



ISSN 2349-638X

REVIEWED INTERNATIONAL JOURNAL

**AAYUSHI
INTERNATIONAL
INTERDISCIPLINARY
RESEARCH JOURNAL
(AIIRJ)**

MONTHLY PUBLISH JOURNAL

VOL-II

ISSUE-XI

NOV.

2015

Address

- Vikram Nagar, Boudhi Chouk, Latur.
- Tq. Latur, Dis. Latur 413512
- (+91) 9922455749, (+91) 9158387437

Email

- editor@aiirjournal.com
- aiirjpramod@gmail.com

Website

- www.aiirjournal.com

CHIEF EDITOR – PRAMOD PRAKASHRAO TANDALE

India's Monetary Policy And Its Effects: An Introduction

T. Radha Krishna

Lecturer in Commerce

Dr. V.S. Krishna Govt. Degree College

Maddilapalem, Vishakhapatnam A.P. 530022

Abstract

Monetary policy is the management of money supply and interest rates by central banks to influence prices and employment. Monetary policy works through expansion or contraction of investment and consumption expenditure. Monetary policy is the process by which the government, central bank (RBI in India), or monetary authority of a country controls (i) the supply of money (ii) availability of money (iii) cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy.

Monetary theory provides insight into how to craft optimal monetary policy. Monetary policy is referred to as either being an expansionary policy, or a contractionary policy, where an expansionary policy increases the total supply of money in the economy, and a contractionary policy decreases the total money supply. Expansionary policy is traditionally used to combat unemployment in a recession by lowering interest rates, while contractionary policy involves raising interest rates in order to combat inflation. Monetary policy is contrasted with fiscal policy, which refers to government borrowing, spending and taxation.

The paper discusses the need, introduce, objectives, types, tools functions and finally challenges before monetary policy in India.

Introduction

Monetary policy is the management of money supply and interest rates by central banks to influence prices and employment. Monetary policy works through expansion or contraction of investment and consumption expenditure. Monetary policy is the process by which the government, central bank (RBI in India), or monetary authority of a country controls (i) the supply of money (ii) availability of money (iii) cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy.

Monetary theory provides insight into how to craft optimal monetary policy. Monetary policy is referred to as either being an expansionary policy, or a contractionary policy, where an expansionary policy increases the total supply of money in the economy, and a contractionary policy decreases the total money supply. Expansionary policy is traditionally used to combat unemployment in a recession by lowering interest rates, while contractionary policy involves raising interest rates in order to combat inflation. Monetary policy is contrasted with fiscal policy, which refers to government borrowing, spending and taxation

Why It Is Needed?

What monetary policy – at its best – can deliver is low and stable inflation, and thereby reduces the volatility of the business cycle. When inflationary pressures build up, it is monetary policy only which raises the short-term interest rate (the policy rate), which raises real rates across the economy and squeezes consumption and investment. The pain is not concentrated at a few points, as is the case with government interventions in commodity markets. Monetary policy in India underwent significant changes in the 1990s as the Indian Economy became increasing open and financial sector reforms were put in place. In the 1980s, monetary policy was geared towards controlling the quantum, cost and directions of credit flow in the economy. The quantity variables dominated as the transmission Channel of monetary policy. Reforms during the 1990s enhanced the sensitivity of price signals from the central bank, making interest rates the increasingly Dominant transmission channel of monetary policy in India.

When Were Monetary Policies Introduced?

Monetary policy is primarily associated with interest rate and credit. For many centuries there were only two forms of monetary policy:

- (i) Decisions about coinage
- (ii) Decisions to print paper money to create credit.

