

The effects of Oil Price Shock on the Indian Economy – A Study

nenavath sreenu¹

¹Indira Gandhi National Tribal University (A Central University),

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Abstract

The paper examines the effects of crude oil price shocks on the Indian economy development and GDP Growth for the period of 2010 till 2018. The present Indian economy growth has been facing the identical issues of escalating the trade disparity and continuing inflation. In this connection, the study focused on the determine relationship between the speculation and crude oil price impact on the Indian economic development activity and GDP growth and the paper investigated the how oil price variations effect on the Indian economy development through different networks, viz. WPI, CP, IIP, GDP, Monetary policy, trade and investment. The paper used methods an GARCH model and description to tool the volatility on both the oil and stock markets and then developed an extension of the GARCH-M, vector auto-regression (VAR) models are also applied to determine the oil price shocks effect on macroeconomic indicators and the outcomes of co integration model propose that crude oil is pro-cyclical to output, and the paper used VAR investigation to the discrepancy decomposition to capture the linear inter-dependencies among the variables. The mechanical stability experiments determine that there is no indication of mechanical break in the VAR model.

From

Dr. Nenavath Sreenu,

Assistant Professor in Finance and Accounts

Department of Business Management,

Indira Gandhi National Tribal University

(A Central University),

Lalpur, Amarkantak, Anuppur (Dist)

Madhya Pradesh -484887,

sri.cbm@yahoo.com

09425252723

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