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Foreign Trade in Pre and Post Reforms A Comparison in Indian Perspective

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Abstract

Foreign trade plays an important role in the economic progress and prosperity of any country. Today, due to economic freedom, increased specialization and regional cooperation, foreign trade is important for the development of the country's economy. In 1991, a major program of economic reform was launched, focusing on the outside world, which included easing and resilience, eight of the restrictions on defense costs, the shift to foreign investment and restricted access. Following the new economic revolution, India's foreign trade has changed globally with an increase in trade volume and frequent changes in trade composition. The main purpose of this article is to examine India's foreign trade model before and after India's new economic reforms.

All data for this research were collected from secondary sources. The collected data were analyzed using the SPSS package and the combined t-test in the figures. The findings of this study show that there is a positive relationship between financial reforms and India's foreign trade. Exports increased, but analysis shows that the increase in imports is more than the increase in exports.

Keywords: *Foreign Trade, New Economic Reforms, Exports, Imports, Growth Rate.*

Introduction

A country's status at the international level is measured by its economic strength. The economic strength of a country is determined by its various industries. One of the most important products of the economy is the country's foreign trade. Foreign trade plays an important role in the economic progress and prosperity of any country. Today, foreign trade is very important for the economic development of the country due to its economic impact, increasing specialization in the field and participation cooperation.

Foreign trade has become the ‘growth engine’ of developing countries like India. Foreign trade of any country includes the inflow and outflow of goods and services, which ultimately affects the inflow and outflow of foreign currency from one country to another.

Various policies have been established to provide, maintain and create an environment conducive to its development. International trade in India is governed by the Foreign Trade and Management Act 1992 and the rules and orders issued therein. The physical movement of goods and services through various modes of transport and payment for imports and exports are regulated by the Customs Act 1962 and the Foreign Exchange Act 1999, respectively.

(Sahu, 2017) Foreign trade analysis shows the composition and determination of foreign trade. Composition refers to the variety of products a country exports and the variety of products it imports. The determinants are the factors that affect the value of exports and the value of imports. According to this process, countries can be classified as developed or developing countries. In today's world, nations cannot live in economic isolation.

In other words, we can say that no country in the world can guarantee itself enough to produce all goods and services for its users in its business with factories. Some countries use natural resources and fertile land, timber, fossil fuels, tea, rice, pulses etc. Therefore, international trade should be done for the benefit of all countries.

India's Foreign Trade Pre and Post Reforms Period

Since its independence in 1947, India's foreign trade has grown remarkably. Before independence, India was a colonial economy based mainly on agriculture. A significant part of the Indian economy was controlled by British rulers who exploited the country's resources by exporting goods to England at low prices. After independence, the government of India faced great challenges related to the economic development of the country. Business conditions for growth were not very good back then.

This is because it does not have the necessary resources for development, not only in terms of natural resources, but also in terms of finance and economic development. At that time India's foreign trade was managed through financial planning. India's exports grew very slowly between 1949 and 1970. In the words of Hari kumar (2014): "From 1950 to 1951, India's exports were dominated by major commodities. These include coconut, black pepper, tea, coal, mica, manganese ore, raw and tanned leathers, vegetable oil, raw cotton and wool.

This product accounts for 34% of total exports. In the 1950s, the balance of payments tightened. Export revenues are not enough to meet emerging needs. In the 1950s, India entered a period of planned development. As imports continued to rise and exports declined, a transitional policy was implemented in the 1960s to reduce exports.

Currently, the Indian government has used negative thinking for its export and transfer policies. Export performance increased in the 1971-1991 period. In the 1960s, the Indian government took important steps such as the creation of organizations to promote foreign trade, such as the Indian Institute of Foreign Trade (IIFT). The world economy also experienced rapid growth in the 1970s. The growth in exports is 15 percent.

It fell from 8% in the 1970s to 8% in the 1980s. The 1970s also saw an increase in exports, resulting in more imports than exports. Exports exploded in the 1970s, but declined in the early 1980s. With the recovery of the global economy in the second half of the 1980s, India's exports increased significantly (17.8%).

India's economic competitiveness indisputably improved during this period as a result of export promotion. India's GDP growth rate is very high compared to per capita income. For example, the stock market's compound annual growth rate rose from 9 percent to 21 percent in 1990-95, while per capita income growth slowed from 6 percent in 1990-95. to 8 percent in 2000-05. (Yadav, 2012)

India introduced new economic reforms in 1991 to improve the economy and national development. Economic reforms include introducing new policies such as removing trade barriers, encouraging private sector participation, reducing the budget deficit, increasing exports and reducing imports.

