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RESERVE BANK OF INDIA

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**RBI Working Paper No.03/2021:  
Monetary Policy Transparency and Anchoring  
of Inflation Expectations in India**

Today the Reserve Bank of India placed on its website a Working Paper titled "[Monetary Policy Transparency and Anchoring of Inflation Expectations in India](#)" under the Reserve Bank of India Working Paper Series.\* The Paper is authored by G.P. Samanta and Shweta Kumari.

This paper constructs an index of monetary policy transparency for India and examines the role of transparency in anchoring inflation expectations. Empirical results show that the degree of policy transparency has indeed increased substantially since the adoption of Flexible Inflation Targeting (FIT) in 2016. Further, empirical evidence suggests that inflation expectations of professional forecasters and households were anchored, in weak-form, in the post-FIT period, though households' expectations did not necessarily lie within the inflation tolerance band. During the transition period (between the self-imposed disinflationary glide-path since 2014 and adoption of the FIT), both realised inflation and expectations followed a declining path, which resulted in a positive association between them. During the pre-transition period, when explicit inflation target was absent, expectations were also reasonably anchored, *albeit*, at a higher level.

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**(Yogesh Dayal)**  
Chief General Manager

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\* The Reserve Bank of India introduced the RBI Working Papers Series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should consider its provisional character.