Interest rates, while now thought of as part of monetary authority, were not generally coordinated with the other forms of monetary policy during this time. Monetary policy was seen as an executive decision, and was generally in the hands of the authority with seigniorage, or the power to coin. With the advent of larger trading networks came the ability to set the price between gold and silver, and the price of the local currency to foreign currencies. This official price could be enforced by law, even if it varied from the market price. With the creation of the Bank of England in 1694, which acquired the responsibility to print notes and back them with gold, the idea of monetary policy as independent of executive action began to be established. The goal of monetary policy was to maintain the value of the coinage, print notes which would trade at par to specie, and prevent coins from leaving circulation. The establishment of central banks by industrializing nations was associated then with the desire to maintain the nation's peg to the gold standard, and to trade in a narrow band with other gold-backed currencies. To accomplish this end, central banks as part of the gold standard began setting the interest rates that they charged, both their own borrowers, and other banks who required liquidity. The maintenance of a gold standard required almost monthly adjustments of interest rates. During the 1870-1920 period the industrialized nations set up central banking systems, with one of the last being the Federal Reserve in 1913. By this point the role of the central bank as the "lender of last resort" was understood. It was also increasingly understood that interest rates had an effect on the entire economy, in no small part because of the marginal revolution in economics, which focused on how many more, or how many fewer, people would make a decision based on a change in the economic trade-offs. It also became clear that there was a business cycle, and economic theory began understanding the relationship of interest rates to that cycle. (Nevertheless, steering a whole economy by influencing the interest rate has often been described as trying to steer an oil tanker with a canoe paddle.) Research by Cass Business School has also suggested that perhaps it is the central bank policies of expansionary and contractionary policies that are causing the economic cycle; evidence can be found by looking at the lack of cycles in economies before central banking policies existed.

Objectives Of Monetary Policy

The objectives are to maintain price stability and ensure adequate flow of credit to the productive sectors of the economy. Stability for the national currency (after looking at prevailing economic conditions), growth in employment and income are also looked into. The monetary policy affects the real sector through long and variable periods while the financial markets are also impacted through short term implications.

There are four main 'channels' which the RBI looks at:

- Quantum channel: money supply and credit (affects real output and price level through changes in reserves money, money supply and credit aggregates).
- Interest rate channel.
- Exchange rate channel (linked to the currency).
- Asset price.

Monetary decisions today take into account a wider range of factors, such as:

- short term interest rates;
- long term interest rates;
- velocity of money through the economy;

- exchange rate
- credit quality
- bonds and equities (corporate ownership and debt)
- government versus private sector spending/savings
- international capital flow of money on large scales
- financial derivatives such as options, swaps and future contracts etc.

Types Of Monetary Policy

In practice, all types of monetary policy involve modifying the amount of base currency (M0) in circulation. This process of changing the liquidity of base currency through the open sales and purchases of (government-issued) debt and credit instruments is called open market operations. Constant market transactions by the monetary authority modify the supply of currency and this impacts other market variables such as short term interest rates and the exchange rate. The distinction between the various types of monetary policy lies primarily with the set of instruments and target variables that are used by the monetary authority to achieve their goals.

TARGET MARKET VARIABLE:

Interest rate on overnight debt
Interest rate on overnight debt
The growth in money supply
The spot price of the currency
The spot price of gold
Usually interest rates

LONG TERM OBJECTIVE:

A given rate of change in the CPI
A specific CPI number
A given rate of change in the CPI
The spot price of the currency
Low inflation as measured by the gold price
Usually unemployment + CPI change

The different types of policy are also called monetary regimes, in parallel to exchange rate regimes. A fixed exchange rate is also an exchange rate regime; The Gold standard results in a relatively fixed regime towards the currency of other countries on the gold standard and a floating regime towards those that are not. Targeting inflation, the price level or other monetary aggregates implies floating exchange rate unless the management of the relevant foreign currencies is tracking the exact same variables (such as a harmonized consumer price index).

Inflation Targeting

Under this policy approach the target is to keep inflation, under a particular definition such as Consumer Price Index, within a desired range. The inflation target is achieved through periodic adjustments to the Central Bank interest rate target. The interest rate used is generally the inter bank rate at which banks lend to each other overnight for cash flow purposes. Depending on the country this particular interest rate might be called the cash rate or something similar. The interest rate target is maintained for a specific duration using open market operations. Typically the duration that the interest rate target is kept constant will vary between months and years. This interest rate target is usually reviewed on a monthly or quarterly basis by a policy committee

Price Level Targeting

Price level targeting is similar to inflation targeting except that CPI growth in one year is offset in subsequent years such that over time the price level on aggregate does not move. Something similar to price level targeting was tried by Sweden in the 1930s, and seems to have contributed to the relatively good performance of the Swedish economy during the Great Depression. As of 2004, no country operates monetary policy based on a price level target.

Monetary Aggregates

In the 1980s, several countries used an approach based on a constant growth in the money supply. This approach was refined to include different classes of money and credit (M0, M1 etc). In the USA this

approach to monetary policy was discontinued with the selection of Alan Greenspan as Fed Chairman. This approach is also sometimes called monetarism. While most monetary policy focuses on a price signal of one form or another, this approach is focused on monetary quantities.

