



## India's Export Performance in Third Decade after Liberalization (From 2011-12 to 2016-17)

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### **Abstract**

*This is evident with the fact that after trade reforms ( Liberalization) in 1991 India's export started rising gradually and from the third decade there is a surprising increase in the export in the term of value.*

*Besides changes in volume, India's exports have also experienced transformation in its composition and direction. The study aims to analyse these changing trends in India's export volume composition and directions during the third decade commencing from 2011-12. To conduct the study secondary data is collected from several government reports.*

*The study will enable to determine the significant changes occurred in the third decade and also analyze the impact of political and economical environment in recent years.*

**Keywords:** *Export Trends, Liberalization, Export Composition Trend.*

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## 1. INTRODUCTION

Merchandise exports have a propulsive role in the development of a number of countries that now among the richest in the world, Such as Britain, Sweden, Denmark and Canada. Economic theory gives a sufficient proof to the view that the foreign export plays a vital role in the economic development of a country. It effects Income, output, employment and as a result standard of living also.

Indian's export in the term of value increased from \$ 18.26 billion in 1991-92 to approximately \$ 126.414 billion in 2006-07. Since 2006-07 India's export in the term of value increased from \$ 126.414 billion to \$ 314.416 billion in 2013-14 except 2009-10 and 2012-13. A rapid increase has been done in India's export in term of value is during 2010-11 to 2013-14. In order to improve growth of exports several measures were under taken by the government.

As a result of these steps India's export growth in 2010-11 reached at peak since independence. The growth of India's export in 2013-14 is 148.7% on the basis of year 2006-07. But in the third decade of reforms showed downward trend of India's export in the term of value begins from 2014-15

**Table 1: India's Export 2011-12 to 2016-17**

Year	Export US \$ billion
2011-12	305.963
2012-13	303.400
2013-14	314.416
2014-15	310.352
2015-16	262.290
2016-17	276.547

Source: RBI Publication 15 sep 2017

The analysis shows that India's export performance reported unexpected growth in the term of value in first three year of third decade since 1991.

But in the next three years (14-15, 15-16, 16-17) of third decade Indian's export trend is downward in comparison of first three years of the third decade. So the govt. should take initiative to check the downward trend of India's Exports.

## 2. EXPORT COMPOSITION TRENDS

The share of different product groups in India's total exports has also exhibited a significant change over a period of time.

