

## **The Dynamics of Relationship between exports and economic growth in India**

**P. K. Mishra**

### **Abstract**

*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, fast growth of gross domestic Product has become the most important objective of any economy. There are various approaches to achieve this target of which one strategy is to promote exports of the country. At this juncture, an important issue immediately breaks the minds of economists and researchers, that is, whether export promotion leads to higher economic growth or economic growth promotes exports. Thus, this paper is an attempt to reinvestigate the dynamics of the relationship between exports and economic growth for India over the period 1970 to 2009. Applying popular time series econometric techniques of cointegration and vector error correction estimation, the study provides the evidence of stationarity of time series variables, existence of long-run equilibrium relation between them, and finally, the rejection of export-led growth hypothesis for India by the Granger causality test based on vector error correction model estimation.*

**Keywords:** Export-led Growth Hypothesis, India, GDP, Granger Causality, Error Correction Model

**JEL Classification Code:** C22, C32, F43

### **1. Introduction**

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 Gross domestic Product is the most important objective of any economy. There are different approaches to achieve this target of which one possibility is to promote exports. At this juncture, an important issue immediately cracks the minds of economists and researchers, that is, whether export promotion leads to higher economic growth or economic growth promotes exports growth. Thus, economists came up with different views at different times and the literature puts forward a debate for researchers and policy

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