

A Study On India's Foreign Trade: An Analysis

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Abstract: Foreign trade is nothing but international trade which means the trade difference among the different countries in the world. Foreign trade is supporting the country's economic development in its different stages. The composition of foreign trade is an important index of the pattern of trade developed by the country. It involves various items of exports and imports. After globalization, many changes have taken place in India's foreign trade. Meanwhile the government of India has announced foreign trade policies time to time to promote and development of foreign trade in India. In this view, the present study taken place with the objectives of analyzing the imports and exports, balance of payments position and to identify the overall performance of India's foreign trade. To fulfill these objectives the available secondary data have been collected from various secondary sources such as books, journals, annual reports and analyzed with the assistance of statistical tools like percentages, annual growth rates, and CAGRs.

Key words: Foreign Trade, Merchandise, Service, Balance of Payments, India.

Introduction

In the pre-Independence period, the India's foreign trade direction was assessed not according to the comparative cost advantages of India but by the colonial relations between India and Britain. In other words, it was Britain that decided from which countries India could import its requirements and to which countries it could export its products. This pattern continued for some years after Independence as well since India had not till then explored the possibilities of developing trade relations with other countries of the world. As a political and diplomatic contacts developed with other countries, economic relations also made a headway. Therefore, new ways for developing trade relations with other countries open up. The situation has changed very much since and now after six decades of planning.

Since July 1991, the Government of India has initiated number of measures to 'open up' the foreign trade sector and has announced massive import liberalization measures in recent years. These include devaluation of the rupee in July 1991 and subsequently its depreciation against the currencies of leading industrialized countries, introduction of the convertibility of rupee first on trade account and then for all current account transactions, liberalization of import regime, substantial reduction in customs tariff rates, decimalizing of many terms of trade, wide ranging measures to give a thrust of exports, etc.

The Government of India announced first five year foreign trade policy 2014-15 on 1st April 2015, in place of 2009-2014 policy. 2015-20 foreign trade policy links rules, procedures and incentives for exports and imports with other initiatives like "Make in India", Digital India and Skills India". It consolidates five different schemes of incentives under the previous policy. The main focus of the new policy is to support both the manufacturing and service sector with special emphasis on improving the 'Ease of Doing Business'.

Composition of Foreign Trade in India

By configuration of foreign trade of any country, we implicit the configuration of exports and imports. A probe of the composition of foreign trade of a country enables us to analyze the progress of that country and the rate and speed of structural changes operating in it. On the other hand, if exports primary commodities like jute, tea, raw cotton, sugar, etc., but imports capital equipment and machinery, finished goods etc., we can conclude that the country is an underdeveloped one. The speed with which such a country changes its pattern trade is sometimes taken by some economists as an indication of the pace of development in the country. The country exporting more of products, viz., raw materials and importing finished manufacturing and capital goods can be branded as an underdeveloped country. Before the advent of planning in India, main exports were primary goods like jute, tea, cotton, hides and skins, manganese ore, mica, etc., while manufactured products constituted the bulk of imports. During the planning period, the process of industrialization and economic development has induced a number of changes in the composition of foreign trade.

Composition of imports

In 1947-48, the main items of imports in India were oils, grains, pulses and flour, cotton, raw and waste, vehicles cutlery, hardware, implements and instruments, chemicals drugs and medicines, dyes and colors, other yarns and textile fabrics, paper, paper board and stationery, and metals other than iron and steel and manufactured. These imports together constituted more than 70 percent of all imports. Imports of the country have been divided in to four groups like a) food and live animals chiefly for food, b) Raw materials and intermediate manufactures, c) Capital Goods, and d) Other goods.

Composition of exports

Composition of Indian exports are agriculture and allied products which includes tea and mate, cashew kernels rice fish etc. And ores and minerals. Again manufactured goods like cotton, yarn, fabric, readymade garments, leather and leather products, jute, Gems and Jewelry, chemicals etc. Again petroleum products and other products.

