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Decision-Making Dynamics Of The Reserve Bank Of India: Balancing Inflation Control And Economic Growth

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Abstract

This paper analyses the decision-making processes of the Reserve Bank of India (RBI) and its efficacy in reconciling inflation control with economic growth within the Flexible Inflation Targeting (FIT) framework. A quantitative study design was employed to gather data from 384 respondents with varied demographic and professional backgrounds, aimed at evaluating perceptions of RBI's data-driven decision-making, inflation control, and economic growth management. Reliability and validity assessments demonstrated substantial measurement robustness, and Structural Equation Modelling (SEM) was employed to examine the causal linkages among the principal variables. The findings indicate that the RBI's data-driven decision-making substantially enhances both inflation control and economic growth, with inflation control serving as a partial mediator between decision-making and growth outcomes. The paper emphasizes the essential function of evidence-based monetary governance in improving macroeconomic stability and stresses the significance of analytical policy frameworks in bolstering India's resilience amid fluctuating economic conditions.

Keywords: Reserve Bank of India (RBI), Flexible Inflation Targeting (FIT), data-driven decision-making, inflation control, and economic growth management, Monetary policy.

1 Introduction

India's economic resilience has emerged as a critical topic in dialogues concerning sustainable growth, macroeconomic stability, and the nation's capacity to endure and recuperate from external shocks (Keny et al., 2025). In recent decades, India has undergone significant economic swings, including global financial crises, the COVID-19 epidemic, and local structural changes that have challenged the resilience

of its economic system. Inflation trends and monetary policy are essential macroeconomic elements that significantly affect a nation's ability to sustain growth, uphold fiscal stability, and promote inclusive development. Comprehending the dynamics of inflation in relation to domestic and global influences, as well as the use of monetary policy as a stabilizing mechanism, is crucial for evaluating the overarching aspects of India's economic resilience.

Inflation, a persistent rise in the overall price level of goods and services, directly influences household consumption, savings, investment choices, and general economic welfare. In India, inflationary patterns have shown significant fluctuations over time, influenced by factors including oil price volatility, food supply disruptions, demand-supply imbalances, and external trade dynamics (RBI, 2023). Elevated inflation diminishes purchasing power, disproportionately impacting low-income households, whereas deflation or muted inflation may signify insufficient demand and economic stagnation. A steady inflation rate is both a macroeconomic objective and a crucial factor in ensuring social and political stability. Ongoing inflationary volatility generates market uncertainty, undermines investor confidence, and impedes economic growth by affecting interest rates and real income levels (Kumar, 2024) (Mishkin, 2007). Central banks set explicit inflation targets via inflation targeting, which they do by adjusting interest rates.

Since 2016, India has implemented a flexible inflation targeting (FIT) framework, wherein the Reserve Bank of India (RBI) seeks to sustain Consumer Price Index (CPI)-based inflation at 4%, allowing for a tolerance range of ±2% (RBI, 2016). This system has enhanced the accountability of the central bank and augmented transparency in its activities.

The RBI primarily controls inflation and economic activity through monetary policy instruments like as repo rate modifications, open market operations, and liquidity management techniques. In times of inflationary strain, the central bank constricts monetary policy to regulate excessive demand and mitigate price pressures. In contrast, during economic recessions, such as the one experienced during the COVID-19 pandemic, a supportive approach is implemented to foster growth (Goyal, A., & Agarwal, 2022). From a comprehensive macroeconomic viewpoint, economic resilience denotes a nation's capacity to withstand shocks and recover without enduring long-term adverse effects. It includes the robustness of financial institutions, the adaptability of policy frameworks, the flexibility of labour and product markets, and the existence of automatic stabilisers.

India's recent experiences with inflation and monetary policy have been notably enlightening. The post-pandemic economic recovery was marked by inflationary pressures resulting from interrupted supply chains, global commodity price increases, and a comeback in domestic demand. In 2022, retail inflation exceeded the RBI's upper tolerance limit for numerous months, mostly due to food and gasoline prices (Ministry et al., 2023). Consequently, the RBI initiated a series of monetary tightening measures, incrementally increasing the repo rate. Although these measures alleviated inflation, they also heightened apprehensions about their effects on growth and employment. Supply-side constraints, geopolitical uncertainties, and climate-related agriculture disturbances persist in influencing inflationary trends (Banerjee, R., & Bhattacharya, 2021) (Patra, M. D., Behera, H. K., & Pandey, 2022). Moreover, inflation dynamics in India are influenced by volatile food and fuel markets, fluctuations in international crude oil prices, and currency exchange variations (Balasubramanian, 2021).

