

A STUDY ON THE IMPACT OF TRADE LIBERALISATION IN INDIA

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ABSTRACT:

The impact of trade liberalization in India has been a subject of significant academic and policy interest, particularly since the early 1990s when the country embarked on a path of economic reforms. This research paper explores the multifaceted consequences of trade liberalization on India's economy. Through a comprehensive analysis of empirical data, economic indicators, and scholarly literature, the paper examines both the positive and negative impacts of trade liberalization. The positive effects of trade liberalization are evident in India's impressive economic growth, driven by increased exports, foreign direct investment, and enhanced efficiency and competitiveness of industries. The opening of international markets has expanded consumer choices and improved product quality. Export growth has bolstered foreign exchange reserves and positively influenced the balance of payments. However, this paper also delves into the challenges posed by trade liberalization. It highlights the vulnerability of the Indian economy to external shocks due to increased global integration. Income inequality has widened as the benefits of liberalization have not uniformly reached all segments of society. Job displacement, particularly in industries facing stiff competition from imports, and agricultural challenges arising from competition with cheaper imported agricultural products, are significant concerns. The paper emphasizes the need for policymakers to address the negative consequences of trade liberalization by implementing measures to mitigate income inequality, support displaced workers, and strengthen the agricultural sector. The method used here was the empirical method. The sampling method taken here was the convenient sampling method and the sample size was 200. The sampling frame was established within the city of Chennai, located in the state of Tamil Nadu. The dependent variables are level of awareness regarding the impacts of trade liberalization in India, positive impact of trade liberalization on India's GDP, negative implications of trade liberalization on the Indian economy, main objectives of economic liberalization are the effective distribution of resources and competitive advantages and the independent variables are age, gender, educational qualification, salary and occupation. The research tools used here are simple bar charts, independent sample T test, univariate analysis of variance and correlation. It also underscores the importance of strategic economic planning to manage potential trade imbalances and prevent undue concentration of economic power. In conclusion, this research paper provides a comprehensive analysis of the impact of trade liberalization in India, highlighting its dual nature bringing both opportunities and challenges. By examining empirical evidence and drawing insights from scholarly sources, the paper contributes to a nuanced understanding of the complex relationship between trade liberalization and economic outcomes in India.

KEY WORDS: Trade liberalisation, Global market, Trade barriers, Domestic sectors, Gross Domestic Product (GDP).

INTRODUCTION:

Trade liberalization, characterized by the removal of barriers to international trade such as tariffs, quotas, and other restrictions, has emerged as a pivotal policy choice for nations seeking to navigate the currents of globalization. The effects of trade liberalization are particularly profound in the context of economies undergoing transformation and transition, such as India. In the early 1990s, India embarked on a journey of economic reforms, marking a paradigm shift from a closed and regulated economy to one that embraced liberalization, privatization, and globalization. This monumental shift was a response to the pressing need to invigorate economic growth, enhance competitiveness, and integrate into the rapidly evolving global economic landscape. The impact of trade liberalization in India extends beyond the realm of economics, encompassing social, political, and developmental dimensions. This research paper endeavors to dissect and analyze the multifaceted consequences of trade liberalization on India's economy and society. By delving into both the favorable outcomes and the challenges posed by this policy trajectory, this study aims to provide a comprehensive understanding of the intricate interplay between trade liberalization and India's development narrative. As India ventured into uncharted waters of economic liberalization, it witnessed remarkable changes that rippled across various sectors. The policy measures introduced were designed to stimulate growth, encourage investment, and foster technological progress. However, this transformation was not devoid of complexities, as trade liberalization's ramifications resonated differently across industries, regions, and socioeconomic strata. The inherent tension between the aspirations of economic growth and the imperatives of social equity became a defining characteristic of India's liberalization journey. This paper is structured to critically evaluate the impacts of trade liberalization by examining a spectrum of dimensions. The positive effects, including accelerated economic growth, enhanced export performance, and increased foreign direct investment, will be scrutinized alongside the negative effects such as job displacement, income inequality, and the challenges faced by vulnerable sectors. Furthermore, this research aims to shed light on the strategies and policies that have been adopted to harness the benefits of trade liberalization while addressing its adverse consequences. The evolving nature of India's economy, its diverse demography, and the evolving global economic dynamics underscore the importance of dissecting the intricate ramifications of trade liberalization. By investigating the various facets of this multifaceted phenomenon, this research paper seeks to contribute to a nuanced understanding of how trade liberalization has shaped and continues to influence India's developmental trajectory. Through rigorous analysis and synthesis of existing knowledge, this study endeavors to inform policymakers, scholars, and stakeholders about the complexities and imperatives of trade liberalization in the Indian context.

