

“INDIA’S EXPORT PERFORMANCE” (A comparative study Pre and Post – Liberalization Era)

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Abstract: Exports play an important role in economic development, once the efforts are made to expand exports as succeeded the level of economy is raised and then by the Chain reaction of export expansion and development, the country is able to achieve quicker pace of development. Export production strategy, apart from promoting economic growth entails various benefits to countries in form of greater utilization of plant capacity, specialization in commodities of comparative advantage, increase in efficiency, Economics of scale, widening of market, incentive of Technology improvements, training of higher quality labour and internally competitive management. This paper focuses on export performance of India, pre and post-liberalization era. The study reveals that export performance improved significantly during post-liberalization period and there has been a perceptible change in value composition and direction of exports. Though the volume and value of exports has increased manifold India’s share in the world exports is still not up to expectations. During post-liberalization era has been increasing share of developing countries OPEC, Latin America, Africa and Asia as compared to pre-liberalization era, export share of manufactured goods and other increased rapidly while that of agriculture and allied product decline rapidly in post-liberalization era. on the basis of structural changes indices it was found that compared to pre-liberalization era, in post-liberalization era handicrafts and leather and leather manufacture emerged at least important exportable items. The finding suggest that in order to boost exports and in order to control expenditure on export development effort and to avoid intense competition there should be co-ordination among the services of prepared export promotion agencies. Public, government and government shared bodies should make collective efforts for export promotion of the country.

Keywords: Foreign trade, Export performance, economic growth, pre and post-liberalization period.

OBJECTIVES OF THE STUDY

1. To examine the role of exports in economic development with special reference to India.
2. To examine the pattern and growth of exports from India at aggregate as well as at disaggregate level.
3. To study the structural changes in commodity composition of exports at aggregate as well as at disaggregate level
4. To suggest policy measure for promotion of Exports

RESEARCH METHODOLOGY

The study is divided into two period i.e. pre-liberalization period (1970-71 to 1990-91) and post-liberalization (1991-

92 to 2010-11). The nature of study is such that it requires candidate. Data has been analysed by appropriate statistical tools such as percentage, mean, standard deviation, and differentiation statistical tests are used for this purpose.

INTRODUCTION

Economic development has been major consideration of economic policy since World War II. For the development of developing countries, international trade holds an important place. It provides a link between the domestic economy and the outside world. This link acts as a conduit whereby the impulse of economic activity can be transmitted from one country to another. Foreign

trade is the way of economic development for every country especially for developing countries. Export plays an important role in economic development of a country. Exports as a variable are significant in reducing the imbalance in balance of payments factor of necessity expanding export trade is for economic growth of any developing country. Higher rates of economic growth depend on higher rates of export growth. Moreover two developing countries foreign trade is of strategic importance. The structure of their economy makes them highly import hungry. Till the domestic production is made equally to meet this, imports would be necessary. Also the developing countries have now embarked upon a programme of economic development, but the resources at their disposal for any rapid economic development are inadequate. It is in this context that the role of important earning is of strategic import should be considered. To achieve a breakthrough in export, India should start on a systematic long term export planning but at both national as well as international level.