Establishing monetary policy credibility in India has been a continuous endeavor, influenced by historical inflationary episodes, institutional reforms, and international standards. The stability of a nation is significantly influenced by inflation, which affects purchasing power, investment trends, and the efficacy of monetary policy. The effective execution of IT in advanced economies encounters obstacles in rising Indian markets due to structural and external economic factors (Mishra, A., & Mishra, 2020). The COVID-19 pandemic produced significant financial disruptions in India, jeopardizing the stability of its IT infrastructure (Chakraborty, L., & Patnaik, 2022). The RBI has implemented a single-instrument policy, differentiating it from its previous approach of utilizing many indicators for monetary

decisions, such as inflation rates, exchange rates, money supply, and fiscal factors (Goyal, A., & Agarwal, 2022). Although inflation targeting offers theoretical benefits, its practical effectiveness varies across developing economies due to unique structural and external vulnerabilities (Mohanty, D., & John, 2020).

This paper analyses the decision-making dynamics of the RBI, emphasizing its management of the trade-off between inflation control and economic growth under the flexible inflation targeting framework. The investigation seeks to evaluate the efficacy and constraints of India's monetary policy framework in bolstering macroeconomic resilience by examining historical trends and recent post-pandemic developments.

The remaining sections are organized as follows: Section 2 provides an overview of existing work on this study. Section3 elaborates on the research methodology. Section 4 details the data analysis and discussion also presented. In the end, Section 5 provides a conclusion.

2 Related Work

India's Flexible Inflation Targeting (FIT) regime, adopted in 2016 under the Monetary Policy Committee (MPC), necessitated a reassessment of monetary policy transmission channels. (Raghuvanshi & Ahmad, 2024) employed a multivariate model with an augmented Bayesian setup, revealing that FIT-MPC has enhanced the credit and interest rate channels, though their effect on output has diminished. Results underscored significant changes in monetary policy transmission within India.

India's inflation-targeting framework, evaluated after eight years, shows effective management by the RBI, balancing output gap responses with inflation in policy rate decisions. Key outcomes include reduced and stabilized inflation, enhanced inflation expectations, and efficient monetary policy transmission. A recommendation suggests reducing the weight of food prices in the Consumer Price Index (CPI) from 45.8% to around 40%, indicating adjustments in per capita income, with further decreases anticipated over the next decade to improve the inflation targeting regime (Eichengreen, B., & Gupta, 2024).

(Varshini B, Rakshan M, 2024) analyzed the impact of India's monetary policy on inflation and price stability. Utilizing secondary data from the IMF, RBI, and the World Bank, it applies trend analysis and statistical regression to investigate the relationship between the repo rate and inflation. The study concluded that a strong monetary policy is essential for controlling inflation, stabilizing prices, and promoting economic growth.

(Mukhopadhya, 2014) This paper explored the policy challenges faced by the RBI in achieving inflation stabilization and balanced growth, particularly heightened since the mid-2000s due to significant capital inflows and the need for financial stability. It posits that there is no straightforward policy solution applicable across varying market states, reviewing RBI's policy decisions within a disequilibrium framework influenced by credit market constraints.

India's inflation-targeting regime, characterizing the RBI as a flexible inflation targeted that does not ignore output gap changes when setting policy rates. (Eichengreen, 2021) found no increase in hawkishness post-transition to inflation-targeting; rather, adjusted policy rates decreased. It concluded that inflation-targeting central banks could respond more effectively to the crisis due to better-anchored inflation expectations, providing greater policy flexibility.

The inflationary dynamics in the Indian economy post-COVID-19 and the monetary tightening by the RBI. (Shrivastav et al., 2025) examined the inflation's causes, including expanded monetary aggregates and fiscal imbalances, and evaluates the RBI's policy tools aimed at balancing price stability with economic growth. The effects of monetary contraction on credit, consumption, and financial markets

are discussed, highlighting the need for structural reforms and coordinated monetary-fiscal policies for effective inflation control in emerging economies.

Using a four-decade dataset from advanced economies, recent study demonstrated that the inflationary effects of fiscal deficits depend critically on the prevailing fiscal-monetary policy regime (Banerjee, 2022). In a fiscal dominance scenario, heightened deficits lead to a significantly larger inflation response up to five times more than in a monetary dominance regime. This scenario also increases future inflation rate variability and the probability of high inflation. The research indicated that the high inflation seen in many countries during the post- Covid-19 recovery is more closely associated with fiscal dominance than with monetary dominance.

