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How Increased Trade Impacted Economic Growth in India Post-economic Reforms? A Discussion Papers

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Abstract: This study focuses on economic reforms and their impact on industrialization, external trade, and overall growth and development in India.

Trade liberalization has become an important part of many countries' development strategies for the past two decades or more. Per section of researchers, participation in the international economy was the primary source of growth in many East Asian countries that have experienced fast and better economic development during the past 50 years (World Bank 1993).

The Indian economy has undergone a major change since the implementation of 1991 reforms both quantitatively and qualitatively. For India, earlier gradual efforts towards liberalization of controls were strengthened in a broad-based wave of domestic deregulation. Industrial licensing was done away with completely, except for a list of environmentally classified industries. Accompanying this was the opening up of various industries to the private sector, which had been earlier reserved for the public sector.

The economy is viewed in either a virtuous or a vicious cycle of savings, investment, and export with investment and export as the key drivers of the cycles by the Indian Economic Surveys 2018-19 and 2019-20. The study concludes that the country has achieved significant economic growth, trade volumes have increased manifold, besides handsome receipt of FDI over the past few decades.

The article has captured India's trade impacting growth using secondary data.

Keywords: Trade, Tariff, Manufacturing, Services, FDI

JEL Code: F21, F13, F63, L86

1. Introduction

The direct consequence of globalization in trade, commerce, and foreign direct investment (FDI) on a country's economic development has remained issues of considerable interest and controversy both in the academic literature and in policy circles.

In 1990, the average tariû rates were over 90 percent in India while the maximum tariû rates in some industries were close to 300 percent. Through1989-1997, the standard tariû price on capital goods, intermediate inputs, and final goods decreased by in the range of 50-65 basis points, with a significant discrepancy in moderation covering many industries. In other words, by 1997, import tariûs were lowered to half (i.e. below half) of 1992 levels. Through 40 years in the past, trade barriers in the country have fallen to historically low levels, however, the part of commerce strategic planned revolution in the process of India's industrial expansion and evolution continues to be widely debated.

More revolutionary reforms had to hold back till 1991 when the Indian government pronouncedly liberalized the policy regime regarding FDI, which was permitted in sectors (that also include infrastructure and services) where earlier it had been prohibited (Kumar Nagesh, 2005). The limitation to furnish particular benefits in terms of technology transfer and exports was also struck out.

Following the BOP crisis in India, which was experienced in 1991, the country received support from the IMF and began a structural adjustment program. Per the agreement revolution was undertaken, commerce restrictions on imports were signiûcantly lowered subsequently. Easing in tariffs and the withdrawal of quantitative limitations and other non-tariff hurdles help inflate trade, but they cannot guarantee that manufacturing establishments do not shift to places with more irresistible levy regimes or aim bigger markets offshore. Trade involvements in Indian assembling and producing are of two types: with-duty and without-duty restrictions.

The surge in imports, as a form of commerce easing, present producers with new ideas (which is an externality) and that the limitation of imports lessen the pace at which these manufacturers accumulates and use knowledge capital. Exporters acquire more knowledge by their interaction with foreign buyers than do producers for the home market. Correspondingly, commerce/trade inspire and stimulus the orientation of present-day latest technology and procedure artistry that lifts demand for skilled labor and motivates studying by doing, mainly in the exporting industries.

Uplifting export accomplishment is quite a crucial target of liberalization revolution in emerging nations. Country's financial implementation despite the powerful signal of export promotion in the global context. However, the country lingers a tiny performer in the international commerce reckon for around one percent of global exports, still ensuing the liberalization revolution while export progress has been appreciably swift. This export situation of the country goes against the magnitude of the economy.

Estimate propound that the input passage was a greater force in driving the productivity gains (P. Tapolova, & Khandelwal, 2011). Authors find that easing trade protection led to elevated levels of productivity. Two forces were identified:

i) Growing competition resulting from underneath output tariffs gave rise to firms to increase their efficiency.

ii) The trade reform resulted in reduced tariffs on inputs leading to a surge in the number and volume of imported inputs from an external source.

(Khandelwal, and P. Topalova, 2011).

Hence, to capture and analyze the development in the matter of increased trade post-1991 economic reforms, including its impact on the economy, the need arises for the study.