LITERATURE REVIEW

- ❖ **Aggarwal [1988]:** Indicated empirically the performance of India's exports over the period 1965 to 1980 by using constant market share model. India's export performance relating to agricultural products, raw materials and manufactured products has been compared with Latin American Countries. It was found that as compared to the selected developing countries, India's market share of manufactured exports declined after 1973. This was due to competitiveness effect.
- ❖ **Bal D (2012):** examined empirically the effects of exchange rate volatility on India's exports by using monthly and quarterly data from 1993 to 2008. The study concludes that there is no statistical and significant relationship between the exchange rate volatility and export of the country. But in the short term disequilibrium which is negatively affects the export of the country. It clearly indicates that, an appreciation of the currency means an overvaluation of the currency, which leads to export of the country to fall and an unduly depreciation of the currency means an undervaluation of the currency, leads to the export of the Indian economy.
- ❖ **Balassa (1978):** Investigated the relationship between exports and economic growth in group of 11 developed countries having established industrial base. The hypothesis tested is that export oriented policies lead to better growth performance than policies favoring import substitution. The study concluded that export growth favorably affects the rate of economic growth.
- ❖ **Bhagwati and Srinivasan [1976]:** Applied CMS (Constant Market Share) model to assess the export performance of India over the period 1951 to 1960. They analyzed the loss of export earnings that followed from the failure of maintaining export shares during this period. They concluded that, had India's exports maintained their share in world trade in volume terms of the average of three years from 1948 to 1950, it would have earned foreign exchange at least 16 percent more than that of actually realized. They held the domestic policies responsible for this.
- ❖ **Bhat and Nirinala[2001]:** Examined the growth trends and association between export instability index and economic growth for selected agricultural exports of India over the period 1977-79 to 1995-96. Semi-log linear trend equation was estimated to analyse trend to compute export instability index. The analysis indicated that instability in export earning of tea, jute, oilcakes and spices emerged low. Sugar exports recorded high degree of instability in export earnings. Correlation co-efficient between export instability and economic growth for these commodities was found to be negative and insignificant. The export earnings instability indices for coffee, tobacco and fruits, vegetables & pulses were low and their association with economic growth emerged positive and statistically significant.
- ❖ **Dhindsa and Walia [1984]:** Examined India's export prospects for different commodities. According to them there was a vast scope for increasing exports of non-traditional agricultural products and the engineering goods. The author pleaded the case for further liberalization of present restrictions on foreign exchange, building up of export entrepreneurship, transport credit systems, information agencies and other export services.

- ❖ **Goel (2012):** studied economic reforms and its impact on Indian economy and analysed that new economic reforms known as liberalization, privatization and globalization (LPG) model aimed at making the Indian economy as fastest growing economy and globally competitive. Two decades of liberalization in India had a favourable impact on the overall growth rate of the economy. This is major improvement given that India’s growth rate in the 1970’s was very low at 3% and GDP growth in countries like Brazil, Indonesia , Korea and Mexico were more than twice that of India. Through India’s average annual growth rate almost double in eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia. The pickup in GDP growth has helped improved India’s global position in the global economy has improved from the 8th position in 1991 to 4th place in 2001. He further concluded that now India is in the process of respecting her economy, with aspirations of elevating herself from her present dissolute position in the world, the need to speed up her economic development is even more imperative and having witnessed the positive role that the foreign direct investment (FDI) has played in the rapid economic growth of most of the South Asian countries and most notably China. The India has embarked on an ambitious plan to emulate the success of her neighbors to the east and is trying to sell herself as a safe and profitable destination for FDI.
- ❖ **Harinarayana [1983]:** Specified export function of engineering goods in terms of world demand (measured by the real engineering exports of OECD countries), the price ratio of Indian engineering exports relative to her competitors (based on unit value indices) and domestic demand pressure (measured by deviation from an exponential trend in production) for the period 1960-61 to 1974-75. The estimated export function indicated that world demand was major determinant to India’s engineering exports. Domestic demand pressure and relative prices were not found to have significant effect on export performance. He also estimated export functions for major product classes and for different regions. The results obtained were in general similar to those for aggregate engineering exports.
- ❖ **K Kaundal & Sharma M (2010):** Studied that the levels of India’s exports of principal groups and principal agricultural products have shown variation in export. The annual growth rates of primary products and the manufactured products were less than the total export growth. Petroleum products and other have higher growth and higher instability as compared to total exports. It also reveals that primary products growth rate was higher than the manufactured products exports. Instability for primary products, manufactured products and total exports has declined whereas for petroleum products and other has increased during 1999-2000 to 2006-07 over 1991-92 to 1998-99. The products with low growth and low instability are fruits, miscellaneous and marine products and others. The prospect of future growth in the export of agricultural commodities lies in the commodities with high growth and low instability
- ❖ **Kaur (2012):** examined the pattern of India’s foreign trade in pre & post reform era and analyzed that the composition of India’s exports has grown up significantly the exports of tea, coffee, spices, tobacco, leather, iron and ore, petroleum and chemical have shown a considerable increasing trend. The composition of India’s imports has grown up significantly. It also showed a positive and increasing trend during the period under study. The share of imports of petroleum and crude products, fertilizers paper, boards and manufactures, Textile yarn, made up electronic manufactures of metals, crude upper, medicinal and pharmaceutical products, Transport equipment has increased significantly. The imports of food grains and consumer goods have decline due to adoption HYM technology in Indian agriculture. The study also indicates that post-liberalization era has certainly helped India in achieving high growth in the economy. Rapid growth of imports of capital goods, technical raw materials to meet the requirement of industrialization. Growing imports of petroleum products for meeting industrial and consumption requirement. For the exports some

