# Growth Trends in the Components of Money Stock in India: An Estimation by the Structural Stability Regression Model

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#### Abstract

The expansion of the money supply is crucial for both achieving price stability in the economy and speeding up the process of economic development. The objectives are to evaluate the growth and alterations in the money stock's constituents and to assess the structural integrity of the money stock components in light of the new economic strategy. Data on money in circulation, cash in banks, money in the hands of the general public, other deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money were compiled using the Reserve Bank of India's handbook of statistics on the Indian economy for 2020–21. The data covered two distinct time periods associated with India's new economic policy: 1963–1991 and 1992–2020. Accordingly, the reserve, narrow, and broad money increased from 25460, 33170, and 45600 million in 1962–1963 to 30297070, 4125948, and 167999630 million in 2019–2020. Its growth rates were 118898.7, 12338.8, and 368320.2. The components of money stocks in India have all undergone structural changes as a result of the new economic strategy. The study also discovered that there are no negative growth rates for reserve money, narrow money, or broad money for the pre- and post-liberalised periods. Period II is much superior in terms of the compound annual growth rate of money stock components.

Keywords:-Money Stock, Circulation, Growth, Regression, Structural Stability

#### Introduction

The entire amount of money that is ever in circulation in a particular economy is known as the money supply. The money supply is often referred to as the money stock. The total amount of money that is at any given time freely accessible in a specific economy is known as the money stock. The Reserve Bank of India controls the country's money supply (RBI). The RBI is in charge of monetary policy in India. It manages the bank reserves that must be preserved to manage the money's flow into the economy. In addition, it manages interest rates. Since the reform, there have been considerable adjustments made to the Indian economy's monetary relationship. The transmission of monetary policy is significantly impacted by changes made to the money supply system. The total amount of money in circulation, including coins, cash on hand, and bank account balances, is known as the money supply. The money supply is typically viewed as a collection of secure assets that individuals, businesses, and governments can use to make payments or keep as short-term investments. The total amount of money in circulation within an economy is referred to as the money supply. Simply put, it is the total of deposits held by commercial banks plus the total amount of money in circulation. The total amount of

money now in circulation is the first component of the money supply. The total quantity of money being used in an economy is referred to as the money supply. The amount of money that is currently in circulation is equal to the total value of all coins and bills that the Reserve Bank of India has issued, less the sum that it has taken out. It shows up as a significant liability on a central bank's balance sheet. The public typically uses the following examples of money. Coins and money are available to the general population, and banks keep cash on hand. Interest rates and price levels are significantly influenced by the amount of money in circulation. A faster rate of economic growth and price stability are both benefits of expanding the money supply. Money in circulation, bank cash, public cash, other deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money were the different parts of the money stock. In its physical form, cash is another word for money. In a corporate setting, "cash" is commonly defined to encompass bank accounts and marketable instruments like government bonds and banker's acceptances. The phrase "currency with the public" refers to the entire amount of money (paper notes, coins, and bank demand deposits) in circulation that the general public holds at any particular time. All deposits made to the RBI by organizations other than the government and banks are referred to as other deposits.Demand deposits from international central banks and governments, such as the World Bank and the International Monetary Fund, as well as deposits from public financial organizations' that operate in a semi-government capacity, such as IDBI and IFCI, are included in OD. Banks keep balances in their current accounts with the Reserve Bank to maintain the Cash Reserve Ratio (CRR) and provide operating capital for clearing adjustments. "Bankers' deposits with the Reserve Bank" are what these deposits are referred to as. In contrast to time deposit accounts, such as certificates of deposit (CDs), which require deposits for a set period of time, demand deposit accounts, which include checking, savings, and money market accounts, allow withdrawals at any time. A reserve currency is a sizeable amount of money held by central banks and other major financial institutions for use in international trade. All forms of actual money, including coins and bills, demand deposits, and other liquid assets held by the central bank, fall under the umbrella of narrow money, which is a subset of the money supply. All of the following are regarded as belonging to wide money: cash, repurchase agreements, shares or units of money market funds, debt instruments having a maximum maturity of two years, and deposits with a notice period of up to three months.In order to extend the country's economic horizons, the New Economic Policy of 1991 called for economic liberalization, or the lowering of import tariffs, market deregulation, or opening the markets to private and foreign actors. The New Economic Policy's principal objectives were to revitalize the Indian market and open up the Indian economy to globalization. To speed up the country's economic development, the NEP focused on lowering the inflation rate and growing foreign exchange reserves. The New Economic Policy of 1991 included common structural adjustment measures, such as the devaluation of the rupee, an increase in interest rates, a reduction in public investment and spending, the elimination of public sector subsidies for food and fertilizer, an increase in imports, and foreign investment in capital-intensive industries. Building foreign exchange reserves, reducing market constraints, and enhancing global trade in commodities, services, money, human resources, and technology are the main goals of India's new economic policy, which aims to promote economic expansion. The study focused on the structural changes made due to the new economic policy in the pre-liberalization and post liberalization periods. The average growth, trends, compound annual growth rate, variance from period to period, and trend in inflation during these periods During the pre-liberalized period, the

currency in circulation changed from 24390 million in 1962–63 to 552820 in 1990–91. Similarly, the remaining components were as follows: cash with banks was 600 to 22340; currency with the public was 23790 to 530480; other deposits with the RBI were 300 to 6740; bankers' deposits with the RBI were 770 to 318230; demand deposits were 9080 to 391700; time deposits were 12430 to 1729360; reserve money was 25460 to 877790; and broad money was 45600 to 2658280 million. Its growth rates were 2166.6, 3623.3, 2129.8, 2146.7, 41228.6, 4213.9, 13812.8, 3347.7, 2700.5, and 5729.6 percent, respectively. Similarly, in the post liberalization period, the amount of currency in circulation increased from 637380 million to 24473120 million; the remaining amounts were: 2640 to 975630, 610980 to 23497480, 8850 to 385070, 348820 to 5438880, 524230 to 17376920, 2026430 to 126740160, 995050 to 30297070, 1144060 to 41259480, and 3170490 to 167999630 million. The growth rates for this period were 3739.6, 36855.7, 3745.9, 4251.1, 1459.2, 3214.8, 6154.4, 2944.8, 3506.4, and 5198.9 percent, respectively. During the periods, the inflation rates changed from 2.9462 to 13.8702 and from 11.7878 to 6.6234; their growth rates were 370.783 percent and 43.8114 percent, respectively. Therefore, this study evaluates the growth trends in the components of the money supply in the pre-liberalized and post-liberalized periods.

