IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

IMPACT OF ECONOMIC REFORMS ON BALANCE OF PAYMENT SITUATION: A STUDY

1. Mrs. Mahalakshmi B A
Faculty Member
Dpt. of PG Studies & Research in Commerce
Kuvempu University
Shankarghatta 577451

2. Dr. NAGAVENI C M
Faculty Member
Dpt. of PG Studies & Research in Commerce
Kuvempu University
Shankarghatta 577451

3. Mr. NIRANJAN MURTHY N J
Research Scholar
Dpt. of PG Studies & Research in Commerce
Kuvempu University
Shankarghatta 577451

ABSTRACT:

International trade is an engine of economic growth improvement of international trade helps in improving balance of payment condition. The balance of payment is an economic barometer it measures country economic growth.in this context government take various measures in order to improve international trade as well as balance of payment. Among all the policies "Liberalisation, Privatization, Globalisation" is very effective policy undertaken by government in the year 1991 helps in make tremendous changes in balance of payment. The purpose of this paper is to examine impact of economic reforms on balance of payment situation.

KEY WORDS: International trade, Balance of payment, Economic reforms

Introduction:

Generally, no country is self-sufficient. It has to depend upon other countries for importing the goods which are either non-available with it or available in insufficient quantities. Similarly, it can export goods, which are in excess quantity with it and are in high demand outside. Every country has only limited resources. It has to buy from other countries what it cannot produce or can produce less than its Requirements, so trade happens between countries. The International trade is recognized as the sufficient determinant of the economic development of a country all Over the world. The foreign trade of a country consists of inward (import) and Outward (export) movement of goods and services, which result into outflow and Inflow of foreign exchange.

The foreign trade is an exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). While international trade has been present Throughout much of history, its economic, social, and political importance has been on the rise in recent centuries. All trades conducted by both the private and public sectors are accounted for in the BOP in order to determine how much Money is going in and out of a country. If a country has received money, this is Known as a credit, and, if a country has paid or given money, the transaction is Counted as a debit.

Balance of Payments

The Balance of payments is an important indicator of the growing economic Activities in all the countries. It reflects how much a country is technically developed and competitive in the world market. It tells how many goods and services a country Has been exporting and importing and how much a country is borrowing or lending.

The balance of payments of a country is a systematic record of all Transactions between the residents of a country and the rest of the world carried Out in a specific period of time. Balance of payments (BOP) account is an accounting record of all monetary transactions between a country and the rest of the world. These transactions include payments for the country's exports and Imports of goods services, financial capital and financial transfers. The BOP Account summarizes international transactions for a specific period, usually a year, And are prepared in a single currency, typically the domestic currency for the Country concerned.

Max. J. Wasserman and Ray M.ware have defined the balance of payments, "as a statistical presentation of economic transactions during a given period between The residents of one country and those of the rest of the world, another country, group Of countries or specified international organizations.

In this definition the writers have used two specific terms economic Transactions and residents. The term economic transactions is defined by the IMF. In Fact, few types of economic transactions may be distinguished: -

- Purchases and sales of goods and services against financial items.
- Barter, that is the interchange of goods and services against goods and Services.
- The interchange of financial items against other financial items.
- The provision or acquisition of financial items without a quid pro/quo.

In law, the term resident, as distinct from domiciliary or citizen, has a more or less exact meaning. As used in Balance of payments Methodology its meaning is less Precise. Some variation in the definition of the term prevails among several nations and exceptions are made where they appear warranted

The Reserve bank of India has defined the BOP as, "The balance of payments Of country is a systematic record of all economic transactions between residents of a Country and the rest of the world .It presents a classified record of all receipts on Account of goods exported, services rendered by "residents" and payments made by Them on account of goods imported and services received from the capital transferred To 'non-residents' or 'foreigners

Importance of balance of payment A balance of payment Is an essential document or transaction in the finance department as it gives the status of a country and its economy. The importance of the balance of payment can be calculated from the following points:

• It examines the transaction of all the exports and imports of goods and services for a given period.

• It helps the government to analyse the potential of a particular industry export growth and formulate policy to support that growth.

• It gives the government a broad perspective on a different range of import and export tariffs. The government then takes measures to increase and decrease the tax to discourage import and encourage export, respectively, and be self-sufficient.

• If the economy urges support in the mode of import, the government plans according to the BOP, and divert the cash flow and technology to the unfavourable sector of the economy, and seek future growth.

• The balance of payment also indicates the government to detect the state of the economy, and plan expansion. Monetary and fiscal policy are established on the basis of balance of payment status of the country

Types of Balance of Payment Account: The balance of payment is the difference between exports (of goods plus services plus capital transfers) less imports (of goods plus services plus capital transfers). It shows that balance of payment is a wider term and the balance of trade is its part. Balance of Payment is further classified into favourable and unfavourable.

1. **Favourable Balance of Payments**: Excess of goods and services exported plus capital transferred to abroad over the goods and services imported and capital transfers from abroad is known as favourable balance of payment It can also be expressed as: Favourable balance of payment =exports (goods, services, capital transfer)>imports (goods, services and capital transfer)

2. **Unfavourable balance of payment**: Excess of goods and services imported plus capital transfers from abroad over the goods and services exported plus capital transfers to abroad, i.e., rest of world, is known as unfavourable balance of payments. It can also be expressed as: Unfavourable balance of payment =exports (goods, services, capital transfer.

Components of Balance of Payments Give a model BOP account mention about vertical classification. The Balance Of Payments of a country is horizontally divided Current Account and Capital Account.

1. **Current Account** The current account of a country's balance of payments consists of all Transactions related to trade in goods, services, income and unilateral transfers. The Current account includes the following items –

   • **Merchandise Exports & Imports Merchandise exports** and imports are the most important items in the current Account. In general, it covers a significant portion of total transactions recorded in the BOP of a country. Generally, exports are calculated on free on board (f.o.b.) basis, which means that the costs of transportation, insurance, etc. are excluded. Generally, Imports are calculated on the carriage, insurance and freight (c.i.f.) basis, which Means that the costs of transportation, insurance and freight are included.

