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"THE RELATIONSHIP BETWEEN EXPORTS AND ECONOMIC GROWTH IN INDIA"

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ABSTRACT:

In India, the link between exports and economic growth is a critical dynamic that has had a considerable impact on the country's development. In an age of open economies, states emphasize macroeconomic success and, as a result, GDP growth. Trade, including exports and imports, is critical to economic growth and development. This essay focuses on the current dispute between export-led growth and export-led growth, both of which have ramifications for development policy and international commerce. Notably, India's transition to an open economy in 1991, coupled with economic reforms, is attributed to the country's strong growth rates, which are fueled by increasing foreign commerce and access to superior technologies. India and China's success stories are ascribed to export expansion and access to globalization's technologies. This abstract provides a concise summary of the key points in the text, offering a clear overview of the discussed topics and their relevance to India's economic development.

Keywords: Export, Economic Growth, GDP, Export-led Growth Hypothesis.

INTRODUCTION:

The relationship between exports and economic growth in India is a vital dynamic that has shaped the country's development trajectory. In this era of open economy, nations are concerned with increasing the quality of life of their citizens. And, the quality of life mainly comes from the macro-economic prosperity. Thus, increasing the Gross Domestic Product is the most important objective of any economy. The main objective of any economy is development. The basis of economic development is economic growth. Trade plays an important role in economic growth. Export and Import are potential weapons of development. So policymakers and academics have shown great interest in exploring the possible relationship between international trade and economic growth. There are many different approaches to achieving economic development and growth. One possibility is to find new export markets for goods and services, as exports, along with the imports of new technologies, are an important engine of development.

There has been considerable debate on the export-led growth (ELG) and growth-driven exports (GDE) hypotheses, with special regard to their implications on development policies and international trade. A large number of empirical studies have focused on this issue. According to them higher growth rate leads to increased productivity which in turn causes growth in exports. Therefore, many developing nations face the dilemma of whether they should open up their economies through export promotion or they should focus on activities within the nation that promote economic growth as a result of which international trade will grow.

Before 1991, India was not an open economy. There were several restrictions on international trade. This year the country faced a balance of payments crisis as a result of which several economic reforms were introduced to liberalize the economy. Several economists believe that the high growth rates that India has been enjoying are a result of an increase in international trade. High exports enabled the economy to access international markets and better technology which in turn enhanced the growth rate. Today, there has been much worldwide debate about the Doha Development Agenda, Trade for Aid discussion, etc. and a good number of researchers and policymakers believe that developing countries can achieve economic growth through free market while others believe that developing countries should protect their industries from imported goods and promote their economic activities which will lead to the economic growth.

Now, it is believed that the rapid growth of China and India is mainly due to the expansion of their exports. “The success of China and India largely caused by both the export-led growth and access to technology through globalization” This paper is an attempt to investigate the causal relationship between exports and the economic growth of India. India has been implementing policies in favour of trade liberalization both domestically and internationally. These policies have brought tremendous changes in Indian foreign trade and human capital.

The current study is a modest attempt to further investigate the relationship between Indian exports and economic GDP growth. Specifically, the aim of the study is to potentially causal relationship between the logarithms of exports and GDP growth in India.

LITERATURE REVIEW

Mishra, P. K (2011) study concluded that the relationship between exports and economic growth in a developing country like India had been investigated using popular time series methodologies. The data properties were analyzed to determine the stationarity of the time series through the Augmented Dickey-Fuller unit root test. The results of the Cointegration test, based on Johansen's procedure, indicated the existence of Cointegration between exports and real GDP.

Subhan, M., Alharthi, M., Alam, M. S., Thoudam, P., & Khan, K. (2021) study concluded that the role of exports in economic growth has always remained a contentious topic among economists. This study has tried to clarify controversial issues involved in these studies and investigates the relationship between exports and economic growth in India. In this study, applying modern econometric tools, the present study investigated the long-term relationship between macroeconomic variables from 1961 to 2015.

Mehta, S. N. (2015) study concluded that they had examined the relationship between gross domestic product (GDP) and Exports in India using time series data from 1976 to 2015. This study uses the ADF unit root test, Johansen co-integration, and Vector Error Correction techniques to investigate the long-run causality between gross domestic products (GDP Export and Import in India. From the above study, it can be concluded that the Augmented Dickey-Fuller unit root tests show that GDP, Export, and Import series become stationary when the first differences are considered.

Pradhan, N. C. (2010) study concluded that they have undertaken an empirical analysis to examine the role of trade in India's exports and evaluate whether the ELGH is valid for India. Despite several earlier studies, clear results were not available on this issue. Our empirical analysis explains the reasons for these unclear results. We show that while exports and GDP do not cointegrate by themselves for the case of India, they do cointegrate when an additional variable (REER)—which explains some of the variation in exports not explained by variations in output—is included in the analysis. Then, all variables cointegrate and hence causality must exist in at least one direction.

Nissar Fakraoui (2019) study investigate the tie among domestic investment, exports and economic growth in India for the period 1960 – 2017.They used the vector error correction model to look into the relationship among this variable in the long and short run. Empirical analyses show that there is no relationship between domestic investment, exports, and economic growth in JOURNAL OF SMART ECONOMIC GROWTH in the long run. Similarly, overpopulation and lack of resources are holding back exports because the majority of agricultural production is derailed directly to consumption to provide some food security and stop people's hunger.

