

Analytical Study of India's Import, Export and Import Substitution

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ABSTRACT

The study presented "Analytical Study of India's Import, Export and Import Substitution" as a prelude to the need for international trade. After that, India's position in international trade and its balance of trade is discussed. The purpose of the study has been made, as the objective is to analyze India's imports and exports mainly and to make necessary suggestions for import substitution and export promotion. Proper research design has been created to achieve the objectives. Survey research has been used as a research method and is based on secondary data through which study objectives can be achieved. Through table and drawing, the data of imports of different years are presented and analyzed, then the figures of exports are shown and analysis made. India's position in total exports of the world has been studied through a table. After analytical study of all these tables, important measures have been suggested for import substitution and export promotion. In conclusion, it has been said that if India has to improve its trade balance, it will have to make extensive efforts for export promotion by replacing its imports.

Key Words: Imports, exports, trade balance, balance of payments, import substitution, export promotion, international trade, and comparative cost.

INTRODUCTION

Today, no country in the world is untouched by international trade. History is witness that today all the developed countries in the world have an important contribution of international trade in their development. The main reason for this is that specialization has been adopted in all countries under which a country produces only those goods in which it is efficient and whose comparative cost is low, that is why all countries have to import and export. In Harrods's view, "Just as exchange is necessary for the division of labor, similarly when the division of labor crosses the boundary of the country, foreign trade becomes necessary".

Pro Ellsworth even says that if there is no international trade, the existence of many countries will be endangered. But many economists like Prof. Myrdal, Mint, Arthur Lewis, and Singer believe that only developed countries benefit from international trade and semi-developed countries have to take losses. Take India for example, India's balance of payments has never been favorable except for two years. Bimal Jalan divided the period after 1956–57 into three periods. From the first 1956-57 to 1975-76, in the second period, basic and capital goods industries were given the main priority. For this, a large amount of capital equipment, machinery and technical knowledge was imported, so that the value of imports doubled from exports.

This resulted in loss of trade balance. Secondly, from 1976-77 to 1979-80, foreign trade remained balanced from 104 crores only in 1972-73 and 68 crores in 1976-77 in this period and third from 1980-81 to 1990. Even during this period, foreign trade remained unbalanced. Although there was no improvement in the balance of trade in the post-reform period, there was a huge change in India's relations with the world economy, despite many efforts, India has not been able to increase its exports compared to imports, that's why Mr. Rangarajan said that the total consumption in our country is much more than the total goods and services produced, due to which the foreign exchange Imbalance in the sector is generating. In the presented study, we will discuss the policies of import substitution and export promotion keeping in mind these imbalances.

Objective of the Study

The following objectives have been made in the study presented: -

- To carry out an analytical study of India's imports and exports.
- To make suggestions on import substitution while studying the major imports in India's imports.
- To suggest measures for export augmentation while analyzing India's exports.

Research Design

The survey research method has been used to make the proposed study scientific and comprehensible and this study is based on secondary data.

The Economic Survey of India 2018-19 and official records have been used to compile the data. Analytical studies have been done using tables and pie charts for analysis of data obtained.

Table Number - 1 India's Export, Import and Balance of trade

YEAR	Export (including re-export) Rs. In crore +	Import Rs. In crore +	Trade balance Rs. In crore
2009-10	845534	1363736	-518202
2010-11	1142922	1683467	-540545
2011-12	1465959	2345463	-879504
2012-13	1634319	2669162	-1034843
2013-14	1905011	2715434	-810423
2014-15	1896348	2737087	-840738
2015-16	1716378	2490298	-773920
2016-17	1849429	2577666	-728237
2017-18	1956515	3001033	-1044519
2018-19 (P)	2307663	3594373	-1286710

