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Impact of Economic Reforms on Different Sectors of Indian Economy

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The economic liberalisation in India refers to the economic liberalisation, initiated in 1991, of the country's economic policies, with the goal of making the economy more market and service-oriented and expanding the role of private and foreign investment. Specific changes include a reduction in import tariffs, deregulation of markets, reduction of taxes, and greater foreign investment. Liberalisation has been credited by its proponents for the high economic growth recorded by the country in the 1990s and 2000s. Its opponents have blamed it for increased poverty, inequality and economic degradation. The overall direction of liberalisation has since remained the same, irrespective of the ruling party, although no party has yet solved a variety of politically difficult issues, such as liberalising labour laws and reducing agricultural subsidies. There exists a lively debate in India as to what made the economic reforms sustainable.
Indian government coalitions have been advised to continue liberalisation. Before 2015 India grew at slower pace than China which has been liberalising its economy since 1978. But in year 2015 India outpaced China in terms of GDP growth rate. The McKinsey Quarterly states that removing main obstacles "would free India's economy to grow as fast as China's, at 10% a year".

There has been significant debate, however, around liberalisation as an inclusive economic growth strategy. Since 1992, income inequality has deepened in India with consumption among the poorest staying stable while the wealthiest generate consumption growth. As India's gross domestic product (GDP) growth rate became lowest in 2012–13 over a decade, growing merely at 5.1%, more criticism of India's economic reforms surfaced, as it apparently failed to address employment growth, nutritional values in terms of food intake in calories, and also exports growth – and thereby leading to a worsening level of current account deficit compared to the prior to the reform period. But then in FY 2013–14 the growth rebounded to 6.9% and then in 2014–15 it rose to 7.3% as a result of the reforms put by the New Government which led to the economy becoming healthy again and the current account deficit coming in control. Growth reached 7.5% in the Jan–Mar quarter of 2015 before slowing to 7.0% in Apr–Jun quarter.

Economic Reforms have paid handsomely in India. State monopoly of heavy industry has been abolished in virtually all sectors which have been opened to Private Sector. License system is a thing of the past. Small Scale Industry reservations still persists, but even here progress has been made. Import licensing has been completely abolished. Foreign investment regime is as liberal as in other developing Asian countries. The value added tax has undergone substantial rationalization. The economy has grown at about 6 % coupled with full macro-economic stability. This compares with a growth rate of 3.5 % during 1950-80. The rate of inflation has been low and foreign exchange reserves are sufficient to finance imports. Rising incomes have helped in bringing down poverty.

Indian economic policy reforms of the 1990s have brought some good news. They have achieved a great deal in liberalizing the state-controlled economy of the pre-reform era and integrated it to the world economy to a significant extent. Relative to the unchanging economic policy stance of the period from 1950 to 1990, the reforms in the 1990s were remarkable. After two decades of the launching of economic reforms programme, signs of economic dynamism are visible in the Indian economy. Though it is too early to assess the full impact of economic reforms on the national economy, some tentative conclusions of mixed nature can be drawn for the present.

1. POSITIVE EFFECTS OF ECONOMIC REFORMS

After the reforms, the Indian economy has been growing faster than its historical growth rate. The Indian economy responded to the economic reforms of the 1990s with a higher growth performance than in previous decades. The economy, therefore, has shown that it is capable of achieving high growth rates in response to the implementation of appropriate economic reform policies. Technology is getting upgraded rapidly and competition in the economy has become fierce. The vibrant IT industry is contributing immensely by providing information about latest technology and international business practices.

After the removal of quantitative restrictions on imports and cutting down of customs duties, improvement of foreign investment and liberalized integration of India into the global economy is progressing fast. Exuberant export performance, a surplus in the current account, and the strong foreign exchange reserves position demonstrate the success of the country in this integration process. It can safely be said that India is no longer a country of scarcities and shortages. Food grain stocks are plentiful, foreign exchange reserves are overflowing, inflation rate is moderate and under control, exports are exuberant, exchange rate is flexible and the country is well integrated with the world economy. All these features of new India are amply reflected in a relatively high rate of economic growth.

India's gradual and cautious approach to economic reforms has proved well-founded and the country is placed on a firm footing for future domestic and global economic activities. When the Indian economy was opened to external competition in the early 1990s, there was fear of decline of domestic companies which had enjoyed protection through high tariff and non-tariff walls for about half a century since Independence. These fears were true but short-lived. After facing global competition for about two decades, Indian industry is emerging much stronger to find its rightful place not only in the domestic market, but also in foreign lands.

2. HIGHER GROWTH RATE

After the reforms, the Indian economy has been growing faster than its historical growth rate. Summing up the post - Independence economic performance of the Indian economy, the Ninth five Year Plan (1997-2002) observed, "covering a span of thirty years from 1951 to 1981, the Indian economy grew at the rate of 3.5% which of course was more than the growth of its population and much more impressive compared to the decadent economic situation in the Pre-Independence decades. During the eighties, the Indian economy entered into the higher growth path of nearly 6% per annum and the growth performance has become even better during the recent Years''. The flow of foreign investment supplements domestic investment with a consequential higher rate of growth. This has the potential to expand employment opportunities for the poor. We may call this the growth effect of economic reforms.

3. FOREIGN EXCHANGE RESERVE

Foreign exchange reserves have been steadily built up. Building up of huge foreign exchange reserves is a positive feature of reforms. This stock went up to US $ 330.2 billion on February 6, 2015. India overcame the problem of balance of payment as it has enormous foreign exchange reserves.