#### **Objectives**

To evaluate the growth and alterations in the money stock's constituents both before and after the new economic policy.

To assess the structural integrity of the money stock components in light of the new economic strategy.

#### Hypothesis

The components of money stock did not structurally alter before or after India's new economic policy.

The variances of the components of money stocks were the same before and after India's new economic policy.

#### **Rational for the study**

By acting as a medium of exchange, money enables businesses and people to trade goods for the things they need to function and grow. Money has worth because it frequently represents something valuable to the majority of people, just like gold and other precious metals do. The primary purpose of money is to serve as a medium of exchange in commercial transactions. In the absence of money, all transactions would have to be carried out through barter, or the direct exchange of one good or service for another. Money has existed for millennia in a variety of forms, but it has always been used as a store of value, a unit of account, and a medium of trade. These advantages include being advantageous to banks, homogeneous, stable, elastic, and having minimal remittance costs. In order to achieve price stability in the economy and hasten the process of economic development, the money supply must be increased. The stability of the money supply is determined by the elements of the money supply, such as the currency in circulation, cash in banks, currency held by the public, other deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money. The Indian economy is becoming more structurally stable as a result of the recent economic reforms and their effects on the money supply, both before and after liberalisation.

## **Review of Literature**

Money Supply and Equity Price Movements During the Liberalized Period in India, Sahu, T. N., & Pandey, K. D. (2020). For the years 1996–2016, this study used time-varying parameter models with vector autoregressive specifications in order to advance knowledge of and review existing research on the effects of changes in the money supply as a significant monetary policy shock on Indian stock prices. While the findings of the vector error correction model do not show any significant link in the short run, the results of Johansen's cointegration test show a significantly positive long-term co-movement between the increase in money supply and stock values in India. Additionally, the long-term unidirectional causality between the money supply and stock prices is shown by the vector error correction model error correction term. However, the Granger causality test shows that the growth rate of the money supply is not what drives the short-term movement of the Indian stock market. Finally, the variance decomposition investigation shows that both Indian stock markets are strongly exogenous, with shocks to the money supply accounting for a tiny amount of the market indices' prediction variance error.

Jariwala., & Vijay Sureshchandra. (2018), Empirical Study of Money Supply and Inflation in India according to monetarist Milton Friedman, is a universally recurring financial process. There is disagreement among scholars over how changes in the money supply affect the level of prices. Numerous studies have been conducted to ascertain the specifics of the relationship between the money supply and inflation, but none have produced a conclusive finding that can be applied to inform policy. The current study aims to ascertain the causal relationship between inflation, as measured by the wholesale price index, and a number of its determinants, including the gross domestic product, money supply, interest rate, and velocity of money in the Indian context, using a time series data set spanning 46 years, from 1970–1971 to 2015–2016. The findings indicate a one-way relationship between interest rates and inflation, the non-existence of a relationship between money supply and inflation.

Dr.Punam (2017), Optimal Growth of the Indian Money Supply Despite being a contentious topic among economists, monetary policy is seen as a crucial strategy to impact desirable variables, including growth. Money supply and demand should be matched in a way that promotes expansion. about economy. Money supply and demand are determined concurrently and are influenced by real gross domestic product. The public, banks, and government all deem it indecent. The main concern of this study is establishing the maximum rate of expansion in the money supply, leaving aside the potential for a reasonable inflation rate. When contrasted to the ideal growth in the money supply, M1 and M3 are significant indices of the money supply.

Dr. S. L. Lodha (2013) A review of empirical studies on money supply abroad and in India, The historical analysis of money supply theories shows that historically, money supply has been viewed in three different ways: as something the central bank creates through open market operations; as the result of a budget deficit that is financed by printing money; and as something that results from gold and/or silver stock. Three basic categories of econometric models have been created over the past 60 years. The multiplier model, the structural model, and the reduced form model are the three models that are used to calculate the size of the money supply. For the 50 years between 1920 and 1970, the economic study of the money supply was built on Phillips'

multiplier methodology. In this approach, the behaviour of the bank is predicted by a set of preset coefficients. The multiplier approach makes the assumption that bank reserves and the money supply have a predictable relationship. Demand deposit ratios are positive, but reserve deposit ratios have a negative function. It's vital to remember that, with the exception of the inclusion of time deposits and the exclusion of equity, the multiplier is the same as the deposit multiplier for each individual bank. The objective of structural and reduced-form models is to specify structural relationships. The public, commercial banks, and government, in that order, make up the three sectors in this strategy. The interrelationship between these sectors has an effect on the total money supply.

Examining the differential impact of monetary policy in India: a policy simulation approach, Bhat, S.A., Kamaiah, and Acharya (2020). Despite the fact that more study is being done on how monetary policy is communicated in India, there are few studies that examine the effects of various monetary policy acts. Given this, the objective of this study is to assess the impact of various monetary policies on aggregate demand, aggregate supply, and their component portions, as well as India's overall price level. A structural macroeconometric model is produced by the study using a design, method, and strategy that are primarily eclectic and aggregate in character. The article presents the results of two policy simulations that illustrate, using the estimated model, the varied consequences of monetary policy. The first involves raising the policy rate by 5%, while the second involves cutting bank credit to the private sector by 10%. The results of the first policy simulation experiment show that increasing interest rates greatly reduce aggregate supply, aggregate demand, and the level of prices overall.

Behera, J. (2016). Dynamics of Inflation, Economic Growth, Money Supply, and Exchange Rate in India: Evidence from Multivariate Analysis The current study examines trends in India's GDP, money supply, exchange rate, and inflation from 1975 to 2012. The empirical findings of the study show a long-run equilibrium relationship between the variables. The results imply that the money supply has a favourable effect on India's GDP growth. After accounting for errors, it can be seen that both the exchange rate and the GDP are actually negative. According to the GDP's behaviour, even in the event of immediate shocks, adjustment won't pose a long-term problem. The VECM Granger causality supports the unidirectional causality between GDP and inflation as well as the exchange rate and inflation. The findings also showed that the exchange rate affected both GDP and the money supply at a 10% level of significance. The impulse response finding shows that the money supply has a favourable effect on GDP from the time of the event until the end of the period. Over the course of the delay, the exchange rate did, however, respond negatively to the money supply.