India's adoption of the Flexible Inflation Targeting (FIT) regime in 2016, under the Monetary Policy Committee (MPC), necessitated a reassessment of monetary policy transmission channels (Raghuvanshi & Ahmad, 2024). The overall findings underscored a significant transformation in monetary policy transmission in India.

Decision-making dynamics of the Reserve Bank of India, emphasizing its management of the trade-off between inflation control and economic growth under the flexible inflation targeting framework. (Balakrishnan & Parameswaran, 2025) seeks to evaluate the efficacy and constraints of India's monetary policy framework in bolstering macroeconomic resilience through the analysis of historical trends and recent post-pandemic developments.

This study analyzes macroeconomic variables affecting inflation in India from 1981 to 2021 using the Autoregressive Distributive Lag (ARDL) model (Das et al., 2024). Results indicated significant effects of money supply and oil prices on inflation, while GDP growth generally has a negative impact on inflation. The findings suggest that policymakers should focus on flexible monetary policies, exchange rate management, and reducing import dependency to stabilize inflation and promote economic growth.

RBI's communication techniques forward guidance also receive significant attention. Studies showed that inflation projections and policy signals shape market expectations and influence professional forecasters (Ahmed et al., 2022) (Parab, 2021) (Kishor, 2023). Research additionally highlights that RBI formulates and enforces a monetary policy defined by clear goals and tools, with the repo rate as a key mechanism for managing liquidity. By adjusting the repo rate, the RBI aims to stabilize the economy, combat inflation, and influence investment activities. In economic downturns, lowering the repo rate encourages banks to decrease interest rates on loans to the public (Kesireddy & Prasad, 2023). (Alex, 2025) revealed that before inflation targeting (IT), contractionary policy minimally affected inflation and presented a price puzzle, while the IT period demonstrated improved transmission and stronger policy influence on inflation, with the puzzle resolved. However, effects diminished during COVID-19. Additionally, monetary policy had a greater impact on the output gap and exchange rate before IT, with reduced effects in the IT and COVID-19 periods, indicating IT's effectiveness but limitations during the pandemic.

2.1 Research Gap

Although the existing studies provides valuable insights into India's Flexible Inflation Targeting (FIT) regime encompassing transmission channels, inflation dynamics, fiscal- monetary interactions, and RBI communication there exists a notable deficiency in comprehending how these components collectively influence the RBI's real-time decision- making trade-off between inflation control and economic growth. Most studies examine specific components in isolation, with insufficient attention to how structural developments, such as post-pandemic supply shocks, changing fiscal pressures, and alterations in CPI composition, concurrently affect policy decisions. Moreover, scant research investigates how the RBI modifies its reaction function during moments of increased uncertainty or how its balancing approach has developed over time within the FIT framework. A thorough, cohesive evaluation of the RBI's decision-making processes is essential to elucidate how it balances conflicting macroeconomic goals in a

swiftly evolving economic landscape.

To address this research gap and carry out the study, the following specific objectives have been considered. The precise objectives are as follows:

2.2 Objective of the study

1. To investigate the decision-making methods utilized by the RBI

2.2.1 Hypothesis

- H1: RBI's data-driven decision-making methods have a significant positive impact on inflation control.
- H2: RBI's data-driven decision-making methods have a significant positive impact on economic growth management.
- H3: Inflation control mediates the relationship between RBI's decision-making methods and economic growth.

3 Research Methodology

3.1 Research Design

The study employed a quantitative research design, to examine the influence of RBI data- driven decision-making methods on inflation control and economic growth management. A structured approach was used to systematically collect and analyse data from representative sample of 384 respondents across diverse demographic groups, ensuring statistical reliability and validity. Data collection was conducted using a standardized questionnaire that includes Likert-scale items measured key dimensions such as RBI's data-driven decision-making, Inflation control, Economic growth management. The dataset was analysed using SPSS (Statistical Package for the Social Sciences) to conduct descriptive statistics, factor loadings, reliability analysis, and validity testing through Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE). AMOS (Analysis of Moment Structures) was employed for structural equation modelling (SEM) to analyse the interrelationships among the principal variables and to evaluate the provided hypotheses. This design ensures a rigorous assessment of the causal pathways and the mediating role of inflation control in the RBI's policy effectiveness.

