

Can Out-of-Sample Performance of Artificial Neural Network in Exchange Rate Forecasting be Improved?

- Chakradhara Panda / V Narasimhan

In this paper, we have tried to improve the out-of-sample performance of artificial neural network in predicting the weekly Indian rupee/US dollar exchange rate by using Bayesian regularization and early stopping technique. We find that early stopping technique is able to improve the out-of-sample performance of artificial neural network in terms of all performance measures except for direction accuracy. Bayesian regularization improves the out-of-sample performance of artificial neural network in three out of six performance measures. Early stopping is found to be a better method of improving out-of-sample performance than Bayesian regularization. In addition, we find that neural network gives better out-of-sample forecasting than both linear autoregressive and random walk models. Furthermore, when Bayesian regularization and early stopping techniques are used, they yield much better out-of-sample performance than linear autoregressive and random walk model in forecasting weekly exchange rate returns. The findings in this paper have implications for multinational firms, portfolio managers, policy makers and financial economists.

Brief Articles, Notes and Comments

The Monetary Transmission : Key Determinants and Operation Mechanism in India

- Arabi U

This paper addresses the experiences of monetary transmission process in India since the financial openness of the Indian economy. Subsequent changes in the modulation in policy interest rates, viz, considering short-term interest rates as the operating target of monetary policy, and monetary aggregates have been deemphasized as an intermediate target of monetary policy. Further, as monetary policy impulses transmit through various channels affecting different variables and markets at various speeds and intensities; it is, therefore, essential not only to have a broad understanding of these channels and the associated lags but it is equally desirable to understand that changes in the structure of the Indian economy that may tend to alter the effects of a given monetary policy measure; thus warranting central bank to continuously reinterpret monetary transmission channels and to go for subsequent policy adoptions in the light of international monetary transmission experiences.

A Study of Job Satisfaction of Bank Officers

- Raj Kamal / Debashish Sengupta

The banking sector has undergone a sea-change over the years, which has put new pressures and realities in front of the bank employees. Bank Officers have perhaps felt the maximum heat. Bank Officers form a delicate link between the management and the clerical staff. The success of the bank to a large extent depends upon the coordination, synchronization and cooperation of the Bank Officers with these two very divergent entities. Through this research study an attempt has been made not only to ascertain the degree of overall job satisfaction prevailing among the Bank Officers but also to elicit officer's views on the different factors contributing to their job satisfaction, in the light of current realities.

Book Reviews