



## A STUDY ON MERCHANDISE TRADE OF INDIA

### KEYWORDS

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**ABSTRACT** The Indian economy has gained considerable momentum over the last one decade, by achieving and sustaining an annual GDP growth rate of over 7 percent. This high growth rate can be in part attributed to the growing contribution of the export sector to the economy. The Second World War severely impacted the economic stability of many countries, however, India's economic performance remained less affected as its GDP continued to grow at 3.5 percent per annum while the per capita income averaged at 1.3 percent per annum, a phenomenon better known as the "Hindu rate of Economic growth" and this growth rate persisted till 1979-80 (Virmani 2004).

Exports have played an increasingly important role in India's economic growth in the last two decades. This paper analyses the performance of India's exports and the various economic factors which have contributed to its growth. Since manufactured exports comprise a significant share of India's aggregate (merchandise) exports, the paper also provides an overview of the export performance of two important compound growth rate and growth rate ratio.

Based on above background, the researchers made an attempt to analyze the "A Study on Export of Merchandise Trade of India" With Following Objectives.

#### Objectives

- To estimate the export and import compound growth rate of merchandise trade
- To study the growth rate ratio of export and import merchandise trade

#### Period of the Study

The study totally dependence on the secondary data. The secondary data were collected for 25 years from 1990-91 to 2015-16 depending on the availability of data for hand book of statistics on Indian economy.

#### Tools of Analysis

In order to arrive at the inferences statistical tools such as the growth rate analysis is applied.

#### Review of Past Studies

Heena Goel and Anjali Sharma (2015) in the studies on "India's merchandise trade with UAE: growth, prospects and future potential" India and UAE are the two important emerging economies of the world with strong history of intimacy. After liberalization both have made rapid progress. The bilateral trade between the countries has definitely impact on the economic scenario of world trade. The trade relation between India and UAE is developing its own impetus and dynamism. UAE's share in Indian exports and Imports increased from 4.41 per cent and 3.39 per cent in 1996-97 to 9.71 per cent and 6.45 per cent in 2013-14 respectively. During the period of 1996-97 to 2013-14, the real growth rates of Indian exports to and imports from UAE grew at higher rate than its overall exports and imports. The geographical relations between India and UAE turned to be good one, which positively affected their trade relations. The trade between these two giant economies has been identified as the most sensible and reliable instrument, in recognizing the impact on the dynamism of the global economy and its vibrant growth speed. It is in this context of their changing behavior, the present study makes an endeavor to appraise that how the bilateral trade between the two countries becomes as a tool in intensifying their partnership for their joint advantages in the future time.

**Table: 1 Annual and Compound Growth Rate of Merchandise Trade of India**

(US \$ million)

Years	Export	Annual Growth rate	Import	Annual Growth rate
1990-91	18477	----	27915	----
1991-92	18266	-1.14	21064	-24.54
1992-93	18869	3.30	24316	15.44
1993-94	22683	20.21	26739	9.96
1994-95	26855	18.39	35904	34.28
1995-96	32310	20.31	43670	21.63
1996-97	34133	5.64	48948	12.09
1997-98	35680	4.53	51187	4.57
1998-99	34298	-3.87	47544	-7.12
1999-00	37542	9.46	55383	16.49
2000-01	45452	21.07	57912	4.57
2001-02	44703	-1.65	56277	-2.82
2002-03	53774	20.29	64464	14.55
2003-04	66285	23.27	80003	24.10
2004-05	85206	28.54	118908	48.63
2005-06	105152	23.41	157056	32.08
2006-07	128083	21.81	191254	21.77
2007-08	166162	29.73	257629	34.71
2008-09	189001	13.75	307652	19.42
2009-10	182163	-3.62	299491	-2.65
2010-11	256159	40.62	383481	28.04
2011-12	309774	20.93	499633	30.29
2012-13	306681	-0.99	502237	0.52
2013-14	318607	3.89	466216	-7.17
2014-15	316245	-0.74	461484	-1.01
2015-16	266365	-15.77	396444	-14.09
CGR	11.26		11.19	

Source: Hand Book of Statistics on Indian Economy.

Merchandise trade only includes trade in goods, not services nor capital transfers and foreign investments. Official merchandise trade statistics measure the level, month-over-month and year-over-year changes in total trades, exports and imports. Balance of merchandise trade is equaled to total exports minus general imports. Exports are a component of aggregate demand (AD). Rising exports will help increase AD and cause higher economic growth. Growth in exports can also have a knock on effect to related 'service industries'. The

strength of exports has a large role in determining the current account deficit. As far as India's export is concerned, there was more fluctuation could find in annual growth of exports. It is noted that the exports negative growth was occurred only in certain years and recorded minimum growth of -1.14, -3.87, -1.65, -3.62, -0.99 and -0.74 throughout the analysed period of 26 years. The compound growth rate was recorded 11.26 percent.

