

**Economics
Seminar
Series
2016**



**SOUTH ASIAN UNIVERSITY
FACULTY OF ECONOMICS**

Seminar

***Impact of Technology on the Seasonality of Currency
in Circulation: Evidence from the USA and India***

Prof. Kaushik Bhattacharya
IIM Lucknow

Date: October 28, 2016
(Friday)
Time: 2:30 p.m.
Venue: FSI Hall, Akbar Bhawan
Satya Marg, Chanakyapuri, New Delhi

All are Welcome

ABSTRACT

We examine the impact of technology on seasonality in currency in circulation. We specify that total transaction in a period follows a Gompertz distribution over time and extend the standard Baumol-Tobin model to obtain a non-linear expression of currency growth. In contrast to linear dummy variable models that reflect fixed seasonality, our theoretical results reflect decaying seasonal coefficients over time and suggest that in the long-run growth-in-currency holdings would not be seasonal but would be affected by interest rate shocks only. Empirical applications of the model for the USA and India reveal its superior performance compared to linear dummy variable models with fixed seasonality. Short-term out of sample forecasts, however, reveal mixed results. While in the Indian case the non-linear model outperforms both linear models and standard thumb rules, in case of the USA, it could not beat standard thumb-rules based forecasts.