

Chapter 1

Central Banks' Policy Objective: Overcoming Obstacles and Creating a Prospective Environment for Economic Growth

Dharmesh Dhabliya

 <https://orcid.org/0000-0002-6340-2993>

*Vishwakarma Institute of Information
Technology, India*

Ankur Gupta

 <https://orcid.org/0000-0002-4651-5830>

Vaish College of Engineering, India

Sukhvinder Singh Dari

 <https://orcid.org/0000-0002-6218-6600>

Symbiosis International University, India

Ritika Dhabliya

Yashika Journal Publications Pvt. Ltd., India

Anishkumar Dhabliya

Altimetrik India Pvt. Ltd., India

Nitin N. Sakhare

 <https://orcid.org/0000-0002-1748-799X>

*BRACT'S Vishwakarma Institute of Information
Technology, India*

Sabyasachi Pramanik

 <https://orcid.org/0000-0002-9431-8751>

Haldia Institute of Technology, India

ABSTRACT

By using instruments like monetary policy, guarantees of financial stability, and regulatory frameworks, central banks play a crucial role in shaping a country's economic trajectory. This study examines the strategic vision of central banks and how their functions have changed throughout time. It explores the complex issues they deal with as well as their function in promoting economic growth and balance. The chapter explores how central bank tactics are affected by advances in technology and the increasing interconnection of economies. These elements highlight how vital it is that these organisations foster flexibility and welcome new ideas. In order to promote resilience and sustained growth, central banks must carefully adjust their policies as the economy changes. This study basically emphasises how important it is for central banks to have a strategic vision in order to take advantage of opportunities, deal with obstacles, and steer the economy towards prosperity in the face of a constantly shifting global environment.

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1. INTRODUCTION

The functions and responsibilities of central banks, which have long been seen as the cornerstones of economic stability and prosperity, have changed significantly throughout time. These modifications contain significantly wider duties that include maintaining financial stability, supervising regulatory frameworks, and handling crises, in addition to its customary concentration on monetary policy. This change is a reflection of how complicated the world economy is becoming and how difficult it is for central banks to develop and carry out a complete strategic plan that would guarantee resilience, stability, and steady economic development.

This study aims to explore the complex and dynamic functions of central banks and provide insights into the strategic vision that guides their actions. We want to learn more about how these institutions have changed throughout time and how important they are to preserving economic equilibrium and advancing society.

The management of currency rates, keeping up with the fast improvements in technology, and navigating the more linked global economy are just a few of the issues that central banks face (Chakraborty & Ghosh, 2015). Central banks need to react quickly and creatively to new developments and disruptions in the financial system in this dynamic environment (Pani, 2019; Deo & Sivakumar, 2018). Their strategic vision has to be precisely tuned to meet these obstacles and seize chances for financial gain.

There has never been a greater need for central banks to innovate and adapt. This essay emphasises how crucial a central bank's strategic vision is to maintaining economic development and stability in a world that is always changing. Our investigation will cover subjects like exchange rate exposure (Arif, 2017; Bhargava & Pandey, 2018), the dynamics of monetary policy (Goyal, 2006; Rao, 2019), and the effects of technological advancements (Jain & Biswal, 2019; Shareef & Shijin, 2017), utilising a variety of empirical studies and research findings.

Our study will provide a thorough grasp of how central banks may operate in the modern financial environment, overcoming obstacles and taking advantage of possibilities to support the economic growth of their country. The understanding that central banks' strategic vision is essential to determining the future economic landscape and guaranteeing that countries prosper in the face of economic complexity and uncertainty serves as the foundation for this study (Kumar, 2018; Behera et al., 2008).

2. LITERATURE REVIEW

This thorough assessment of the literature explores a wide range of research on the tactics, functions, and effects of central banks on the world economy. In particular, in rising economies like India, where harmonising exchange rates, capital flows, and monetary policy is complicated, researchers and policymakers are constantly examining the difficulties and complexity central banks confront in balancing the impossible trinity (Sengupta, 2016). To protect national economies, central banks, like Indonesia's, have extended and changed their functions with an emphasis on financial stability (Kuncoro, Widodo, & McLeod, 2009). Research such as Padhan's (2008), which examines the processes via which monetary policy is transmitted, emphasises how crucial it is to comprehend the link between official and unofficial interest rates in India, given their crucial significance in the nation's economy. According to Ghosh and Sagar's (2017) analysis, technological developments and increased global connectivity have made developing markets more complex, requiring central banks to take into account the consequences of

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