

**Growth, Composition and Direction of Exports: A Case Study of India****Navpreet kaur****Research Scholar, Punjabi University, Patiala.****Krishan Gopal****Assistant Professor, Deptt. Of commerce, Govt, National College Sirsa, Haryana.****Abstract**

*External sector of India has performed well as India's exports grew at an average rate of 13.66% during the study period. Among all the 21 classified commodity groups, exporting arms and ammunition ranked first with a growth rate of 18.36%, transportation equipments and mineral products also showed impressive growth rates. The performance of India's agricultural exports has, however, been not that satisfactory and their share in overall exports witnessed a decline. Increasing overall percentage share of manufactured products such as pearls, precious or semi precious stones, metals, machinery and mechanical appliances is a tremendous achievement for India's export sector and needs special attention. On the other hand share of textile and textile articles which were one of the most important commodity groups in total exports declined from 21.11% in 2003-04 to 11.04% in 2012-13. In nutshell, lot of major changes took place in the composition of exports from agricultural products to manufactured exports in overall exports earnings. Though the share of U.S.A declined during the recent few years, even then it remained on the top as number one destination for Indian exports in terms of relative share in India's exports and it can only be compared to UAE whose export share has increased from 8.0285% in 2003-04 to 12.1049% in 2003-04. However, India has been unable to make a strong dent in the concentration of its exports in terms of commodities as well as export destinations. The directional change towards developing countries can be considered as an achievement of India's exports sector during the study period.*

## 1. Introduction

Trade is the most important factor contributing to the internationalization of the economic system. As all factors of production are not available in a country, so to fulfill its varying needs countries engage themselves in foreign trade. Foreign trade is important to an economy because every country needs to import a variety of products and for this foreign exchange is needed. Foreign exchange is necessary for a developing country to achieve rapid growth and its shortage is considered as the major hindrance in the economic development of a country. The sources of foreign exchange are foreign aid, foreign private investment and export earnings. The prospects of foreign aid are not bright due to the restrictive conditions imposed by the donor countries. Inflow of private foreign investment results in ruthless exploitation of national resources by multinational corporations and increases foreign influence on the economy, policy and the society. The only safe way, in the long run, is to finance imports through exports from the country. And in this context exports play a very important role as it is a major source of earning foreign exchange.

Growth of an economy is directly related to exports, if exports increase at faster pace as compared to imports, nothing can stop an economy from being a developed one. On the other hand weak export capacity strains the economy and vitiates the climate of recovery. Economic growth of India is significantly retarded when foreign exchange position becomes adverse due to depressed level of exports and abnormally high level of imports. By exports full capacity of plant size can be utilized as goods can be exported if domestic demand is less, essential raw material and capital goods can be imported with the foreign exchange earned from exports. India's growth rate in exports is a strong factor contributing to the GDP as India's economy has performed well in recent years after the country began to open in 1991. Before liberalization share of exports in India's GDP was 5.8 percent, in 1991-92 after the commencement of the liberalization process exports contribution to total GDP at current market price rose to 6.8 percent and it grew to 9.8 percent in 2001-02 and it rose to 14.3 percent in 2011-12. It is evident from the preceding discussion that India's export performance and economic growth are closely inter-linked. Over time, the export sector has grown to be a significant earner of foreign exchange and a major contributor to India's national income. Further, the performance of this sector is highly dependent on domestic as well as global factors. As a consequence of this, domestic as well as international economic policies have a bearing on the overall export performance of India. This paper analyses India's export performance, changes in its composition and direction over time.

## 2. Review of Literature

The research on export performance of India has been a darling for researchers, economists and academicians and corporate since independence. In this section we have presented a review of some of the significant studies.

Jadhav & Satpute (2014) revealed that there was a gradual increase in India's exports and imports and also there was a rise in India's trade deficit and more than 50% of India's total trade was with Asia and ASEAN region. A study conducted by PhD Chamber of Commerce(2014) revealed that India's direction of foreign trade exhibited a structural shift from developed to developing countries as china has become India's top trading partner followed by USA and UAE. From the study of Mukherjee & Mukherjee (2012) it is observed that manufactured exports comprised a significant share of India's aggregate exports. Cotton exports, which were a major traditional export item, declined in importance with a falling contribution to Indian as well as global cotton market. On the other hand, electronic goods industry was an upcoming sector which grew at an impressive rate domestically. Seshadri (2009) examined that India's total merchandise trade grew from \$44.56 billion to \$ 162.98 billion from 2000-01 to 2007-08 by a multiplicative factor of 3.7. Textile sector which was the largest export sector dropped to fifth rank and now the engineering goods has the largest share of 20.69% in 2007-08. Banik (2007) highlighted that increase in India's exports during the years following 2000 was predominantly services driven. The

recent growth in India's exports was primarily led by an increase in productivity, growth in world trade, increase in intra- industry trade and external sector reforms.

