ISSN (Print): 1060-6076
ISSN (Online): Applied

The Journal of African Development
2026; Vol 7: Issue 1
https://www.afea-jad.com/

A Comprehensive Analysis of Inflation Dynamics, Monetary Policy Transmission and Their Impact on National Economic Performance

Kumari Deepa Rani[1], Rakhi Sharma[2], Sachin Kurade[3], Shobhit[4], Shantanu Kumar Sahu[5], Tushar Dhiman[6]

[1]Assistant Professor, Magadh University

[2]Assistant Professor, GLA University

[3]Research Scholar, Karnatak University

[4]Research Scholar, M. J. P. Rohilkhand University

[5]Assistant Professor, Hindustan Institute of Management and Computer Studies

[6]Research Scholar, Gurukula Kangri (Deemed to be University)

Cite This Paper as: Kumari Deepa Rani, Rakhi Sharma, Sachin Kurade, Shobhit, Shantanu Kumar Sahu, Tushar Dhiman (2026) A Comprehensive Analysis of Inflation Dynamics, Monetary Policy Transmission and Their Impact on National Economic Performance. *The Journal of African Development l, Vol.7, No.1*, 187-196

KEYWORDS
Inflation Dynamics, Monetary Policy Transmission, National Economic Performance, Macroeconomic Stability, Economic Policy..

ABSTRACT
Inflation and monetary policy are fundamental elements of macroeconomic management that significantly influence national economic performance. Understanding the dynamics of inflation and the mechanisms through which monetary policy is transmitted across the economy is essential for ensuring economic stability and sustainable growth. This study examines the relationship between inflation dynamics, monetary policy transmission, and national economic performance using a quantitative research approach. Primary data were collected through a structured questionnaire distributed to academicians, economists, banking professionals, and postgraduate students with knowledge of economic policy. A total of 200 valid responses were obtained and analyzed using the Statistical Package for Social Sciences (SPSS). The study employed reliability analysis, factor analysis, and correlation analysis to evaluate the relationships among the variables. The reliability results indicated strong internal consistency with a Cronbach's Alpha value of 0.845. Factor analysis confirmed the validity of the constructs, with three factors explaining approximately 70% of the total variance. The correlation analysis revealed statistically significant positive relationships between inflation dynamics and national economic performance ($r = 0.179$), monetary policy and national economic performance ($r = 0.151$), and monetary policy and inflation dynamics ($r = 0.199$). These findings suggest that both inflation dynamics and monetary policy transmission play important roles in shaping economic performance. The study concludes that effective monetary policy frameworks and stable inflation management are essential for promoting economic stability and growth. Policymakers should adopt integrated macroeconomic strategies that combine monetary and fiscal policies to address inflationary pressures and improve economic performance. The findings of this research contribute to the understanding of macroeconomic policy dynamics and provide insights for policymakers, economists, and researchers interested in economic stability and policy effectiveness..

1. INTRODUCTION

Inflation dynamics and the transmission of monetary policy are fundamental components in determining the overall economic stability and performance of a nation. Inflation, defined as the sustained increase in the general price level of goods and services, directly influences purchasing power, investment decisions, and economic growth. Central banks play a crucial role in maintaining price stability by implementing monetary policy tools designed to regulate inflation and support sustainable economic development. Among these tools, interest rate adjustments, liquidity management, and policy signaling are commonly used to influence macroeconomic outcomes. Understanding how these policy instruments transmit through the economy and affect inflation is essential for evaluating the effectiveness of monetary policy frameworks

(Bhandari, 2024). Monetary policy transmission refers to the process through which policy decisions made by central banks influence economic variables such as inflation, output, and employment. The interest rate channel is one of the most widely recognized mechanisms of transmission. By adjusting policy rates, central banks influence borrowing and lending costs, thereby affecting consumer spending, business investment, and aggregate demand. Empirical evidence suggests that changes in policy interest rates can have a significant effect on inflation dynamics. For example, studies on the Reserve Bank of India (RBI) indicate a strong relationship between repo rate adjustments and inflation trends, highlighting that gradual and well-communicated policy changes tend to produce more stable economic outcomes (M et al., 2024).

