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Trend and balance of trade position of India's Foreign Trade: An analytical study of pre and post- liberalization period.

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ABSTRACT

Trade between two or more Nations or countries is thought as Foreign Trade or World Trade. Foreign Trade simply means exchange of products and services among the countries. There are two major reasons for foreign trade occur among the countries. Firstly, no countries able to produce all the products its need because of climate and other reasons and secondly, international specialisation of labour and production gives variety of economic advantages. Before mid-1991, foreign trade of India suffered from strict bureaucratic and discretionary controls. In July 1991.,Government of India finally initiated the long awaited and expected economic reform in trade industry and monetary policy. During post liberalization periods, Government of India introduced a replacement economic reform policies like liberalization, privatisation and globalization. Liberalization means removal of entry and growth restrictions on the private sector enterprises whereas globalization implies integration of Indian economy with the opposite economies of the globe. India's trade was changed significantly into the post liberalization period. After the new economic reform, volume of trade rose up and composition of trade was also rose up. GATT was signed by 23 countries in 1947. India was one among the founder member of GATT. The most objective of GATT was establishment of World Trade regime during which countries would gradually liberalise trade among themselves. Therefore, reduction of tariff on interchange manufacturers was adopted a serious goal for GATT. The signing of the ultimate act of the Uruguay round by member nations of GATT in April 1994 paved the way for the putting in of the planet Trade Organization (WTO). An agreement to the current effect was signed by 104 members. The WTO agreement came into force from January 1st 1995 and India become a founder member of the globe Trade Organization by ratifying the WTO agreement on December 30, 1994.The main objective of this study is to analyse the trend and balance of trade position of India's foreign trade(1949-50 to 2021-2022). The information associated with present study is collected from secondary sources. The collected data has been analysed with the assistance of varied statistical techniques like average, median, skewness kurtosis, percentage, variance, annual rate, compound annual rate, tabular and graphs. For testing the hypothesis t-test has been applied. The finding of the paper is that, there is a significant positive relationship in trend and balance of trade position of India's foreign trade after post liberalization-period (July 1991).

Keywords: Liberalization, Privatisation, Globalization, General Agreement on Tariffs and Trade (GATT), World Trade Organisation (WTO), Foreign Trade, Export, Import, Balance of Trade.

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1. Introduction

Trade between two or more Nations or countries is thought as foreign trade or World Trade. J.S.Mill in his book titled "Principle of Economics" discussed that, "Setting asides its enabling countries to get commodities which they might not produce themselves, its advantages consist in additional efficient employment of the productive force of the planet." Nowadays, International Trade known as "Engine of growth" for developing countries like our country. Foreign trade may be considered as a most vital economic factor of growth of the country. Foreign trade simply means exchange of products and services among the countries. There are two major reasons for Foreign trade occur among the countries. No countries able to produce all the products its need because of climate and other reasons and international specialisation of labour and production gives variety of economic advantages. In foreign trade, country rely on foreign trade not only to get domestically known availability of products but also for disposal of their products. The foremost advantage of foreign trade is to provide materials means capital goods, machinery, raw material, semi finished goods which are indispensable for economic development. It's a vital source of technical knowledge, managerial talent and entrepreneurship. It's brings an environment of healthy competition by checking monopolies and restrictive trade practices. It races the method of efficiency in production and also provides necessary infrastructure. It's responsible for correct utilisation of resources and increase employment opportunities. It's facilitates economic development and also provides harmonious relationship among the countries.

1.1 India's Foreign trade pre and post liberalization period:

In July 1991, Government of India finally initiated the long awaited and expected economic reform in trade industry and financial policy. To scale back the control, simplifying procedure of the foreign trade the Government of India made statement on national trading policy within the parliament on 13 August 1991, ushering a brand new era within the foreign trade of India. The main target was shifted to promotion and development of foreign trade rather than controlling and regulation method. The foreign policy reforms aimed toward creating an environment within which export could increase at a quick pace bring up India's share during a world export and find an enduring solution to the balance of payment crisis. The Government of India introduced a series of reform to liberalise and globalise the Indian economy. Reform within the external sector of India are intended to integrate the Indian economy with the globe economy.

