

Conclusion

Exports instability may be determined by factors which operate either through demand or through supply. In this study our primary focus is to examine the impact of exports instability and economic growth in case of India both long run and short run. Actually this study has six chapters. First chapter is introductory chapter, in which the study defines statement of the problem, objective of the study and limitation of the study. The second chapter is about literature review in where we discovered two different schools of thought emerged. The first view emphasizes the negative impact of export instability on economic growth and the second view argues that export instability may encourage growth. Therefore, the two different views give contradictory results on the relationship between of export instability and economic growth.

In profile, apart from government policy towards foreign trade in India, We discussed growth and structure of India's exports at different point of time. Recently, Indian Economy has developed a strong manufacturing base and now time moved towards a capital and skills-oriented services sector. The structure changes occur with engineering goods, electrical equipment, chemical and Allied Product and food & beverage were the major destination during 1990s. But, the trend has been changing significantly in recent years. Recently, service sector contributing a large share in India's GDP. A rapid growth of service sector observed in the domestic economy has been associated with an increased competitiveness in world markets.

The time series study on impact of exports instability and economic growth in India supports the second views that is exports instability encourage economic growth in the long run. For this purpose, Johanson co-integration technique and vector error correction model are applied to the annual data for the variables like GDP, Real exports and exports instability index. Moreover, to check the stationarity of the data series, the study employs the Augmented Dickey-Fuller and Phillip-Perron tests to identify stationarity of the data. The test statistic is computed for two models intercept as well as trend and intercept. When the variables were tested in 1st difference and 2nd differences (EII) in case of ADF test than the study found that all the variables are found to be integrated of order zero and hence are stationary. The stationary behavior of the series fulfills the criteria of estimating the co-integration model. After this the study utilized the Johnson co-integration methodology.

The results of co-integration show that there is at least one co-integration relationship exists between variables. The existence of at least one co-integrating vector among the variables implies that a VECM can be estimated to investigate the short-run as well as long run relationship. The results of Error correction shows there is a positive long run relationship between exports instability and economic growth in case of India. Similarly, real exports have a positive long run effect with economic growth in India. But the results of short run shows that the coefficient value of error correction term is negative sign (-0.009) and statistically insignificant which shows that there is no short run significant relationship between exports instability and economic growth. On the policy front, to enhance the country's growth performance, it is required to fully restore and consolidate macroeconomic stability by continuing to implement sound economic policies.

APPENDIX A

REAL EXPORTS EARNINGS (BASE YEAR 2004-05)

Years	EXPORTS	Unit Value Index	EXPORT/UNI
1970-71	17.71	5.69	3.1125
1971-72	18.38	5.81	3.1635
1972-73	22.25	6.47	3.4385
1973-74	28.3	7.86	3.6000
1974-75	38.35	9.86	3.8903
1975-76	48.12	10.60	4.5381
1976-77	61.39	11.30	5.4334
1977-78	66.4	12.68	5.2381
1978-79	71.15	12.64	5.6297
1979-80	83.4	13.32	6.2609
1980-81	90.29	13.71	6.5844
1981-82	102.56	15.68	6.5390
1982-83	115.63	16.68	6.9311
1983-84	131.39	19.08	6.8848
1984-85	158.46	21.46	7.3840
1985-86	149.51	21.59	6.9261
1986-87	165.43	22.67	7.2963
1987-88	202.81	24.70	8.2125
1988-89	259.13	29.35	8.8301
1989-90	346.09	34.96	9.9002
1990-91	406.35	36.97	10.9921
1991-92	562.54	46.70	12.0461
1992-93	673.12	53.27	12.6358
1993-94	861.47	59.92	14.3773
1994-95	1016.07	62.51	16.2547
1995-96	1307.33	61.20	21.3633
1996-97	1448.54	63.79	22.7094
1997-98	1652.03	74.49	22.1777
1998-99	1952.8	77.31	25.2597
1999-00	2276.97	76.34	29.8283
2000-01	2781.26	77.86	35.7201

2001-02	2907.57	78.63	36.9798
2002-03	3555.56	80.92	43.9414
2003-04	4174.25	87.02	47.9673
2004-05	5690.51	100.00	56.9051
2005-06	7120.87	106.11	67.1104
2006-07	9048.72	120.61	75.0242
2007-08	10189.07	126.72	80.4077
2008-09	13287.65	148.09	89.7259
2009-10	13000.34	149.62	86.8900
2010-11	17475	170.23	102.6558
2011-12	21817.09	174.81	124.8052

Source: Handbook of Statistic on Indian Economy published by Reserve Bank of India

APPENDEX-B

EXPORTS INSTABILITY INDEX (EII) ABSOLUTE

EXP	YEARS	^EXP	EXP-^EXP	(EII) ₂
3.11	1	-15.184	18.297969	334.8157
3.16	2	-13.168	16.3295198	266.6532
3.44	3	-11.152	14.5904941	212.8825
3.60	4	-9.136	12.7360148	162.2061
3.89	5	-7.12	11.0102633	121.2259
4.54	6	-5.104	9.64207733	92.96966
5.43	7	-3.088	8.52135834	72.61355
5.24	8	-1.072	6.31011924	39.8176
5.63	9	0.944	4.6856726	21.95553
6.26	10	2.96	3.30085541	10.89565
6.58	11	4.976	1.60842946	2.587045
6.54	12	6.992	-0.4529529	0.205166
6.93	13	9.008	-2.0768575	4.313337
6.88	14	11.024	-4.139164	17.13268
7.38	15	13.04	-5.6560253	31.99062
6.93	16	15.056	-8.1298705	66.09479
7.30	17	17.072	-9.775744	95.56517
8.21	18	19.088	-10.875544	118.2775
8.83	19	21.104	-12.273939	150.6496
9.90	20	23.12	-13.219774	174.7624
10.99	21	25.136	-14.14385	200.0485
12.05	22	27.152	-15.10588	228.1876
12.64	23	29.168	-16.532188	273.3132
14.38	24	31.184	-16.806664	282.4639
16.25	25	33.2	-16.945345	287.1447

21.36	26	35.216	-13.852683	191.8968
22.71	27	37.232	-14.522612	210.9063
22.18	28	39.248	-17.070324	291.396
25.26	29	41.264	-16.004339	256.1389
29.83	30	43.28	-13.451693	180.948
35.72	31	45.296	-9.5758961	91.69779
36.98	32	47.312	-10.332226	106.7549
43.94	33	49.328	-5.3866453	29.01595
47.97	34	51.344	-3.3767412	11.40238
56.91	35	53.36	3.5451	12.56773
67.11	36	55.376	11.7343576	137.6951
75.02	37	57.392	17.6321975	310.8944
80.41	38	59.408	20.9997211	440.9883
89.73	39	61.424	28.301884	800.9966
86.89	40	63.44	23.4500276	549.9038
102.66	41	65.456	37.1998296	1383.827
506.23	42	67.472	438.758	1925.6

Source: Handbook of Statistic on Indian Economy published by Reserve Bank of India