IMPACT OF GLOBALISATION ON INTERNATIONAL TRADE AND ECONOMIC GROWTH IN THE SAARC REGION: AN ECONOMETRIC APPROACH

Mayakkannan. M * Mrugan M ** and K Krishnakumar ***

Introduction

Globalisation unites people, organisations and governments worldwide. The pace of globalisation accelerated from the 18th century onwards due to the advancement of the transport system and communication technology. Globalisation brings nations together and creates opportunities for interaction between nations, supporting the growth of international trade and culture. It breaks the barriers of cultural differences and helps to develop socio, cultural and economic activities. Globalisation impacted all walks of people, the economy and the fast movements of goods, services, capital, technology, and data.[Albrow, Martin; King, Elizabeth (1990)] 1 Advancement of the transport sector, infrastructure and telecommunication generated more interdependence of economic and cultural activities globally [Wolf, Martin, 2014].2

There has been a paradigm shift in the world's economic and political order in the last three decades. The world has become increasingly interdependent due to the adoption of globalization across countries of all levels of development. Interestingly the process of globalization has been accompanied by the strengthening of economic and financial linkages within geographic regions. Indeed, the world economy is simultaneously becoming more regionalized and more globalised. Regional policy initiatives have supported the trend towards regional integration in many areas, particularly in trade (McKay,2005). The regional economic groupings play an essential role in shaping the future of the countries, notable being the European Union (EU), Asia and Pacific Economic Cooperation (APEC), Organization for Economic Cooperation and Development (OECD), etc.

1.1 Background of SAARC

The South Asian countries founded, in December 1985, the South Asian Association

* Ph. D Research Scholar (PT), Department of Economics, Arignar Anna Government Arts College, Namakkal, Tamil Nadu

** Ph.D., Research Scholar (PT), Department of Economics, Arignar Anna Government Arts College, Namakkal, Tamil Nadu

*** Ph. D Research Scholar (FT), Department of Economics, Arignar Anna Government Arts College, Namakkal, Tamil Nadu.

for Regional Cooperation (SAARC) with seven member countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. In April 2007, Afghanistan became its eighth member. This cooperation aims to strengthen economic, political and cultural ties. It is one of the largest regional organizations, with more than 1.5 billion population.

SAARC is a manifestation of the determination of the peoples of South Asia to cooperate regionally and to work together towards finding solutions to their common problems in a spirit of friendship; trust and understanding based on mutual respect, equity and shared benefits. The member countries differ vastly not only in terms of their demographic features but also in their economic strength. Since the impact of the changes in the world economic order and the nature of the domestic economies of SAARC nations differ considerably, it is imminent that the economies of these countries have undergone some structural change. The pace and pattern of this change amongst the SAARC nations must be different regarding their demographic and economic parameters. The primary aim of the Association is to accelerate the process of economic and social development in member states through joint action in the agreed areas of cooperation.

2. Reviews of Select Studies

The relationship between export growth and economic growth in developing countries has been of continuing interest both in the theoretical and empirical literature. Many empirical studies have been conducted during the last two decades to investigate the role of exports on economic growth or the export-led growth hypothesis, using timeseries, cross-section data, or panel data. These studies have been shown along with several divergent lines. The early studies on this issue examined the simple correlation coefficient between export growth and economic growth. Export growth is essential because of its effect on internal trade and the financial stability of an economy.

Empirical evidence supports that the development of an economy is directly related to exports. Moreover, the economic growth rate and the distribution of income and wealth in a country is closely related to export growth (Dee Kay, 2009). Therefore, the relationship between export and economic growth has become a crucial debate among economists and researchers worldwide. An agreement has emerged on theoretical grounds among Neo-classical economists with an export-led-growth (ELG) strategy as an instrument of economic progress. This agreement has received more support due to the success of the free-market and outward-oriented policies of Asian Tigers. Asian tigers, including Taiwan, Hong Kong, Singapore and Korea, which are successful in achieving high and persistent rates of economic growth since the early 1960s because of their free market, outward-oriented economies (World Bank, 1991).

Neoclassical economists have strongly argued that export has emerged as an essential factor contributing significantly to economic growth. There are four major reasons for the support of the export-led growth hypothesis:

(a) Fostering specialisation helps to benefit from the comparative advantages;

(b) Helps to utilise the full capacity of the plant size, where domestic demand is less than the total capacity production;

(c) Generate benefits of the more significant economies of scale due to large market; and

(d) Increase the rate of investment and technological change (Dash, 2009).Therefore, an export promotion strategy is essential to economic growth.