The balance of payment position which had reached some extent of a near collapse in June 1991 slowly stabilised during the course of 1991-1992. The strategy for management of balance of payment outline within the budget for 1991-1992, which was presented in July 1991, relied upon a mix of macroeconomic stabilisation and structural reform in industrial and national trading policy. During post-liberalization period, there was huge improvement in economy and country growth. During post liberalization periods, Government of India introduced a brand new economic reform policies like liberalization, privatisation and globalization. Liberalization means removal of entry and growth restrictions on the private sector enterprises whereas globalization implies integration of Indian economy with the opposite economies of the globe. India's trade was changed significantly within the post liberalization period. After the new economic reform volume of trade rose up and composition of trade was also rose up.

During post- liberalization, major export of the merchandise were chemicals, manufacturing goods textiles, precious and semi precious stones and electronic goods. Whereas within the

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case of imports were involved Petroleum and Petro product, fertilisers, Sulphur manufactured product, chemicals organic and inorganic, iron and steels. Before Post liberalization, India's exports were limited to OECD countries but after post- liberalization periods exports were turn towards OPEC countries, East Europe, Developing countries, USA. Whereas just in case of India's import were limited to OECD countries but after post - liberalization period, India's imports were turn towards OPEC countries, East Europe, Developing countries.

Foreign trade is one among the important mean for promoting economic process of the country through the creation of employment opportunities, raising income level, generating the domestic resources and also augmenting exchange resources required for development. The foreign trade could be a stimulator of economic process and development for the expansion of developing countries. No country within the world is capable of manufacturing everything within its own boundaries that it requires for its development and advancement. It's only through for a rustic could obtain such goods and services but also for disposal of their surplus product. Sometime, it's important for the Government of particular country to extend its trade with the opposite countries to extend the stock of foreign currency, with which it should purchase commodities which are scarce within the country.

1.2 GATT AND WTO:

GATT was signed by 23 countries in 1947. India was one in every of the founder member of GATT. The main objective of GATT was establishment of World Trade regime during which countries would gradually liberalise trade among themselves. Therefore, reduction of tariff on interchange manufacturers was adopted a significant goal for GATT. The signing of the ultimate act of the Uruguay round by member Nations of GATT in April 1994 paved the way for the fixing of the planet Trade Organisation (WTO). An agreement to the present effect was signed by 104 members. The WTO agreement came into force from January 1st 1995 and India become a founder member of the planet Trade Organisation by ratifying the WTO agreement on December 30, 1994. The previous GATT wasn't really an organisation, it had been merely a legal arrangement. On the opposite hand, the WTO could be a new world organisation founded a permanent body and is meant to play the role of a watchdog during this spheres of trade a goods, trade services, foreign investment, belongings rights etc. In compared to GATT, the WTO is far more powerful due to its institutional foundation and its dispute settlement system. The objectives of the WTO are much the identical as those of GATT, i.e. raising standard of living and income, ensuring economic condition, expanding production and trade and making full use of the world's resources. Now the WTO is that the most significant organisation in international level which deals with the foundations and regulations of the trade among different nations. The most function of the WTO is to confirm that trade flows are smoothly predictable fairly and freely as possible.

2. Review of literature

Mitra (2006) studied the, "Impact of globalization on small scale industries in India". Our small scale industries are playing awfully vital role in relation to number of units, value of products produced, number of individuals employed and generating of revenue through export. So as to compete with the large firms both at the national and international level our small scale industry must should equip itself with the newest technology. Now our government should extend its all round sport to those small scale enterprises in order that it can face the new challenges effectively and efficiently. Chakraborty and Srivastava (2007) studied the "effect of environmental standards on India's market assess". The economic upsurge witnessed by many developing countries within the multilateral trade regime under

