

**CTIER**

# SEMINAR SERIES

September 2021



**Irfan Ahmad Shah**  
Centre for Development Studies

## Asymmetries in the monetary policy reaction function: evidence from India

Irfan will present findings from his paper, "Asymmetries in the monetary policy reaction function: evidence from India".

**Abstract:** This paper analyzes the reaction function of monetary authority in India from 1997Q1 to 2019Q4 using nonlinear Taylor rule. It has been found that the monetary policy reaction function (MPRF) in India is asymmetric and is influenced by the state of the economy, determined by the lagged interest rate. To capture such asymmetry, we have used a set of nonlinear models including smooth transition regression (STR) model, threshold regression (TR) model and Markov-Switching regression (MSR) model along with the instrumental variable estimation technique. The analysis discloses that the behaviour of the Reserve Bank of India (RBI) is asymmetric, reacts aggressively to output gap in general and particularly during periods of high interest rate. We conclude that asymmetric analysis may better help in understanding the behaviour of the RBI to prevent from making incorrect and misleading conclusions in Indian context.



DATE

September 15th

TIME

6.00-7.00 p.m.

Link: <https://ctier-pune.webex.com/ctier-pune/j.php?MTID=m00eb4542f5d7d1ccb222452923829acd>