TRENDS IN EXPORTS AND IMPORTS OF GOODS AND SERVICES DURING PRE AND POST-REFORM PERIODS IN INDIA

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ABSTRACT

The economic strength is used to assess its position in the international arena. The numerous economic components that make up a country's economic strength. The country's overseas trade is one of the country's most important economic components. Every country's economic progress and success has relied heavily on international commerce. When India's new economic policy was implemented, the country began a new era of trade liberalisation. In developing countries, exports are often essential to promoting economic progress. From 1960 through 2020, this study looks at the trend and growth of India's export and import of commodities and services.

According to the findings, India's total imports of goods and services were 2.53 billion dollars in 1960 and 482.45 billion dollars in 2020. From 1960 to 2020, the average quantity was 137.98 billion US dollars. However, overall goods and services imports grew at an annual rate of 8.99 percent from 1960 to 2020, with a high CV of 148.58 percent. It shows that exports and services and imports have been growing at a compounded annual growth rate of 4.73 percent and 5.81 percent, respectively.

The trend coefficients are positive and significant at the 5% level, showing that products and services are being exported and imported in a positive trend. Exports of goods and services have a trend coefficient of 0.067, while imports have a trend coefficient of 0.063. Using time-series data from 1960 to 2020, this study examines the impact of new economic reforms on India's exports, imports, and overall trade. In this case, the value of pre-and post-crisis trade performance is contrasted. After the adoption of new economic reforms in India, it was established that India's foreign trade had demonstrated an upward tendency across the research period. As a result, the study indicates that India's economic reforms had a major positive impact on the country's international commerce.

Keywords: foreign trade, economic reforms, international trade, trade reforms.

INTRODUCTION

The utilisation of export and import as development weapons is possible. As a result, officials and academics are eager to understand more about the possible link between international trade and economic growth. Economic development and expansion can take many forms. One potential is to find new export markets for goods and services, as exports, along with the acquisition of new technologies, are powerful development engines. Although trade significantly impacts productivity and productivity growth in the economy, imports are the 'virtuous' relationship between trade and output growth (Thangavelu and Rajaguru, 2004).

It is important to remember that more exports mean more output, GDP, and jobs (Giles, 2000). Imports contribute to economic growth in a beneficial way. Capital goods imports are particularly crucial for emerging countries that rely on foreign capital to finance their economic development plans. On the other hand, imported capital must be used to produce goods and services to be beneficial (Ram, 1990). India's new economic policy ushered in an age of trade reforms, and the country has been steadily moving toward an open economy since then. Exports are usually critical in boosting economic growth in underdeveloped countries.

Imports of final and intermediate items will force domestic producers to innovate and improve their efficiency to compete with imported goods (Sangeetha, G. N. 2010). Outward orientation boosts total factor productivity and promotes capital material investment, particularly foreign direct investment (Bhagwati 1978). As a result, export-led growth has been proposed as a viable alternative to an inward-focused development plan. From 1960 through 2020, this study looks at the trend and growth of India's export and import of commodities and services.

OBJECTIVES

The objectives of the present study are:

1) To study the growth of exports and imports of goods and services in India from 1960 to 2020.
2) To assess the average level and stability of exports and imports of goods and services during pre and post-reform periods in India.
3) To find out the trend and growth of exports and imports of goods and services during pre and post-reform periods in India.

METHODOLOGY

This research is based on empirical evidence. Percentage techniques, co-efficients of variations, linear trend, and compound growth rate were used to analyse the trend and growth of exports and imports of products and services in India during the pre-reform and post-reform periods. Secondary data was gathered through the internet, books, newspapers, journals, and brochures, among other sources.

REVIEW OF LITERATURE

In their paper, Sani Hassan Hussaini et al. (2015) use annual time series data from 1980 to 2013 to examine India's export-led growth hypothesis. They discovered that the variables are co-integrated and that GDP and export have a bidirectional relationship from 1980 to 2013.

According to Agrawal, the two factors of export and economic growth are intertwined (2014). The results of the causation analysis show that India's growth rate increased dramatically after trade liberalisation in 1991.

Deepika Kumari and Neena Malhotra (2014) examine exports and economic growth using Johansen cointegration and the Granger causality technique. Annual time series data were used from 1980 to 2012. According to the Granger causality test, exports and GDP per capita are linked bidirectionally.