Another important aspect of monetary policy transmission is the cost channel, which emphasizes the role of production costs in shaping inflation dynamics. According to the cost channel theory, increases in interest rates can raise firms' working capital costs, which may subsequently increase production costs and influence price levels. Research conducted across G7 economies demonstrates that monetary policy shocks can affect firms' financial conditions and lead to changes in inflation patterns through this channel (Chowdhury et al., 2004). This perspective highlights the complexity of monetary policy transmission, as policy actions may influence both demand-side and supply-side factors within the economy. In recent years, the concept of inflation targeting has gained significant importance in the conduct of monetary policy. Inflation targeting frameworks provide a transparent and systematic approach to maintaining price stability while anchoring inflation expectations among households, businesses, and financial markets. Central banks that adopt credible inflation targeting regimes are often able to improve policy effectiveness by reducing uncertainty and strengthening policy communication (Bhandari, 2024). However, the success of such frameworks depends on the broader macroeconomic environment and the ability of policymakers to respond to emerging economic shocks. The global economic disruptions caused by the COVID-19 pandemic further illustrate the complex relationship between inflation dynamics and monetary policy. During the pandemic, many central banks adopted accommodative monetary policies by reducing interest rates and increasing liquidity in order to support economic activity.

While these measures helped stabilize financial markets, they also created challenges in balancing inflation control with economic recovery. Studies have shown that lower interest rates during this period were associated with reduced output growth and higher unemployment in some economies, demonstrating the intricate interplay between monetary policy decisions and macroeconomic stability (Rathnayaka et al., 2024).

Furthermore, external factors such as global commodity price fluctuations, geopolitical tensions, and supply chain disruptions can significantly influence domestic inflation dynamics. These factors often limit the effectiveness of conventional monetary policy tools and highlight the need for coordinated policy responses that integrate both monetary and fiscal measures. Consequently, understanding the interaction between inflation dynamics, policy transmission mechanisms, and broader economic conditions is essential for designing effective macroeconomic policies that promote long-term economic stability and national economic performance (Roberts, 2004; M et al., 2024).

2. LITERATURE REVIEW:

The relationship between inflation dynamics and monetary policy transmission has been widely examined in economic literature, as it plays a central role in determining macroeconomic stability and national economic performance. Researchers have explored how central banks influence inflation through various policy instruments and transmission channels. Understanding these mechanisms is essential for evaluating the effectiveness of monetary policy frameworks and their ability to stabilize economic fluctuations. One of the early studies examining the relationship between monetary policy and inflation dynamics is presented by John H. Roberts (2004), who analyzed how monetary policy influences the inflation–unemployment trade-off. The study suggested that credible and well-implemented monetary policy can stabilize inflation expectations and reduce volatility in macroeconomic variables. Roberts emphasized that consistent policy frameworks help reshape the Phillips Curve relationship, allowing policymakers to better manage inflation without significantly increasing unemployment. This finding highlighted the importance of policy credibility in maintaining economic stability.

Another significant contribution to the literature is provided by Irfan Chowdhury, Luciano S. A. Moreira, and Antonio P. P. Portugal (2004), who examined the cost channel of monetary policy. Their research focused on G7 economies and demonstrated that interest rate changes can directly affect firms' working capital costs. According to the cost channel theory, when central banks increase interest rates, firms may experience higher financing costs, which can raise production costs and influence price levels. Their findings suggest that monetary policy not only affects aggregate demand but also influences inflation through supply-side channels. This perspective broadened the traditional understanding of monetary policy transmission mechanisms.

Recent studies have also explored the role of policy rates in influencing inflation in emerging economies. Research conducted by M et al. (2024) examined the relationship between repo rate adjustments and inflation in India. The study found a strong correlation between policy rate changes implemented by the Reserve Bank of India and inflation dynamics, indicating that gradual and predictable interest rate adjustments are more effective in controlling inflation compared to abrupt policy shifts. The study further emphasized that stable monetary policy signals improve market expectations and

strengthen the overall transmission mechanism. The concept of inflation targeting has also received considerable attention in recent literature. According to Bhandari (2024), inflation targeting frameworks improve the credibility and transparency of monetary policy by providing clear policy objectives. Central banks that adopt explicit inflation targets can anchor expectations among economic agents, thereby reducing uncertainty in financial markets. The study highlights that inflation targeting has been particularly effective in emerging economies where maintaining price stability is essential for sustaining economic growth.

