*The Exchange Rate Channel of Monetary Transmission : Empirical Analysis with Reference to India*

**-** Anuradha Patnaik

In view of the shift from fixed exchange rates regime to flexible exchange rates regime in the post-1990s in India the present paper examines the exchange rate channel of monetary transmission mechanism in India. Using cointegration analysis and Vector Autoregression (VAR), the efficacy of the exchange rate channel is tested empirically. The results of the empirical estimation reveal that, though the transmission of monetary impulse through the exchange rate channel is very fast it is incomplete, clearly reflecting the inelastic nature of our imports. Also there are distinct leakages in the transmission process. The exchange rate channel can be used as a secondary transmission channel of monetary policy and a short term policy instrument.

## Brief Articles, Notes and Comments

*Selection of Portfolio Structure for Bank's Government Securities Portfolio on a Simulation Study*

- S D Bhatnagar

A model is constructed for supporting decision-making for selection of dated Government Securities (G-Secs) for investment portfolio of institutional investors. Monte Carlo simulation technique is utilized for risk assessment of five model portfolios. Each portfolio comprises of one representative security for each of four maturity-wise categories, based on the classification pattern of bank's printed annual accounts. The simulation utilizes a frequency distribution that represents the forward-looking interest rate expectations of experts. Simulated depreciation risks for different portfolios, along with their corresponding interest incomes, are compared. The paper suggests the composition of an appropriate portfolio for a rising interest rate environment.

*The Reporting System of Foreign Direct Investment : An International Approach with Special Reference to India*

- K Ramamoorthy / S Ramesh Kumar

In the global village, all the nations are in a position to adopt globally acceptable accounting equations, taxation policy, and other policies and procedures relating to their transactions with one another. In order to identify and evaluate the performance of a nation, particularly with regard to FDI, the application of similar practices in collection, compilation, presentation and interpretation of data relating to FDI is essential. The similarity in the methods adopted by various nations for the purpose of calculating the flow of FDI makes the reporting system globally acceptable one. A large number of countries including several developing countries report their FDI flow in accordance with the standard practice recommended by the IMF which takes into account all the components of FDI, namely, equity capital, reinvested earnings and other capital. The failure of India to adopt international guidelines on measuring FDI data underestimated its actual flow of FDI to a great extent till 1999-2000. The results of the study show that the computation of FDI data in accordance with the previous reporting system (i.e. the system followed till 1999-2000) underestimates the actual flow of FDI to India by 40.43 per cent for 2000-01 and by 33.20 and 45.10 per cent for 2001-02 and 2002-03 respectively. The underestimation of FDI inflow for 2003-04 and 2004-05 amount to

48.43 and 33.17 per cent respectively. Moreover, the component-wise analysis of FDI data reveals that the equity component of FDI accounts for more than 50 per cent of total FDI inflow followed by reinvested earnings and other capital during the period of study.

*Status of Training Evaluation in Commercial Banks : A Case Study*

- Anjali Ganesh / A Raghurama

Large number of organizations including banks has set up their own training institutions or staff training colleges to train their employees at different levels. Training should be able to improve the capabilities of the employees, by enhancing their skills, knowledge and commitment towards the work. But there is hardly any guarantee that training contributes to improved performance. Thus, measurement of training effectiveness is the best feedback measure to assess whether the training is able to deliver the goods as per the expectations. It is the evaluation of training that acts as an important tool of measurement to know how well training inputs are serving the intended purpose.

**Book Review**