The second proposition, the growth-driven exports hypothesis, postulates a reverse relationship. It is based on the idea that economic growth induces trade flows. It can also create comparative advantages in certain areas leading to specialisation and facilitating exports.

Many studies have investigated the relationship between export growth and economic growth and tested the hypothesis of export-led growth (ELG) or growth-led export (GLE). For example, Michaely (1977), Heller and Porter (1978), Tyler (1981), and Kormendi and Mequire (1985) studies applied a simple correlation coefficient to find out the relationship between export and economic growth. Their conclusion is purely based on the significance of the correlation coefficient. Later, there was an improvement and some studies applied regression equation, and the obtained significant slope coefficient of export growth on economic growth was treated as evidence of the cause of economic growth (Voivadas (1973), Feder (1983), Balassa (1985),Ram (1987), Sprout and Weaver (1993) and Ukpolo (1994)). These studies are subject to criticism in that they have made a priori assumption of export-led growth and did not consider the direction of a causal relationship between export and economic development.

This criticism is overcome by the application of relatively advanced techniques of co integration and error correction model (for example, Kugler (1991), Dutt and Ghosh (1994, 1996), Ekanayake (1999), Dhawan and Biswal (1999), Raju and Kurien (2005) and Sharma and Panagiotidis (2005)).The present study mainly focuses on the growth of international trade and economic growth and the impact of globalisationon the economic growth of SAARC countries.

3. Methodology

The study is based on secondary data and data on the gross domestic product, exports, and imports from 1991 to 2020. The data were collected from the direction of trade statistics, IMF and World Development Indicators [WDI], published by the World Bank. The study analyses the annual growth rate and panel data techniques such as; panel unit root test, panel cointegration and fully modified ordinary least square. The panel regression shows the impact of globalization on international trade and economic growth in the SAARC countries.

4. Empirical Results

4.1 Growth of International Trade and Economic Growth in the SAARC Countries

Table 1 shows the annual growth rate of exports of Afghanistan during the period from 1991 to 2020. Afghanistan's annual growth rate of exports was 27.64 per cent in 1992, and it decreased to 13.21 per cent in 2018. In 2019 and 2020, the world economy was locked however during Covid 19 situation. Hence these periods, exports from SAARC countries declined and showed negative growth. In Bangladesh was 14.34 per cent in 1992 and slightly increased to 16.98 per cent in 2018. The years viz. 2019 and 2020 witnessed negative growth in exports in Bangladesh. From -29.39 per cent in 1992,Bhutan's exports reached 57.30 per cent in 2018. The exports of Bhutan were 5.92 per cent in 2019 and -10.04 per cent in 2020, and its negative growth. Indian exports we rerecorded at around 25.33 per cent in 1992, whichreduced to 12.82 per cent in 2018. The growth rate of Indian exports was negative, with -3.16 per cent in 2019 and -13.21 per cent in 2020. Maldives exports were 6.73 per cent in 1992, and it increased to 14.75 per cent in 2018. The exports of Maldives were -3.97 per cent in 2019 and -25.47 per cent in 2020, and its negative growth. Nepal's exports were -1.50 per cent in 1992, and it increased by 28 per cent in 2018. The exports of Nepal were 2.61 per cent in 2019 and -18.93 per cent in 2020, and its negative growth. Pakistan's exports were -0.17 per cent in 1992, and it increased by 6.88 per cent in 2017. The exports of Pakistan were -2.52 per cent in 2018, -12.02 per cent in 2019 and -6.12 per cent in 2020 and its negative growth. In Sri Lanka, exports were 22.60 per cent in 1992,which increased to 4.64 per cent in 2018. The exports of Sri Lanka were -4.10 per cent in 2019 and -15.93 per cent in 2020, and its negative growth. Itis evident from the analysis that Maldives stood first in terms of the annual growth rate of exports,which is followed by Bhutan, Nepal, Pakistan, Bangladesh, India, Afghanistan and Sri Lanka, respectively.