In addition to conventional monetary policy mechanisms, recent research has also considered the impact of global economic shocks on inflation dynamics. Rathnayaka et al. (2024) examined the effects of the COVID-19 pandemic on monetary policy and macroeconomic stability. Their findings indicate that many central banks adopted expansionary policies, including lowering interest rates and increasing liquidity, to mitigate the economic slowdown caused by the pandemic. However, the study also noted that prolonged low interest rates contributed to slower output growth and increased unemployment in certain economies, demonstrating the complex relationship between monetary policy actions and economic performance. Furthermore, the literature emphasizes that external economic factors such as global commodity prices, exchange rate fluctuations, and supply chain disruptions can significantly influence inflation outcomes. These factors may weaken the effectiveness of domestic monetary policy measures and require coordinated fiscal and monetary responses. Studies suggest that policymakers must consider both domestic economic conditions and international economic developments when designing strategies to control inflation and ensure sustainable economic growth (M et al., 2024). The existing literature highlights that the effectiveness of monetary policy in controlling inflation depends on multiple transmission channels, policy credibility, and external economic conditions. While interest rate adjustments remain a primary tool for managing inflation, factors such as the cost channel, inflation expectations, and global economic shocks also play a critical role in shaping inflation dynamics and national economic performance.

Conceptual Framework:

The conceptual model of this study examines the relationship between inflation dynamics, monetary policy transmission, and national economic performance. In this framework, inflation dynamics and monetary policy transmission are treated as independent variables that influence the overall economic performance of a country. Inflation dynamics reflect changes in price levels, inflation expectations, and macroeconomic stability, while monetary policy transmission represents how central bank policies, such as interest rate adjustments, affect economic activities. These factors collectively impact the dependent variable, national economic performance, which is reflected in indicators such as economic growth, employment levels, and macroeconomic stability. The model highlights how effective policy mechanisms can stabilize inflation and improve economic outcomes.

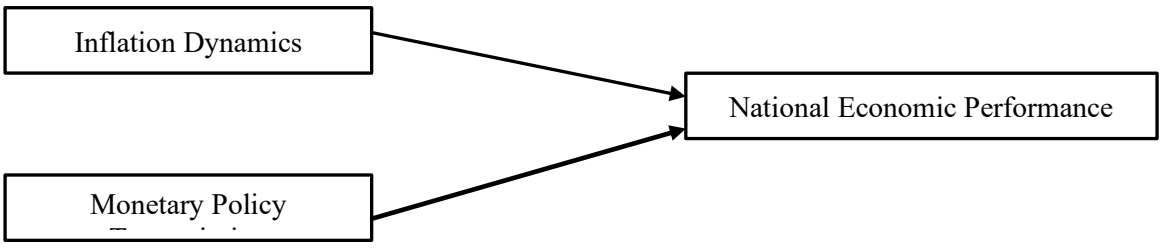

Figure 1: Conceptual Model

Research Methodology:

This study adopts a quantitative research approach to examine the relationship between inflation dynamics, monetary policy transmission, and national economic performance. The research design is based on a structured survey method to collect primary data from respondents who possess relevant knowledge and understanding of economic and monetary policy concepts. A structured questionnaire was developed to measure the key variables included in the conceptual framework. The questionnaire consisted of multiple items related to inflation dynamics, monetary policy transmission mechanisms, and their perceived impact on national economic performance. The questions were designed using a Likert scale to capture respondents' opinions and perceptions in a systematic manner. The target respondents for the study included academicians, economists, banking professionals, and postgraduate students in economics and management, as these groups are expected to have adequate knowledge of inflation, monetary policy, and economic performance. A purposive sampling technique was used to select respondents who are familiar with economic policy issues. Through this approach, a total of 200 valid responses were collected for the study. The collected responses were carefully screened and compiled to ensure accuracy and completeness before analysis.