To assess the impact of currency rate fluctuation on India's real export and imports, G.Jayachandran (2013) analysed annual data from 1970 to 2011. However, he found that GDP has a significant and beneficial impact on India's real exports in the long run, but in the near term, the impact is small.

The validity of the export-led growth (ELG) theory practised in India during the post-WTO period is examined in Rajwant Kaur and Amarjit Singh Sidhu's article. The research is based on quarterly data from 1996-1997 to 2008-09. The findings showed that export and economic growth have a long-run equilibrium relationship. Trade openness and economic growth (GDP) have also been a unidirectional causal relationship, with trade openness leading to GDP. Based on the preceding findings, the analysis validates the premise that there is a positive association between export growth and economic growth in India following the reforms.

ANALYSIS OF TRENDS IN EXPORTS

There was a wave of export pessimism from 1952 to 1973, roughly till the first oil shock, and India followed a rigid path of export deterrent measures. Many prominent developmental economists, such as Raul Prebisch and Ragnar Nurkse, believed that all developing countries, including India, exported primary commodities with a lower elasticity of demand than unity. Whatever a developing country did, its terms of trade would deteriorate.

After 1973, it became clear that policies aimed at substituting imports and delaying exports would have little effect on India's BOP position. The government of India developed a system of three-year long-term export-import plans in 1985, roughly covering the periods 1985-88, 1988-90, and 1990-92, in the pre-reform period.

Many raw materials for export promotion houses were placed under the Open General License (OGL) category. Various incentives and subsidies were granted to exporters for importing capital goods technology, among other things, to enhance the country's exports. Despite negative growth in exports for many years until 1985, it steadily increased in the second half of the 1980s, from 5.4 percent in 1986 to 11.10 percent in 1990, thanks to all these efforts in the late 1980s. Exports climbed from 21 billion to over 31 billion dollars in these years.

TABLE 1

TRENDS IN INDIA EXPORTS FROM 1960 TO 2020 (Values in US Billion $)

Year	Exports	GDP (%)
1960	1.65	4.46%
1961	1.69	4.30%
1962	1.76	4.17%
1963	2.07	4.28%
1964	2.10	3.73%
1965	1.97	3.31%
1966	1.90	4.14%
1967	2.02	4.03%
1968	2.14	4.04%
1969	2.17	3.71%
1970	2.36	3.78%
1971	2.47	3.67%
1972	2.88	4.03%
1973	3.60	4.21%
1974	4.81	4.83%
1975	5.56	5.65%
1976	6.87	6.69%
1977	7.75	6.38%
1978	8.67	6.31%
1979	10.33	6.75%
1980	11.44	6.14%
1981	11.49	5.94%

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1982	12.01	5.98%
1983	12.74	5.84%
1984	13.33	6.28%
1985	12.22	5.25%
1986	12.94	5.20%
1987	15.64	5.60%
1988	17.90	6.04%
1989	20.77	7.02%
1990	22.64	7.05%
1991	22.94	8.49%
1992	25.49	8.84%
1993	27.47	9.83%
1994	32.36	9.89%
1995	39.07	10.84%
1996	40.80	10.39%
1997	44.46	10.69%
1998	46.43	11.02%
1999	52.54	11.45%
2000	60.88	13.00%
2001	60.96	12.56%
2002	73.45	14.26%
2003	90.84	14.95%
2004	126.65	17.86%
2005	160.84	19.61%
2006	199.97	21.27%
2007	253.08	20.80%
2008	288.90	24.10%
2009	273.75	20.40%
2010	375.35	22.40%
2011	447.38	24.54%
2012	448.40	24.53%
2013	472.18	25.43%
2014	468.35	22.97%
2015	416.79	19.81%
2016	439.64	19.16%
2017	498.26	18.79%
2018	538.64	19.94%
2019	529.02	18.43%
2020	474.15	18.08%
Mean (X)	119.13	
Standard Deviation (SD)	176.55	
Co-efficient of Variation (CV)%	148.1994	
CAGR	9.72%	

Source: World Bank national accounts data, and OECD National Accounts.