#### Methodology

In order to achieve the study's objectives—evaluating the development and changes in the components of the money stock as well as evaluating the structural integrity of those components in light of the new economic strategy—we have employed secondary data. Data on currency in circulation, cash with banks, currency with the public, other deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money were compiled using the Reserve Bank of India's handbook of statistics on the Indian economy for 2020–21. The data covers two unique historical periods, 1963–1991 and

1992–2020, that are related to India's new economic policies. Both eras, such as 1963–2020 in India, call for independent research. An econometric model called the structural stability regression model of the Gregory Chou test is used to calculate the structural stability of the parts of money stocks for periods I and II separately at a 5% level of significance. Before and after the new economic policy in India, the growth trend in the currency in circulation, cash in the bank, currency with the public, others' deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money were estimated, compared, and tracked using the average, simple growth rate, compound annual growth rate (CAGR), variance, and variance ratio of the F test.

#### Technique of Estimation

The structural stability regression model's comparison of the two-regression coefficients over two periods.

#### **Structural Stability Regression Model**

The following F statistics were used to compare the stability of the growth parameter before and after the new economic policy era, and the structural stability regression model was used to assess the stability of the growth parameter.

$$\mathbf{Z}_t = \mathbf{S}_1 + \mathbf{S}_2 \mathbf{Y}_t + \mathbf{u}_t$$

 $Z_t$  represents the total number of money stocks, t the time period,  $S_1$  the intercept,  $S_2$  the growth parameter that needs to be estimated,  $Y_t$  the components of the money stock, and  $u_t$  the stochastic term in the pooled sample.

$$Z_t = U_1 + U_2 Y_t + v_t$$

Where Zt represents the money stock's constituent parts in the I period, Yt represents the money stock's total amount in the I period, t represents the time frame,  $U_1$  represents the intercept,  $U_2$  represents the growth parameter that needs to be estimated, and vt represents the stochastic term in the I period in the sample.

$$Z_t = V_1 + V_2 Y_t + w_t$$

Yt stands for the amount of money stocks in the second period, Zt stands for the money stock period II components, and t stands for the time period. In the sample,  $V_1$  stands for the intercept,  $V_2$  for the growth parameter that needs to be estimated, and wt for the stochastic term in the II period.

$$F = \frac{S5/k}{S4/(n1+n2-2k)}$$

S1 is the residual sum of squares for the pooled sample, S2 is the residual sum of squares for the first period, S3, and S4, which is the sum of S2 and S3, is the residual sum of squares for the second period. The variance between S1 and S4 is represented by S5, the number of observations is represented by n1 and n2, and the number of parameters is represented by k.

#### **Results and Discussion**

The growth and structural stability of each of the components of the money stocks—cash in circulation, cash in banks, cash in the hands of the general public, other's deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money—were examined as a result of the new economic policy.

## Table 1

Components	of money	stocks	in	million	_	Period	I T
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Year	Currency in Circulation	Cash with Bank	Currency with the Public (2-3)	Other' Deposits with the RBI	Bankers Deposits with the RBI	Demand Deposits	Time Deposits	Reserve Money (2+5+6)	Narrow Money (4+5+7)	Broad Money (8+10)
1963	24390	600	23790	300	770	9080	12430	25460	33170	45600
1964	26700	640	26060	320	790	11150	12850	27810	37520	50370
1965	28410	720	27690	220	990	12890	14180	29620	40800	54980
1966	31120	780	30340	170	1040	14780	16050	32330	45290	61340
1967	32890	900	31990	410	1340	17110	18670	34640	49510	68170
1968	34680	920	33760	560	1370	19180	21100	36620	53500	74600
1969	37940	1120	36820	810	1940	20160	25270	40690	57790	83060
1970	41600	1650	39950	580	1730	24830	31030	43900	65360	96390
1971	45570	1860	43710	600	2050	29430	36460	48220	73740	110200
1972	50060	2050	48010	800	2960	34420	43700	53820	83230	126930
1973	56800	2420	54380	580	2950	42040	53130	60330	97000	150130
1974	65950	2740	63210	530	6250	48260	64240	72730	112000	176240
1975	67010	3540	63470	750	8280	55530	75740	76040	119750	195490
1976	70530	3480	67050	770	6780	65430	91550	78080	133250	224800
1977	82880	4150	78730	1210	13890	80300	117570	97980	160240	277810
1978	91520	5210	86310	700	17190	56870	185180	109410	143880	329060
1979	108350	6040	102310	1660	30810	68950	228200	140820	172920	401120
1980	123820	7280	116540	3910	38000	79550	272260	165730	200000	472260
1981	143070	8810	134260	4110	47340	95870	323500	194520	234240	557740
1982	154110	9370	144740	1680	54190	102950	378150	209980	249370	627520
1983	176390	9800	166590	1860	52850	116090	446490	231100	285350	731840
1984	206430	10400	196030	2910	80600	135040	531270	289940	333980	865250
1985	238750	12030	226720	5950	107460	166480	630180	352160	399150	1029330
1986	265240	14650	250590	2890	113520	187470	752990	381650	440950	1193940
1987	299130	15310	283820	3090	145860	228250	901160	448080	515160	1416320
1988	351220	15630	335590	3970	179700	245990	1057200	534890	585550	1642750

1989	401190	17900	383290	6940	221450	277630	1267070	629580	667860	1934930
1990	482860	19860	463000	5980	287070	341620	1498900	775910	810600	2309500
1991	552820	22340	530480	6740	318230	391700	1729360	877790	928920	2658280

Source: Handbook of statistics on the Indian Economy – RBI – 2020-21.

Table 1 shows that the components of money stocks, such as the total quantity of currency in circulation, increased from 24390 to 552820 million between 1963 and 1991, growing at a pace of 2166.7%. From the beginning of period I, the growth rates of cash in the bank were 3623.3 percent, currency in circulation was 2129.8 percent, other deposits with the RBI were 2146.7 percent, bankers' deposits were 4128.6 percent, demand deposits were 4213.8 percent, time deposits were 1381.8 percent, reserve money was 3347.7 percent, narrow money was 2700.5 percent, and broad money was 5729.6 percent, respectively.

