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TRANSFORMING INDIAN ECONOMY: CHALLENGES & OPPORTUNITIES

(An Overview of Changing Dynamics in Business, Economy & Society)

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Arun Kumar Singla

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CONTENTS

<i>LIST OF FIGURES</i>	<i>iv</i>
<i>LIST OF TABLES</i>	<i>v</i>
<i>LIST OF CONTRIBUTORS</i>	<i>viii</i>
<i>PREFACE & ACKNOWLEDGMENTS</i>	<i>xiii</i>
<i>LIST OF ABBREVIATIONS</i>	<i>xiv</i>
1. TOTAL QUALITY MANAGEMENT (TQM) AND EMPLOYEES' JOB SATISFACTION IN THE ERA OF SOCIETY 5.0 <i>Gaurav Vats, Geeta Sharma</i>	<i>1</i>
2. FINANCIAL INCLUSION IN INDIA: ITS SIGNIFICANCE AND CHALLENGES <i>Sandeep K. Bansal, Sanjeev K. Bansal, Anil K. Angrish</i>	<i>10</i>
3. DIGITALIZATION IS AN INFLEXION POINT IN INDIAN BUSINESS STRATEGIES <i>Rajesh Kumar</i>	<i>16</i>
4. MERGER AND ACQUISITION IN INDIAN BANKING SECTOR: A STUDY OF BANK OF BARODA <i>Meenu Garg, Pardeep Kumar</i>	<i>21</i>
5. INDIA'S ROAD TO BECOMING A CASHLESS ECONOMY: AN EXPLORATION OF INHERENT CHALLENGES <i>Niti Pandeya</i>	<i>27</i>
6. EMERGING ROLE OF INDIAN YOUTH IN POLITICS: AN EMPIRICAL STUDY ON YOUNGSTERS OF MALWA REGION OF PUNJAB <i>Ritika Sharma</i>	<i>32</i>
7. AN ANALYSIS OF FOREIGN TRADE OF INDIAN ECONOMY DURING POST REFORM PERIOD <i>Ritu Kang Walia , Suraj Walia</i>	<i>36</i>
8. TRANSFORMATION OF INDIAN ECONOMY AND ROLE OF STARTUPS: AN ASSESSMENT <i>Anil K. Angrish, Sanjeev K. Bansal, Tanya Sinha</i>	<i>44</i>
9. TECHNICAL AND SCALE EFFICIENCIES OF INDIAN PUBLIC SECTOR BANKS: AN EMPIRICAL ANALYSIS USING DATA ENVELOPMENT ANALYSIS (DEA) APPROACH <i>Priya Sood</i>	<i>49</i>
10. GENDER SECURITY AND INEQUALITY IN THE GLOBAL LABOUR FORCE <i>Richa Langyan</i>	<i>54</i>
11. INCLUSIVE APPROACH OF SKILL INDIA MISSION FOR AGGREGATED ECONOMIC GROWTH <i>Alka Suri</i>	<i>59</i>
12. PERFORMANCE EVALUATION OF PRADHAN MANTRI GRAM SADAK YOJANA IN PUNJAB <i>Manjot Kaur, Himanshi</i>	<i>66</i>
13. ROLE OF FINANCIAL INSTITUTIONS IN DEVELOPMENT OF INDIAN ECONOMY <i>Dipika</i>	<i>78</i>
14. VARIATIONS IN CAPITAL STRUCTURE: THE EVIDENCE FROM INDIA <i>Rajesh Kumar</i>	<i>86</i>
15. PERCEPTION OF CONSUMER TOWARDS ORGANIC PRODUCTS IN HARYANA <i>Shashi Rani</i>	<i>92</i>

AN ANALYSIS OF FOREIGN TRADE OF INDIAN ECONOMY DURING POST REFORM PERIOD

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ABSTRACT

Foreign trade can be proved to be an engine of economic growth not only for Indian economy but also for the developing World. There are many direct and indirect benefits of foreign trade as it is helpful in earning foreign exchange, increase variety of goods, helpful in employment generation, and increase standard of living of masses etc. It is also helpful in creating healthy political and economic relationship among the different economies of the World. There is a big difference in the growth, composition and direction of foreign trade of India before and after the independence. At the time of independence India was exporting traditional goods and importing machines and technology. Over the time period, Government has taken many economic measures to boost the performance of the economy. The economic reforms of 1991 were one of the major steps in this direction. At this time, India adopted New Economic Policy of Privatization, Globalization and Liberalization. This has affected all sectors of Indian economy and foreign trade is one of them. Keeping in above background, present paper is an attempt to analyze the various aspects of foreign trade of Indian economy. For this purpose, trend of foreign trade, change in composition and direction of foreign trade of India is analyzed. The study is considered the time period from 1991-92 to 2019-20. To analyze the growth and trend, Annual Growth Rate (AGR) and Compound Annual Growth rate (CAGR) is calculated.

Key Words: Foreign Trade, Indian Economy, Composition and Direction

INTRODUCTION

Foreign trade plays a catalyst role in any economy including India. It helps an economy to explore and maximum utilize its natural resources, export its surplus production in other economies and helpful in getting goods at cheaper rate from the world market. On the one hand, it can be a major source of earning foreign exchange. On the other, it is helpful for industrialization by importing machinery and new technology from other countries. In this way, foreign trade leads to employment and income generation and ultimately increase the standard of living of the people in the economy. Before independence, India was colony of Britishers. So, the direction and composition of foreign trade was also affected by their policy. India was exporting raw materials and was market for their finished goods. But its exports were higher than imports and trade balance was surplus. After independence, India started economic planning, for economic development various strategies like agriculture led growth, industry led growth etc. were adopted. India imported heavy machinery, technology and equipments from foreign that lead to deficit in trade balance. Initially, India was exporting primary goods whose demand is inelastic. But over the time period, not only, the composition of export and import has changed but also the direction of foreign trade has changed.

Keeping in view above background, the present study is an attempt to analyze the various aspects of foreign trade of Indian economy during post reform period.. For this, the paper has been divided into five sections. Section II will explore the relevant literature on present issue. Section III will present objective and research methodology. Growth trend, composition and direction of foreign trade will be examined in section IV. Section V will conclude the study with policy implications.

REVIEW OF LITERATURE

There is no dearth of literature on the present issue. To justify the need of the present study, following literature has been reviewed:

Suresh D. Tendulkar (2000) found that during 1980-96, growth of Indian export earnings turned out to be above the world average for all the broad categories of Extended-Manufacturing (E-Mfg) exports including double digit growth rates in labour and scale intensive products and results showed that the global trade liberalization help as an influential factor for high rate of economic growth. **Upender, M. (2007)** analyzed the long run equilibrium relation between exports and imports of India during the 1949-50 to 2004-05. The study