TABLE 1

Annual Growth Rate of Exports of SAARC Countries

Year	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
1991	-	-	-	-	-	-	-	-
1992	27.64	14.34	-29.39	25.33	6.73	-1.50	-0.17	22.60
1993	4.62	11.22	105.88	17.87	10.12	32.36	24.91	14.66
1994	-11.35	31.72	44.91	68.63	122.68	32.90	11.20	23.08
1995	6.63	70.08	74.59	43.98	-35.66	25.22	18.56	26.59
1996	23.49	-4.70	-15.64	22.79	130.34	-24.41	-11.59	-7.36
1997	12.18	7.24	54.20	11.50	-30.07	12.88	6.63	10.62
1998	-28.72	7.35	-29.53	25.20	12.77	0.27	-5.85	5.90
1999	-10.93	-8.68	-8.82	13.68	14.27	50.61	-9.91	1.57
2000	-6.91	25.87	-35.18	45.89	84.88	0.72	4.48	29.98
2001	-14.78	7.69	51.87	10.15	-31.98	-2.35	2.69	-8.30
2002	67.88	12.15	232.69	14.40	-5.47	20.14	48.15	14.94
2003	105.72	29.93	143.31	23.79	22.70	63.65	38.10	37.26
2004	28.22	20.07	8.69	41.72	26.81	23.31	31.54	18.82
2005	13.14	14.75	10.87	38.15	12.27	14.82	34.73	34.13
2006	27.46	15.76	-29.42	38.50	19.95	14.12	26.37	20.24
2007	62.94	24.00	27.63	41.68	36.25	48.68	35.48	12.72
2008	15.83	29.08	36.62	22.19	13.42	19.59	6.88	9.54
2009	32.50	-8.23	-0.98	-7.24	-19.07	-10.40	-10.17	-25.01
2010	-5.33	48.23	54.05	34.30	14.63	42.46	29.96	54.01
2011	20.91	23.56	31.21	26.92	22.59	44.23	11.63	43.78
2012	18.58	1.50	5.04	-0.50	-2.08	28.63	4.35	-5.71
2013	-6.81	15.86	22.36	-2.70	0.39	12.10	13.62	3.38
2014	-2.57	16.36	0.50	8.60	28.54	18.08	13.52	29.51
2015	3.59	4.06	34.54	2.07	11.74	-36.87	15.23	-4.98
2016	-3.17	3.74	2.03	-1.14	38.30	31.66	4.80	-13.33
2017	28.31	14.09	-2.48	17.51	1.22	18.74	6.88	3.46
2018	13.21	16.98	57.30	12.82	14.75	28.00	-2.52	4.64
2019	5.44	-3.46	5.92	-3.16	-3.97	2.61	-12.02	-4.10
2020	-7.07	-12.57	-10.04	-13.21	-25.47	-18.93	-6.12	-15.93

Sources: Author's computed from direction of trade statistics, IMF.