3.2 Conceptual frame work

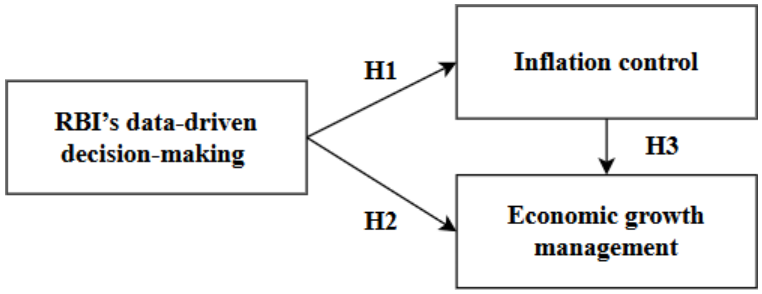


Figure 1 Conceptual frame work

3.3 Sample selection and Data collection

The study sample consisted of 384 respondents to evaluate perceptions regarding the RBI's data-driven decision-making, inflation control, and economic growth management. A stratified sample method was employed to the inclusion of individuals from diverse demographic and professional backgrounds, including private sector employee, government employees, banking and finance professionals, and self-employed individuals. Data were collected using a structured questionnaire designed to measure 3 core constructs of the study: RBI's data-driven decision-making, Inflation control, Economic growth management. Primary data were gathered using Likert-scale items administrated through online platforms, including Google Forms and WhatsApp. To enhance the precision and context of the findings, informal discussions with individuals knowledgeable about monetary policy and secondary data from the RBI and government economic reports were also examined. This unified data collection method guaranteed a thorough and relevant dataset for further analysis.

3.4 Measures

Data has been gathered with the help of a structured questionnaire. Questionnaire has been prepared using 5 Likert-scale (Strongly disagree to Strongly agree) where respondents will be asked to share their opinions regarding various research questions under study. Questionnaire has a set of both open ended and closed ended questions. Questions have been carefully crafted so as to gather meaningful information with respect to identified research variables. The details of the variables and the corresponding measurement items used for the analysis are presented below.

Variables

- RBI's data-driven decision-making
- Inflation control
- Economic growth management

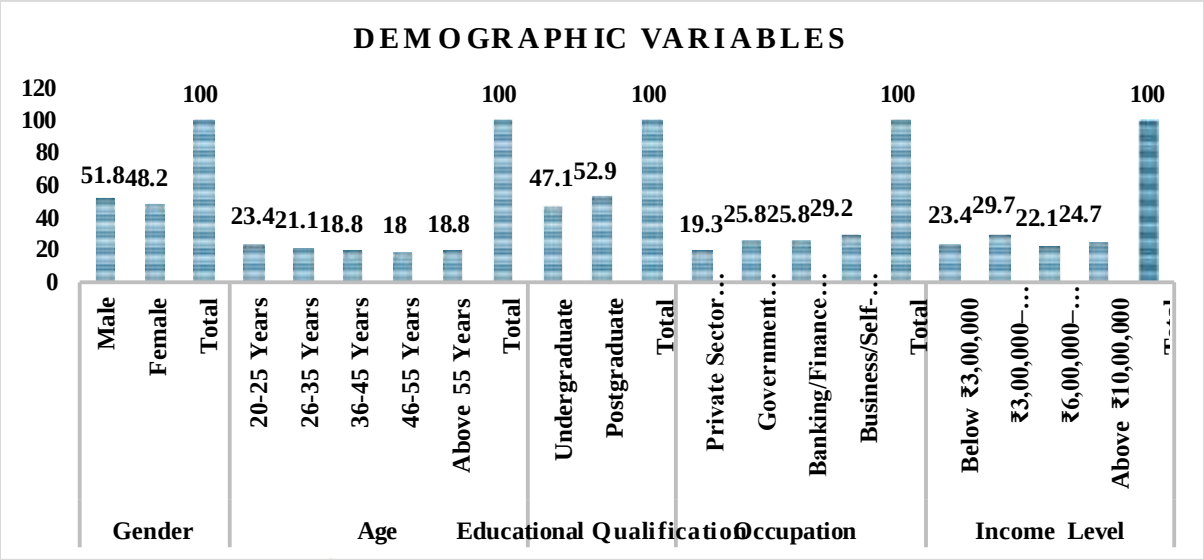
4 Results

This section outlines the outcomes of the statistical analyses performed to investigate the correlations between RBI's data-driven decision-making, inflation regulation, and economic growth management. The report encompasses the demographic attributes of respondents, evaluations of the reliability and validity of measuring constructs, descriptive statistics, and the results of hypothesis testing utilizing SEM. The results furnish empirical data that corroborates the study's proposed framework and elucidate the direct and indirect effects among the principal variables.