• **Invisible exports and imports Invisible exports** and imports also known as service exports and imports are Another important component of the current account. Important, invisible items Include – travel, insurance, transportation, investment income in the form of profits, Dividends, etc.

• **Unilateral Transfers** Unilateral transfers or transfer payments are the third important component of the current account. Unilateral transfers include gifts and grants either received from Abroad (credits) or given abroad (debits).

2. **Capital account** the capital account of a country consists of its transactions in financial assets in the form of short term and long-term lending and borrowing and private and official Investments. In other words, the capital account shows the international flow of loans and investments and represents a change in the country's foreign assets and liabilities.

   The capital account mainly consists of –

   • **Borrowing from and Lending to Foreign Countries** Borrowing from foreign countries are credit entries because they are receipts from foreign countries. Lending to foreign countries are debit entries because they are Payments to foreign countries. This borrowing or lending could be of short-term i.e. Up to one year or long-term i.e. more than one year. Borrowing from and lending to foreign countries could be also called as the net sale of assets to foreigners and net Purchases of assets from foreigners.

   • **Direct Investment and Portfolio Investment** Direct investment is an investment in enterprises located in one country but effectively controlled by residents of another country. As a rule, direct investment Takes the form of investment in branches and subsidiaries by parent companies located in another country. Portfolio investment refers to purchases of foreign securities that Do not carry any claim on control or ownership of foreign enterprises. In brief, borrowing from foreign countries and, direct and portfolio investment by foreign Countries represent capital inflows. On the other hand, lending to foreign countries And, direct and portfolio investment in foreign countries represent capital outflows. In broader terms, real or income creating transactions are entered into the Current account of BOP, while financial or capital transactions are entered into the Capital account of BOP

3. **Other Components** Apart from the above two main accounts, BOP of a country also includes Some other entries like – (a) Transactions with IMF, (b) SDR allocations, (c) Errors & Omissions and (d) Official settlements / Reserve account.

STATEMENT OF PROBLEM:

After independence, for nearly forty years India adopted import substitution strategy or inward oriented strategy. However, this strategy led to various BOP problems Like – consistent deficit in BOP, growing external debt, slow growth rate etc. However, in the 1980s, this import substitution strategy was given up and the country adopted export promotion or outward oriented strategy. However, in 1991, India faced the deepest economic and financial crisis which leads India to adopt liberalization, privatization and globalization policy.

In this context, the present study attempts to find the answer to the following research questions. what are the causes of for the BOP crisis in India? And followed with what are measures taken by the government to overcome the problems? What are the policy measures implemented by the government focusing on BOP stability? How the economic policy made an impact on BOP in India.

In addition to this, the present study also analyses the trends in the BOP account of India during the various plan periods.

OBJECTIVE OF THE STUDY

- To examine the impact of new economic reform 1991on BOP position
- To analyse the trends in BOP since economic reform 1991.
- To Analyse position of India Before and after economic reform
- To understand the relationship between BOP and economic growth of the country.

SCOPE OF THE STUDY

The study aims at analysing the BOP account of India during pre and post economic reform period and the study analyse the current account and capital account components of BOP India in detail .it studies the BOP position of India during the various. Five-year plan periods. the study also covers the crisis in India BOP, causes behind the BOP crisis and the measures adopted to overcome the crisis.

RESEARCH METHODOLOGY

Data source the present study is completely dependent on the secondary data, since it requires a series of aggregate time series data spread over a period of time. Secondary data were obtained from other published sources and are not collected directly. The information required for the present study was collected from the reserve Bank of India bulletin, published by RBI- various reports on currency and finance, Economic survey reports and articles published in various issues of the journal of Economic and political weekly etc.

SIGNIFICANCE OF THE STUDY.

At present, all the countries in the world join together forming global village to enrich each country' s economy .no country can survive independently, all are mutually interdependent because each country is blessed with it' s own endowment resources. Over a period of time there has been a marked change in the ideology of the government towards integration with the world economy. the change in the ideology is reflected in the attitude of the government towards LPG policies. BOP is a device, which describes the state of international economic position and relationship of the country. BOP is compiled to measure gross deficit or surplus with the rest of the world. Faster economic growth can be achieved only through the good international trade. Hence, BOP is a tool to inform government authorities of the actual international economic position. BOP act as a guide to monetary, fiscal changes and other policies. India started facing serious BOP problem from seventh 5-year plan (1985-90) period onwards. in 1991 India faced another crisis which was the result of various factors – internal as well as external .thus ,it is necessary to undertake a detailed study on various causes behind these crisis, measures adopted to overcome the crisis and the various reforms that have been undertaken in the fiscal ,monetary and external sectors .the present study takes a critical review of the various measures undertaken by the government to tackle BOP problem .in these way ,the study gets much importance in the macro-economic and financial aspects of Indian economy .

LIMITATIONS OF THE STUDY

• The study is macro in its nature, portraying the picture of the whole of India which is the unit of study; and hence comparison at the micro level may not be feasible

• As the study had been completely based on the available secondary data, the limitations pertaining to secondary data such as inadequacy and the lack of reliability apply to this study also.

REVIEW OF LITERATURES

D. Mohanty (2013), found that with the gradual external Liberalization of Indian economy. not only the size of the BOP has increased manifold but pattern of current and capital account has changed even though the reform process has strengthened resilience of India external sector .at the same time vulnerabilities arise with greater exposure of the economy to the rest of the world through liberalized trade and investment environment. He also gives some suggestions to improve BOP such as reducing imports and boost export to bring current account deficit sustainable levels. frame structural policy, current policies towards further diversification of India' s export basket both destination and products, need to be stepped up. Finally, he concludes that there is a need to sustainable levels in the short run and over medium term to accelerate efforts towards structural reforms that help boosting our competitiveness, raise growth potential and bring in more stable flows in to the economy.

Mehta (2013) ,in his article ,tries to find the impact of devaluation on Indian balance of payment taking into account the balance of payment during the pre – devaluation period (1970 71 to 1990-91) and post – devaluation period (1991-92 to 2011-12).Three factors of the balance of payment were used in the analysis namely current account ,capital account and financial account .The mean test results say that all the three selected indicators show a positive results ,that is after devaluation there is ,an increase in the balance of payment.