**Table 2: Indian Exports of principal commodities (2011-12 to 2016-17)**

SR NO	Commodity	2011-12			2012-13			2013-14			2014-15			2015-16			2016-17 (P)		
		US \$	% share	Rank	US \$	% share	Rank	US \$	% share	Rank	US \$	% share	Rank	US \$	% share	Rank	US \$	% share	Rank
1	ENGINEERING GOODS	59923.3	19.59	1	59165.5	19.70	2	64077.9	20.38	1	73113.7	23.56	1	60443.3	23.04	1	67132.6	24.28	1
2	PETROLEUM PRODUCTS	56038.5	18.32	2	60865.1	20.26	1	63179.4	20.09	2	56794.1	18.30	2	30582.7	11.66	4	31622.3	11.43	4
3	GEMS & JEWELLERY	46314.1	15.14	3	43045.1	14.33	3	41377.2	13.16	3	41248.4	13.29	3	39319	14.99	2	43509.6	15.73	2
4	TEXTILES & ALLIED PRODUCTS	30146.3	9.58	5	29613.4	9.86	4	34297.2	10.91	4	35926.3	11.58	4	35063.9	13.37	3	35638.3	12.89	3
5	CHEMICAL & RELATED PRODUCTS	24546.9	8.02	6	25902.7	8.62	6	27254.1	8.67	5	27903	8.99	5	28636.2	10.92	5	29255.3	10.58	5
6	AGRI & ALLIED PRODUCTS	20530.5	6.71	7	23109.2	7.69	7	26169	8.32	6	24887.3	8.02	6	20362.7	7.76	6	20890.4	7.55	6
7	OTHER COMMODITIES	34431.9	11.25	4	28251.1	9.40	5	24914.6	7.92	7	19381.9	6.25	7	18947.1	7.22	7	17118.7	6.19	7
8	ELECTRONICS ITEMS	9078.8	2.97	8	8258.5	2.75	8	7860.6	2.50	8	6258	2.02	8	5943.5	2.27	8	5959.4	2.15	10
9	LEATHER & LEATHER PRODUCTS	4686.1	1.53	11	4777.8	1.59	11	5590.2	1.78	10	6025.7	1.94	9	5401.9	2.06	9	5183	1.87	9
10	PLASTIC & LINOLEUM	5674.5	1.85	10	5599.2	1.86	9	6160.3	1.96	9	5737.5	1.85	10	5759.8	2.2	10	5816.1	2.1	12
11	MARINE PRODUCTS	3460.7	1.13	12	3462.8	1.15	12	5062.2	1.61	12	5509.7	1.78	11	4768.6	1.82	11	5918.1	2.14	11
12	ORES & MINERALS	8283.9	2.71	9	5460.5	0.18	10	5580.2	1.77	11	4426.8	1.43	12	3848.3	1.47	12	5062	1.83	8
13	CERAMIC PRODUCTS & GLASS WARE	1050.7	0.34	14	1156.3	0.38	14	1294.4	0.41	14	1643.9	0.53	13	1709.8	0.65	13	1861.8	0.67	13
14	PLANTATION	1797.3	0.59	13	1733.2	0.58	13	1598.7	0.51	13	1495.6	0.48	14	1503.7	0.57	14	1579.6	0.57	14
	TOTAL	305963.5	100.00		300400.7	100.00		314416	100.00		310352	100.00		262290.1	100		276547	100	
	GROTH RATE ON THE BASIS OF 2011-12	----			-1.82			2.76			1.43			-14.27			-9.61		

Source:- RBI publication 15 SEP 2017

The table shows that engineering goods export that comprised of 19.49% of total export in 2011-12 have performed quite well, Its export share in India's export is increasing and reported 23.04% in 2015-16 and 24.28% in 2016-17(P). Rank of engineering goods in India's export composition is 1<sup>st</sup> (except 2012-13)

In term of value engineering goods export shows progressive growth till 2014-15 but in 2015-16 and 2016-17 its export in the term of value decreases.

Share of petroleum products sector in India's export varied from 18.30% to 20.26% between 2011-12 to 2014-15 yet it is able to maintain its 2<sup>nd</sup> rank (Except 2012-13), But since 2015-16 its share rapidly reduce and in 2016-17 it was 11.43% and its rank moved to the 4<sup>th</sup> rank from 2<sup>nd</sup> rank in

2011-12 because of reduce in price of crude oil.

Gems and jewellery share in India's total export is showing decline trend from 2011-12 to 2014-15 but in 2015-16 and 2016-17 its percentage increase and attain the share 15.73% of India's total export with this the sector moved to 2<sup>nd</sup> rank in 2015-16 and 2016-17 from the 3<sup>rd</sup> rank in 2011-12.

In the term of value gems and jewellery export shows decline trend from 2011-12 to 2015-16 (except 2016-17(P)).

Textile and allied products export that comprised of 9.58% share in India's total exports in 2011-12 have performed increasing trend and reported 12.89% share in 2016-17 (P). With this the sector has moved to the 3<sup>rd</sup> rank in 2016-17 from 5<sup>th</sup> rank in 2011-12.

Share of chemicals and related products export also increases from 8.02% in 2011-12 to 10.58% in 2016-17 (P). In terms of value it also shows an increasing trend in 2016-17 in comparison of 2011-12 and its rank has moved to the 5<sup>th</sup> rank from 6<sup>th</sup> rank.

Share of agri. and allied products also shows an increasing trend till 2103-14 and thereafter shows a decreasing trend. But this sector has moved to the 6<sup>th</sup> rank in 2016-17 from 7<sup>th</sup> rank in 2011-12.

Share of other commodities in India's export shows a heavy downward trend it moved from 11.25% in 2011-12 to 6.19% in 2016-17 (P) and also moved to 7<sup>th</sup> rank in 2016-17 from 4<sup>th</sup> rank in 2011-12. In the term of value its export also shows a heavy downward trend.

