



# INSTITUTE OF ECONOMIC GROWTH

University Enclave, University of Delhi (North Campus), Delhi-110 007, INDIA

January 4, 2019

## SEMINAR NOTICE

**Topic: The Demand for Money and Financial Innovation:  
An Empirical Verification in India**

**Speaker/s:** Masudul Hasan Adil  
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**Chair: Professor Sabyasachi Kar, Institute of Economic Growth**

The seminar details are as follows:

**Date & time:** Friday, January 18, 2018 at 3.30 p.m.  
**Venue:** A.M. Khusro Room  
Institute of Economic Growth,  
University Enclave, North Campus, Delhi-110 007

All are welcome.

**(Sabyasachi Kar)**  
**Seminar Convenor**

### **Abstract:**

Traditional money demand functions have been usually criticised due to persistent over prediction, implausible parameter estimates, highly serially correlated errors and instable money demand. Present study argues that some of those problems might have emerged due to not considering financial innovation into money demand function. Study estimates demand for money in case of India, during post reform period from 1996:Q2 to 2016:Q3. Money demand function is estimated with the help of linear autoregressive distributed lag model (ARDL) approach to cointegration developed by Pesaran et al. (2001), after employing various proxies for financial innovation. Further, stability of the model is also tested by utilising cumulative sum (CUSUM) and cumulative sum of square (CUSUMQ) tests developed by Brown et al. (1975). In conclusion, study finds that there exists stable long-run relationship among variables under study, provided the time period, variables and econometric techniques under consideration. In a nut shell, study provides an assessment of relative importance to the financial innovation variables in money demand equation, which shows that financial innovation plays a pertinent role in the money demand specification and its stability.

**Key words:** Money demand function, Financial innovation, ARDL, CUSUM and CUSUMQ, Co-integration, India.

**JEL Classification:** E41; E44; E42; E52; O16; O53