To

The Controller of Examinations,
Manipur University,
Canchipur.

Sir,

I have great pleasure in forwarding four copies of the thesis entitled "Determinants of Price Variation and Economic Growth in Manipur: A Sectoral Analysis (1972-73 to 1996-97)" submitted by Shri Sangibam Brajamani Singh for evaluation for the award of the Degree of Doctor of Philosophy in Economics of the University of Manipur.

This thesis has been prepared under my supervision and guidance.

I certify that the thesis is an original work of the scholar, that it has not been submitted to any University for any degree and that Shri S. Brajamani Singh has fulfilled all the conditions necessary for submitting the thesis.

Yours faithfully,

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Date 15/5/2000

(DR. E. B. SINGH)

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PREFACE

Economic growth is a complex process influenced by the interplay of many factors. Social scientist often referred to economic growth as 'modernisation'. It is associated with large and rapid shift in the structure of the economy. Economic growth involves a great deal of not only the quantitative measures of a growing economy but also the essential qualitative dimensions in the development process that extend beyond the growth or expansion of an economy through a simple widening process. The various determinants of economic growth are changes in the techniques of production, social attitudes and institutions that lead to growth. But gradual and steady economic growth is likely if the macro economic environment is stable. A stable macro economic environment is characterised by low and predictable inflation rate, stable and sustainable fiscal balances low, but positive real interest rate.

Economic growth is also affected by economic policy of the government. Government interventions in the functioning of the economy in the form of trade restrictions, subsidies and exchange and interest rate controls that lead to price and trade distortions reduce incentives to save and invest. The study of the relationship between inflation and economic growth has been a fascinating area of research in development economics. Inflation not only affects the different sections of the society but also influence the important macro economic objectives such as price stability, economic growth, reduction of regional imbalances and so on. The Keynesian economists hold the case that the existence of a short run inflation-output trade-off has significant long run macro economic implications. These short-run effects cause a substantial positive effect on the long-run growth of the economy. A mild or low inflation rate would be a tonic to economic growth. But according to structuralists, the dispersion theorists and a number of neo-classical economists, inflation retards economic growth, due to the following reasons among others inflation results overvalued exchange rates and leads to a decline in competitiveness. It also discourages savings because unanticipated inflation and low or negative interest rates have threatened to erode the real value of financial assets thereby reducing resources for investment.

The present study is in the context of the growth experience of the state of Manipur during the period 1972-73 to 1996-97 using time series data. It is the first of its kind in research of development economics in Manipur. Singh, M.I. (1968)
provided a rough picture of the state of the economy of Manipur during 1939-65 in his thesis "The Economic Development of Manipur (since 1939)." Later on Singh L.K. (1987) also studied the economic structure of Manipur for the period 1960-61 to 1983-84 in his thesis "Economic change in Manipur: Leading Issues in Development." But these two studies left out the core issues - what are the determinants of economic growth in Manipur, the interaction between the various sectors of the economy and economic growth and inflation. Besides both studies are of descriptive type. The present study is an empirical work using econometric techniques.

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Imphal
The 15/5/2000
(S. BRAJAMANI SINGH)