RELEVANCE OF FINANCIAL DEVELOPMENT AND GROWTH INDIAN SCENARIO:
A POST LIBERALIZATION ANALYSIS

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ABSTRACT
Empirical studies had shown that financial development and economic growth are highly interlinked and more often than not, cause one another. However there lies a great deal of debate onto whether or not financial development affects economic growth in reality and if so then what would be the direction of causation that it tends to follow. Thus, in this paper, we have tried to investigate the causal relationship between financial development and economic growth in India over the period from 1996-2011. The data were obtained from Handbook of Statistics on Indian Economy, Reserve Bank of India, Mumbai and the Granger Causality test was performed to check the direction of causal occurrence of the financial development and economic growth proxies. The results proved that financial development and economic growth indicators exhibit a high level of interdependency in India during the period of study.

KEY WORDS: Causality, Economic Growth, Financial Development, Interdependency.