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A Study on the Pre-& Post Liberalizations of Indian Economy and Its Impact on the Foreign Trade

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Abstract

The main purpose of this study is to examine the impact of liberalization on India's foreign trade. The simple **Paired t** test approach to correlation test is employed to investigate the long run relationship impact the variables over the period 1961-2021. The results show Post Liberalizations of Indian Economy and Its Impact on import is more significant than Post Liberalizations of Indian Economy and Its Impact on export.

Key Words: Post Liberalizations, Paired- t test, India's foreign trade and correlation.

1.1 Introduction: In the early years of the twentieth century, the world witnessed a world war and the worst economic depression followed by the World War II, which completely shook the European countries to the core. Keeping this in view, the Bretton Woods System was introduced in the year 1946 to safeguard the international trade from currency fluctuations and economic depressions. Also, the war-torn economies of Europe needed an impetus and a booster. In 1947, the General Agreement on Tariffs and Trade was implemented with the consent of as many as 23 nations. It was an interim agreement and stop gap arrangement and was introduced with the thought that it would be soon superseded by an international trade organisation.

However, a permanent international trade organisation could not come into the existence until 1994. GATT was replaced by the World Trade Organisation which was consented upon in the last round of GATT talks, The Uruguay Round (1986-94). Later, in the second half of the twentieth century, free trade became the order of the International Trade. The prevalence of free trade and laissez faire gave birth to several trade malpractices in the international trade between countries like protectionism that bred insecurities which necessitated the regulation of the International trade. Thus, with the objective to act as a forum for trade negotiations, handle trade disputes, monitor trade policies and provide technical assistance to the developing countries, WTO came into existence on January 1, 1995.

Besides the international trade regimes, regional economic groupings are also the norm of the International Trade and a new development. Some of the significant regional blocs engaged in securing regional economic cooperation worth mentioning are: ASEAN, SAARC, IOR-ARC, APEC and EU. These are some of the landmark institutions that have achieved exemplary success in the field of regional economic cooperation and in turn have immensely contributed to the international trade.

Thus, due to the processes of Industrialization, Globalization(1991) rapid development in transportation facilities, modern production techniques, emergence of Regional trade blocs, Multinational Corporations, and outsourcing of manufacturing and services; International trade has flourished over the years. Without international trade, national economies would have never grown and would have been rendered limited to the goods and services produced within their own frontiers. However, the pattern of International Trade has been heavily tilted in the favour of the rich and developed countries. This is why; there is a rising demand from several quarters of the world for a New International Economic Order.

1.2 Review of Literature

Dong Zhang, Asia Economic Section, "India looks east: Strategies and Impacts"; undertakes the study of India's economic rise and its impact on East Asia. The study makes it clear that while India's economic rise is influencing East Asia's economic integration, India itself has also been strongly influenced by East Asia in its trade, investment and development strategies, and in how it has undertaken economic reform and liberalization. It is suggested that to deepen its economic integration with East Asia, India must overcome institutional obstacles and improve operational capacity, which are the targets of its next stage of reform and liberalization. The study also projects that owing to India's persistent pursuit of its 'Look East' policy, its economic integration with East Asia is likely to continue. Economic reform and liberalization in India and East Asia will continue to drive industrial restructuring, consequently deepening their economic ties. Domestic reform and liberalization in India and East Asia will continue to set the pace and pattern at India's economic integration with East Asia.

Ramkishen S. Rajan & Sadhana Srivastava., in their paper "*Implications of the Economic Rise of the PRC for ASEAN and India: Trade and Foreign Direct Investment*"; examines the relative performances of the PRC, selected ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), and India. The paper also engages in a discussion on the intensity and changing dynamics of their intra-regional economic interactions. It also focuses on the trends and patterns in merchandise trade, trade in commercial services, and FDI flows in the last two decades and potential impact of the PRC continued economic emergence on ASEAN and India.