4. PRICE STABILITY

Price rise in India reached exceptionally high levels in 1991. In July 1991, the rate of inflation on point-to-point basis stood at 16.7%. Thereafter, Government took a series of measures to contain price rise. Fiscal correction was the leading step to achieve reasonable price stability. As a result of these measures, the Government has been able to achieve a tolerable degree of price rise. Price stability is desired in the Indian context because majority of the population belongs to unorganized sector without protection against the fierce attack of inflation. After the various fiscal correction measures, the annual rate of inflation based on wholesale price index has hovered around 6 to 7%. The brighter side or good aspect of the economic reform was that its inflation of over 16.7 % per annum was curbed. It has also witnessed the massive flow of foreign direct investment and the exports earnings increased substantially.

5. ENCOURAGEMENT TO PRIVATE SECTOR

Privatization drive has released some of the resources for development schemes rather than investing in loss-making PSUs. The PSUs were meant to generate the investable surplus but they were claiming resources which they have not earned for wasteful and unproductive activities. Whether PSUs have served the purpose for which they were created or not but certainly these PSUs have come to not only exist but also to consume maximum possible resources from government irrespective of size of profit or loss they make. In reality PSUs have served the purpose of few white collar aspirants without any liability for efficiency, in other words paying the salaries for doing nothing.

Therefore curtailment of the role of PSUs has encouraged the prjVate investment in manufacturing, services, infrastructure, etc. In short, restricting the role of PSUs has paved a rode for new investment. The WGS 3 turbulence of private investment activities.

6. FOREIGN INVESTMENT AND MOVEMENT OF CAPITAL

Removal of interest rate and credit restrictions has created a new wave of domestic and foreign investment. The fall in interest rate has given boost to capital market, portfolio investment and stock market activities because the portfolio investment had shown higher rate of return on investment that government's securities or fixed deposits. The control over inflation also helped the investors as it indicates assurance of higher real return. In the pre-reform era there was almost a rationing of capital and finance for investment as most of the investment was in PSUs which have a lowest rate of return as compared with the higher rate of return on investment in private sector. But reforms have brought an era of competition for attracting investment from the public. A series of ambitious economic reforms aimed at stimulating foreign investment has moved India into the front ranks of the rapidly growing Asia Pacific region.

7. SERVICE SECTOR

Service sector has maintained a steady growth pattern since -1995,97, except into a fall in 2000-01. Trade hotels, transport & communicatj0ns pave witnessed the highest growth level of 10. 9 % in 2004, followed financial services with an overall growth rate of 6.4 %. During Eleventh five year (2007-12) services sector has achieved growth rate of 9.7 %. Community, social & personal services have been the highest contributor to the total GDP growth rate. Commenting on the success of economic reforms in India. The Approach Paper to the Eleventh Five Year Plan (2007-12) observed, "As a result of economic reforms implemented by successive government^ Qver past few decades, our economy has matured in several important respects. It is now much more integrated with the world economy and has benefitted from this integration in many ways. The outstanding success of IT and IT-enabled services (ITES) has demonstrated what Indian skills and enterprise can do, given the right environment. Similar strength is now evident in sectors such as pharmaceuticals, auto components and more recently even textiles. These gains in competitiveness need to be spread to other sectors.

8. AREAS OF CONCERN

To ensure that benefits of development planning flow to all parts of the country, regional balanced development has all along been accepted as an important national objective. However, the pattern of economic reforms over the years has not promoted this cherished objective. It has left in its trail a variety of inequalities which have caused socio-politico tensions. Some States have surged a head while others are lagging behind. Economic reforms of the last 25 years have not paid adequate attention to the social sector (health, education etc.) There is a feeling in some quarters that the industrial growth of India is becoming elite-oriented by registering relatively large increase in the production of electronic items, beverages, cosmetics, motor cars, refrigerators and finer variety of textiles.

9. IMPACT ON DOMESTIC MARKET TRENDS

Process of globalization in India has led to an unequal competition -a -competition between giant Multinational Corporations and small Indian enterprises. Even the large Indian enterprises look insignificant as compared to the multinational corporations. Unequal competition may be stemmed due to size disadvantages, long era of protectionist environment, high cost of capital as compared to that of the multinational corporations, financial inadequacies, regimes of controls, high, multiple indirect tax-structure and other discriminatory policies in Indian economy.

On account of such reasons, the process of globalization unleashed in 1991 has created a new world in which not only there has been an inflow of substantial foreign capital, but the domestic corporate sector for the first time saw itself as the target rather than the beneficiary of the heightened activities of the foreign investors. Particularly, in the case of joint sector ventures, the multinational corporations have shown alarming speed in pushing over their Indian partners and gaining full command and control on the enterprise.

10. IMPACT ON GROWTH

MNC's investments in soft drinks, packed foods etc. distort the allocation of resources. Their technology is likely to be the most sophisticated and much more labour displacing. Even if growth is achieved, jobs may not grow. We may be in a situation of jobless growth which is not conducive to poverty eradication.

11. IMPACT ON INDUSTRY

The position of our industrial sector is also very week. Number of steps has been taken for its revival but still the result is miserable. We are seeing here that our market is flooded by products of multinational companies. These products are cheap and better in quality than domestic product. Thus, the domestic business of our country fails to compete with the MNC's on the technology and quality front. This leads to closing down of the domestic companies.

12. IMPACT ON EMPLOYMENT

What has actually happened during the era of market-friendly economic reforms is that the backlog of unemployment and underemployment has increased at a faster rate than in the past. Full time jobs in the organized industry have shrunk and the proportion of the workforce driven into under-employment and self-employment has grown intense. There has been an absolutely decline of employment in public sector industry as well because of the policy of drastic reduction in new investment and even disinvestment in some cases.

Increase in employment in the public sector was much higher during the planned regime of the 1980s than during the liberalization phase of the 1990s. This is true for both the manufacturing and the construction sector.