2. Objectives

The stated objectives are to ascertain the impact of the country's commerce plans after 1991 economic reforms implemented with a particular reference to:

- Trade liberalization;
- Domestic manufacturing;
- FDI liberalization;
- Service exports; and
- BOP position (Non-Oil Trade).

3. Review of Literature

An amalgamation of sundry factors provided to the BOP mess of 1991. This integrated with the political unpredictability usher to distress in investor trust and huge capital outrush from the country [see S.C. Saxena and V. Cerra (2002)]. Given the earlier inward-looking economic strategies/plans and the crisis of 1991, R. Hasan *et al.* (2007) propound that tax and import duty amendments in 1992 turned out to be extraordinary and were mostly from outside the country. Topalova and Khandelwal (2011) observe documentation that post-1997, duty reduction may have been more careful to safeguard less productive industries.

The imagined skeleton of Rivera-Batiz and Romer (1991), G.M. Grossman and E. Helpman (1991), and Quah and Rauch (1990) have exhibited that global trade although expand, however, maintains the rate of financial expansion through wider access to essential and efficient foreign inputs like capital and intermediate goods, with a superior application of knowledge and innovation efforts. Commerce and Trade is the mechanism of financial expansion (J. Bhagawati (2000)). The study by P. Topalova (Mar-2007) ûnds that commerce easing led to growth in the poverty rate and deprivation gap in the countryside regions where factories more open to forward-looking was thickened.

Per Jaya Prakash Pradhan (2002); Pradeep Agrawal, 2005, later examines in the country though generally hapless observed a significant growing impact on attracting FDI. However, no evidence of causality in either regulation was presented by S. Waslekar & S. Bhat (2004). Although, the country's journey post-reforms through 1991 augmented FDI is quite visible and acknowledged by all analysts and researchers.

Awokuse (2008) scrutinized the subscription of trade transparency on both exports and imports to speed up monetary expansion and constructed that export assistance with import restrictions may not subscribe enough to financial expansion. K. Kalirajan & K. Singh (2008) suggested that India should reduce duties and taxes compared to world standards, and required to be more liberal in-service sector on which the country has a relative advantage. Per D. Krueger (2010) the import replacement/trade-off plans remained as the commerce strategy for quite some time in the country which acted as a paramount disadvantage for financial expansion.

At present, the country's manufacturing/production stake nevertheless rests tiny equating to other emerging nations chiefly China. Two specific points of manufacturing performance are –

i) First, manufacturing productivity linger modest despite reforms aimed at making this sector competitive (G.G. Das *et al.* (2014)).
ii) Two, the employment generation ability of the production territory has always remained a question mark.

The link connecting trade and growth is perceived to be greatly powerful among imports, principally definite types of imports (Herrerias and Orts, 2013). Apart from lowering the price of innovations, the new foreign inputs can induce dynamic learning effects by the procurable of machinery and tools with new vintage and superior quality (Bas, 2012). Per Chandra and Kolavalli, 2006; Zanello et al, 2016, the new commerce and the internal/endogenous growth hypothesis contend that global trade can be forecasted as a possible route to industrialization by uprooting expertise from wealthy to the needy countries.

It is interesting to highlight the table (Ref. no. 1) data by Rakesh Mohan (2017) for – Evolution of some economic parameters since 1991 - the author has captured India's experience regarding external sector has many positive accomplishments besides some issues. Per T. Maheshwari (2017), growing trade deficits did pose problems of resource mobilization for the Indian planners and therefore needed to be monitored continuously.

4. Materials & Methods

The article is descriptive, the author has used secondary data from reliable sources – namely, a few authentic websites that include MoSPI, RBI, Budget documents, domestic and international online publication, the World Bank, among others. The data for the study is from 1991 and onwards.

5. Discussion & Analysis

Liberalization, Privatization, and Globalization with a focus on Growth (1991 onwards)

Following the balance of payments crisis of 1991, the Government commenced on a path of economic liberalization whereby the economy was opened to foreign investment and trade, the private sector was encouraged, scrapping the system of quotas and licenses for good. A comprehensive reform program was launched; metamorphic changes have been brought about in the economy.

With a hope that it will encourage foreign investors and ease the burden on current accounts, the 1991 economic reforms in India, removed tariff barriers to foreign investments and trade. While at the same time the increasing role of the market and private sector within the economy was strengthened, the public sector and the role of the state in the economy were reduced and bureaucratic controls were dismantled.

