

TRENDS IN BALANCE OF PAYMENTS SINCE PLANNING PERIOD



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The principle tool for the analysis of the monetary aspects of international trade is the balance of Payment. A Balance of Payment (B.O.P.) refers to that the systematic double entry record of all economic transaction between the resident of a country and the rest of the world carried out in a specific period of time, India had faced a pressure on balance of payment time to time since planning period, either due to the certain domestic compulsions or due to external factors.

Study area:- In the present research paper an attempt has been made to study the “TRENDS IN INDIA’S BALANCE OF PAYMENT SINCE PLANNING PERIOD” in order to study the trends in balance of payments, the period for study is subdivided into four periods as follows:-

1)1956-57 to 1975-76 2)1976-77 to 1979-80 3) 1980-81 to 1990-914) 1991 onwards

Objectives;- To examine the trends in balance of payment in various period since independence.

Data and research methodology:- The entire data used for the present study have been obtained from the secondary sources; the data required for the analysis of different periods are collected from the following sources. 1. R.B.I. Annual Reports and Monthly Reports various issues 2. Economic and Political Weekly -Various issues. 3. Internet, etc.

Balance of Payment is essentially a double entry system of record of all economic transaction between the resident of the country and the rest of the world carried out in specific period of time. It presents a classified record of all receipts on account of goods exported. Services rendered and capital received by residents and payments made by them on account of goods imported and services received from and capital

transferred to Non-Residents or foreigner. Thus balance of payments is a much wider concept as compared to Balance of trade.

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India had faced pressure on balance of payment since planning period due to either internal or external factors the whole period of planning is more than five decades, can be divided into four sub-periods depending on the 1)Nature of BOP problems 2) Over all economic environment and 3)External Aid situation. Planning period is divided into four parts to study the trends in balance of payment as follows:-

Period I: 1956-57 TO 1975-76:

The period comprising the second, third and fourth plans and first two years of fifth plan saw heavy deficit in balance of payments and extremely tight payment position. This period witnessed three wars, several droughts and the first oil shock in 1973. Though the government resorted to serve import controls and foreign exchange regulation etc.

Period II: 1976-77 TO 1979-80:

This was relatively short period and was a golden period as far as BOP is concerned. In this period India had a small current account surplus of 0.6 of the GDP during this period and also possessed foreign exchange reserves were equivalent to about seven months imports. The relatively comfortable position on the BOP front was due to the following reasons:- * Due to the rapid increase in private remittance from oil exporting countries. *There was a strong growth in exports. *There was a substantial expansion in the activities of Indian firms in oil exporting countries. *The elimination of large price gap between domestic and

foreign markets of gold. Aid receipts were reasonably buoyant and India draws on various IMF facilities during this period.

Period III: 1980-81 TO 1990-91:

This period broadly correspond the period of Sixth and Seventh plan and was marked by severe BoP difficulties. The reasons for severe difficulties are as follows:-* Widening trade deficits. *Gradual decline in net receipts from invisibles. * Reductions in flows of concessional Assistance to India principally from World Bank group. *The third oil shock during 1990-91. * During 1990's domestic political developments affected confidence abroad in Indian economy etc.

Period IV : 1991-92 ONWARDS:

The reforms of 1990's have facilitated India to move away from closed economy framework towards a more open and liberal economy, foreign exchange reserves were built to very comfortable and the difficulties of BOP has come under control the reasons for the same as follows: * In 1991-92 the government introduced sharp compression policy for imports and also resorted to find source of exceptional finance to

meet the current account deficit, due to this policy the current account deficit has become less than 1% of GDP. * Since 1991 the growth of exports was remarkable. * However, since 1996-97 there is a slowdown in the world trade but, the BOP in the same period is remained manageable. * AFTER 2003-2004 the foreign exchange reserves were very comfortable.

Findings and conclusions:-* In the initial period of planning the position of BOP is adverse because of protection policy followed by govt. regarding to world trade. * In 1970's the position of BOP is satisfactory because of, rapid increase in private remittance, growth in exports etc. * In 1980's the BOP is adversely affected due to, trade deficits, oil shock, unfavourable political conditions etc. * since 1990's the reforms facilitated India to move away from closed economy framework towards a more open and liberal economy. *Import/export (BOP) ratio have improved over the period of liberalisation. * Foreign exchange reserves position has also improved in the liberalisation period. *Remittance from expatriate Indians rose strongly, making India one of the largest recipient of such flows.

R E F E R E N C E

- 1) Economic surveys- Ministry of finance, Govt of India various issues. 2) R.B.I. Annual Reports and Monthly Reports various issues 3) Economic and Political Weekly -Various issues. 4) Balance of Payment–Review various issues' 5) Internet. 6) Misra. Puri-Development Issues of Indian Economy,2007