Since then, the Indian government has announced various plans for financial reform in India. Liberalization, privatization and globalization (LPG) model is one of them. The concepts of globalization and liberalization emerged in this period and gained strength from the economic integration process. In the post-liberalization period, the growth rate of imports and exports doubled.

After liberalization, many export promotion policies were implemented. At the same time, the government has implemented many plans to promote exports such as Export Promotion Capital Goods (EPCG), Legal Certificates (DEPB), Software Technology Park (STP), Special Import License Establishment (SIL), Agricultural Export Zone (AEZ), Export Oriented Units (EOU), Duty Free Supplementary Certificate (DFRC), Special Economic Zone (SEZ), Electronic Hardware Technology Park (EHTP) and Biotechnology Park (BTP). In 1991, a major economic reform program for foreign trade was launched, including lowering protection costs, the transition to foreign investment, and easing and easing restrictions on access to government. The policy mainly focuses on liberalization of trade and import trade to stimulate domestic and export growth. India's economy has undergone major changes in the post-reform period.

After the new financial reform, business volume increased and the business model changed frequently. India's main exports include machinery, chemicals, gems and electronics. Secondary imports include fertilizers, gold, oil and petroleum. The orientation of India's foreign trade with other new countries and regional markets has also been expanded with the introduction of new financial reforms. Before these reforms, while India's exports were limited to OECD and OPEC countries, after the new trade policy, our country turned to new Asian countries and thus China became India's main trading partner.

In terms of orientation, traditionally the EU and USA are India's main trading partners, but over the past few years this has changed and India's trade with East Asian countries is growing.

Scientific Research

In the 1980s, after the decline in trade under protection policies, India began removing trade barriers to promote national development. India's foreign trade at the time of independence was predominantly commercial and agricultural, and our trade relations were mostly limited to Great Britain. From 1950 to 1990 India's foreign trade was under tight control.

In 1991, the Indian government announced economic reforms to liberalize and internationalize the Indian economy. After the implementation of economic reforms, India's foreign trade began to grow. India's economic policy has changed over time, the main changes include simplifying processes and technology, removing many restrictions and lowering tariffs. On the other hand, after liberalization and globalization, foreign trade plays an important role in increasing India's GDP. Foreign trade is the engine of India's economic growth in terms of import and export growth. Therefore, it is necessary to understand the difference in foreign trade since 1991.

Literature Review

Misra, Jena and Shil (2011) describe and analyze India's foreign trade challenges in the post-independence period in terms of volume, composition and direction. This study also proposes ways and means to improve India's foreign trade as evaluated in the study. Yadav (2012) describes regional patterns of market entry and exit, including changes in product composition and applications. Against this background, this study shows that globalization has led to the specialization of production and the expansion of consumption. Finally, it can be concluded that the share of production relative to other industries has increased and the Indian economy is gradually moving away from value-added products.

Singh (2014) analyzed the diversity and composition of international trade in the post-liberalization period and analyzed the impact of foreign trade on the Indian economy. This study shows that although total exports and total imports have improved, the rate of increase in exports is higher than that of imports. While a significant portion of exports is made up of manufactured goods, oil and petroleum products constitute the majority of imports. The study also found that exports are positively related to economic growth and negatively related to India's economic growth. Jadhav and Satpute (2014) examines the direction and content of India's foreign trade from 2003-04 to 2012-13.

It is observed that India's exports and imports are gradually increasing and the trade deficit is also increasing. India has good trade with all the leading countries of the world. More than 50% of India's total exports go to Asia and ASEAN regions, while about 60% of India's total exports go to these countries. As far as the composition of India's foreign trade is concerned, major changes also occurred after independence. As the economy changes, the production process also changes.

India now exports products such as machinery, pharmaceuticals and seafood. In other words, we can say that India is now exporting the products we used to import. That's good for one of the fastest growing economies in the world. Therefore, in this study, we tried to reveal the direction and content of Indian foreign trade especially after 2000.

A. Hari kumar (2014), A study on India's foreign trade before and after independence. This study reveals that the business environment has changed with the liberalization, privatization and globalization of the Indian economy and the liberalization of foreign trade. With the development of science and technology, the nature of the Indian economy has changed. India's international trade increased and so did India's exports.