According to Table 1, India's total exports of products and services between 1960 and 2020 were 1.65 US billion dollars and 474.15 US billion dollars, respectively. Between 1960 and 2020, the average quantity was 119.13 US billion dollars. However, total exports of products and services grew at a CAGR of 9.72 percent from 1960 to 2020, with a high CV of 148.1994 percent.

Many new policies were put in place in the post-reform period to liberalise trade policy in India. International institutions like the IMF pushed governments to undertake liberalisation measures to improve the competitiveness of Indian exports on the global market. As part of so-called structural adjustment programmes, international agencies such as the IMF compelled countries to implement other liberal measures for freeing trade policy.

Furthermore, as a founding member of the WTO, India was required to eliminate all tariff and non-tariff barriers to open and integrate its economy with the rest of the world on a competitive basis. Measures such as freer imports and exports, tax rationalisation, recanalisation, classification of trading houses, creation of special economic zones, zones for agricultural product exports, and so on resulted in a rapid increase in the value of exports throughout the first decade of the post-reform period.

The results may be seen in the table, which shows that exports climbed from 34.64 billion dollars in 1991 to 61.42 billion dollars in 1995, and then to 105.60 billion dollars in 2001. In the second decade of the post-reform period, which began with the introduction of the market access initiative scheme for promoting the marketing of Indian goods abroad and ended with the introduction of the Foreign Trade Policy (2004-2009) on August 31, 2004, it was unavoidable that Indian exports would see a boost in the coming years, as various initiatives under FTP (2004-2009) were implemented, including special focus initiatives for five sectors, including gems and jewellery.

During this period, the service sector accounted for approximately half of GDP. As a result, efforts were made to increase service exports in the same way that India has done. Free trade and warehousing zones were also established, simplified procedures, and reduced transaction costs during the FTP period (2004-2009). The table shows that this FTP (2004-2009) reforms directly influenced the trade sector. Second-decade post-reform exports grew dramatically from 128 billion in 2002 to 225 billion in 2005, and eventually 312 billion in 2009, an increase of more than 100 percent. In the wake of the Great Recession of 2008, exports have grown negatively this year.

After the economic recession of 2008, the New Foreign Trade Policy of (2009-2014) was established, which set several long- and short-term objectives for strengthening export growth.

One of the immediate short-term goals was to stop and reverse the downward trend in exports caused by the global economic slowdown that followed the global economic recession of 2008, and the most important long-term goal was to double India's share of global trade from 1.64 percent in 2008 to 3.28 percent in 2010.

To ensure the success of the new FTP (2009-2014), To meet the modifications required to operate well in international markets, several new concepts were presented, and some previous ones were changed. Our exports have traditionally been focused in a few places of the world, such as Europe (36%), the United States (18%), and Japan (16%). It was discovered that these were the countries hardest hit by the global economic downturn of 2008.

Since the global economic recession of 2008, there has been a demand slump for Indian exports, as seen by the table, which shows that exports have decreased and that the growth rate of exports in 2009 was at 4.68 percent. New 26 markets have been added to the focus market system to address the problem of Indian exports becoming overly reliant on these main economies (FMS).

The government of India created a new scheme called the Focus Product Scheme (FPS) to encourage exports of specific products that were rated high priority. In addition to these programmes, the Export Promotion Capital Goods (EPCG) Scheme enabled zero percent import duty on capital goods in industries where India had a comparative advantage, such as chemicals and leather. All of the post-reform era's liberal measures resulted in a high export growth rate. Table 1 shows that products and service exports increased from 313 billion in 2009 to about 500 billion in 2013.

The table shows that the Indian economy performed very well in commodities and services exports during the post-reform period. When comparing exports of goods and services and annual growth rates, table 1 shows that exports' average annual growth rate in the pre-reform period was about 5.38 percent. Finally, based on the above analysis, it can be seen that in the first decade of the post-reform period, it nearly doubled to 11.91 percent, and in the second decade of the post-reform period, the average annual growth rate of exports of goods and services was almost doubled to 11.91 percent. Even during this time, the global economic downturn directly influenced Indian exports. Nonetheless, the performance was superior to that of the first decade following the reforms. During both the pre-reform and post-reform periods, the total average annual growth rate of goods and services exports was over 10%.