13. IMPACT ON WORK CULTURE

Globalization is throwing new challenges in the work culture of a nation and implementations of Human Rights Act, as it has opened the flood gates of international trade and commerce, dominated by multinational corporations and compelled to formulate corresponding legal policies which may or may not be suitable to the socio-cultural environment of a nation and the constitutional philosophy. Globalization thus seems to influence the work culture within the Indian socio political environment. The work culture in terms of family, Woman workers and the condition of alienation all have changed to some more dis-satisfactory situations. Thus globalization is meticulously interfering and having tremendous impact on the work culture of the economy. The fast intrusion of global-work-culture is putting the Indian work-culture in danger (like making women to work in night shifts) and people have absolute fear to lose their religious, communal and social characteristics. These changes are leading to various hardships in the premise of work culture of public or private sector, organized or unorganized sector in India.

Thus work and employment in the new economy is highly self-centered and individualized and human resource management policies discourage the common cause and collective interest materially affecting the process of collective bargaining which is primarily meant for the welfare of all the workers working in an organization or an institution. Obviously, there is an unfair and cut-throat competition among every individual worker for his/her own recognition and reward which is highly detrimental and suicidal to the indigenous work culture in India. Another change in market culture may be characterized by the rising trend of mall-culture in retailing-trade of consumer goods which may adversely affect crores of small traders operating now in the domestic market.

14. PUBLIC DEBT AND BUDGETARY DEFICITS

India’s internal and external debt has reached alarming proportions. The country is virtually caught in a debt trap. Moreover, the budgets of Central and State Governments are showing huge deficits of chronic nature. The fiscal policy has failed to contain budgetary deficits with the result that deficit financing has to be restored to on a large scale. A major worry of policy makers in India is the growing fiscal deficit in the budgets of the Central and State Governments. These Governments are stressing the need to reduce fiscal deficit to a sustainable level.

15. INFRASTRUCTURE BOTTLENECKS

Availability of adequate, efficient and affordable infrastructural facilities constitutes the core of development strategy and efforts. By their very nature, infrastructure projects (power, railways, ports, civil aviation, roads and telecommunications) involve huge initial investments, long gestation periods and high risk. The demand for infrastructural services has increased rapidly after industrial liberalization of the Indian economy. Unfortunately, infrastructural bottlenecks remain the biggest stumbling block of industrial progress in the country.

16. INTER-REGIONAL DISPARITIES

To ensure that benefits of development planning flow to all parts of the country, regional balanced development has all along been accepted as an important national objective. However, the pattern of economic reforms over the years has not promoted this cherished objective. It has left in its trail a variety of inequalities which have caused socio-politico tensions. Some States (Karnataka, Andhra Pradesh, and Maharashtra) have surged ahead while others are lagging behind.

17. SOCIAL SECTOR IGNORED

Economic reforms have not paid adequate attention to the social sector (health, education etc.). There is a feeling in some quarters that the industrial growth of India is becoming elite-oriented by registering relatively large increase in the production of electronics items, beverages, cosmetics, motor cars, refrigerators, and finer variety of textiles.

18. REDUCTION IN WELFARE ACTIVITIES

The poor were dependent on the government-run welfare programmes but due to a shift in the priorities the weaker section of the society is suffering a lot. A blanket removal of subsidies is not in the interest of the poor. Market prices are not always in the interest of optimum allocation of resources. Backward areas, socially backward castes and vulnerable groups of the society need protection of the state. Other bad aspect was some of the profit - making units in public sector was selected for massive disinvestment. After analyzing these reforms it has been experienced that the gap between rich and the poor is widening. Skilled and competent people are getting abnormal income, while other average people have to strive for even a minimum wages.

19. MAJOR FINDINGS

During the course of study it has been observed that economic reforms have significantly affected Indian exports. But this does not mean that in the pre-reforms period the demand for Indian exports was not growing. During Pre-reforms period Indian exports kept growing. In the year 1970-71 the annual growth rate of exports was only 9.35% and 20 years later this growth rate increased to 36.71%. But this growth rate was not steady. There were several ups and downs in between. Country faced many natural calamities like droughts and famine. There was outbreak of war with Pakistan. Price hike in oil and petroleum products were common and there was worldwide depression. These were the factors which affected the growth rate of exports.

The study reveals that reforms have given a push to the exports immediately after reforms were introduced growth rate of exports picked up significantly but it came down in the mid nineties and after that the growth rate of Indian exports again started increasing. Again after the slowdown of world economy in 2008-09 the demand for Indian exports came down which affected Indian exports. After one year growth rate of exports picked up once again. The annual growth rate of exports in both the periods does not give clear picture. But the Compound annual growth rate helps in this regard. The CAGR of Indian exports was 16.44 % in pre-reforms period which increased in the Post- reforms period to 17.66 %. So it can be said that growth rate of Indian exports is higher in post reforms period. Meaning thereby economic reforms have affected Indian exports positively. But the growth rate is not that high as it was expected.

As far as Imports are concerned study reveals that growth of Indian imports was high in comparison to growth of exports during the pre-reforms period. In the year 1970-71 Indian imports were growing at the annual rate of 3.28% but in the year 1989-90 this growth rate increased to 25.12 %. But like exports the growth rate of imports was also not steady. There were ups and down in between. There were two exceptional years in the history of Independent India when imports were lower than exports. In the year 1972-73 after India-Pakistan war various countries refused to supply essential equipments and raw material because of various reasons, which reduced growth rate of imports. In the year 1976-77 export policy was given a boost for the first time because of which exports increased significantly. But other than these years imports were higher and hike in oil prices was the main cause of higher import bill.

It has also been observed that after the economic reforms growth of Indian imports came down initially but then started increasing. However several factors affected growth of Indian imports even during this period. After Gulf War the prices of Oil and Petroleum kept increasing because of which import bill increased significantly. The removal of import compression measures was also responsible for the recovery of imports. In 1994-95 import bill increased because of a sharp pick up in non oil import growth. In 2004-05 import bill increased fuelled by high global crude oil prices and sustained demand for non-oil imports from a buoyant domestic industry, grew rapidly. In 2007-08 again import bill increased because of rise in international prices of petroleum products and gold. Again the annual growth rate of imports gives mix trends and the Compound annual growth rate gives the real picture of growth rate of imports. During pre-reforms period CAGR was 17.56 % which increased in the post reforms period to 18.05 %. These figures clearly show that economic reforms could not control Indian imports. In fact the growth rate of Indian imports during post reforms period is higher than the rate of increase of exports.