Betina Dimaranan, Elena Ianchovichina, Will Martinr, *The World Bank, Development Research Group, Trade Team*, "*China, India, and the Future of the World Economy*"; attempted to understand the implications of the growth of China and India bilateral trade for other developing economies and also tries explores whether it will lead to Fierce Competition or Shared Growth. The rapid economic growth of China and India has been associated with much more rapid growth in their trade. In some cases, this has created enormous opportunities for their trading partners. In others, it has created strong competition either in home markets, or in third markets.

1.3 Objective of the study

We start from the following objectives-

- To explore the India's foreign trade.
- To analyse the role of Pre-& Post Liberalizations on Indian Economy.
- To analyse the role of Pre-& Post Liberalizations on India's foreign trade.

1.3.1 Hypothesis of the Study

- There is no significant relationship between Pre-& Post Liberalizations of Indian economy on the India's Import.
- There is no significant relationship between Pre-& Post Liberalizations of Indian economy on the India's Export.

1.4.1 Collection of data

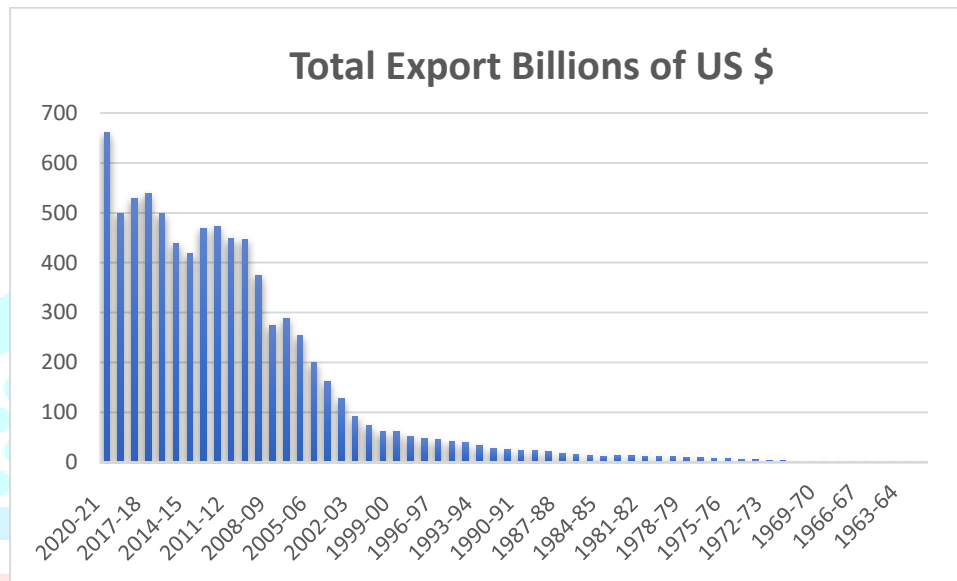
The study is fully based on the secondary data which is collected from the Reserve bank of India, CSSO, NSSO, Ministry of Employment Govt. of India, Ministry of Human Resource Development Govt. of India etc.

1.4.2 Research Methodology

The study finds the cause and effect relationship between A Study on the Pre-& Post Liberalizations of Indian Economy and Its Impact on the Foreign Trade we will use Paired t test to find out the Impact of on the Pre-& Post Liberalizations of Indian Economy and Its Impact on the Foreign Trade. we are using Excel software to show this result.

1.5 Analysis of India's Export

Figure:1.1



Source: RBI

Figure 1.1 shows the growth or changes taken place in the India's export from 1961-2021 annual data the overall figure shows that the growth rate of the export is not constant or symmetric over the period there are many up and downs taken place in the growth in the year 1991-92, 1995-96, 2000-01, 2002-03, 2008-09 and 2017-18. After 1991 when India introduce new economics policy the exports of India growing very fast expect COVID-19 period the overall performance of India's export is markable.