commodities have good exports potential (handicrafts, engineering product, readymade) and other items of exports (Sugar, Jute, Iron, and Steel) fluctuated considerably. Major portion Indian imports consists of fuels, capital goods chemicals etc., major portion of Indian exports is manufactured goods.

- ❖ **Kingston [1976]:** Verified relationship between export concentration and various aspects of export performance of 31 developing nations during the period 1954 to 1967. He found non-significant correlation between geographic concentrations index values and measures of export instability.
- ❖ **Kulkarni (1996):** Tried to test j- Curve hypothesis in case of 1991 devaluation of rupee in Indian economy. It was concluded that there was good fit of J-curve for Indian case of currency devaluation which implied that speed of liberalization should not be slowed down.
- ❖ **Kumar (2000):** analyzed 'Economic Reforms as well as their macro-economic impact.' Liberalization of the trade regime since 1991 has led to the proportion of trade in GNP, going up steadily from 14 percent in 1990-91 to 18.2 percent in 1998-99. Which shows Indian economy is more deeply integrated with the world economy than 1991. Immediately after reforms, exports annual growth rate was 20 percent in US dollar but it came down to 5.3 percent in 1996-97 and 3.9 percent in 1998-99. The recent decline in growth rate of exports is because of decline in world trade since 1996 and East-Asian crisis have also put a strain on India's exports. Finally, India's competitiveness has also been adversely affected by the failure to diversify composition of her exports. The robust export growth during the first half of 1990s have helped narrow the trade deficit from 2.7 percent of GDP on average during the 1980s to just 0.9 percent in 1995-96.
- ❖ **Michaely [1977]:** Estimated the Spearman correlation coefficient between growth rate of exports share to GDP and growth rate of GDP using a sample of 41 less developed countries for the period 1950 to 1973. He found a statistically significant positive correlation between two variables. However positive correlation of economy's growth rate with growth of exports share appeared to be particularly strong among more developed countries and did not exist at all among less developed countries (This indicated that growth was affected by export performance only once countries achieve some minimum level of development).
- ❖ **Nayyar [1987]:** Conducted a study to evaluate India's export performance in 1970-85 periods. The study revealed that the domestic factors which contain India's exports were the cost of production, the pressure of domestic demand and the infrastructural or sectorial supply bottlenecks which coupled with non-price factors such as quality had adversely affected competitiveness of exports. It was possible that domestic policies might have accentuated these problems in the period before 1970 and might not have done enough to alleviate such constraints thereafter.
- ❖ **Patibandla and Ghemawat (1998):** has analyzed the impact of economic reforms undertaken in 1991 on India's exports especially on three successes, industries namely diamonds, garments and software. Analyzing each industry performance and future prospects, they found that the economic reforms have enhanced India's competitiveness in labour and skill intensive industries, reduced the dependence of competitive industries on inefficient domestic supplies and infrastructure and enhanced domestic competitive conditions. Economic reforms lead to considerable increase in exports which grew at an annual rate of 22% in rupee term between 1990 - 91 and 1996 - 97. The study also suggested that reform process should continue and be extended deepened further.
- ❖ **Sidhu, A.S and Ratinder (2004):** studied 'Emerging Trends in Indian Foreign Trade: A comparative study of pre and post-liberalization periods' This topic has been planned to study the structural changes and impact of external sector reforms with special reference to merchandise exports on the Indian economy. The study cover period of twenty years, i.e. from 1980-81 to 1999-2000. The study concludes that significant changes have taken place in regard to the commodity composition and the direction of Indian merchandise exports and imports during the

Post reform period. However the study found that in spite of significant growth rate of exports and imports during the post reforms period as compared to pre-reforms period, the deficit in the balance of trade has further widened. The study pointed out that the increase in the volume of Indian merchandise exports in rupee terms during the post reforms period was not sufficient to pay for the increased demand for imports and the loss as a result of devaluation of Indian rupee during the 90’s. Therefore, the study strongly advocates that there is a need to review the foreign trade liberalization policy and sufficient protective measures should be worked out to protect the domestic sector.