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the WTO has seen a group back in terms of imposition of environmental requirement as a import barrier for these countries, which limits their market assess opportunities. Chakraborty (2007) studied the, "India's negotiations on trade and environmental issues at WTO". The study discuss is a smaller amount than encouraging experience of developing countries in terms of trade negotiation in recent years and so proceeds to debate India's position in terms of such negotiation at the WTO. Rajesh Kpilanina (2008) concluded that India's World Trade highly increased during last decade. Anjani Kumar (2010) study that economic liberalization and policy reform are the most factor for market opportunities. Purva Yadav (2012) concluded that the economic and political environment reform contributed a good amount of international market place. Ramesh (2014) study, depicts that the most objective of the developing countries by way of liberalization reform to improving the export performance of the country. Shubhada (2014) suggested that the exchange reserve position of India and balance of payment failure thanks to the quantity of things. Arjun Kafle (2017) concluded that the use opportunity and interchange earning increased because of international trade.

3. Research design

3.1 Need of the study: With the growing concept of globalization, liberalization, privatisation, it becomes necessary to analyse the trends and issues governing foreign trade and balance of trade position of India, which is useful to extend the GDP of India.

In order to understand the impact of foreign trade on Indian economy it's a necessity to analyse the varied policies launched to market foreign trade during post- liberalization period. Thus, it's essential to know the India's foreign trade during pre and post liberalization periods.

3.2 Objective of the study:

The main objective of the study is to analyse the trend and balance of trade position of India's foreign trade during the pre and post liberalization period (1949-50 to 2021-2022).

3.3 Scope of the study:

This study is expounded to analyse the trend and balance of trade position Of India's foreign trade for a period of forty years before (1949-1950 to 1989-1990) and thirty one years after (1990-1991 to 2021-2022) the post- liberalization period (1991-1992).

3.3 Hypothesis:

The following hypothesis are developed for the aim of testing:

Null Hypothesis (Ho): There is no significant change in trend and balance of Trade position of India's foreign trade after the post liberalization period.

Alternative hypothesis (Ha): There is significant change in trend and balance of trade position of India's foreign trade after the post Liberalization period.

3.4 Research methodology:

Research methodology could be a plan in step with which observations are made and data is assembled.

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3.4.1 Data collection:

In order to check the trend and balance of trade position of India's foreign trade, the secondary data has been used. The secondary data has been collected from Various sources like economic survey of India, banking concern of India reports, foreign trade review, Indian journal of commerce, Indian journal of economics, Ministry of Commerce and industry (Various annual report of the related years), financial express (various issues), Economic and political weekly (different issues)and various websites.

3.4.2 Statistical techniques used:

Statistical techniques provide an indispensable tool for collecting, analysing and interpreting data expressed in numerical terms. Following statistical techniques are employed in this study: Average, Mean, Maximum, Minimum, Median, Skewness, Percentage, Standard Deviation, Kurtosis, Annual rate of growth, compound annual rate of growth, Tabular and Graphs. For testing the hypothesis t-test has been applied.

3.4.3 Limitation of this study:

In spite of the best efforts the present study suffers from a number of limitation:
Firstly most of the information given in the present study has been quoted from this secondary sources which have their own limitation.
Secondly, in order to have depth study of foreign trade more comprehensive data was required but limited data was received from various sources including various websites of Internet.
Thirdly, every research takes a particular span of time to complete but time has their own limitations. However, still all sincere efforts are made to make the study more meaningful and precise in nature.