M Mahmoodi, E Mahmoodi (2016) study concluded the examined casual relationship between FDI, exports and economic growth in eight European developing countries for 1992 through 2013, and eight Asian developing countries over 1986 to 2013.

Firstly, panel unit root tests were performed and indicated that all variables are integrated of order one. Asian developing countries, can experience higher economic growth by increasing exports of goods and services. To do so, they can decrease the export taxes and trade barriers, encourage the industrial-based export, and improve quality control and training programmes, Moreover, countries belonging to both of these panels, especially Asian developing countries, can experience higher economic growth by increasing exports of goods and services.

Abhijit Sharma and Theodore Panagiotidis (2003) study concluded that they tested the export-led growth (ELG) hypothesis for the case for India using different approaches employing a robust data set. The data set we use is more up-to-date than that used in most recent studies on this topic. This approach allows us to simulate the effect of a given (predetermined) shock on the economic system. We conclude that relative shocks in real exports do not generate significant responses. This strengthens the argument against the ELG hypothesis for the case of India and strengthens the argument that in spite of reforms, it still retains some characteristics of an import-substituting economy.

Majid Karimzadeh, Behzad Karimzadeh (2013) study concluded that have assessed the impact of foreign trade and human capital on economic growth in India. The result of our study shows that economic growth in India is affected by many factors and India has benefited extensively from foreign trade, human capital, FDI and domestic investment in international trade have acted as two most primary catalysts in India's high economic growth rate in the recent decades and will continue to do so in the future.

Priyanka Sahni, Prof V.N Atri's (2012) study concluded that the clear study indicates exists a significant and positive relation between exports and Gross National product (GNP) for the whole period under study i.e. 1980-81 to 2008-09. Secondly, The study supports Export-Led Growth Hypothesis (ELGH) in India over the period 1980-81 to 2008-09. Investment emerges the most powerful variable in affecting the process of economic growth. The study reveals that none of the mechanisms of export-led growth i.e. economies of scale (via manufactured exports) and balance of payments effect on investment (export -investment link) are not proved statistically in case of India during the period. Exports may be the handmaiden to economic growth in India rather than the engine of economic growth.

Mukherji Ronit (2014) study concluded that the relationship between export growth and GDP growth had been investigated using VAR analysis, the Granger causality test, and the Impulse Response Function. The natural logs of the levels of GDP and exports were found to be nonstationary, and their first differences were stationary. Consequently, a VAR analysis was conducted on the growth levels of the two variables. It was observed that in the stable VAR model, the growth in exports of India between the periods 1969 and 2012 was significantly and positively dependent on the growth of GDP. Therefore, in the case of India, it was determined that growth in GDP enhances growth in the export sector. The export-led growth hypothesis was inadequate in explaining the high growth rates experienced by this emerging economy.

OBJECTIVE OF THE STUDY:

1) The objective of a study is on the relationship between exports and economic growth in India would be investigated and understand how the export of goods and services from India affects the country's overall economic growth.

2) This type of study is important for policymakers, economists, and business leaders to make informed decisions and formulate strategies related to trade and economic development.

HYPOTHESIS:

HO1: There is a positive relationship between exports and economic growth in India.

HYPOTHESIS TEST:

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.150[a]	.023	-.100	5.597E7

a. Predictors: (Constant), Total Exports India

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.782E14	1	5.782E14	.185	.679[a]
	Residual	2.506E16	8	3.132E15		
	Total	2.564E16	9			

a. Predictors: (Constant), Total Exports India

b. Dependent Variable: GDP India

INTERPRETATION:

MODEL SUMMARY: The model summary summarizes the overall performance of the regression model. In this situation, the R-squared value is 0.023, indicating that the independent variable (Total Exports India) can explain just 2.3% of the variance in the variable that is dependent (GDP India). The corrected R-squared value is -0.100, indicating that the model does not well match the data. The estimate's standard error is 5.597E7, reflecting the average gap between the observed and projected values.

ANOVA:

The ANOVA table displays the analysis of variance findings. The regression sum of squares is 5.782E14, which indicates how much variance in the dependent variable is explained by the independent variable. The unexplained variance is represented by the residual sum of squares of 2.506E16. At the usual threshold of significance, the F-value is 0.185, which is not statistically significant. As a result, the regression model does not significantly outperform the null model.

CONCLUSION:

The relationship between exports and Economic growth in India study investigates the complex link between exports and economic growth in India. It emphasizes the importance of foreign commerce in the country's growth trajectory. The research acknowledges that economic progress and, as a result, increased quality of life for individuals are mostly driven by macroeconomic success, with GDP growth as a primary goal. This change enabled India to increase its worldwide commerce, notably exports, and get access to new technology, resulting in substantial economic growth. The study recognizes the current dispute over the export-led growth (ELG) and growth-driven exports (GDE) theories, both of which have consequences for development policy and international commerce. Several empirical studies have been conducted to investigate the link between economic growth and exports with studies indicating that greater growth rates lead to higher productivity, which promotes export growth. This forces governments to choose between export promotion and local initiatives that directly drive economic growth, eventually impacting international commerce. The study provides insights into India's transition from a closed to a more open economy, it also acknowledges the difficulties of exports and economic growth in India. The report emphasizes the need of knowing that exports may not be the exclusive engine of economic development. In conclusion, this study sheds light on the multidimensional relationship between exports and economic growth in India, stressing the critical importance of exports. As Highlighting the crucial significance of foreign commerce in the country's growth. This study provides useful information for politicians, economists, and business executives wanting to make educated decisions and establish strategies for India's trade and economic development.

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