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Original Research Paper

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CURRENT ECONOMIC CHAOS MAY STEM FROM FEAR OR INDECISION

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ABSTRACT India's trade deficit for FY 2025-26 stood at $333.19 billion, with exports at $441.78 billion and imports rising to $774.98 billion, largely due to the high costs of petroleum, precious metals, and oil. Despite this significant trade gap of $119.3 billion, sectors like IT have performed well, lessening negative effects. The trade imbalance is influenced by the COVID-19 pandemic and heightened tensions, especially with the US and Iran. To address this, India is focused on reducing oil imports through local currency transactions with countries like the UAE and Russia while seeking further currency partnerships. Although India produces many fertilizers, it heavily depends on Urea and Di-Ammonium Phosphate imports and is promoting Nano fertilizers to reduce this reliance. Recommendations include limiting gold imports to those accepting local currency while allowing increased personal gold imports from NRIs. Prolonged government discussions without decisive outcomes adversely affect the public through rising costs and service unavailability, jeopardizing economic growth and public trust, emphasizing the need for effective, ethical decision-making for organizational progress.

KEYWORDS : Trade Deficit, Foreign Exchange Crisis, DAP and MOP, Delayed Decision-Making.

INTRODUCTION

India's merchandise trade deficit for FY 2025-26 reached $333.19 billion, with exports totalling $441.78 billion against imports of $774.98 billion, primarily due to high import costs, especially in precious metals and petroleum. Sectors like IT helped alleviate some pressure, resulting in a $119.3 billion trade deficit. Key issues stem from the pandemic and tariff disputes with the US, alongside geopolitical tensions. The government is shifting towards Rupee-based trade with Russia and the UAE, promoting Nano Urea to reduce fertilizer import reliance, and enhancing the Foreign Exchange Management Act to streamline transactions and trade in Rupees. [1] [2] [3] [4] [5] [6]

Literature Review

Arvind Panagariya's "Free Trade and Prosperity" advocates for free trade in developing nations, challenging protectionist views on "infant" industries and market failures. [7] [8] Estar Prasad's "The Dollar Trap" discusses the US dollar's prominence despite crises and competition from the yuan, asserting strong foreign investment shields it from displacement. [9] [10] James Rickards promotes gold as a critical asset amidst global instability, arguing it's necessary for wealth preservation, predicting that future financial crises will lead to increased gold demand from institutions. [11]

Methods

Descriptive research addresses human involvement and national development, focusing on the widening trade deficit and falling Rupee value. Key analysis elements include: identifying reforms to counter the economic downturn; enhancing trade through local currency to bolster the Rupee; examining public trust's role in the Rupee's sustainability; investigating the dual regulatory framework impacts on fertilizer imports; assessing the effects of NRIs selling gold on the Indian market; exploring educational initiatives for electric vehicle adoption; and recommending changes for a more viable FEMA. The research primarily describes system aspects without addressing causative inquiries.

Critical Issues

India's economic issues aren't solely due to reliance on the US dollar but require addressing import bills. With $643 billion in reserves, prioritizing non-essential imports, promoting local currencies, and enhancing local production are crucial. Decision-making also needs improvement to foster sustainable economic solutions. [12] [13] [14]

Decision Making

Decision making is a crucial cognitive process, especially for public servants, consuming a significant portion of their time. The country's mediocre foreign and economic policies exacerbate citizens' burdens, as decisions favor select industrial conglomerates lacking expertise. The government's recent tax policy on gold imports, instead of allowing NRIs to bring in unlimited gold, exemplifies poor decision-making, leading to severe economic consequences for the nation. [15] [16]

India's Over Dependency on the US Dollar

Individuals with amychophobia often exhibit perfectionism and a need for control, fearing failure affects their self-worth. [17] This anxiety leads them to avoid risks, over-prepare, and sidestep challenges. While this cautiousness may provide temporary relief, it can result in long-term stress, procrastination, and missed growth opportunities. Their perception of failure as a danger causes them to freeze or retreat, often leading to overthinking and heightened anxiety. India's reliance on the US dollar exemplifies this mindset, leaving its economy vulnerable due to significant dollar-denominated external debt and dependency on Western capital. Fluctuations in the dollar and global oil prices create economic strain, escalating costs for essential imports. To mitigate these risks, India should pursue bilateral agreements for trade in local currencies and renew Currency Swap Agreements with neighbouring countries, reducing reliance on the dollar. Initiatives like BRICS Pay aim to diminish dollar dependence, yet India's strong ties with the US and cautious approach hinder substantial shifts in its financial strategy against the backdrop of amychophobia. [18] [19]