# Table 2

Growth rates of money stock components - Period I

Year	Currency in Circulation	Cash with Bank	Currency with the Public (2-3)	Other' Deposits with the RBI	Bankers Deposits with the RBI	Demand Deposits	Time Deposits	Reserve Money (2+5+6)	Narrow Money (4+5+7)	Broad Money (8+10)
1963	-	-	-	-	-	-	-	-	-	-
1964	9.5	6.7	9.5	6.7	2.6	22.8	3.4	9.2	13.1	10.5
1965	6.4	12.5	6.3	-31.3	25.3	15.6	10.4	6.5	8.7	9.2
1966	9.5	8.3	9.6	-22.7	5.1	14.7	13.2	9.1	11.0	11.6
1967	5.7	15.4	5.4	141.2	28.8	15.8	16.3	7.1	9.3	11.1
1968	5.4	2.2	5.5	36.6	2.2	12.1	13.0	5.7	8.1	9.4
1969	9.4	21.7	9.1	44.6	41.6	5.1	19.8	11.1	8.0	11.3
1970	9.6	47.3	8.5	-28.4	-10.8	23.2	22.8	7.9	13.1	16.0
1971	9.5	12.7	9.4	3.4	18.5	18.5	17.5	9.8	12.8	14.3
1972	9.9	10.2	9.8	33.3	44.4	17.0	19.9	11.6	12.9	15.2
1973	13.5	18.0	13.3	-27.5	-0.3	22.1	21.6	12.1	16.5	18.3
1974	16.1	13.2	16.2	-8.6	111.9	14.8	20.9	20.6	15.5	17.4
1975	1.6	29.2	0.4	41.5	32.5	15.1	17.9	4.6	6.9	10.9
1976	5.3	-1.7	5.6	2.7	-18.1	17.8	20.9	2.7	11.3	15.0
1977	17.5	19.3	17.4	57.1	104.9	22.7	28.4	25.5	20.3	23.6
1978	10.4	25.5	9.6	-42.1	23.8	-29.2	57.5	11.7	-10.2	18.4
1979	18.4	15.9	18.5	137.1	79.2	21.2	23.2	28.7	20.2	21.9
1980	14.3	20.5	13.9	135.5	23.3	15.4	19.3	17.7	15.7	17.7
1981	15.5	21.0	15.2	5.1	24.6	20.5	18.8	17.4	17.1	18.1

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1982	7.7	6.4	7.8	-59.1	14.5	7.4	16.9	7.9	6.5	12.5
1983	14.5	4.6	15.1	10.7	-2.5	13.6	18.1	10.1	14.4	16.6
1984	17.0	6.1	17.7	56.5	52.5	15.5	19.0	25.5	17.0	18.2
1985	15.7	15.7	15.7	104.5	33.3	23.3	18.6	21.5	19.5	19.0
1986	11.1	21.8	10.5	-51.4	5.6	12.6	19.5	8.4	10.5	16.0
1987	12.8	4.5	13.3	6.9	28.5	21.8	19.7	17.4	16.8	18.6
1988	17.4	2.1	18.2	28.5	23.2	7.8	17.3	19.4	13.7	16.0
1989	14.2	14.5	14.2	74.8	23.2	12.9	19.9	17.7	14.1	17.8
1990	20.4	10.9	20.8	-13.8	29.6	23.0	18.3	23.2	21.4	19.4
1991	14.5	12.5	14.6	12.7	10.9	14.7	15.4	13.1	14.6	15.1

Source: Handbook of statistics on the Indian Economy - RBI - 2020-21.

The growth projections of the elements of the money supply throughout period I are shown in Table 2. The highest growth rate of currency in circulation was found at 20.4 percent in the year 1990, the cash with banks at 47.3 percent in 1970, the currency with the public at 20.8 percent in 1990, other deposits with the RBI at 137.1 percent in 1979, bankers' deposits with the RBI at 104.9 percent in 1977, demand deposits at 23.3 percent in 1985, time deposits at 57.5 percent in 1978, reserve money at 28.7 percent in 1979, narrow money at 20.3 percent in 1977, and broad money at 23.6 percent in 1977 over the period I. In 1976, there was a low growth rate in currency circulation (1.6 percent) and a negative rate in cash at banks (-1.7 percent). There are no negative growth rates for reserve money, narrow money, or broad money for the period I.

# Table 3

# Components of money stocks in million - Period II

Year	Currency in Circulation	Cash with Bank	Currency with the Public (2-3)	Other' Deposits with the RBI	Bankers Deposits with the RBI	Demand Deposits	Time Deposits	Reserve Money (2+5+6)	Narrow Money (4+5+7)	Broad Money (8+10)
1992	637380	26400	610980	8850	348820	524230	2026430	995050	1144060	3170490
1993	713260	30530	682730	13130	381400	544800	2399500	1107790	1240660	3640160
1994	853960	30950	823010	25250	507510	659520	2803060	1386720	1507780	4310840
1995	1046810	40000	1006810	33830	612180	881930	3353380	1692830	1922570	5275960
1996	1225690	43110	1182580	33440	685440	932330	3843560	1944570	2148350	5991910
1997	1372170	51300	1320870	31940	595740	1053340	4553970	1999850	2406150	6960120
1998	1510560	54770	1455790	35410	718060	1187250	5534880	2264020	2678440	8213320
1999	1758460	69020	1689440	37360	797030	1363880	6718920	2592860	3090680	9809600
2000	1970610	79790	1890820	30340	804600	1496810	7823780	2805550	3417960	11241740
2001	2182050	86540	2095500	36130	814770	1662700	9337710	3032950	3794330	13132040

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2002	2509740	101790	2407940	28310	841470	1791990	10755120	3379520	4228240	14983360
2003	2824730	108920	2715810	32190	833460	1987570	12443790	3690380	4735580	17179360
2004	3270280	120570	3149710	50970	1043650	2586260	14269600	4364900	5786940	20056540
2005	3686610	123470	3563140	64540	1139960	2869980	15958870	4891110	6497660	22456530
2006	4295780	174540	4121240	68430	1355110	4074230	18931040	5719320	8263890	27194930
2007	5040990	212440	4828540	74670	1972950	4776040	23421130	7088610	9679250	33100380
2008	5908010	223900	5684100	90270	3284470	5783720	28620460	9282750	11558100	40178550
2009	6911530	257030	6654500	55330	2912750	5886880	35351050	9879610	12596710	47947750
2010	7995490	320560	7674920	38060	3522990	7179700	41134300	11556530	14892680	56026980
2011	9496590	378230	9118360	36530	4235090	7228560	48657710	13768210	16383450	65041160
2012	10672300	435600	10236700	28220	3562910	7109020	56474370	14263440	17373940	73848310
2013	11909750	499140	11410610	32400	3206710	7532250	64922930	15148860	18975260	83898190
2014	13010740	552550	12458190	19650	4297030	8119780	74576240	17327420	20597620	95173860
2015	14483120	621310	13861820	145900	4655610	8916320	82577640	19284630	22924040	105501680
2016	16634630	662090	15972540	154510	5018260	9898340	90150770	21807400	26025380	116176150
2017	13352660	711420	12641240	210910	5441270	13967410	101099830	19004850	26819570	127919400
2018	18293480	696350	17597120	239070	5655250	14837120	106952550	24187790	32673310	139625870
2019	21367700	845610	20522090	317420	6019690	16265120	117216030	27704810	37104640	154320670
2020	24473120	975630	23497480	385070	5438880	17376920	126740160	30297070	41259480	167999630

Source: Handbook of statistics on the Indian Economy – RBI – 2020-21.