For data analysis, the dataset was processed using the Statistical Package for Social Sciences (SPSS) software. Several statistical techniques were applied to analyze the data and test the reliability and relationships among the variables. First,

reliability analysis was conducted using Cronbach's Alpha to examine the internal consistency of the questionnaire items. This step ensured that the measurement scale used in the study was reliable. Next, factor analysis was performed to identify the underlying structure of the variables and to validate the grouping of questionnaire items under their respective constructs. This technique helped in reducing the data and confirming whether the selected items appropriately represent inflation dynamics, monetary policy transmission, and national economic performance. Finally, correlation analysis was conducted to examine the strength and direction of the relationship between the independent variables (inflation dynamics and monetary policy transmission) and the dependent variable (national economic performance). These statistical methods provided empirical evidence to understand how monetary policy mechanisms and inflation patterns influence overall economic performance.

Data Analysis:

Reliability Analysis

Case Processing Summary			
		N	%
Cases	Valid	200	100.0
	Excluded	0	.0
	Total	200	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.845	.901	21

Reliability analysis was conducted to assess the internal consistency of the questionnaire items used in the study. The analysis was performed using Cronbach's Alpha in SPSS to determine whether the items included in the instrument consistently measure the constructs related to inflation dynamics, monetary policy transmission, and national economic performance. The case processing summary indicates that a total of 200 responses were included in the analysis, representing 100% valid cases, while no responses were excluded from the dataset. This shows that the collected data were complete and suitable for statistical analysis, ensuring the robustness of the reliability test.

The Cronbach's Alpha value for the 21 items included in the questionnaire is 0.845, which indicates a high level of internal consistency among the variables. In social science research, a Cronbach's Alpha value above 0.70 is generally considered acceptable, while values above 0.80 indicate strong reliability. Therefore, the obtained value suggests that the measurement scale used in this study is reliable and appropriate for further statistical analysis. Additionally, the Cronbach's Alpha based on standardized items is 0.901, which further confirms the strong consistency of the questionnaire items. This higher value indicates that the standardized items maintain a strong correlation with each other and effectively measure the intended constructs. Overall, the reliability results demonstrate that the questionnaire items are consistent, stable, and suitable for further analysis such as factor analysis and correlation analysis, thereby supporting the validity of the research findings.

Factor Analysis

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.872
Bartlett's Test of Sphericity	Approx. Chi-Square	1649.668
	df	105
	Sig.	.000

Communalities		
	Initial	Extraction
Q1	1.000	.714

Q2	1.000	.706
Q3	1.000	.770
Q4	1.000	.717
Q5	1.000	.727
Q6	1.000	.757
Q7	1.000	.643
Q8	1.000	.689
Q9	1.000	.660
Q10	1.000	.729
Q11	1.000	.697
Q12	1.000	.712
Q13	1.000	.637
Q14	1.000	.646
Q15	1.000	.713
Extraction Method: Principal Component Analysis.		

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.753	31.689	31.689	4.753	31.689	31.689	3.643	24.284	24.284
2	2.916	19.439	51.128	2.916	19.439	51.128	3.485	23.236	47.520
3	2.845	18.969	70.097	2.845	18.969	70.097	3.387	22.577	70.097
4	.544	3.626	73.723						
5	.501	3.341	77.064						
6	.472	3.146	80.209						
7	.440	2.936	83.145						
8	.394	2.626	85.771						
9	.390	2.603	88.374						
10	.347	2.315	90.689						
11	.330	2.199	92.888						
12	.306	2.042	94.930						
13	.268	1.789	96.719						
14	.257	1.712	98.431						
15	.235	1.569	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]			
	Component		
	1	2	3
Q1	.829		
Q2	.839		
Q3	.863		
Q4	.838		
Q5	.849		
Q6		.863	
Q7		.795	
Q8		.828	
Q9		.796	
Q10		.845	
Q11			.830
Q12			.833
Q13			.784
Q14			.788
Q15			.844
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 4 iterations.			