During the course of study it has been observed that the composition of exports has changed even during Pre-reforms period, various products which existed in seventies disappeared from the list of exported goods after 1986-87. These products are fish and fish preparations, cereal, feeding stuff for animals, Hides, skins, wool and animal hair, manganese ore, lac, chemical elements and compounds, dyeing tanning and coloring materials, essential oils and perfume materials, plastic materials, regenerated cellulose, machinery other than electric and electric machinery and transport equipments. Some new products appeared in the list of exported goods which were not there in seventies and early eighties. These products ate rice, wheat, cashew nut, fruit and vegetables, processed fruit juices, marine products, meat and meat preparations, plastic and linoleum products, rubber, glass, paints enamels and products, residual chemicals and allied products, iron and steel, manufacture of metals, machinery and instruments, transport equipments, manmade yarn and fabrics, woolen yarn, fabrics, gems and jewellery, handicrafts and petroleum products. It can be said that the commodity-wise composition of Indian exports during pre-reforms period has gradually transformed from a predominantly primary product exporting country to an exporter of manufactured products.

After the Economic Reforms, there was some change in the composition of India's exports. The change observed in Indian exports was disappearance of some commodities like fish and fish preparations, cereal, feeding stuff for animals, Hides, skins, wool and animal hair, manganese ore, lac, chemical elements and compounds, dyeing tanning and colouring materials, essential oils and perfume materials, plastic materials, regenerated cellulose, machinery other than electric and electric machinery and transport equipments. In place new commodities appeared in the list of exportable commodities which were not there in seventies and early eighties. These products are rice, wheat, cashew nut, fruit and vegetables, processed fruit juices, marine products, meat and meat preparations, plastic and linoleum products, rubber, glass, paints enamels and products, residual chemicals and allied products, iron and steel, manufacture of metals, machinery and instruments, transport equipments, manmade yarn and fabrics, woolen yarn, fabrics, gems and jewellery, handicrafts and petroleum products. It has been observed that the share of Agricultural and allied products kept declining in Indian exports during post- reforms period. But the loss of agriculture sector was the gain of the industrial sector as the share of manufactured goods increased during this time period.

As far as composition of Indian imports during Pre-reforms is concerned, from 1970-71 to 1986-87 the highest imports were of Machinery and Transport equipments among these, chief imports were of Non electrical and Electrical Machinery, Railway vehicles etc. These imports kept increasing throughout the period. After 1986-87, there was a change in the percentage of imported goods. After this period the percentage of petroleum, crude and products was highest, the imports of bulk consumption goods like edible oils and other bulk items like iron and steel, non ferrous metals, fertilizers and metalliferrous ores, metal scrap etc. was on higher side and kept increasing. Despite these imports of machinery, project goods and transport equipment were also high and were increasing. Among export related items, imports of pearls, precious and semi precious stones and organic and inorganic chemicals were high and kept increasing throughout. It can be said that the share of petroleum oil and lubricants was very high in the mid seventies and in 1980-81 which declined sharply in mid eighties. The share of iron and steel also increased in the early eighties but then declined in the mid eighties but further increased in late eighties. The share of capital goods in imports increased up to mid eighties.

After the introduction of Economic reforms in Indian Economy, a change was observed in the composition of India's Imports. Imports during this period can be broadly categorized into two categories i.e. Bulk imports and Non bulk imports. Among bulk imports, petroleum products imports reached aii time high. Among bulk consumption goods, imports of edible oils, pulses, sugar started increasing. Imports of other bulk items like iron and steel, non ferrous metal, fertilizers, mettaliferous ores, etc. started increasing. The definite change was observed in the category of non bulk imports. Capital goods imports were highest in this category. Major capital goods were machinery, project goods, transport equipments, machine tools etc. Imports of electronic goods and computer goods also started soon after the reforms were introduced. Another change that was noticeable was import of export related items like pearls and precious and semi precious stones, organic and inorganic chemicals, textile yarn, fabric and made ups etc. Some other commodities also appeared in the list of imported commodities like non metallic mineral manufactures, artificial resins, professional scientific controlling instruments, coal, coke and briquettes, chemical materials, medicinal and pharmaceutical products. Another noticeable change was imports of gold and silver which started immediately after reforms and kept increasing. After Economic reforms there was a change in the list of imported goods, certain goods which were imported in the seventies and early eighties disappeared from this list. These goods are wheat, rice, cashew nuts raw, spices, unmanufactured tobacco, cotton, jute, wool and other animal hair, manmade fibers and waste, synthetic fibers, metalliferrous ores and metal scrap, vegetable oils, chemical elements and compounds, dyeing , tanning and colouring materials, non ferrous metals and railway vehicles. But certain goods started appearing in the list of imported goods which were not their earlier. These goods are edible oils, pulses, sugar, sulphur and unroasted iron pyrites, crude rubber, pulp and waste paper, metalliferrous ores, metal strap, electronic goods, computer goods, organic and inorganic chemicals, gold and silver, professional scientific controlling instruments, coal, coke and briquettes etc. and non-metallic mineral manufactures etc. (For detail see chapter IV & V)

As far as direction of Indian exports in the pre-reforms period is concerned, the study reveals that in the year 1980-81 share of OECD block in Indian exports was 46.6 %, share of Eastern Europe was 22.1 %, share of developing countries was 19.2 %, share of OPEC block was 11.1 % and that of total Indian exports was only 1 %. It has also been observed that the share of OECD block reduced in the year 1981-82 and 1982-83 but there after it kept increasing and in the year 1988-89 this share reached to 55.9%. Share of OPEC block has reduced throughout and in the year 1988-89 it reached to the lowest level of 5.9%. Share of Eastern Europe block kept fluctuating but the fluctuation was not very high. Share of developing countries has almost remained constant. Share of others increased from 1981 to 1984-85 and then slightly reduced and came down to 5.2 % in the year 1988-89. Over all in the pre-reforms period there was dominance of OECD block in Indian exports.