### 3. Objectives of the Study

This paper is devoted to the examination of the changes that occurred in the growth, composition, and direction of India's exports during the period 2003-04 to 2012-13. The analysis in the study has been limited to the merchandise exports only and exports of services have been excluded.

### 4. Research Methodology

According to secondary data sources, there are 98 items listed under exports from India. For the present study these 98 items have been classified into 21 commodity groups as classified by Department of Commerce, Ministry of Commerce & Industry, Government of India. The attempt is to present the major changes in the sphere of exports by highlighting the significant points of growth, composition, and direction of India's exports. Growth rates have been calculated by using exponential function of the following form.

$$y = ab^t$$

The Growth rate (r) has been computed as under

$$r = \{\text{Antilog}(\log b) - 1\} * 100$$

or

$$r = (b - 1) * 100$$

Where,

b = Slope of semi-logarithmic trend

a = constant

r = Growth rate

### 5. Results & Discussions

#### 5.1 Growth of India's Exports: Annual Patterns

The trends that emerged in India's exports during the study period have been examined thoroughly in the foregoing tables. However, the level of growth of exports has been significant and could not be ignored in the context of increasing needs of imports for a rapidly growing economy, but even then it demands special attention so that the economy would come out of the chronic imbalance at merchandise trade ever since the beginning of the planning process in the country.

#### Insert Table 1

Table 1 brings out the growth of India's exports during the period 2003-04 to 2012-13. Table highlights that India's total exports increased from 63843 million US \$ in 2003-04 to 185295 million US \$ in (65.54 times) 2008-09 and then increased to 300750 million US \$ in 2012-13(38.38 times). Value of exports increased from Rs. 63843 US \$ million in 2003-04 to 236907 US \$ million (73.05 times) in 2012-13. Although the overall value of exports can be seen increasing handsomely but there can be seen a declining trend in their annual change as it is clear from the table that there was 23.57 times increase in exports in 2004-05 but it can be seen declined to -3.66 in 2009-10 then again increasing to 28.82 times in 2010-11 and then again declining to -1.79 times. So it can be said that there is no steady growth in India's exports which is very essential to cater the problem of mounting negative balance of trade.

#### 5.2 Composition of Exports

A preliminary idea of the changes in the commodity composition of exports can be obtained by examining the changing shares of each commodity in total exports. Table traces the percentage contribution of India's principal exports to total earnings by dividing overall exports into 21 commodity groups. From the table 2 below it can be observed that over a period of time i.e. from FY 2003-04 to 2012-13, transportation equipments and mineral products were the major commodities in which major growth was seen. On average 9.31% of export growth over the previous year was recorded for transportation equipments during the study period. Arms and ammunition formed a very small part of India's exports but rapid growth rate can be seen in this group. Work of art grew at a good pace which

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showed that works related to art and craft art highly promoted in India as it provides employment opportunities to a large part of population.

#### **Insert Table 2**

Prepared food stuff and machinery and mechanical appliances recorded positive growth during study period. Textile and textile articles exports being a very important export item with an average share of 14.04 showed a high declining rate which is very unfortunate. Pearls, precious and semi-precious stones, metal and base metals and articles and chemical products registered 15, 9.03 and 10 % share on an average respectively but still registered a negative growth rate. Footwear and headgear, articles of stone and asbestos and various other commodity groups registered negative growth.

#### **5.3 Direction of India's Exports**

Table 3 outlines the region-wise directional changes in India's exports in terms of relative shares of the different export markets.

