

## Value and Trends of India's Foreign Trade since Liberalisation

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### **Abstract:**

The significant reform in economics was primarily done in the year 1991, lay emphasis on external sector. In the year 1991-1992, India followed a policy of trade liberalization wherein the protective tariff rates were slowly reduced in the budgets and subsequently restrictive import licensing regime was relaxed and simplified. The primary thrust was given on the policy to liberalize capital goods imports for industries, to encourage domestic and export orientated growth. India along with several other countries of the world joined WTO on 1<sup>st</sup> January 1995 in the acceptance of globalization policy by WTO countries by which India's imports and exports manifolds to a greater extent. The present study deals with the value and trends of India's foreign trade from 1991 -1992 to 2016-2017.

**Keywords:** Foreign trade; Liberalization; Exports&Imports; Economic growth;

Growth rate; Value and trends.

### **Introduction:**

The most significant reform in economics was introduced in the year 1991 with emphasize on external sector. India launched trade liberalization program since July, 1991 and this reform represent country's globalization. The policies and plans were heavily focused on liberalization of capital goods imports for industries, to encourage export oriented growth for local industries. Foreign trade give scope for enhancement of technical knowledge, transmission of ideas, import of know-how, managerial talents and entrepreneurship also increases the scope of market because of domestic and foreign demand for product, In addition foreign trade encourages movement of foreign capital. In aggregate, foreign trade can have a profound impact of the growth of an economy in terms of production, consumption, employment, technology, resource utilization, industrialization and so on. India is a founder member of the WTO is committed to follow rule based system to reduce tariff rates and phase out quantitative restrictions over a stipulated time period. Keeping this in view present study is designed to assess the value and trend of India's foreign trade since liberalization. The trends in the India's foreign trade policy from the planning period to till the financial year 2004 has examined by Shinde, B.K. (2009). For this purpose he collected the secondary data pertaining to the India's foreign trade selecting a period from 1950-2004. Anand, B. and Varalakhmi, P., examined the India's overall trade during the period 2005-2010. They identified the exports and imports of principal commodities only.

Mathew, J. (1913) studied the trend analysis of India balance of payments. He suggested the current account deficit got wider due to financial crisis and fluctuation in exchange rate. The purpose of the study is to assess the values and trend of India's foreign trade from 1991-1992 to 2016-17 in accordance with five year plans.

### **Research Methodology:**

The present work is purely based on secondary sources of the data collected from Economic Survey, Govt. of India 2017-18. Further to study the value and trend of India's foreign trade, the entire study period has been divided into five periods of five years block excluding the year 1991-92. The reason behind it that policy of liberalization started from July 1991 (after three months of financial year 1991-92) and the second reason, the entire five periods is divided in accordance with five year plans which helps a systematic study of values and trend of India's foreign trade. A rising trend of India's foreign trade is examined through exponential growth rate, mean value and standard deviation. Also a significant rise in India's foreign trade has examined through t-value. To study the value and trend of India foreign trade the entire study period has taken from 1991-1992 to 2016-17. Excepting the year 1991-1992, all the financial year from 1992-93 to 2016-17 has divided into five period of five years block. The period I covers from 1992-1993 to 1996-1997 (8<sup>th</sup> five year plan), period II covers from 1997-98 to 2001-2002 (9<sup>th</sup> five year plan), Period-III covers from 2002-2003 to 2006-2007 (10<sup>th</sup> five year plan), Period-IV covers from 2007-2008 to 2011-12 (11<sup>th</sup> five year plan) and Period-V covers from 2012-2013 to 2016-2017 (12<sup>th</sup> five year Plan & NITI Aayog started from January, 2015).

### **Value and trend of india's exports and imports:**

The exports and imports relating to the period I, II, III, IV and V has been given in Table 1. In these periods it was observed that the values of exports has increased from 1991-1992 to 2013-2014 and the next three financial years values of exports fluctuates and declines from the year 2013-2014. But the mean value of export of five periods has been increased conjunctively. It shows a rising trend of values of mean export for five periods. Exponential growth rate of exports for five periods are 0.158, 0.094, 0.161, 0.160 and 0.024. The standard deviation for export of five periods is 23706.65, 31964.5, 114188.44, 284504.22 and 106954.07. The t-value for difference in means from period 1992-1997 to 1997-2002 is 4.58, period 1997-2002 to 2002-2007 is 4.196, period 2002-2007 to 2007-2012 is 4.3749, and period 2007-2012 to 2012-2017 is 5.9597. The calculated t-values of all the alcove periods is greater than the table value at 5% level of significance which reveals significant increase in the India's exports.

