

CHANGING DYNAMICS OF TRADE IN INDIA

A

Thesis submitted

In partial fulfillment of the requirement for the degree of

MASTER OF ARTS

IN

ECONOMICS



THAPAR INSTITUTE
OF ENGINEERING & TECHNOLOGY
(Deemed to be University)

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June, 2019

CERTIFICATE

This is to certify that the thesis, “**CHANGING DYNAMICS OF TRADE IN INDIA**” being submitted in partial fulfilment of requirement for the award of Degree of **Master of Arts in Economics, in The School of Humanities and Social Sciences, Thapar Institute of Engineering and Technology (Deemed to be University), Patiala**, is a bonafide work carried under the supervision of **Dr. Ravi Kiran**, Professor and Head, School of Humanities and Social Sciences, and **Dr. Rakesh Kumar Sharma**, professor, Thapar Institute of Engineering and Technology (Deemed to be University), Patiala and that no part of this project has been submitted for the award of any other degree.

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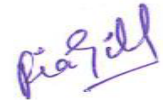
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CANDIDATE'S DECLARATION

I hereby declare that the work presented in this thesis entitles, “**CHANGING DYNAMICS OF TRADE IN INDIA**” being submitted in partial fulfilment of requirement for the award of Degree of **Master of Arts in Economics, in The School of Humanities and Social Sciences, Thapar Institute of Engineering and Technology (Deemed to be University), Patiala**, is an authentic record of my own work carried out under the supervision and guidance of **Dr. Ravi Kiran**, Professor and Head, School of Humanities and Social Sciences, and **Dr. Rakesh Kumar Sharma**, professor, Thapar Institute of Engineering and Technology (Deemed to be University), Patiala and refers to other researchers' work which are duly listed in the references section. The matter embodied in this thesis has not formed the basis of any other degree of this or any other university.

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Place: Patiala.



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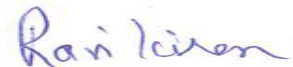


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ACKNOWLEDGMENT

The present study is the end product of teamwork. I have been fortunate indeed to have the valuable guidance, help and support of our advisors and experts. I convey personal and individual thanks to everyone who have been associated with my present study and have contributed to it in one or the other way.

I owe my debt to Dr. Ravi Kiran, Professor and Head, School of Humanities and Social Sciences, and Dr. Rakesh Kumar Sharma, Assistant Professor, Thapar Institute of Engineering and Technology (Deemed to be University), Patiala, for their guidance, valuable suggestions, keen interest and consistent encouragement throughout the completion of this study. I deeply appreciate their determined and outstanding contribution in correcting every error. Being guided by them has been a great privilege.

I present a bunch of admiration to my parents, my brother and family members and dear friends Mr. Sukhpal Singh Dhaliwal and Mr. Kawaljot Singh for their moral support and understanding for keeping my spirits high.

Above all, I am grateful to Almighty for his never failing, loving care and tender mercies. To him be all honor and glory.

Ria Gill

ABSTRACT

Indian economy and foreign trade are on a growth route. Indian exports have come a long way in value terms from the time of gaining independence in 1947. The total value of Indian merchandise exports increased from US \$ 1.3 billion in 1950-51 to US \$ 63.8 billion in 2003-04 a compound rate of 7.6 per cent. Trade growth has picked up post liberalization of 1991. The present study makes an analysis of various sectors in Indian economy. The paper also makes an analysis of India and other South Asian countries through examining its growth and contributions in the economy. The composition of trade is now dominated by manufactured goods and services. India services exports share in global exports is more than double of that of Indian manufacturing exports. This study also covers the top 15 items of imports and exports.

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CHAPTER 1

INTRODUCTION

This chapter introduces the topic in section 1.1. It highlights India's position in trade and also introduces certain terms associated with trade. Section 1.2 covers the chapter scheme of the dissertation.

1.1 Introduction

Every country wants to have a favorable relationship between international trade and economic growth. Many countries have come forward seeking the new advancements and policies that can help a country to be highly competitive and shall be recognized globally. Most of the countries in the world are connected to each other to fasten the developments and to have better the quality of lives of people living that country. Therefore, Growth of a nation depends on the GDP (Gross Domestic Product). Out of various approaches, trade is the main. All the developed and developing countries focus on importing and exporting of commodities and services either to build good relations or only for trade purposes with the other country.