AIM: To study the positive and negative impacts of trade liberalization in India.

OBJECTIVES:

- To examine the impact of trade liberalisation on the Indian economy.
- To analyze the positive impact of trade liberalization on India's GDP.
- To find the negative implications of trade liberalization on the Indian economy.

LITERATURE REVIEW:

Khom Raj Kharel (2021) This study aims to assess the impact of trade liberalization on the Nepalese economy from 1990 to 2018. Existing research suggests that trade liberalization expands the scope and scale of foreign trade. **Blerta Dragusha (2023)** This paper explores the relationship between trade liberalization, foreign trade, and economic growth in Albania using annual economic development data spanning 1994-2019. The study employs Causality Testing hypotheses on the cointegration between GDP and foreign trade, trade liberalization and GDP, and GDP and exports in Albania. **Cephas Naanwaab (2022)** The paper introduces a novel approach, examining trade liberalization's impact on inequality with explicit control over the direction of trade. Results indicate an overall decrease in income inequality with varying effects based on trade direction – North-North and South-South trade reduce inequality, while North-South trade increases it. **Pradip Kumar Shrestha (2022)** This study delves into the process of Nepal's trade liberalization and its influence on the agricultural sector. It analyzes economic policy reforms in Nepal, encompassing trade, fiscal, industrial, and financial aspects, illustrating how these reforms complement each other to promote trade liberalization. **Omar Al-kasasbeh (2021)** The author concludes that the 2008 financial crisis positively affected economic growth. Granger causality tests reveal bidirectional causality between government expenditure and economic growth, with unidirectional relationships from economic growth to public debt, trade liberalization, and taxes in Jordan. **Najia Mughal (2021)** Investigating the impact of trade liberalization on employment and wages in 30 developing countries from 2000 to 2019, the study utilizes Generalized Method of Moments estimation techniques. Empirical findings suggest significant adverse effects of trade liberalization on both labor demand and wages. **Sena Kimm Gnangnon (2018)** This paper explores the impact of multilateral trade liberalization on resource revenue using a dataset spanning 57 countries from 1995 to 2015. The negative effect on resource revenue is dependent on the degree of domestic trade liberalization. **Ramesh Bahadur Khadka (2019)** The paper analyzes the impact of trade liberalization on Nepal's economic growth using World Bank data from 1980 to 2013. Positive effects

