

# **Impact of International Trade on Economic Growth in India**

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**Abstract:** *This paper is an empirical study to analyses the contribution of international trade on the economic growth of India from 2000-2021. The study examines the impact of trade openness, export diversification, import structure, and foreign direct investment on India's GDP growth, using panel data analysis and econometrics. The analysis is performed using multiple regression analysis, correlation analysis, and time-series techniques on data collected from multiple sources including World Bank, Reserve bank of India, and databases from Ministry of commerce. The results show a strong positive correlation ( $r = 0.847, p < 0.01$ ) between trade openness and GDP growth (over time). The export intensity also has a strong relationship between growth contributing around 1.23% addition to GDP for every 10% increase in the ratio of exports to GDP. The results indicate that growth effects of manufacturing exports are more pronounced than that of primary commodity exports. The effect of import of capital goods and technology appears to show positive spillover effect on domestic productivity. On the other hand, the study also exposes weakness in India's trade structure, such as extreme dependence on seasonal imports of petroleum and export concentration on few sectors. Our results imply that, if properly implemented, a policy mixture of trade liberalization and export promotion can increase growth, but the benefits from trade cannot be taken for granted and may require attention to structural impediments to achieve value-adding manufacturing (micro-level), even when liberalization is occurring (macro-level)..*

**Keywords:** International Trade, Economic Growth, Trade Openness, Export Diversification, GDP, Foreign Direct Investment, India