C.H. Hymavathi, et.al, (2015), examines trends and patterns of current account , capital account and Balance of payment .the main objective of this study is to elaborate the recent Balance of payment development and to analyze the future trend , they also mention the main reason for disequilibrium in BOP such as development programs, inflation, cyclical fluctuations , population growth etc. in this study he finds that because of make in india government campaign the current account deficit is reduced and the capital account situation is also better from make in India policy.

B.P. Kumar (2019), intended to present some exciting trends in valuable pointers of Balance of payment of India. The study shows that the ratio of import to GDP in India has still been higher than that of the export to GDP. increasing current account deficit over the year especially in 2000 and 2010 also throws on the economic risks that has been quite higher than the payment has percent of GDP. the growth in foreign investment although slow has turned out to be positive indicator.

B. Sangvikar et.al, (2019), explores the BOP situations in 1991 and 2012 with its impact and remedies. The outcome of this paper provides the lesson to avoid this type of crisis of BOP by controlling the import and export by reforming government .the main aim of this research Is to know what reforms are helped India to overcome from BOP crisis in this research discuss about various reforms are undertaken by the government to overcome the BOP crisis such reforms are fiscal reforms, monetary reform, industrial reforms, trade reforms, etc., In this study they find that the liquidity support can cure the effects of a BOP in short run but the economic reform are the optimum way for enduring resolution for such a state of affairs, and helps in economic growth of a country .They suggest some important remedies for future such as address petroleum issue reduce gold demand, export diversification, foreign remittance etc.

RESEARCH GAP

From the review of literature, it can be observed that a number of studies have been undertaken with reference to India's Balance of payments. However, they are restricted to limited period and specific issues like effect of devaluation, effect on imports and exports, the link between current account deficit and fiscal deficit etc. Furthermore, they have not undertaken a detailed analysis of the causes behind the balance of payment disequilibrium, the measures undertaken to overcome the crisis and its impact on the components of the balance of payment.

The present study is an attempt to analyse in detail the causes behind the balance of payment disequilibrium, the measures undertaken to overcome the crisis and its impact on the components of the balance of payment.

DATA ANALYSIS AND INTERPRETATION:

Balance of Trade shows a country's trade transitions with the rest of the world taking into account only visible exports and imports during the course of a year. After Independence planners of India first set out four long term objectives, before the planning actually began in 1951. These objectives were:

i. To increase production to the maximum possible extent so as to achieve higher level of national and per capita income.

ii. To reduce inequalities of income and wealth.

iii. To reduce unemployment and achieve full employment iv. To set up a socialist society based on equality and justice and absence of exploitation.

When India adopted systematic planning in 1951 to quote Prof B S Minhas "Securing rapid economic growth and expansion of employment, reduction of disparities in income and wealth prevention of concentration of economic power and creation of the values and attitudes of a free and equal society have been among the objectives of all our plans. The role of trade in the economic development of the country was widely recognized. Trade was regarded as the foundation stone of modern economic activity. During the planning period basic and far-reaching changes took place in our foreign trade. The scenario of foreign trade during planning period has been analyzed under two broad headings (A) Balance of Trade (B) Balance of Payments.

Balance of Trade During First Five Year Plan (1951 to 1956)

During the period of the First Five Year Plan (1951-56) India was faced with three problems- inflation, severe food shortage and influx of refugees. First plan attempted a process of all-round balanced development to ensure rising national income, food self-sufficiency, control of inflation and a steady improvement in the living standards over a period of time. During the planning period our imports increased at a faster rate as compared to exports. As a result, trade deficit persisted and continued. The figures of imports, exports and trade balance in their absolute amounts (Rs crores) are presented in Table 1. It is evident from the table that over the whole First Plan Period the country experienced a negative balance of trade. The worst position in this regard was in the very first year of the plan, i. e. In 1951-52, India experienced Rs 174.0 crores of deficit in balance of trade. Secondly, the trends in the imports and exports over this plan period, imports grew at a comparatively higher than that of exports. Thirdly, the negative balance of trade continued throughout the First Plan Period.

TABLE No 1

India's Trade Balance During First Five-Year Plan (1951-1956)

(Rs in crores)

Year	Export	Import	Trade balance
1951-1952	716	890	-174
1952-1953	578	702	-124
1953-1954	531	610	-79
1954-1955	593	700	-107
1955-1956	609	774	-165

Source: DGCI&S, Kolkata

Balance of trade during second five-year plan (1956 to 1961)

In 1956 Second, Five Year Plan was started with a massive programme of Industrialization. The expansions, renovations and modernizations of many industries Together with imports of food grains due to floods and droughts pushed up the line of Import to a very high level. On the other hand, the much-needed diversification of Exports and exports promotion drive did not materialize. Absolute amount of the Imports, exports and balance of trade is given in Table No 2

TABLE No 2

India's Balance Of Trade During Second Five-Year Plan (1956 – 1961)

(Rs in crores)

Year	**Export**	**Import**	**Trade balance**
1956-1957	605	841	-236
1957-1958	561	1035	-474
1958-1959	581	906	-325
1959-1960	640	961	-321
1960-1961	642	1122	-480

Source: DGCI& S, Kolkata

It is clear from Table 2 that India experienced the worst position of balance of trade throughout the Second Plan period. During this period the imports were as high as Rs 1122 crores, whereas the corresponding exports were of Rs 642 crores. Naturally the deficit of trade balance touched its highest level of – Rs 480 crore. The Trade deficit consequently increased in this plan period. The more ambitious second plan could not be implemented fully because of acute shortage of foreign exchange and the planning commission had to prune the development targets.

Balance of Trade During Third Five Year Plan (1961 to 1966)

By the beginning of the third plan (1961-66) the Indian planners felt that Indian economy had entered the "Take-off-stage". Consequently, the Third Plan set as its goal the establishment of a self-reliant and self-generating economy. In this plan, agriculture was given top priority but also laid adequate emphasis on the development of basic industries. However, because of India's conflicts with China in 1962 and with Pakistan in 1965, the approach of the Third Plan was later shifted from development to defense and development.