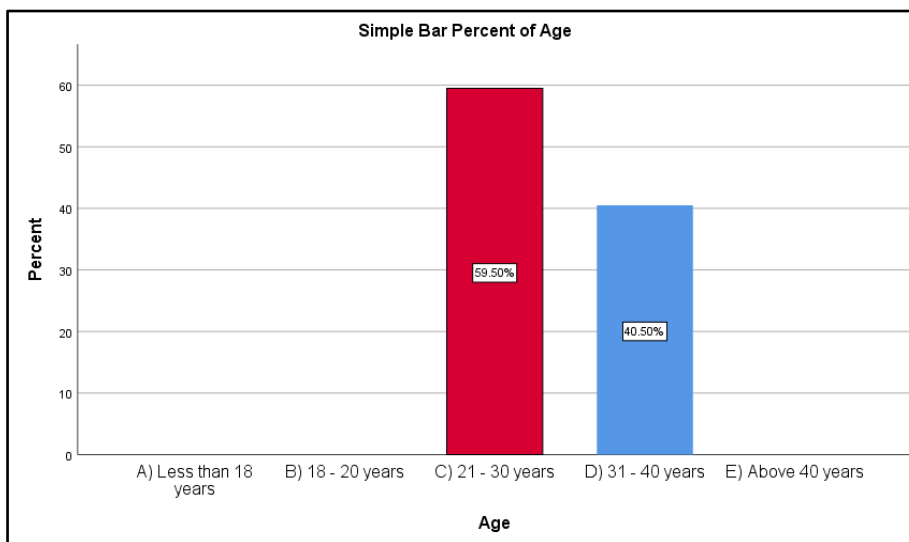
are observed on variables like gross domestic product, export, and import, with a gap in export and imports. **Thang T. Vo (2021)** Quantifying the impact of trade liberalization at the household level using data from the Vietnam Household Living Standard Survey (2002-2016), the study notes a reduced significance after the 2008 global downturn, with rural households facing more vulnerability. **Sara Daifi (2022)** Results indicate that Morocco underutilizes its liberalization, negatively affecting tax revenues due to reduced customs duties. The study suggests the need for trade and tax reforms to counteract the negative effects of liberalization. **Hailegiorgis Bigramo Allaro (2012)** This study examines the impact of trade liberalization on Ethiopia's trade balance using data from 1974 to 2009. Despite expectations, trade liberalization is associated with a deterioration of the trade balance due to rapid increases in imports. **Jun Wang (2018)** Investigating how trade liberalization influences rural poverty reduction in China, the study finds a positive association with reduced poverty probability and increased income for poor residents in rural areas. **Ranjan Aneja (2018)** The study suggests that while trade liberalization measures aimed to promote economic growth in India, they have led to potentially adverse environmental consequences. **Immanial Yamarthi (2023)** Despite rapid growth, the foreign trade and e-commerce industries in India face challenges. Collaboration between the government and the private sector is ongoing to address issues and develop these sectors. **Manoj Pant (2021)** This empirical study examines the dynamic effects of trade liberalization on poverty in India, focusing on channels like households, distribution, factor markets, and government, along with growth and inequality impacts. **Ummara Ghazanfar (2021)** The study explores the relationship between trade liberalization, economic growth, and poverty in four SAARC countries (Bangladesh, India, Pakistan, and Sri Lanka) through time series analysis. **Pankaj Vashisht (2023)** The article quantifies the impact of trade on wage inequality in the Indian manufacturing sector, revealing a positive association contingent on the direction of trade. **Rana Muhammad Adeel-Farooq (2017)** This paper empirically examines the effects of financial liberalization and trade openness on the economic growth of Pakistan and India from 1985 to 2014, considering the role of financial liberalization in economic growth. **Khatiba Zahra (2023)** The study investigates how trade liberalization affects the services sector growth of selected South Asian economies, utilizing yearly panel data from 1990 to 2020 for Pakistan, India, Bangladesh, and Sri Lanka. **Swati Dhingra (2022)** The paper demonstrates that commitments to DTA (Doha Trade Agreement) since the Uruguay Round significantly increased global trade in goods and services, contributing over 40% to welfare gains from trade globally. **Adam Dean (2022)** The research, based on fieldwork and quantitative analysis, places labor unions and labor repression at the center of the debate over democracy and trade liberalization in developing countries, drawing on examples from Argentina, Mexico, Bolivia, Turkey, and India.

METHODOLOGY:

The method used here was the empirical method. The sampling method taken here was the convenient sampling method and the sample size was 200. The sampling frame was set within Chennai, Tamil Nadu. The dependent variables are level of awareness regarding the impacts of trade liberalization in India, positive impact of trade liberalization on India's GDP, negative implications of trade liberalization on the Indian economy, main objectives of economic liberalization are the effective distribution of resources and competitive advantages and the independent variables are age, gender, educational qualification, salary and occupation. The research tools used here are simple bar charts, independent sample T test, univariate analysis of variance and correlation .