Using time series data from 1971 to 2013, Sachin N. Mehta (2015) examines the diverse profile of India's exports, imports and total trade before and after the New Economic Policy. Also, this study examines the impact of NEP programs on India's export, import and general trade policies using a sample model. This shows that the increase in imports is higher than the increase in exports. The results of the paired 't' test show that NEP has a positive impact on India's exports, imports and overall economy.

This means that India's exports, imports and total trade increased after the implementation of the new trade policy. Matore and Sagar (2015) concluded that exports grew at a low rate but imports could grow at an increasing rate. Therefore, the trade balance in the post-globalization period does not suit India. For India, we have moved from commodity exports to non-commodity exports, which is a great achievement.

Countries exporting manufactured goods. Kumar and Sood (2016) examine foreign trade and balance of payments before and after the reforms. The study also makes recommendations for ways and means to increase India's foreign trade. Therefore, it is undeniable that the implementation of financial reforms has a positive impact on India's foreign trade. Exports are increasing, but the increase in imports is higher than the increase in exports.

Therefore, fiscal reforms have not been successful in correcting trade imbalances. Kabita Kumari Sahu (2017) examines India's foreign trade before and after independence. The study found that total output after liberalization was higher than before liberalization, and exports were higher than exports for many years. Therefore, the liberalization period has been beneficial in boosting India's exports. This study shows that it is necessary to limit restrictions on non-essential items to reduce trade.

Objective of the Study

The prime objective of the study is to examine the trade pattern of India’s ForeignTrade for a period of twenty one years before and twenty one years after the new economic reforms period (1991-1992).

Hypothesis of the Study

The following are the hypothesis(s) of the Study

H0 : There was no significant increase in trade performance of India after the new economic reforms period.

H1 : There was a significant increase in trade performance of India after the new economic reforms period.

Research Methodology

Period of the Study

The present study examines the India’s foreign trade for a period of twenty one years before (1970-71to1990-91) and twenty one years after (1992-93 to 2012-2013) the new economic reforms period (1991-92).

Data Collection

The study is mainly based on secondary sources of data. The data has been collected from sources like different issues of the Handbook of Indian Statistics, the Economic Survey, and the website of Ministry of Commerce, RBI.

Tools for Data Analysis

In this study, tabular and graphical representation tools are used for the analysis of data. Using t-test (Paired samples for means), the pre-reform period and post-reform period trade performance was tested.

Analysis and Interpretation

Table 1 : India's Trade during Pre-Reforms Period from FY 1970 to FY 1990

Year	Export	AnnualGrowth Rate(%)	Import	AnnualGrowth Rate(%)	TotalTrade	AnnualGrowth Rate(%)
1970-71	2031		2162		4193	
1971-72	2153	6.01	2443	13.00	4596	9.61
1972-73	2550	18.44	2415	-1.15	4965	8.03
1973-74	3209	25.84	3759	55.65	6968	40.34
1974-75	4174	30.07	5666	50.73	9840	41.22
1975-76	4665	11.76	6084	7.38	10749	9.24
1976-77	5753	23.32	5677	-6.69	11430	6.34
1977-78	6316	9.79	7031	23.85	13347	16.77
1978-79	6978	10.48	8300	18.05	15278	14.47
1979-80	7947	13.89	11321	36.40	19268	26.12
1980-81	8486	6.78	15869	40.17	24355	26.40
1981-82	8704	2.57	15174	-4.38	23878	-1.96
1982-83	9107	4.63	14787	-2.55	23894	0.07
1983-84	9449	3.76	15311	3.54	24760	3.62
1984-85	9878	4.54	14412	-5.87	24290	-1.90
1985-86	8904	-9.86	16067	11.48	24971	2.80
1986-87	9745	9.45	15727	-2.12	25472	2.01
1987-88	12089	24.05	17156	9.09	29245	14.81
1988-89	13970	15.56	19497	13.65	33467	14.44
1989-90	16612	18.91	21219	8.83	37831	13.04
1990-91	18143	9.22	24075	13.46	42218	11.60
CAGR	0.1157		0.1280		0.1224	
CAGR(%)	11.57		12.80		12.24	

Source: DGCI &S Kolkata & Economic Survey (Various Issues)