The fast changes which have taken place at the international level during 80s and 90s are not comparable. The disintegration of erstwhile USSR during the late 80s brought significant changes in the direction of Indian exports. However, if we compare average of Indian exports to OECD countries, we find that it increased in the post reforms period. Similarly, if we compare average share of Indian exports to OPEC countries, it is found that it increased in the post reforms period. Although the share of Indian exports to OPEC countries were declining in pre-reforms period but after reforms the share of Indian exports to these countries started increasing. The data reveals fluctuation in the period under study. Another significant change in the destination pattern is a sharp decline in the share of East European countries, of which former USSR constituted a major part. The share of Indian exports to Eastern European countries fell very sharply after the nineties for the reasons explained above. Another reason for declining Indian exports to Eastern Europe is the transition of economic structure of the Eastern European countries. Until the early 90s a major share of India's trade with these countries was governed by rupee-rouble agreement. The termination of rupee trade and the economic turmoil faced by them resulted in a sharp decline in India's trade with these countries. However, the data reveals a sharp increase in the share of developing countries which compensated the loss suffered on account of East European market. The share of Indian exports to developing countries increased in the post reforms period.

It is important to mention here that the direction of India's exports has remained mainly towards the industrialized nations of the west. Almost two third of the total exports are bagged by Europe and America. The US alone accounts for more than one fifth of India's total exports. Among the Asian countries, Japan and Hong Kong are the big buyers. Saudi Arabia is an important buyer in the Middle East. But Indian exports have missed out the affluent rising markets of South-East Asia and have failed to cater to the demands of neighbouring countries. The Indian exporters have yet to explore fully the oil-rich countries of Middle East except UAE and Saudi-Arabia, developing markets of Africa and potential markets of South America.

As far as directions of imports in the pre-reforms period is concerned. India imported various commodities from five major blocks. In the year 1980-SI share of OECD block was 45.7 % which kept on increasing and finally reached to the level of 57.1 %. Share of OPEC block was 27.79 % in the year 1980-81 which kept reducing throughout the pre-reforms period and reached to 14.33 % in the year 1988-89. Share of Eastern Europe was 10.33 % in the year 1980-81 which marginally kept increasing up to the year 1984-85 and thereafter started reducing and reached to the level of 8.45 % in the year 1988-89. Share of Developing Countries was 15.67 % in the year 1980-81 which increased in mid eighties and reached to 17.03 % in 1989-90. Share of others remained less than 1 % upto 1986-87 and then it increased to above 2 %. All and all there was a dominance of imports from OECD block. Imports from OPEC and Eastern Europe declined. There was marginal increase in imports from Developing Countries.

After the introduction of Economic Reforms several changes took place. In the year 1990-91, imports from OECD block were 57.2 % but since then this percentage has come down and finally reached the level of 26.92 % in the year of 2014-15. The share of OPEC block was 16.3 % in 1990-91. This share kept increasing after the reforms for almost a decade and reached 25.9 % in 1999-2000. After that a sharp decline was observed and the percentage of imports from this block came down to 5.3 % in 2001-02. This share did not increase much up to 2005-06 but after that it increased significantly and went up to 30.58 % in 2014-15. The share of Eastern Europe block was 7.8 % in 1990-91 which kept reducing and finally came down to 1.72% in 2014-15. As far as imports from the block of developing countries are concerned, its share was 18.7 % in 1990-91 which kept increasing after reforms and reached 39.06% in 2014-15. Imports from others were negligible & its share was .01 % which did not change for almost a decade. But in the year 2000-01 this share increased significantly to the level of 31 % which came down slightly in the next six years but was 29.8 % in 2005-06. After that imports from this block reduced sharply and presently it is below 1 %.

The study reveals that while there has been a sharp increase in the relative share of the developing countries, the share of industrialized countries has declined during the post-reforms period as compared to the pre-reforms period. The increase in the share of developing countries is largely on account of the increase in the imports from the newly industrialized countries in the South East Asia. The share of Indian imports from OECD countries kept increasing in Pre-reforms period but data shows that imports from these countries have started decreasing in the post reforms period. The share of imports from OPEC group which kept declining in the eighties I.e. pre-reforms period started improving in the post reforms period specially in the nineties but in the year 2000-01 there was sharp decline in the share of imports from OPEC group which started increasing at a slow pace but increased significantly after 2006-07. The rise in imports in the nineties was mainly because of Gulf War and fixing of quotas by OPEC group of countries. The study further reveals that there is a sharp decline in the share of East European Countries in India's Import also. On the other hand the share of developing countries has gradually increased in the post reforms period.

On the basis of year to year analysis of export and import it can be concluded that the group of OECD countries, OPEC and also Developing Countries were affecting Indian trade negatively. Most of the foreign exchange reserves were spent on imports from these countries. Whereas Eastern Europe and Others were demanding Indian goods and more foreign exchange was received from these countries than it was spent on imports from these countries. This deliberation infers that Indian exports in general are observed as significant to Developing and Other Countries instead to the Industrialized Developed Countries. In case of imports, the national economy seems to be burdened from oil-producing and other developed countries relatively. This may not be considered a very positive and favourable effect of Economic reforms in the Indian context. This also brings to notice a crucial fact that India seems to be paying the foreign exchange in those currencies which are hot in demand in the world market. This makes a dent in our foreign exchange reserves in popular world - currencies relatively. It can also be concluded that the exports in India are rising but not to the comfortable extent while the imports do register new heights after globalization and other similar policies of economic reforms in India since 1991. The overall impact of economic reforms in terms of direction of trade may not be deduced as rich and remarkable in general. (For detail see chapter IV)

The Terms of trade has also been studied during pre and post-reforms period. Study reveals that during pre-reforms period the TOT improved from 1970-71 to 1972-73 thereafter TOT started deteriorating for next three years because prices of imported items increased and quantity of imports also increased during these years.

