

# PROJECT REPORT-1

**Student name:** SK Sohail Ahmed

**Economics Hons # Semester-VI # 2021-22 Session**

**Project Title:** The Relationship between Savings and Economic Growth in INDIAN Economy.

The aim of this paper is to analyze the cause and effect relationship between economic growth and savings in India. During the last few years, the saving rate has fallen marginally raising concern that it might adversely affect economic growth. So here we will try to have a long view concerning these two relationships. Hence we will compare the last 30 years data of Economic Growth and Domestic Savings.

The relationship between savings and economic growth indicates a positive relationship between domestic savings and economic growth. This paper critically examines the role of saving in Indian economic growth. India always has had a relatively high rate of saving compared with many other developing countries although the rate of saving is lower than many other faster developing Asian countries. Recently, concern has been raised regarding a fall in the saving rate in India.

We perform the economic analysis by using the data of GDP and GDS of the Indian economy at current prices. First we take the data of GDP of India from the RBI data bank which is from The Handbook of Statistics on Indian Economy and by using the excel.

We've calculated the change in the GDP and created a graphical representation of it. We converted the data of the GDP in billion rupees by dividing 100 to the initially given data which was in crores. We can see some fluctuations in this trend of 30 years data of the GDP of India from 1991 to 2021. Most of the change on the year on year is positive until in recent years when covid-19 has occurred in 2020 and it goes slightly negative from its previous year's growth

## Conclusions:-

The results of the research concerning the correlation between savings and economic growth in advanced economies and in emerging and developing economies are generally consistent with economic growth theories. From the point of view of a standard theory of economic growth, positive cause and effect relation between domestic savings and economic growth may appear in advanced economies, in which high domestic savings may constitute an essential source of financing domestic investment and an economic growth factor, without the necessity of using foreign investment.


The research results also confirmed that:-

- Gross domestic savings rate is positively correlated with GDP growth for India which is consistent with the economic growth theories. In our study we found that there is a positive correlation between GDS and GDP growth,

$$\text{Change in GDP/change in GDS} = 0.295$$

- The existence of a positive, bi-directional causal relationship between economic growth and savings rate. Namely, the growth of Gross Domestic Savings was the cause of the growth of Gross Domestic Product which in turn sustained the high savings rate.

Given this and the fact that India is increasingly opening up its economy with foreign investment flows being higher than ever though mostly speculative in nature, domestic savings are now at the forefront for sustaining the high growth of the Indian economy.



**PRINCIPAL**  
**Dhruba Chand Halder College**  
P.O. - D. Barasat, P.S. - Jaynagar  
South 24 Parganas, Pin- 743372