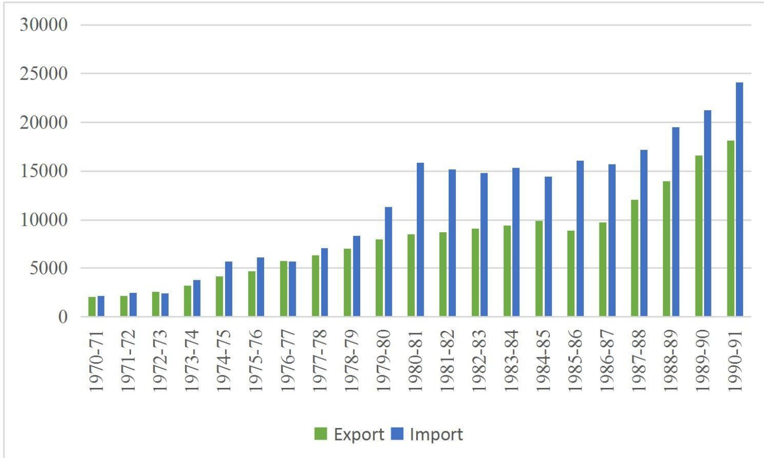

Figure1:India'sTradeduringPre-ReformsPeriod, Source : Author's Compilation

Table-1 and Graph-1 presents an analytical study of India's Export and Import and also shows the percentage of annual growth rate respectively. Exports and Imports grew with varying rates during the period under study. In graph, the values of Exports and Imports are showing significantly a rising trend.

Table 2 : India's Trade during Post-Reforms Period from FY 1992 to FY 2012

Year	Export	Annual Growth Rate (%)	Import	Annual Growth Rate (%)	Total Trade	Annual Growth Rate (%)
1992-93	18537		21882		40419	
1993-94	22238	19.97	23306	6.51	45544	12.68
1994-95	26330	18.40	28654	22.95	54984	20.73
1995-96	31797	20.76	36678	28.00	68475	24.54
1996-97	33470	5.26	39133	6.69	72603	6.03
1997-98	35006	4.59	41484	6.01	76490	5.35
1998-99	33218	-5.11	42389	2.18	75607	-1.15
1999-00	36715	10.53	49738	17.34	86453	14.35
2000-01	44076	20.05	49975	0.48	94051	8.79
2001-02	43827	-0.56	51413	2.88	95240	1.26
2002-03	52719	20.29	61412	19.45	114131	19.84
2003-04	63843	21.10	78149	27.25	141992	24.41
2004-05	83536	30.85	111517	42.70	195053	37.37
2005-06	103091	23.41	149166	33.76	252257	29.33
2006-07	126414	22.62	185735	24.52	312149	23.74
2007-08	163132	29.05	251654	35.49	414786	32.88
2008-09	185295	13.59	303696	20.68	488991	17.89
2009-10	178751	-3.53	288373	-5.05	467124	-4.47
2010-11	251136	40.49	369769	28.23	620905	32.92
2011-12	305964	21.83	489319	32.33	795283	28.08
2012-13	300401	-1.82	490737	0.29	791138	-0.52
CAGR	0.1494		0.1682		0.1603	
CAGR (%)	14.94		16.82		16.03	

Source : DGCI & S, Kolkata & Economic Survey (Various Issues)