The figures of import, export and balance of Trade during Third Plan have been shown in Table 3

TABLE No 3

India' S Trade Balance During Third Five Year Plan (1961-1966)

(Rs in crores)

Year	**Export**	**Import**	**Trade balance**
1961-1962	660	1090	-430
1962-1963	685	1131	-446
1963-1964	793	1223	-430
1964-1965	816	1349	-533
1965-1966	810	1409	-599

Source: DGCI& S, Kolkata

It is evident from the table that in Third plan our imports and exports increased continuously. The increase in the volume of imports during this plan was due to three factors. viz. industrialization, increase in Defense needs following aggression by China and Pakistan, and imports of large quantity of food grains. In the year 1965-66 imports jumped to the high point of Rs 1409 crores whereas exports could move up only to Rs 810 crores resulting in trade deficit of Rs 599 crores.

The third plan had been plagued by severe shortage of foreign exchange resources. if the second plan was moderately successful, the third plan was a failure, because of the famines in 1965-1966, two major conflicts with China and Pakistan and India was also led down badly by the major aid giving countries.

Balance of Trade During Annual Plans (1966-1969)

Devaluation of rupee, severe drought and the inflationary recession put a great Pressure on our economy. So, the Fourth plan had to be abandoned by three years. Instead, three Annual plans: 1966-67, 1967-68 and 1968-69 described as "Plan Holiday" were implemented. Government. Of India in order to reduce the trade deficit Decided to devalue her rupee by 36.5 percent on June 6, 1966. After the devaluation the exports increased to Rs 1358 crores in 1968-69 and imports decreased to Rs 1909 Crores in 1968-69. So, the negative trade deficit was on its lowest line of Only -Rs 551 crores.

TABLE 4

India' S Trade Balance During The Annual Plans (1966-1969)

(Rs in crores)

Year	Export	Import	Trade balance
1966-1967	1157	2078	-921
1967-1968	1199	2008	-809
1968-1969	1358	1909	-551

Source: DGCI& S, Kolkata

The bilateral agreement and arrangement with a number of countries ensured the increase in exports

Balance of Trade During Fourth Five Year Plan (1969 to 1974)

The Fourth Five Year Plan was an ambitious plan. The first two years of the Fourth plan were quite promising with record food grains production and equally rising industrial production.

Table 4 India's Trade Balance during Fourth Five Year Plan (1969-74)

TABLE No 5

India' S Trade Balance During Fourth Five Year Plan (1969-1974)

(Rs in crores)

Year	Export	Import	Trade balance
1969-1970	1413	1582	-169
1970-1971	1535	1634	-99
1971-1972	1608	1825	-217
1972-1973	1971	1867	104
1973-1974	2523	2955	-432

Source: DGCI& S, Kolkata

For the first time in the whole planning period in 1972-73, our exports were of the order of Rs 1971 crores, and imports were of Rs 1867 crores and there was a positive trade balance of Rs 104crores. But the impact of this healthy development could not be maintained as in 1973-74 trade deficit was again of the order of Rs 432 crores.

In the last phase of the plan there was rise in the prices of petroleum products, steel, fertilizers etc. and india had to cope up with the huge I flux of refugees from Bangladesh during the Indo-Pakistan war of 1971.

Balance of Trade During Fifth Five Year Plan (1974-79)

The Fifth Five Year Plan was introduced in April 1974 when the country was Facing a serious economic crisis in the form of run-away inflation. The hike in the oil Prices which started in October 1973, affected the pattern of trade throughout the World and India was no exception.

TABLE No 6

India' S Trade Balance During Fifth Five Year Plan (1974-1979)

(Rs in crores)

Year	Export	Import	Trade balance
1974-1975	3329	4519	-1190
1975-1976	4036	5265	-1229
1976-1977	5142	5074	68
1977-1978	5408	6020	-612
1978-1979	5726	6811	-1085

Source: DGCI& S, Kolkata

Table 6 clearly indicates that the value of imports increased from Rs 4519 crores in 1974-75 to Rs 6811 crores in 1978-79. It was largely the result of a sharp increase in the cost of India's major imports. However, in 1976-77 India experienced a surplus of Rs 68 crores the balance of trade.

After the promulgation of emergency in 1975, the emphasis shifted on the implementation of the prime Minister's 20-Piont Programme and the Fifth Plan was relegated to the background. Thus, this plan became irrelevant soon after its start. Another interesting point of this period was that the Janta Government followed a policy of haphazard import liberalization at a time when export boom had almost petered out. The result was the re-emergence of the trade deficit from 1977-78 onwards.

In 1979-80 imports were of the order of Rs 9143 crores and exports were Rs 6418 crores. There was a remarkable gap between imports and exports. The negative trade balance was Rs 2725 crores. Liberalized import policy was adopted without giving any incentive for export promotion and our economy was overburdened.

Balance of Trade During Sixth Five Year Plan (1980-1985)

The Sixth Plan was launched under very difficult conditions. The acute inflationary pressure which had prevailed since March 1979, had adversely affected the overall growth prospects of the economy as well as the scope for mobilizing additional resources for sustained growth and development.

TABLE No 7

India's Trade Balance During Sixth Five Year Plan (1980-1985)

(Rs in crores)

Year	Export	Import	Trade balance
1980-1981	6711	12549	-5838
1981-1982	7806	13608	-5802
1982-1983	8803	14293	-5490
1983-1984	9711	15831	-6060
1984-1985	11744	17134	-5390

Source: DGCI&S, Kolkata

It is obvious from Table 7 that in the very first year of the plan i.e. in 1980-81 exports were of Rs 6711 crores, imports were of Rs 12549 crores and the negative trade balance was of -Rs 5838 crores. Exports increased throughout the whole plan but were left far behind by the imports. So, the negative trade balance increased gradually. In the year 1983-84 the exports were of Rs 9771 crores, the imports were of Rs 15831 crores and the negative trade balance was maximum of –Rs 6060 crores in the Sixth Plan period.