Economic reforms and FDI in the country from 1991 and onward (refer Table 2).

The category of foreign direct inflows seems to have modified during the same time, which led to technical collaboration agreements being entered into by foreign investors at an increasing pace (Athreye & Kapur, 2001).

Trade Reforms & Policy Changes (also refer Table: 1 and trade summary)

- Abolition of export subsidies
- Rep licenses for imports replaced with tradeable Exim Scrips
- All supplementary import licenses abolished
- De-canalization of imports proposed
- Rupee convertibility in three to five years
- Continuation of the liberal industrial policy with efforts made to improve the ease of doing business;
- Continuation of the policy of openness to foreign trade, though customs duties on a number of items were raised in the 2018–2019 budget.

The disruptive issue of the company necessitates an investment decision, where domiciliary and overseas capital is a shabby surrogate for individually and severally. The ûrm maximizes the anticipated current value of the flow of reward and optimally determines what can be invested in local, and in overseas capital goods. Whereas, reduced output tariûs show companies to intensified foreign rivalry and fret the minimal proûtability of capital, which leads the way to reduced investment in overseas non-consumer (capital) goods. Consistent with the hypothetical structure, we ûnd that the lowering in non-consumer (capital) goods tariûs led to a surge in investment in overseas non-consumer (capital) goods, though not in local manufacturing.

Topalova and Khandelwal (2011) and M. Amiti and J. Konings (2007) ûnd positive eûects of lower output and input both the tariûs on efficiency in Indonesia and India, respectively. The economic policy is broadly set according to ûve-year plans in India. Trade plan/strategy was decided in the IInd FYP (1956-1961) and had not been modified throughout the years yet while industries advanced (a point to ponder !!).

In April 2015 while notifying a recent Foreign Trade Policy, the government said it desired to expand India's stake of international trade/commerce from 2.1 percent to 3.5 percent and enhanced it to two times of exports (to $900 billion) by 2020. The policy strives to unite the government's Make in India and Digital India measures. Enactment of India's crucial projects—the Skill India Program, the Smart City Project, the make in India, and Digital India—will necessitate foreign direct

FDI, investment, and a broad-based re-establishing and rejuvenation of India's production/manufacturing territory.

For the country to achieve its strategic purposes, the administration, and industry, particularly the manufacturing/producing wing, should be ready for possibilities and substantial participation in an advancing multilateral trade sector. India's precedence must comprise capturing plan course to match with universe quality/standards and subsidizing the WTO to reintroduce multilateral bargaining. To deepen/broaden possibilities inside the surrounding, India must quell notable trade policy provocation: domiciliary problems; the advancing universal scenario; and the requisite for a constructive trade policy agenda, as perhaps the only viable way for the country to enhance its economic relations with major trading partners.

The pronounced opposition to the expansion of powerful and well-built trade plans in the country is its wrongly cultivated production/manufacturing sector. Although it grew after India embarked on focused economic liberalization in 1991, the manufacturing quota of the GDP has remained constant at 16.2 percent in 2015–2016—about what it was in 1989–1990 (16.4 percent). Despite in the preceding ten years or so, the country ratified Free Trade Agreements with the Republic of Korea, Japan, the ASEAN (Association of Southeast Asian Nations), and Malaysia.

Nevertheless, some representative reveals that India's trade collaborators have achieved further from these deals than India has. India's adventure with territorial commerce agreements has been smaller and so-so because of the deficient combative of its producing sector and without modernization and investment in sectors e.g. garments, textiles, and pharmaceuticals. This has entailed little keenness for embracing a more radical trade strategy stance inside the administration, the expert groups, and the business community.

APEC is a council for twenty-one Pacific Rim constituent countries that aids and help free trade all over the Asia Pacific region. India is not a member. India's associateship in APEC would interest the country's growth programs, which depend excessively on "considerable entrance to overseas markets, investment provenance, and value chains to support production and generate work opportunities/employment for its people at domicile," and groom provincial proponents and Business/Trade/Commerce for twisting the intercontinental network and administration of industry and trade.

For a considerable period, India has paid inadequate recognition to the merit of trade policy. In 1996, for instance, it was logical that the finish of quotas under the Multi-Fiber Arrangement in 2005 would favor and gain the more assertive exporting emerging nations and that the contemporary of India's national industry was consequently important. India cannot provide its financial matter by remaining unresponsive to or counter-world commerce policy headway and the expansive trading barriers that may evolve.