Fixed Exchange Rate

This policy is based on maintaining a fixed exchange rate with a foreign currency. There are varying degrees of fixed exchange rates, which can be ranked in relation to how rigid the fixed exchange rate is with the anchor nation. Under a system of fiat fixed rates, the local government or monetary authority declares a fixed exchange rate but does not actively buy or sell currency to maintain the rate. Instead, the rate is enforced by non-convertibility measures (e.g. capital controls, import/export licenses, etc.). In this case there is a black market exchange rate where the currency trades at its market/unofficial rate. Under a system of fixed-convertibility, currency is bought and sold by the central bank or monetary authority on a daily basis to achieve the target exchange rate. This target rate may be a fixed level or a fixed band within which the exchange rate may fluctuate until the monetary authority intervenes to buy or sell as necessary to maintain the exchange rate within the band. (In this case, the fixed exchange rate with a fixed level can be seen as a special case of the fixed exchange rate with bands where the bands are set to zero.) Under a system of fixed exchange rates maintained by a currency board every unit of local currency must be backed by a unit of foreign currency (correcting for the exchange rate). This ensures that the local monetary base does not inflate without being backed by hard currency and eliminates any worries about a run on the local currency by those wishing to convert the local currency to the hard (anchor) currency. These policies often abdicate monetary policy to the foreign monetary authority or government as monetary policy in the pegging nation must align with monetary policy in the anchor nation to maintain the exchange rate. The degree to which local monetary policy becomes dependent on the anchor nation depends on factors such as capital mobility, openness, credit channels and other economic factors.

Gold Standard

The gold standard is a system in which the price of the national currency as measured in units of gold bars and is kept constant by the daily buying and selling of base currency to other countries and nationals. (i.e. open market operations, cf. above). The selling of gold is very important for economic growth and stability. The gold standard might be regarded as a special case of the "Fixed Exchange Rate" policy. And the gold price might be regarded as a special type of "Commodity Price Index". Today this type of monetary policy is not used anywhere in the world, although a form of gold standard was used widely across the world prior to 1971. For details see the Bretton Woods system. Its major advantages were simplicity and transparency.

Monetary Policy Tools

- 1. Monetary Base :** Monetary policy can be implemented by changing the size of the monetary base. This directly changes the total amount of money circulating in the economy. A central bank can use open market operations to change the monetary base. The central bank would buy/sell bonds in exchange for hard currency. When the central bank disburses/collects this hard currency payment, it alters the amount of currency in the economy, thus altering the monetary base.
- 2. Reserve Requirements :** The monetary authority exerts regulatory control over banks. Monetary policy can be implemented by changing the proportion of total assets that banks must hold in reserve with the central bank. Banks only maintain a small portion of their assets as cash available for immediate withdrawal; the rest is invested in illiquid assets like mortgages and loans. By changing the proportion of total assets to be held as liquid cash, the Federal Reserve changes the availability of loanable funds. This acts as a change in the money supply. Central banks typically do not change the reserve requirements often because it creates very volatile changes in the money supply due to the lending multiplier.

- 3. Discount Window Lending :** Many central banks or finance ministries have the authority to lend funds to financial institutions within their country. By calling in existing loans or extending new loans, the monetary authority can directly change the size of the money supply.
- 4. Interest Rates :** The contraction of the monetary supply can be achieved indirectly by increasing the nominal interest rates. Monetary authorities in different nations have differing levels of control of economy-wide interest rates. The Federal Reserve can set the discount rate, as well as achieve the desired Federal funds rate by open market operations. This rate has significant effect on other market interest rates, but there is no perfect relationship. In the United States open market operations are a relatively small part of the total volume in the bond market. One cannot set independent targets for both the monetary base and the interest rate because they are both modified by a single tool — open market operations; one must choose which one to control. In other nations, the monetary authority may be able to mandate specific interest rates on loans, savings accounts or other financial assets. By raising the interest rate(s) under its control, a monetary authority can contract the money supply, because higher interest rates encourage savings and discourage borrowing. Both of these effects reduce the size of the money supply.
- 5. Currency Board :** A currency board is a monetary arrangement which pegs the monetary base of a country to that of an anchor nation. As such, it essentially operates as a hard fixed exchange rate, whereby local currency in circulation is backed by foreign currency from the anchor nation at a fixed rate. Thus, to grow the local monetary base an equivalent amount of foreign currency must be held in reserves with the currency board. This limits the possibility for the local monetary authority to inflate or pursue other objectives. The principal rationales behind a currency board are three-fold:

1. To import monetary credibility of the anchor nation;
2. To maintain a fixed exchange rate with the anchor nation;
3. To establish credibility with the exchange rate (the currency board arrangement is the hardest form of fixed exchange rates outside of dollarization).

