ABSTRACT

GROWTH OF AGRICULTURAL EXPORTS IN INDIA
A COMPARATIVE STUDY OF PRE AND POST WORLD TRADE ORGANIZATION (1980-2010)

The present work has attempted to examine the relationship between agricultural export and the effective factors influencing the same relationship in India. The review of literature has provided an overview of growth of agricultural exports across the countries and different methods used to calculate the export supply function of agricultural products. This study is based on the neoclassical trade theory which is evaluated in a neoclassical production function framework, incorporating an additional factor of production (exports) into the production function.

The study has attempted to analyze the long run and the short run relationship between agricultural exports as dependent variable and exchange rate, export price index, gross domestic product and domestic production of agricultural product as independent variables based on annual data during 1980-2010. Also, World Trade Organization as a dummy variable has been taken as a determinant of India’s agricultural exports. The autoregressive distributed lag model and error correction model are used to determine the long run and short run relationship between the variables. Further, paired t-test is used to investigate the impact of WTO on growth of agricultural export in India. Dynamic econometric model is estimated to test for time series properties, unit root test and cointegration (ARDL procedure).
The results of cointegration test showed that the variables are cointegrated. The results of long-run estimated coefficients of export supply function showed that exchange rate had a statistically significant and negative impact on agricultural export. The long-run coefficient of domestic production of agricultural product and export price index have positive sign and are significant at 5% level respectively. The long-run coefficients of Gross Domestic Product (GDP) and WTO as dummy variable had positive and negative sign respectively but are insignificant.

In brief, the coefficient of the ECM is very high at (-) 0.54 implying a fairly high speed of adjustment to the long-run disequilibrium after a shock. The Coefficient of the ECM term suggested that adjustment process was fast and 54% of the previous year’s disequilibrium in equity prices from its equilibrium path will be corrected in the current year. It is also observed that dummy variable is not significant in long run but it is statistically significant in short term.