



## IMPACT OF INFLATION IN DIFFERENT SECTORS OF INDIAN ECONOMY WITH REFERENCE TO TAMILNADU ECONOMY – A STUDY

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### Abstract

Inflation is an increase the money supply and fall in commodity of impact in different sectors of Tamil Nadu Economy. It has good as well as evil affect in different sectors viz, Agriculture, Industrial and service sector of Indian economy with reference to Tamil Nadu economy. Inflation affects everyone, it is felt everywhere and burgeoning three different sectors are severely suffering from it. In the initial stages, mild inflation may create an all-round expansion of business activity and this proves beneficial to the economy...Today business beyond boundary is common practice of corporate in the way of investing, merging, acquiring and associating globally. International growth and global downturn affects us. Inflation has always been detrimental for an economic growth. Three different sectors of Indian / Tamil Nadu economy too will be affected by inflation. Three different sectors undertakings may have to raise the expenditure level due to a fall in the value of money. This creates imbalance in the income of the three different sectors. The resources get diverted to the production of those commodities which rise up, as the entrepreneurs will be lured by profits. There are two important affecting the forces which would create inflation in the three different sectors of economy, one force is called the demand force and other is the cost force. My research paper will outlines series of steps in countering inflation in three different sectors which is growing, attracting global giants for investments and creating jobs for millions of peoples.

**Keywords:** *Inflation Is Always And Everywhere A Monetary Phenomenon.*

### Introduction

Inflation crisis affecting the Tamil Nadu economy so severely, following a period of economic boom, recession, depression and recovery a financial bubble-global in scope-has now burst understanding inflation is crucial to investing because inflation can reduce the value of investment returns. Inflation affects all aspects of the economy from consumer spending, business investment and employment rates to government programs, tax policies and interest rates. Inflation has been a critical macroeconomic problem for most states. "Inflation is welcome up to stage of full employment." so options Keynes. Rising prices promote intensive business activity and a boom condition will be created. Inflation is generally deferred as a sustained increase in the general price level. This does not suggest that all prices are increasing; some price may even be falling, the general trend must be upward. Prof. Milton Friedman once said, Inflation is always and everywhere a monetary phenomenon". In other words, Inflation in a country is always caused because the supply of money is much greater than the demand for it. However, Prof. Friedman. Later changed that to be "substantial inflation is always and every where a monetary phenomenon". Meaning that hyper inflation a monthly inflation rate of 50% or more) is caused because of too much money in the system and is usually the result of the central bank printing too much money to finance government operations.

### Affecting the Inflation of Tamil Nadu Economy

The following are the main affecting the inflation of three different sectors of Tamil Nadu economy. The important segments which affect the GDP are.

1. Investments.
2. Savings.
3. Interest rates.
4. Exchange rates.
5. Unemployment.
6. The different phases of business cycles.
7. Stocks.
8. Monetary Policies.
9. Fiscal policies.
10. Inequalities of income and wealth.

### Impact on different classes of Inflation in the Economy

Following are the Impact on different classes of Inflation in the Economy.

This type of inflation occurs when there is an excess demand force acting in the economy leading to rise in prices. If emerges when the aggregate demand exceeds the level of full employment output.



1. **Cost-Push Inflation:** Also called supply-shock inflation. An increase in generated price level due to increased costly of production in the economy.
2. **Creeping Inflation:** Creeping inflation is slow-moving and very mild. Annual rate of inflation of less than 5% in an economy.
3. **Galloping inflation:** Price level rise at a rate of 50% or 100 or 200 percent annually.
4. **Hyper inflation:** Also known as “run away or galloping inflation”. Hyper inflation is the highest degree of abnormally in the monetary system and under such conditions all assets having fixed income lose their real value.

#### **Impact of Different classes of peoples in the economy**

The following are the impact of different classes of peoples. They are as follows.

1. **Debtors and creditors:** During the inflationary period the debtors (borrowers) gain much while creditors (lenders) lose heavily (because of the decline in the value of money).
2. **Salaried class /wages Earners:** Salaried persons are faced with a loss of because their salaries don't increase at the same rate with which the prices are increasing. Wage earners are also faced with a loss because the wage rate is adjusted with the rate of Inflation. If the unions are strong they can be protected, else they have to face a tough time.
3. **Fixed Income Group:** During the inflation will be the group having fixed income. Peoples living on past savings, fixed interest, on investments, Pensioners, Salaried, class like teachers and government' Servants.
4. **Investors and share holders:** Shareholders of joint stock Companies earn good profits during inflation while those who invest in bonds, debentures, Securities, etc., earn losses.
5. **Businessmen:** Business class gains during inflation.
6. **Agriculture:** Agriculturists, both landlords and farmers, have to bear with losses, because the farmer gets fixed rents while the later get fixed wages.