ANALYSIS OF TRENDS IN IMPORTS IN INDIA

Pre-reform import policies can be divided into (a) import restriction and (b) import substitution. With the implementation of the Mahalanobis strategy in the second five-year plan, which began in 1956-57, it was unavoidable that the government would rely heavily on imports of capital equipment, raw materials, and spare parts, putting a strain on the country's already limited foreign exchange reserves. During that period, it was well known that export profits remained stable after 1956-57, and the country was experiencing a severe food deficit, forcing the government to import food grains regularly.

With all of these problems, the Indian government had no choice but to impose import restrictions. As a result, the country's history of import restrictions began in 1956-57, and as the country's foreign exchange reserves became increasingly scarce, more and more commodities were subjected to import restriction. Import restrictions were in place until 1977-1978.

In addition to the import restriction policy, the government of India implemented the old import substitution strategy from 1956-57 until practically 1979 to save limited foreign exchange reserves and attain self-sufficiency in as many goods as feasible.

However, in the 1980s, it was believed that inward-looking methods for discussing imports could do no good for a country like India and that foreign technology, capital equipment, spare parts, and other imports were critical for reaching the international standards of our exports. Thus, one could argue that the country's actual liberalisation of imports began much earlier than the 1991 new economic reforms, with the introduction of annual import policies from 1980-81 to 1984-85 bolstered by the introduction of three long-term import-export policies that eliminated restrictions on various types of imports. With all of these efforts, it was reasonable to expect an increase in imports into the country, as seen by the table, which shows that imports climbed steadily from 18.64 billion dollars in 1980 to 29 billion dollars in 1986, and then to $ 33.50 billion in 1990.

TABLE 2

TRENDS IN IMPORTS DURING THE PERIODS FROM 1960 TO 2020

(Values in US Billion $)

Year	Imports	% of GDP
1960	2.53	6.83%
1961	2.34	5.96%
1962	2.54	6.03%
1963	2.86	5.91%
1964	3.21	5.69%
1965	3.10	5.21%
1966	3.06	6.67%

1967	2.98	5.95%
1968	2.62	4.94%
1969	2.36	4.03%
1970	2.42	3.88%
1971	2.70	4.00%
1972	2.65	3.71%
1973	4.04	4.72%
1974	5.99	6.02%
1975	6.55	6.65%
1976	6.28	6.11%
1977	7.61	6.26%
1978	9.05	6.59%
1979	12.50	8.17%
1980	17.23	9.25%
1981	16.58	8.57%
1982	16.34	8.14%
1983	17.14	7.85%
1984	16.39	7.73%
1985	17.78	7.65%
1986	17.49	7.02%
1987	19.48	6.98%
1988	22.11	7.46%
1989	24.13	8.15%
1990	27.13	8.45%
1991	22.94	8.49%
1992	27.64	9.59%
1993	27.42	9.82%
1994	33.35	10.19%
1995	43.32	12.02%
1996	45.36	11.54%
1997	49.61	11.93%
1998	53.43	12.68%
1999	61.31	13.36%
2000	65.12	13.90%
2001	65.22	13.43%
2002	78.50	15.24%
2003	95.07	15.64%
2004	139.31	19.64%
2005	183.74	22.40%
2006	229.96	24.46%
2007	302.80	24.89%
2008	350.93	29.27%
2009	347.18	25.87%
2010	449.97	26.85%
2011	566.67	31.08%

2012	571.31	31.26%
2013	527.56	28.41%
2014	529.24	25.95%
2015	465.10	22.11%
2016	480.17	20.92%
2017	582.02	21.95%
2018	639.01	23.66%
2019	601.58	20.96%
2020	482.45	18.39%
Mean (X)	137.98	
Standard Deviation (SD)	205.01	
Co-efficient of Variation (CV)%	148.58	
CAGR	8.99%	

Source: World Bank national accounts data, and OECD National Accounts.

The table clearly shows that imports of products and services increased from 1980 to 2013, spanning both pre-and post-reform periods. The two tables clearly show that since the 1991 economic reforms, imports have surged significantly in absolute terms compared to the pre-reform period. Prior to the 1991 economic reforms, a high proportion of imports and exports were channelled through public sector firms, but this trend was reversed when supplementary trade policy was implemented.

With the implementation of these liberal import policies, imports were bound to rise not just in the post-reform period but also significantly in the pre-reform period. Table 4.16 shows that imports were 33 billion dollars in 1991 and nearly doubled to 60 billion dollars in 1994.