Table 3 demonstrates that from 1992 to 2020, the elements of money stocks, such as the amount of currency in circulation, increased from 637380 to 24473120 million with a growth rate of 3739.6 percent, the narrow money changed from 1144060 to 41259480 million with a growth rate of 3506.4 percent, and the broad money changed from 3170490 to 167999630 million with a growth rate of 5198.9 percent. Since the start of period I, the growth rates of cash in the bank have been 3595.6 percent, currency in circulation has been 3745.9 percent, other deposits with the RBI have been 4251.1 percent, bankers' deposits have been 1459.2 percent, demand deposits have been 3214.8 percent, time deposits have been 6154.4 percent, and reserve money has been 2944.8 percent.

Table 4

Growth rates of money stock components - Period II

Year	Circulation	Cash with Bank	Currency with the Public (2-3)	Other' Deposits with the RBI	Bankers Deposits with the RBI	Demand Deposits	Time Deposits	ReserveMoney (2+5+6)	Narrow Money (4+5+7)	(8+10)
1992	-	-	-	-	-	-	-	-	-	-
1993	11.9	15.6	11.7	48.4	9.3	3.9	18.4	11.3	8.4	14.8

1994	19.7	1.4	20.5	92.3	33.1	21.1	16.8	25.2	21.5	18.4
1995	22.6	29.2	22.3	34.0	20.6	33.7	19.6	22.1	27.5	22.4
1996	17.1	7.8	17.5	-1.2	12.0	5.7	14.6	14.9	11.7	13.6
1997	12.0	19.0	11.7	-4.5	-13.1	13.0	18.5	2.8	12.0	16.2
1998	10.1	6.8	10.2	10.9	20.5	12.7	21.5	13.2	11.3	18.0
1999	16.4	26.0	16.0	5.5	11.0	14.9	21.4	14.5	15.4	19.4
2000	12.1	15.6	11.9	-18.8	0.9	9.7	16.4	8.2	10.6	14.6
2001	10.7	8.5	10.8	19.1	1.3	11.1	19.4	8.1	11.0	16.8
2002	15.0	17.6	14.9	-21.6	3.3	7.8	15.2	11.4	11.4	14.1
2003	12.6	7.0	12.8	13.7	-1.0	10.9	15.7	9.2	12.0	14.7
2004	15.8	10.7	16.0	58.3	25.2	30.1	14.7	18.3	22.2	16.7
2005	12.7	2.4	13.1	26.6	9.2	11.0	11.8	12.1	12.3	12.0
2006	16.5	41.4	15.7	6.0	18.9	42.0	18.6	16.9	27.2	21.1
2007	17.3	21.7	17.2	9.1	45.6	17.2	23.7	23.9	17.1	21.7
2008	17.2	5.4	17.7	20.9	66.5	21.1	22.2	31.0	19.4	21.4
2009	17.0	14.8	17.1	-38.7	-11.3	1.8	23.5	6.4	9.0	19.3
2010	15.7	24.7	15.3	-31.2	21.0	22.0	16.4	17.0	18.2	16.9
2011	18.8	18.0	18.8	-4.0	20.2	0.7	18.3	19.1	10.0	16.1
2012	12.4	15.2	12.3	-22.7	-15.9	-1.7	16.1	3.6	6.0	13.5
2013	11.6	14.6	11.5	14.8	-10.0	6.0	15.0	6.2	9.2	13.6
2014	9.2	10.7	9.2	-39.4	34.0	7.8	14.9	14.4	8.5	13.4
2015	11.3	12.4	11.3	642.5	8.3	9.8	10.7	11.3	11.3	10.9
2016	14.9	6.6	15.2	5.9	7.8	11.0	9.2	13.1	13.5	10.1
2017	-19.7	7.5	-20.9	36.5	8.4	41.1	12.1	-12.9	3.1	10.1
2018	37.0	-2.1	39.2	13.4	3.9	6.2	5.8	27.3	21.8	9.2
2019	16.8	21.4	16.6	32.8	6.4	9.6	9.6	14.5	13.6	10.5
2020	14.5	15.4	14.5	21.3	-9.6	6.8	8.1	9.4	11.2	8.9

Source: Handbook of statistics on the Indian Economy - RBI - 2020-21.

The growth projections of the elements of the money stock throughout Period II are shown in Table 4. The highest growth rate of currency in circulation was found at 37 percent in the year 2018, cash with banks at 41.4 percent in 2006, currency with the public at 39.2 percent in 2018, other deposits with the RBI at 642.5 percent in 2015, bankers' deposits with the RBI at 66.5 percent in 2008, demand deposits at 42 percent in 2006, time deposits at 23.7 percent in 2007, reserve money at 31 percent in 2008, narrow money at 27.5 percent in 1995, and broad money at 22.4 percent in 1995 over the period I. In 2017, there was a low growth rate in currency circulation (-19.7 percent) and a negative rate in cash at banks (-2.1 percent) in 2018. There are no negative growth rates for reserve money, narrow money, or broad money for the period I.

