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Trends of India's Foreign Trade in the Post-economic Reforms Period

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ABSTRACT

Economic decision-making has become an important policy agenda for any government in recent times. Particularly, foreign trade-related decisions have a significant influence on economic growth. In the sight of imports and exports, the government of India directed towards new economic reforms for strong trade relations, which explore the trade opportunities and investment mobilization. The imports and exports of goods and services may facilitate mutually beneficial between two nations that could be offered a win-win situation for further deepening the existing economic development. The present research paper examines the export performance during the post-economic reforms period 1991-2018. The study reveals that the performance of exports needs a stimulation policy to improve to reduce the trade deficit whereas the growth of imports is increasing continuously which will create a negative influence on the economic growth as well as in the international market even that may become like a barrier to the domestic firms which wants to enter into the international markets.

Key Words: Foreign trade; imports and exports; Economic development; Economic reforms

1. Introduction

The Indian economy had faced difficulties before introducing economic reforms. The government was initiated for introducing a new trade policy commonly known as the LPG (Liberalization, Privatization, and Globalization) for liberalization of trade practices. It was documented that macro-economic policy decisions would provide a sound foundation for medium and long-term economic growth through improving the exporting of goods and services worldwide (Satija, 2009). Particularly, the developing economy like India trade relations significantly affects economic growth. In the sight of trade aspects, the government of India initiated to

introduce economic reforms in the year 1991 to build strong trade relations and explore the trade opportunities and investment in the present competitive world. The imports and exports of goods and services may facilitate mutually beneficial between two nations that could be offered a win-win situation for further deepening the existing economic development.

Since 1991, Indian export performance had increased steadily and which plays an important role in the Indian economy. Exports majorly focus on earn foreign currency and it stimulates the economic development of the country. Statistically, evidence that the Indian exports during March 2016 were valued at US\$ 22718.69 million (Rs.152264.96 crore) which was 5.47 percent lower in Dollar terms (1.45 percent higher in Rupee terms) than the level of US\$ 24032.55 million (Rs.150082.80 crore) during March 2015. The cumulative value of exports for the period April -March 2015-16 was US\$ 261 136.80 million (Rs.1708841.43 crore) as against US\$ 310338.47 million (Rs.1896348.40 crore) registering a negative growth of 15.85 percent in Dollar terms and 9.89 percent in Rupee terms over the same period last year. The present research attempts to capture the trends of foreign trade by considering the imports and exports performance and foreign currency inflows due to exports of India in the 21st century focusing on the period 1991 – 2018.

2. Review of Literature

A study by Katircioglu et al. (2007) investigated the long-run equilibrium association among financial progress, global trade, and real income growth in India. The results of the study showed that growth in real income would lead to development in international trade activities, namely exports and imports performance during the post reforms era. Pradhan et al. (2015) studied the significant association between trade openness and economic growth during Indian's post-globalization period. The study was employed Autoregressive distributing lag (ARDL) and vector autoregressive error correction model (VECM) models to assess the results. The variables namely the value of exports as a percentage of GDP, the value of imports as a percentage of GDP, and total trade as a percentage of GDP were considered for this study. The results of the study reveal that trade openness, banking sector depth, and stock market depth are co-integrated with the economic growth and which found a significant effect in a long-run equilibrium relationship. The study also found that trade openness has shown a significant impact on economic growth. Further, Fathipour and Ghahremanlou (2014) examined the foreign trade relations between two nations namely Iran and India from 2001 to 2010. The trade relations are grounded on the competitive advantages between two countries which enabled increase trade volume. The study found that India imports mineral fuel from Iran and also India exports goods like chemicals, articles of iron, drugs, and pharmaceuticals to Iran by importing and exports of goods are considerable leads to economic development from the effect of competitive advantage. Silberberger and Koniger (2016) examined the relationship between the quality of trade regulations and its impact on economic growth in the presence of foreign trade actives. It is evidenced that both quality regulation framework and internal trade practices have a significant role in economic progress. A study by Chandran and Nathan (2015) explored the impact of globalization on trade

collaboration between two countries namely, Malaysia and India. The effect of globalization and economic policies of both countries may encourage mutual trade relations and ensure the economic development of the nations. A study by Joshi (2015) found a mutually beneficial trade relationship between Indian and Iran nations that could be offered a win-win situation for both nations. The study reveals that the bilateral trade between the two countries propagated significantly. Additionally, India has become a major source for Iran's imports to trade chemicals, cereals, articles of iron and steel, and man-made staple fibers. At the same time, India offers a stable market for the export of petroleum products from Iran at highly reasonable prices. Thus this is evidential support that the economic and trade relations between India and Iran are highly strategic and offer a win-win situation for both countries. On the other hand, Quer et al. (2010) considered comparing many trade-related issues between China and India. The results of the study show that both countries enjoy a series of medium and long-term competitive advantages. In the case of China, these advantages are its high level of integration in the world economy, its good physical infrastructure, and development model that generates a lot of employment opportunities. In the case of India, its outstanding position in ICT services, its booming private sector, and stability environmental situation. Further, mutually trade agreement facilitates enjoy the competitive advantage like Chinese products are becoming very popular in India, while Indian software companies are expanding rapidly in China. Recently Rental and Nandru (2019) examined the export performance of India and its impact on GDP during the post-reforms period. The results of the study reveal that there is a causal relationship between exports to GDP and GDP to exports and also found a significant relationship between imports and exports of India.