With the introduction of WTO (World Trade Organization) India entered in the era of trade with the world. From a closed economy to an open economy was a huge step for the largest democratic country in the world. India had to portray itself amongst all the countries as a country that produces high quality product with effective and efficient management.

In other words we say that imports are the goods and services that are brought across the international borders from an outside source whereas exports are the goods and services that are produced in one country and send to another country for upcoming sales. It can also be stated that when companies from of country A buys products or services from country B which is in abroad those products are said to be the imported goods or services, considering that exported goods or services are said to be, when companies from country A sell products and services to the companies in country B.

Every country's exports are the most important component as it measures country's economy, as the summing of sales of these types of commodities added to the gross product of the nation. Exports can smoothly occur only when there are no or less trade barriers like, tariffs and subsidies. Usually, these trade restrictions are to safeguard the domestic products and services from the companies abroad or we can also say that these barriers are generally to uplift the local product against the imported commodities. Mostly these jurisdictions are elevated by the government to prevent the local company's sales.

Imports are considered as the backbone of a country's economy. Imports are the goods or services that the country's companies cannot manufacture or the exporting country is produced the same at cheaper cost or it is also possible that the raw material can be imported to produce the final product.

In general balance of trade is defined as the difference between the imports and exports of a country is called as **Balance of Trade** or to simplify the total value of imports minus total value of exports. It very crucial component that tells us about the economy's health that is the trade surplus and trade deficit. The "**trade surplus**" is when the monetary value of the exports is greater than the imports of that country another term that is used for trade surplus is **positive trade balance**, on the other hand when there are greater values of imports than exports it is called "**trade deficit**" or **negative trade balance**. Although, in good times balance of trade can help to indicate the health of the economy of the country but at the times when business cycle fluctuates; means at the time recession a country will prefer having more job opportunities and purposely create demand in the economy by having exports whereas in the time of economic expansion country will definitely promote price competition that will automatically reduce the inflation.

1.2 Chapter Scheme

The section presents the chapter scheme.

Chapter1

This Chapter covers the meaning and objectives of the international trade. This also covers India's contribution to world's GDP and trade system since Mughal Empire, British Raj, post-independence, introduction to new economic policy and the current scenario. With the introduction of WTO there were many changes that were imposed on member countries settling disputes and other issues. It also tells about the trade restriction and other duties of our country. This in particular elucidates about the Balance of Trade (trade surplus and trade deficit).

Chapter 2

Based on the previous papers study it distinguishes the gaps in those studies. It also contains the study and analysis of various search papers relating to changing dynamics of Indian trade especially Southern Asian countries and comparing the trade among the nation.

Chapter 3

This chapter presents the objectives of the study . It also highlights the time period of the study, the sources of data along with the countries where trade trends are analysed.

Chapter 4

Investigating numerous aspects of trade of five including India, based on foreign trade Data of each country for ten years since 2008. It also contains in depth study of India's GDP and trade in different timelines such as during Mughal empire,1700, post independence, new economic policy 1991, current scenario. In addition to that it also contains the top 15

commodities imported into India from other countries and top 15 commodities exported from India to other countries and there subsequent growth rate.

Chapter 5

This chapter contains all the major finding and conclusions of the study. It has various implications, limitations and future scope of study.

CHAPTER 2

LITERATURE REVIEW

2.1 Review of Literature

Sharma and Mittal (2015) stressed upon EXIM i.e. export and imports of a country as the backbone of any country. The financial system of the economy is dependent on its plans and policies related to the imports of goods into the domestic borders country from other countries and the export of goods to other countries from the domestic country, in such a way that it leads to maximum increase in the inflow of foreign currency into the country and further lead to an increase in the foreign exchange reserves of the country, and also to improve the overall economic situation in the country, including the inflation rate, the banking system and to increase the level of employment.

India has 19th position in global trade with 3.5 trillion dollars' worth exports. The authors found empirical evidences to support the fact that the Indian economy is one of the fastest growing economies of the world in terms of foreign trade.

