

Miss Namrata Golyan and Dr. Varun Sharma (Feb, 2022). An Explorative Study of Composition of Foreign Trade And Its Impact On Economic Growth of India

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## **An Explorative Study of Composition of Foreign Trade And Its Impact On Economic Growth of India**

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### **ABSTRACT:**

Trade plays a significant role in country's development and growth process. No country cannot be self-sufficient to meet all their demand and consumer requirements so there is need to do foreign trade. Foreign trade helps to exchange surplus production and helps other countries to meet their needs. The composition of trade helps to know about in which type of commodities a country deal. The nature of export import can determines the level of economic growth in a country. The purpose of present study is to explore the composition of export and import in foreign trade. For this study date will be secondary in nature and appropriate statistical tools and techniques will be used for analysis


And conclusion. On the basis of conclusion, recommendations are suggested.

**KEYWORDS:** import, export, economic growth, foreign trade

### **INTRODUCTION:**

#### **Composition of foreign trade:**

By the term composition of trade we mean the structural analysis involving the various items of export and import of the country. The composition of foreign trade is an important indicator of the pattern of trade developed by country. Composition of FOREIGN TRADE helps in structural analysis and shows the commodities combination that we bought from another country and export to another county .Composition of foreign trade includes composition of Export and Import.

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### **Objective of study:**

1. To study the structural analysis of composition of foreign trade.
2. To know the nature of composition of commodities.
3. To recommend how India's foreign trade can be improve.

### **RESEARCH METHODOLOGY:**

For this research, the data of period between 2008-09 to 2018-19 has been taken and secondary data is used. The secondary data is collected from various sources like newspapers, articles, books, government annual publications etc. this study focuses on descriptive research design.

### **COMPOSITION OF EXPORTS:**

Indian Exports may broadly classified into traditional and non-traditional.

Jute, Tea, Coffee, Cotton Textiles, Mineral ores, Cashew-nuts, Spices have been the main export items from a long period of time. They are known as India's traditional exports. Recent years, it has been witnessed the emergence of several new export items, which may be called non-traditional items of exports. The share of non-traditional items in total exports is continuously increasing. It is a demonstration of the industrialization of our economy.

We have witnessed an increasing diversification in India's exports as a result of planned development and economic reforms after Independence of a country. Now the export has been increase as well as spread over a number of commodities. Now India emerged as an exporter of diversified products in place of only confined to primary product.

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**SUMMARY OF COMPOSITION OF EXPORTS (IN RUPEES BILLION)**

Year	Primary Product	Manufactured Goods	Petroleum Product	Others	Total Exports
2008-09	1165.26	5664.02	1233.98	344.29	8407.55
2009-10	1252.34	5464.56	1328.99	409.45	8455.34
2010-11	1496.47	7198.63	1887.79	846.33	11429.22
2011-12	2200.79	8885.99	2679.15	893.66	14659.59
2012-13	2533.09	9954.41	3307.9	547.49	16343.11
2013-14	2914.56	11623.83	3802	601	18941.82
2014-15	2220.2	11764.8	3811.6	1185.9	18964.5
2015-16	1995.7	11651.8	2373.9	1142.4	17163.8
2016-17	2239.4	12620.2	2503.8	1131.7	18494.3
3017-18	2467.64	13064.31	2855.99	1177.21	19565.14
2018-19	2670.59	15016.58	3861.5	1528.59	23077.26

SOURCE: RBI HANDBOOK OF STATISTICS

**SUMMARY OF COMPOSITION OF EXPORTS (IN PERCENTAGE)**

Year	Primary Product	Manufactured Goods	Petroleum Product	Othe rs	Total Exports
2008-09	13.90%	67.40%	14.70%	4.10%	100.00%
2009-10	14.80%	64.60%	15.70%	4.80%	100.00%
2010-11	13.10%	63.00%	16.50%	7.40%	100.00%
2011-12	15.00%	60.60%	18.30%	6.10%	100.00%
2012-13	15.50%	60.90%	20.20%	3.30%	100.00%
2013-14	15.40%	61.40%	20.10%	3.20%	100.00%
2014-15	11.70%	61.95%	20.10%	6.25%	100.00%
2015-16	11.63%	67.88%	13.83%	6.66%	100.00%
2016-17	12.11%	68.24%	13.54%	6.11%	100.00%
3017-18	12.61%	66.77%	14.60%	6.02%	100.00%
2018-19	11.57%	65.07%	16.73%	6.63%	100.00%

SOURCE: AUTHOR CALCULATED VALUES FROM ABOVE TABLE

The Table indicates the exports of Principal Commodities of India's from 2008-2009 to 2018-2019. The commodities are classified into four categories.