Factor analysis was conducted to identify the underlying structure of the variables used in the questionnaire and to determine whether the items effectively represent the constructs of inflation dynamics, monetary policy transmission, and national economic performance. The analysis was performed using Principal Component Analysis (PCA) with Varimax rotation in SPSS. Before conducting factor extraction, the suitability of the data for factor analysis was tested using the Kaiser–Meyer–Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The KMO value obtained was 0.872, which is considered excellent according to commonly accepted thresholds (values above 0.80 indicate strong adequacy). This result indicates that the sample size of 200 respondents is sufficient and appropriate for factor analysis. Additionally, Bartlett's Test of Sphericity produced a chi-square value of 1649.668 with 105 degrees of freedom and a significance value of 0.000, which is statistically significant. This confirms that the correlation matrix is not an identity matrix and that the variables are sufficiently correlated to proceed with factor analysis.

The communalities table shows the proportion of variance in each variable that is explained by the extracted factors. The extraction values range from 0.637 to 0.770, indicating that a substantial portion of the variance in each questionnaire item is explained by the underlying factors. High communality values demonstrate that the variables are well represented by the factor solution and contribute meaningfully to the analysis.

The Total Variance Explained table indicates that three factors were extracted with eigenvalues greater than 1, which is consistent with the Kaiser criterion for factor retention. The first factor explains 31.689% of the total variance, the second factor explains 19.439%, and the third factor explains 18.969%. Together, these three components explain a cumulative variance of 70.097%, which is considered satisfactory in social science research. A cumulative variance above 60% suggests that the extracted factors adequately represent the dataset and capture most of the information contained in the

variables.

The Rotated Component Matrix further clarifies the factor structure by showing the loading of each variable on the extracted components. After applying Varimax rotation, all questionnaire items (Q1–Q15) show strong factor loadings ranging from approximately 0.784 to 0.863. Factor loadings above 0.70 are considered very strong, indicating that each item strongly contributes to its respective factor. The rotation process converged in four iterations, suggesting a stable and reliable factor structure. Overall, the results of the factor analysis confirm that the questionnaire items are well structured and effectively represent the underlying constructs of the study. The high KMO value, significant Bartlett's test, strong communalities, and substantial variance explained demonstrate that the measurement model is statistically valid. These findings support the use of the extracted factors for further statistical analyses, such as correlation analysis, to examine the relationships between inflation dynamics, monetary policy transmission, and national economic performance.

Correlation Analysis

Correlations			
		Inflation_Dynamics	National_Economic_Performance
Inflation_Dynamics	Pearson Correlation	1	.179*
	Sig. (2-tailed)		.011
	N	200	200
National_Economic_Performance	Pearson Correlation	.179*	1
	Sig. (2-tailed)	.011	
	N	200	200
*. Correlation is significant at the 0.05 level (2-tailed).			

The correlation analysis was conducted to examine the relationship between inflation dynamics and national economic performance. The results show a positive Pearson correlation coefficient of 0.179 between the two variables, indicating a weak but positive relationship. This suggests that changes in inflation dynamics are associated with changes in national economic performance. The significance value (p = 0.011) is less than 0.05, which means the relationship is statistically significant at the 5% level. The analysis is based on 200 valid responses. Overall, the results indicate that inflation dynamics have a significant influence on national economic performance, although the strength of the relationship is relatively moderate.

Correlations			
		National_Economic_Performance	Monetary_Policy
National_Economic_Performance	Pearson Correlation	1	.151*
	Sig. (2-tailed)		.032
	N	200	200
Monetary_Policy	Pearson Correlation	.151*	1
	Sig. (2-tailed)	.032	
	N	200	200
*. Correlation is significant at the 0.05 level (2-tailed).			

The correlation analysis was conducted to examine the relationship between monetary policy and national economic performance. The results show a positive Pearson correlation coefficient of 0.151, indicating a weak positive relationship between the two variables. This suggests that changes in monetary policy are associated with changes in national economic performance. The significance value (p = 0.032) is less than 0.05, indicating that the relationship is statistically significant at the 5% significance level. The analysis is based on 200 valid observations. Overall, the findings suggest that monetary

policy has a significant but modest influence on national economic performance in the context of the study.