4. Analysis and interpretation

Table 1: Trend and balance of trade position of India's foreign trade during pre- liberalization period. (1949-1950 to 1989-1990)

Year	Exports (including re-exports) (`crore)	Annual growth rate of export(%)	Imports (` crore)	Annual growth rate of import (%)	Trade Balance (` crore)
1949-50	485	--	617	--	-132
1950-51	606	24.9	608	-1.5	-2
1951-52	716	18.2	890	46.4	-174
1952-53	578	-19.3	702	-21.1	-124
1953-54	531	-8.1	610	-13.1	-79
1954-55	593	11.7	700	14.8	-107
1955-56	609	2.7	774	10.6	-165
1956-57	605	-0.7	841	8.7	-236
1957-58	561	-7.3	1035	23.1	-474
1958-59	581	3.6	906	-12.5	-325
1959-60	640	10.2	961	6.1	-321
1960-61	642	0.3	1122	16.8	-480
1961-62	660	2.8	1090	-2.9	-430

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1962-63	685	3.8	1131	3.8	-446
1963-64	793	15.8	1223	8.1	-430
1964-65	816	2.9	1349	10.3	-533
1965-66	810	-0.7	1409	4.4	-599
1966-67	1157	42.8	2078	47.5	-921
1967-68	1199	3.6	2008	-3.4	-809
1968-69	1358	13.3	1909	-4.9	-551
1969-70	1413	4.1	1582	-17.1	-169
1970-71	1535	8.6	1634	3.3	-99
1971-72	1608	4.8	1825	11.7	-217
1972-73	1971	22.6	1867	2.3	104
1973-74	2523	28	2955	58.3	-432
1974-75	3329	31.9	4519	52.9	-1190
1975-76	4036	21.2	5265	16.5	-1229
1976-77	5142	27.4	5074	-3.6	68
1977-78	5408	5.2	6020	18.6	-612
1978-79	5726	5.9	6811	13.1	-1085
1979-80	6418	12.1	9143	34.2	-2725
1980-81	6711	4.6	12549	37.3	-5838
1981-82	7806	16.3	13608	8.4	-5802
1982-83	8803	12.8	14293	5	-5490
1983-84	9771	11	15831	10.8	-6060
1984-85	11744	20.2	17134	8.2	-5390
1985-86	10895	-7.2	19658	14.7	-8763
1986-87	12452	14.3	20096	2.2	-7644
1987-88	15674	25.9	22244	10.7	-6570
1988-89	20232	29.1	28235	26.9	-8003
1989-90	27658	36.7	35328	25.1	-7670
CAGR	0.1063		0.1064		
CAGR(%)	10.63		10.64		

Source : Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata

Table 1. Shows the trend and balance of trade position of India's foreign trade during pre-liberalization period (1949-1950 to 1989-1990). Table shows that during the year 1953-1954 minimum export and import were 531 Crores and 610 Crores respectively. It's also depicts that maximum export were 27,658 Crores during the year 1989-1990, whereas import were 35,328 Crores during the year 1989-1990. It's depicts that the highest annual export growth rate were 42.8 % during the year 1966-67 whereas highest annual import growth rate were 58.3% during the year 1973-74. Highest annual export growth rate of downfall were -9.31% during the year 1952-53, whereas highest annual growth rate of imports downfall were -21.1% during the year 1952-53. Table depicts that highest negative balance of trade (BOT) position of India's were -8003 Crores during the year 1988-89 and highest positive balance of trade position of India's were 104 Crores during the year 1972-73. Compound annual growth rate (CAGR) of export were 10.63%, whereas compound annual growth rate (CAGR) of import were 10.64%. Its shows that almost compound annual growth rate of export and import were same but balance of trade (BOT) position of India's foreign trade almost were negative during the pre-liberalization period.

