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IMPACT OF ECONOMIC POLICY UNCERTAINTY ON KEY ECONOMIC INDICATORS OF INDIA

Shireen Rosario ⁽¹⁾

⁽¹⁾ Dhofar University, Salalah, Oman.

Abstract

Purpose: *With the help of the newly developed Economic Policy Uncertainty (EPU) index, this paper attempts to find the influence if any, of the EPU on stock markets and certain key economic indicators in India.*

Methodology /Approach: *The focus is on the influence of EPU on the stock markets, industrial production, new capital issues, exports and bank credit to commercial sector. Monthly data of economic indicators is collected for 66 months from January 2014 and tested with OLS and Quantile regression.*

Findings: *It is observed that stock market, Industrial Production, new capital issues and bank credit are negatively related to EPU. Also, that impact of EPU is more on higher quantiles.*

Limitations / Implications: *The study examines and proves the overall impact of EPU on selected economic indicators and the impact at different quartiles. This opens up vistas for further exploration of the findings to prove / disprove the same in other economic indicators and against certain specific events that spur the EPU index.*

Practical Implications: *The paper has strong theoretical foundations. The methodology adopted has been research tested. There is a need to look at the EPU index closely and frequently to feel the pulse of the EPU and how it affects the economy.*

Originality Value: *This is one of the attempts to evaluate the behavior of EPU and its implication on certain economic indicators. As EPU index is newly developed, this paper adds to the existing literature, especially in the Indian context.*

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