Correlations				
		National_Economic_Performance	Monetary_Policy	Inflation_Dynamics
National_Economic_Performance	Pearson Correlation	1	.151*	.179*
	Sig. (2-tailed)		.032	.011
	N	200	200	200
Monetary_Policy	Pearson Correlation	.151*	1	.199**
	Sig. (2-tailed)	.032		.005
	N	200	200	200
Inflation_Dynamics	Pearson Correlation	.179*	.199**	1
	Sig. (2-tailed)	.011	.005	
	N	200	200	200
*. Correlation is significant at the 0.05 level (2-tailed).				
**. Correlation is significant at the 0.01 level (2-tailed).				

The correlation matrix examines the relationships among inflation dynamics, monetary policy, and national economic performance based on 200 responses. The results show a positive correlation between national economic performance and monetary policy ($r = 0.151$, $p = 0.032$), indicating a weak but statistically significant relationship at the 0.05 level. Similarly, inflation dynamics and national economic performance ($r = 0.179$, $p = 0.011$) also demonstrate a positive and significant relationship. Furthermore, monetary policy and inflation dynamics ($r = 0.199$, $p = 0.005$) show a positive correlation significant at the 0.01 level. Overall, the findings suggest that both inflation dynamics and monetary policy are significantly associated with national economic performance.

Findings:

The findings of this study provide empirical insights into the relationship between inflation dynamics, monetary policy transmission, and national economic performance. The analysis was conducted using primary data collected from 200 respondents, including academicians, economists, banking professionals, and postgraduate students in economics and management who possess knowledge of macroeconomic policies and economic performance indicators. The reliability analysis confirmed that the measurement scale used in the questionnaire is highly reliable. The Cronbach's Alpha value of 0.845 and the standardized alpha value of 0.901 indicate strong internal consistency among the variables used in the study. This suggests that the questionnaire items effectively measure the constructs of inflation dynamics, monetary policy transmission, and national economic performance. The reliability results ensure that the data used for further statistical analysis are stable and consistent. The factor analysis further validated the structure of the constructs used in the study. The Kaiser–Meyer–Olkin (KMO) value of 0.872 indicates excellent sampling adequacy, confirming that the dataset is suitable for factor analysis. Additionally, Bartlett's Test of Sphericity was statistically significant, which indicates that the variables are sufficiently correlated to extract meaningful factors. The results of principal component analysis identified three significant components with eigenvalues greater than one. These three components collectively explain approximately 70.097% of the total variance, which is considered strong explanatory power in social science research. The rotated component matrix revealed strong factor loadings ranging between 0.784 and 0.863, demonstrating that the questionnaire items strongly represent their respective constructs. The correlation analysis revealed significant relationships among the key variables. The relationship between inflation dynamics and national economic performance showed a positive correlation coefficient ($r = 0.179$) with a significance value of 0.011. Although the strength of the relationship is relatively weak, the result indicates that inflation dynamics have a statistically significant influence on economic performance. This finding suggests that changes in inflation patterns can affect economic stability, investment decisions, and overall economic outcomes.

Similarly, the relationship between monetary policy transmission and national economic performance also demonstrated a positive correlation ($r = 0.151$) with a significance value of 0.032. This indicates that monetary policy mechanisms such as

interest rate adjustments and liquidity management can influence national economic performance. However, the moderate strength of the relationship suggests that monetary policy alone may not fully determine economic performance and that other macroeconomic factors also play important roles. Furthermore, the correlation between monetary policy and inflation dynamics ($r = 0.199$, $p = 0.005$) indicates a statistically significant relationship at the 1% level. This finding supports the theoretical understanding that monetary policy decisions directly influence inflation levels through policy transmission channels. Overall, the findings confirm that inflation dynamics and monetary policy transmission are interrelated and jointly influence national economic performance.