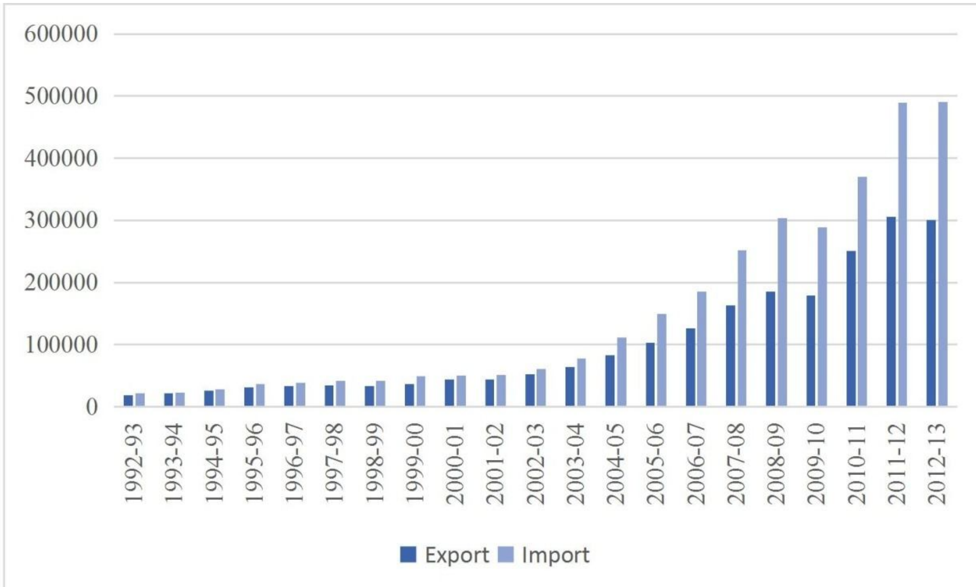

Figure 2 : India's Trade during Post-Reforms Period, Source : Author's Compilation

Table- 2 and Graph-2 presents an analytical study of India's Export and Import and also shows the percentage of annual growth rate respectively. Exports and Imports grew with varying rates during the period under study. In graph, values of Exports and Imports are showing significantly a rising trend.

India's Exports in Pre-Reforms and Post-Reforms Period

Tables 1 and 2 show the overall trends in India's total exports over the study period. It is worth noting that many policy measures from the past have had a significant impact on the value of exports. In terms of value, India's exports have come a long way since independence. India's exports were low at $2,031 billion in 1970-71, compared to an all-time high of $18,143 billion in 1990-91 before the reforms. After independence, exports were very slow.

In 1950, the increase in exports in dollar terms was 3.6%. Various export incentives were used in the 1970s. This resulted in an annual growth of 6.01 percent in monetary terms in 1971-72, 44% in 1972-73, 25.84% in1973-74, etc. In the pre-reform period, 1974-75 had the highest annual growth rate of 30.07%. Since then, the rate has decreased and changed several times and in 1985-86 the rate recorded a negative value i.e. 9.86%. In 1990-91, the annual growth rate of exports was 9.22%.

In the post-reform period, India's exports increased significantly from 1992-93 to 1996-97 and from 2002-03 to 2008-09. Exports increased 1.8 and 3.5 times, respectively, from 1992-93 to 1996-97 and from 2002-03 to 2008-09. Exports fell slightly in 2009-10 to $178.751 billion. Since then, India's exports have skyrocketed, reaching a new peak of $305,964 billion in 2011-12. It was also the highest value for India's exports during the study period. Finally, exports fell to $300,401 billion in 2012-13. Tables 1 and 2 also show the annual growth of India's exports before and after the reforms. In terms of annual growth of exports, growth between 1993-94 and 1994-95 was high, at 19 percent and 18.40%, respectively, but fell to 5.26% in 1996-97 due to the crisis in South Asia and the global economy and continued until 1998-99. It went back to 10.53% and back to 20.05% in 1999-00 and 2000-01, respectively. However, the global economic downturn and the events of September 11, 2001 caused exports to decline (-0.56%) in 2001-02. Exports increased steadily from 2002-03 to 2008-09 (13.59%).

In light of the global crisis, export growth fell to -3.53% in 2009-10. In 2010-11, however, exports increased rapidly, reaching a growth rate of 40.49%, the highest annual growth rate at the time this study was updated. The growth rate in the post-reform period also looks negative at -5.11% in 1998-99, -0.56% in 2001-02, -3.53% in 2009-10, -1.82% in 2012-13. The annual growth rate of exports fluctuated in both periods for various reasons. It did not give a clear picture of the increase in exports. Therefore, calculate the compound annual growth rate. The compound annual growth rate after the reform is higher than before the reform. The annual growth rate of exports, which was 11.57 percent before the reform, reached 14 percent after the reform. The results clearly show that exports increased in the post-reform period, although the impact of economic reforms on exports was not significant but still positive. Therefore, with this analysis, we can say that India's exports increased at different rates during the study period.

India's Imports in Pre-Reforms and Post-Reforms Period

Table 1 and 2 shows trends in India's imports over the study period. In the 1970s, the growth rate of India's gross domestic product increased even more than the growth rate of India's exports. This period was also characterized by a strong change of strategy and the government controlled the economy more, this idea remained in force even after the 1971 India-Pakistan war and the first oil price shock. While total exports increased more than 9.8 times between 1970-71 and 1989-90, less than 2-fold growth was lowest between 1980-81 and 1989-90.Initially, imports rose 13% annually in 1971-72, but fell the following year and reached negative or -1.15%. Immediately after, the rate increased significantly and was recorded as 50.73% in 1974-75, this was also the highest annual growth in the pre-reform period. In 1990-91 it was held at 13.46%. After the reform and opening, shipping increased. This development is due to the depreciation of the Indian rupee and the increase in production and consumption intensity in the post-reform period.