GRAPH 1

Annual Growth Rate of Exports of SAARC Countries

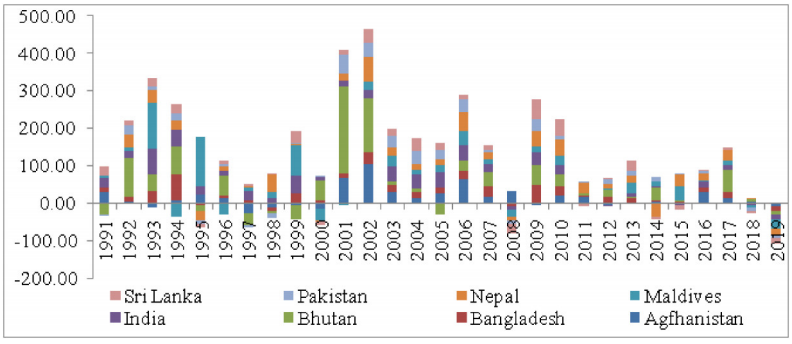


Table 2 presents the annual growth rate of imports from SAARC countries from 1991 to 2020. The annual growth rate of imports from Afghanistan was -24.88 per cent in 1992, and it recorded a growth of 19.46 per cent in 2018. In 2019 and 2020, the world economy was forced to shut down due to the Covid 19 situation. Hence these periods, imports of SAAR decreased. In Bangladesh was 77.06per cent in 1992 and slightly fell to 26.40 per cent in 2018. Bangladesh imports were16.79 per cent in 2019 which reduced to 16.39 per cent in 2020 in. Bhutan's imports were-91.04 per cent in 1992, and they increased to 31.03 per cent in 2018. The imports of Bhutan was 0.81 per cent in 2019 and -28.60 per cent in 2020 as its negative growth.India'simportswas-13.86 per cent in 1992, which increased to 15.41 per cent in 2018. The imports of India recorded was-6.55 per cent in 2019, and -3.17 per cent in 2020 indicating its negative growth. In the Maldives imports was -18.58 per cent in 1992, and it increased 27.48 per cent in 2018. The imports of Maldives were -63.50 per cent in 2019 and -14.31 per cent in 2020, and its negative growth. In Nepal, imports was 129.36 per cent in 1992,dropping to 55.17 per cent in 2019. The imports of Nepal was -3.91 per cent in 2020, it is a negative growth. In Pakistan, imports were 45.66 per cent in 1992, and it reduced to 29.32 per cent in 2018. The imports of Pakistan were -20.91 per cent in 2018 and -8.48 per cent in 2020, and its negative growth. In Sri Lanka, imports were 1.38 per cent in 1992 and increased to 46.80 per cent in 2018. The imports of Sri Lanka were -12.19 per cent in 2019 and -24.16 per cent in 2020, and its negative growth. The Maldives stood first in imports, followed by Pakistan, India, Nepal, Afghanistan, Bangladesh, Sri Lanka and Bhutan.

TABLE 2

Annual Growth Rate of Imports of SAARC Countries

Year	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
1991	-	-	-	-	-	-	-	-
1992	-24.88	77.06	-91.04	-13.86	-18.58	129.36	45.66	1.38
1993	-30.13	22.05	5.77	40.07	27.50	-54.69	-30.26	17.24
1994	179.35	23.32	102.89	5.65	-8.68	-14.72	7.68	30.89
1995	50.12	57.48	76.43	42.02	-11.33	76.86	30.29	34.76
1996	-19.07	-20.61	7.00	52.26	7.68	77.78	25.85	-4.48
1997	-37.16	6.08	7.06	-13.30	17.63	95.54	-16.69	13.79
1998	78.12	-7.26	-43.72	-11.74	13.18	34.19	27.41	0.74
1999	9.13	14.37	49.65	-9.53	10.33	27.53	-7.10	12.37
2000	28.42	12.96	28.57	49.40	36.39	28.16	10.31	28.28
2001	-35.22	-14.77	16.73	12.69	7.45	45.95	12.58	-17.00
2002	-17.52	7.76	15.61	15.25	27.12	-14.74	-10.61	7.18
2003	116.71	9.48	57.93	39.34	-2.64	-4.91	0.66	51.07
2004	18.58	9.51	-4.28	63.94	1.83	14.28	10.38	53.90
2005	24.22	51.98	86.23	6.74	28.53	14.02	34.40	48.43
2006	-26.90	39.12	46.62	13.73	29.46	-11.45	25.32	7.05

2007	121.63	10.30	39.24	35.78	-17.81	70.41	10.30	17.78
2008	38.01	26.77	-6.78	35.19	22.83	15.45	12.20	-11.11
2009	-8.23	-15.38	-12.56	-28.51	-55.25	-26.44	6.73	-13.46
2010	20.72	50.38	27.93	44.43	102.53	18.17	35.06	44.70
2011	-0.77	54.53	3.54	21.47	0.33	0.56	28.48	44.10
2012	8.60	16.30	-0.73	-9.06	-24.35	9.74	26.12	-11.77
2013	36.83	2.28	-26.97	1.59	46.46	-10.28	-4.98	-1.19
2014	16.97	11.93	24.63	2.78	-38.31	16.56	-7.37	1.97
2015	28.34	13.55	46.48	-12.32	20.96	-18.22	-6.67	28.58
2016	-10.34	11.23	-9.81	1.95	98.79	-18.70	-13.52	-14.09
2017	26.23	-3.68	-4.70	31.05	99.39	-9.41	4.58	5.47
2018	19.46	26.40	31.30	15.41	27.48	11.65	29.32	46.80
2019	17.72	16.79	0.81	-6.55	-63.50	55.17	-20.91	-12.19
2020	9.77	-16.39	-28.60	-3.17	-14.31	-3.91	-8.48	-24.16

Source:Computed from the direction of trade statistics, IMF by the Author.

