

# IS DEPRECIATION AN ANTECEDENT TO ECONOMIC GROWTH? INDIAN EXPERIENCE

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## ABSTRACT

### Purpose

The present study analyses the role of depreciation as a predictor of economic growth focusing on Indian experience.

### Design/methodology/approach

The study followed longitudinal approach based on secondary data obtained from CMIE data base. The relevant data set comprised of data from the year 1970-71 to 2014-15. OLS regression was the major analytical tool to discern the empirical relationship between these two macroeconomic indicators. Break up analysis was endeavoured to identify the theoretical robustness of the proposed relationship in each period of analysis.

### Findings

This study has empirically examined, how depreciation has translated to India's economic growth, in terms of its annual rate of growth. The Indian Rupee has been subject to over 800 per cent decline in its external value over this time frame.

### Research limitations

The causative study was exclusively based on depreciation and its impact on growth rate. Other macroeconomic variable that have theoretical underpinning on economic growth, as predictors, were not considered.

### Practical implications

Outcome of the study has much policy implications in an open economy.

### Originality / value

This is, perhaps, the first study that covered a long span of time to examine the impact of exchange rate upon the growth rate of GDP in India.

**Key Words:** *Exchange Rate Fluctuation, Exchange Rate Volatility, Depreciation, Devaluation, GDP, Economic Growth, Emerging Economy, India.*