Source; - Economic Review 2018 -19, Statistical Scenario Section-2, A103, p.106

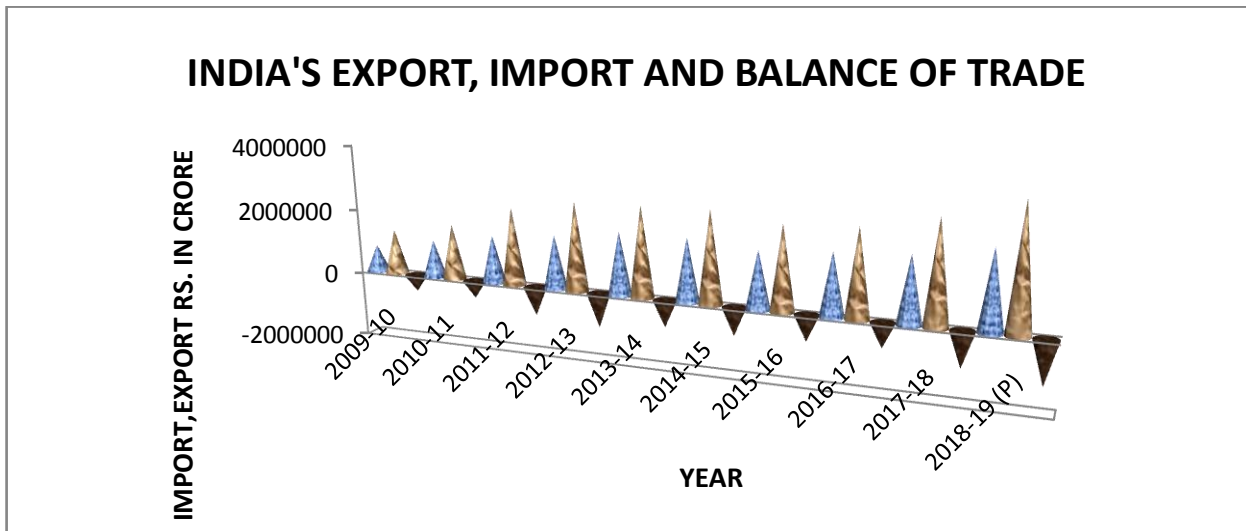


Figure-1:

It is clear from Table No. 1 that India's exports have increased from 2009-10 to 2013-14, since then the exports have been steadily decreasing. While the government is doing a lot of work to encourage exports, even then there is no improvement. If we talk about imports, India's imports increased from 2009-10 to 2014-15 and after that it has decreased slightly but the imports are much higher than the exports which is a very pathetic situation. Due to which the balance of trade of our country has become unbalanced. It is also clear from table number-1 that in 2012-13, due to more imports than exports, the trade balance went to -1034843 crores which is very high. In the later years, an attempt was made by the government to balance trade shedding but it did not get enough success.

Table Number - 2 Major Imports Share In Percentage

Product group	2014-15	2015-16	2016-17	2017-18	2018-19(p)
Food and related products	3.9	5.1	5.6	4.4	3.2
Fuel	34.8	25.4	26.7	28.3	32.5
Fertilizer	1.7	2.1	1.3	1.2	1.5
Cardboard manufacturing and newsprint	0.7	0.8	0.9	0.9	0.9
Capital goods	11.7	13.0	14.7	13.6	13.8
Other	34.0	38.1	37.0	39.1	36.6