In theory, it is possible that a country may peg the local currency to more than one foreign currency; although, in practice this has never happened (and it would be a more complicated to run than a simple single-currency currency board).

The New Functions Of Monetary Policies That Have Emerged

- To reinforce the emphasis on price stability and well-anchored inflation expectations while ensuring a monetary and interest rate environment that supports export and investment demand in the economy so as to enable continuation of the growth momentum.
- To re-emphasize credit quality and orderly conditions in financial markets for securing macroeconomic and, in particular, financial stability while simultaneously pursuing greater credit penetration and financial inclusion.
- To respond swiftly with all possible measures as appropriate to the evolving global and domestic situation impinging on inflation expectations and the growth momentum.

How Is Monetary Policy Affected By Fiscal Policy?

Fiscal policies have a significant impact on economic growth and inflation. It is therefore important for monetary authorities to follow fiscal policy developments closely. There are many channels through which fiscal policy affects the economy and prices. The level and composition of government expenditure and revenue, as well as budget deficits and public debt, are key variables in this process.

Budgetary policies remain the exclusive competence of the Member States in Stage. In particular, the Treaty's excessive deficit procedure, further developed and clarified in the Stability and Growth Pact, aims to limit the risks to price stability that might otherwise arise from national fiscal policies. For example, an excessive increase in government spending at a time when the economy is already operating at close to full capacity could, by stimulating aggregate demand, lead to bottlenecks and generate inflationary pressures. Fiscal imbalances, with large budget deficits and mounting public debt, have

characterized many inflationary episodes in history. Fiscal discipline is therefore a basic component of macroeconomic stability. As well as unbalanced budgets, high levels of government debt can also be detrimental. If a government has to meet sizeable interest expenses every year, the fiscal situation can become unsustainable and this may endanger price stability. High levels of debt may also have adverse effects on the real economy and the financial environment. In particular, excessive recourse to capital markets by governments tends to raise the cost of capital and this may reduce private investment ("crowding out"). Given the potential problems associated with fiscal imbalances, the avoidance of excessive deficits represents an important commitment to maintaining fiscal policies conducive to overall macroeconomic stability.

Fiscal policies affects the monetary policies in elements of transmission in short term. In long term it affects the sustainability of monetary policies. In monetary transmission include the following transmission channels

Domestic Demand:

In every household the spending for total year has been decided and if in this situation if the fiscal policies have been changed by the government then there will be change in household spending and change in domestic demand. So the change in fiscal policies affect the monetary transmission channel in short run. Thus the spending effects the interest rates.

Capital Market:

If from the capital market money is taken by the government in big way, then it leads to increase in return on investment on new projects. Thus, the private firm will become disinterested to fund the new projects.

Indirect Taxes:

If government increases the taxes on individual then it will lead to increase in the interest rates and inflation will also rise. The rise in inflation will lead to decrease in the demand. The government has to come to rescue the people by consolidation of economy. The consolidation will be done by the higher wages and lower nominal interest rates. Thus inflation rise causes extra pressure on wages.

Challenges Before Monetary Policy:

1. Financial markets are unperturbed: with the flattening of yield curves, the compression of risk spreads and the search for yields continues unabated.
2. Second, global imbalances have actually increased with no fears of hard landing, but with some sense of readying for a bumpy soft landing. Movements in major exchange rates are not reflecting fundamentals in an environment of generalised elevation in asset prices and abundant liquidity.
3. Third, strong global economic growth could be accompanied by emerging pressures on core inflation. The challenge facing us is to judge the compatibility of the current pace of growth with non-accelerating inflation. In the event of a judgment that the current growth momentum is more cyclical than structural, the stance of monetary policy would need to reflect sensitivity to the inevitability of a downturn. On the other hand, the judgment that structural factors predominate would warrant a different policy stance.
4. An overriding concern faced by the Reserve Bank is the persistently high growth of bank credit, with attendant worries relating to the quality of bank credit. The sharp increase in credit to sectors such as housing, commercial real estate and retail loans have also been worrisome on account of the vulnerability of banks to credit concentration risks.
5. It is difficult to arrive at a clear judgment as to what rate of credit growth is too high in relation to potential growth.
6. Some of the models integrate policy behavior with the banking system, the demand for a broad monetary aggregate, and a rich array of goods and financial market variables, providing a more complete understanding of the monetary transmission mechanism. Weak economic assumptions and large models combine to reveal difficulties with sorting out policy effects that other approaches fail to bring out.