#### **Insert Table 3**

As is clear from the table, the relative share of Latin America in total exports has shown a remarkable growth of 10.88% and growth of India's exports towards east Africa and west Asia-GCC was recorded to be 7.38% and 5.31% respectively. EU countries seems to have largest share in India's exports in 2003-04 but a declining trend can be seen after 2005-06, north America also seems to have contributed large share but its share is also declining. North Americas share has declined more in comparison to EU countries. East Africa although has a very small share in India's exports but have a positive growth rate which is a good sign. ASEAN on the other hand has an average of 10 and also growing quite steadily.

Table 4 provides the directional changes in India's exports in terms of relative shares of the different export markets by countries. Among the developed countries, the relative share of all the countries except Netherland has declined during the study period. Even increase in relative share of Netherland was found to be quite moderate.

#### **Insert Table 4**

U.S.A has gained its share to 17.9975 per cent in 2003-04 but further it declined to 12.0381 per cent in 2012-13, even then it remained at the top among all other export partners in terms of relative share in India's total exports. In terms of relative share it can only be compared to UAE whose export share gradually increased from 8.0285 in 1993-94 to 12.1049 in 2012-13 with a growth rate of 5.90. Brazil registered the highest growth rate of 14.40 with an average share of 1.06 among other countries which registered positive growth rate are South Africa, Saudi Arab, Malaysia and Indonesia with growth rates of 4.19, 4.26, 2.20 and 3.74 respectively.

#### **Summary and Conclusions**

Foreign trade plays an important role and serves as an engine in the development of an economy. It enables countries not only to acquire urgently needed goods and services but also makes it possible for them to dispose of their surplus output. And exports being a major part of India's foreign trade play a significant role in economic development process. External sector of India has performed well as India's exports grew at an average rate of 13.66% during the study period. Among all the 21 classified commodity groups, exporting arms and ammunition ranked first with a growth rate of 18.36%, transportation equipments and mineral products also showed impressive growth rates. The performance of India's agricultural exports has, however, been not that satisfactory and their share in overall exports witnessed a decline. Increasing overall percentage share of manufactured products such as pearls, precious or semi precious stones, metals, machinery and mechanical appliances is a tremendous achievement for India's export sector and needs special attention. On the other hand share of textile and textile articles which was one of the most important commodity groups in total exports declined from 21.11% in 2003-04 to 11.04% in 2012-13. In nutshell, lot of major changes took place in

the composition of exports from agricultural products to manufactured exports in overall exports earnings.

The importance of developed countries as export destination for India's exports has rapidly declined and that of developing countries increased during the study period. Developing countries of East Africa and Latin emerged as strong markets for Indian exports with their increasing contribution in total export earnings. Though the share of U.S.A declined during the recent few years, even then it remained on the top as number one destination for Indian exports in terms of relative share in India's exports and it can only be compared to UAE whose export share has increased from 8.0285% in 2003-04 to 12.1049% in 2003-04. However, India has been unable to make a strong dent in the concentration of its exports in terms of commodities as well as export destinations. The directional change towards developing countries can be considered as an achievement of India's exports sector during the study period.

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**Table 1**  
**Trends in India's Exports (US\$ million)**

Year	Exports	Annual change
2003-04	63843	-
2004-05	83536	23.57
2005-06	103091	18.96
2006-07	126414	18.44
2007-08	163132	22.50
2008-09	185295	11.96
2009-10	178751	-3.66
2010-11	251136	28.82
2011-12	305963	17.91
2012-13	300570	-1.79

**Table 2**  
**Commodity wise growth in exports**

Sr. no	Commodity Group	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	EGR
1	Animals and animal products	2.7194	2.3229	2.317	1.9932	1.7318	1.5584	1.9087	1.8487	2.175	2.3763	-1.82
2	Vegetable products	6.2315	6.3258	4.7948	4.3698	5.0555	4.5358	4.4627	3.9398	5.9005	7.0779	-0.22
3	Animal and vegetable fats	0.3354	0.4092	.2716	.2558	0.1278	0.1236	0.3131	0.2973	0.3576	0.3191	-0.22
4	Prepared food stuffs	2.6308	1.8468	2.2034	2.5063	3.0212	2.8655	2.0245	2.426	2.3268	2.5699	0.73
5	Mineral products	8.8748	14.0159	16.7108	19.7371	22.8349	18.7812	20.5081	19.5604	21.0282	22.0552	7.37
6	Chemical products	10.3695	9.9329	10.4363	10.096	9.898	9.9975	10.2395	9.2031	9.4043	10.3134	-0.61
7	Plastic and rubber	3.1395	3.4297	3.0996	3.1131	2.5647	2.2053	2.2923	2.3398	2.5944	2.6383	-3.57