Source; - Economic Review 2018 -19, Statistical Scenario Section-2, A109, p.113

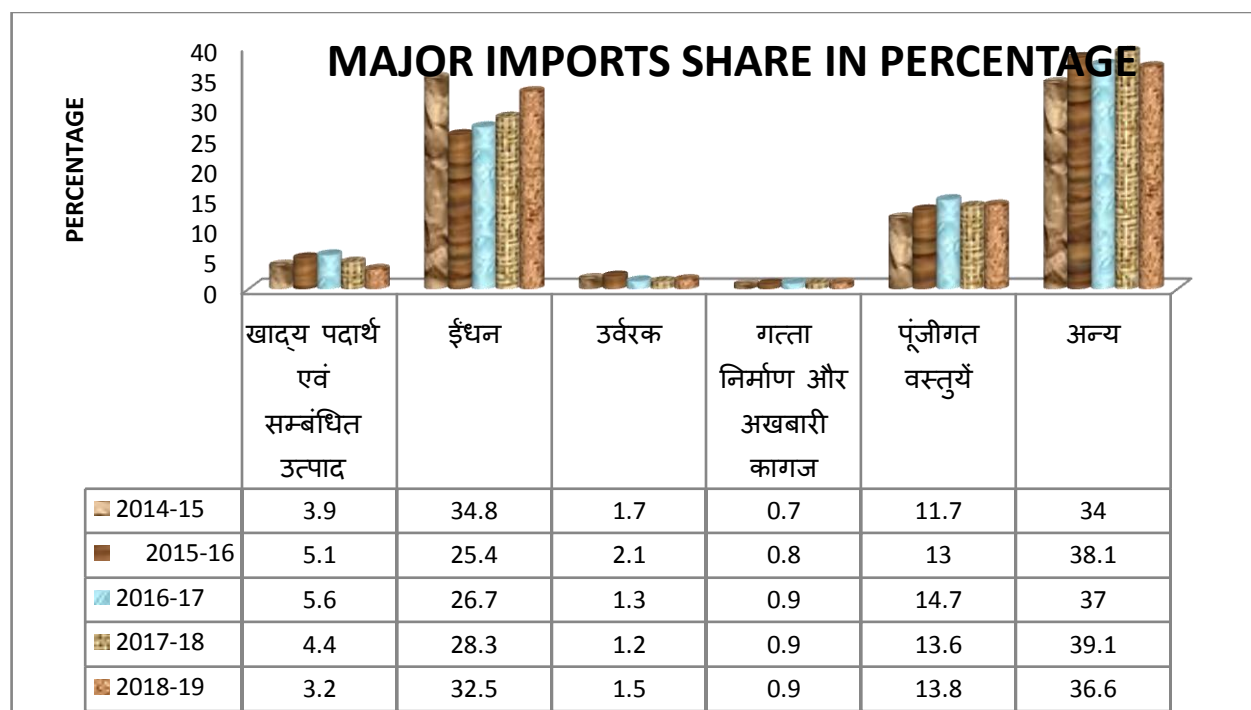


Figure-2

It is clear from Table No. 2 that the percentage of food grains imports in India has been decreasing from 2014-15 to 2016-17, followed by a decrease in its imports in 2017-18. This is possible due to the rapid increase in the production of food grains. Talking about fuel, the situation is not good because the study of the table shows that its imports are continuously increasing. The main reason for increasing fuel imports is that our demand for petrol, oil and lubricants has increased due to which its imports have increased. It has increased from 25.4 % in 2015-16 to 32.5 % in 2018-19 and if capital goods are taken, then it is also being imported in good quantity. Capital goods imports increased from 11.7 % in 2014-15 to 13.8 % in 2018-19. The main reason for the import of capital goods is the increase in imports of transport equipment and power machinery etc. in the country. If we talk about other items, then its import has also increased, although its imports have decreased slightly in 2018-19 (p) but that is not enough. Among others, imports of chemicals, precious and low-value gems and gold and silver are increasing among the major imported goods. This is due to increase in demand of these items in our country.

If we want to reduce our imports, we have to adopt the policies of import substitution. For this, we have to produce those items in our country, which we import in large quantities, because developed countries have also started producing those items in their own country which they used to import from developing countries. The balance of trade has become unbalanced, so we too have to end our dependence on developed countries and try to become self-reliant.

Import Substitution Policy in India

Due to continuous increase in imports after independence, the problem of balance of payment balance and foreign exchange arose in the country and this problem continued to increase in various five-year plans To solve this, the policy of import substitution was adopted from the Fourth Five-Year Plan. The most major effort in the field of import substitution was made in the import policy of 1985-88, followed by the policy of import substitution and export promotion, mainly in the import policy of 1988 - 91. The import policy of 2004–09 also emphasizes on import substitution, due to which today India has become self-sufficient in the matter of food grains as well as in the trade policy of 2015–20. Efforts are being made for import substitution which is clearly seen in the budget of 2019-20. In the budget 2019-20, 1.5 lakh on the interest paid on loans taken to buy electronic vehicles to replace imports of petroleum products. It has been talked about by the additional tax cuts and imposed special additional excise duty at the rate of one per litre on petrol and diesel to help people buy electric vehicles. |

But whatever efforts have been made in the field of import substitution is not enough because there is no significant reduction in the quantity of imports. Therefore, it can be said that there is scope to do a lot in this area.

Table No. 3 Shares of Main Exports In Percentage

Product group	2014-15	2015-16	2016-17	2017-18	2018-19(p)
Agriculture And Related Goods	12.7	12.6	12.3	12.7	11.8
Ore and minerals	1.3	1.4	1.8	1.9	1.8
Manufactured goods	66.7	73.5	73.6	71.2	70.3
Crude oil and petroleum products (including coal)	18.6	11.9	11.8	12.7	14.5
Other and Unclassified Items	0.7	0.6	0.6	1.5	1.6