Table 5

Measures	Currency in Circulation	Cash with Bank	Currency with the Public (2-3)	Other' Deposits with the RBI	Bankers Deposits with the RBI	Demand Deposits	Time Deposits	Reserve Money (2+5+6)	Narrow Money (4+5+7)	Broad Money (8+10)
Average										
(Period I)	14798	697	14101	210	6026	10275	37365	21034	24586	61952
Average										
(Period II)	722097	29426	692671	8131	243804	546531	3857410	974032	1247334	5104743
Grand										
Average	368448	15062	353386	4171	124915	278403	1947388	497534	635960	2583348
CAGR (Period										
I)	11.36	13.28	11.30	11.33	23.09	13.86	18.55	12.98	12.18	15.05
CAGR (Period										
II)	113.4	113.3	113.4	113.9	109.9	112.8	115.3	112.5	113.2	114.7
Grand CAGR	10.53	11.31	10.51	10.93	13.71	11.57	14.31	10.81	10.88	12.64
Variance	98.5	93.8	98.8	100	148.1	101.5	130.1		99.8	118.1
(Period I)								112.4		
Variance	94.6	96.1	94.6	115.7	80.1	92.2	103.1	90.2	92.9	100.5
(Period II)										
F– ratio	0.0005	0.0005	0.0004	0.0005	0.0020	0.0004	0.0001	0.0007	0.0004	0.0002
P- value	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Source: Handbook of statistics on the Indian Economy - RBI - 2020-21.

Table 5 displays the average growth rate between Period I and Period II for the following components of the money supply: Currency in Circulation (4779.7%), Cash with the Bank (4121.8%), Currency with the Public (4812.2%), Other Deposits with the RBI (3771.9%), Bankers Deposits with the RBI (3945.9%), Demand Deposits (5219%), Time Deposits (10223.6%), Reserve Money (4530.8%), Narrow Money (4973.4%), and Broad Money (4973.8%) total 8139.8 percent Time Deposits (10223.6%), Reserve Money (4530.8%), Narrow Money (4973.4%), and Broad Money (4973.8%) total 8139.8 percent. Period II is much superior to Period I in terms of the compound annual growth rate of money stock components in Periods I and II. The variation of the money stock components is steadier and more constant in period II than it is in periods I and II, respectively. Because the p-value is less than 0.05, the variances of the two samples reject the null hypothesis that there is no discernible difference between the variation in the components of money stock in periods I and II.

Figure 1



Trend line of Currency in circulation, cash with bank and currency with the public - Pooled

Figure 1 depicts the trend in the total amount of currency in circulation, cash in banks, and currency in circulation among the general public during a pooled period. This figure depicts the trend line from 1962-63 to 2019-20, indicating that the coefficients of currency in circulation, cash with bank, and currency with the public throughout the period were 26648, 27786, and 1138.5, respectively, with an intercept of 5E+07, 5E+07, and 2E+06. The currency in use, the cash in the bank, and the currency in use by the general population all have positive correlation coefficients.

## Figure 2

Trend line of others deposits, bankers' deposits, demand and time deposits- Pooled



Figure 2 depicts the trend in the total amount of other deposits with the RBI, bankers' deposits with the RBI, demand deposits, and time deposits during a pooled period. This figure depicts the trend line from 1962–63 to 2019–20, indicating that the coefficients of other deposits with the RBI, bankers' deposits with the RBI, demand deposits, and time deposits throughout the period were 153599, 20878, 8970.6, and 305.98, respectively, with an intercept of 3E+08, 4E+07, 2E+07, and 605198. The other deposits with the RBI, bankers' deposits with the RBI, demand deposits, and time deposits all have positive correlation coefficients.



#### Trend line of reserve, narrow and broad money - Pooled

The trend in the overall amount of reserve money, narrow money, and broad money over a pooling period is shown in Figure 3. The trend line shown in this graph, which spans the years 1962–1963, through 2019–20, shows that reserve money, narrow money, and broad money coefficients were, respectively, 201430, 47832, and 37063, with an intercept of 4E+08, 9E+07, and 7E+07. The correlation coefficients between the reserve money, restricted money, and broad money are all positive.

#### Table 6

#### Inflation rates and Annual Growth rate

Year	Inflation	Growth Rate	Year	Inflation	Growth Rate
	Period I	•		Period II	
1963	2.9462	-	1992	11.7878	-15.0
1964	13.3553	353.3	1993	6.3269	-46.3
1965	9.4748	-29.1	1994	10.2479	62.0
1966	10.8018	14.0	1995	10.2249	-0.2
1967	13.0622	20.9	1996	8.9772	-12.2
1968	3.2374	-75.2	1997	7.1643	-20.2
1969	-0.5841	-118.0	1998	13.2308	84.7
1970	5.0923	-971.8	1999	4.6698	-64.7
1971	3.0799	-39.5	2000	4.0094	-14.1
1972	6.4421	109.2	2001	3.7793	-5.7
1973	16.9408	163.0	2002	4.2972	13.7
1974	28.5987	68.8	2003	3.8059	-11.4
1975	5.7484	-79.9	2004	3.7673	-1.0

1976	-7.6339	-232.8	2005	4.2463	12.7
1977	8.3075	-208.8	2006	5.7965	36.5
1978	2.523	-69.6	2007	6.3729	9.9
1979	6.2757	148.7	2008	8.3493	31.0
1980	11.3461	80.8	2009	10.8824	30.3
1981	13.1125	15.6	2010	11.9894	10.2
1982	7.8907	-39.8	2011	8.9118	-25.7
1983	11.8681	50.4	2012	9.479	6.4
1984	8.3189	-29.9	2013	10.0179	5.7
1985	5.5564	-33.2	2014	6.6657	-33.5
1986	8.7297	57.1	2015	4.907	-26.4
1987	8.8011	0.8	2016	4.9482	0.8
1988	9.3835	6.6	2017	3.3282	-32.7
1989	7.0743	-24.6	2018	3.9388	18.3
1990	8.9712	26.8	2019	3.7295	-5.3
1991	13.8702	54.6	2020	6.6234	77.6
			1		

Source: World Bank.

The inflation rates and annual growth rate between the pre- and post-liberalized periods are shown in Table 6. The highest inflation rate ever recorded was 28.5987 in 1974, while the lowest was 2.523 in 1978. Inflation rates that were negative in 1969 and 1976 were -0.5841 and -7.6339, respectively. The years with the highest inflation rates after liberalization were 13.20 percent in 1998 and 11.98 percent in 2010. In 2017, the inflation rate was 3.3282 percent.

# Figure 4

Trend line of inflation rate - Period I & II



Source: World Bank

Figure 4 shows the trend line of inflation in Periods I and II compared. This graph shows that when the inflation rates in India were compared before and after the new economic policy, the coefficient of inflation in period I was 0.0661 and -0.1042, which is a change of -257.6 percent from period I to II, and the intercepts were 7.3737 and 8.5452, which is a change of 15.89 percent.