Thereafter TOT improved for two years because exports exceeded imports. In the year 1976-77 although prices of imports were higher than exports but despite that TOT improved because of higher exports, very next year TOT again improved but this year prices of exports was higher than prices of imports. In the year 1979-80 and 1980-81 TOT deteriorated because prices of imports were higher and quantity of imports was also higher. After that there was slight improvement in the TOT from 1981-82 to 1983-84. There after TOT deteriorated for two years. During these years although prices of exported goods were higher than the prices of imported goods but the size of imports was higher than exports. After 1986-87 TOT kept increasing up to 1989-90. During this period although the size of imports was high but prices of exported goods kept increasing. During prereforms period mainly primary products were exported and the tendency of remaining terms of trade of such products is not favourable.

The post-reforms study incorporates the estimates of Index Number and Terms of Trade of foreign trade for Indian economy taking 1978-79 as the base year (1978-79=100) for the year 1990-91 to 2007-08 and also from 2000-01 to 2014-15 taking 1999-2000 as the base year (1999-00= 100). Estimates of index number of exports and imports are reported here across Unit value index and Quantum Index. A look at the estimates of the table reveals the fact in terms of value-index, both the estimates of exports as well as of the imports register a general rise from 1990-91 to 2014-15 except negligible minor variations. However, both these estimates seem to rise in general year over year basis from 1990-91 to 2014-15. It is pertinent to note that the value-index of exports is always estimated over the value-index of imports from 1990-91 to 2007-08. Contrary to it, the estimates of quantum-index of imports seem to exceed always the quantum-index estimates of exports between 1990-91 and 2007-08. But the situation reversed when the base year was changed from 1999-2000. A further look at the estimates of Gross Terms of Trade (TOT) of the table reveals the fact that these are observed as marginally changing on higher side indicating the fact of gains from the trade to the domestic economy during 1990-91 to 2007-08. These are estimated between 122.5 and 212.1. Similar facts are evidenced from the estimates of Net TOT and Income TOT from 1990-91 to 2007-08 of gains from trade to some extent in the economy. But after the world wide recession in the year 2009 the Gross and Net Terms of Trade started declining. The data also reveals that the Income terms of trade improved throughout the As far as Balance of Payment position of India's foreign trade in prereforms period is concerned. It has been observed that in the pre-reforms period from 1970-71 to 1989-90 imports were higher than exports because of which balance of payment remained negative. In the year 1972-73 with the vigorous measures of export promotion, the country was able to have a favourable balance of trade for the first time since independence. In the year 1972-73, after India - Pakistan war various countries refused to supply essential equipments and raw material because of various reasons which reduced growth rate of imports. In the year 1976-77 despite slow growth rate of exports there was a surplus balance of trade for the second time after independence. Exports of fish and fish preparations, coffee, tea, groundnuts, cotton fabrics and readymade garments and handicrafts recorded substantial increase in this period. In fact for the first time after independence export policy was given a definite shape. These were the two exceptional years when BOP position was surplus otherwise it remained negative. The balance of payment position remained negative during pre-reforms period because mainly primary products were exported and manufacturing goods were imported during this time period. The prices of primary products do not increase beyond a certain limit and earnings from such products cannot be expected to rise. On the other hand prices of manufacturing goods keep rising reforms period could not contribute positively to narrow down the deficit in the balance of trade. In the Post reforms period the growth rate of Indian imports are much higher than Indian exports. Study reveals the fact that aggregative exports of India show an ever rising trend between 1990-91 and 2014-15. Similar phenomenon is observed for aggregative imports. A further look at these estimates shows the fact that aggregative imports are invariably exceeding the aggregative exports during the entire reference period, and post-reforms period with minor fluctuations. (For detail see chapter VI) time and again.

The significant changes which have taken place during the post- thus trade balance is adverse from 1990-91 to 2014-15. This implies that exports are increasing but with slow speed as compared to with the imports, which further implies that import - liability of Indian economy has sizeably increased during the post liberalization period. This means that globalization, if has augmented the size of exports in absolute terms then, import-burden is also accounted in the economy leading the unfavourable or negative trade-balance. Thus it can be concluded that on one hand, the exports are getting the rising share in world market but Indian market has greater absorption-capacity for imports. Greater import demand may partly be attributed to free competition and better consumer goods.

Thus it seems that the process of Economic Reforms has influenced both the exports and imports of India but imports are influenced more favourably than exports. This shows a greater demand for import- goods in the domestic market either due to low cost of production or due to better technology of production or due to the operation of large-scale economies for import- goods. So it can be concluded that the Economic Reforms could not benefit much to augment the exports of India in relative terms along with rising burden of trade-balance on the national economy which would obviously affect adversely the foreign exchange reserves and the overall balance of payments position in India.

As far as the elasticity of demand of Indian exports around the world is concerned, it is observed that during the pre-reforms period the elasticity of demand was unity from 1970-71 to 1980-81. After that the elasticity of demand was partially greater than unity for next four years. In the year 1985-86 the elasticity of demand was .99 (slightly less than unity). After that it came back to its old position i.e. close to unity. The simple reason for elasticity of demand of Indian exports remaining unity is that India was mainly exporting primary products and demand for primary products is not high income elastic. Another cause of elasticity of demand remaining unity is low quality of Indian products. In international market, demand for any product rises, if its quality is good and it is available at cheaper rates.