3. The objective of the study

The objective of this paper is to understand the exports and imports performance during the post-economic reforms period 1991-2018.

4. Research Methodology

The present study is based on secondary data. The data for the study is obtained from the World Integrated Trade Solutions (WITS) for the Indian economy is the annual figures of the period 1991-2018.

5. The current status of India's foreign trade

The current trends of India's exports, imports, trade balance, and exchange rate movements in US\$ are presented in Table 1. It can be observed that imports and exports increased steadily and it reveals that imports increased faster than exports. As a result of embarked economic reforms in the year 1991, imports increased by 12.7 % while exports increased only by 3.8% in 1992-93, which indicates that the domestic manufacturing sector in India was not able to face the foreign competition by producing the quality of goods and faces the inefficient productivity capacity and poor technology advancement. In 1995-96 imports increased by a huge 28.0 %, but exports were close to 20.8 percent from 3.8 % in 1992-93. The movement of foreign exchange rate of Re to US\$ slightly increased since 1991-92 (24.474) to still 2002-2003 (48.395). It started little increased in

2011-2012 (47.919) and in the year 2016-2017 it was 67.072 and then a little decline (64.454) in the very next year and again started to increase which reached to 69.922 in the 2018-2019.

Table 1. India's exports, imports, trade balance, and exchange rate movements.

(US\$ Million)

Year	Exports	Imports	% of change in exports	% of change in imports	Trade Balance	Exchange Rate of Re Vs US\$
1991-92	17865	19411	-1.5	-19.4	-1546	24.474
1992-93	18537	21882	3.8	12.7	-3345	30.649
1993-94	22238	23306	20.0	6.5	-1068	31.366
1994-95	26330	28654	18.4	22.9	-2324	31.399
1995-96	31797	36678	20.8	28.0	-4881	33.449
1996-97	33470	39133	5.3	6.7	-5663	35.499
1997-98	35006	41484	4.6	6.0	-6478	37.165
1998-99	33218	42389	-5.1	2.2	-9171	42.071
1999-2000	36822	49671	10.8	17.2	-12849	43.333
2000-01	44076	49975	19.7	0.6	-5899	45.684
2001-02	43827	51413	-0.6	2.9	-7587	47.692
2002-03	52719	61412	20.3	19.4	-8693	48.395
2003-04	63843	78149	21.1	27.3	-14307	45.952
2004-05	83536	111517	30.8	42.7	-27981	44.932
2005-06	103091	149166	23.4	33.8	-46075	44.273
2006-07	126414	185735	22.6	24.5	-59321	45.285
2007-08	163132	251654	29.0	35.5	-88522	40.261
2008-09	185295	303696	13.6	20.7	-118401	45.993
2009-10	178751	288373	-3.5	-5.0	-109621	47.417
2010-11	251136	369769	40.5	28.2	-118633	45.577
2011-12	304624	489181	21.3	32.3	-184558	47.919
2012-13	289565	488976	-4.9	-0.1	-199411	53.211
2013-14	336611	466046	16.2	-4.7	-129435	60.501
2014-15	317545	459369	-5.7	-1.4	-141824	61.143
2015-16	264381	390745	-16.7	-14.9	-126364	65.468
2016-17	260327	356705	-1.5	-8.7	-96378	67.072
2017-18	294364	444052	13.1	24.5	-149688	64.454
2018-19	322292	617946	9.5	39.5	-295654	69.922

Source: <https://data.gov.in/catalog/exports-imports-and-trade-balance>.

6. Trends in India's major export goods in 1991-2018 (US\$ Mil)

The India's exports performance of different items during the post-economic reform period during the year 1991-2018 is presented in Table 2. It can be confirmed that India's exports to worldwide could be US\$ 17899.89 Mil in 1991 while this value had raised to US\$ 322291.56 Mil in the year 2018. This significant raise was mainly due to there were considerably increased exports of consumer goods, intermediate goods, textiles and clothing, stone and glass and raw materials to worldwide market. These five items dominated the India's export performance during the year 2018. On the other hand, some of the items like wood, miscellaneous, fuels, footwear, transportation were shown stagnant trend in exporting to world market period 1991 to 2018 respectively.