Pillania (2008) opined that both, India's economy and its global trade are on the road of growth, with merchandise exports of the country showing a compound growth rate of 7.6%, from being at \$1.3 billion USD in 1950-51 to \$63.8 billion USD in 2003-04. The researcher expressed that the growth rate of India's foreign trade picked up pace after the LPG policy, 1991. The effect of liberalisation has been a key area of focus in this paper. He also stated major commodities which constituted India's trade in the previous years and how these major goods have been replaced with manufacturing goods and services in some of the more recent years.

The service sector now dominates Indian exports having double the share of that the manufacturing sector. The major trade partners of India are most of the East Asian countries, especially China. India has huge potential in foreign trade which will be very useful in the coming years. The researcher uses various statistical and mathematical tools in order to estimate the India's current position in the sector of foreign trade and its balance of trade figures. He concluded by saying that due its large size and rapidly growing economy India will be unstoppable in the foreign trade sector, in the coming years .

Sreejith and Raju (Oct, 2017) started their paper with a statement in the World Bank report (2015), where it stated that India will emerge as the top economies of the world by the year 2016, evening overtaking China in the process. And according to the IMF report (2015) India is at the 7th position in the world, in terms of GDP, which was expected to grow at 7.5% for the year 2016. The researchers stated that trading in India was not only becoming more organized and productive with the rapidly improving technology and increasing innovation, it was also becoming an important factor of production, to be considered by the economists, particularly in the knowledge driven market the world was turning into.

In this paper the researchers tried to estimate and study the trends in the exports from India to other countries, which was based on the export data for the period of past 15 years, starting 1999-2000 and also tried to forecast the exports for the coming 10 years. The finding of this paper was that the value of exported goods increased from 1949745.95 crore rupees (2016-17) to 3039414-07 crore rupees by 2025-26.

Bose (2015) also focused his paper around the liberalization of trade in 1991 and its impact on the global trade of India, and the import export policies following this liberalization policy of 1991. This paper also discussed the Foreign trade policy (FTP) of the year ended 2015-16, which is scheduled to run till March 31, 2020.the government has shown huge amount of confidence in this 2015 policy, and claimed that it will lead to the increase in exports, because it focuses on “improvement of the entire trade structure”. The paper also stated that the imports of India can also witness an increase particularly the gold and the non-oil sector.

Chakrabarty and Chakravarty (2012), in their paper tried to analyse the import and export of black gold (oil) from India, and make estimates of the trends of previous four decades, using the variables like Real GDP, share of imports and exports, etc. The study shows that the two variable relationship between the imports and exports of oil was negative. However, the two variable results for the imports of oil and GDP were positive and trivariate results were also positive.

Kowalski (2008), focused specifically upon the trade between India and China. Being neighboring countries the trade is naturally benefited, but also additionally, the two countries have favoring trade laws. The researcher made a comparison between their trade processes and the outcome of their trade. The reforms in China focus on converting the Chinese economy into a manufacturing hub. China has a dual policy, one focuses on opening up of trade and allowing huge amounts of foreign investments in the manufacturing goods, leading to a flourishing private sector and 2nd policy is keeping high level of public ownership and implementing regulatory reforms necessary for the dominance of service sector.

The Indian economy, too trying to improve its foreign trade situation, has reduced the tariffs on the non-agricultural products, but at the same time focused on implementing some non-tariff barriers, as a protection, which might hinder the India manufacturing sector. As compared to China, India has comparative advantage in many segments of the service sector. But the trade policy for the service sector in India is still very restrictive, though it has been significantly improved after the liberalization policy.

2.2 Gaps in study

As explained in the literature above it tells the different phases of trade in India. Few of the studies also show the variations in trade throughout decades. Many studies have shown the difference between China and India exports and imports. It also shows the restrictions and policies that are imposed on imports and other taxes and subsidies on exports. This also tells the objectives of the trade and other policies. It also shows other countries trade data that shows distinguished.

2.3 Motivation

CHAPTER 3

RESEARCH METHODOLOGY

This study analyses the trade scenario of India. The study uses a comparative study of four nations of SAARC. These countries are: Pakistan, Nepal, Afghanistan and Bangladesh. Section 3.1 covers the objectives of the study. Section 3.2 covers Research Design & Methods including the time period of the study.