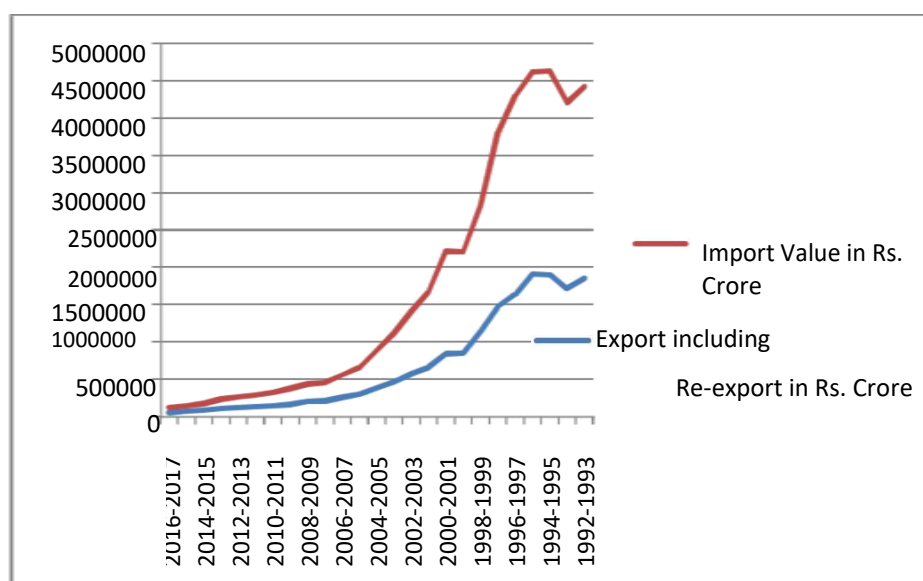
**Table 1**  
**India Foreign Trade**

Year	Export including Re-export Rs. In Crore	Import Value in Rs. Crore	Exponential Growth Rate	Mean Value	Standard Deviation	T Value	Periods
1991-1992	44041	47851					
1992-1993	53688	63375					
1993-1994	69751	73101					
1994-1995	82674	89971	X = 0.158	X = 86256.6	X = 23706.65	Nil	1992-1993 to 1996-1997 (I)
1995-1996	106353	122678	M = 0.156	M = 97608.2	M = 28866.15	Nil	
1996-1997	118817	138920					
1997-1998	130100	154176					
1998-1999	139752	178332					
1999-2000	159095	215529	X = 0.094	X = 167864.2	X = 31964.56	X = 4.58	1997-1998 to 2001-2002 (II)
2000-2001	201356	228307	M = 0.092	M = 204308.8	M = 33352.62	M = 5.40	
2001-2002	209018	245200					
2002-2003	255137	297206					
2003-2004	293367	359108					
2004-2005	375340	501065	X = 0.161	X = 390408.2	X = 114188.44	X = 4.196	2002-2003 to 2006-2007 (III)
2005-2006	456418	660409	M = 0.207	M = 531658.8	M = 198817.04	M = 3.630	
2006-2007	571779	840506					
2007-2008	655864	1012312					
2008-2009	840755	1374436					
2009-2010	845534	1363736	X = 0.160	X = 990206.8	X = 284504.22	X = 4.374	2007-2008 to 2011-2012 (IV)
2010-2011	1142922	1683467	M = 0.168	M = 1555883	M = 448336.21	M = 4.669	
2011-2012	1465959	2345463					
2012-2013	1634319	2669162					
2013-2014	1905011	2715434					
							2012-2013to
2014-2015	1896348	2737087	X = 0.024	X = 1800297	X = 106954.07	X = 5.959	2016-2017 (V)
2015-2016	1716378	2490298	M = - 0.0069	M = 2637929.4	M = 91914.49	M = 5.286	
2016-2017	1849429	2577666					

**Source: Economic Survey, Govt. of India 2017-2018**

In these periods it was observed that the value of imports has increased from 1991-1992 to 2008-2009 and again it increases from 2010-2011 to 2014-2015. The value of import declines in 2009-2010 from the previous period and also declines 2015-16 and 2016-2017 from

previous period as 2014-2015. But the mean value of imports of five periods has been increased conjunctively. It shows a rising trend of value of mean import of five periods. The exponential growth rate of import for five periods are 0.156, 0.092, 0.207, 0.168 & -0.0069. The standard deviation of import for five periods are 28866.15, 33352.62, 198817.04, 448336.21 and 91914.49. the t-value for difference in means of from period 1992-097 to 1997-2002, 1997-2002 to 2002-2007, 2002-2007 to 2007-2012 and 2007-2012 to 2016-17 are 5.4090, 3.6309, 4.6697 and 5.2867. The calculated t-value of all the above periods is greater than the table value at 5% level of significance which reveals significant increase in the India imports. The trend line of India's export and import from 1992-93 to 2016-17 has been depicted in value terms in Fig. 1 and the trend line of mean value of exports and imports in five period has been depicted in Fig. 2. The gap between import and export gradually increased and import trend line lies above to the trend line of export in Fig. 1 and 2. It reveals that the deficit in BOPs continuously increased.

