

## TELECOMMUNICATIONS AND ECONOMIC GROWTH IN INDIA: CAUSALITY ANALYSIS

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### ABSTRACT

In the emerging global economy, telecommunication sector has made a significant impact on economic growth. It is one of the prime support services needed to promote growth and modernization of various sectors of an economy. Telecommunication is one of the sectors having high forward and backward linkages. The paper attempts to investigate the causal relationship between telecommunication development and GDP as well as various sectoral components of GDP in India. The results of the study reveal a long run relationship between growth of telecommunication and economic growth at aggregate level as well as at sectoral levels. The study indicates that there is causal relationship between telecommunication growth and growth of manufacturing sector as well as services sectors. Growth of FIRB services (Finance, Insurance, and Real estate and business services) is causing telecommunication growth in India while the causal relationship is other way round that is growth of SPC and TTHC is caused by telecommunication growth in India. The results show structural break in data in 1995 and 2005 which indicate strong impact of telecommunications on development of various sectors of the economy.

**KEYWORDS:** Telecommunication Sector, Information Technology (IT) and IT Enabled Services (ITES)