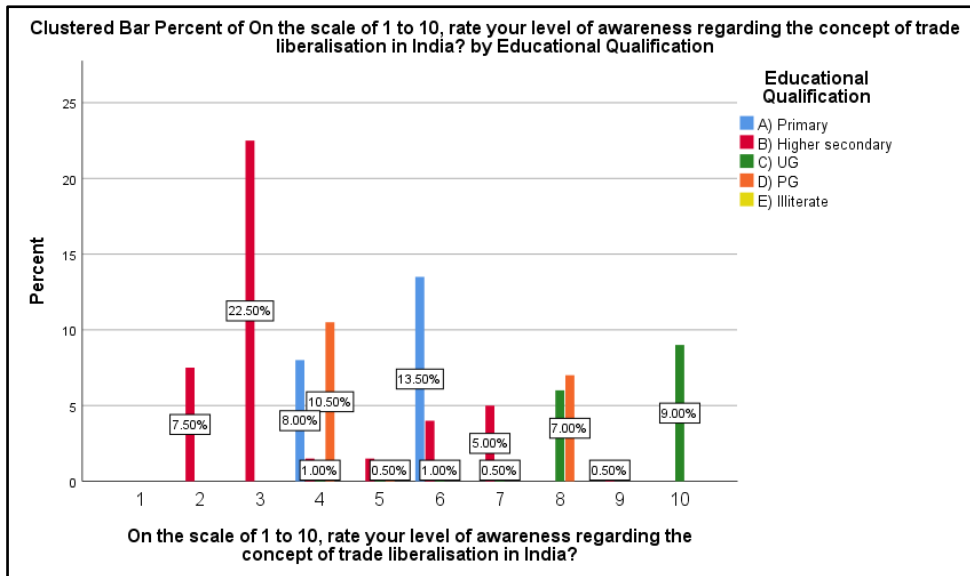
ANALYSIS:

FIGURE 1



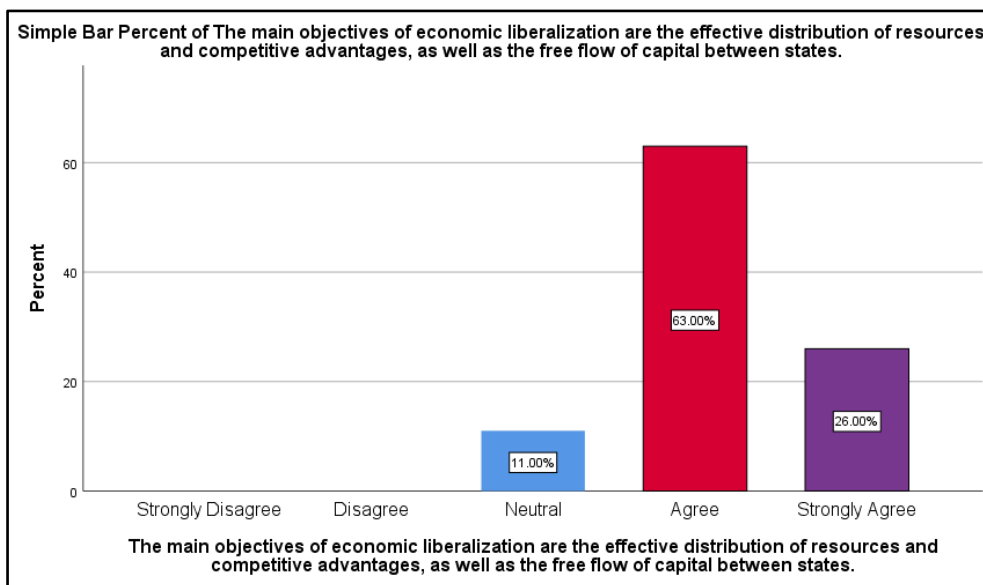
LEGEND: Figure 1, shows the age distribution of the survey respondents.

