

Appendix 1

Table 1.1 Summary of various monetary policy regimes in India

Period	Policy Framework	Targets	Instruments
1935-1948	Exchange Rate Policy	Exchange Rate Stability	Market Intervention
1949-1956	Active Monetary Management	Credit Control	Market Intervention, Interest Rate Changes
1957-1968	Monetization of Deficit	None	Market Intervention, Interest Rate Changes
1969-1978	Poverty Alleviation	None	Directed Credit, Selective Controls
1979-1984	Monetary Control	Monetary Aggregates	CRR, Bank Rate, Open Market Operations
1985-1998	Monetary Targeting	Inflation and GDP Growth	CRR, Reserve Money, Broad Money
1998-2015	Multiple Indicators Approach	Inflation, GDP Growth, Credit, Output, Trade, Capital Flows, Fiscal Performance, Exchange Rate	Policy Rates, Reserve Requirements, Standing Facilities, Open Market Operations
2016-present	Inflation Targeting	Inflation	Policy Rates, Reserve Requirements, Standing Facilities, Open Market Operations

Source : Prepared from Das, S. (2020). Seven ages of India's monetary policy. *Reserve Bank of India Governor's*.

Appendix 4:

Table 4.1 : Descriptive Statistics of the data

Variable (Log)	Mean	SD	Min	Max
Interest rate	1.999	0.416	1.172	3.294
Expenditure	12.139	0.456	11.401	12.928
Taxes	11.366	0.538	10.448	12.368
Inflation Rate	4.118	0.400	3.318	4.756
Output Gap	9.255	2.101	6.170	15.747
Exchange rate	4.447	0.112	4.202	4.641

Table 4.2 : Result of unit root test

Variable	Phillips-Perron test t-statistic	Critical values (5% level)	Conclusion	No unit/ Unit root test
LN(interest rate)				Has unit root
Level	-4.335	-2.890	Accept	
LN(Expenditure)				Has unit root
Level	-1.910	-2.891	Reject	
First difference	-45.166	-2.892	Accept	
LN(Inflation rate)				Has unit root
Level	-2.712	-2.891	Reject	
First difference	-7.056	-2.892	Accept	
LN(Taxes)				No unit root
Level	-2.267	-2.892	Reject	
First difference	-37.585	-2.892	Accept	
LN(Output Gap)				Has unit root
Level	-9.820	-2.968	Accept	
LN(Exchange Rate)				Has unit root
Level	-1.280	-2.890	Reject	
First difference	-13.051	-2.890	Accept	

Table 4.3 Variance decomposition**Variance Decomposition of Taxes**

Period	Expenditure	Output Gap	Interest rate	Inflation	Exchange rate
2	8.31	0.46	2.35	0.06	0.54
4	11.91	0.42	1.87	0.51	1.85
6	13.05	0.58	1.98	0.55	2.46
8	13.89	0.93	2.08	0.54	2.74
10	14.50	1.30	2.17	0.54	2.89

Variance Decomposition of Expenditure

Period	Taxes	Output Gap	Interest rate	Inflation	Exchange rate
2	10.08	3.84	0.34	0.03	0.83
4	14.18	10.12	0.89	0.49	0.95
6	14.15	12.55	1.10	0.73	1.01
9	13.79	13.75	1.22	0.81	1.10
10	13.52	14.41	1.31	0.84	1.18

Variance Decomposition of Interest rate

Period	Taxes	Expenditure	Output Gap	Inflation	Exchange rate
2	11.50	13.22	0.37	0.45	1.59
4	11.47	12.99	0.81	1.9	1.76
6	11.61	13.22	1.04	2.00	1.83
9	11.66	13.43	2.31	3.00	1.88
10	11.67	13.57	5.52	5.00	1.91

Variance Decomposition of Inflation

Period	Taxes	Expenditure	Output Gap	Interest rate	Exchange rate
2	8.80	9.06	6.76	22.66	0.77
4	8.35	11.59	8.26	21.54	0.89
6	8.14	12.33	9.3	21.08	1.00
9	8.00	12.85	10.03	20.80	1.09
10	7.91	13.21	10.42	20.61	1.15

Variance Decomposition of Exchange rate

Period	Taxes	Expenditure	Output Gap	Interest rate	Inflation
2	5.35	6.89	3.95	18.09	10.38
4	7.23	8.4	3.90	17.73	10.14
6	8.31	8.29	3.99	17.49	10.05
9	9.63	8.26	4.02	17.42	10.02
10	11.72	9.25	4.02	17.40	10.01

Variance Decomposition of Output Gap

Period	Taxes	Expenditure	Interest rate	Inflation	Exchange rate
2	18.61	38.43	5.80	1.89	2.4
4	17.78	42.58	5.28	1.87	4.44
6	16.17	42.92	5.43	1.03	5.25
9	15.18	43.00	5.53	1.00	5.60
10	14.45	43.18	5.58	0.97	5.78

Figure 7: Variance Decomposition

