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Today, the Reserve Bank of India releases [Volume 41, No.2, 2020 of its Occasional Papers](#), a research journal containing contributions from its staff. This issue contains four articles and two book reviews.

Articles:

1. [Macroeconomic Implications of Bank Capital Regulations](#)

Ranajoy Guha Neogi and Harendra Behera examine the role of regulatory bank capital in influencing credit flows and GDP growth. They find that higher capital tends to lower risk premium and overall cost of liabilities of banks, which in turn helps augment credit growth. Regulatory capital to risk weighted assets ratio (CRAR) is also found to work like a macro-prudential tool as a higher CRAR triggers loan portfolio reallocation in banks away from unsecured high-risk loan towards secured and low risk loans.

2. [Education Loan NPAs in Tamil Nadu: Issues and Challenges](#)

In this article, Shromona Ganguly and Deepa S. Raj study the determinants of default in education loans in Tamil Nadu. They use account level data of over two lakh borrowers from two public sector banks and one private sector bank in an attempt to identify significant predictors of default. Empirical analysis suggests that loan accounts with higher interest rate and of lower duration have higher default probability while loans extended to accounts with Aadhar information, collateral backing or some subsidy element have a lower risk of default.

3. [An Alternative Measure of Economic Slack to Forecast Core Inflation](#)

Saurabh Sharma and Ipsita Padhi propose an alternative indicator of economic slack using a variety of high frequency indicators. The authors find that the estimated index captures macroeconomic demand conditions efficiently and is also available at a higher frequency as compared to other conventional measures, which are generally calculated by applying statistical filters on the GDP data. In terms of forecasting performance, the estimated index emerges as a better predictor of core inflation than other measures.

4. [Long Run Saving - Investment Relationship in India](#)

Bichitrananda Seth, Kunal Priyadarshi and Avdhesh Kumar Shukla revisit the Feldstein-Horioka Puzzle, *i.e.* close association between domestic savings and investment rates notwithstanding growing openness to cross-border capital flows, which is still observed to hold across advanced economies and emerging markets. The study finds that the association between saving and investment rate weakened after 1991 in India following reforms but has strengthened since the global financial crisis of 2007-08. This may suggest a reduced contribution of foreign inflows in financing investment activity after the global financial crisis. Empirical results of the study indicate that in the event of short-run deviations from the steady-state relationship between domestic savings and investment, the equilibrium is restored in about two years.

Book Reviews:

This issue of the RBI Occasional Papers also contains two book reviews:

1. Rasmi Ranjan Behera reviews the book "[Firefighting: The Financial Crisis and its Lessons](#)" written by Ben S. Bernanke, Timothy F. Geithner and Henry M. Paulson, Jr. The book provides an excellent narration of the 2008 global financial crisis and the way it was managed. The authors warn on the certainty of financial crises occurring in the future and offer advice to prepare better by providing stronger emergency time policy tools to the regulators.

2. Priyanka Upreti reviews the book "[Agricultural Growth and Rural Poverty Reduction in India](#)" written by Seema Bathla, Pramod Kumar Joshi and Anjani Kumar. The book has measured the relationship between public and private investment in agriculture and assessed the impact on farm productivity, income and poverty alleviation.