The post reforms period reflects that the elasticity of demand of Indian exports has slightly increased. In the decade of nineties this elasticity was slightly higher than unity. After 2002-03 it has further increased. The elasticity of demand of Indian exports has increased because of policy change in the economy after 1990-91. The objective of the New Trade Policy is to give push to the exports. The manufacturing industries have been made more competitive and the quality of the product produced by them has improved. Moreover diversification of exports took place during this time period. In addition to primary products, manufacturing goods have gained importance and are exported to the export partners. Because of this shift in exports the elasticity of demand of exported goods has increased in the post-reforms period.

As far as the elasticity of demand of Indian imports is concerned, it is observed that during pre reforms period the elasticity of demand was close to unity during seventies. In the early eighties the elasticity of demand of imports started increasing and in the late eighties this elasticity was greater than one. During seventies strict import substituting policies were followed in the county because of which elasticity of demand remained close to unity. But in the eighties import policies were liberalized and imports started increasing. During post reforms period the elasticity of demand of Indian imports is greater than unity starting from year 1990-91 to 2014-15. This elasticity was slightly greater than unity in the nineties but after 2002-03 it has gone higher. After 1991 the import policies have been liberalized. The import of all sorts of commodities has become easier weather it is technology or consumer goods. The elasticity of demand of imported goods has gone higher during post reforms period because quality products are available in the international market at cheaper prices. On the basis of this study it can be said that economic reforms have increased exports but in comparison import intensity of the economy is much higher.

Trade openness ratio has also been studied during pre and postreforms period. It is observed that during pre-reforms period, the TOR has improved from 1970-71 to 1981-82 but even during this time period the improvement in TOR was not very significant. After that this ratio marginally came down and kept reducing till 1986-87 but after 1987-88 TOR started improving. The study shows that in the year 1970-71 TOR was only .07 and after 20 years in the year 1989-90 the export import ration increased to only .13 which is marginally higher. This shows that size of India's foreign trade was very low during pre-reforms period. The export import ratio during prereforms period has remained low because of policies followed at that time. Strict import substitution policy was followed in the economy. There was dominance of public sector. Private sector was not allowed to grow as policies of controls were followed during that time period. The atmosphere of competition was not there in the economy because of which both exports and imports remained on a lower side.

After economic reforms TOR has improved. In the year 1990-91 the TOR was .13. This ratio went on increasing throughout. After 25 years TOR increased to .37 which shows that external trade has increased in the post reforms period. So it can be said that the effect of economic reforms on external trade is positive but still the size of TOR is not very high. Economic reforms have improved external trade but still the improvement is not very significant. Trade openness ratio in the post-reforms period has improved because of liberal policies followed after 1991. The import policy has been liberalized. There is no control over the imports of machines, tools and technology. Even imports of consumer goods are allowed in the economy. On the other hand new policies have created the atmosphere of competition because of which better quality products are produced in the economy and there is more demand for such products in the international market and hence exports have also increased. (For detail see chapter VII)

Last but not the least, after discussing the results of the present study it can be concluded that the process of economic reforms in India initiated in 1991 seems irreversible. There is enough evidence that Government is withdrawing, though gradually, as a controller and licenser of private activity and allowing competition and market forces to guide investment decisions. No doubt, the risks of open economy are well defined. One must not, nevertheless, miss the opportunity that the global system can offer in its basket. This is better to guard against the expected dangers. More than many other developing countries, India is in a position to obtain significant gains and benefits from the policy of globalization. India should take care of the special needs of the native-land and its people. The emerging gap between domestic and international enterprises in terms of management, competitive orientation and bias for innovations need to be identified and plugged. External environment is becoming more and more dynamic and complex. There would be less social protection for inefficiency. There would be noticeable fights in the market place for innovation and competitiveness. Unless the productivity and the efficiency are increased remarkably, India may not move away from the Hindu rate of growth. The search for strategies needs to be identified and actions indicted prior it becomes too late in the process of overall economic and social growth and development besides others.

20. FUTURE POLICY IMPLICATIONS

After discussing the research problem in detail the following measures can be suggested for accelerating India's foreign trade which are listed below:

- India's comparative advantage, as per the factor endowment theory of comparative advantage lies in the export of agricultural and labour intensive products. The performance of India's agricultural exports has, however, been quite poor in comparison to industrial exports. The share of agricultural exports in India's total exports has declined during the last three decades. The prospect for the traditional exports has been rather unfavourable. It has, therefore, been clear that a more prosperous outlook for the future can be obtained only from nontraditional exports. Therefore, new strategy should aim at promotion of the traditional exports as the more stable sources of foreign exchange and on the other hand, the widening of the exports base through promotion of nontraditional exports.
- There are some concerns about trade, especially between the primary and industrial goods. Traditionally the terms of trade have been against the primary goods in general and agricultural goods in particular. The terms of trade of primary goods have further deteriorated in the course of development. Keeping this fact in view, Govt, of India should encourage exports of industrial goods instead of primary goods.
- Manufacturing sector as well as service sector has emerged as one of the important determinant of export sector in the Indian economy. Thus, in order to improve the performance of export sector, policies must be introduced so that the performance of manufacturing sector and service sector is improved and strengthened in future.
- In India New development policy aimed at achieving a higher GNP growth while making the economy more resilient to external disturbances should incorporate two pivotal strategies. These are the creation of a dynamic export sector, and widening the production activity of the economy or restructuring the existing production activities of the economy. Diversification of exports is also suggested for increasing Indian exports. The new strategy should aim at promotion of the nontraditional exports.
- The creation of a dynamic export sector necessarily involves export diversification. The prospect for the traditional exports has been rather unfavourable. It has, therefore, been clear that a more prosperous outlook for the future can be obtained only from non-traditional exports.
- The product and market range of the country be diversified so that pressure on balance of trade be reduced. Government of India must take lead to find out new business opportunities in Africa, South East Asia and Latin America.
- Efforts must be made by the GOI to improve the competitiveness of trade providing cheaper finances, full infrastructure, efficient technology and skilled people who can manage the economic affairs efficiently. Improving business environment for foreign competition is also very important.
- The Special Economic Zones should be developed by simplifying laws, rules and procedures and also by reducing bureaucratic control and red-tapism.
- Maximum utilization of installed capacity should be ensured so as to minimize costs and generate surpluses for exports without pushing up the prices of domestic supplies.
- The import intensity of the exports needs to be curbed because if the import intensity of exports becomes very high then even if the exports rise at a phenomenal rate the balance of trade problems will continue to afflict the economy.
- The liberal trade policy should be formulated on the basis of cost benefit ratio. While formulating this policy there should be no discrimination between multinational corporations and indigenous industries.
- To increase exports some measures like trade fairs, exhibitions be organized internationally.
- International economic environment has changed under WTO. Therefore Government of India must make a forum with developing countries to bargain on better terms of trade with their industrial partners.
- The quality of Indian exports need to be improved. Without improving the quality of exports the quantum of exports will not increase. If efforts are made to improve the quality of exports not only the terms of trade will improve but also the elasticity of Indian exports will increase by this policy.
- Increasing imports is another area of concern for the Indian Govt. Although imports are likely to increase when the trade policies are liberal but the time has come when it should be realized that the excessive dependence on foreign technology will not benefit the country. Imports can be discouraged by encouraging R&D activities in the country.
- Achievement of the various objectives of new economic policy will require both immediate measures to avoid short-run crisis and longer run measures to enable the provision of a greater quantity and improved quality of infrastructure and human capital, both to increase the efficiency of the private sector.