Demographic variables

Table 1 Demographic variables

		Frequency	Percentage
Gender	Male	199	51.8
	Female	185	48.2
	Total	384	100
Age	20-25 Years	90	23.4
	26-35 Years	81	21.1
	36-45 Years	72	18.8
	46-55 Years	69	18
	Above 55 Years	72	18.8
	Total	384	100
Educational Qualification	Undergraduate	181	47.1
	Postgraduate	203	52.9
	Total	384	100
Occupation	Private Sector Employee	74	19.3
	Government Employee	99	25.8
	Banking/Finance Professional	99	25.8
	Business/Self-Employed	112	29.2
	Total	384	100
Income Level	Below ₹3,00,000	90	23.4
	₹3,00,000–₹6,00,000	114	29.7
	₹6,00,000–₹10,00,000	85	22.1
	Above ₹10,00,000	95	24.7
	Total	384	100



The demographic profile of the respondents indicates a balanced distribution across gender, age, education, occupation, and income categories. The study had 384 individuals, consisting of 199 males (51.8%) and 185 females (48.2%), demonstrating nearly equal gender representation. The average age was 20–25 years (23.4%), succeeded by 26–35 years (21.1%),

36–45 years (18.8%), 46–55 years (18%), and over 55 years (18.8%), indicating a fair distribution across various age categories. Educational qualifications reveal that 181 respondents (47.1%) were undergraduates, whereas 203 respondents (52.9%) were postgraduates, indicating a relatively well-educated population. The respondents comprised private sector employees (19.3%), government employees (25.8%), banking and finance professionals (25.8%), and business/self-employed individuals (29.2%), indicating a commendable range in professional backgrounds. The income distribution indicates that 23.4% earned below ₹3,00,000, 29.7% earned between ₹3,00,000 and ₹6,00,000, 22.1% earned between ₹6,00,000 and ₹10,00,000, and 24.7% earned above ₹10,00,000, reflecting a diverse spectrum of economic statuses within the sample. The demographic statistics indicate a varied and representative group of respondents appropriate for analysing perceptions on RBI's decision-making, inflation control, and economic growth management.

Validity and Reliability

Table 2 Validity and Reliability

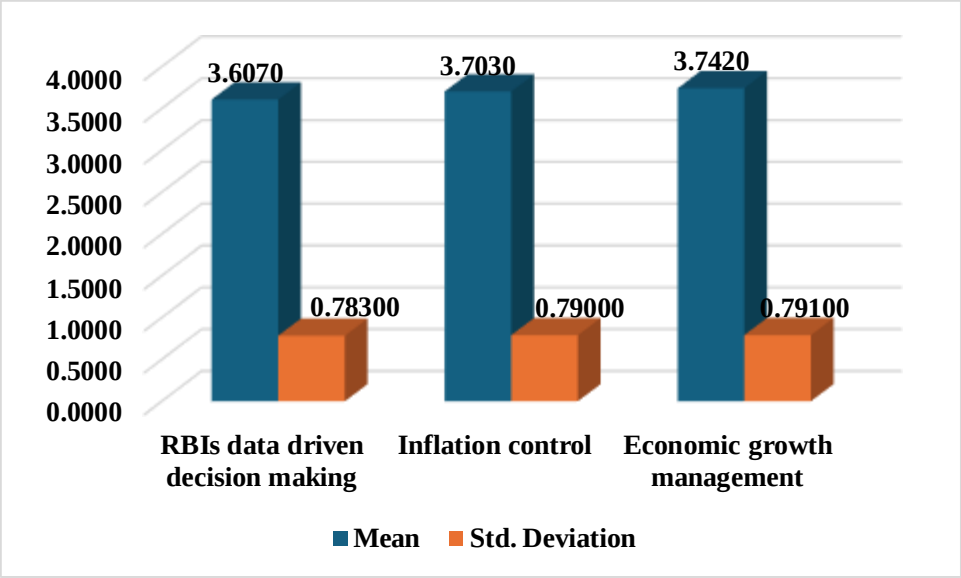
Variables	Cronbach's Alpha	Composite Reliability	AVE

RBIs data driven decision making	0.879	0.836	0.699
Inflation control	0.897	0.84	0.709
Economic growth management	0.892	0.836	0.698

The analysis of reliability and validity for the study constructs demonstrates robust measurement consistency and construct validity. The Cronbach's Alpha values for all variables RBI's data-driven decision-making (0.879), inflation control (0.897), and economic growth management (0.892) are above the widely accepted threshold of 0.7, indicating substantial internal consistency. The Composite Reliability (CR) values, which range from 0.836 to 0.84, further validate the reliability of the constructs. The Average Variance Extracted (AVE) values for RBI-DDM (0.699), inflation control (0.709), and economic growth management (0.698) above the 0.5 threshold, showing adequate convergent validity. The results indicate that the measurement model is reliable and valid, assuring that the constructs effectively represent the required theoretical concepts for SEM analysis.