FIGURE 2



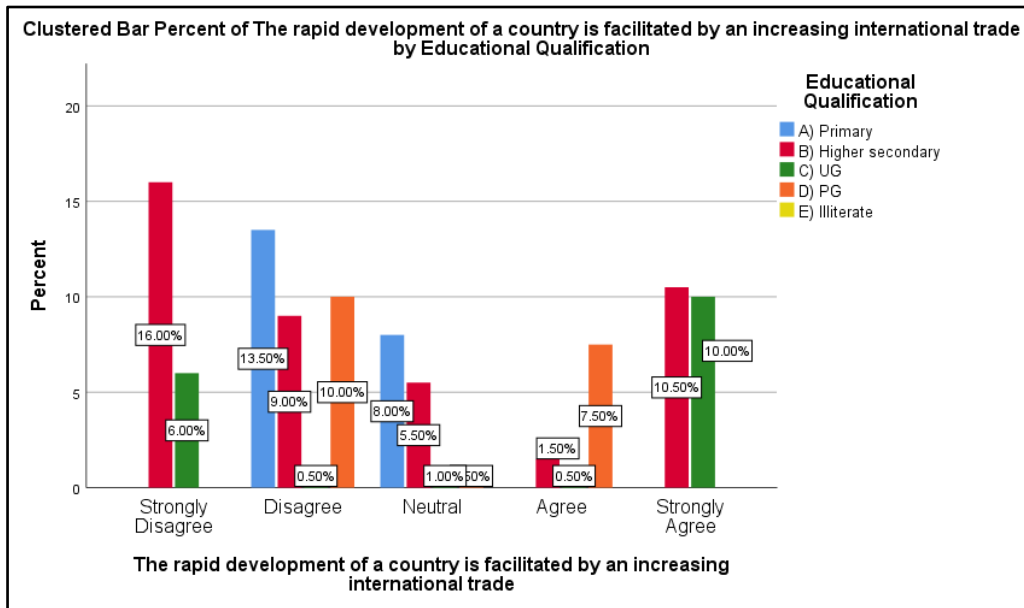
LEGEND: Figure 2, shows the survey respondents’ level of awareness regarding the concept of trade liberalisation in India by educational qualifications.

FIGURE 3



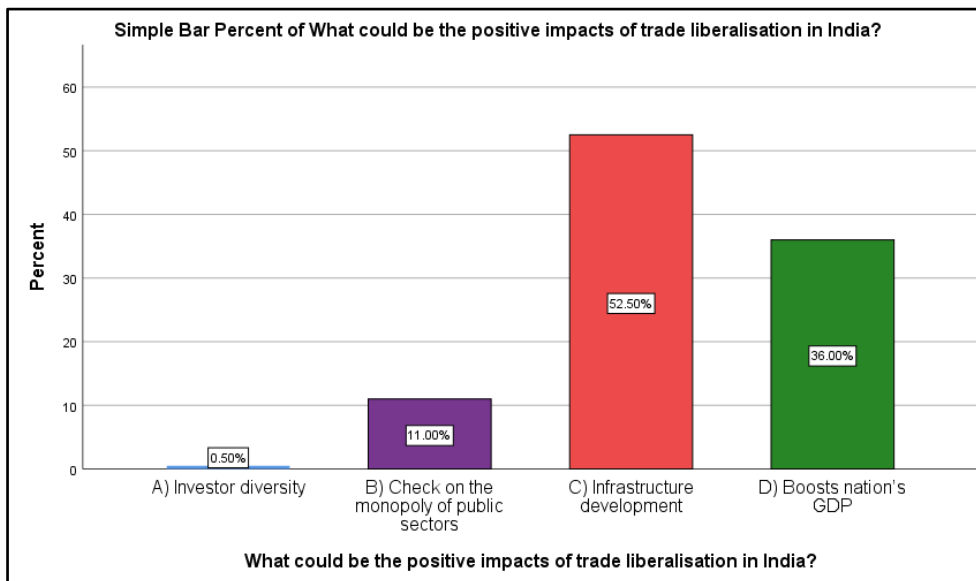
LEGEND: Figure 3, shows the survey respondents’ opinion on whether the main objectives of economic liberalization are the effective distribution of resources and competitive advantages, as well as the free flow of capital between states or not .

