

## Some Issues Related to the Creation and Use of Import Matrices for the Indian Economy

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*In this paper, we have developed a methodology for creation of an import matrix. This generated matrix has then been compared to the published import matrix for 1991-92, for the Indian economy. We find that there is a wide discrepancy between the two. This raises questions regarding the use of a generated import matrix, especially in a liberalizing atmosphere. We have also found the actual and the potential linkages for 1973-74, 1983-84 and 1991-92. Contrary to the expectations, we find that these two are highly and positively correlated. The reasons for this have been examined. We have also looked into the measures of import substitution and the net foreign exchange savings.*

The relationship between the imports of an economy and the domestic economy has been an area of interest for many years. The relationship assumes an added importance in a developing country. This is because a developing country by its very nature is marked by burgeoning imports and lagging behind exports. The globalization and the liberalization process, which has been under way in most of the developing economies since the eighties, has not changed this fundamental fact. Thus, the crucial problem of the extent of dependence on the imports and its sectoral pattern, the relationship between the imports and the domestic production structure would continue to be an area of interest for research.

The problem becomes even more intriguing when one is working in an input-output framework. This is because, while on one hand, the treatment of imports in an input-output framework has not been resolved in a satisfactory manner, on the other hand, the input-output techniques offer fantastic insights into the inter-relationships between the imports and the domestic production structure, which very few other techniques are capable of achieving. The treatment of imports has been impaired by certain theoretical issues and also due to lack of adequate data. In case of the developed economies, only the first constraint operates, however, in case of the developing economies both of them are operative. As more and more developing economies (including India) become more and more open, the share of imports in the Gross Domestic Product (GDP) is bound to increase. Thus, while a more satisfactory treatment of imports and improvements in the availability of data are called for, till then, the implications of the current treatment need to be understood from the policy-making perspective.

This paper is one step in that direction. The purpose of this paper is two-fold. First of all, we would be examining the treatment of imports in an input-output framework and the consequent implications thereof, for the Indian economy. Secondly, we would be focusing on the relationship between the imported inputs and the domestic economy for the period 1978-79 to 1991-92.

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