

## Contributions of Various Factors in Growth of Output and Employment vis-a-vis Liberalisation of Trade in India

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*This paper presents an analysis of impact of international trade on the shares of various factors for growth of production and employment in the Indian economy. The period of study is from the financial year 1979-80 to 1996-97. This period has witnessed significant changes in the policy framework regarding international trade in India. While prior to the year 1984-85, the policy of Import Substitution (IS) was followed in India, gradual transition to Export Promotion (EP) led policy was undertaken from 1984-85 onwards. It later prepared ground for further liberalisation of industrial and foreign trade policies during 1991-92.*

*For sustained growth and development of any economy a comprehensive strategy has to be evolved regarding foreign trade, as it has a close link with the structure of production, income, employment and investment in the domestic economy (see Kindelberger 1961; Butt, 1954; Lacomber, 1970). The liberalisation policy with regard to the foreign trade may have very far reaching consequences for any economy, particularly in terms of domestic capital formation, income, employment, prices, and distribution of income across the different regions and income-groups. This study is an attempt to analyse the impact of international trade on various factors of growth in a large economy, viz., India. For understanding the important factors of growth in output and employment in the various production sectors of the economy, the Input-Output approach has been adopted. This approach provides the analysis in greater details and the indirect effects are also taken into account besides the direct effects while demonstrating various impacts.*

*The results have shown that the Growth in Final Demand (FDG) is the most important factor for growth of output and employment in the Indian economy. With growth in the share of trade due to trade liberalisation, the Export Growth (EG) is also likely to play more important role in future. The Import-Substitution (IS) and Technological Change (TC) factors are also contributing positively for output, employment growth after the trade liberalisation, while the same were contributing negatively prior to 1989-90.*

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