- ❖ **Tiwari Sanjay (2012):** examined the India’s export performance and prospects and analysed that as an emerging economy of the World, India still has a lower percentage contribution in world trade India ranks both in merchandise export and 13th in merchandise import while it stands at seventh rank as far as commercial sector export is concerned. The annual % change in merchandise export and merchandise import basis 17 and 18 respectively and surprisingly till 2010 India’s share of the world total export is only 1.44% while in import it is nearly 2.12%. He suggested that to increase the portion of world trade, Govt. Should come up with the policies and budgetary provision to boost export in potential areas in services, making the special economic zone more viable provide incentives to MSME (micro Small and Medium Sector) with the better training and skill imparted to them, by way of providing R&D to make the products globally competitive.

BRIEF REVIEW

Export production strategy, apart from promoting economic growth entails various benefits to countries in the form of greater utilization of plant capacity, specialization in commodities of comparative advantage, increase of efficiency, economics of scale, widening of market, incentive of technological improvements, training of higher quality labour and internally competitive management. Export increase social marginal productivities and hence increase employment. The policy

of import industrialization suffers from many shortcomings. It intends to disturb the economies of under developed countries by making the process of industrialization a costly one. It has failed to bring the economy anywhere near the goal of self-efficiency in industrial production. On the other hand strategy of export promotion is considered the best suitable policy for underdeveloped countries. It has been argued that export led promotion leads to a specialization in production as a result of which productivity gains. Export strategy is expected to lead to a more efficient allocation of resources by shifting factors of production to more production export sector. Further it is seen that rise in export earnings list to an improvement in balance of payments lightens debt burden and support higher growth by increasing import capacity. The study of composition of structural changes export is also very important because of composition of exports of a country enable us to analyse the progress of country and rate of speed of structural changes in exports.

The structure of Indian Exports is typically of developing country, India has traditionally being an exporter of agriculture raw materials and manufacturers based on agricultural raw materials. But now there has been a continuous decline in the share of agricultural raw materials and allied products. At one time jute manufacturers, tea, coffee, cotton piece of goods and semi processed leather used to amount for more than half of the total exports. The share of their items has sharply gone down now. India’s export basket today is highly versatile large number of new items like engineering goods, chemical and allied products etc. have emerged as an important exchange earner. The share of manufactured items in the total exports has been increasing. Thus a greater measure of diversification has been achieved in product composition of Indian exports in recent years.

Regarding the performance of India’s exports it has been found that Indian exports increased at compound annual rate of 16.14 percent during pre-liberalization era and it compounded annual rate of 16.91 percent during post-liberalization era. Thus total exports increased at a slightly higher rate in post-liberalization as compared to pre-liberalization era. Agricultural and allied products and others contributed in this slight increase.

In pre-liberalization era, exports of agriculture and allied products increased at compound annual rate of 10.24 percent. Spices experienced highest export growth rate followed by miscellaneous processed foods, oil cakes, fish and fish preparations and cashew kernels. During post-liberalization era exports of agriculture and allied products increased at compound annual growth rate of 13.97 percent. Highest growth rate as experienced by meat and meat preparations followed by spices, rice, fruits, and vegetables and pulses and fish and fish preparations. As compared to pre-liberalization era performance in agriculture and allied products was better due to better performance of coffee, rice, meat and meat preparations and fruits, vegetables and pulses in post-liberalization era.

