

ABSTRACT

Several studies¹ in the past have estimated a negative relationship between inflation and economic growth beyond a certain level of inflation. This study aims at determining the existence of such a threshold level of inflation, with annual Indian data for the period 1970-71 to 2008-09. The empirical analysis, an estimation of a non-linear model, is done in two parts for the period before the major economic reforms in 1991 and the period after the reforms. Results show the threshold levels of inflation to be about 7% for both the periods.

Key words: Inflation, economic growth, Threshold level of Inflation, non-linear model.

¹ Omay and Kan(2010), Mubarik (2005), Singh and Kaliappa(2003), Khan and Senhadji (2001) and Bruno and Easterly(1997)