Table 1.1

	Pre- Liberalisation	Post- Liberalisation
Mean	8.583	256.463
Variance	44.75364	42124.89
Observations	30	30
Pearson Correlation	0.963304	
Hypothesized Mean Difference	0	
df	29	
t Stat	-6.8292	
P(T<=t) one-tail	8.43E-08	
t Critical one-tail	1.699127	
P(T<=t) two-tail	1.69E-07	
t Critical two-tail	2.04523	

Source: Calculated by author

Table No. 1.1 which analysis Paired t test between **Pre- & Post Liberalizations of Indian Economy and Its Impact on the India's Export from 1961 to 2021** in which variable 1 is the value of India's Export from 1961-1990 which is pre liberalization period and the variable 2 is the value of India's export from 1991-2021 which is the Post liberalization period the value of P ($P < 0.05$) the Calculated P value is -0.000000853. the mean value of variable 1 is 8.583 and Variable 2 is 256.463 which shows that there are positive changes taken place in post liberalization period because the average export has increases in variable 2 as compare to variable 1. The correlation between the variables is 0.963304 means 96 % variation is recorded in the variables i.e. the variables is strongly correlated and $t_{,29} = 1.699127$ reveals that that is significant .This test is calculated at 5% degree of freedom.

1.5.1 Analysis of India's Import

Figure:1.2

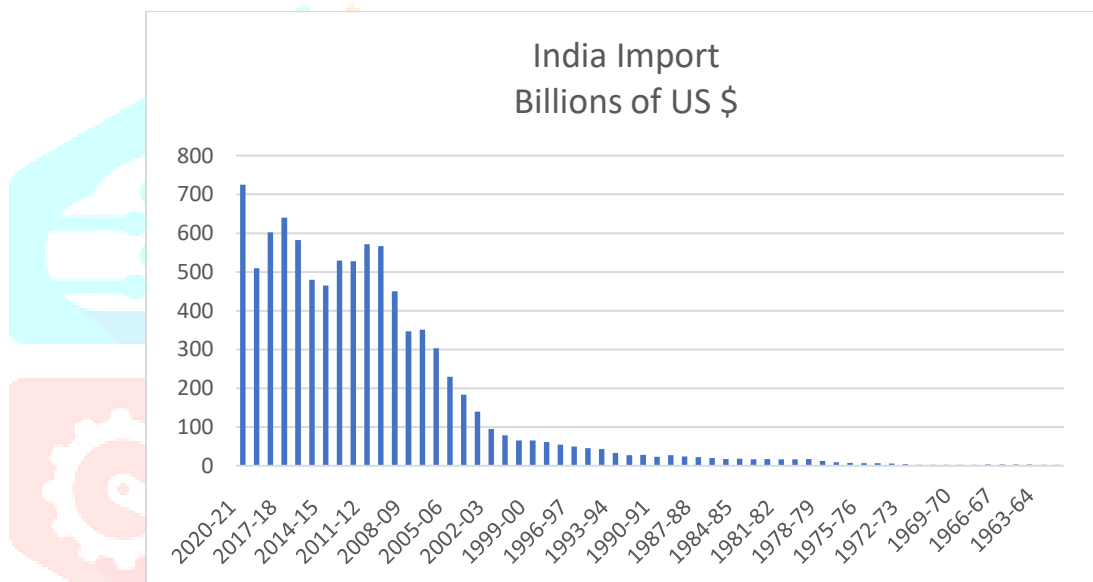


Figure 1.2 shows the growth or changes taken place in the India's import from 1961-2021 annual data the overall figure shows that the growth rate of the import is not constant of symmetric over the period there are many up and downs taken place in the growth in the year 1991-92,1995-96,2000-01,2002-03,2008-09 and 207-18. After 1991 when India introduce new economics policy the import of India growing very fast expect COVID-19 period.