Exports performance improved significantly during post-liberalization period and there has been a perceptible change in value composition and direction of Indian exports. Though the volume and value of exports has increased manifold India's share in the world exports is still not up to expectations. The share of manufactured goods as well as the proportion of high value and differential products petroleum products has increased in India's export basket. Reflecting that Indian economy is being diversified and non-traditional items of exports are gaining importance the most remarkable changes in the direction of India's export. During post-liberalization era has been increasing share of developing countries OPEC, Latin America, Africa and Asia. It is still expected that Exports would grow at an average of 25% over the next few years. For India to become a leading exporter in the world trade it will have to achieve at least 2% share of the world Exports by the year 2020. Based on the past trends in the world trade and new developments in global economic scenario envisaged over the next few years aggregate world exports are likely to cross 25000 billion dollars by 2020.

The analysis of composition of exports revealed that India's export mainly consisted of agriculture and allied products and manufactured goods. While other commodity groups namely ores and minerals (excl.coal) and minerals fuels and lubricants contributed very little to exports during study period. As compared to pre-liberalization era, exports shares of manufactured goods

and other increased rapidly while that of agriculture and allied product decline rapidly in post-liberalization era.

Within agriculture and allied products during pre-liberalization era, on an average, tea and mate accounted for maximum share in Exports followed by fish and fish preparations, rice, coffee, cashew kernels. Only 3 commodities namely oil cakes, spices and miscellaneous processed foods experienced positive. But in significant trend coefficient indicating that export share of these commodities increased at non-significant rate. Other than commodities experienced significant but negative trend coefficient indicating that exports share of these communities the client at a significant rate. Structural changes indices show that oil cakes gained important position in export basket of India while sugar and molasses witnessed decline in its position in export basket of India in pre-liberalization era. During post-liberalization era on an average fish and fish preparations constituted maximum share in export of agriculture and allied products followed by rice, oil cakes, and tea, mate and cashew kernels.

Export share of these commodities registered a rapid increase during post-liberalization era. Positive but non-significant trend coefficient for oil cakes during pre-liberalization era became negative and significant during post-liberalization era indicating that export share of oil cakes declined at a significant rate during post-liberalization era. Structural change indices showed that as compared to pre-liberalization era. In post-liberalization era, meat and meat preparations emerged as very important exportable item while raw cotton which was very important exportable item in pre-liberalization era lost its position in post-liberalization era.

Commodities which experienced significant and negative trend co-efficient include leather and leather manufacture, handicrafts and jute manufacture (incl. twist & yarn). This indicated that export share of these commodities declined at a significant rate during post-liberalization era. Structural change had gone against handicrafts and in favour of textile fabric and manufacture. In comparison to pre-liberalization era rapid increase in export share of manufactured goods in post-liberalization era was due to increase in' export share of textile fabric and manufacture, chemicals and allied

products and machinery, transport equipment and metal manufacture. Trend co-efficient showed that during pre-liberalization era, leather and leather manufacture and handicrafts experienced positive and significant trend co-efficient but during post-liberalization era negative but significant trend co-efficient was observed for these subgroups. It indicated that export share of these subgroups declined during post-liberalization era. On the basis of structural change indices it was found that as compared to pre-liberalization era, in post-liberalization era handicrafts and leather and leather manufacture emerged as least important exportable items.

CONCLUSION

Conclusively, it can be said that exports are the most dynamic and promising field of our country. No doubt there has been a decline of main exportable commodities viz. leather and leather manufacture, handicrafts, textiles and manufacture, chemicals and allied products and gems and jewelry post-liberalization era. But steps can be taken to promote the production and exports of these commodities. It is said that India's salvation has much in the export sector of the country. For the future, the prospect of sustain growth in exports of goods and services are bright provide the Indian economy can face the challenge of enhancing productivity and competitiveness in an increasing integrated global environment.

SUGGESTIONS

Steps must be taken to ensure that exporters have adequate access to raw materials and components of acceptable quality. Facility of testing of packages etc. must be provided to exporters. Stringent measures should be adopted to see that material being imported is of desired quality. It would do more damage to exports in the long run if poor quality material is exported. Their Export Inspection Council of India should be involved closely.

Thus we can say that, in order to promote exports from India, well integrated efforts should be made. In order to boost exports and in order to control expenditure on export developments effort and to avoid intense competition there should be coordination among the services of prepared export promotion agencies. Public,

Government and Government shared bodies should make collective efforts for export promotion of the country.

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