FIGURE 4



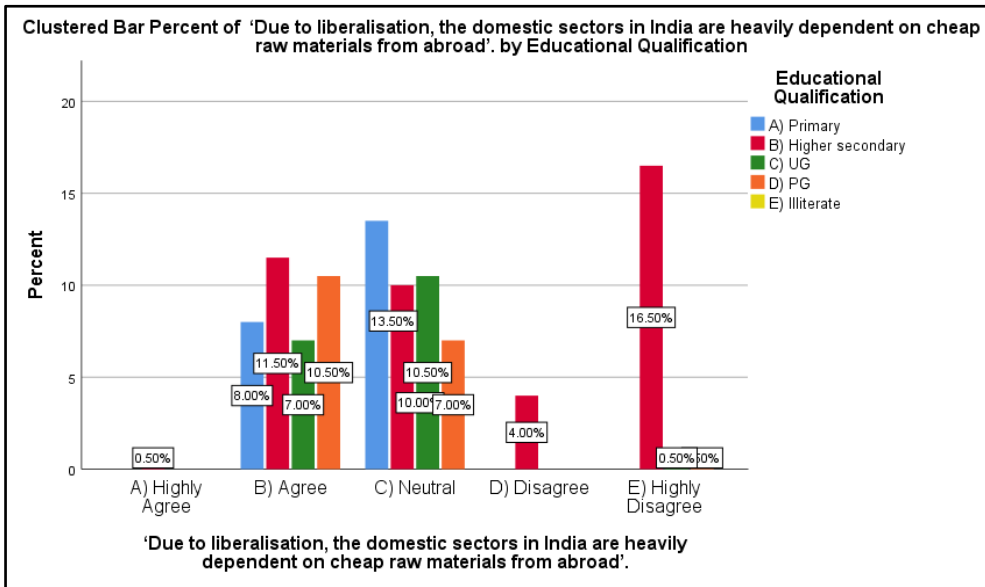
LEGEND: Figure 4, shows the agreeability of respondents’ whether the rapid development of a country is facilitated by an increasing international trade or not by educational qualifications.

FIGURE 5



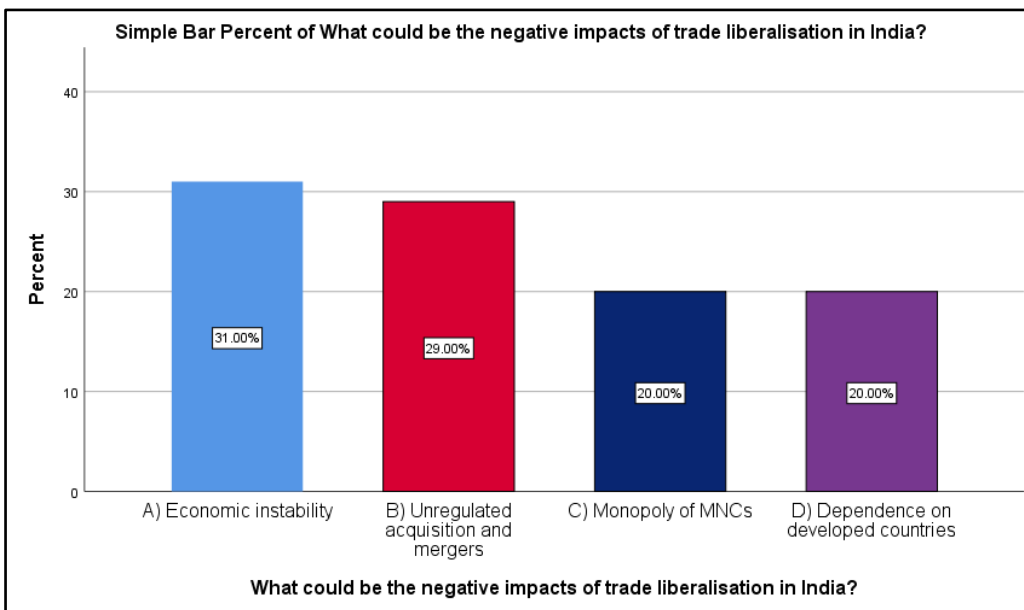
LEGEND: Figure 5, shows the opinion of survey respondents on the major positive impacts of trade liberalisation in India.

