



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279

Date : 05 Feb 2009

RBI releases Summer 2008 Issue of its Occasional Papers

The Reserve Bank of India today released the [Summer 2008](#) issue of its Reserve Bank of India Occasional Papers, which is a research journal of the Reserve Bank and contains contributions of the Bank's staff and reflects the views of the authors. This issue is woven around some important themes which are at the forefront of policy discussion. It contains articles, special notes and book reviews.

The first paper titled '[Can an Intertemporal Model Explain India's Current Account Balance?](#)' by Shri J. K. Khundrakpam and Dr. Rajiv Ranjan analyses the behavior of India's current account balance based on time series data on private consumption for the period 1950-51 to 2005-06. The paper observes that the current account balance which was intertemporally insolvent during the pre-reform period has turned solvent during the post-reform period. This is primarily a reflection of the developments that have taken place during the post-reform period, when restrictions on capital flows have been significantly liberalised. The paper provides evidence of asymmetry between capital flows, which is on expected lines as restrictions on capital outflows from India have been more than those on inflows to India. The paper finds that the optimal current account balance has been larger than the actual current account balance. This is intuitively appealing as there were severe foreign exchange restrictions in the pre-reform period which restricted the smoothing of private consumption up to the optimal level. The paper further concludes that with further liberalisation of capital flows, both inflows and outflows, it would be possible for agents to further smoothen their consumption to desired optimal level, allowing scope for higher current account deficit to attain potentially higher growth.

The second paper titled '[Determinants of WADR for Commercial Paper: An Empirical Analysis for India](#)' by Dr. Saurabh Ghosh and Narayan Chandra Pradhan uses monthly real and financial sector variables over the last five years (April 2002 to September 2007) to analyse the major determinants of the Weighted Average Discount Rate (WADR) in the Commercial Paper (CP) market of India. The empirical results indicate that there have been increases in the "average monthly issuances of CP", the WADR and "volatility of WADR" over the years. The factors that significantly explain movements in WADR are observed to be the call rate, cut-off yield of 364-day T-bills, incremental bank credit and the issue amount.

In the section on [special notes](#), a paper entitled 'Public Private Partnership in Indian Infrastructure Development: Issues and Options' by L. Lakshmanan attempts to provide an analytical abstract of sector-wise infrastructure developments in the country and the status of private participation and the PPP in building such public infrastructure. This paper raises some specific concerns in the power, transportation, telecom, petroleum, and urban infrastructure sectors and put forth suggestive measures to enhance the private participation. This paper also identifies some generic issues such as inadequate transparency of procedures, inappropriate risk allocation, improper project appraisal, cost and time overruns, overlapping of regulatory independence, dearth of good governance, etc., which need attention to attract private investors to participate in the public infrastructure building.

The paper titled '[Capital Adequacy in Indian Agriculture: A Riposte](#)' by Ramesh Golait and S. M. Lokare examines the role of capital formation in acting as a binding constraint and impinging on the growth of Indian agriculture. It needs to be emphasised that investment is most important single factor in the growth process and agricultural public investment in less-favored areas not only offers the largest poverty reduction per unit of spending but also leads to the highest economic returns. The paper thus, calls for step up in domestic investment in agriculture sector as it can provide a much needed structural break and lift the Indian agriculture from the world of stagnation, notwithstanding the fact that incremental capital output ratio (ICOR) in agriculture sector continues to be high. The paper concluded that there is a need to modernise the agriculture sector through conscious investments and bring down the ICOR and thereby allow the agriculture sector to perform well like the industrial sector. Investment in agriculture, the prime mover needs to be accelerated to achieve the desired level of growth of over 4 per cent per annum as envisaged by the XIth Five Year Plan. More importantly, this investment needs to be appropriately structured, timed and well implemented to have the maximum impact.

Alpana Killawala
Chief General Manager