

## ABSTRACT

Economic policies are mainly focusing on high economic growth with sustainable inflation rate when inflation rate keep soaring high, and then achieving high economic growth may not possible. Generally inflation driven by demand side and supply side factors, when inflation driven by demand side factors then using monetary policy to control inflation will give better result, but if inflation occur due to supply side factors then using monetary tools to control inflation may not give expected results. In India we have been facing high inflation despite RBI had implemented tight monetary policy the reason behind this is this inflation mainly driven by supply side factors like shortage of supply and increased cost of production.