During the Sixth Plan the severe drought of 1979-80, the high rate of inflation, the outcome of the increases in oil crisis and a sharp deterioration in terms of trade directly hit our economy. The sharp rise in the price of imported oil and oil products threatened the stability of the Indian economy, leaving alone the possibility of sustained growth.

Balance of Trade During Seventh Five Year Plan (1985-1990)

With the successful completion of the Sixth Plan, it was possible in the Seventh Plan to move faster towards the objective of self-sustained growth with social justice

TABLE No 8

India' S Trade Balance During Seventh Five Year Plan (1985-1990)

(Rs in Crores)

Year	Export	Import	Trade balance
1985-1986	10895	19658	-8763
1986-1987	12452	20096	-7644
1987-1988	15674	22244	-6570
1988-1989	20232	28235	-8003
1989-1990	27658	35328	-7670

Source: DGCI&S, Kolkata

However, Table 8 clearly Indicates that the imports rose constantly throughout the plan period. Exports also had a rising trend during the plan period but with very mild jerks, except in the years 198889 and 1989-90 when both the imports and exports made a sudden jump.

The negative trade balance was very high in 1988-89 and was of the order of Rs 8003 crores. But due to export promotion in 1989-90 the negative trade balance came to lower level of –Rs7670 crores. Thus, we find that the last two years of the seventh plan were very crucial.

In the seventh plan period the existing incentives were strengthened and widened and emphasis was given on the policies and programme that accelerate the growth in food grains production, increased employment opportunities and raised productivity.

Balance of trade during eighth five-year plan (1992-1997)

Before Eight Five Year Plan India was having deficit in her Balance of Trade of the order of Rs (-) 10645 crores in 1990-91 and Rs (-) 3810 crores in 1991-92.

TABLE No 9

India 'S Trade Balance During Eighth Five Year Plan (1992-1997)

(Rs in crores)

Year	Export	Import	Trade balance
1992-1993	53688	63375	-9687
1993-1994	69751	73101	-3350
1994-1995	82674	89971	-7297
1995-1996	106353	122678	-16325
1996-1997	118817	138920	-20103

Source: DGCI&S, Kolkata

After liberalization imports were of the order of Rs 138920 crores and exports were of the order of Rs 118817 crores in 1996-97. (Table 9) so the negative trade balance Rs 20103 crores was maximum in 1996-97.

In the Eighth plan period efforts were made to create sufficient employment opportunities so as to achieve the goal of full employment by the end of the century, growth and diversification of agricultural activities to achieve self-sufficiency in food and to generate exportable surplus and to strengthen the basic infrastructure (energy, transport, communication, irrigation) in order to support the development process on a sustainable basis.

Balance of trade during ninth five-year plan (1997-2002)

The Ninth Five-Year Plan tried primarily to use the latent and unexplored economic potential of the country to promote economic and social growth. It offered strong support to the social spheres of the country in an effort to achieve the complete elimination of poverty. The satisfactory implementation of the Eighth Five-Year Plan also ensured the states' ability to proceed on the path of faster development. The Ninth five-year plan also saw joint efforts from the public and the private sectors in ensuring economic development of the country.

TABLE No 10

India's Trade Balance During Ninth Five Year Plan (1997-2002)

(Rs in crores)

Year	Export	Import	Trade balance
1997-1998	130100	154176	-24076
1998-1999	139752	178332	-38580
1999-2000	159561	215236	-55675
2000-2001	203571	230873	-27302
2001-2002	209018	245200	-36182

Source: DGCI&S, Kolkata

As is evident from Table 10 in 1999-2000 the imports rose as high as Rs 215236 crores and the exports were of the order of Rs 159561 crores. So the trade balance was very high –Rs 55675 crores. In 2001-02 the imports increased to Rs 245200 crores and exports to Rs 209018 crores.

In the ninth plan, special attention was given towards implementation of the firm and stable foreign trade policies for export promotion.

Balance of payment during the tenth five-year plan (2002-2007)

The tenth five-year plan was prepared against a backdrop of high expectations arising from some aspects of the recent performance.

TABLE No 11

India's Trade Balance during Tenth Five Year Plan (2002-2007)

(Rs in crores)

Year	Export	Import	Trade balance
2002-2003	255137	297206	-42069
2003-2004	293367	359108	-65741
2004-2005	375340	501065	-125725
2005-2006	456418	660409	-203991
2006-2007	571779	840506	-268727

Source: DGCI&S,kolkata

In Table 11 we find that the increase in imports as usual as was faster than exports throughout the period. The increase in the volume of imports during this plan was due to many factors. Such as infrastructure development programme, unemployment programme, several economic reforms etc. In 2006-07 India was having a negative trade balance of Rs 2,68,727 crores. The Tenth Plan had emphasized the need to ensure equity and social justice taking into account the fact that rigidities in the economy can make poverty reducing effects of growth less effective. The strategy for equity and social justice consisted of making agricultural development a core element of the Plan, ensuring rapid growth of those sectors which are most likely to create gainful employment opportunities and supplementing the impact of growth with special programme aimed at target groups

Balance of Trade During Eleventh Five Year Plan (2007-2012)

The broad vision of the Eleventh plan included several inter related components: rapid growth that reduces poverty and creates employment opportunities access to essential services in health and education especially for the poor, equality of opportunity, empowerment through education and skill development, employment opportunities under pinned by the National Rural Employment Guarantee, Environmental sustainability, recognition of women's agency and good governance.

TABLE No 12

India's Trade Balance during Eleventh Five Year Plan (2007-2012)

(Rs in crores)

Year	Export	Import	Trade balance
2007-2008	655864	1012312	-356448
2008-2009	840755	1374436	-533680
2009-2010	845534	1363736	-518202
2010-2011	1142922	1683467	-540545
2011-2012	1465959	2345463	-879504

Source: DGCI& S, Kolkata

It is evident from table 12 that over the whole eleventh plan period the country experienced a negative balance of trade .in 2011-2012 imports were as high as Rs 2345463, crores whereas the corresponding exports were of Rs 1465969 crores. naturally the deficit trade balance touched it's highest level of Rs 879504 crores.