Table 1: India's Foreign Trade US Dollars (US $ million)

Year	*Non-Oil Exports*	*Non-Oil Imports*	*Trade Balance (Non-oil)*
2018-19	283524.5	371871.9	-88347.4
2014-15	253557.9	309707.9	-56150.0
2010-11	209656.2	263804.7	-54148.5
2005-06	91450.9	105202.6	-13751.7
2000-01	42690.6	34886.4	7804.2
1995-96	31341.2	29149.5	2191.7
1991-92	17450.7	14085.7	3365.0
1990-91	17622.5	18044.4	-421.9

Source: Indian Economy's handbook of statistics, RBI (2019)

The data reveals that in absolute terms both non-oil exports (from the US $ 17450.7 million to the US $ 283524.5 million) and non-oil imports (from the US $ 14085.7 million to the US $ 371871.0 million) have gone up considerably, say 16.25 times for exports and 26.40 times for imports (in large magnitude) from FY: 1991-92 to 2018-19 in about three decades. However, the country has also experienced a **negative trade balance** (non-oil) since FY: 2004-05 as her net imports (non-oil) have started accelerating much quicker than her exports (non-oil).

Trade Summary for India (2019)

Overall Exports and Imports (Source: https://wits.worldbank.org/countrysnapshot/en/IND)

Exports

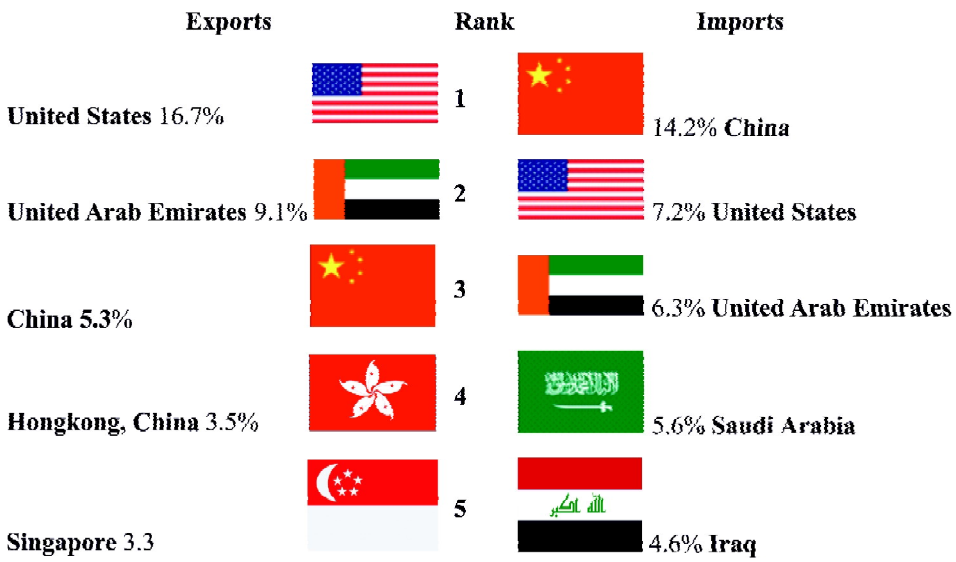
Exports (in US$ Mil)	323,251
No. of products	4,442
No. of partners	226

Imports

Imports (in US$ Mil)	478,884
No. of products	4,356
No. of partners	210

India's share of trade as reported by World Integrated Trade Solution (WITS): India - 2019.

(A) Trade structure by destination/origin (% of total) - Top five commodity-wise



Source: https://wits.worldbank.org/CountryProfile/en/Country/IND/Year/2019/Summary

India clocked merchandise exports worth $197 billion, between April and September 2021, 57 percent more than the same period last year - aiming for $400 billion for FY: 2021-22 (ET Prime 17-Oct 2021).