GRAPH 2

Annual Growth Rate of Imports of SAARC Countries

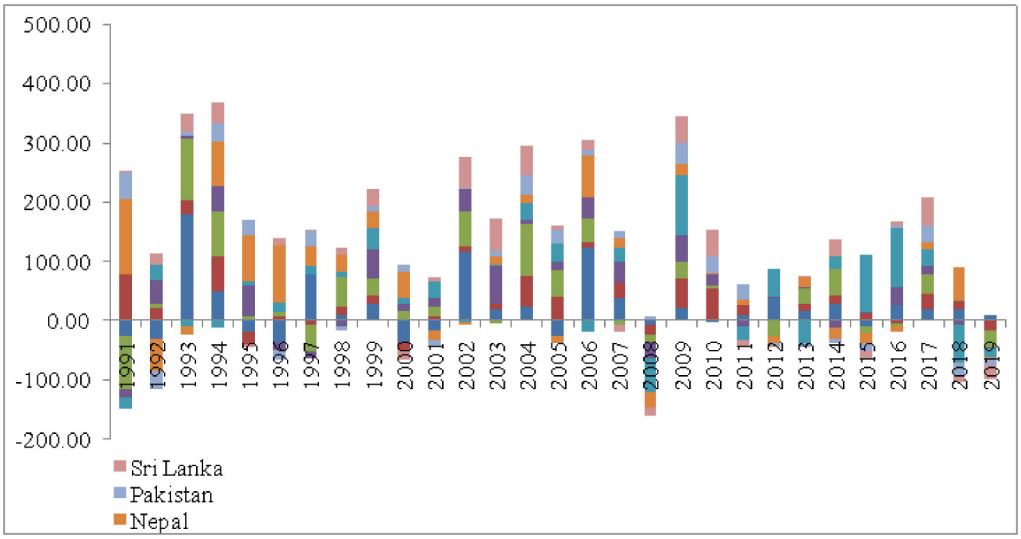


Table 3 shows the annual growth rate of the GDP of SAARC countries from 1991 to 2020. In Bangladesh was 2.43 per cent in 1992 and slightly decreased to 6.45 per cent in 2020. In Bhutan,GDP was -0.04 per cent in 1992,dropping to -8.68 per cent in 2020. In India,GDP was 6.70 per cent in 1992, and it increased to 4.76 per cent in 2019. the GDP of India was -5.79 per cent in 2020, and its negative growth. In the Maldives,GDP was 16.56 per cent in 1992, and it increased to5.79 per cent in 2019. the GDP of Maldives was -33.26 per cent in 2020, and its negative growth. In Nepal,GDP was -13.27 per cent in 1992,which decreased to 3.25 per cent in 2019. The GDP of Nepal was -2.25 per cent in

2020, and its negative growth. In Pakistan,GDP was 7.14 per cent in 1992, and it increased to4.99 per cent in 2018. The GDP of Pakistan was -9.89 per cent in 2018 and -6.42 per cent in 2020, and its negative growth. In Sri Lanka,GDP was 7.81 per cent in 1992 and increased to 0.61 per cent in 2018. The GDP of Sri Lanka was -4.62 per cent in 2019 and -3.50 per cent in 2020,and its negative growth. It indicates that in the annual growth rate of imports, Bangladesh stood first, which is followed by Afghanistan, Nepal, India, Bhutan, Maldives, Pakistan, and Sri Lanka,respectively.

TABLE 3

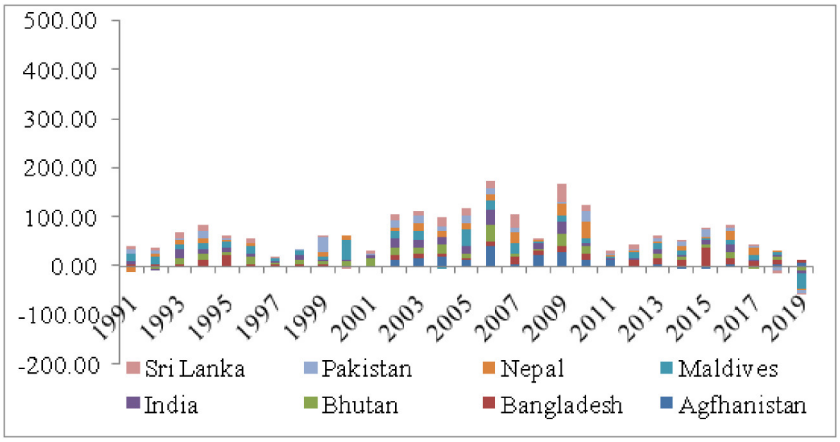
Annual Growth Rate of GDP of SAARC Countries