Balance of Payments

A balance of payments statement is mainly concerned with a double entry system all economic transactions between the residents of a country and the rest of the world carried out in a specific period of time. It presents a classified record of all receipts on account of goods exported, service 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 foreigners. Therefore, balance of payments much wider term as compared to balance of trade. The latter refers only merchandise imports and exports, the former refers all economic transactions with the outside world. The balance of payments statement is divided into two major account they are current account and capital account. Current account includes transactions relating to goods, services and income. Capital account includes claims and liabilities of a financial nature, which go to finance the deficit on current account or to absorb its surplus from the capital account. The sum of these current and capital account transactions together constitutes the basic balance on the balance of payments.

Literature Review

DR. Pramod & R. Botre (2018), in their research 'A study on foreign trade in India- An over view', they pointed out that, after Globalization changes have been taken place in business environment in connecting to foreign trade. They mentioned that the commercial relations with other countries are more important for stable development of imports and exports. They highlighted the India's new foreign trade policy 2015-20 is very much helpful to easy doing of business.

Dr. A. Gopalakrishnan & A. Mahalakshmi, (2018), 'A Study on Impact of Foreign Trade in India in The Post Liberalization Era' they found that exports have been increased since adoption of new economic policy. And there is a continuous deficit in balance of payment. Composition of exports have increased significantly. There is an increasing trend in petroleum exports. Composition of imports also have grown up significantly. To high growth of economy, post liberalization era helped in a maximum extent.

Dr. Shuchi Gupta, (2019), in his research 'An Analysis of Indian Foreign Trade in Present Era' he found that, there were some cross cutting issues of trade policies, other competitive issues and textile exports. Also found that well settled value chain to robust manufacturing building base.

Dr. Manoj Mishra (2021), in his study, 'India's Foreign Trade – An Overview', he felt that due to COVID 19, there was negative impact on import and export of goods and services during the year 2020-21. He also experienced that, investment is required in market research and product development and understanding of global dynamic trend is required for increasing the exports.

Rahul Kumar & Umendra Singh (2023), in his work 'performance of India's foreign trade since 2015' they identified that there was a significant development in exports and imports. The major exports are manufacturing goods and there is an increasing trend in volume of trade during their study period. And also they felt that imports have negative impact on Indian economic growth.

Need for the study

In our country, since introduction of planning, India had depend on the various types of imports like machineries and equipment for the improvement of different industries in India. These imports were known as developmental imports. In this stage, India had to import capital goods largely in order to start various industries such as locomotives, steel plants, hydro- electric projects etc. subsequently, intermediate goods and raw materials also importing for the purpose of productive capacity utilization in initial situation. These were known as maintenance imports. In India developmental and maintenance imports were essential in the initial stage of developmental process. Even the government has also imported some consumer goods and food grains in order to fulfill the scarcity of essential commodities. In the initial stage the country started to export different types of primary products. Later on country started to make potential export market for its manufactured and semi-manufactured commodities. Therefore,

Foreign trade has been supporting the country in its economic development in various stages. In order to know the ideas about the trend in the value of foreign trade in the country in the current situation, hence, need for the study.

Objectives of the Study

The present study objectives are as follows:

1. To know the back ground and concept of Foreign Trade in India
2. To analyze the merchandise trade and service trade exports and imports
3. To evaluate the overall India's trade and balance of payments
4. To give the acceptable conclusions for findings

Methodology

The present study is completely based on secondary data and analytical and descriptive in nature. The available secondary data has been collected from various secondary sources such as books, journals, magazines and concern annual reports for the period of 10 years from 2012-13 to 2021-22. The available data collected in terms of exports and imports of merchandise trade and service trade related category.

Data analysis

The collected data have been analyzed and presented in the following tables. The following tables are explained exports and imports in terms of merchandise trade and service and balance of payments. And overall foreign trade performance also shown in the tables along with interpretation.