(B) Trade structure by product

Exports	Rank	Imports
Petroleum, Oils, etc. (excl. crude) preparation	1	Petroleum oils, and oils obtained from bituminous
Diamonds non-industrial n.e.s.	2	Gold in unwrought forms non-monetary

Other medicaments of mixed or unmixed products	3	Other coal, not agglomerated, n.e.s.
Prec. Mtl. & Art. of jewellery and pts thereof	4.	Diamonds non-industrial unworked or simply sawn
Semi-milled or wholly milled rice	5	Natural gas, liquefied

Source: https://wits.worldbank.org/CountryProfile/en/Country/IND/Year/2019/Summary

It is highlighted here (per UNCTAD) – (a) change in export performance index, 2014-2019 **India** was in top 20 percent; (b) change in export performance index, 2005-2019 India was in Top 20-40 percent. (The export performance index is computed simply by assembling four indicators, namely export growth of goods and services, and the various changes of export diversification, export competitiveness, and the export sophistication gap).

Source: https://unctad.org/system/files/official-document/ditctab2020d4_en.pdf

It implies, therefore, among the key challenges for a country's trade strategy is how to reinvigorate the moribund, multilateral trading arrangement introduced in the World Trade Organization. It is for India to take a call about how much it interests and to motivate – reposition drawback to the World Trade Organization, rejecting commerce easing using just the Regional Trade Agreements and Free Trade Agreements. A country's trade plans must be strong and enterprising to impact such a transformation. It must initiate exhaustive and all-inclusive discussions among trading member nations inside the World Trade Organization for a meaningful bi-lateral discussion.

Contribution to India's Services Trade

Accelerated and eased by economic globalization, domestic liberalization, and technological forge ahead which emanated in expanding – India's services trade started multiplying swiftly post 1991.

In recent years India is growing as an export-oriented country. According to Balance of Payment (BoP) data, merchandise and services exports increased by 22.3 and 26 percent respectively during 2004-05 to 2018-19 and it contributes US$ 16.87 billion to the Indian economy.

In the world export of services, the share of India's services exports increases from 0.6 percent to 3.47 percent during 1990 to 2017, and it has been growing faster than the share of commodities exports in world exports which stood at 1.9 percent in

2015-16. In 2009-10 growth of service remains slow as a result there was a global recession, but the decline in the growth of the service sector was less noticeable than the go-slow in commodities export growth and has recovered quickly in 2010-11.

The major services export category is software in terms of size, and the contribution was US$167.5 billion in FY 2018 from US$154.6 billion in FY17. The Compound Annual Growth rate of merchandise imports, at 21.4 percent as compared to the CAGR for import of services was 20.21 percent. As the contribution in GDP increased to **64** percent in 08-09 from 49 percent in 90-91, **Services** grew by **9** times through 91-92 to 15-16, after reforms were implemented. (**Source:** CSO-MoSPI, RBI, and author's calculation using linear regression method).

Contribution by Industry & Manufacturing in Growth of Economy

Vital Measures of 1991 reforms in Trade & Industry

- IXth FYP: accretion of construction opportunities & progressing 'quality' Infra.
- Xth FYP: stressed modernization, lowering transfer cost, pushed higher exports.
- XIth FYP: 8.2 percent growth achieved. Construction maintained steady growth.

Key Objectives of National Manufacturing Policy: a) formation of domestic financing and production zones; b) growth of Small and Medium Businesses/MSME industries; c) reorganization and streamlining business regulations/ease of doing business.

Despite the constant contribution in GDP, Manufacturing & Industry grew by **8** times through 1991-92 to 2015-16, after reforms were implemented. (**Source**: CSO-MoSPI, RBI, and author's calculation applying linear regression method).

Table 2: Foreign Investments – (including FDI) Gross Inflows into India

Year	*Rs. Crore*	*US $ million*
1990-91	174	97
1991-92	316	129
1995-96	7172	2144
2000-01	18406	4029

contd. table 2

Year	*Rs. Crore*	*US $ million*
2005-06	39674	9697
2009-10	176304	37745
2014-15	-	45148
2018-19	-	62001
2019-20		74390
2020-21		81973

Source: Indian Economy's handbook of statistics, RBI (2021). https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics

The table reveals that the country did receive a good amount through foreign direct investments (FDI) from 1991-92 onwards (from the US $ 129 million in 1991-92 to the US $ 81973 million in 2020-21), a massive increase of 635 times in 30 years. Plain data does reveal that the country as a destination for foreign long-term investors has turned quite attractive and it is for this one reason that the country is in the top two-nation among BRICS and Asia for the last five years.