Table 3 Mean, St. Deviation

Constructs	**Mean**	**Std. Deviation**
RBIs data driven decision making	3.6073	0.78334
Inflation control	3.7031	0.79001
Economic growth management	3.7427	0.7163



The descriptive statistics for the study constructs reveal that respondents mainly agreed with the statements pertaining to the RBI's data-driven decision-making, inflation regulation, and economic growth management. The average ratings for RBI's data-driven decision-making (3.61), inflation control (3.70), and economic growth management (3.74) indicate a modestly elevated perception of these variables among the participants. The standard deviations, between
0.78 and 0.79, signify a modest degree of diversity in responses, indicating that although most respondents had similar perspectives, some variations in perceptions occurred. These results indicate a favourable evaluation of the RBI's decision-making processes and their effects on inflation and economic growth.

Hypothesis Implementation

H1: RBI's data-driven decision-making methods have a significant positive impact on inflation control.

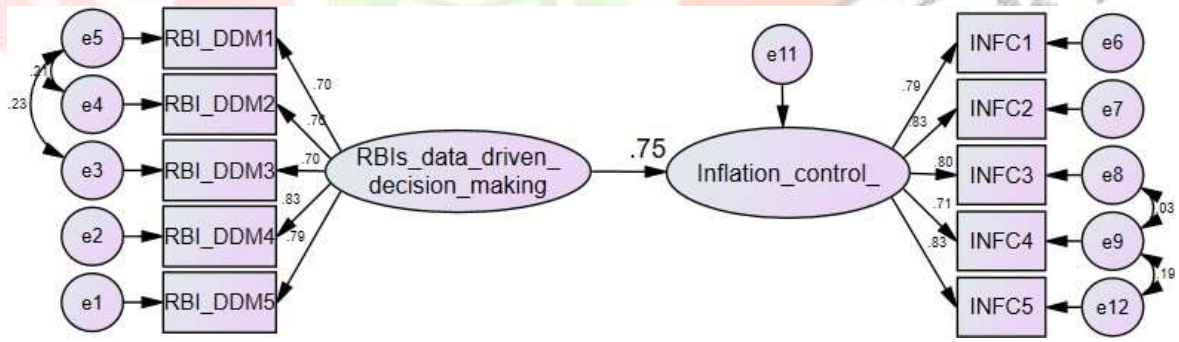


Table 4 Regression Weights: (Group number 1 - Default model)

Path			Standard Estimate	S.E.	C.R.	P
Inflation control	<---	RBIs data driven decision making	0.746	0.059	12.359	***

The H1 results show that RBI's data-driven decision-making strategies significantly improve inflation control. The standardised path coefficient of 0.746 indicates a strong positive correlation, signifying that enhancements in RBI's decision-making methods correlate with improved inflation management. The critical ratio (C.R.) value of 12.359, much beyond the normal threshold of 1.96, signifies that the association is statistically significant. The p-value is given as highly significant (***), confirming the strength of the effect. These results support H1, indicating that effective, data-driven policy-making by the RBI is significantly associated with enhanced inflation control.

Table 5 Model fit Summery

CMIN	DF	CMIN/DF	GFI	NFI	RFI	IFI	CFI	RMR	RMSEA
58.726	30	1.958	.969	.975	.962	.987	.987	.024	.050

The model fit indices suggest that the structural equation model shows an excellent fit with the observed data. The CMIN/DF value of 1.958 is beneath the advised threshold of 3, indicating an acceptable degree of divergence between the model and the data. The Goodness of Fit Index (GFI = 0.969), Normed Fit Index (NFI = 0.975), Relative Fit Index (RFI = 0.962), Incremental Fit Index (IFI = 0.987), and Comparative Fit Index (CFI = 0.987) all surpass the suggested threshold of 0.90, signifying an exceptional fit. The Root Mean Square Residual (RMR = 0.024) and the Root Mean Square Error of Approximation (RMSEA = 0.050) are also within acceptable thresholds, thereby reinforcing the model's adequacy. Collectively, these indices indicate that the proposed SEM model accurately reflects the linkages among RBI's data-driven decision-making, inflation control, and economic growth management.