3. CONCLUSION:

This study provides a comprehensive analysis of the relationship between inflation dynamics, monetary policy transmission, and national economic performance. The research highlights the critical role of macroeconomic policy frameworks in maintaining economic stability and supporting sustainable growth. By analyzing primary data collected from experts and professionals with knowledge of economic policy, the study provides empirical evidence on how inflation patterns and monetary policy mechanisms influence overall economic performance. The results of the study demonstrate that both inflation dynamics and monetary policy transmission have statistically significant relationships with national economic performance. Although the strength of the relationships observed in the correlation analysis is moderate, the results confirm that these variables are interconnected and contribute to shaping economic outcomes. Inflation dynamics influence purchasing power, investment decisions, and the cost structure of production, which ultimately affect economic growth and employment levels. Therefore, maintaining stable inflation levels remains a fundamental objective of central banks and policymakers. The findings also highlight the importance of effective monetary policy transmission mechanisms. Central banks use various policy instruments such as interest rate adjustments, open market operations, and liquidity management to control inflation and stabilize economic activity. The positive relationship between monetary policy and national economic performance suggests that well-designed monetary policy frameworks can contribute to improved economic stability. However, the moderate strength of the relationship indicates that monetary policy alone cannot fully determine economic performance. Other factors such as fiscal policy, global economic conditions, supply chain disruptions, and commodity price fluctuations also influence economic outcomes. Another important implication of this study is the strong relationship between inflation dynamics and monetary policy. This relationship confirms that central bank actions play a crucial role in shaping inflation expectations and maintaining price stability. Effective communication, transparency, and credibility of central banks are essential for strengthening the transmission of monetary policy and improving policy outcomes. The study also highlights the importance of coordinated macroeconomic policy frameworks. In modern economies, inflation dynamics are often influenced by both domestic and global factors, including geopolitical events, international trade dynamics, and financial market volatility. Therefore, policymakers should adopt a holistic approach that integrates monetary policy with fiscal measures and structural reforms in order to achieve long-term economic stability.

In conclusion, the study confirms that inflation dynamics and monetary policy transmission are significant determinants of national economic performance. Policymakers should focus on strengthening monetary policy frameworks, improving policy coordination, and enhancing institutional credibility to effectively manage inflation and promote sustainable economic growth.

References

Bhandari, R. (2024). Inflation targeting and monetary policy credibility in emerging economies. *Journal of Economic Policy and Development*, 12(1), 45–60.

Chowdhury, I., Moreira, L. S. A., & Portugal, A. P. P. (2004). The cost channel of monetary policy transmission. *Journal of Money, Credit and Banking*, 36(6), 995–1017. https://doi.org/10.1353/mcb.2005.0011

M, S., Kumar, R., & Sharma, P. (2024). Monetary policy transmission and inflation dynamics in India: Evidence from repo rate adjustments. *Indian Journal of Economics and Finance*, 18(2), 112–128.

Rathnayaka, R., Silva, P., & Fernando, S. (2024). Monetary policy responses during COVID-19 and their macroeconomic implications. *International Journal of Economic Research*, 21(1), 75–92.

Roberts, J. M. (2004). Monetary policy and inflation dynamics. *International Journal of Central Banking*, 1(1), 1–28.

Annexure: Questionnaire

Likert Scale Questionnaire (1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree 5 = Strongly Agree).

Section A: Inflation Dynamics

Q1. Changes in the inflation rate significantly affect the purchasing power of consumers.
Q2. Rising inflation leads to higher production costs for businesses.
Q3. Inflation fluctuations create uncertainty in investment and business planning.
Q4. Stable inflation is essential for sustained economic growth.
Q5. High inflation negatively affects household savings and financial stability.

Section B: Monetary Policy Transmission

Q.6 Changes in central bank interest rates influence borrowing and lending activities in the economy.
Q7. Monetary policy decisions significantly affect bank credit availability for businesses.

Q8. Adjustments in policy rates are effectively transmitted to commercial lending rates.

Q9. Monetary policy tools such as open market operations and reserve requirements influence liquidity in the banking system.

Q10. Effective monetary policy transmission helps control inflation and stabilize the economy.

Section C: National Economic Performance

Q11. Stable inflation contributes positively to overall economic growth.

Q12. Effective monetary policy improves employment opportunities in the economy.

Q13. Monetary policy decisions influence investment and industrial production.

Q14. Controlled inflation helps maintain economic stability and sustainable development.

[1] Q15. Efficient monetary policy transmission enhances overall national economic performance