Table 3: India's GDP growth compared to other countries/groups of countries (%)

	1980-1991	*1991-2002*	*2003-2017*	*2018-2023*
India	5.2	5.8	7.6	7.9
China	9.2	10.2	9.4	6.1
Advanced economies	3.0	2.7	1.7	1.9
All EMDEs	3.4	3.8	6.0	5.0
ASEAN-10	6.1	4.6	5.4	5.0
All EMDEs excl. China & India	2.6	2.6	4.3	3.7

Source: IMF (2017). ASEAN-10 stands for the ten members of the Association of South East Asian Nations; EMDE stands for emerging markets and developing economies.

Few remarkable developments that have happened through five years (that have gone by) are narrated hereunder.

- The country's latest ranking is at **46th** on the Universal Transformation Index 2021, a leap of 6 points over the last 2-years, and 35 points through the last seven years - upward from 81 in 2015 (Hindustan Times online, 20-Sep-2021).

- India leaped to 14 points and moved now to **63rd** place on the Universal Bank's **ease of doing business** hierarchy published recently, progressing big on the flagship program of government – 'Make in India' theme and other revolution wooing overseas investment. The country placed at 142nd out of 190 countries when the new BJP-led NDA Government under Mr. Narendra Modi took office in May-2014.
- The country's (per **2020** WEF annual report) – performance on economic transformation priorities, by 2020 score (**0–100** scale) is enumerated hereunder:
  i) Ensure public institutions embed strong governance principles and a long-term vision and build trust by serving their citizens – **49.4**
  ii) Upgrade infrastructure to accelerate the energy transition and broaden access to electricity and ICT – **72.6**
  iii) Shift to more progressive taxation, rethinking how corporations, wealth, and labor are taxed, nationally and in an international cooperative framework – **55.8**
  iv) Update education curricula and expand investment in the skills needed for jobs and "markets of tomorrow" – **43.5**
  v) Rethink labor laws and social protection for the new economy and the new needs of the workforce – **44.4**

https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf
(per the annual International Transformation Index collated by Geneva-based World Economic Forum).

- Publishing its latest index, the WEF announced recently that **India now ranks quite giant for macroeconomic solidity and market breadth**, albeit its financial territory is comparatively healthy and solid notwithstanding the high lawbreaking rate, which furnishes to diminishing the good health of her banking system (per 2019 report).
- India has placed also been elevated to **15th** rank for **corporate governance**, however, it is placed second universally for stockholder premiership, the World Economic Forum evaluation showed. As far as the **market breadth** is concerned**, the country is elevated to a third rank** now and has also secured the same rank (i.e. 3rd) for 'renewable energy ruling' per the 2019 report.
- Also, the country strikes above its evolution status when it comes to **revolution**, and the country is ahead of time of many developing nations and on par with various advanced countries, the 2019 report said.

However, the above productive metrics go against major deficiencies in few fundamental enablers of ambition/fierce in India's case, the World Economic Forum mentioned, whilst identifying that

a) restricted ICT (information, communications, and technology) acceptance;
b) substandard health situation;
c) poor healthy life anticipation; and
d) the country ranked (41 out of 73) in Transparency International Lawbreaking Impression Index and ranked (49 out of 88) World Bank Control of Corruption Score – per Navex Global, Nov-2019.

(*Source:* WEF as reported by Press Trust of India & Economic Times, 9-Oct-2019 and World Bank's Ease of Doing Business Ranking by Press Trust of, 24-Oct-2019).

Challenges and Opportunities of Foreign Trade in India

Along with a few other emerging nations, India has and continues to have arguments made and refreshed across and throughout WTO forums on issues like agriculture, chiefly, endowments in the subject of *trade facilitation* and food security India's representation are for the institutional revolution of the World Trade Organization are thus in the hands of the members instead of the WTO Secretariat.

The build-up of domestic pressure in some countries was being triggered by the global financial crisis to introduce protectionist measures against imports. A few studies add to the existing literature on the trade war by examining the potential impact on India's exports, that is both benefits arising due to the trade war using the economic model based on the trend in trade flows direct, and indirect losses as well as, similarity index and supply chain networks using World Input-Output tables. The trade protectionism followed by developed countries along with the new FDI/FPI policy of India can only widen the trade deficit and Balance of Payments.

