

An Empirical Analysis of the Export Led Growth Of India

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Abstract

Economists around the globe unanimously agree that the process of economic growth and development is fraught with extreme complexities primarily because any analysis and effort in that direction is challenged by many variables, such as the price condition, capital accumulation (both human and physical), income distribution, international trade, political situation and on geographical compulsions. Export-led growth postulates that export expansion is one of the prime determinants of economic growth. Comprehensive growth of economies can be generated not only by increasing the amount of factors of production like labour and capital within the economy as classical economists propound, but also by expanding exports to wider markets. The correlation between exports and economic growth is often an outcome of positive externalities for the domestic economy arising from participation in world markets, re-allocation of existing resources, economies of scale, labour-oriented policies, etc. The present study attempts to test the mechanisms of Export - Led Growth in India by taking a time- series data from 1980-81 to 2008-09. It applies Ordinary Least square (OLS) method to investigate the relationship between Gross National Product, Total Exports, Manufactured Exports and Investment. The result of the study supports the Export - Led growth Hypothesis (ELGH) in India.

Keywords: Export Led Growth, Economic Growth

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