

Abstracts**RBI OCCASIONAL PAPERS***
MARCH 1998

The Reserve Bank of India Occasional Papers is a quarterly journal 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 March 1998 and an abstract of each of the articles in this issue is given below:

**Measures for Financial Services : A Review with
Special Reference to Banking in India****Achintya Kumar Srimany and Kaushik Bhattacharya**

The paper provides a critical survey of the method of estimation of nominal and real output of the financial sector, with special reference to banking in India. The paper discusses some common approaches of measurement of real output of the banking sector. It shows that in the Indian context, direct application of these approaches would not be meaningful because

of certain peculiarities of the banking sector in India. The paper suggests some modifications of the existing techniques. It compares the empirical performance of the proposed indicators vis-a-vis the traditional ones used in the national accounts statistics. The possibility of constructing more broad-based indices for banking services is also discussed.

Ricardian Equivalence and Consumption in India**Charan Singh**

Public debt has been an important source of mobilising financial resources for economic

development in India. The implications of the rising domestic debt are varied on the macro

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economic aggregates. The rising domestic debt can affect the consumption pattern, interest rates, price level and growth in the economy. In India, these issues have assumed paramount importance in the recent years. In this article, the implications of domestic debt for consumption are analysed. The concept of Ricardian Equivalence is theoretically discussed followed by a discussion on the consumption functions. The model developed

in the paper decomposes domestic debt into anticipated and unanticipated components and uses the Permanent Income-Life Cycle hypothesis to test the impact of domestic debt on consumption. On the basis of empirical results for the period 1971-95 it is concluded that given the appropriate specification of the consumption function the consumers do not exhibit Ricardian Equivalence behaviour.

Sustainability of Central Government Debt

J.K. Khundrakpam

This paper attempts to evaluate the fiscal outcomes under alternative assumptions of money and output growth. The exercise indicates that if the Ninth Plan target of 7.0 per cent growth in GDP is achieved and the rate of growth of aggregate monetary resources is restricted to 16.0 per cent, the fiscal situation

would improve significantly from that of the Eighth Plan. The paper notes that if either growth falters or to maintain the growth rate if the real interest rate is contained through further monetary expansion, the fiscal scenario in both events would worsen significantly.