Indian import policies were expected to remain liberal after the World Trade Organization (WTO) was established in 1995 and India's commitment to upholding its tight laws against quantitative limits as one of its founding members. Imports into India have reached levels never before seen.

The first tariff line import policy, which freed about 6,000 tariff lines, was announced in the second part of the 1990s, i.e. in 1996. Imports began to rise dramatically in the second part of the 1990s, with a year-on-year increase of 21% in 1998. To complement these efforts, EXIM policies from 2000-2001 and 2001-2002 lifted quantitative limitations on 700 and 715 products, respectively.

In comparison to the first decade of the post-reform period, when average annual imports were assessed to be worth nearly 80 billion dollars, yearly imports in absolute terms were expected to be worth 26.36 billion dollars in the pre-reform period. Tables 1 and 2 show that in the second decade following the 1991 economic reforms, the country imported a massive amount of goods and services, with imports rising from 130 billion dollars in 2002 to 293 billion dollars in 2006.

However, due to the global economic recession of 2008, there was a slowing in imports after this year, although this upward trend continued in 2012, with imports of goods and services reaching $576 billion. The average yearly value of imports was anticipated to be approximately 334 billion in the second decade following the reform period. When we compare the decadal import growth rate in the pre-and post-reform periods, it is clear that the new economic reforms of 1991 had a significant impact on imports into the country, as in the pre-reform period, even though import liberalisation had begun at that time, the average annual, decadal growth rate of imports was estimated to be around 7.22 percent. In the first decade of the post-reform period, it nearly doubled to 8.5 percent.

The true push for import liberalisation occurred in the second decade after the reforms when imports' average annual growth rate was projected to be around 16%. Furthermore, imports increased dramatically, with the average annual imports in absolute value terms for this decade projected to be around 334 billion dollars. So, without a doubt, the 1991 economic reforms influenced the country's import policy.

According to Table 2, between 1960 and 2020, India's total imports of goods and services were 2.53 billion dollars and 482.45 billion dollars, respectively. From 1960 to 2020, the average quantity was 137.98 billion US dollars. However, overall goods and services imports grew at an annual rate of 8.99 percent from 1960 to 2020, with a high CV of 148.58 percent.

To use a trend line to examine the trajectory in India's exports and imports of products and services before and after reform. Table 3 presents the findings of the analysis, which indicate the pattern and increase of India's exports and imports of commodities and services from 1960 to 2020.

TABLE 3

TREND AND GROWTH OF EXPORTS AND IMPORTS OF GOODS AND SERVICES DURING PRE AND POST-REFORM PERIODS IN INDIA

Particulars	**Trend Coefficients**		**R^2**	**CGR (percentage)**
	a	**b**		
Exports of goods and services	6.91	0.067* (11.64)	0.55	4.73
Imports of goods and services	6.24	0.063* (13.55)	0.61	5.81

* Significant at 5 per cent level.
Note: CGR = Compound Growth Rate
Figures in parentheses indicate t-values.

Table 3 reveals that the exports and imports of goods and services have been increasing at a compounded growth rate of 4.73 per cent and 5.81 per cent, respectively. The trend coefficients are positive and significant at a 5 per cent level, indicating a positive trend in exporting and importing goods and services. The trend coefficient for exports goods and services is 0.067 and for imports of goods and services is 0.063.

CONCLUSION

We used trend data from 1960 to 2020 to investigate the link between export and import in India. It can be started from the preceding analysis that when the initial difference is taken into account, the export and import series become stationary. The empirical conclusion shows that export and import have a long-run co-integrating relationship in India.

Using time-series data from 1960 to 2020, this study examines the impact of new economic reforms on India's exports, imports, and overall trade. In this case, the value of pre-and post-crisis trade performance is contrasted. After the adoption of new economic reforms in India, it was established that India's foreign trade had demonstrated an upward tendency across the research period.

The volume of commerce increased day by day during the research period, despite the numerous changes. The study also shows that the post-reform era has aided India's economic growth. The results reveal that exports and imports were higher in the post-reform period than in the pre-reform period, but it also suggests that the growth rate of imports was larger than that of exports. As a result, the study indicates that India's economic reforms had a major positive impact on the country's international commerce.

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