Balance of Trade During Twelfth Five Year Plan (2012 -2017)

The Twelfth Plan commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Euro zone which erupted in the last year of the Eleventh Plan. The crisis affected all countries including India. Our growth slowed down to 6.2 percent in 2011-12 and the deceleration continued into the first year of the Twelfth Plan. The broad vision and aspirations which the Twelfth Plan seeks to fulfil are reflected in the subtitle: 'Faster, Sustainable, and More Inclusive Growth'. Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc. whereas sustainability includes ensuring environmental sustainability, development of human capital through improved health, education, skill development, nutrition, information technology etc. and development of institutional capabilities, infrastructure like power telecommunication, roads, transport etc.

TABLE No 13

India' ' s Trade Balance during Twelfth Five Year Plan (2012-2017)

(Rs in crores)

Year	Export	Import	Trade balance
2012-2013	1634318	2669162	-1034844
2013-2014	1905011	2715434	-810423
2014-2015	1896445	2737087	-840641
2015-2016	1716384	2490306	-773921
2016-2017	1849434	2577675	-728242

Source: DGCI&S, Kolkata

It is evident from table 13 that in 2015-2016 imports were as high as2490298 crores, whereas the exports were 9f the order of Rs 1716378 crores. the trade balance was Rs 1034844 crores in 2011-2012.

Thus, throughout the planning period India's balance of Trade has remained unfavourable except in 1972-and 1976-1977.However, Balance of Trade has improved in 2016-2017and is estimated to be 7.9 percent lower as compared to 2015-2016.

Different Phases of Balance of Payments in India

India's balance of payments position can be analyzed by dividing it into different phases-

Phase I: 1951-52 to 1975-76:

During this phase India's balance of payments was affected by the Korean War boom, American recession of 1953 and favorable monsoon at home which helped to boost agricultural and industrial production. The foreign exchange reserves sharply declined and the country was left with no choice but to think of ways and means to restrict imports and expand exports. In the third five-year plan heavy amount had to be paid by India in the form of interest payments on loans This period witnessed three wars, several droughts and the first oil shock in 1973. The government resorted to serve import controls and foreign exchange regulation etc. during this period.

Phase II: 1976-77 to 1979-80:

This was relatively short period and was a golden period as far as BOP is concerned. In this period India had a small current account surplus of 0.6 of the GDP and also possessed foreign exchange reserves were equivalent to about seven months imports. The relatively comfortable position on the BOP front was due to the following reasons: -

(i) Due to the rapid increase in private remittance from oil exporting countries.
(ii) Strong growth in exports.
(iii) Substantial expansion in the activities of Indian firms in oil exporting countries.
(iv) The elimination of large price gap between domestic and foreign markets of gold.
(v) reasonably buoyant aid receipts from IMF.

Phase III: 1980-81 to 1990-91:

The reasons for severe difficulties in BOP during this phase were:

(i) Widening trade deficits.
(ii) Gradual decline in net receipts from invisibles.
(iii) Reductions in flows of concessional Assistance to India principally from World Bank group
(iv) The third oil shock during 1990-91.
(v) During 1990's domestic political developments affected confidence abroad in Indian economy etc.

There were several key factors that brought the balance of payments position to the centre of macroeconomic imbalances. First, strong domestic demand kept the trade deficit high, while invisible balances deteriorated sharply due to (i) a stagnation in workers' remittances due to a peaking of the Gulf migration boom (ii) the rising interest burden of external debt; and (iii) higher payment for technical know-how and foreign technology participation.

Second, significant shifts occurred in the modes of financing the current account deficit; the decline in concessional assistance gave way to costly sources of finance in the form of external borrowings by corporate, trade credit and NRI deposits. With the persistence of large current account deficits, even these flows were inadequate. Third, high fiscal deficits spilled over to the current account.

Further, monetization of government deficits built up inflationary pressures in the economy, which impacted trade competitiveness. Higher recourse to debt-creating capital flows led to a rise in India's external debt to 26.8 per cent of GDP in March 1990 from a mere 14 per cent in March 1981, and a rise in the debt-service ratio to 30 per cent from 10 per cent during the same period. Rising financing requirements were also met through a draw down in reserves. The weaknesses In the balance of payments position were exposed by the Gulf crisis of 1990.

The Gulf crisis was accumulation of various factors: (a) increased oil imports as oil prices soared, (b) partial loss of export markets in West Asia and Eastern Europe and (c) a setback to remittances. The current account deficit rose to 3.2 per cent of GDP in 1990–91. The import cover of foreign currency assets declined to merely one month of imports at the end of 1990–91 and dipped further to less than half a month by July 1991. The balance of payments crisis of July 1991 was a liquidity crisis with underlying large macroeconomic imbalances; a key problem confronted during the 1991 crisis was financing of high external imbalances. The short-term policy response to the crisis was two sharp downward adjustments (by 17.4 per cent) in the external value of rupee in July 1991 to regain international competitiveness. In addition, rupee in July 1991 to regain international competitiveness. In addition, severe import compression measures, exceptional borrowings from bilateral donors and multilateral financial institutions and gold transactions as bridge finance were put into operation.14

Phase IV: 1991 Onwards

After liberalization period the government devalued the rupee by 18 percent against the basket of five currencies. The finance minister announced the Liberalized Exchange Rate Mechanism System (LERMS) in the budget 1992-93. This system introduced partial convertibility of rupee. Under this system, a dual exchange rate was fixed under which 40 percent of foreign exchange earnings were to be surrendered at the official exchange rate while remaining 60 percent were to be converted at a market determined rate. On the recommendations of High-Level Committee on BOP constituted by the Government of India under the Chairmanship of Dr. C. Rangrajan, the 1993-94 budget introduced full convertibility of the rupee on trade account. As a result, the dual exchange rate system was dispensed with and a unified exchange rate system was introduced. Later, India achieved full convertibility on current account on August 19, 1994. There has been further relaxation of restrictions on current transactions in 1995-96 and 1996-97. While India has achieved convertibility on current account, it is moving slowly and cautiously towards convertibility on capital account. Capital account convertibility refers to a liberalization of a country's capital transactions such as loans and investments, both short term and long term as well as speculative capital flows. The budget 2002-03 has adopted a continuous step towards capital account convertibility by allowing NRIs to repatriate their Indian income. But considering the present condition, the government is of the opinion that although it intends to move towards full convertibility of rupee on capital account as early as possible but caution is very necessary because convertibility can lead to substantial flight of foreign exchange from the country. Government also announced comprehensive modifications and liberalizations to export-import policy in April 1997, in 2002 and in 2007 as well.