Changes In Monetary Policies That Have Come Due To Global Crisis (Depression):

The policy responses in India since September 2008 have been designed largely to mitigate the adverse impact of the global financial crisis on the Indian economy. The conduct of monetary policy had to contend with the high speed and magnitude of the external shock and its spill-over effects through the real, financial and confidence channels. The evolving stance of policy has been increasingly conditioned by the need to preserve financial stability while arresting the moderation in the growth momentum.

The Reserve Bank has multiple instruments at its command such as repo and reverse repo rates; cash reserve ratio (CRR), statutory liquidity ratio (SLR), open market operations, including the market stabilisation scheme (MSS) and the LAF, special market operations, and sector specific liquidity facilities. In addition, the Reserve Bank also uses prudential tools to modulate flow of credit to certain sectors consistent with financial stability. The availability of multiple instruments and flexible use of these instruments in the implementation of monetary policy has enabled the Reserve Bank to modulate the liquidity and interest rate conditions amidst uncertain global macroeconomic conditions. The thrust of the various policy initiatives by the Reserve Bank has been on providing ample rupee liquidity, ensuring comfortable dollar liquidity and maintaining a market environment conducive for the continued flow of credit to productive sectors. The key policy initiatives taken by the Reserve Bank since September 2008 are set out below:

Policy Rates

- The policy repo rate under the liquidity adjustment facility (LAF) was reduced by 400 basis points from 9.0 per cent to 4.75 per cent.
- The policy reverse repo rate under the LAF was reduced by 250 basis points from 6.0 per cent to 3.25 per cent.

Rupee Liquidity

- The cash reserve ratio (CRR) was reduced by 400 basis points from 9.0 per cent of net demand and time liabilities (NDTL) of banks to 5.0 per cent.
- The statutory liquidity ratio (SLR) was reduced from 25.0 per cent of NDTL to 24.0 per cent.
- The export credit refinance limit for commercial banks was enhanced to 50.0 per cent from 15.0 per cent of outstanding export credit.
- A special 14-day term repo facility was instituted for commercial banks up to 1.5 per cent of NDTL.
- A special refinance facility was instituted for scheduled commercial banks (excluding RRBs) up to 1.0 per cent of each bank's NDTL as on October 24, 2008.
- Special refinance facilities were instituted for financial institutions (SIDBI, NHB and Exim Bank).

Forex Liquidity

- The Reserve Bank sold foreign exchange (US dollars) and made available a forex swap facility to banks.
- The interest rate ceilings on nonresident Indian (NRI) deposits were raised.
- The all-in-cost ceiling for the external commercial borrowings (ECBs) was raised. The all-in-cost ceiling for ECBs through the approval route has been dispensed with up to June 30, 2009.
- The systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI) were permitted to raise short-term foreign currency borrowings.

Regulatory Forbearance

- The risk-weights and provisioning requirements were relaxed and restructuring of stressed assets was initiated.

Instruments Of Monetary Policy In India

The monetary policy is nothing but controlling the supply of Money. The big Daddy, i.e. the RBI takes a look at the present levels and also takes a call on what should be the desired level to promote

growth, bring stability of price (low inflation) and foreign exchange. The various instruments of monetary policy that the RBI has and can use are :

A. Quantitative Measures:

1. Open Market operations: Here, the RBI enters into sale and purchase of government securities and treasury bills. So the RBI can pump money into circulation by buying back the securities and vice versa. In absence of an independent security market (all Banks are state owned), this is not really effective in India.
2. Bank rate policy: Popularly known as repo rate and reverse repo rate, it is the rate at which the RBI and the Banks buy or exchange money. This results into the flow of bank credit and thus effects the money supply.
3. Cash Reserve ratio (CRR): This is the percentage of total deposits that the banks have to keep with RBI. And this instrument can change the money supply overnight.
4. Statutory Liquidity Requirement (SLR): This is the proportion of deposits which Banks have to keep liquid in addition to CRR. This also has a bearing on money supply.