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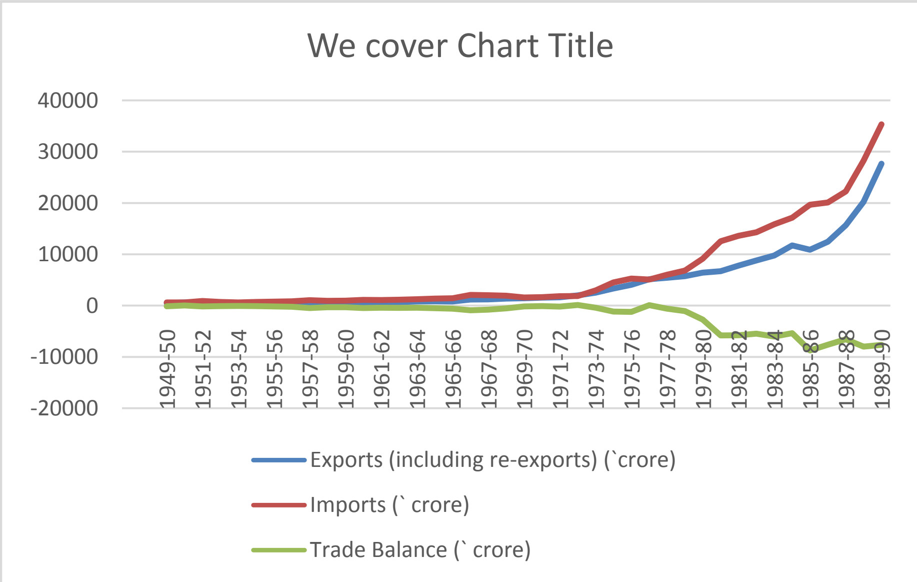
Figure 1: Trend and balance of trade position of India's foreign trade during pre- liberalization period



Graph-1 Depicts the trend and balance of trade position of India's foreign trade during pre liberalization period. Blue line shows the trend line of India's export whereas red line shows the trend line of India's import. Graph shows that imports and export grew but imports grew more faster in comparison to export. In the graph, silver-line shows that the trend-line of balance of trade position of India, which shows that almost negative balance since 1977-1978
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Table 2: Trend and balance of trade position of India's foreign trade during post- Liberalization period (1990-1991 to 2021- 2022)

Year	Exports (including re-exports) (`crore)	Annual growth rate of export(%)	Imports (` crore)	Annual growth rate of import (%)	Trade Balance (` crore)
1990-91	32553	17.7	43198	22.3	-10645
1991-92	44041	35.3	47851	10.8	-3810
1992-93	53688	21.9	63375	32.4	-9687
1993-94	69751	29.9	73101	15.3	-3350
1994-95	82674	18.5	89971	23.1	-7297
1995-96	106353	28.6	122678	36.4	-16325
1996-97	118817	11.7	138920	13.2	-20103
1997-98	130100	9.5	154176	11	-24076
1998-99	139752	7.4	178332	15.7	-38580
1999-00	159095	13.8	215529	20.9	-56434
2000-01	201356	26.6	228307	5.9	-26950
2001-02	209018	3.8	245200	7.4	-36182
2002-03	255137	22.1	297206	21.2	-42069

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2003-04	293367	15	359108	20.8	-65741
2004-05	375340	27.9	501065	39.5	-125725
2005-06	456418	21.6	660409	31.8	-203991
2006-07	571779	25.3	840506	27.3	-268727
2007-08	655864	14.7	1012312	20.4	-356448
2008-09	840755	28.2	1374436	35.8	-533681
2009-10	845534	0.6	1363736	-0.8	-518202
2010-11	1136964	34.5	1683467	23.4	-546503
2011-12	1465959	28.9	2345463	39.3	-879504
2012-13	1634319	11.5	2669162	13.8	-1034843
2013-14	1905011	16.6	2715434	1.7	-810423
2014-15	1896348	-0.5	2737087	0.8	-840738
2015-16	1716384	-9.5	2490306	-9	-773921
2016-17	1849434	7.8	2577675	3.5	-728242
2017-18	1956515	5.8	3001033	16.4	-1044519
2018-19	2307726	18	3594675	19.8	-1286948
2019-20	2219854	-3.8	3360954	-6.5	-1141100
2020-21	2159043	-13.2	2915958	-2.7	-756914
2021-2022(April-Dec.) P*	2238821	49.3	3298495	68.6	-1059674
CAGR	0.1462		0.1501		
CAGR(%)	14.62		15.01		

P* *Provisional data*
Source : Directorate General of Commercial Intelligence & Statistics (DGCI&S), Kolkata

