

Abstracts

Rbi Occasional Papers* Summer 2000

The Reserve Bank of India Occasional Papers is a tri-annual periodical which contains contribution by the professional staff of the Bank on a wide range of topics such as agriculture, industry, banking, monetary policy, international trade and finance. The latest issue of “Occasional papers” is Summer 2000 and an abstract of each of the articles in this issue is given below:

Financial Stability: A Survey of the Indian Experience

Michael Debabrata Patra and Sunando Roy

Drawing from recent experiences in India and abroad, the paper assesses the Indian approach to reinforcing financial stability. In the context of macroeconomic, macro-and micro-prudential policies undertaken in India, the paper empirically evaluates the responses of various constituents of the banking system and finds differential responses.

Stock Returns and Volatility in India: An Empirical Puzzle ?

Sitikantha Pattanaik and Bhaskar Chatterjee

The behaviour of equity premiums in India shows that long term investors do get compensated for the systematic risk they bear by holding equities. In the short to medium run, however, both the direct and the indirect test suggested by French, Schewart and Stambaugh (1987) fail to establish the expected risk-return relationship for Indian equities. Dominance of short horizon players in the market and the associated avoidable volatility in the equity market obscures the implications of monetary policy for the equity cost of capital in India.

Short Term Interest Rate and Real Economic Activity

Sarat Chandra Dhal

This paper examines the impact of short term interest rate on real activity in India using monthly data over the period 1961-2000. Using rolling regression technique monetary impulses transmitted through interest rate effects are compared with policy changes effected through liquidity effects. The empirical evidence points out that interest rate has emerged as a significant factor for explaining the variation in real activity in the 1990s. The empirical results have important implications for monetary policy, particularly with respect to the interest rate channel of monetary transmission.

* For subscription details, please see the list of publications at the end of this issue.