Source; - Economic Review 2018 -19, Statistical Scenario Section-2, A113, p.117

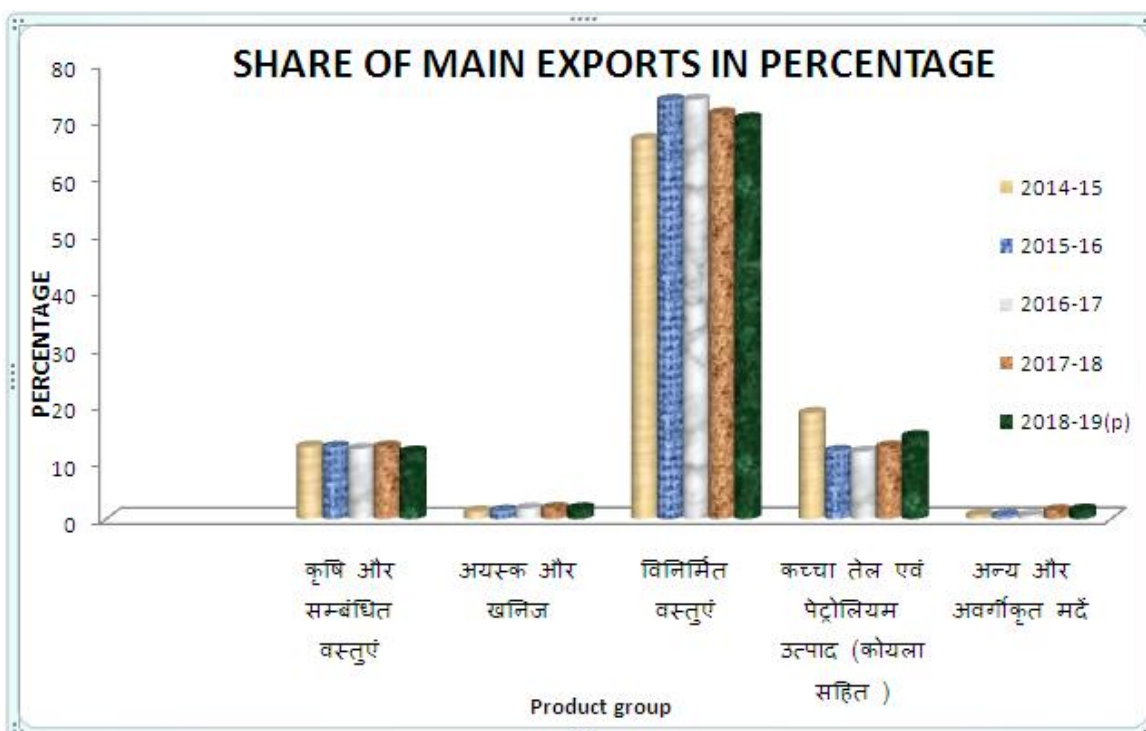


Figure-3

The observation in Table No. 3 shows that exports of agriculture and allied commodities have decreased compared to earlier, mainly coffee, cashew, full vegetables and pulses. There is a decrease in area wise compared to last year and due to decrease in food prices, farmers started growing less crops. Ore exports increased continuously from 2014 to 2017, after which there has been a slight decrease in exports, mainly due to the decrease in iron ore exports. Manufactured goods have a significant contribution to Indian exports, whose exports were steadily increasing, but since 2016 its exports have started to decline. Among manufactured goods, leather and its products, leather shoes, gems and jewellery, transport equipment. There has been a decrease in the exports of textiles etc. The main reason for the decrease in exports is the low growth in global production, decrease in consumption, low income from agriculture. Raman of slowing growth, a slowdown in sales of production, so that there has been slowed in the growth in GDP in the period 2018-19 |

The state of export of the country is not good, the exports of goods whose exports were increasing in the last 2-3 years have also decreased in 2018-19, while speaking of imports, the imports have been increasing continuously since independence due to which India always has to face trade imbalance.