Table 1.2

t-Test: Paired Two Sample for Means

	Pre- Liberalisation	Post- Liberalisation
Mean	10.57033	294.9997
Variance	65.50009	55964.12
Observations	30	30
Pearson Correlation	0.954709	
Hypothesized Mean Difference	0	
df	29	
t Stat	-6.80734	
P(T<=t) one-tail	8.93E-08	
t Critical one-tail	1.699127	
P(T<=t) two-tail	1.79E-07	
t Critical two-tail	2.04523	

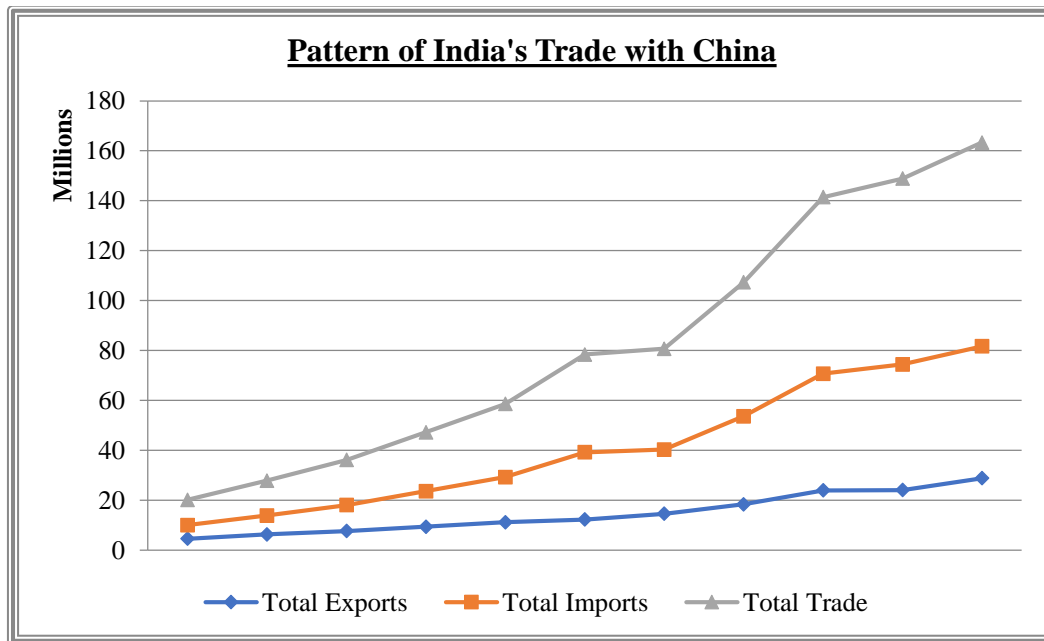
Source: Calculated by author

Table No. 1.2 which analysis Paired t test between **Pre-& Post Liberalizations of Indian Economy and Its Impact on the India's Import from 1961 to 2021** in which variable 1 is the value of India's Import from 1961-1990 which is pre liberalization period and the variable 2 is the value of India's import from 1991-2021 which is the Post liberalization period the value of P ($P < 0.05$) the Calculated P value is - 0.00000000893. the mean value of variable 1 is 10.57 and Variable 2 is 294.99 which shows that there are positive changes taken place in post liberalization period because the average import has increases in variable 2 as compare to variable 1. The correlation between the variables is 0.9547 means 95 % variation is recorded in the variables i.e. the variables is strongly correlated and $t_{,29} = 1.699127$ reveals that that is significant. This test is calculated at 5% degree of freedom.

1.6 Conclusion and Result

So it may be said that this study is significant study and the both Null Hypothesis (H_0) is rejected in this case and alternative Hypothesis (H_1) is accepted there is no significant relationship between Pre-& Post Liberalizations of Indian economy on the India's Import and there is no significant relationship between Pre-& Post Liberalizations of Indian economy on the India's Export. It is also found that the foregoing analyses, in the paper, indicate that in view of the last ten years' pattern of consistent growth of trade between East Asia and India, India's trade volume would grow substantially with China in particular and East Asian countries in general.

Figure:1.3



The above line chart shows an increasing trend of India's trade with China. Steady growth is seen in the pattern of India's exports; whereas imports are showing a high increasing trend. Thus, total trade has also been on an incline except for the years 2008-09 and 2009-10, where the growth got nearly stagnant. This can be attributed to the direct effect of the global financial crisis, which was clearly seen in the trading pattern of almost all the countries of the world including India.

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