CAD to GDP ratio and the trade deficit to GDP ratio has been increasing tremendously and reached the level of 2.4 and 6.7 percent respectively during 2018-19, which is a matter of concern. Export has declined in absolute terms consistently for the last five years, which has led to the widening of the trade deficit. Though petroleum, pearl, precious and semi-precious stone, drug formulation and biologist and gold other precious metal jewelry, and Iron and steel together accounted for a major share of India's total exports, as of 2017-18, the other important exporting sectors are RMG cotton including accessories, motor vehicles/cars, marine products, and organic chemicals.

A similar condition exists during 2018-19 as well except that the Electric machinery and equipment has become the ninth leading exporting product. Similarly, petroleum: crude, precious stone, gold, and petroleum products accounted for major import share, the electronic and telecom components are the other leading imported items.

Targeting 13 priority sectors under the PLI-Production Linked Incentive scheme

To create *national manufacturing* champions and generate employment opportunities select ten sectors (of 13 announced) for which the **PLI** schemes have already been approved (**Rs. 1,14,996 crores** till Sep-21) outlay for five years. To **boost *domestic manufacturing* in sunrise and strategic sectors**, they have been specifically designed to improve the **cost competitiveness** of domestically manufactured goods, and enhance domestic capacity and *exports*, curb cheaper imports and **reduce import bills**. (**Source**: https://www.pib.gov.in/PressReleasePage.aspx?PRID=1710134).

6. Conclusion

It is a subject of discussion in the existing writings about the domination of commerce/ trade openness on financial expansion. The influence was noticed to be helpful in a few analyses and meaningless or still pessimistic in others. The varied outcome might be ascribed to an analytical framework and country-specific characteristics.

Here we have scrutinized the impact that trade and FDI may have had on India's industrial transformation. This study also examined the effect of commerce openness on financial expansion in India from 1991 i.e. after economic reforms were implemented. For produced exports, though labor-intensive commodities constitute the hugeness of the latter, there has been a comparatively little growth in the portion of these commodities in total produced exports, whereas human capital-intensive exports showing more dynamism.

Greater internal competitive pressure brought about by reforms in industrial policy acts as a spur to productivity growth. Additionally, we observe a useful effect of a rise in capital power in the capital goods territory, and it is mainly driven by considerable lowering of duty fare on capital goods imports as well easing of import supervision on machines and equipment since 1991-92.

The outcome fortifies not only the part of the commerce strategy revolution but also the literature on the roles of industrial besides trade reforms as complementarities in enhancing manufacturing performance. The empirical finding reveals that technology inputs have a positive and statistically remarkable effect on manufacturing exports.

[*Source:* Table Ref. No. 2 – Trade direction: Capital Goods from 1991 to 2016;

No. 3 – Trend in Output, Export & Technology in Organized Mfg. in India 1997 – 2016;

No. 4 – Regression Estimation of Manufacturing Exports of India: 2-digit Industry sector

Sample (1997-2016), by R. Rijesh, 2016].

A considerably large number of issues such as higher inflation rates, poverty, Health care, and faster growth of GDP were dealt with as a result of economic reforms. Inefficiency in the public sector was reduced and motivated the private sector. In the service sector, IT / ITES companies boomed and resulting in the creation of large employment of the population. Service sector contribution in GDP increased rapidly. Overall growth of economy has increased and trade volume too have surged. (refer Table 3).

Reforms were successful in taking out the economy from the Payment Crisis and gave positive direction for overall economic growth. In recent years, fourth-generation reforms have been initiated E.g. implementation of Insolvency and Bankruptcy Code, implementation of Goods and Service Tax, creation of Monetary Policy Committee have addressed several pressing concerns. In this context macroeconomic stability of India is a testament to this.

For any economy to be in the virtuous cycle and to have a healthy growth rate y-o-y, a few factors are important –

- a positive manageable inflation rate;
- self-sufficiency in food production;
- good manufacturing + service sector buoyancy that can generate required employment;
- robust infrastructure; and
- last but not least "net surplus for current account" – both necessary and relevant wherein exports are healthy and greater than imports. Therefore, trade liberalization and FDI liberalization are a precursor for it.

7. Limitation

Any limitations to the study, concept, method including flaws in design and the analysis due to circumstances beyond one's control are unintentional. The identification of some variables could be the constraints and explains how important each of these limitations is.

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