#### **Significance of the Research Study**

The main intention of researcher is to study the impact of Inflation in three different sectors of the Tamil Nadu Economy. With the failure of three different sectors of Tamil Nadu every developed and under developed countries is facing a problem of global financial meltdown. The global meltdown brings an adverse affect on the Indian sectors, which Agriculture, Industry and tertiary sector. Sector.

#### **Statement of the Problem**

Tamil Nadu state is one of the states of India, Where the problem of inflation in different sectors of Tamil Nadu economy is alarming. In the last few years, Indian economy of three different sectors has made massive changes which were viewed try mix of optimum and serious concern. The optimism are continue healthy growth rates, high savings, and investment rates, increased flow of overseas direct investment, rising profitability in corporate sector, vibrant entrepreneurial class, skilled laborers, goldsmith, prefers and managerial talents and strong institutions. Serious Concerns are bleak Infar, outlook like power roads, railways, airports, shipping and communications. Third Problems were facing is lack of death in skilled and semi-skilled laborers. But due to urban migration and high cost agricultural has tended the shift from rural areas like textiles, Cement Industry, Car Industry, garments and footwear, light engineering and other traditional industries must create more employment insubstantial measures.

Leading economist and experts from to Industry to asses of the state of issues as rupee Convertibility, manufacturing competitiveness special economic zones, affirmative action. Tertiary sector address such issues as pension funds, Private equity finds, the development of corporate bonds market and micro finance.

#### **Objectives of the present research study.**

The following are the main objectives of the present research study. They are as follows.

1. To study the impact of Inflation in three different sectors of Tamil Nadu economy.
2. To identify the major challenges in three different sectors during inflationary pressures.
3. To study the impact of high inflation rate on the growth of Tamil Nadu economy.
4. To study the Co-existence of Higher un-employment and Inflation.
5. To suggest effective measures to increase market Penetration.

#### **Research Methodology**

Research Methodology means search of knowledge. The research methodology is the application of the methods of science to complex research problems in the direction and solves the impact of inflation in three different sectors of the Tamil Nadu economy, business, government and defense. The distinctive approach is to develop a scientific model of the system



incorporations measurement of factors such as chance and rise, with which to predict and compare the outcomes of suggested to remedial and Control measures. The purpose is to help management in determining its policy and actions scientifically.

### **Data Collection**

The research study was based on only Secondary data. The Secondary data already have been collected from various references which existed in Published and non-Published documents, journals articles, magazines, Phamlets, International inflation reports and world economic reports. Finally, the research Papers were Selected and reviewed in order to capture various impacts on different classes of Peoples.

### **Limitation of the Research Study**

Following major limitations were identified in the research work.

1. This research study covers only. “Impact of inflation in three different sectors of the Tamil Nadu economy, this have not used the other research paper.
2. The result of the research study was only secondary data.
3. The Secondary data was collected by Journals, articles, and magazines.
4. All reports have been used my own limitations.
5. The maximum time and effort were put for the research study.
6. The report is based on the “Impact of Inflation in three different sectors of the Tamil Nadu economy”.

### **Major Research findings**

1. Increase the price level due to increased cost of production
2. Increase the money supply and fall in commodity in this research study.
3. Degrease the money supply and more in Commodity.
4. Co-existence of higher un-employment.
5. Discourages Investment.
6. Increases cost of production.
7. It discourages export due to over-valuation of currency
8. Decline GDP rates and increases financial liabilities.
9. Decrease Consumption rate and purchasing power.
10. Negative BOP and slowdown economic growth.

### **Suggested to Remedial and Control measures**

1. Increasing the level of employment
2. Increase in percapita income which increase due household Consumption
3. Demographical changes and improvements in standard of living
4. Reduce in Inequalities of income and wealth availability
5. Changes in patterns of Consumption and availability of low-cost Consumers credit.
6. Improvements in infrastructure and enhanced availability of space.
7. Entry to sources of financing
8. Reduce the disposable income with the people
9. Removable of poor purchasing power of the people
10. Reduction of Public expenditure and surplus budgeting
11. Control of Production and Prices
12. Development of backward areas
13. Encourage in investments and savings
14. Ensure Socio-economic Justice.

### **Conclusion**

The completed research work concluded that the Impact of Inflation in three different sectors of the Indian economy with reference to Tamil Nadu economy. Inflation is getting affected not only to the Consumer but also to agriculture industries and service sectors mild inflation better but Controllable economics porter the inflation rate of 5% only, but Indian economy Prefer less them 5%. The government policies on agriculture added goes in Indian industries and service prices. Government must prefer adequate buffer stock to combat upcoming food crisis. For this they must create intake of farm products at last harvest dues the coming Rabi season of good price.



USA economy is providing us & 400 billion to farmers and this year they plan to continue with it. Same to be done in India, if agriculture. Production will be increased by 5%. Only, the GDP will be growing for 13%. Per annum (estimated).

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