

## Export and Economic Growth in India Sham K. Bhat

The present paper examines the causal nexus between export and economic growth in India for the year 1950-51 to 1993-94. Co-integration technique has been employed to pursue the objective. The empirical results revealed the existence of a bi-directional causal relation between export and economic growth in India. This may be attributed to the fact that export promotion measures in India allocate resources efficiently according to comparative advantage causing economic growth, which interacts with a scenario where external economies associated with economic growth. However, the results derived from the analysis of co-integration technique is limited to the extent of existence of structural break and bias in a small sample.

The relative merits of export promotion and import substitution strategies have received substantial attention in the development literature. The 1970's have witnessed an emerging consensus in favour of export promotion. Scholars such as Kessing (1967), Bhagawati (1978), and Krueger (1978) have opined that the a priori reasoning in favour of export promotion in development economies are: (i) openness of countries to international communication regarding new ideas and method of production that intensify competitive behaviour and enhance efficiency, (ii) small countries will overcome market constraints and attain the benefit of increasing returns to scale, (iii) reduction of foreign exchange constraints that normally impinge on development efforts (Chenery and Strout, 1966; Vivodas, 1973), and (iv) positive externalities due to international trade are destined to change the entire economic structure (Scitovsky, 1954).

The above beneficial effects of exports seems to lose some of their importance in industrialised countries. This is due to the fact that large positive externalities that are normally expected in developing countries from exports are reduced significantly by the advanced infrastructural facilities of the industrialised countries. Further, the benefits of increased competitive behaviour of exports is likely to be insignificant in developed countries due to the high competitiveness and spread of new production knowledge expected to become much faster in them due to export growth is likely to be low since the nature of industrialisation in these countries is the result of continuously adopting advanced production techniques. The benefits of economies of scale is a technologically determined phenomenon, and as such it applies universally in certain line of