FIGURE 6



LEGEND: Figure 6, shows the opinion of survey respondents on whether the domestic sectors in India are heavily dependent on cheap raw materials from abroad due to liberalization or not by educational qualifications.

FIGURE 7



LEGEND: Figure 7, shows the survey respondents' opinion on the major negative impacts of trade liberalization in India.

RESULT:

In **figure 1**, survey respondents belonging to the age group of 21 - 30 years are high (59.5%) followed by 31 - 40 years (40.5%). In **figure 2**, survey respondents have only a limited amount of awareness about the concept of trade liberalisation in India and a considerable amount of high awareness can also be seen. In **figure 3**, respondents have shown agreeability for the statement that the main objectives of economic liberalization are the effective distribution of resources and competitive advantages, as well as the free flow of capital between states with 63% and considerable neutral opinion can also be seen (11%). In **figure 4**, survey respondents have shown disagreeability for the statement that the rapid development of a country is facilitated by an increasing international trade with 23% and considerable agreements can also be seen (20.5%). In **figure 5**, respondents have opined that infrastructure development (52.5%) could be the major positive impact of trade liberalization in India followed by boosting the nation's GDP with 36%. In **figure 6**, respondents have shown neutral opinion for the statement that the domestic sectors in India are heavily dependent on cheap raw materials from abroad due to liberalization with 40% and considerable agreements can also be seen with 37%. In **figure 7**, survey respondents have opined that economic instability (31%) could be the major negative impacts of trade liberalisation in India followed by unregulated acquisitions and mergers (29%).

DISCUSSION:

It can be seen that survey respondents have only a limited amount of awareness about the concept of trade liberalisation in India. The spectrum of awareness about trade liberalization in India, ranging from limited to high levels, is a multifaceted phenomenon. It is influenced by factors such as education, access to information, and economic involvement. Policymakers, educators, and media outlets play a vital role in bridging the gap between these awareness levels. A more informed and engaged citizenry can contribute positively to the formulation and implementation of trade policies, ultimately affecting India's economic trajectory. Therefore, efforts should be made to enhance awareness among all segments of the population to ensure a more inclusive and equitable participation in the benefits of trade liberalization (**Figure 2**). It can be seen that respondents have shown agreeability for the statement that the main objectives of economic liberalization are the effective distribution of resources and competitive advantages, as well as the free flow of capital between states. Economic liberalization, often associated with free-market policies, deregulation, and reduced government intervention in the economy, has been a prominent feature of economic reforms in many countries, including India. Understanding public perceptions of the main objectives of economic liberalization is essential for gauging the level of acceptance and support for these policies. Public opinion on the objectives of economic liberalization