8	Hides and skin	2.4422	2.0219	1.8009	1.5497	1.3858	1.2648	1.1656	0.9666	0.9995	1.0622	-9.51
9	Wood and wood products	0.0988	0.1065	.1014	.1098	0.1067	0.0985	0.0853	0.0713	0.0768	0.0927	-3.25
10	Wood pulp products	0.5723	0.5356	.5392	.5575	0.4231	0.4163	0.4446	0.4323	0.4069	0.4354	-3.68
11	Textile and textile articles	21.1143	17.1413	17.3161	15.3961	13.7578	11.7336	13.1344	11.3144	11.2907	11.045	-6.74
12	Footwear, Headgear	1.3275	1.1966	1.1259	1.1069	1.0502	0.949	0.9659	0.7859	0.7817	0.8024	-5.78
13	Articles of stone, plastic, cement & Asbestos	1.1617	0.8809	.9751	1.021	0.9161	0.8229	0.8128	0.6906	0.6487	0.7336	-5.19
14	Pearls, Precious or semi-precious stones, metals	16.8564	17.2814	15.3826	12.7294	12.1615	15.3228	16.3386	17.4034	15.4364	14.5907	-0.29
15	Base metals & articles thereof	8.8188	10.3398	9.3156	11.464	10.5148	9.5115	7.1539	8.5239	7.271	7.4453	-3.54
16	Machinery & mechanical appliances	6.9005	6.4388	6.7466	7.2809	7.4517	9.5415	8.0925	7.6096	7.3281	7.4643	1.70
17	Transportation equipments	3.0638	3.3874	4.1934	3.9173	4.3121	6.1014	5.5124	6.3978	6.9108	6.1128	9.31
18	Instruments-measuring, musical	0.8618	0.8048	.7406	.6884	0.6139	0.6695	0.717	0.63	0.6586	0.7075	-2.26
19	Arms and ammunition	0.0053	0.0022	.0024	.0028	0.0029	0.0076	0.008	0.0068	0.0084	0.0146	18.36
20	Miscellaneous	0.6075	0.6097	.5897	.591	0.5619	0.5073	0.5258	0.5186	0.4945	0.5459	-2.11
21	Works of art	1.8727	1.5293	1.4342	1.5193	1.325	2.797	3.1141	4.847	3.2413	1.597	8.07

Table 3

## Direction of India's exports: Region wise

Sr. no	Region	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	EGR
1	EU countries	22.738	21.8457	22.5325	21.2137	21.1721	21.3159	20.1561	18.3331	17.1717	16.7752	-3.34
2	Southern African Customs Union(SACU)	0.9216	1.2388	1.5232	1.8091	1.6784	1.1768	1.2203	1.642	1.6025	1.7593	3.99
3	West Africa	1.9946	1.975	1.8019	1.9336	2.1331	1.8395	1.7565	1.7095	2.1222	2.1723	0.35
4	East Africa	1.3483	1.3747	1.3943	2.3315	2.5787	2.3966	1.97	2.1271	2.1657	2.9453	7.38
5	North Africa	1.2088	1.6208	1.5455	1.4724	1.6258	1.8413	1.7511	1.5873	1.5413	1.8898	2.73
6	North America	19.6071	17.9577	18.2536	16.2331	13.8541	12.5739	11.8917	10.9797	12.4804	13.2585	-5.67
7	Latin America	1.3966	2.1457	2.4743	2.954	3.1104	2.9569	3.1292	3.719	4.0009	4.4975	10.88
8	ASEAN	9.1189	10.0865	10.0992	9.9823	10.0527	10.2914	10.1596	10.207	12.0008	10.9782	1.84
9	West Asia-GCC	11.0695	11.7493	11.4223	12.9629	13.3465	17.2147	17.0611	16.9035	14.8452	17.0101	5.31
10	Other West Asia	3.6751	3.6675	3.2574	3.8111	3.6627	3.3189	3.2212	3.0878	3.1185	3.7827	-1.05
11	NE Asia	14.7035	15.8293	15.7397	15.333	16.2286	13.8005	6.1225	14.829	14.8638	13.1126	-2.80
12	South Asia	6.7252	5.514	5.3813	5.1198	5.9036	4.6176	4.6889	4.6388	4.369	5.0303	-3.27
13	Others	5.4928	4.995	4.5748	4.8435	4.6533	6.686	16.8718	10.2362	9.718	6.7882	9.32