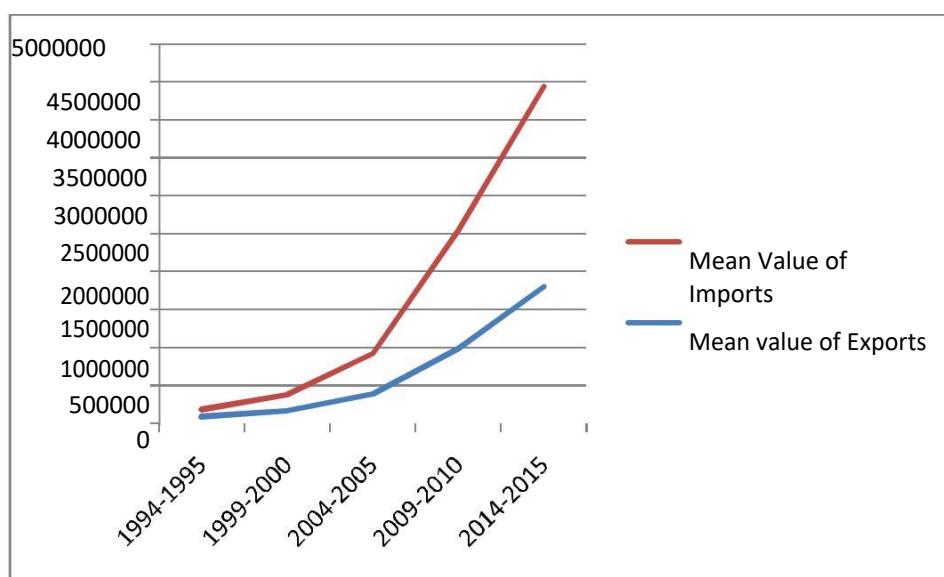


**Fig. 1 Trend of India's Exports and Imports (Rs. in Crore) during the period from 1992-93 to 2016-17.**

### Findings:

The rising trends of exports and imports have calculated by using statistical devices like exponential growth rate, mean value, standard deviation and t-value. In the five periods of average value of exports and imports are rising. It implies that the trend of India's foreign exports and imports rise over the periods and towards the end periods the gap between export and import increases. It implies deficit in the India's balance of trade. The

exponential growth rate of exports during these five periods are greater than zero, implies a positive growth of exports. But on the other hand the exponential growth rate of imports during first four periods is positive, where as in fifth period it is negative. But the mean value of import of 5<sup>th</sup> period is more than other previous periods. So even if import value fluctuates in 5<sup>th</sup> period the amount of import value much larger than the previous periods. The SD of exports and imports for the five periods are always positive. So it implies the



**Fig. 2 Traces the trends of mean exports and imports of five periods**

rising tendency of both exports and imports over these periods. The t-value of exports and imports are calculated for the above periods. These values are greater than table value at 5% level of significance which reveals significant increase in India's exports and imports. Among these five periods based on five year plans, the exponential growth of export was maximum in 11<sup>th</sup> and 12<sup>th</sup> 5 year plans. During these five year plans the growth rate of import also more in comparison to other periods of trade value. In the 5<sup>th</sup> period covers partially a period of 12<sup>th</sup> five year plan and also a period of NITI Aayoga which commenced from January 2015. In this period the exponential growth rate of export is more than the growth rate of import in the same period. In this period the SD of export also greater than the import. So, it has cleared that India goes through a better position for rising exports and reducing imports. As the value of imports are more in quantitative terms, therefore India is facing deficit in the balance of trade.

**Conclusion:**

The mean value of exports and imports of each five year periods has been increased and it shows a rising trend of India's foreign trade. To overcome the situation of deficit in India's balance of payments, India has to increase her exports more and also emphasize to import of export oriented import goods. India has been moving in the path of trade liberalization, but still then her trade restrictiveness is more than that of the developed countries. The country has a long way to go towards full integration with world economy to fulfill her commitments under WTO. So, it increases the trend of imports through rapid industrialization and so also exports. The inflation and fluctuating exchange rate in India has a negative impact on foreign investment so also sustainable growth of export oriented industries in the Country. So reducing inflationary pressure and controlling fluctuation of exchange rate can increase the trend of exports and imports.

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