Abstracts

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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 June 1998 and an abstract of each of the articles in this issue is given below:

Identification of Monetary Policy Shock and its Effects on Output and Price : A Structural VAR Approach

A. K. Srimany and G. P. Samanta

This paper analyses the dynamics of monetary policy shocks and their impact on output and prices in the post reform period of the Indian economy. The study adopts the Structural VAR Framework of Bernanke (1986) type. The results confirm the impact of monetary policy on both prices and output. An attempt has been made to identify the nature of monetary policy shocks and draw a judgement regarding whether the policy was "tight" or "easy" during the various phases of the sample period.

Excess Returns, Risk-Premia and Efficiency of the Foreign Exchange Market : Indian Experience in the Post Liberalisation Period

Himanshu Joshi and Mridul Saggar

This paper tests the market efficiency hypothesis for Indian foreign exchange market by estimating spot and forward Indian rupee-US Dollar exchange rate regressions. It also

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presents a dynamic model of the spot and forward exchange rates as a vector ARMA process. The sample and model-generated moments are analysed to obtain information on the behaviour of spot and forward exchange rates, including that of their transitory and permanent components. Empirical evidence suggests that : (i) the Indian foreign exchange market is not efficient, (ii) forward premiums are persistent, and (iii) the volatility of expected depreciation is larger than implied excess returns. The empirical evidence also points out that the permanent or fundamental component of the exchange rate predominates in determining its variations. This evidence implies that the stability of exchange rate in the Indian economy depends on the fundamentals.