

63/1 (SEM-5) DSE2/ECOHE5026

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(Held in 2023)

ECONOMICS

Paper : ECOHE5026

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

OPTION—I

(Applied Econometrics)

1. Choose the correct option of the following :

1×6=6

(a) Empirical econometric research

**(i) is an integration of economics,
mathematical economics and
statistics**

**(ii) is an use of data to test a theory
or to estimate a relationship**

**(iii) provides numerical values to the
parameters of economic relation-
ships**

(iv) All of the above

(2)

- (b) An autoregressive model is the one
- (i) that is used to avoid the problem of autocorrelation
 - (ii) that helps to draw valid inference regarding relationship between the variables
 - (iii) where the dependent variable is a lagged variable
 - (iv) where one of the explanatory variables is lagged-dependent variable
- (c) Under adaptive expectations, an economic agent's 'forecast error' is
- (i) positive
 - (ii) negative
 - (iii) zero
 - (iv) indeterminate
- (d) The term 'multicollinearity' was introduced by
- (i) Karl Marx
 - (ii) Jan Tinbergen
 - (iii) Ragnar Frisch
 - (iv) F. M. Fisher

(3)

- (e) An appropriate method to estimate an over-identified equation is
- (i) OLS
 - (ii) ILS
 - (iii) 2SLS
 - (iv) ridge regression
- (f) The estimation procedure adopted by the random effects model is
- (i) GLS
 - (ii) WLS
 - (iii) RLS
 - (iv) OLS

2. Answer the following questions : 2×5=10

- (a) Why is empirical econometric research important?
- (b) What are the basic objectives of regression diagnostics in regression analysis?
- (c) What are the various functional forms of regression model?

(Turn Over)

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(Continued)

(4)

- (d) What are two advantages of Koyck method of estimating geometric lag model?
- (e) Mention any two important steps of analyzing the panel data.

3. Answer any six of the following questions :

5×6=30

- (a) What are the important steps involved in undertaking an empirical econometric research?
- (b) What do you mean by misspecified model? Write some of the consequences of misspecification.
- (c) Define model selection in econometrics. State certain model selection criteria in regression analysis.
- (d) Distinguish between the single-equation system and the simultaneous equation system.
- (e) What is meant by identification in econometrics? Why does the identification problem arise in a simultaneous equation system?
- (f) Write in short the effects of multicollinearity.

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(Continued)

(5)

- (g) State the concept of Instrumental Variable (IV) method and its assumptions in estimating the over-identified equations.
- (h) What are the limitations of fixed effects model?
- (i) Write a brief note on the usefulness of STATA in econometrics.

4. Answer any two of the following questions :
10×2=20

- (a) Is multicollinearity a problem for prediction in econometric analysis? Elucidate.
- (b) State and explain the first-order autoregressive scheme in regression analysis.
- (c) Discuss the random effects model of panel data regression and point out its advantages over the fixed effects model.

5. Answer any one of the following questions : 14

- (a) Explain the Koyck method in estimating the geometric lag model. What are the merits and demerits of such an approach?
8+6=14

(Turn Over)

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(6)

- (b) Explain the concept of simultaneous equations in econometric analysis. What happens if the parameters of the simultaneous equation model are estimated by OLS? Illustrate your answer with an example. $2+10+2=14$

(7)

OPTION—II

(Money and Financial Markets)

1. Choose the correct answer : 1×6=6
- (a) As per the traditional approach, money (M) includes
- (i) M = Currency notes + Coins
 - (ii) M = Currency + Demand deposit
 - (iii) M = Currency + Demand deposit + Time deposit
 - (iv) M = Currency + Demand deposit + Time deposit + Post office savings
- (b) Which among the following is not a function of money?
- (i) Standard of deferred payment
 - (ii) Store of value
 - (iii) Absence of common measure of value
 - (iv) Basis of credit system
- (c) Money market deals with
- (i) short-term credit instruments
 - (ii) long-term credit instruments
 - (iii) goods and services
 - (iv) tax on financial assets

(8)

- (d) In the liquidity trap area, the liquidity preference curve is
- (i) perfectly inelastic
 - (ii) unit elastic
 - (iii) perfectly elastic
 - (iv) less elastic
- (e) Narasimham Committee Report on banking sector reforms was submitted in the year
- (i) 1975
 - (ii) 1990
 - (iii) 1998
 - (iv) 2001
- (f) Which among the following is not the objective of the monetary policy?
- (i) Exchange stability
 - (ii) Financing budget
 - (iii) Full-employment
 - (iv) Economic growth

(9)

2. Answer the following questions : 2×5=10
- (a) Define money.
 - (b) What is meant by financial market?
 - (c) What is Bill of Exchange?
 - (d) Distinguish between primary market and secondary market.
 - (e) What is portfolio management of a bank?
3. Answer any six of the following questions : 5×6=30
- (a) Explain the functions of money.
 - (b) Explain Fisher's transactions approach of money supply.
 - (c) Explain the role of financial market in economic development.
 - (d) State the functions of capital market.
 - (e) Explain the motives of liquidity preference according to Keynes.

(10)

- (f) Write briefly about the banking sector reforms introduced in India.
- (g) Write briefly about the current monetary policy of India.
- (h) Explain the role of a sound banking system in a developing country like India.
- (i) Give the sources of interest rate differentials.

4. Answer any *two* of the following questions : 10×2=20

- (a) Explain the differences between money market and capital market. Give any three similarities between the two markets.
- (b) Explain the Balance Sheet of a commercial bank.
- (c) Explain the functions of Central Bank.

5. Answer any *one* of the following questions : 14

- (a) Explain the structure of money market. Briefly discuss the characteristics of a developed money market.

(11)

- (b) Explain the objectives of portfolio management of commercial banks. Briefly discuss about the conflicting nature of the objectives.

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