3.1 OBJECTIVES OF THE STUDY

The present study has been undertaken with the following Objectives:

O1: To analyse the current scenario regarding Trade in India. .

O2: To analyse growth of Export and Import in Pakistan, Nepal, Afghanistan and Bangladesh

O3: To analyse the trends of exports in India.

O4: To analyse the trends of imports in India.

3.2: Research Design & Methods:

The study has used Growth rates to estimate the trends in Exports and Imports. The formula used is:

$$Y = ae^{rt}$$

The data used is secondary data collected through RBI Site and Indiatst database.

The time period for comparative analysis of Pakistan, Nepal, Afghanistan and Bangladesh in the study is 2008-2017. For top 15 exports and India also growth rates have been calculated to see the trends of trade in India. The time period for these is **2013-2018**.

CHAPTER 4

DATA ANALYSIS AND INTERPERTATION

4.1: Changing Nature of Trade in India

Imports are the commodities or services that are brought from abroad into the resident country. Goods can be bought from another country because of the reason that the resident companies are unable to produce product effectively and efficiently or at cheaper rates. In this resident are citizens, business owners and the government of that country. Imports can be sent via various media. It can be shipped, emailed, or also can brought in the country by hand which means in someone's luggage via airplane. In other words, if a product or a service is manufactured in abroad and sold in domestic land it is said to an imported goods or services.

India has been amongst those countries that have resources in abundance which means the whole world desires its products and services. Before the era of globalization India was looked up as a golden bird not because of it has wealth and rich heritage. India contributed in global GDP during British Raj diminished from 24.4% in 1700 to 4.2% in 1950. Even

during the rule of the Mughals the GDP per capita (PPP) was motionless but it declined with during the initial years of British Raj.

