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63/1 (SEM–5) DSE2/DSE2/ ECOHE 5126/ECOHE 5226

2023

ECONOMICS

Paper : ECOHE 5126/ECOHE 5226

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

Paper : ECOHE 5126

(Applied Econometrics)

(Option–I)

1. Choose the correct option of the following : *(any six)* 1×6=6

   (a) The purpose of literature review in empirical research is :

      (i) To identify potential variables for the study

Contd.

(ii) To provide an overview of existing research on the topic

(iii) To conduct statistical analysis

(iv) To present the research finding

(b) Which of the following is the consequence of mis-specification ?

(i) Biased estimate

(ii) Unbiased estimate

(iii) Efficient estimate

(iv) Consistent estimate

(c) What does model specification refer to ?

(i) Estimating the model parameter

(ii) Selecting the appropriate model

(iii) Evaluating the goodness of fit

(iv) Testing the statistical significance

(d) What is the key challenge in estimating a simultaneous equation model ?

(i) Endogeneity

(ii) Heteroscedasticity

(iii) Autocorrelation

(iv) Multicollinearity

(e) What is Panel Data in econometrics ?

(i) Data collected from multiple sources

(ii) Data collected at a single point of time

(iii) Data collected over multiple time periods from the same entities

(iv) Data collected from a specific region

(f) What does a distributed lag model study ?

(i) Lagged effects of an independent variable

(ii) Contemporary of an independent variable

(iii) Interaction effect between independent variable

(iv) All of the above

(g) In a fixed effect model what is held constant for each individual across time ?

(i) Independent variable

(ii) Dependent variable

(iii) Error term

(iv) Individual specific effects

(h) The estimation procedure adopted by the random effect model is –

(i) GLS

(ii) WLS

(iii) RLS

(iv) OLS

(i) Which of the following is the first stage in empirical research ?

(i) Formulating a research question

(ii) Data collection

(iii) Publication of research

(iv) Data analysis

(j) In regression analysis mis-specification refers to :

(i) Choosing the wrong specific level

(ii) Choosing the wrong model specification

(iii) Ignoring outliers in the data

(iv) Using inappropriate software

2. Answer the following questions : ***(any five)*** 2×5=10

(a) Define model selection in econometrics.

(b) What is mis-specified model ?

(c) Define autoregressive model.

(d) Mention *two* uses of E-VIEWS software.

(e) Mention *two* common functional forms used in regression.

(f) Explain why stationarity is a crucial requirement for autoregressive model.

(g) Provide a concise definition of functional form in regression.

3. Answer ***any six*** of the following questions : 5×6=30

(a) Explain the merits and demerits of Koyck method of estimating the lag model.

(b) "Model selection is a crucial step in statistical modeling." Elucidate the statement.

(c) Distinguish between single equation system and the simultaneous equation system.

(d) Mention the steps in analysing the Panel Data.

(e) Discuss the concept of simultaneous equation model in econometrics.

(f) Discuss the instrumental variable estimation approach in simultaneous equation model.

(g) Discuss the concept of distributed lags and its connection to the Koyck model.

(h) Mention *any five* types of mis-specification in regression model.

(i) Explain the importance of identifying mis-specification in regression model.

(j) Write a brief note on the usefulness of STATA software in econometrics.

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

(a) Describe the structure of a Panel Data set. Explain fixed effects and random effects model in Panel Data analysis. 5+5=10

(b) Explain the preliminary stages of empirical economic research. Discuss the role of data collection in empirical economic research. 7+3=10

(c) Explain the concept of Panel Data and its advantage. Discuss the differences between cross-sectional, time series and panel data. 5+5=10

(d) Explain Heteroscedasticity and serial correlation in Panel Data models.

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

(a) Explain the concept of simultaneous equation model in econometrics. Discuss the instrumental variable estimation approach in simultaneous equation model. 8+6=14

(b) Explain the process of model specification in empirical economic research. Discuss ethical consideration in empirical economic research. 10+4=14

(c) Explore the concept of model selection and its relevance in building a reliable regression model. Explain the purpose of model selection. 8+6=14

Paper : ECOHE 5226

(Money and Financial Markets)

(Option–II)

1. Choose the correct answers : ***(any six)*** 1×6=6

(i) Which of the following is the most liquid measure of the money supply ?

(a) M4

(b) M3

(c) M2

(d) M1

(ii) Who regulates the money supply in India ?

(a) The Government of India

(b) Commercial Banks

(c) Reserve Bank of India

(d) Planning Commission

(iii) Which *one* is included in the primary function of money ?

(a) Medium of exchange

(b) Measure of value

(c) Both *(a)* and *(b)*

(d) Store of value

(iv) Monetary policy is related with

(a) Public expenditure

(b) Taxes

(c) Public debt

(d) Open market operations

(v) Narasimham Committee was related to which of the following reforms ?

(a) Higher education reforms

(b) Tax structure reforms

(c) Banking structure reforms

(d) Planning implementation reforms

(vi) Which of the following is a step that the central bank will take to encourage greater investment in the economy ?

(a) It will look to increase the cash reserve ratio

(b) It will look to reduce the cash reserve ratio

(c) It will look to increase the bank rate

(d) It will look to sell the government securities in the open market

(vii) ________ is a market for lending and borrowing of short-term funds.

(a) Money market

(b) Primary market

(c) Capital market

(d) Secondary market

(viii) Primary capital markets are the platform, where

(a) new securities are issued

(b) new securities are sold

(c) new securities are borrowed

(d) Both *(a)* and *(b)*

(ix) Which of the statements gives a true picture of the effect of the central bank selling securities in the market ?

(a) The credit creation capacity of commercial banks will fall.

(b) The credit creation capacity of commercial banks will rise.

(c) The credit creation capacity of commercial banks may rise or fall.

(d) There is no effect on the credit creation capacity of commercial banks.

(x) The monetary policy of India is framed by

(a) The Government of India

(b) The Reserve Bank of India

(c) The State Bank of India

(d) Planning Commission

2. Answer the following questions : ***(any five)*** 2×5=10

(i) What are the main components of high-powered money ?

(ii) What is derivative market ? What are its benefits ?

(iii) Distinguish between primary market and secondary market.

(iv) Write *two* objectives of monetary policy.

(v) Write the meaning of financial market.

(vi) Mention *two* limitations of bank rate policy of the central bank.

(vii) What is meant by legal tender money ?

3. Answer the following questions : ***(any six)*** 5×6=30

(i) What are the sources of interest rate differentials ?

(ii) "Money is what money does." Explain.

(iii) In what ways, selective credit controls are superior to traditional monetary weapon ?

(iv) Discuss briefly the various objectives of bank's portfolio management.

(v) What is moral hazard ? Give *two* examples of moral hazard. 2+3=5

(vi) Briefly discuss the role of near money in an economy.

(vii) What is token money ?

(viii) Discuss briefly the features of a financial market.

(ix) What is a bank's balance sheet ? Briefly explain its components. 1+4=5

(x) What is standard money ?

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

(i) Discuss the role of money in modern economy.

(ii) Explain the main constituents of money market.

(iii) Distinguish between quantitative and selective methods of credit control. Explain the selective credit control measures. 3+7=10

(iv) Explain in detail the determinants of money supply.

5. Answer the following questions : ***(any one)*** 14×1=14

(i) Explain the functions of a central bank.

(ii) Discuss the need of a sound banking system in a developing country.

(iii) What factors influence demand for and supply of savings ? Determine market rate of interest in an economy with the help of saving and borrowing schedule. 4+10=14
