

Disaggregated Exports and Economic Growth: Empirical Evidence from Indian Economy

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Abstract

This paper aims to examine the productivity effects of exports on the economic growth of India. Using the annual time-series data from 1990 to 2019, the study examines the relationship between economic growth, capital stock, labor force, manufacturing exports, agricultural exports, service exports and trade openness using the Autoregressive Distributed Lag (ARDL) model. The findings reveal service exports and trade openness have significant and productivity-increasing effects on economic growth in the long-run. However, manufacturing exports, agricultural exports, capital stock and labor force tend to have an insignificant impact on India's economic growth. Therefore, the Indian policymakers should formulate and implement attractive export policies which would diversify its service exports, and which in turn would encourage its economic growth. Further, India must have more effective trade openness to boost its economic growth through international trade.

I Introduction

The exhilaration of the LPG measures has evolved in the world since the early 1980s. Its success in eradicating poverty in East Asian economies tempted Indian policymakers towards market-oriented reforms. The BOP crisis of the early 1990s brought the Indian economy into shambles. Further, the IMF's external pressure and the domestic policymakers' opinion in favor of more liberal measures shifted the emphasis towards indicative planning. Like India, almost every developing economy would prefer a high GDP growth rate, but that is only possible when major determinants of GDP would contribute towards it significantly both in the short and long run. Even though almost all major determinants- exports, FDI, etc. GDP have been liberalized in the post-reform period, one must determine if they have contributed significantly to GDP.

India is one of the fast-growing emerging economies in South Asia. Since the 1990s, the exports of India have significantly increased along with other developing countries. Besides, world trade has dramatically experienced structural changes in the trade flows. Being a distinctive, developing country, India has experienced tremendous growth by exporting goods and services from different sectors-manufacturing, agricultural, and

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