

TABLE OF CONTENTS

Particulars	Page No.
Title Page	i
Certificate.....	ii
Declaration	iii
Acknowledgement	iv
Table of Contents	v
Appendices.....	viii
List of Tables	ix
List of Figures	x

1 CHAPTER: INTRODUCTION OF THE STUDY

1.1	Introduction.....	1
1.2	The transmission mechanism of monetary policy	2
1.2.1	Monetary transmission mechanism in developing countries	3
1.2.2	Monetary transmission mechanism in developing country: Empirical result..	4
1.2.3	Monetary transmission mechanism in India	5
1.3	The rules versus discretion.....	6
1.4	Monetary policy reaction function.....	8
1.5	Monetary policy regime in India.....	9
1.6	Objectives of the study.....	11
1.7	Statement of the problem	12
1.8	Significance of the Study	12
1.9	Hypothesis.....	12
1.10	Scope of the Study	13
1.11	Organization of the Study	13

2 CHAPTER: REVIEW OF LITERATURE

2.1	Introduction.....	14
2.2	Theoretical Framework of Monetary Policy Rules.....	15
2.2.1	Money Rule.....	16
2.2.2	Interest rate Rule.....	17
2.2.3	Instruments Rules.....	18
2.2.4	Target Rules.....	19
2.2.5	Rule vs. Dictionary Policy.....	20
2.3	Empirical literature.....	22
2.4	Research Gaps.....	27

3 CHAPTER: RESEARCH METHODOLOGY OF THE STUDY

3.1	Introduction.....	28
3.2	Trend and Pattern of macroeconomic variable.....	28
3.3	Study of monetary policy reaction function.....	28
3.4	Techniques of the study.....	29
3.4.1	Hodrick-Prescott filter statistical technique and Production Function.....	29
3.4.2	Unit Root Test.....	30
3.4.3	Co-Integration test.....	31
3.4.4	Taylor and McCallum rule and Taylor and McCallum Hybrid rule.....	32
3.4.5	Hybrid McCallum-Taylor Rule.....	33
3.4.6	Contemporaneous/Backward-looking Version.....	34
3.4.7	OLS/GMM method.....	35
3.5	Variables of the study.....	35
3.6	Data source of the study.....	38

**4 CHAPTER: TRENDS PATTERN OF MACROECONOMICS
VARIABLE-TARGET VARIABLES AND POLICY INSTRUMENT
VARIABLES**

4.1	Introduction.....	39
4.2	Inflation rate (GVA Deflator) and Inflation gap.....	41
4.3	Potential output and Output gap	43
4.4	Call Money rate.....	46
4.5	Reserve Money & Money Velocity of Reserve Money.....	48
4.6	Performance of Real effective exchange rate & Nominal effective exchange rate.....	51
4.7	Target Nominal GVA and Nominal output gap	52
4.8	Conclusion	53

**5 CHAPTER: MCCALLUM AND TAYLOR MONETARY REACTION
FUNCTION IN INDIA**

5.1	Introduction.....	54
5.2	Unit Root test	54
5.3	Co-integration Test	57
5.4	Taylor rule.....	57
5.5	McCallum rule	59
5.6	Hybrid McCallum-Taylor Rule.....	60
5.7	Conclusion	63

**6 CHAPTER: MAJOR FINDING, POLICY IMPLICATION,
CONCLUSION AND LIMITATIONS OF THE STUDY**

6.1	Major Findings.....	64
6.2	Conclusion	65
6.3	Policy implications.....	65
6.4	Limitations of the study	66

Bibliography	67-72
Appendices.....	73-87