Share of electronics items in India's export has a decline trend in terms of value. Yet it is able to maintain its 8<sup>th</sup> rank from 2011-12 to 2015-16 and in 2016-17 its rank is 10<sup>th</sup>.

Leather and leather products shows upward trend from 1.53% in 2011-12 to 2.01% in 2015-16. In terms of value its export increases up to 2014-15 but thereafter decreases and its rank moved to 9<sup>th</sup> in 2016-17 form 11<sup>th</sup> in 2011-12.

Share of plastic and linoleum in India's export increase from 1.85% in 2011-12 to 2.1% in 2016-17 and its rank is fluctuating between 9<sup>th</sup> to 12<sup>th</sup> during this period. In the term of value its export shows a slight increase.

Share of marine product in India's export shows increase from 1.13% in 2011-12 to 2.14% in 2016-17 and also increasing in the term of value. But its rank moved from 12<sup>th</sup> in 2011-12 to 11<sup>th</sup> 2016-17.

Ores and minerals share in India's total export is showing decline trend from 2011-12 (2.71%) to 2015-16 (1.47%). In terms of value its trend is decreasing but in 2016-17 it shows a slight improvement. Its rank moved from 9<sup>th</sup> in 2011-12 to 12<sup>th</sup> 2015-16.

Share of ceramic products & glassware in India's total export shows increasing trend from 0.34% in 2011-12 to 0.67% in 2016-17. In terms of value it shows also increasing trend, but Its rank moved to 13<sup>th</sup> from 14<sup>th</sup>.

Share of plantation in India's total export shows decline trend from 0.59% (11-12) to 0.48% (2014-15) there after its share shows a slight improvement and its rank moved to 14<sup>th</sup> in 16-17 from 13<sup>th</sup> in 2011-12. In terms of value it's share also decreasing.

#### 4. EXPORT DIRECTION- TRENDS

India's major trading partners showing decline trend of export during first and second decade since reforms but in the third decade it shows a slight increase from 33.81% in 2011-12 to 37.94% in 2016-17. But this increase is only because of increase in export of North America and other OECD countries not European union, Asia and Oceania.

**Table 3: Direction of India's export- 2011-12 to 2016-17(P)**

Sr. No.	Group of Countries	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17(P)
1	I OECD COUNTRIES	33.81	34.24	34.65	35.23	38.45	37.94
2	(A) EUROPEAN UNION	17.25	16.83	16.51	15.96	17.01	17.21
3	(B) NORTH AMERICA	11.94	12.72	13.09	14.38	16.14	16.03
4	TOTAL (EU+NORTH AMERICA)	29.19	29.55	29.6	30.34	33.15	33.24
5	(c) ASIA AND OCEANIA	2.99	2.92	2.99	2.73	3.13	2.58
6	(D) OTHER OECD COUNTRIES	1.64	1.77	2.06	2.16	2.16	2.13
7	II O.P.E.C.	9.03	19.16	17.72	18.15	17.62	16.38
8	III EASTERN EUROPE	1.06	1.26	1.13	1.11	0.92	1.02
9	IV DEVELOPING COUNTRIES	40.72	43.42	42.82	43.97	41.8	43.47
10	(A) ASIA	29.59	30.43	30.41	30.25	29.36	32.02
11	(B) AFRICA	6.73	8.12	8.37	9.04	8.14	7.2
12	(C) LATIN AMERICAN COUNTRIES	4.4	4.87	4.04	4.68	4.3	4.25
13	V OTHERS AND UNSPECIFIED	5.38	1.91	3.67	1.54	1.21	1.18
14	<b>TOTAL TRADE</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source - RBI publication 15<sup>th</sup> sep. 2017 and various issues.

During the 1<sup>st</sup> and 2<sup>nd</sup> decade of reform export for OPEC countries showing increasing change but in the 3<sup>rd</sup> decade it shows decline trend from 2011-12 19.03% to 2016-17 16.38%.

In the Eastern Europe countries in the 1<sup>st</sup> and 2<sup>nd</sup> decade of reform showing heavy downfall in export but in the 3<sup>rd</sup> decade export for these countries become stable.