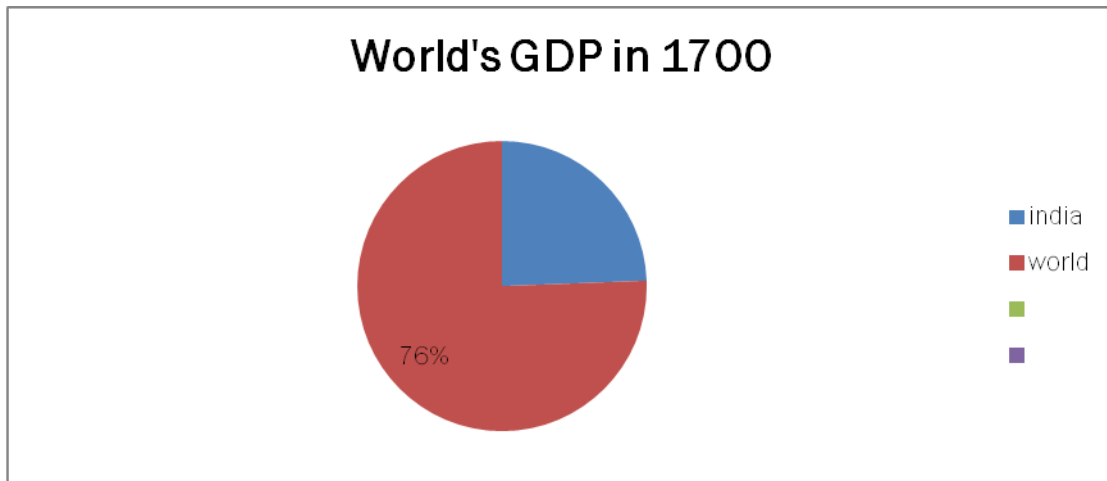


Figure 4.1 : World's GDP in 1700

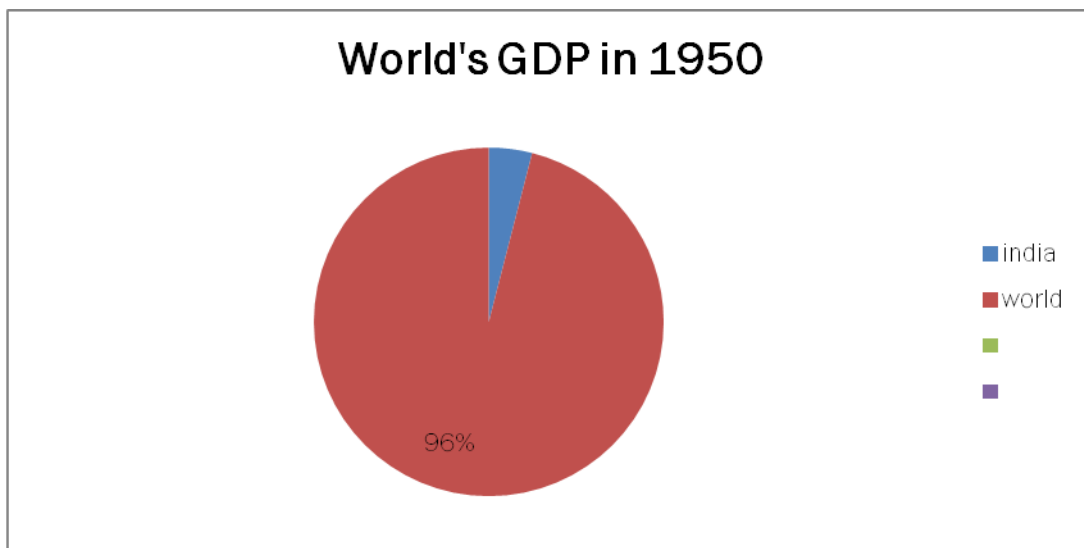


Figure 4.2: World's GDP in 1950

As there was monopoly over trade by the British government they didn't give profits from exports of raw materials like cotton, raw silk, jute, etc to Indian producers who were working their hearts out for the tasks to be done on a contrary Indian buyers were obliged to buy the expensive imported good at heavy costs like final products like silk products, cotton, woolen clothes and other capital commodities like machineries, etc. India has become a huge market for the British finished products that were manufactured in England and sold in

India at higher prices although the raw material was exported from India but the final products were produced there.

The surplus export did no good to our country in fact products like food grains, essential oils and clothes were not available in the local market which means that the British government didn't care what India wanted, they sought their own interest. They also used export profits to feed their own war calamities and only here to drain India's immense wealth. Huge taxes were paid by the people of India that of any other country. Indians paid almost doubled amount of the taxes as compared to the British in England. It was mandatory to pay taxes even if the farmer had a bad agriculture year. More taxes were levied on the salt producers during the last years of British Raj.

When India got independence it was solely left under huge debts and misery which gradually affected its economy for decades. During the recovering years India was not able to cop up with the world issues. There was a shortage of foreign exchange leading that there was a trade deficit that occurred in 1960s. There were various agreements that were initiated by the government of India with Soviet Union and other European countries but there stood an obligation that the payment must be done in Indian rupees.

In 1970, starting of this year was not at all pleasant for the Indian rupee as it faced devaluation in the currency. Then government amended the trade policy to increase the exports. They were setting up new councils that had intellectuals who can advise to get rid of these types of issues the country was dealing. This time there was rise in petroleum prices and trade surplus that was first time recorded as Rs.104 cr.

Eventually, earlier in 1980s India had to go to IMF for loan for import in lieu of that IMF insisted to have trade deficit to promote export promotions. India accepted that advice and focused on import liberalization to promote exports more. Government continued to lose the registrations on imports for promoting exports in the country.

Due to the unpleasant past with foreign companies India was not able to do business with them. There were immensely high tariffs barriers in the new economic policy resting on planks of Liberalization, Privatization and Globalization in India (LPG). India sought itself as a fastest growing economy. World was talking about it, with the introduction of the LPG

policy it opened doors for various companies to build up the businesses here in the country with very less import duties and exports taxes. A major objective for this model to imply was to dissolve the license permit raj allowing government's less interferences into the businesses and companies.

India was a closed economy until the Economic Liberalization happened and allowed numerous companies to come to India and set up industries over here. These companies generated massive employment opportunities and enhancing the livelihood of people in India. These reforms were many times amended according to the pace of time to incur economic growth and to make India competitive among the world's leading countries.

