

## Impact of Trade Openness to Economic Growth: Evidence from South Asian Economies

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### ABSTRACT

**Introduction** - The general objective of this study is to examine the relationship between trade openness and economic growth in South Asian countries for period 1990-2019. This study attempts to find empirical evidences on the relationship between international trade and economic growth of South Asia. This research further examines whether South Asia has gained economic benefits from the trade Agreement like SAFTA (South Asian Free Trade Agreement).

**Design/methodology/approach-** Data of six South Asian Countries from for a period of 1990 to 2019 is analysed using Eviews. the conceptual framework of the study include independent variables are three proxies for Trade Openness (Export share, Import share, Trade share) and human capital, physical capital, Dummy variable. D1 was the dummy variable for Free Trade Agreement (D1=1 after 2006, and D1=0 before 2006) and this FTA dummy variable aimed to study whether South Asian Countries has gained economic benefits from the trade Agreements.

**Findings** – Analysing three models (export share, import share and trade share) In two models (export share and trade share) found that Trade Openness has positive and significant impact to Economic Growth in South Asian Countries. However, the study found that the trade agreement which is consider in this research the south Asian free trade agreement (SAFTA) had not considerable impact to increased economic growth South Asian Countries in the third model. Analysis of three models also found a Human capital has a negative and insignificant impact with GDP growth in South Asian Economies and Physical capital also have positive and significant relationship with economic Growth in South Asia.

**Conclusion** – There is positive and significant relationship between trade openness and Economic Growth in South Asian Countries. Then to increase Economic growth in South Asian Countries, their want to motivate the country's export sector. South Asian free trade agreement (SAFTA) do not has a considerable impact in increasing economic growth South Asian Countries.

**Keywords:** *GDP Growth, Export share, Import share, Trade share, Human Capital, Physical Capital*