Year	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
1991	-	-	-	-	-	-	-	-
1992	-	2.43	-0.04	6.70	16.56	-13.27	7.14	7.81
1993	-	4.60	-5.92	-3.09	13.18	7.61	5.98	6.55
1994	-	1.82	14.60	17.18	10.42	11.11	0.93	13.34
1995	-	12.35	12.15	10.09	12.07	8.22	15.95	11.20
1996	-	22.40	4.47	9.05	12.88	2.74	4.43	6.66
1997	-	3.89	16.09	5.85	12.84	8.78	-1.40	8.59
1998	-	3.61	3.18	1.32	6.27	-1.27	-0.39	4.66
1999	-	2.57	9.86	8.89	9.10	3.65	1.26	-0.88
2000	-	4.09	6.31	2.09	5.96	9.15	30.24	4.31
2001	-	1.16	8.71	3.64	39.35	9.33	-3.09	-3.56
2002	-	1.36	12.87	6.08	3.10	0.73	0.53	5.00
2003	11.35	9.93	15.97	18.01	17.29	4.62	14.84	14.18
2004	15.75	8.23	12.99	16.69	16.61	14.90	17.44	9.43
2005	18.79	6.66	16.76	15.69	-5.17	11.77	11.41	18.12
2006	12.27	3.42	9.79	14.61	35.40	11.24	14.33	15.87
2007	39.83	10.85	33.52	29.40	18.61	14.17	11.02	14.39
2008	3.71	15.10	5.09	-1.47	21.58	21.50	11.61	25.85
2009	22.82	11.84	0.50	11.93	3.24	2.47	-1.13	3.32
2010	27.71	12.49	25.44	24.87	10.36	24.49	5.36	34.85
2011	12.29	11.59	14.80	8.80	7.19	34.81	20.56	15.10
2012	11.81	3.67	0.24	0.25	4.03	0.60	5.05	4.81
2013	1.20	12.47	-1.41	1.59	14.17	2.12	3.05	8.60
2014	1.74	15.26	8.59	9.82	12.21	2.57	5.68	6.78
2015	-6.65	12.84	5.06	3.16	11.15	7.17	10.72	1.57
2016	-5.32	35.96	7.75	9.09	6.56	0.67	15.92	2.23
2017	3.52	10.75	13.50	15.54	8.56	18.14	8.15	6.10
2018	-3.73	9.40	-0.14	1.94	11.50	14.29	4.99	0.61
2019	4.13	9.29	3.63	4.76	5.79	3.25	-9.89	-4.62
2020	7.00	6.45	-8.68	-5.79	-33.26	-2.20	-6.42	-3.50

Sources: Author's computed from World Development Indicator, World Bank.

GRAPH 3

Annual Growth Rate of GDP of SAARC Countries



4.2 Panel Unit Root Test for International Trade of SAARC Countries

The study discusses the panel unit root test result of LLC, IPS, ADF and PP Fisher tests with a constant and linear trend. Table 1 shows the unit root results of all the study variables: LLC, IPS, and Fisher tests evaluate a unit root's null hypothesis.

The result indicates that it rejects the null hypothesis. Gross domestic product is statistically significant at 1per cent level of the critical value of intercept in all the panel unit root tests of IPS, ADF,and PP Fisher tests and intercept with a linear trend in the panel unit root test of PP Fisher test. Hence GDP variable is stationary at first difference.

Exports are statistically significant at a 1 per cent level of the critical value of intercept and intercept with a linear trend in all the panel unit root tests of IPS, ADFand PP Fisher tests. Hence exports variable is stationary at first difference. The result indicates that reject the null hypothesis.

Imports are statistically significant at a 1 per cent level of the critical value of intercept and intercept with a linear trend in the study's LLC, IPS, ADF and PP Fisher tests. Hence imports variable is stationary at first difference. The result indicates that reject the null hypothesis.

This result indicates thatfor all the variables I[1], the study can reject the null hypothesis that is stationary at first difference.

4.3 Panel Cointegration Test for International Trade of SAARC Countries

The study used the panel cointegration test of Pedroni (2000) proposed to test for cointegration. The results present two sets of tests for cointegration between within-dimension

and between-dimension. The panel tests based on the within-dimension approach /include four statistics (i.e., panel cointegration statistics): Panel v-statistics, panel rho-statistics, panel pp-statistics, and panel ADF-statistics. These statistics essentially pool the autoregressive coefficients across different countries for the unit root tests on the estimated residuals and consider expected time factors and heterogeneity across countries.