Table 7

Trend lines of the components of money stocks - Period I & II

Components of	Period	Trend Line in Period I	Period	Trend Line in Period II
Money	Ι		II	
Currency in	Period I	Y = 1514.7X-3E+06	Period II	Y = 74464X-1E+06
Circulation		$R^2 = 0.7824$		$R^2 = 0.8611$
Cash with bank	Period I	Y = 72.418X-142473	Period II	Y = 3092.5X-6E+06
		$R^2 = 0.8881$		$R^2 = 0.8685$
Currency with the	Period I	Y = 1442.3X-3E+06	Period II	Y = 71371X-1E+08
public (2-3)		$R^2 = 0.7762$		$R^2 = 0.8602$
Other deposits with	Period I	Y = 21.15X-41604	Period II	Y = 788.11X-2E+06
the RBI		$R^2 = 0.7192$		$R^2 = 0.508$
Bankers Deposits	Period I	Y = 862.9X-2E+06	Period II	Y = 21712X-4E+07
with the RBI		$R^2 = 0.6779$		$R^2 = 0.8972$
Demand deposits	Period I	Y = 1090.4X-2E+06	Period II	Y = 55000X-1E+08
		$R^2 = 0.7921$		$R^2 = 0.8629$
Time deposits	Period I	Y = 4917.9X-1E+07	Period II	Y = 433673X-9E+09
		$R^2 = 0.7418$		$R^2 = 0.8623$
Reserve money	Period I	Y = 2398.7X-5E+06	Period II	Y = 96963X-2E+08
(2+5+6)		$R^2 = 0.7458$		$R^2 = 0.8826$
Narrow money	Period I	Y = 2553.9X-5E+06	Period II	Y = 127159X-3E+08
(4+5+7)		$R^2 = 0.7849$		$R^2 = 0.8717$
Broad money (8+10)	Period I	Y = 7971.7X-1E+07	Period II	Y = 560832X-1E+09
		$R^2 = 0.7571$		$R^2 = 0.8667$

Source: Handbook of statistics on the Indian Economy - RBI - 2020-21.

Table 7 showed that the trend lines of the components of the money supply during the pre- and postliberalization periods with their differential rates of currency in circulation were 4816.1 percent, cash in the bank was 4170.4 percent, currency with the public was 4848.4 percent, other deposits with the RBI were 3626.3 percent, banker deposits with the RBI were 2416.2 percent, demand deposits were 4944.1 percent, time deposits were 8718.3 percent, reserve money was 3942.3 percent, narrow money was 4879.1 percent, and broad money was 4879.1 percent; every component of the Indian money stock has a positive correlation coefficient for both periods I and II.

# Table 8

Structural	stability of	the components	of money	stocks - Part I
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	Pooled Sample	Period I	Period II
	$\hat{Y}_t = 1983.315 + 2.221X_t$	$\hat{Y}_t = 1969.356 + 0.0005 X_t$	$\hat{Y}_t = 1997.65 + 1.161 X_t$
cy iı atior	$R^2 = 0.6171$	$R^2 = 0.7823$	$R^2 = 0.8611$
rcul	$S_1 = 6221.26$	$S_2 = 441.79$	$S_3 = 281.98$
Ci Ci	D f = 56	D f =27	D f = 27
	$S_4 = 723.77$	$S_5 = 5497.49$ $F = 211.44$	P-value = 0.0001
	$\hat{Y}_t = 1983.38 + 0.0005 X_t$	$\hat{Y}_t = 1968.45 + 0.012 X_t$	$\hat{Y}_t = 1997.73 + 0.0002 X_t$
bank	$R^2 = 0.6132$	$R^2 = 0.8881$	$R^2 = 0.868$
vith	$S_1 = 6280.34$	$S_2 = 227.22$	$S_3 = 266.98$
ash w	D f = 56	D f = 27	D f = 27
Ű	$S_4 = 494.2$	$S_5 = 5786.14$ $F = 321.1$	P-value = 0.0001
e	$\hat{Y}_t = 1983.316 + 2.321X_t$	$\hat{Y}_t = 1969.412 + 0.0005 X_t$	$\hat{Y}_t = 1997.652 + 1.211X_t$
th th -3)	$R^2 = 0.6171$	$R^2 = 0.7761$	$R^2 = 0.8601$
y wi c (2	$S_1 = 6223.38$	$S_2 = 454.41$	$S_3 = 283.87$
renc	D f = 56	D f = 27	D f = 27
Cm	$S_4 = 738.27$	$S_5 = 5485.11$ $F = 210.9$	P-value = 0.0001
	$\hat{Y}_t = 1985.386 + 0.0015 X_t$	$\hat{Y}_t = 1969.847 + 0.034 X_t$	$\hat{Y}_t = 2000.759 + 0.0006 X_t$
osits (BI	$R^2 = 0.448$	$R^2 = 0.7192$	$R^2 = 0.5079$
depc he R	$S_1 = 8964.37$	$S_2 = 570.002$	$S_3 = 998.81$
ther vith t	D f = 56	D f = 27	D f = 27
0 ^	$S_4 = 1568.81$	$S_5 = 7395.47$ F = 127.5	P-value = 0.0001
S	$\hat{Y}_t = 1981.85 + 7.721X_t$	$\hat{Y}_t = 1972.23 + 0.0007X_t$	$\hat{Y}_t = 1995.9 + 4.131X_t$
posit	$R^2 = 0.6925$	$R^2 = 0.6779$	$R^2 = 0.8971$
bel be F	$S_1 = 4996.83$	$S_2 = 653.83$	$S_3 = 208.64$
nkers vith t	D f = 56	D f = 27	D f = 27
Baı	$S_4 = 862.47$ S	$S_5 = 4134.36$ F = 129.4	P-value = 0.0001

Source: Handbook of statistics on the Indian Economy - RBI - 2020-21.

Table 8 displays the structural stability of the regression equation that was used to estimate part I's components of money stocks, including currency in circulation (211.44), cash in banks (321.1), currency in the hands of the general public (210.9), other deposits with the RBI (127.5), and bankers' deposits with the RBI (129.4). The important factor F2,58 is calculated to be 0.0001, which is less than 0.05, with a threshold of significance of 5%. As a result, the null hypothesis should be rejected because the observed test values for currency in circulation, cash in the bank, currency with the public, other deposits with the RBI, and bankers' deposits with the RBI were all higher than the critical value, suggesting structural stability. The new economic strategy has caused fundamental changes to India's currency in circulation, bank cash, currency held by the public, other deposits with the RBI.