Indian Rupee Falls Against the US Dollar

The Indian rupee is depreciating against the US dollar due to high import bills, foreign investor outflows, US dollar strength, and inflation disparities. India imports over 80% of its crude oil, necessitating constant rupee-dollar exchanges. Global economic uncertainties drive investors toward the dollar, impacting the rupee. The Reserve Bank of India (RBI) can stabilize the rupee through strategic dollar sales and facilitating trade settlements in rupees, boosting the currency's authority and market demand. [20] [21]

India's Import Bill

India's imports remain dominated by crude oil and petroleum products, despite supply fluctuations from West Asia. Key factors driving up import costs include electronic parts, culinary oils, and fertilizers, resulting in a trade deficit exceeding $333 billion in 2025-26, an increase of over 17%. Imports grew by 7% to $775 billion, while exports stagnated at $442 billion. Rising crude oil prices, influenced by global conflicts, have not yet fully impacted import data, raising concerns about foreign exchange stability and the rupee's value. Precious metal imports surged significantly, further straining the trade balance. [22]

Pressure on the Rupee

India aims to minimize import costs by focusing on petroleum, gold, edible oil, and electronics. Shifting to electric vehicles, enhancing public transport, and boosting domestic hydrocarbon exploration are key. Expanding renewable energy reduces reliance on imports. Initiatives also target gold purchases, cooking oil consumption, and increasing local production to achieve energy independence and lower foreign exchange outflows. [23]

Import Vulnerability

China, Hong Kong, and Singapore contribute approximately USD 38.89 billion, while the UAE, Hong Kong, and Belgium supply pearls and stones totalling USD 23.83 billion. Machinery and nuclear reactors cost around USD 29.12 billion; organic and inorganic chemicals stand at USD 26.71 billion. Gold imports surged by 82% in April 2026, raising concerns over the Prime Minister's call to delay non-essential purchases amidst a 15% customs duty increase. The likelihood of reduced gold imports appears low, with market volatility pushing investors toward ETFs. Simultaneously, India's edible oil imports rose over 12%, with imports meeting 56% of demand in 2023-24. Rising fertilizer costs have exacerbated reliance on imports, expected to reach 50% by 2025-26. [24] [25] [26]

Prime Minister Modi's push for "Made in India" products has seen limited success under the Atmanirbhar Bharat initiative, with reliance on Chinese imports remaining high. Electronic component imports rose over 20%, and efforts to boost domestic battery manufacturing have failed. This increasing dependency is straining foreign currency reserves and worsening the trade deficit amid a weakening rupee. [27]

New Insights

When governments delay decisions, residents suffer through economic strain and diminished access to essential services. Prolonged disputes hinder critical projects and social welfare initiatives, causing increased costs and lost growth opportunities. Leaders' indecisiveness showcases leadership shortcomings rather than technical deficiencies. India's response to sanctions on Russian oil exemplifies hasty decisions leading to economic challenges, revealing deeper trade imbalances and vulnerabilities exacerbated by fluctuating currency and rising import costs. [28] [29]

Assertions

India's merchandise trade deficit for the fiscal year 2025-26 reached $333.19 billion, highlighting a significant economic challenge despite a robust services sector, especially in IT and business process outsourcing. To address this imbalance, India must focus on reducing import dependency, particularly in energy and precious metals, promote domestic manufacturing, and encourage trade in rupees with strategic partners like Russia and Iran to mitigate currency risks. [30]

India's reliance on imported fertilizers and costly gold imports—over $90 billion annually—further exacerbates economic vulnerabilities, necessitating increased domestic production and innovative solutions like Nano-fertilizers. At the same time, transitioning to electric vehicles and expanding renewable energy initiatives are essential for reducing fossil fuel dependence. [31]

Strengthening the rupee is pivotal through policies that enhance exports, diversify trade partners, and support local currency settlements. Despite ongoing efforts, the dollar's dominance persists due to India's significant dollar reserves and foreign investments. Greater emphasis on self-reliance in manufacturing and import substitution, alongside infra-structural improvements and digital innovations, is critical to improving trade flows and reducing bureaucratic inefficiencies. [32]

CONCLUSION

India's merchandise trade deficit for FY 2025-26 hit $333.19 billion, attributed to high import costs, particularly of precious metals and gasoline, with exports at $441.78 billion against imports of $775 billion. The IT sector mitigates some challenges. Proposed solutions include reducing import reliance, enhancing domestic manufacturing, and promoting local currency trade with key partners. The rupee's depreciation amidst global crises and inflation further complicates the situation. Strengthening regional currency ties, improving infrastructure, and adopting modern trade practices are essential to address trade deficits, dollar dependency, and economic resilience amidst rising global tensions.

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