The group statistics are based on between-dimension approaches, which include three statistics (i.e., group mean panel cointegration statistics): Group rho-statistics, group pp-statistics, and group ADF-statistics. These statistics are based on averages of the individual autoregressive coefficients associated with the unit root tests of the residuals for each country in the panel.

Of the seven tests, the panel v-statistic is the one-sided test where large positive values reject the null of no cointegration. In contrast, significant negative values for the other test statistics reject the null hypothesis of no integration among variables. Table 5 reports the Pedroni panel cointegration statistics. All the statistics reject the null hypothesis of no cointegration. The estimates show that the variables are cointegrated, and a long-run equilibrium relationship exists between them.

4.4 Fully Modified Ordinary Least Square test for International Trade of SAARC Countries

The study to identify the determinants of gross domestic productused the group mean panel FMOLS method developed by Pedroni (2000). The results are reported in Table 6.

The results show that coefficients of GDP and imports are highly significant at a 1 per cent level. Given that all the variables are expressed in natural logarithms, the coefficients can be interpreted as elasticities. The coefficients of GDP and exports are statistically insignificant. The results suggest that a 1 per cent increase in GDP increases imports by 1.01 per cent. The empirical results depict that imports significantly determine the gross domestic productof a country.

Table 4

Panel Unit Root Test for International Trade on SAARC Countries

Variables	Level								Order of Integration
	Constant				Linear Trend				
	LLC	IPS	ADF	PP	LLC	IPS	ADF	PP	
GDP	2.3362	4.9333	2.2441	0.8096	02128	1.3295	9.7177	7.4733	-
Exports	0.9441	3.9061	2.0735	1.1480	-0.8136	0.5627	9.9719	7.2020	-
Imports	2.8259	3.9912	6.4289	4.5264	0.2598	-0.0644	24.1115	18.6780	-

	First Difference								
	Constant				Linear Trend				
	LLC	IPS	ADF	PP	LLC	IPS	ADF	PP	
GDP	0.9578	-3.0369***	35.6305***	54.0552***	3.8991	-1.4279	25.3405	39.5992***	I(1)
Exports	-1.3721	-6.4589***	73.1570***	83.1768***	0.6794	-6.1362***	71.0813***	69.0224***	I(1)
Imports	-7.9557***	-9.9657***	117.141***	142.227***	-7.8558***	-10.1143***	110.049***	124.468***	I(1)

*** Significant at 1 per cent level

Table 5

Panel Cointegration Test for International Trade on SAARC Countries

Within-dimension		Between-dimension	
Test Statistic		Test Statistic	
Panel v-Statistic	6.8293****	Group rho-Statistic	-1.3499
Panel rho-Statistic	-0.9923	Group PP-Statistic	-3.8935***
Panel PP-Statistic	-0.0015	Group ADF-Statistic	-2.5982***
Panel ADF-Statistic	0.3186		

Table 6

Fully Modified Ordinary Least Square Models for International Trade of SAARC Countries

Variables	Coefficient	Standard Error	t-statistics	Prob.
Exports	0.1281	0.3937	0.3253	0.7453
Imports	1.0146	0.4698	2.1594	0.0319**
	$R^2 = 0.8158$		Adjusted $R^2 = 0.8084$	

5. Conclusion

This study investigated the impact of international trade on economic growth in the SAARC countries from 1991 to 2020. The results indicate that the GDP, exports and imports increased from 1991 to 2020. The SAARC nations recorded tremendous growth in their International trade, which reflects in the evolution of foreign exchange earnings of the member countries. The results do also indicate that their level of imports influences the economic growth of SAARC nations. SAARC's aim to increase the imports and exports

between the member nations depend on products from India and cannot raise their exports to more than the expected level.

International trade is seen increasing trends to lead economic growth through earning more foreign currency and foreign direct investment to create global capital movements. Instead, trade liberalisation in the form of tariff reduction seems to contribute to the tax structure in these countries. International trade must be supported by government policies that aim to enhance the financing of new investments for economic growth. The study clearly shows that globalisation in political and social dimensions, such as financial openness, has a strong positive trend and shows influences on the domestic economic and institutional environment in the SAARC countries.

End Notes

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