
Abstract

Liberalization reforms in most of the developing countries were introduced during 1980s and 1990s. The basic intent of these reforms was to increase competitiveness, integrate markets as a result of which the price transmission mechanism has been altered. The paper tries to see the change in the alignment of the domestic prices with the world prices .We check for cointegration between the world and domestic prices and further use dynamic model that is the error correction model to analyze the speed of the adjustment process. The data is divided into pre (1982-1991) and post liberalization period (1992-2012) to evaluate the differences in the transmission during the two periods. Different commodities and products have been divided under five groups that covers food, beverages, agricultural raw materials, fuel and petroleum, metals. The results confirm to asymmetric transmission in different groups. The transmission is incomplete presumably due to government intervention (e.g. subsidies on agricultural commodities) and inability to exploit spatial arbitrage opportunities.