Table 2. Shows the trend and balance of trade position of India's foreign trade during post-liberalization period (1990-1991 to 2021-2022). Table shows that during the year 1993-1994 minimum export and import were 69,751 Crores and 73,101 Crores respectively. It's also depicts that during the year 2018-2019 maximum export were 23,07,726 Crores and import were 35,94,675 Crores. Table shows that during the year 2021-22 highest annual export growth rate were 49.3% and highest annual import growth rate were 68.6%. It's depicts that highest export growth rate of downfall were -13.2 % during the year 2020-21, whereas highest import growth rate of downfall were -9% during the year 2015-16. Table depicts that highest negative balance of trade (BOT) position of India's were -12,86,948 Crores during the year 2018-19 and lowest negative balance of trade position of India's were -3810 Crores during the year 1991-92. Compound annual growth rate (CAGR) of export were 14.62%, whereas compound annual growth rate (CAGR) of import were 15.01%. Its shows that (CAGR) of imports were increasing in comparison to CAGR of exports. That's why there was negative balance of trade position of India's foreign trade during post-liberalization period.

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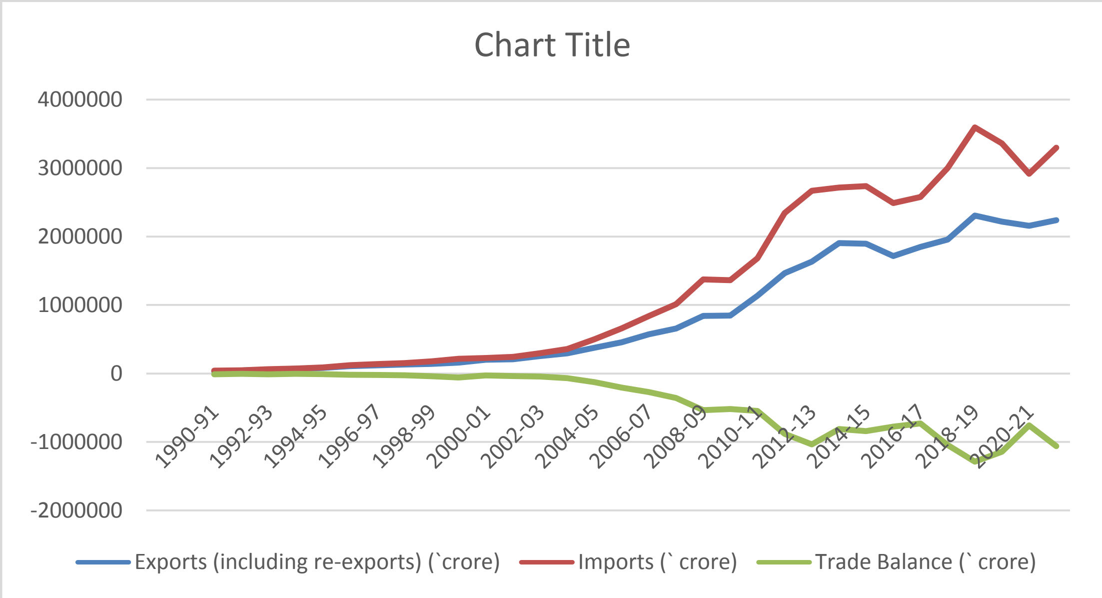
Figure 2: Trend and balance of trade position of India's foreign trade during post liberalization period.



Graph 2. Depicts the trend and balance of trade position of India's foreign trade during post-liberalization period. Blue line shows the trend line of India's export whereas red line shows the trend line of India's import. Graph shows that imports and export grew but imports grew more faster in comparison to export. In the graph silver-line shows that the balance of trade position of India, which shows that almost negative balance since 2003-2004. Silver-line also depicts that during 2019- 20 the balance of trade position of India is very critical position due to Covid-19.

