

# Do International Crude Oil Price and Public Investment Affect Private Investment? An Empirical Analysis for a Large Emerging Economy

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**Abstract:** Using the annual data, this study attempts to examine the impact of the international price of crude oil on private investment in India during the period 1980-2014, by endogenizing public sector investment, real interest rate, financial sector development, economic growth and economic globalization as other additional key determinants in a private investment model. This framework also serves as another additional objective of verifying whether public investment crowds out private investment or crowds in private investment of India. From our empirical estimation, we observed that crude oil price, public investment, and interest rate have detrimental effects on the growth of domestic private investment, whereas financial development, economic growth, and globalization help to boost up private investment. From a policy perspective, the study suggests that India should intensively shift its focus towards both production and consumption of renewable energy and tap other alternative potential sources of energy in order to offset the risks arising on account of India's heavy reliance on the imports of crude oil from other oil exporting countries. This study further urges that the role of international crude oil price, public investment, and real interest rate can't be under-emphasized while designing for a comprehensive growth and energy policy strategies for India in order to achieve a sustainable economic development of the economy.

Key Words: Oil Price, Private Investment, Public Investment, interest rate, Bayer-Hanck Cointegration & DOLS

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