The process of reforming the system for India's imports is on the rise. Between 1990-91 and 2009-10, total exports increased approximately 12 times from US$24.075 billion to US$288.373 billion. Imports tripled between 1990-91 and 1999-00, and increased 5.6 times between 2000-01 and 2009-10.From 2005-06 to 2009-10, imports decreased and increased 1.9 times. During the study period, India had the highest total imports in 2012-13 at $490,737 billion. Tables 1 and 2 also show the annual growth of India's imports before and after the reforms. The annual rate of increase in imports is 6%.In 1993-94 it was 51%.

There was a high growth rate (28%) in 1995-96, followed by a sharp decline. The increase in imports in 2000-01 was very low (0.48%). It came back in 2002-03 and has grown steadily since then, reaching 42.70% in 2004-05, which remains the highest annual growth in the post-reform period before falling to 20.68% in 2008-09. The global economic recession in 2008 affected the economy of almost all countries, including India. As a result, both imports and exports fell in 2009-10, resulting in economic growth of -5.05% in 2009-10.Finally, the rate was recorded as 0.29% in 2012-13. The data clearly show that the annual growth of exports and imports also changed in two periods for various reasons. It did not give a clear picture of the growth of supply. Therefore, calculate the compound annual growth rate.

The compound annual growth rate after the reform is higher than before the reform. While the compound annual growth rate of imports was 12.80% before the reform, it increased to 16.82% after the reform. It can be said that financial transactions have increased significantly.

Even in the modernization era, imports can grow at a higher CAGR than exports. It is worth mentioning here that due to liberal trade policies, India's exports are not increasing at the expected rate, while imports are increasing.

Table 3 : Descriptive Statistics

Variables	Minimum	Maximum	Mean	S.D.
Export Before1991	2031.00	18143.00	8136.33	4458.86
Export After1991	18537.00	305964.00	101880.76	93137.94
Import Before1991	2162.00	24075.00	11626.28	6680.28
Import After1991	21882.00	490737.00	150675.19	153924.74

Source : Author's Compilation

Table 4 : t-test for India's Export

	Particulars	Mean	Std.Dev.	t-stat.	p-value
Pair1	Export before and after1991	-93744.42	89033.50	-4.825	.000*

*p<0.05

The mean after adjustment was higher than before adjustment (Table 3). Therefore, it can be said that pre-reform exports are smaller than post-reform exports. According to the t-test results, the p-value (0.000) is less than the significance of 0.05, indicating that exports increased after adjustment.

Table 5 : t-test for India's Import

	Particulars	Mean	Std.Dev.	t-stat.	p-value
Pair2	Importbeforeandafter1991	-139048.90	148272.00	-4.298	.000*

*p<0.05

The mean after adjustment was higher than before adjustment (Table 3). In this result, the t statistic has a negative value. Therefore, it can be said that pre-reform imports are smaller than post-reform imports. However, it is more important to know that the difference in method is significant. In the comparative t-test, the p-value (0.000) less than 0.05 significance level indicates that the publication increased after editing.

Limitations of This Study

This study is based on secondary data collected from various websites. The limitations of secondary data (if any) also affect the research. The main points were discussed, but there were many issues that were not explained in detail during the specified period due to time constraints and lack of information. The study is limited to twenty-one years before and twenty-one years after the new fiscal reform period.

Conclusion

This study explores the impact of new economic reforms on India's exports, imports and total trade using data from 1970-71 to 2012-13. In this case, it is compared in terms of economic activity results in the pre-crisis and post-crisis period. During this study, it was concluded that India's foreign trade increased after the new economic reforms implemented in India. During the working period, the trading volume increased and fluctuated day by day.

The study also shows that the post-modernization era enabled India to achieve economic growth. The results show that both exports and imports were higher in the post-reform period than before the reform, but at the same time, export growth was higher as exports. The null hypothesis was rejected. Therefore, the study concludes that the economic reforms implemented by India positively affected India's foreign trade.

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