

# **EFFECTIVENESS OF MONETARY POLICY STANCE TO CURTAIL INFLATION IN PAKISTAN DURING 2001-2009: A QUANTITATIVE MEASURE ANALYSIS**

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## **Abstract**

This article has quantitatively analyzed the impact of monetary policy measures in Pakistan during 2001 to 2009. The study has focused the treasury bill rate and exchange rate which are two main stream monetary tools to achieve objectives. As according to research analysis that there were five incidents of contractionary (tight) monetary policy and four incidents of expansionary (loose) monetary policy. Where however the CPI based inflation remained all time high during the period of year 2007-08 with 19.74 percent change in index price that is followed by subsequent period during year 2008-09 with 12.65 percent change. There was only the period of year 2002-03 where CPI based inflation was even lower than base period. A theoretical approach that inflation is always a monetary phenomenon is in-fact not often correct especially when the externalities impact tend higher than the fiscal and monetary measure such as weather, law and order and others. The study has investigated the results of econometric analysis that revealed that the monetary policy was not able to decrease the interest rates in market for one of the major reason of government borrowing.

**Keywords:** Econometrics, Monetary Policy, Statistics, MCI

**JEL classifications codes:** E52, E58