B. Qualitative Measures:

1. Credit rationing: Imposing limits and charging higher/lower rates of interests in selective sectors is what you see is being done by RBI.
2. Moral suasion: We hear of RBI's directive of priority lending in Agriculture sector. Seems more of a directive rather than persuasion.

How Effective Is Monetary Policy In India- A Critical Analysis

The specter of inflation has led the Reserve Bank of India (RBI) to repeatedly raise interest rates and increase banks' reserve requirements in classic monetary policy responses. The RBI also faces the challenge of simultaneously managing the exchange rate in the face of porous controls on international capital flows. While the exchange rate has depreciated recently as capital inflows have cooled, the hot button issue just a few months ago was whether the exchange rate should be kept from appreciating. Some economists argued for preventing exchange rate appreciation, and managing the inflationary impact of capital inflows by selling government bonds, thus soaking up excess liquidity. Others favored an "export-competitive" exchange rate policy, but also argued that monetary policy was irrelevant as current inflationary symptoms were arising from temporary supply-side shocks. The "radical" position (at least by Indian policy standards) has been that the RBI should focus on fighting inflation, but give itself more room to do so by allowing the exchange rate to adjust to market conditions. One version of this stance is that raising the interest rate is less effective as an inflation fighting policy than allowing the rupee to appreciate, as financial repression and underdeveloped financial markets keep interest rate changes from rippling through the economy strongly enough. There are several empirical analyses of the "monetary transmission mechanism" in India. These suggest that the interest rate channel of monetary policy has strengthened since 1998, which should not come as a surprise since there has been considerable financial liberalization, accompanied by a revision of the RBI's policy approach. This result comes out in an interesting fashion in a 2005 IMF study. The responses of firms to monetary tightening vary by size and, while greater in the period 1998-2003 versus the prior half-decade, seem to involve a reversal of initial cutbacks in corporate debt. Still, interest rates do affect firm borrowing behavior.

A better feel for the aggregate impacts of monetary policy comes from an economy wide analysis. This suggests the interest rate is an effective inflation-fighting tool in India even though, as the authors say, "the financial market in India is not yet matured." The results even indicate that output recovers with a lag in the face of such interest rate increases. All this sounds quite good from the perspective of what policymakers are currently doing, though there is no modeling of inflation expectations in India that we are aware of, and that issue seems to also be driving monetary policy. In contrast to interest rate policy, in

the SK time series estimations there is no long run link between monetary aggregates and output, rendering such aggregates less reliable as targets or indicators for policymakers.

Indian monetary policy is still very accommodative and interest rates need to rise more to prevent global supply-side shocks from seeping into the broader economy. Wholesale price inflation, the most widely watched measure in India, touched 8.24 percent in mid-May, far above the central bank's comfort zone of 5.5 percent for 2008/09. The central bank held off outright rate increases for a year, opting instead to keep cash availability tight, as prices pressures largely came from supply constraints and record commodity prices rather than demand. The twin objectives of monetary policy in India have evolved as maintaining price stability and ensuring adequate flow of credit to facilitate the growth process.

References:

1. CSO (2007a): Quick Estimates of National Income, Consumption Expenditure, Saving and Capital Formation, 2005-06, press release dated January 31, 2007.
2. CSO (2007b): Advance Estimates of National Income, 2006-07, press release dated February 7, 2007. Economic Intelligence Unit (2007).
3. Goldman Sachs (2007): India's Rising Growth Potential, Global Economics Paper No. 152.
4. Mohan, Rakesh (2005): Some Apparent Puzzles for Contemporary Monetary Policy, speech delivered at the Conference on China's and India's Changing Economic Structures: Domestic and Regional Implications at Beijing during October 27-28.
5. Mohan, Rakesh (2006): New Economic Geography and Monetary Policy in a Flattening World, observation as an Overview Panelist at a Symposium sponsored by the Federal Reserve Bank of Kansas City at Jackson Hole, Wyoming, August 24-26.
6. Mohanty, M.S., Gert Schnabel and Pablo Garcia-Luna (2006): Banks and Aggregate Credit: What is New? BIS Papers No. 28, August.
7. RBI (2006): Handbook of Statistics on the Indian Economy 2005-06, Reserve Bank of India.
8. RBI (2007a): Macroeconomic and Monetary Developments: Third Quarter Review, 2006-07, Reserve Bank of India.
9. RBI (2007b): Third Quarter Review of Annual Statement on Monetary Policy for the Year, 2006-07, Reserve Bank of India.



ISSN 2349-638X

www.aiirjournal.com