Table No: 1 Exports and Imports of Merchandise Trade during the years from 2012-13 to 2021-22
(Values in US\$ billion)

Sl. No	Year	Exports	Growth	Imports	Growth	Trade Balance
1	2012-13	300.40	-----	490.74	-----	-190.34
2	2013-14	314.41	4.66	450.20	-8.26	-135.79
3	2014-15	310.34	-1.29	448.03	-0.48	-137.69
4	2015-16	262.29	-15.48	381.01	-14.96	-118.72
5	2016-17	275.85	5.17	384.36	0.88	-108.50
6	2017-18	303.53	10.03	465.58	21.13	-162.05
7	2018-19	330.08	8.75	514.08	10.42	-184.00
8	2019-20	313.36	-5.06	474.71	-7.66	-161.35
9	2020-21	291.81	-6.88	394.44	-16.91	-102.63
10	2021-22	422.00	44.62	613.05	55.43	-191.05
	Total	3,124.07	-----	4,616.2	-----	-----
	Average	312.407	-----	461.62	-----	-----
	CAGR	3.85	-----	2.50	-----	-----

Source: DGCI&S

The above table no 1 showing that the exports and imports of Merchandise trade during the years from 2012-13 to 2021-22. From the above table it can be observed that, the exports were an increasing trend, in the year 2012-13 exports were 300.40 US \$ Billion and reached to 422.00 US \$ billion in the year 2021-22. The growth rate of exports reached 44.62 percent in the year 2021-22 from 490.74 US \$ in the year 2012-13.billion when it was It can also be observed that, the imports reached to 613.05 US \$ billion in the year 2021-22 from 490.74 US \$ billion in 2012-13. Imports growth rate has been increased to 55.43 percent from -8.26 during the study period. The interesting feature is that, though total value of imports are more than that of exports, the exports CAGR (3.85) is more than the CAGR of imports (2.50).another important feature is that there is no much difference in trade balance during the study period from 2012-13 to 2021-22.

Table No: 2 Exports and Imports of Service Trade during the years from 2012-13 to 2021-22
(Values in US\$ billion)

Sl. No	Year	Exports	Growth	Imports	Growth	Net of Services
1	2012-13	145.68	-----	80.76	-----	64.91
2	2013-14	151.81	4.21	78.75	-2.50	73.07
3	2014-15	158.11	4.15	81.58	3.59	76.53
4	2015-16	154.31	-2.40	84.63	3.75	69.68
5	2016-17	164.20	6.41	95.85	13.25	68.34
6	2017-18	195.09	18.81	117.53	22.61	77.56
7	2018-19	208.00	6.62	126.06	7.26	81.94
8	2019-20	213.19	2.50	128.27	1.75	84.92
9	2020-21	206.09	-3.33	117.52	-8.38	88.57
10	2021-22	254.53	23.5	147.01	25.09	107.52
	Total	1,851.01	-----	1057.96	-----	-----
	Average	185.101	-----	105.796	-----	-----
	CAGR	6.40	-----	6.88	-----	-----

Source: RBI database and RBI Press Releases

The above table no 2 reveals that the analysis of exports and imports of service trade during the years from 2012-13 to 2021-22. In India's GDP, service sector has dominant role in the contribution to exports and FDI. Even in the pandemic period service sector has shown immediate recovery from the economic disruptions. It is observed that, there is a continuous positive trend in exports of service trade. The exports in 2012-13 was 145.68 US \$ billion and rose to 254.53 US \$ billion in 2021-22. The notable feature is that from 2020-21 to 2021-22 there was a remarkable improvement in exports, that is increased from 206.09 to 254.53. Its annual growth rate recorded from -3.33 to 23.5 percent. The positive CAGR of exports during the study period registered as 6.40. Again it is also observed from the same table, imports of service trade during the year from 2012-13 to 2021-22. In the year 2012-13 imports were 80.76 US \$ billion and increased to 254.53 US \$ Billion in 2021-22. Its annual growth rate is registered as 25.09 in the year 2021-22. The CAGR of imports of service trade is also recorded positively as 6.88. Net services of imports and exports during the study period from 2012-13 to 2021-22 has increased from 64.91 to 107.52. Both in exports and imports there are limited negative growth rates, overall growth are positively impacted.