# Table 9

	Pooled Sample	Period I	Period II	
sits		$\hat{Y}_t = 1983.13 + 3.011X_t$	$\hat{Y}_t = 1969.536 + 0.0007 X_t$	$\hat{Y}_t = 1997.426 + 1.571 X_t$
lepo	lepo	$R^2 = 0.6275$	$R^2 = 0.7920$	$R^2 = 0.8621$
and e		$S_1 = 6053.301$	$S_2 = 422.02$	$S_3 = 278.349$
Demi		D f = 56	D f = 27	D f = 27
Ι		$S_4 = 700.371$	$S_5 = 5352.93$ $F = 206$	P-value = 0.0001
		$\hat{Y}_t = 1984.071 + 3.832X_t$	$\hat{Y}_t = 1971.364 + 0.0001X_t$	$\hat{Y}_t = 1998.33 + 1.992X_t$
osits		$R^2 = 0.5852$	$R^2 = 0.7417$	$R^2 = 0.8632$
depc	lepo	$S_1 = 6729.637$	$S_2 = 524.245$	$S_3 = 279.589$
Time	D f = 56	D f = 27	D f = 27	
		$S_4 = 803.83$	$S_5 = 5925.81$ $F = 19$	9.1 P-value = 0.0001
		$\hat{Y}_t = 1982.889 + 1.733 X_t$	$\hat{Y}_t = 1970.46 + 0.0003 X_t$	$\hat{Y}_t = 1997.134 + 9.111 X_t$
ney	(	$R^2 = 0.6414$	$R^2 = 0.7457$	$Rr^2 = 0.8831$
e mo	5+6	$S_1 = 5828.41$	$S_2 = 516.088$	$S_3 = 238.41$
serv	(2+	D f = 56	D f = 27	D f = 27
Re		$S_4 = 754.499$	$S_5 = 5073.91$ F = 181.	6 P-value = 0.0001
		$\hat{Y}_t = 1983.169 + 1.321 X_t$	$\hat{Y}_t = 1969.44 {+} 0.0003 X_t$	$\hat{Y}_t = 1997.949 + 6.861 X_t$
ney	(	$R^2 = 0.6285$	$R^2 = 0.7842$	$R^2 = 0.8721$
v mc	5+7	$S_1 = 6069.69$	$S_2 = 436.66$	$S_3 = 260.45$
arrov	(4+	D f = 56	D f = 27	D f = 27
Ž		$S_4 = 697.11$	$S_5 = 5372.58$ $F = 206.5$	9 P-value = 0.0001
6		$\hat{Y}_t = 1983.843 + 2.961 X_t$	$\hat{Y}_t = 1970.73 + 0.0001 X_t$	$\hat{Y}_t = 1998.1 + 1.551 X_t$
8+1	iey (8+1(	$R^2 = 0.5965$	$R^2 = 0.7572$	$R^2 = 0.8671$
ney (		$S_1 = 6557.91$	$S_2 = 493.27$	$S_3 = 270.52$
mor	D f = 56	D f = 27	D f = 27	
road		$S_4 = 763.79$	$S_5 = 5794.11$ $F = 204.8$	B P-value = 0.0001
В				

Structural stability of the components of money stocks - Part II

Source: Handbook of statistics on the Indian Economy – RBI – 2020-21.

In part II, demand deposits, time deposits, reserve money, narrow money, and broad money were estimated as components of the money stock. Table 9 illustrates the structural stability of the regression equation used to estimate these components. time deposits (19.1), reserve money (181.6), demand deposits (206.5), narrow money (206.9), and broad money (2069.1) (204.8). The important factor F2,58 is calculated to be 0.0001, which is less than 0.05, with a threshold of significance of 5%. Because the observed test values for demand deposits, time deposits, reserve money, narrow money, and broad money were all higher than the critical value, suggesting structural stability, the null hypothesis should be rejected. There has been a structural change in

India's demand deposits, time deposits, reserve money, narrow money, and broad money as a result of the new economic strategy.

#### Conclusion

The monetary connection in the Indian economy has seen significant changes since the reform. The transmission of monetary policy is significantly impacted by changes made to the money supply system. Cash in the bank increased by 3623.3% during the pre-liberalization period, while currency in circulation increased by 2129.8%, other deposits with the RBI increased by 2146.7%, bankers' deposits increased by 4128.6%, demand deposits increased by 4213.8%, time deposits increased by 1381.8%, reserve money increased by 3347.7%, narrow money increased by 2700.5%, and broad money increased by 5729.6%. The highest growth rate for currency was found to be 20.4 percent in 1990, followed by cash in banks at 47.3 percent in 1970, currency in circulation with the public at 20.8 percent in 1990, other deposits with the RBI at 137.1 percent in 1979, bankers' deposits with the RBI at 104.9 percent in 1977, demand deposits at 23.3 percent in 1985, time deposits at 57.5 percent in 1978, reserve money at 28.7 percent in 1979, narrow money at 20.3 percent in 1977, and broad money at 23 percent in 1990. The growth rates for period I were 3595.6 percent for cash in the bank, 3745.9 percent for currency in circulation, 4251.1 percent for other deposits with the RBI, 1459.2 percent for bankers' deposits, 3214.8 percent for demand deposits, 6154.4 percent for time deposits, and 2944.8 percent for reserve money. For the first period, there are no negative growth rates for reserve money, narrow money, or broad money. Regarding the compound annual growth rate of the components of the money stock, Period II is significantly superior to Period I. There is a noticeable difference between the fluctuation in the components of money stock in periods I and II; the volatility of the money stock components is steadier and more stable in period II than it is in period I. Currency in use, cash in the bank, and currency in use by the general public all show positive correlation coefficients, with the coefficients for currency in circulation, cash in the bank, and currency in use by the general public being 26648, 27786, and 1138.5, respectively, for the period. Demand deposits, time deposits, bankers' deposits with the RBI, and other deposits with the RBI had respective coefficients of 153599, 20878, 8970.6, and 305.98 throughout the course of the period. Demand deposits, time deposits, and other deposits held by banks with the RBI all exhibit positive correlation coefficients. All three types of money have positive correlation coefficients: reserve money, restricted money, and broad money. As a result of the new economic strategy, there have been structural changes to India's currency in circulation, bank cash, currency held by the public, other deposits with the RBI, bankers' deposits with the RBI, demand deposits, time deposits, reserve money, narrow money, and broad money.

#### **Suggestion for Future Research**

This study only looked at India, but it makes a case for other academics to investigate the connection between the money supply and inflation.

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