Table 3:Data description

Variable	Exports before 1991	Exports after 1991	Imports before 1991	Imports after 1991
Average	4728	965431	6987	1422231
Mean	2305	558415	3257	761290
Min	531	69751	610	73101
Max	27658	2307726	35328	3594675
Standard deviation	6168	830063	8782	1250212
Median	1573	655864	1959	1012312
SKEWNES S	2	0.403	2	0.374
Kurtosis	5	-1.569	2	-1.553

Source : Author description

Table:3 Shows that average of India export before 1991 were 4728 Crores, whereas export after 1991 were 9,65,431 Crores, whereas in case of import before 1991 were 6987 Crores and after 1991 were 14,22,231. Mean of India's export before 1991 were 2305 Crores and export were 5,58,415 Crores after 1991. The Mean of import before 1991 were 3257 Crores and

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import were 7,61,290 Crores after 1991. Minimum of India export before 1991 were 531 Crore and Export after 1991 were 69,751 Crores. Minimum India import before 1991 were 610 Crores and after 1991 were 73,101 Crores. Maximum export before 1991 were 27,658 Crores and after 1991 were 23,07,726 Crores whereas in case of import before 1991 were 35,328 Crores and after 1991 were 35,94,675 Crores. Standard deviation of India's export before 1991 were 6168 Crores and after 1991 were 8,30,063 Crores, whereas import before 1991 were 8782 Crores and after 1991 were 12,50,212 Crores. Median of export before 1991 were 1573 Crores and after 1991 were 6,55,864 Crores, whereas median in case of import before 1991 were 1959 Crores and after 1991 were 10,12,312 Crores. The skewness of India's export before 1991 were 2 and after 1991 were 0.403 whereas in case of import, the skewness were before 1991 were 2 and after 1991 were 0.374. Kurtosis of India's export before 1991 were only 5 and after 1991 were -1.569, whereas in case of import, Kurtosis were 2 before 1991 and after 1991 were -1.553.

Testing of hypothesis:

For testing of hypothesis t-test has been applied.

Particular	t-stat.	P-value
Export of pre and post-liberalization period.	3.80	1.99*
Import of pre and post-liberalization period	6.93	1.99*
BOT position of India during pre and post -liberalization period	3.68	1.99*
**P-value at 95% confidence level*(P< t-stat.)*		

Source:Author description

Interpretation:

It can be concluded that the t-stat. value of exports of pre and post- liberalization period were 3.80 which is greater than the p -value(1.99) at 95% confidence level, which indicates that there is a significant changing in exports of India's during post -liberalization period. The t-stat. of Imports of pre and post liberalization period were 6.93 which is greater than the p-value(1.99) at 95% confidence level, which indicates that there is significant changing in imports of post-liberalization period. The t-stat. value of balance of trade position of India during pre and post liberalization Period were 3.68, which is greater than the p-value (1.99) at 95% confidence level which indicate that there is significant changing in balance of trade position of India's during post -liberalization period. In a nutshell, result shows that our Null hypothesis(Ho) will be rejected(P< t-stat.) and alternative hypothesis (Ha) will be accepted, which indicates that there is significant change in trend and balance of trade position of India's foreign trade after the post- Liberalization period.

5. Conclusion and suggestion

It is often concluded from the study that there's significant changes in import, export and balance of trade position of India during pre and after post-liberalization period. Study shows that there's a increasing trend in imports, exports during pre and post liberalization period but balance of trade Position of India's foreign trade shows negative balance year by year, due to increasing in imports compared to exports. After post-liberalization period Imports and exports shows increasing trend, but balance of trade showing decreasing trends because of same reason, i.e. imports were more compared to exports. Compared to pre-liberalization period, exports were increased during post-liberalization period because of economic reforms. Finally, it may be conclude that there's increasing trend in exports,

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imports and balance of trade. But trend in balance of trade always negative in pre-liberalization period and also in post-liberalization period. That is because of increased in imports faster as compared to export. We should always consider why we've accustomed more focus on imports as compared to export. Government of India must have to focus on to restriction on imports and should make policies that will help to increase in the exports in future. The balance of trade of our country can only be positive ,if we must more focus on increase in exports and reduce in imports, otherwise we've to face the matter of negative balance of trade as were common since independence.

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