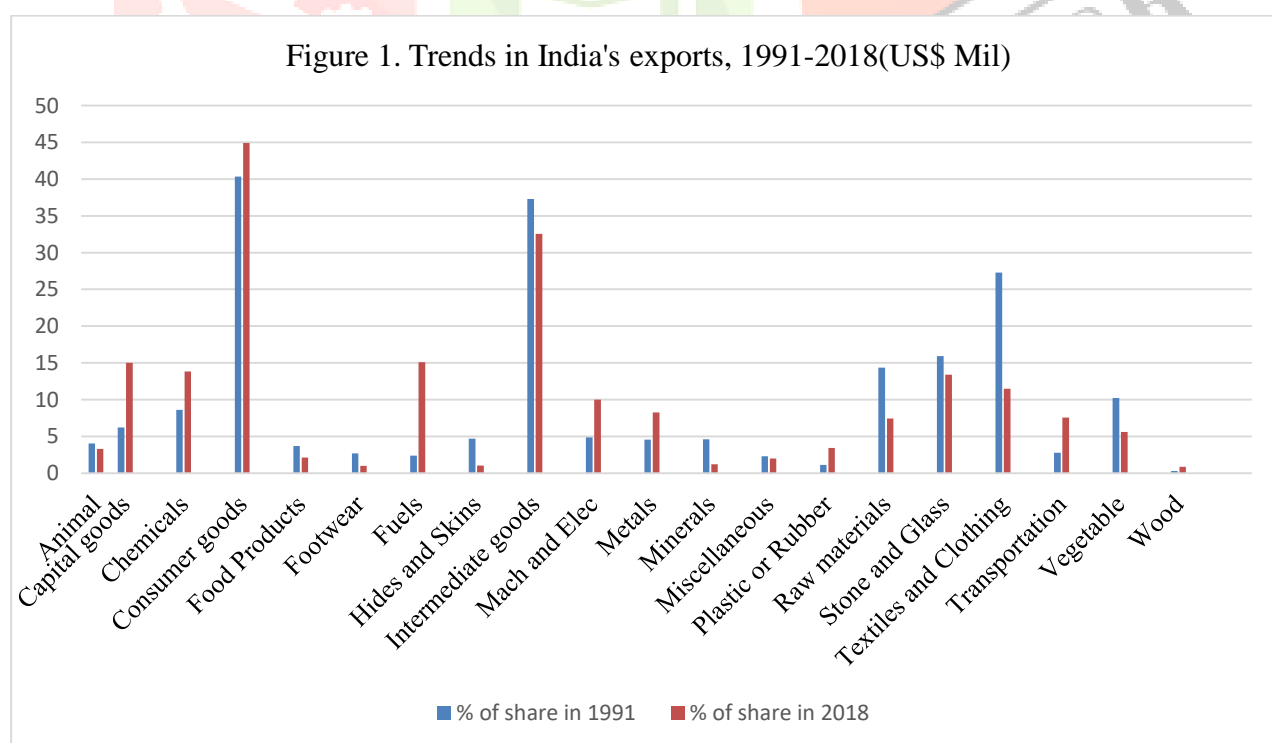
Table 2. Trends in India's exports performance major commodities in 1991-2018

(US\$ Million)

Commodities	1991	2018	% of share in 1991	% of share in 2018
Animal	718.2	10630.00	4.01	3.3
Capital goods	1113.08	48380.33	6.22	15.01
Chemicals	1538.62	44563.69	8.60	13.83
Consumer goods	7221.91	144759.69	40.35	44.92
Food Products	663.15	6798.51	3.70	2.11
Footwear	479.16	3104.06	2.68	0.96
Fuels	422.98	48563.40	2.36	15.07
Hides and Skins	841.12	3287.30	4.70	1.02
Intermediate goods	6676.04	104941.16	37.30	32.56
Mach and Elec	867.35	32239.44	4.85	10
Metals	815.89	26585.53	4.56	8.25
Minerals	824.97	3901.81	4.61	1.21
Miscellaneous	411.67	6380.74	2.30	1.98
Plastic or Rubber	203.05	11027.41	1.13	3.42
Raw materials	2567.06	23962.09	14.34	7.43
Stone and Glass	2848.96	43121.35	15.92	13.38
Textiles and Clothing	4882.67	37010.95	27.28	11.48
Transportation	497.41	24318.59	2.78	7.55
Vegetable	1831.86	18049.81	10.23	5.6
Wood	52.85	2708.88	0.30	0.84
All Products	17899.89	322291.56	100.00	100.00

Source: World integrated trade solutions, 2018 and compiled by authors'

Also present in chart form one below shows the share of various export commodities to worldwide during the post-economic reform period 1991-2018 in US\$ Mil.



Source: World integrated trade solutions, 2018 and compiled by authors'

7. Conclusion

The present study examined the India's export performance of the nation during the post-economic reforms period 1991-2018. The study reveals that definitely there was efficient growth in terms of foreign trade when compared to 1991 with 2018. Nearly two decades after the reforms of 1991, this has created enormous growth in the Indian economy through accessing the large markets beyond the national borders. There was a tremendous growth in case of India's import but the growth of India's export was not grown efficiently when compared to imports. From the present study is clear that there was an increasing trend in the imbalance of trade, which should be reduced at a greater level. The trade deficit will have a negative influence in the nation's growth. The imbalances of trade can be reduced either by increasing the exports or by increasing the restrictions on imports for non-essential or luxury products. The trade deficit will also influence in the exchange rate movement and which will increase the depreciation of Indian currency in the international markets.

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