Chart -1 Annual Growth Rate of Merchandise Trade of India

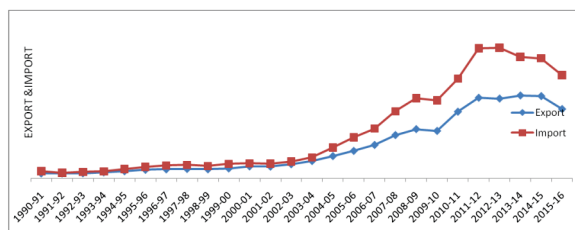


Table: 2 Ratio of Merchandise Trade of India

(US \$ million)

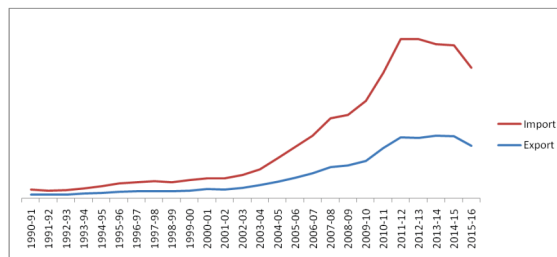
Years	Export	Import	Marginal X Growth	Marginal I Growth
1990-91	18477	27915		
1991-92	18266	21064	-211	-6851
1992-93	18869	24316	603	3252
1993-94	22683	26739	3814	2423
1994-95	26855	35904	4172	9165
1995-96	32310	43670	5455	7766
1996-97	34133	48948	1823	5278
1997-98	35680	51187	1547	2239
1998-99	34298	47544	-1382	-3643
1999-00	37542	55383	3244	7839
2000-01	45452	57912	7910	2529
2001-02	44703	56277	-749	-1635
2002-03	53774	64464	9071	8187
2003-04	66285	80003	12511	15539
2004-05	85206	118908	18921	38905
2005-06	105152	157056	19946	38148
2006-07	128083	191254	22931	34198
2007-08	158461	248521	30378	57267
2008-09	166162	257629	7701	9108
2009-10	189001	307652	22839	50023
2010-11	256159	383481	67158	75829
2011-12	309774	499633	53615	116152
2012-13	306681	502237	-3093	2604
2013-14	318607	466216	11926	-36021
2014-15	316245	461484	-2362	-4732
2015-16	266365	396444	-49880	-65040

Source: Hand Book of Statistics on Indian Economy.

Marginal growth, also known as the marginal growth rate, is a way to evaluate how much an object of study has grown over the course of a certain period of time. Objects of study can range from a specific product or service to a specific aspect of the economy. Marginal growth of India's Merchandise Trade between the analysed period of 26 years have found that there was more fluctuations in marginal export growth recorded -211 US \$ Million. But it was drastically increased -49880 US \$ Million. There was significant boost in export during 1993-94 MXG (Marginal Export Growth) recorded 3814 US \$ Million due to Economic liberalization. But it was reduced -1358 US \$ Million during 1998-99. Agricultural exports in the country's total exports have been consistently falling for the third year in a row. The share of agriculture and allied products, after peaking to 20.4 per cent in 1996-97, declined to 18.4 per cent in 1998-99. Between April-November 1999, there was 11.6 per cent fall in agricultural exports which has further reduced agriculture to 14.5 per cent in the total

export basket. As far as marginal growth and ratio of merchandise trade of India is concerned almost all the years the export was recorded more than 60 percentages. Our two biggest import items are crude oil and gold which we cannot produce enough locally to meet the demand. They contribute significantly to the trade deficit (import being higher than export).

Chart -2 Ratio of Merchandise Trade of India



Conclusion

The trade relations between India and UAE are developing its own momentum and dynamism. Since the nineties, India's merchandise trade with UAE increased at a tremendous rate. Over the twenty years period, there has been seen a rise of more than 21 fold in India's total trade with UAE. This growth in trade statistics proved very kind for India as most of the years it experienced positive trade balance with UAE. The trade surplus with UAE accounted for US\$ 148.30 million, which rose to its maximum i.e. US\$ 4,471.30 million in 2009-10, and then slightly reduced to US\$ 1,500.60 million. Govt. imposed duties on imported gold to curb demand. But importing crude oil (and petroleum related products) is necessary for the economy until we find and produce enough oil and gas from our own fields. Exports share with Imports have significantly dominated some of the period especially 1991-92, 1993-94, 2002-03 & 04 have recorded more than 80 percentage. Doubtless, the fall in crude prices has affected the dollar earnings from exports of refined petroleum products like diesel and petrol. Slower growth in world trade is an irrefutable reality that is bound to affect India's exports.

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