to be revived, but it is debatable whether it is worth risking financial stability to support short-term growth. The RBI Governor has rightly said that persistently high inflation affects the economy's allocative efficiency and hinders the growth process. Inflation worsens income distribution by lowering the real income of the poor. Also, inflation depends not only on internal but also on external factors. With the deterioration of the situation in West Asia in the past week, a fair amount of geopolitical uncertainty has afflicted the global economy. Policymakers need to maintain a fine balance between supporting growth and controlling inflation. Rate cuts are not the only answer to economic growth, and an adequate reform process has to be put in place to make up for the limitations of fiscal and monetary policy in the current scenario.

**Photo Credit: Google*