Table Number - 4 India's share in total world exports

YEAR	INDIA'S SHARE
2000-01	.7
2005-06	1.0
2010-11	1.5
2015-16	1.6
2016-17	1.7
2017-18	1.7

Source: - World Trade Organization (WTO) Report

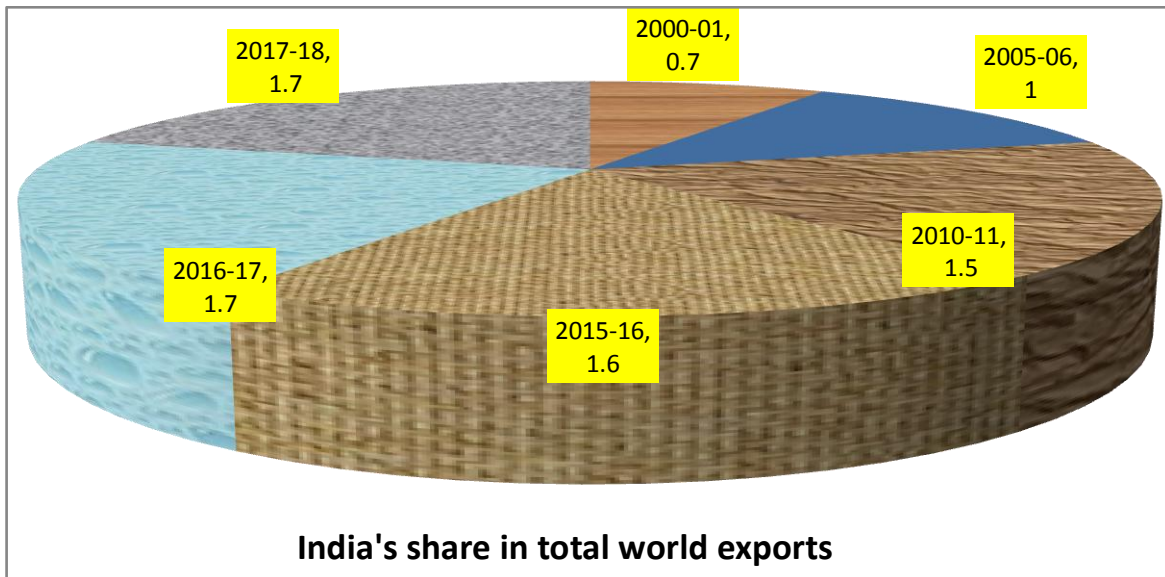


Figure-4

An overview of the table shows what the position of India in world exports . When India became independent, in 1948 - India's exports were 2.2 percent of world exports but by the time they came to 1990, there has been an increase in imports, not in exports. After that, several efforts were made by the government to increase exports, which led to exports by 1.0 by 2005 and 1.7 percent by 2016. This means that the growth in exports has not gone as expected. If India has to correct its balance of payments, it will have to increase exports.

(Suggestions) For Export Promotion

- **Production of Good Quality Goods:** - We have to face a lot of competition from abroad. The goods that we produce, other countries also produce the same items that cause competition, that is why if we have to increase our exports, then we have to produce high quality commodities so that the imported countries can buy our goods.

• **Establishment of Industries in Backward Areas:** - If we have to make a balanced development of our country, then we will have to put up industries in such areas which are backward, there is ample scope of production in these places which will increase production and export additional production. This will also increase the employment in the country.

• **Increase In Production:** - To increase the export now, we try to export as much of the production as possible, due to which there is a shortage of goods in our country itself and this leads to a situation of price rise in the country itself. In such situation, it is necessary that whatever is left after consumption in our should be exported so that the people can also get the goods at the right price. So we have to increase our production and must be exported.

• **Exploration of New Markets:** - All countries are engaged to increase their exports, due to which India has to face competition, therefore, new markets should be explored, this will expand Indian markets and do not face competition in new markets.

• **Government Assistance:** - The government should also make special efforts to increase exports, such as special grants should be given to the exporting industries and no tax should be levied on the goods to be exported. The government should compromise on trade with foreign countries. Exhibition should also be organized for promoting Indian goods in foreign countries.

Import Substitution: - Import substitution is the policy in which an attempt is made to produce goods or near substitute goods in the country itself, instead of goods imported from abroad, so that the import is decreased. This will not only reduce imports but, also new industries will be established for their production in India and employment will also increase.

• **Reduction in Cost of Production:** - Any country or individual wants to get good goods in less cost. Today, where there is competition for goods for export, people buy only those which are cheap and good, so we have to reduce our production cost. There is a need for reduction, for which new methods of production, new experiments, and new techniques have to be used so that more production can be done at a lower cost.

CONCLUSION

As a conclusion, it can be said that since the beginning of the independence of the country, India's trade balance has been unbalanced, except for one or two years, India's imports have been higher than the exports from time to time by the government. Many efforts have been made to increase exports but have not been able to get enough success. The Indian economy has also seen moderation which is 6.8 percent as compared to 7.2 percent last year. So to improve business conditions India will have to work on the policy of import substitution and the above suggested efforts should be made to increase exports, so that our exports can increase compared to imports.

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