Due to all these policy measures taken by the Government since 1991, the balance of payments situation has been distinctly different from the situation which prevailed in the earlier period. During the period 1992-93 to 2000-01, the balance of payments remained in surplus for almost all the years. This surplus has been recorded on the grounds of surplus in the capital account. Current account deficit has also decreased from 1.8 percent in 1980-81 to 1990-91 to 1.1 percent of GDP during 1992-93 to 2000-01. There was increase in invisibles balance from 1.2 percent in previous period to 1.9 percent during this period. The import cover of foreign exchange reserves was also 7.1 months in this period which was more than double of the previous period. According to the Economic Survey 2001-02, "This improvement in current account deficit was made possible largely because of the dynamism in export performance, a sustained buoyancy in invisible receipts, reflecting sharp increases in software service exports and private transfers, and partly due to the subdued non-oil import demand" (GOI, 2001-2002).

In the period 2001-02 to 2008-09, current account balance has shown a deficit to the tune of 4.3 percent of GDP. The period also witnessed increase in trade balance deficit. This was due to sustained demand for non-oil imports and escalation in international crude prices. Continuous uptrend in prices in the international markets and rise in the price of gold were the major contributors in this process. Net surplus under invisibles, however, led by high growth in private transfers and software exports, remained buoyant, thereby offsetting a significant part of the trade deficit.Net surplus in invisibles increased to 4.98 percent of GDP. Import cover of foreign exchange reserves of 14 months was comfortable.

One of the major economic problems faced by the Indian economy since Independence has been the chronic and periodic balance of payments (BOP) difficulties. This necessitated policy interventions not only in the external front, but also at the levels of domestic macroeconomic management of the economy. Through the government of India had intervened to curb and contain trade deficits through various programmes and policy changes from time to time, the problem has not been eliminated as yet. In a growing economy like ours, the recurrence of such problems may not totally be unexpected, but the continued nature of the problem adversely affects the growth process. Since deficits in the current account trade balance constitute the major component of our BOP deficits, the policies aimed at export promotion and import control are linked with policies to manage the flow of foreign exchange in the economy. Naturally, the problem is basically macroeconomic in nature and therefore , the influence of domestic macroeconomic variables on the country's trade balance and balance of payments cannot be denied.Therefore, an attempt has been made in the present study to analyse the Trends of Balance of Payments after liberalization in India. Besides, the causes behind the balance of payments disequilibrium, the measures undertaken to overcome the crisis and their impact on the components of balance of payments have also been explained in a comprehensive manner in the present study

Balance of Trade shows a country's trade transitions with the rest of the world taking into account only visible exports and imports during the course of a year. After Independence

planners of India first set out four long term objectives, before the planning actually began in 1951. These objectives were: i. iii. To increase production to the maximum possible extent so as to achieve higher level of national and per capita income. ii. To reduce inequalities of income and wealth. To reduce unemployment and achieve full employment iv. To set up a socialist society based on equality and justice and absence of exploitation. When India adopted systematic planning in 1951 to quote Prof B S Minhas "Securing rapid economic growth and expansion of employment, reduction of disparities in income and wealth prevention of concentration of economic power and creation of the values and attitudes of a free and equal society have been among the objectives of all our plans. The role of trade in the economic development of the country was widely recognized. Trade was regarded as the foundation stone of modern economic activity. During the planning period basic and far-reaching changes took place in our foreign trade. The scenario of foreign trade during planning period has been analyzed under two broad headings (A) Balance of Trade (B) Balance of Payments.

Balance of Trade During First Five Year Plan (1951 to 1956) During the period of the First Five Year Plan (1951-56) India was faced with three problems- inflation, severe food shortage and influx of refugees. First plan attempted a process of all-round balanced development to ensure rising national income, food self-sufficiency, control of inflation and a steady improvement in the living standards over a period of time. During the planning period our imports increased at a faster rate as compared to exports. As a result, trade deficit persisted and continued. The figures of imports, exports and trade balance in their absolute amounts (Rs crores) are presented in Table 3.3. It is evident from the table that over the whole First Plan Period the country experienced a negative balance of trade. The worst position in this regard was in the very first year of the plan, i. e. In 1951-52, India experienced Rs 174.0 crores of deficit in balance of trade. Secondly, the trends in the imports and exports over this plan period, imports grew at a comparatively higher than that of exports. Thirdly, the negative balance of trade continued throughout the First Plan Period.

India's Trade Balance During First five-year plan (1951-1956) (Rs in crores)

FINDINGS OF THE STUDY

• During the first, second and third five-year plan periods the balance of Payments was favourable, whereas it was unfavourable during the annual plan Period.

• During the fourth, fifth and sixth five-year plan period the balance of payments Was favourable to India, whereas during the sixth plan period it was unfavourable and the current account deficit widened during this period.

• During the eighth, ninth, tenth and eleventh five-year plan period the balance of payments was favourable and was much favourable during the tenth five-year plan.

• The analysis was also done to find out the balance of payments position during the international crisis period. From the 1970s to 2015 four crisis periods were Identified. They are oil shock of 1973, the second oil shock of 1979, the crisis Of Indian balance of payments and global financial crisis 2008.

• During the crisis period which arose due to oil shock in 1973, the CAD Increased from Rs. 3.12 billion in 1972-73 to Rs.9.56 billion in 1974-75 and the overall BOP was Rs. -4.78 billion in 1974-75.