**Table 4****Direction of India's exports: Country wise**

Sr No	Country	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	EGR
1	Bangladesh PR	2.7266	1.9526	1.6145	1.2883	1.7905	1.3461	1.3602	1.2908	1.2542	1.7122	-5.04
2	Belgium	2.8284	3.0043	2.7852	2.7496	2.5833	2.4156	2.1001	2.3052	2.3334	1.8311	-4.44
3	Brazil	0.4317	0.8118	1.0579	1.1502	1.5448	1.4124	1.3441	1.6043	1.8811	2.0114	14.40
4	China PRP	4.6287	6.7227	6.5565	6.5637	6.6473	5.0742	6.4709	6.1458	5.9668	4.4991	-1.04
5	France	2.0063	2.0122	2.0172	1.6625	1.594	1.6386	2.1288	2.0725	1.5021	1.6585	-1.71
6	Germany	3.9857	3.3833	3.4786	3.1493	3.1407	3.4724	3.0316	2.6879	2.5898	2.4113	-4.56
7	Hong Kong	5.1091	4.4194	4.3373	3.7041	3.8705	3.6147	4.4115	4.1156	4.2200	4.0933	-1.28
8	Indonesia	1.7656	1.5952	1.3388	1.605	1.3254	1.3771	1.7273	2.2683	2.1897	1.7742	3.74
9	Iran	1.4381	1.4741	1.1527	1.1481	1.1961	1.3756	1.0416	0.9919	0.7853	1.117	-4.93
10	Israel	1.134	1.204	1.1655	1.0457	0.984	0.7831	1.0986	1.1622	1.3184	1.245	0.84
11	Italy	2.7089	2.7365	2.4435	2.8354	2.4011	2.0654	1.9008	1.8103	1.5875	1.455	-7.19
12	Japan	2.6773	2.5473	2.4069	2.2655	2.3657	1.6423	2.0275	2.0281	2.0813	2.0323	-3.25
13	Korea RP	1.198	1.247	1.7724	1.9901	1.7506	2.183	1.9073	1.4833	1.4167	1.3994	0.91
14	Malaysia	1.3984	1.2977	1.127	1.0322	1.5761	1.8769	1.5971	1.5467	1.3031	1.4773	2.20
15	Netherland	2.0192	1.9212	2.4006	2.1131	3.2077	3.4362	3.5836	3.0579	2.9951	3.5105	6.86
16	Saudi Arab	1.7595	1.6904	1.7555	2.0482	2.2753	2.7285	2.1942	1.8633	1.856	3.2579	4.26
17	Singapore	3.3282	4.7891	5.2626	4.8028	4.5226	4.4908	4.2516	3.9138	5.4819	4.5276	1.135
18	South Africa	0.8448	1.178	1.4811	1.7778	1.6312	1.0698	1.1533	1.5648	1.5505	1.7012	4.19
19	Spain	1.5704	1.6632	1.5575	1.4861	1.4065	1.3545	1.1358	1.0222	0.98	0.9541	-6.54
20	Sri Lanka DSR	2.0663	1.6917	1.964	1.785	1.7342	1.2959	1.2169	1.3966	1.4292	1.327	-4.91
21	Thailand	1.3027	1.079	1.0431	1.143	1.1098	1.0376	0.9731	0.9052	0.9723	1.2427	-1.45
22	UAE	8.0285	8.7961	8.3342	9.522	9.5927	13.1107	13.4055	13.4625	11.7512	12.1049	5.90
23	UK	4.7355	4.4066	4.9076	4.446	4.1118	3.6092	3.4861	2.9024	2.8064	2.8684	-6.54
24	USA	17.9975	16.4788	16.8328	14.9303	12.7142	11.4728	10.93	10.0789	11.3574	12.0381	-5.78
25	Others	22.3106	21.8978	21.207	23.786	24.914	26.056	21.587	28.875	28.390	27.750	3.13