Table No: 3 India's Overall Trade (Merchandise & Services) since 2012-12 (US \$ Billion)

Sl. No	Year	Exports	Imports	Trade Balance
1	2012-13	446.08	571.50	-125.42
2	2013-14	446.22	528.95	-62.73
3	2014-15	468.45	529.61	-61.17
4	2015-16	416.60	465.64	-49.04
5	2016-17	440.05	480.21	-40.16
6	2017-18	498.62	583.11	-84.49
7	2018-19	538.08	640.14	-102.06
8	2019-20	526.55	602.98	-76.43
9	2020-21	497.90	511.96	-14.06
10	2021-22	676.53	760.06	-83.53
	Total	4,955.08	5,674.50	-----
	Average	495.508	567.416	-----
	CAGR	4.74	3.22	-----

Source: DGCIS, RBI database and RBI Press Releases

The above table no 3 provides the details of India's overall trade of merchandise as well as service. From the above table it can be seen that, the overall trade exports have been showing a positive trend. Overall exports were 446.08 in 2012-13 and rose to 676.53 in 2021-22 almost very good development. In case of overall imports, though there are some variations, ultimately reached positive growth. Overall imports reached to 760.06 in 2021-22 where it was 571.50 in 2012-13. It also observed that the trade balance for the study period from 2012-13 to 2021-22 is recorded in a notable way. Really it is a remarkable feature because it has reduced from -125.42 to -83.53 from 2012-13 to 2021-22. Thanks to the Exim board.

Major Commodities of Export and Import in 2021-22

Table No: 4 Exports of Top 10 Commodities in 2021-22 (Values in US\$ billion)

Sl. No	Commodity	2020-21	2021-22	Growth(%) in 2021-22 over 2020-21	Share (%)
1	Petroleum Products	25.80	67.47	161.47	15.99
2	Pearl, Precious, Semiprecious stones	18.15	27.68	52.51	6.56
3	Iron and Steel	12.12	22.91	88.93	5.43
4	Drug formulations, Biologicals	19.04	19.00	-0.22	4.5
5	Gold and other Precious Metal Jewelry	6.63	11.06	66.90	2.62
6	Organic Chemicals	7.64	10.95	43.34	2.59
7	Aluminum, Products of Aluminum	5.80	10.64	83.57	2.52
8	Electric Machinery and Equipment	8.13	10.35	27.37	2.45
9	RMG Cotton incl accessories	6.87	9.04	31.64	2.14
10	Products of Iron and Steel	6.56	8.79	33.98	2.08
	Total	291.81	422.00	44.62	100

Source: DGCIS, Kolkata.

The above table no 4 gives the information about the exports of top 10 commodities and its growth rate during the year 2021-22. It can be observed that, in the year 2020-21 the highest exports achieved by petroleum products that is 25.80. In the same year, the least exports made by aluminum products that is 5.80. But in the year 2021-22 there is a different trend of exports, the lowest exports achieved by products of iron and steel commodity and the highest achieved by petroleum products like in the year 2020-21. The highest growth rate is with petroleum products and the second highest growth rate is registered by iron and steel commodity (88.93). Out of 100 percent share, the highest share have been mentioned by petroleum products commodity.

Table No 5: Imports of Top 10 Commodities in 2021-22 (Values in US\$ billion)

Sl. No	Commodity	2020-21	2021-22	Growth (%) in 2021-22 over 2020-21	Share (%)
1	Petroleum: Crude	59.48	122.45	105.87	19.97
2	Gold	34.60	46.17	33.41	7.53
3	Petroleum Products	23.21	39.36	69.61	6.42
4	Coal, Coke and Briquettes etc.	16.27	31.72	94.9	5.17
5	Pearls, Precious, Semiprecious Stones.	18.89	31.01	64.17	5.06
6	Electronics Components	15.30	25.94	69.58	4.23
7	Vegetable Oils	11.09	18.99	71.26	3.1
8	Organic Chemicals	11.09	17.77	60.22	2.9
9	Telecom Instruments	14.88	15.22	2.31	2.48
10	Computer Hardware, Pheriperals	10.43	15.17	45.44	2.48
Total		394.44	613.05	55.43	100

Source: DGCI&S, Kolkata

The above table no 5 gives that the details imports of top 10 commodities and its growth rate during the year 2021-22. It can be seen that, in the year 2020-21 the highest imports made by crude petroleum commodity (59.48 US \$ billion) and the lowest in the same year for computer hardware commodity registered as 10.43 US \$ billion. In the year 2021-22 the highest imports have been entered by crude petroleum commodity as 122.45 US \$ billion. There were lot of variations from 2020-21 to 2021-22 import of commodities. The highest growth rates of imports have registered by crude petroleum, petroleum products, coal coke, and vegetables. The major share of imports recorded by crude petroleum. Followed by gold and petroleum products.