varies based on individual perspectives, experiences, and understanding of economic concepts. While some respondents may agree with the statement that the primary objectives of economic liberalization are resource distribution, competitive advantages, and capital flow, others may hold different views or may be critical of these objectives. Understanding public perceptions of economic liberalization is crucial for policymakers and researchers as it can influence the level of support for liberalization measures and the design of policies. Public discourse and informed debates about the objectives and consequences of economic liberalization are essential to ensure that economic policies align with the broader interests of society and address concerns related to inequality and social welfare (**Figure 3**). It can be seen that the survey respondents have shown disagreeability for the statement that the rapid development of a country is facilitated by an increasing international trade. While international trade can undoubtedly contribute to the rapid development of a country by providing access to larger markets, technology, and capital, it is essential to recognize that it is not a one-size-fits-all solution. Disagreement among survey respondents underscores the complexity of the issue, reflecting concerns about equity, sustainability, and the potential downsides of unfettered globalization. A balanced and comprehensive approach to international trade is needed to address these concerns while harnessing its potential for economic development (**Figure 4**). It can be seen that respondents have opined that infrastructure development could be the major positive impact of trade liberalization in India. Infrastructure development is rightfully perceived by a majority of respondents as a major positive impact of trade liberalization in India. This development not only facilitates international trade but also contributes significantly to the country's overall economic growth. It underscores the interconnectedness of economic policies and infrastructure investments and highlights the importance of continued efforts to maintain and expand India's infrastructure to support its growing economy (**Figure 5**). It can be seen that respondents have shown a neutral opinion for the statement that the domestic sectors in India are heavily dependent on cheap raw materials from abroad due to liberalization. The neutral opinion on the dependence of domestic sectors in India on cheap foreign raw materials due to liberalisation reflects the complexity of the issue. While some industries may heavily rely on such imports, others may be less affected. It underscores the need for a nuanced and sector-specific approach to trade policy and industrial development. Striking the right balance between promoting competitiveness and safeguarding domestic interests is essential for sustainable economic growth and resilience in a globalised world. Further research and data analysis can provide a more comprehensive understanding of the dynamics at play and guide policy decisions in the future (**Figure 6**). It can be seen that survey respondents have opined that economic instability could be the major negative impacts of trade liberalisation in India. The perception that economic instability is a major negative impact of trade liberalization in India highlights

the need for a balanced and comprehensive approach to economic reform. While trade liberalization can bring significant benefits, it can also introduce vulnerabilities and challenges, particularly in terms of job displacement, income inequality, and financial market volatility. Addressing these concerns and mitigating their negative effects is crucial for ensuring that trade liberalization contributes positively to India's economic development and stability (**Figure 7**).

LIMITATIONS:

Given that the research focuses on in-depth exploration within specific settings influenced by values, beliefs, perception, politics, and ideology, the absence of government initiatives could potentially compromise the researcher's analytical objectivity and research independence.

SUGGESTIONS:

To comprehensively evaluate the impact of trade liberalization in India, it is advisable to employ a mixed-method approach. This could involve conducting quantitative analyses of economic indicators like GDP growth, trade balances, and FDI inflows, while also engaging in qualitative assessments to understand sector-specific dynamics, social and income distribution implications, labour market changes, and the extent of technological advancements driven by liberalization. Additionally, a comparative analysis with other nations' experiences in trade liberalization could provide valuable insights into India's progress and challenges, ensuring a well-rounded understanding of the multifaceted effects of trade liberalization on India's economy, society, and global integration.

CONCLUSION:

In conclusion, the impact of trade liberalization in India has been a complex and multifaceted journey that has significantly transformed the country's economic landscape. Over the years, India's pursuit of trade liberalization policies has yielded both positive and challenging outcomes. On the positive side, trade liberalization has fostered increased economic integration with global markets, facilitated technological advancements, encouraged foreign investment inflows, and led to the growth of certain industries, such as information technology and pharmaceuticals. In essence, trade liberalization in India is a continuous process that requires adaptive policies, proactive measures, and a comprehensive understanding of both domestic and global dynamics. By addressing the challenges and building upon the successes, India can harness the potential of trade liberalization to foster sustainable economic growth, uplift its citizens, and contribute to the evolving global economic landscape.

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