



TEST OF EXPORT-LED GROWTH HYPOTHESIS: A COMPARATIVE ANALYSIS BETWEEN PRE- AND POST-LIBERALIZATION OF INDIA

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ABSTRACT

The export-led growth and growth-driven exports are two different views which has been a debate in literature for so long. On one hand the scholars like Michaely (1977), Feder (1982) support Export-led growth and on the other hand we have scholars like Bhagwati (1978), and Kunst & Marin (1989) who talk about growth-driven exports. Several researches have been conducted on these hypotheses taking different countries under study. This paper aims to investigate the export-led hypothesis for India the second largest economy of Asia. The study also intends to do a comparative analysis of GDP growth in pre and post liberalization era which has not been explored before. Granger's causality test has been used to test ELG hypothesis and Dummy variable regression has been used to compare whether there is any structural change exist between pre- and post-liberalization era. The Granger's causality test results show that causality runs one way from Exports to GDP which supports exports-led growth. Dummy variable regression results suggest that there exists a structural change between pre- and post-liberalization era.

KEYWORDS: *exports-led growth, growth-driven exports, liberalization.*