1. Primary products include agriculture and allied products.

2. Manufactured goods.
3. Petroleum products.
4. Other commodities.

An outstanding feature of India's export is that there is considerable increase in the export of manufactured items. These includes traditional as well as non- traditional products like gems, jewelry, textiles, readymade garments, leather products, engineering goods, organic & inorganic chemicals etc. The programs of industrialization initiated in India during planned period, export of manufactured rose substantially. It occupied the first place in India's export earnings.

Petroleum sector has emerged as the second largest foreign exchange earners over the years. The surplus refining capacity has enabled domestic value addition to the crude oil.

Composition of India's export has undergone a positive change. The remarkable achievement is that India has transformed itself from a predominantly primary goods exporting into a non-primary goods exporting country.

#### **COMPOSITION OF IMPORTS:**

Composition of import helps in structural analysis and shows the commodities combination that we bought from another country. At the time of independence, our country was primarily an agriculture economy. Industry was not so developed. At that time India had to import large quantities of food grains and other basic need goods.

With the development of economy over the years there has been market change in the composition of imports. Economic development required setting up of new industries, modernization of agriculture and industry. On account of these developments composition of developing countries like India remains in same state of continuous flux. Some existing items keep vanishing from its trade flows and occupying various degrees of importance. For example- Due to increasing home production of food grains there has been rapid decline in their import and we are self-sufficient in food grains.

To meet the developmental needs, now we are importing various types of items like capital goods, metals and minerals, chemicals and fertilizer, POL (Petroleum, Oil and Lubricants) etc.

The table present the categorical composition of import and the table presents the figure in percentage share of categories will composition of import in total import for the respective year. The period of study is 2008-2009 to 2018-2019.

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**SUMMARY OF COMPOSITON OF IMPORTS (IN RUPEES BILLION)**

Year	Food includes(cereals)	Petroleum and Products	chemicals and fertilizers	Capital goods	Manufactured goods	Others	Total
2008-09	255.55	4199.68	1284.24	3303.84	3202	1499.05	13744.4
2009-10	458.07	4116.49	997.84	3124.85	3403.42	1536.69	13637.4
2010-11	429.95	4822.82	1152.6	3578.76	5057.34	1793.21	16834.7
2011-12	611.92	7430.75	1624.88	4755.07	6331.33	2700.68	23454.6
2012-13	736.8	8918.71	1672.5	5181.67	6835.9	3346.04	26691.6
2013-14	634.17	9978.85	1744.37	5226.59	5906.11	3664.25	27154.3
2014-15	921.35	8428.74	1929.63	5505.95	6775.23	3809.23	27370.1
2015-16	1064.09	5405.05	1959.87	6107.05	6518.15	3848.85	24903.1
2016-17	1135.27	5832.17	1819.5	6586.02	6254.2	4149.68	25776.8
2017-18	1072.34	7003.21	2116.66	7356.1	7887.47	4574.55	30010.3
2018-19	920.86	9862.75	2741	8887.38	8305.11	5229.65	35946.8

Source: RBI Handbook Statistics

**SUMMARY OF COMPOSITON OF IMPORT (IN PERCENTAGE)**

Year	Food includes (cereals) %	Petroleum and Products%	chemicals and fertilizers%	Capital goods%	Manufactured goods%	Others%	Total%
2008-09	1.86	30.55	9.34	24.04	23.3	10.9	100
2009-10	3.36	30.19	7.32	22.91	24.96	11.26	100
2010-11	2.55	28.65	6.85	21.26	30.04	10.65	100
2011-12	2.61	31.68	6.93	20.27	27	11.51	100
2012-13	2.76	33.41	6.27	19.41	25.61	12.54	100
2013-14	2.34	36.75	6.42	19.25	21.75	13.49	100
2014-15	3.37	30.79	7.05	20.12	24.75	13.92	100
2015-16	4.27	21.7	7.87	24.53	26.17	15.46	100
2016-17	4.4	22.63	7.06	25.55	24.26	16.1	100
2017-18	3.57	23.34	7.05	24.52	26.28	15.24	100
2018-19	2.56	27.44	7.63	24.72	23.1	14.55	100

Source: The Author Calculated Values from above Table.