In the first two decade of the reforms India's export for developing countries increase rapidly but in the 3<sup>rd</sup> decade its increase in export for these countries shows a slight increase. Its share increases from 2011-12 (40.72%) to 2016-17 (43.47%) the credit goes to ASIA and AFRICA not to LATIN AMERICAN countries.

India's export to other and unspecified countries shows an unexpected increase in 2011-12. But in 2012-13 its share in India's export is 1.91%. In the 3<sup>rd</sup> decade share of these countries in India's export increases in comparison of 1<sup>st</sup> and 2<sup>nd</sup> decade of reforms (except in 2011-12).

#### CONCLUSION

The above discussion depicts that the India's export in third decade of reforms from 2011-12 to 2013-14 shows increasing trend but from 2014-15 its trend is decline besides this India's export

composition also shows change in third decade. Share of ASIA, Africa, North America and other OECD countries in India's export increase but share of OPEC and other and unspecified countries show a decline trend.

In the face of the countries slowdown and negative growth launched the new foreign trade policy of India's 2015.

It is clear by the above discussion there are top five sectors that pulled down the country's export revenues in third decade.

1. **Petroleum Products:** Across the globe, oil is bought and sold in US Dollars. Therefore, the US dollar getting stronger makes oil more expensive to buy in countries outside the US. That, in turn, weakens worldwide demand and further puts downward pressure on oil prices, OPEC countries economy largely depend on export of petroleum products. Because of falling crude oil prices total export of most of the OPEC countries have been going down which impact the India's export as shown in Table no. 2.
2. **Gems & Jewellery:** 15.49% decline from 46314.1 US million dollar in 2011-12 to 39139 US million dollar in 2015-16. But its export improves in 2016-17 up to 43509.6 million US dollar India is the second largest exporter of Gems & Jewellery in the world in 2016. Its main competitor is China.
3. **Electronic Items:** 34.36 percent decline from 9078.8 million US dollar in 2011-12 to 5959.4 million US dollar in 2016-17. The main reason is China's cheaper items in the market.
4. **Ores And Minerals:** 53.54 percent decline from 8283.9 million US dollar in 2011-12 to 3848.3 million US dollar in 2015-16, But its export improve in 2016-17 up to 5062 million US dollar. India's domestic legal policy and regulatory development are responsible for its decline export.
5. **Other Commodities:** 50.28% decline from 34431.9 million US dollar in 2011-12 to 17118.7 million US dollar in 2016-17.

Several Asian countries boosted their export performance by increasing their share in global exports. Though the IMF in its recently released world economic outlook report, it is analyzed recent trade patterns of 174 countries and has concluded that the trade growth has weakened in a majority of them. But instead of blame the world economy for India's dismal export performance it is concluded that there are two main villains to decline India's export:

One, the exchange rate is a crucial price that determines the rupees earned per dollar of exports. Thus, it shapes the price competitiveness of export in the world markets and the profitability of exports for domestic firms. Which is particularly important in India because most exports are exportable that can be sold either in the world market or in the home market.

Second one falling crude oil prices, total export of most of the OPEC countries have been going down which adversely impact the India's export performance.

#### SUGGESTIONS

The government must revisit the issues of budgetary allocation, tariff policy, fiscal incentives, private sector participation and public- private partnership with intense resolve, Apart from improving connectivity through expansion of roads and ports, tackling electricity shortages, rationalizing labour laws and bringing in *elasticity of factor markets will certainly provide a boost to India's export sector.*

The government needs to take proactive and sustained efforts to help India's export sector growth. In fact, the federation of India's exports organization (FIEO) has requested the government to declare exports as a priority sector and also restore interest subvention scheme to exporters to arrest the fall in export. For India to become a part of the global value chains, a better intellectual property regime is needed. Further, India needs to take measures to be a part of the mega regional's which are going to shape the future of global trade architecture such as TPP (Trans pacific partnership) and RCEP (Regional comprehensive economic partnership agreement being led by ASEAN).

Being a part of these mega regionals will go a long way is not only helping India to become part of the regional and global value chain but also boost Indian exports significantly.

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