H2: RBI's data-driven decision-making methods have a significant positive impact on economic growth management.

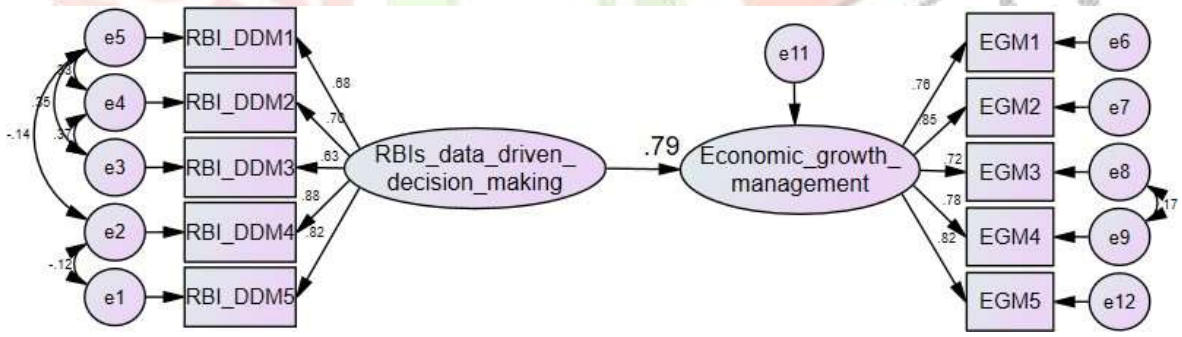


Table 6 Regression Weights: (Group number 1 - Default model)

Path			Standard Estimate	S.E.	C.R.	P
Economic growth management	<---	RBIs data driven decision making	0.791	0.061	11.804	***

The results for H2 show that RBI's data-driven decision-making strategies significantly enhance economic growth management. The standardised path coefficient of 0.791 indicates a strong positive correlation, signifying that enhanced and systematic decision-making by the RBI is closely related to higher economic growth results. The critical ratio (C.R.) of 11.804, exceeding the normal threshold of 1.96, validates the

statistical significance of this association. The p-value is exceedingly significant (***), underscoring the strength of the effect. These findings corroborate H2, showing that RBI's informed and data-driven decisions are crucial in promoting sustainable economic growth.

Table 7 Model fit Summery

CMIN	DF	CMIN/DF	GFI	NFI	RFI	IFI	CFI	RMR	RMSEA
70.976	28	2.535	.966	.970	.951	.982	.981	.023	.063

The model fit indices suggest that the structural equation model shows a satisfactory fit with the observed data. The CMIN/DF value of 2.535 is beneath the suggested threshold of 3, indicating a satisfactory agreement between the proposed model and the data. The Goodness of Fit Index (GFI = 0.966), Normed Fit Index (NFI = 0.970), Relative Fit Index (RFI = 0.951), Incremental Fit Index (IFI = 0.982), and Comparative Fit Index (CFI = 0.981) all exceed the minimum recommended threshold of 0.90, signifying a strong overall fit. Moreover, the Root Mean Square Residual (RMR = 0.023) and Root Mean Square Error of Approximation (RMSEA = 0.063) are within acceptable limits, so reinforcing the model's adequacy. These indices indicate that the SEM model accurately reflects the relationships among RBI's data- driven decision-making, inflation control, and economic growth management.

H3: Inflation control mediates the relationship between RBI's decision-making methods and economic growth.

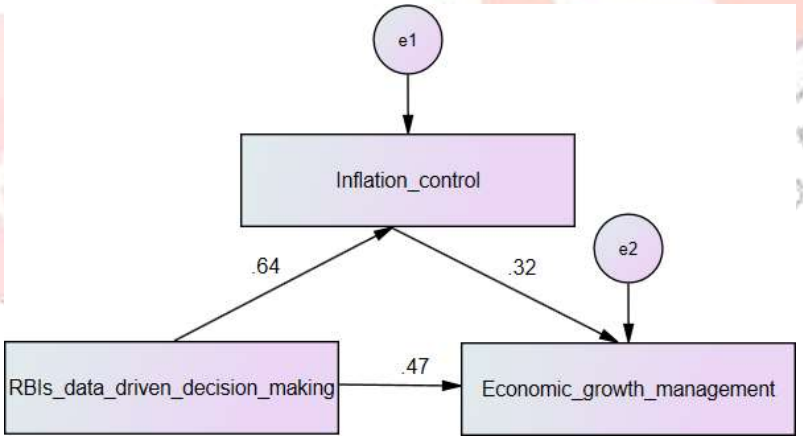


Table 8 Regression Weights: (Group number 1 - Default model)

