

Isha Agarwal

Cornell University
Department of Economics
469 Uris Hall
Ithaca, NY 14850

Phone: (607) 319-6960
Email: ia233@cornell.edu
Homepage: www.agarwalisha.com

Placement Director: Eleonora Patacchini
Graduate Field Assistant: Rachel Lukens

ep454@cornell.edu (607-255-1981)
r1135@cornell.edu (607-255-4893)

References

Eswar Prasad (Committee Chair)

eswar.prasad@cornell.edu

Matthew Baron

baron@cornell.edu

Kristoffer Nimark

pkn8@cornell.edu

Teaching and Research Fields

Banking, Macro-finance, International Finance, Applied Macroeconomics, Corporate Finance

Education

Ph.D. Economics, Cornell University, 2019 (expected)

M.A. Economics, Cornell University, 2016

M.Sc. Economics, IGIDR, Mumbai, 2012

B.A. (Hons) Economics, University of Delhi, 2010

Publications

A Vision and Action Plan for Financial Sector Development and Reforms in India (with Eswar Prasad), *Brookings Institution Report*, 2018

Working Papers

Banks' Foreign Currency Exposure and the Real Effects of Exchange Rate Shocks (Job Market Paper)

Abstract: In contrast to standard theory, recent empirical evidence shows that currency depreciations are not always expansionary. I posit a new channel of exchange rate transmission that works by affecting the lending capacity of banks, and show that this channel can offset or exacerbate the exports channel, explaining the heterogeneous response of economic activity to exchange rate shocks. To circumvent endogeneity concerns, I exploit a large and unanticipated currency appreciation shock from Switzerland in January 2015 when the Swiss National Bank surprised the markets by abandoning the lower bound on the chf/eur exchange rate. Using a novel hand-collected dataset on foreign currency exposure of Swiss banks and bank-firm relationships, I show that the currency appreciation shock

enabled banks with a net foreign currency liability exposure to increase credit supply; non-financial firms that had a pre-shock relationship with positively affected banks were able to increase investment, partially offsetting the negative impact of currency appreciation on exporters. At the firm-level, I compare the bank-lending channel with the exports channel and the corporate balance-sheet channel and show how exchange rate shocks can have heterogeneous effects across sectors and types of firms depending on the relative strength of these channels. Extending my findings to historical currency appreciation/depreciation episodes over the period 1950-2016, I provide suggestive evidence that foreign currency exposure of the banking sector can explain the differential response of economic activity to exchange rate shocks across countries and episodes.

Commodity Prices and Bank Lending (with Rupa Duttagupta and Andrea Presbitero), *IMF Working Paper No. 17/279* (submitted)

Abstract: We analyze the transmission of changes in commodity prices to bank lending in developing countries. Identification relies on a bank-specific time-varying measure of bank sensitivity to changes in commodity prices, based on daily data on bank stock prices. We find that a fall in commodity prices reduces bank lending, and this effect is stronger for commodity exporters and driven by commodity price busts. We supplement this bank-level analysis with loan-level data from a credit register, which allows us to identify the effect of a commodity price shock on the supply of credit at the extensive margin, controlling for borrower-specific time-varying unobserved factors that could drive borrowers' demand for credit. Results show that banks with relatively lower deposits and poor asset quality transmit the changes in commodity prices more aggressively, indicating that commodity prices swings affect credit supply.

- This paper was invited for submission at a special issue of the **Journal of Money, Credit and Banking**, for the 2017 ADBI conference on Globalization, Development, and Economic and Financial Stability.

Inflation and Disintermediation (with Matthew Baron)

Abstract: This paper explores a novel channel through which unexpected inflation leads to adverse short-run effects on the macroeconomy. We hypothesize that unexpected inflation shocks weaken the banking sector (mainly due to asset-liability mismatch), which leads to credit contraction, which, in turn, transmits the shock to the real economy. We test this hypothesis in two settings. In the first setting, which looks at a sudden and unexpected inflation shock in the U.S. in mid-1970s, we exploit across-state differences in reserve requirements for state-chartered non-member banks and within-state differences between state- and nationally-chartered banks. These differences substantially affect bank cash holdings, and thus banks' inflation exposure. Through the affected banks, the inflation shock is then transmitted to the real economy through a lending contraction, with small bank-dependent non-financial firms most affected. In a second setting, we use newly-uncovered historical data on individual banks' financial statements to explore prominent high inflation episodes of the past, from France in the 1920s to Argentina, Brazil, Turkey, and Venezuela in recent decades. We exploit banks' cross-sectional heterogeneity in exposure to large, unexpected inflations to show the importance of the banking channel in these prominent historical inflation episodes.

Work in Progress

Bank Capital Requirements: Rules vs Discretion (with Tirupam Goel)

Employment

International Monetary Fund, Research Intern, Summer 2016

PricewaterhouseCooper (PwC), Associate, 2012-2013

Reserve Bank of India, Research Intern, Summer 2011

Research Experience

RA for Prof. Eswar Prasad, Cornell University, Spring 2017, 2018

RA for Prof. Matthew Baron, Cornell University, Fall 2015

RA for Prof. Maxim Troshkin, Cornell University, Summer 2014

Teaching Experience

TA for Prof. Matthew Baron, Investment and Portfolio Management, Spring 2019 (scheduled)

TA for Prof. Matthew Baron, Behavioral Finance, Spring 2019 (scheduled)

TA for Prof. Eswar Prasad, International Finance and Macroeconomics, Fall 2016, 2017, 2018

TA for Prof. Christopher Huckfeldt, Intermediate Macroeconomics, Spring 2015, 2016

TA for Prof. Stephanie Thomas, Introductory Microeconomics, Fall 2015

TA for Prof. Jennifer Wissink, Introductory Macroeconomics, Fall 2013, 2014

Professional Service

Member, Scientific Committee, IFABS 2018 Porto Conference

Referee, Journal of Financial Research, European Journal of Comparative Economics

Discussant, Western Economic Association International Conference 2018

Honors, Scholarships, and Awards

CRISIL Doctoral Symposium Best Paper Award (\$500), IIM-Bangalore, 2017

L.R. "Red" Wilson Research Excellence Medal (\$5000), Cornell University, 2016

Earnest Liu Family Outstanding Teaching Award (\$500), Cornell University, 2016

Graduate School Conference Travel Grant (\$675), Cornell University, 2016

The President's Gold Medal for highest CGPA in M.Sc. Economics, IGIDR, 2012

Conferences and Invited Presentations

Paris December Finance Meeting, December 2018 (scheduled)

Cass Business School Emerging Scholars Conference, London, December 2018

Yale (SOM) Finance Doctoral Symposium, November 2018

Economics Graduate Student Conference, Washington University, St. Louis, October 2018

Research Department, International Monetary Fund, July 2018

Western Economic Association International (WEAI) Dissertation Workshop, Vancouver, June 2018

Asian Development Bank Institute, Tokyo, December 2017

Indian Institute of Management, Bangalore, December 2017

International Finance and Banking Society Conference, UK, July 2017

SPR Department, International Monetary Fund, June 2017

Georgetown Center for Economic Research Conference, Georgetown University , June 2017

Cass Business School Emerging Scholars Conference, London , December 2016

Programming Skills

Stata, Matlab, Dynare, Excel, SAS, L^AT_EX

Personal

Date of birth: October 10, 1989

Sex: Female

Citizenship: Indian

Last updated: December 13, 2018