- Addressing the fiscal situation is all the more urgent because it currently stands as a barrier to other needed reforms. Some of the prospective bottlenecks in infrastructure can be attributed to the states' allocation of expenditures almost entirely to wages and salaries, with few resources to undertake investments. Moreover, there is need for more expenditure in areas such as education, health care services, and infrastructure, which cannot be provided until the fiscal gap is closed and new sources of revenue identified and tapped. There is urgency of finding some new resources to reduce wasteful expenditure and reduce the fiscal gap. Therefore Government of India should stop giving subsidies to the better-off sections of society and should give it to the poor section of the society.
- The success or failure of any policy depends upon the public support. For that it is important to convince the majority of the Indian people that the reforms are essential and in their own interest and that, even in the few years of reform, benefits have occurred, not only to the urban middle class and the rich, but to the rural poor as well. There is considerable evidence that the majority of Indians are not even aware that there have been reforms and they have been benefited by them. Some of those aware of the reforms, believe that reforms were designed to benefit only the rich.
- In a democratic society, reforms can proceed only with the consent, if not the support, of the majority of the population. Public support helps in achieving a number of objectives. Better explanations of reforms and their benefits by GOI/policy makers may make a significant difference. Combining the reduction of subsidies- essential for fiscal reasons with the introduction of much more highly focused elements of a social safety net for the poor would also make a difference. In addition, attention to agriculture, including provision of research and extension services, better delivery and pricing of water, and other measures, is clearly desirable both because it may generate needed support for the altered policies and because it will directly contribute to the end objectives of reforms i.e. to achieve more rapid growth and higher living standards.
- There is common believe that Indian infrastructure in communications, transportation, and power will constitute significant bottlenecks even to the maintenance of even 6 % growth rate, unless investments in these activities accelerate considerably. Although the government of India has recognized the urgency of improving infrastructure quantity and quality, the measures taken to attract private financing and to increase public expenditures do not appear likely to be able to support higher growth rate. The environment for private investment in power and other infrastructure must be made more attractive, or the public sector must somehow raise additional resources. Indeed, it is probable that both private- and public-sector investments will be needed, and in greater quantity than is currently contemplated.
- Accelerating the momentum for privatization of public-sector enterprises was desirable when reforms were introduced but simultaneously, it needs to become clear to private firms that the government will no longer acquire sick firms and that unprofitable firms will go bankrupt. For large and visible private enterprises, the government of India has in the past acquired sick firms in order to maintain employment the result has been that an increasing fraction of PSU's has been loss-making. Achieving privatization in ways that permit these firms to become more efficient, and closing down enterprises in which there is no hope of profitability, would do much both directly and indirectly to enhance the efficiency of the Indian economy and to improve growth prospects. Directly, the elimination of losses of unprofitable PSUs and permitting the closure of unprofitable private enterprises would raise the average productivity of Indian enterprises, while simultaneously freeing resources for more productive uses and improving the fiscal situation.
- It is a fact that human development remains at the core of the planning and ongoing economic reforms. Sustained efforts are necessary not only to improve the quality of services but also to reduce inter-regional and inter-sectoral disparities in human development. The feasibility of rationalizing users charge in the field of health, higher education, sanitation, water supply and other services for the people above poverty line on the basis of actual supply costs or at least actual operational costs need to be pursued. The poverty can effectively be eradicated only when the poor start contributing to the growth by their active involvement in the growth process. Implementation of the programmes should be based on approaches and methods, which involve the poor themselves in the process of poverty eradication and economic growth. This is possible through a process of social mobilization, encouraging participatory approaches and institutions and employment of the poor.
- The poverty alleviation programmes no doubt are playing an important role in eradication of poverty. Due to these programmes the poor are participating in socio-economic activities and raising their standard of living. There is a need to reformulate an anti-poverty strategy that is fiscally sustainable and more precisely targeted. Effective safety needs like insurance of rural poor against the income fluctuations such as public works programmes need to be strengthened. Poverty cannot be alleviated in a fragmented manner. A holistic approach is required to break the Neo vicious circle of poverty. Half-hearted, faltering and piece-meal efforts may be a good politics but a bad economics.

  We must not forget that reforms have integrated Indian economy with the world economy which has intensified interdependence and competition between economies in the world market. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. Therefore Indian Government should carefully choose a combination of policies that best enables it to take the opportunity while avoiding the pitfalls.

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