The import items are categorized into 6 groups:

- I. Food and Food grains.
- II. Petroleum, Crude and Products.
- III. Chemical and Fertilizer.
- IV. Capital goods.
- V. Manufacturing item (include raw material and intermediate goods).
- VI. Others.

- 1) Food and Food grain: Cereals, edible oil, pulses, sugar, fruits and vegetable are categorized in this groups. Before start of Green revolution in India, food grains had to import on a large scale for a number of years to meet the domestic requirements. In later years, India become self-sufficient in food grains production. As in study period, its share is in between 1 to 5 percent in composition of total import.
- 2) Petroleum, Crude and Products: Fuel is now important need for an economy. In India scenario, its consumption is increasing at a great extent on account of industrialization and increasing domestic demand. As India have limited resources of fossil fuels, inadequate output of crude petroleum and related products, has increased our dependence on imports. It is clearly seen during study period, POL imports have accounted for more than one fourth of total import expenditure in most of the years. In 2015-2016, it has been observed the sharp decline in percentage share in comparison to 2014-2015 in expenditure of total import from 30.79% to 21.70% and this trend continued from two to three years. A significant feature observed by studying various sources, is primarily due to fall in global prices of crude. As year to year fluctuation in this percentage share mainly due to the volatility of world oil prices.
- 3) Chemicals and fertilizers: This category includes organic and inorganic chemicals, chemical material and products, fertilizers, crude and manufactured. It is a very important constituent of growing Indian economy in term of development of industry and agriculture. It provides several raw material for a number of industries like soap and detergent, agrochemicals, paints. Fertilizers is also very important for crop production to maximize their crop yield on a specific piece of land. During study period of ten years, in percentage terms, the share of chemical and fertilizer in total import has varied between constantly with 6% less than 10 percent.
- 4) Capital goods: In simple words, capital goods are not finished goods but used to make new products. These include machinery and machine tools, project goods, transport

equipment, electrical equipment, mining equipment etc. it reflects the firming up to industrial growth. It accounted almost 25 percent share in total import.

- 5) Manufactured Items: Between 2008-09 and 2018-19, the proportion of “manufactured items” covered around one-fourth of total import. This category includes wide range of manufactured articles (include raw material & intermediate goods for manufacturing also), in addition to it pearls, precious and semi-precious stones, iron and steel, non-furious metals (includes gold and silver), textile yarn, fabrics and related products, wood and wood products, leather and leather products, pulp and waste paper, newsprint, metallic ferrous ores and other minerals etc. undoubtedly a very large proportion grouped under this category. India import is continuously increasing of iron and steel, pearl, precious and non-precious stones, gold and silver, large quantity of metallic ferrous ores in this category. Despite increasing domestic production, substantial quantities continue to be imported as domestic production has failed to meet the rising demand.
- 6) Others: Coal, Coke and Berquittes, Medicinal & pharmaceutical products, professional instruments & optical goods, plastic material and other unclassified items are grouped in this category. The proportionate share of this category under total import was “between 10% to 16%.”It has been analyzed by study that coal is imported in massive quantity due to shortage of domestic coal.

No doubt with the development of economy over the years there has been depict great change in an economy. It exhibited change in composition of import and shift agriculture economy to industrial economy. During study period of 10 years there is not much change is observed in composition of import. In 10 years, there is great percentage share of petroleum, crude and products, capital goods and manufactured items in total import expenditure of India.

## **CONCLUSION AND SUGGESTIONS**

No doubt Indian economy move towards inward looking to outward looking economy. AFTER 1991 introduced so many reforms in a view to achieve lots of targets in side of economic growth and development of our country. Composition of foreign trade also decides in which direction our import and export are working. Suppose more capitalized goods imported it indicates industrialization. In study of 10 years it can be concluded that in export continue share of primary products are declining and products related to petrochemicals are increasing their share in composition of exports. If we talk about imports as we know due to increasing home production of food grains there has been rapid decline in their import and we are self-sufficient in food grains. Now India is importing to meet their developmental needs, importing various types of items like capital goods, metals and minerals, chemicals

and fertilizer, POL (Petroleum, Oil and Lubricants) etc. and in during period of ten years there is not so much change observed in composition of imports because in this study time period our economy was so much affected by uncertainties ant global level and demonetization in India. To achieve desirable objectives in economic growth and increase share of foreign trade in global market we need to formulate policies to accelerate exports and need to introduce diversification in export baskets and ease of doing business for importers and promote foreign direct investments to generate more flow of funds in an economy.

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