Table No: 6 India's Balance of Payments on Current Account during the year 2012-13 to 2021-22 (Value in Rs Crore)

Sl. No	Year	Trade balance	Net Invisibles	Balance of payments
1	2012-13	-10,64,456	+5,84,846	-4,79,610
2	2013-14	-8,84,845	+6,97,095	-1,87,750
3	2014-15	-8,85,862	+7,22,912	-1,62,950
4	2015-16	-8,49,531	+7,05,769	-1,43,762
5	2016-17	-7,54,452	+6,57,536	-96,916
6	2017-18	-10,31,727	+7,17,601	-3,14,126
7	2018-19	-12,60,861	+8,60,633	-4,00,227
8	2019-20	-11,14,902	+9,42,474	-1,72,429
9	2020-21	-7,53,065	+9,35,135	+1,82,070
10	2021-22	-5,55,650	+5,32,703	-22,947

Source: Economic Survey, 2020-21, p. A-86.

The above table no 6 reveals that the balance of payments on current account during the period 2012-13 to 2021-22. In twelfth Plan it is observed that there were some up and downs in Trade Balance. In the year 2012-13 it was Rs. - 10.64 456 crore, it came down to Rs. -7,54,452 crore in 2016-17. It seems there was good performance in exports during the years. Again it is also observed that trade balance has been negatively increased to Rs.12,60,861 crore in the year 2018-19 from Rs.7,54,452 crore in 2016-17. Suddenly trade balance deficit came down to Rs. -7,53,065 crore in 2020-21. Net invisibles was recorded positively in the year as Rs. 5,84, 846 crore in the year 2012-13. And net invisibles showing in the year 2021-22 as Rs. + 5,32, 703 crore. It is a very good sign since net invisibles are showing an increasing trend continuously from the year 2012-13 to 2021-22. In case of balance of payments a notable feature recorded that in the year 2020-21 surprisingly showing positive balance of payments (Rs.+1,82,070 Crore), there was severe pandemic situation.

Findings

- From the table no 1, the interesting feature found that, though the total value of imports are more than the total value of exports, surprisingly Exports CAGR was registered more than the CAGR of imports.
- It is also found that, annual growth rate of merchandise trade imports (55.43) are more than the annual growth rate of merchandise exports (44.62) during the year 2021-22.
- From the table no 2, it is identified that, the total value of service trade exports are more than that of total value of service trade imports during the study period 2012-13 to 2021-22.
- It is also found that, the service trade imports CAGR (6.88) is slightly higher than the service trade imports CAGR (6.44) during the stud period 2012-13 to 2021-22.
- The notable feature found from the table no 3, the overall performance of exports CAGR registered (4.74) more than the overall performance of imports CAGR (3.22).
- Another important feature found from the table no 3, the overall trade balance has been declined from -125.42 to -83.53 form the year 2012-13 to 2021-22.

- From the table no 4, it can be observed that, during the year 2021-22 the highest exports (67.47) made by petroleum products out of top ten commodities.
- It is found from the table no 5, the Crude Petroleum imports stand in top position out of top 10 commodities.
- It is also found that, during the study period the overall balance of payments status is in favorable condition.

Conclusion

India's foreign trade is an important indicator of the country's trade development and its economic development. After globalization, many changes have been taken place in foreign trade. Meanwhile Government of India had implemented policies effectively towards the development of foreign trade. This study involved to evaluate the India's foreign trade and found that, compounded annual growth rate of exports were recorded in a remarkable way in merchandise as well as service trade. India's Foreign Trade policy 2015-20 helped largely in the promotion of exports. Even the balance of trade and balance of payment position also moving favorably. Thanks to the Government of India for the effective implementation of the India's Foreign Trade Policy 2015-20 which have been focused towards foreign trade growth. It is suggested that, the Government should concentrate to improve the exports in maximum extent. It can be expect and overcome with the efficiently and effectively working out the India's Foreign Trade Policy 2023. The outcome of this study is that there is a significant growth in the overall performance of India's Foreign Trade. If the working conditions of EXIM policies and Foreign Trade Policies supervised and monitored effectively, India's Foreign Trade can get good competitive advantage in global scenario.

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