• During the second oil crisis period, the trade deficit increased from Rs. 22.00 billion in 1978 – 79 to Rs.34.00 billion in 1979 – 80 and further to Rs 62.00 billion in 1980 – 81. Similarly, the current account deficit increased from Rs. 2.30 billion in 1978 – 79 to 5.50 billion in 1979 – 80 and further to Rs. 22.00 billion in 1980 – 81. The BOP was Rs. -8.99 billion in 1980-81. • During the crisis period of 1991, the trade deficit increased from Rs. 124.13 billion in 1989–90 to Rs. 169.34 billion during 1989-90. In 1990–91 the Invisible which were having a positive balance of Rs. 10.26 billion turned to Negative of Rs. 4.33 billion 1990-91. As a result, the current account deficit Increased from Rs.113.87 billion in 1989 – 90 to Rs.173.67 billion in 1990 – 91. The BOP was Rs. -2.30 billion in 1989-90 and was Rs. 44.71 billion in 1990-91.

• During the global financial crisis period of 2008-09, the trade deficit was Rs. 5474.49, the CAD was Rs.1276.29 and BOP deficit was Rs.971.14 billion.

• The merchandise exports of India had increased considerably during the Pre economic reform period. In 1970-71 the merchandise exports were Rs. 14.18 billion and it reached Rs. 351.53 billion in 1990-91.

SUGGESTIONS

➢ There are many structural weaknesses in the export sector such as – low Efficiency and productivity in resource use, lack of modern technology, lack of Proper planning, marketing and decision making. Hence it is utmost important To remove these structural weaknesses in the export sector.

➢ On the export front, it is expected that textiles, engineering goods and Processed food items will be the major export drivers. Hence efforts should be Made to increase the production and exports of these commodities

➢ People all over the world are becoming quality conscious and governments are Laying down rigid quality standards for all food items and fresh agricultural Products. Hence, it is imperative that the highest attention should be given to Ensure the quality of our agricultural products meeting domestic and international standards. For this purpose, it is necessary to educate the farmers, Food processors, etc. through training programs, workshops, and by providing Subsidies.

- The Incentive schemes to promote exports should be designed in such a way That it could generate maximum growth of exports.
- Import liberalization should be based on careful planning and should lead to Growth and higher productivity of Indian industry. The import substitution Industries must be given sufficient opportunity to improve their productive Capacity and competitiveness.
- Trade liberalization and tariff reforms have provided necessary access to Indian companies to acquire best inputs available at competitive prices. Hence, It is necessary to continue with the tariff reforms in future.
- The policy of encouraging non – debt-creating flows such as foreign Investment and discouraging debt-creating flows such as external commercial Borrowings and NRI deposits should be continued in order to keep external Debt within manageable levels.
- The trade deficit is widening year by year, the main reasons for this are Increasing oil imports and gold imports. The government should try to reduce These imports and encourage the use of alternative ways such as the use of Renewable energy resources. The government should encourage the people to Make in other investments rather than gold.
- The government should popularize 'Make in India' scheme to encourage new Entrepreneur to come to India and start business firms. It will create Employment opportunities, help to reduce imports and increase exports.
- Optimum utilization of our resources and encouraging the export of Manufactured products and handicraft products will improve the current Account.
- India' s exports were 7.51 percent of GDP in 1991 which were increased to 18.08 percent in the 2013-14. India should try to increase GDP – export ratio further in the coming years.
- Diversification of exports geographically to non-traditional markets of Africa, south Africa and South Asia and South East Asia in the need of the year
- The government should make special efforts to increase the High technology exports, such as aerospace, computer, office machine, scientific instruments, electrical machinery, pharmacy etc.

CONCLUSION

Almost all the components of the Balance of payment had undergone changes since 1991.Almost all the component of the Balance of payment had undergone a change due to the reform measures undertaken by the government of India These measures ,have some drawbacks ,but they could be successfully overcome by taking suitable steps and it is possible for India to attain a stable Balance of payment position by a process of constant monitoring and review and by making suitable changes in our foreign trade policy from time to time according to the changes that have been taken place in the world trade scenario and by improving our competitive strength in the world trade .

The Balance of payment of India is not in a situation of worry when we look at the overall data. But when we go analyse in depth the current account is highly in a deficit situation. The reason for this is, India is not good at export compared to the import. High oil price and huge subsidy for oil and the related price is the number one factor. The import of gold is the second factor. But in exporting side the restrictive measures taken by the developed world is another factor. Technology transfer is another important aspect which is of high cost and it can be achieved by collaboration but a huge sum of profit is needed to pay which leads to the outflow of capital. And finally, from the study, it is observed that the balance of payment is in positive side only because of tallying of current and capital account and in any country if current and capital account are tallied, we get a positive or nearly positive result. This is because the borrowing and even aid are calculated in capital account as an inflow of capital with a positive sign.

The liberalization of India external sector during the past decade was extremely successful in meeting the Balance of payment crisis of 1990 s and putting the Balance of payment on a sustainable path. The main lesson of nineties is that Liberalization of the current account and capital account increases the flexibility and resilience of the Balance of payment

REFERENCES

- Deepak Mohanty, (2013) : perspective on India s BOP in the historical context and trace how did we respond to rasks to external stability from time to time.
- Mehtan, N, Sachin (2013), 'Analysis of Trends in the Balance of Payments in India', Voice of Research, Vol. 2 No. 3, December, ISSN No. 2277-7733.
- Hymavathi, C., & Kalpana, D. (2017, JUNE): A Study on Analysis of Bop Trends with Reference to India. International Journal of Science and Research (IJSR), VI (6), 630-64. Retrieved from With Special Reference To India. SSRG International Journal of Economics and Management Studies, 19-25
- Babasaheb Jadav,(2020): The study of direction of India's Balance of Payment and Balance of trade position, The journal of Indian management. (vol 10 issue 2)
- Furgan Ahmed, (2020): Impact of international trade and trade duties on current account Balance of Payment; A study of N 11 countries. journal of Accounting and finance in emerging economies. (vol 6 issue 1)
- Pawan Kumar, (2021): Balance of payment, Money supply and exchange rate linkage in India