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Research Statement

My research interests include monetary economics, applied time series econometrics, economic growth, central banking and financial crisis. I am further inclined to work on international finance and financial economics as secondary fields. However the main research interest is to analyze the financial crisis effects on central banking procedures and other macroeconomic policies. A comprehensive understanding about the financial crisis is considerably a pivotal pre-requisite in the area of central banking as the results of the financial crises are highly sensitive in nature. Although most of the theoretical studies disapprove of drawing a corollary between the effect of the financial crisis and the central bank monetary policy settings, some economists have proved the financial instability as an influencing factor in monetary policy settings (Mishkin 2009 and Baxa, Horvath and Vasicek 2012). These studies were only carried out for a set of selected advanced countries. This was instrumental in paving the objective of my PhD dissertation on investigating the financial crisis effects on monetary policy settings in BRIC (Brazil, Russia, India and China) countries using a time varying coefficient policy analysis. Further, I am interested in analyzing the effects of banking instability, stock market instability and exchange market instability on the monetary and fiscal conduct. I would also like to utilize my comprehensive statistical background to discover a common financial stress index for the developing countries which is almost neglected by the researchers so far in this literature. I also have developed many research interests in areas such as economics growth, inflation dynamics and economics of teaching. In respect of international finance and trade, analyzing the service sector trade behaviors on the economic growth in small open economies has been an area which I believe to exert my interest on.

Below I provide some of my research abstracts and the strategic plan of my future research.

The Short and Long Run Dynamics between Inflation and Economic Growth in BRICS – *(Forthcoming – Applied Economic Letters, Oct 15th 2013)*

The short run and long run dynamics between the inflation and economic growth is one of the prominent debates in the economics literature. This paper investigates the short and long run relationship between the inflation and economic growth in BRICS (Brazil, Russia, India, China and South Africa) over the last three decades. The Johansen cointegration and the ARDL bound test were used for the long run relationship, and a VAR analysis sheds light on the short run

dynamics. The results found a positive long run relationship between inflation and economic growth for India but no long run relationship in other four countries. A significant negative short run relationship is found for Brazil, Russia, China and South Africa while a positive short run relationship is found for India.

Do BRIC Countries respond to Global Financial Stress in their Monetary Policy Settings? ***: A Time Varying Policy Analysis*** **-** *(Resubmitted)*

This Paper investigates the responsiveness of the BRIC countries (Brazil, Russia, India and China) monetary policy settings to different financial stress conditions over the last two decades. The International Monetary Fund's emerging country financial stress index along with its sub components; Banking Stress, Security market Stress and Exchange Rate Stress is used to measure the financial stress in BRIC countries. A time varying coefficient model for a forward looking monetary policy rule is used to estimate the results. The estimation was preceded via a varying coefficient (VC) estimation technique. The initial results suggested the money supply over the official interest rate as the most effective monetary policy tool for BRICs. The main results found that the BRIC country central banks loosen the monetary policy during higher financial stress periods and heavily responded to the exchange rate stress over the other two sub stresses. Moreover the financial stress effect on the monetary policy setting was insignificant at normal economic conditions. However the financial stress effect was considerably higher during local and regional economic and financial crisis times than during global financial crisis times.

A Comparative Analysis of US Financial Stress Indicators. - *(Submitted)*

This paper provides a comparative analysis on the financial stress indexes available for the U.S. The main objective of these stress indexes is to provide detailed insights about the financial conditions in the U.S. economy. In general all financial stress indexes indicated a very high financial risk during the 2008 financial crisis. Among the Federal Reserve financial stress indexes, Kansas City Fed Financial stress index (KCFSI) and St. Louis Fed Financial stress index (STLFSI) show similarities during 2008 financial crisis. Almost all financial stress indexes are non-stationary in their original data levels. Moreover only the CITI Group Financial Stress Index (CITI_FSI) shows a structural break. The out-of-sample forecast predicts an almost zero level financial stress closer to mid-2013. The in-sample forecasts suggests that if there was no recession in the late 2000s, then the U.S. economy would have been operated with a much lower financial stress after December 2007. Moreover the last in-sample forecast analysis identifies the Lehman Brothers bankruptcy as the most influential economic event on the financial stress during the late 2000's recession.

The Future Research Plan

My future research work focuses on understanding the effect of financial stress and its different subcomponents on the monetary and fiscal policy aggregates. One of the main topics lined up for the near future is to understand the effects of banking stress, stock market stress and exchange market stress on the fiscal policy settings in different countries. This may nourish the literature by introducing new evidence on the fiscal policy reactions to different sub levels of financial stress. A structural VAR will be used for this purpose. This is currently in progress.

The ongoing unconventional monetary policy implementations in the US and many other developed countries drove my research attention on investigating the effects of unconventional monetary policy implementations on the labor market indicators under zero bound interest rate levels. The results of this paper are expected to provide the policy makers a better understanding about the labor market activities during unconventional policy implementations. Therefore this may help the policy makers to identify the relevant improvements to the existing unconventional monetary policy to increase the quality of the labor market. This research is collaboration between labor market and monetary policy theories.

The recent European debt crisis has influenced me to design a new research topic which investigates the effects of individual euro zone member country fiscal policy standings on their common monetary policy. The debt crisis in Greece, Spain and Portugal has significantly changed the European central bank policy standings. These changes have negatively influenced the stronger member countries like Germany and France. This paper will identify and compare the countries whose fiscal policy standings influence the euro zone monetary policy. This project may provide a good understanding on the shared cost and benefits of the member countries to the European Union central banking.

I am also in the process of creating a common methodology to invent a financial stress index for the developing countries. In the current literature, there are many common financial stress indicators available for the developed countries and the emerging market countries (Balakrishnan 2009, Cardarreli, Elekdag and Lall 2009). However the literature does not provide a common procedure to identify the financial stress in the developing countries. This makes the researcher's approach in identifying a common variable which measures the financial stress of developing countries more cumbersome. The results of this paper will provide a proper financial stress index for the developing countries.

I would also like to extend my research areas in to economic growth, time series econometrics forecasting and international finance within the boundaries of my ability in years to come.

References

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