Path			Standard Estimate	S.E.	C.R.	P
Inflation control	<---	RBIs data driven decision making	0.639	0.04	16.246	***
Economic growth management	<---	Inflation control	0.316	0.047	6.81	***
Economic growth management	<---	RBIs data driven decision making	0.470	0.047	10.104	***

The results for H3 indicate that inflation control partially mediates the association between RBI's data-driven decision-making techniques and the management of economic growth. The standardised path coefficient from RBI's decision-making to inflation control (0.639) is positive and highly significant (C.R. = 16.246, $p < 0.001$), indicating that good decision-making substantially enhances inflation control. The relationship between inflation control and economic growth management (0.316) is positive and substantial (C.R. = 6.81, $p < 0.001$), suggesting that effective inflation management fosters economic growth. The direct impact of the RBI's decision-making on economic growth management (0.470) is substantial (C.R. = 10.104, $p < 0.001$), indicating partial mediation. These findings substantiate H3, showing that inflation control serves as an important strategy by which the RBI's educated decision-making positively impacts economic growth while also having a direct effect.

Table 9 Standardized Indirect Effects (Group number 1 - Default model)

	RBIs data driven decision making	Inflation control
Inflation control	0	0
Economic growth management	0.202	0

The standardised indirect effect of 0.202 indicates that a segment of the RBI's influence on economic growth occurs indirectly through its capacity to regulate inflation. This indicates that when the RBI employs effective, data-driven decision-making techniques, it enhances inflation stability, hence positively impacting economic development. While the direct relationship remains, this indirect effect confirms that inflation control serves as a significant mediating factor, supporting the idea that stable price conditions enhance the influence of RBI's policy actions on overall economic development outcomes.

4.1 Discussion

The study's findings highlight the important significance of the Reserve Bank of India's data- driven decision-making in influencing essential macroeconomic outcomes, including inflation regulation and economic growth management. The results consistently indicate that respondents see the RBI's analytical and evidence-based policy framework favourably, showing trust in the institution's capacity to comprehend economic signals and respond effectively. The results of structural equation modelling further underscore the pivotal role of data-driven decisions in shaping macroeconomic stability. The robust correlations identified among decision-making, inflation management, and growth results reinforce the established perspective that the calibre of policy development profoundly influences India's economic path.

The mediating effect of inflation control provides a more profound understanding of the transmission process linking decision-making and economic growth. It indicates that significant decisions made by the RBI affect growth not just directly but also indirectly by fostering a stable price environment. This stability fosters investment, bolsters consumer confidence, and facilitates long-term growth. The favourable perceptions indicated in the descriptive data enhance the structural results, demonstrating that stakeholders recognise the RBI's adaptive strategy in addressing modern economic difficulties. The study's findings are consistent with macroeconomic theory, indicating that central bank policies are most effective when based on precise data, prompt economic evaluations, and an in-depth understanding of inflation-growth trade-offs. These results emphasise the significance of contemporary monetary governance and underscore the RBI's persistent function as a stabilising entity despite fluctuating economic conditions.

5 Conclusion

The study concludes that the Reserve Bank of India's data-driven decision-making methodology is crucial for maintaining economic stability through effective inflation management and the promotion of sustainable economic growth. Data from the structural model indicates that informed and analytical decision-making processes markedly improve the RBI's capacity to uphold price stability, a primary responsibility of the organisation. Effective inflation management is demonstrated to be both a result of decision-making and a mechanism that fosters a favourable economic environment for long-term growth. The mediating function of inflation control highlights the interrelatedness of monetary policies and macroeconomic results. By stabilising prices, the RBI indirectly fortifies the essential underpinnings for investment, productivity, and market confidence. This underscores that inflation management is not simply a policy objective but an essential avenue for facilitating growth-oriented results. The research demonstrates that decision-making directly affects economic growth, emphasising the complex effects of monetary interventions. The findings indicate that the RBI's present strategy rooted on data analytics, economic forecasting, and ongoing oversight improves its mandate more efficiently than previously, particularly in a context characterised by uncertainty and global interdependence. As India's economy progresses, the significance of systematic, evidence-driven decision-making will persistently grow. The study finds that the RBI's decision-making processes are crucial for balancing inflation objectives with growth ambitions, and that ongoing investment in data systems, analytical tools, and policy innovation will enhance its capacity to manage intricate economic environments in the future.

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