List of Top 10 Profitable Products Imported In India

1. Meat exportation
2. Dairy products
3. Homeopathy Medicines
4. Jewelry and precious stones
5. Leather and leather products
6. Ceramics
7. Petroleum products
8. Textiles
9. Organic supplements and medicines
10. Regional handicrafts.

India imported US\$ 504.6 billion worth products from all over the world in 2018. Following are the top 10 commodities that represents highest dollar price:

1. Mineral fuels including oil: US\$168.6 billion (33.2% of total imports)
2. Gems, precious metals: \$65 billion (12.8%)
3. Electrical machinery, equipment: \$52.4 billion (10.3%)
4. Machinery including computers: \$43.2 billion (8.5%)

5. Organic chemicals: \$22.6 billion (4.4%)
6. Plastics, plastic articles: \$15.2 billion (3%)
7. Iron, steel: \$12 billion (2.4%)
8. Animal/vegetable fats, oils, waxes: \$10.2 billion (2%)
9. Optical, technical, medical apparatus: \$9.5 billion (1.9%)
10. Inorganic chemicals: \$7.3 billion (1.4%)

Most of the countries want to increase their exports. Exports are the goods or services that are rendered outside of the country and brought in the local market of another country for sale. This enables the companies to trade more with that country and also have better relationships with them. To have exports bought a country must have less duties/taxes and subsidies imposed on the product and services of a particular country.

Sometimes unfavorable conditions are the reason that a country is unable to produce some specific product in lieu of that they get that product from some other country. Many countries go through difficult situations like war, climatic changes, economic crunch etc. so these conditions compel the government to buy goods and services abroad. Export helps a country to generate high rates of job, increase in wage rate, exchange of skills and new learning techniques and the most important factor of all is that provides better standard of living of the local population. Therefore, every country's administration focuses on export promotion.

Exports also help to increase the foreign exchange rate reserves. A country having higher reserves can help to manage the currency's value. Countries use reserves to manage liquidity from which they can also take care of the inflation to which they use foreign currency to buy their own currency that will increase money supply that will make local currency worthwhile.

Trade surplus is a situation on the economy that measures the positive balance of trade. It is when the result of the calculation is positive ($\text{Trade Balance} = \text{Total Value of Exports} - \text{Total Value of Imports}$). The net flow of domestic currency from the foreign markets is said to be trade surplus.

The British era, during initial years of the company EIC (East India Company) only brought goods to India in exchange of Indian goods like textiles and numerous spices which they further sold to other countries at different prices. They benefited specifically by selling Indian products to other countries. Therefore, seeing the profits incurred by selling Indian products they encouraged the manufacturers in India. It was said the British manufacturers were very amazed to see the popularity of Indian textiles in the UK.

The fashion was changed from wearing woolen dresses to cotton. Even before the British Raj Indian exports were considered valuable, traders used to export the textile which was the major exporting item during 16th century. Further moving, in 1702, with the pressure by the local producers the British government had to impose laws against the famous Indian products that were forbidding the local people to wear printed and dyed cotton clothes from India. Working conditions for labors in India was very absurd. British officials compelled them to work at very low wage rate and had strict orders that they will not work for the Indian manufacturers. East India Company removed all its competitors within India as well abroad.

England had imposed heavy duties on Indian exports. Therefore, high fares were paid according to the law of the land by the Indian merchants. British were insecure regarding the machine industry in lieu of Indian products that were cheaper yet better in quality.

During 1813, Britain's economy completely changed with a massive growth of industry leaving the Indian products behind which further made relations with India worse. In the coming years, there was a lot that Britain has to see regarding their changes in socialism and their steady steps towards capitalism which again gave them benefits in the coming future. This also aided the factor system and there was huge transformations seen within the economy.

British always believed in wars and colonialism. They looted many export markets by using new technologies that increase production and incur profits to the economy. All the colonies ruled by British served the same. But cotton textile became the reason of the famous Industrial Revolution in England. Its government was immensely influenced by the businessmen and industrialists. There were various British officials that insisted to bribe the

local people of India so that they can buy machine made products that were produced in Britain. Within less time Indian products were not able to compete with the English products as these products were cheaper. Their product quality was highly increasing with new innovations.

Earlier in 18th century foreign imports increased vigorously in India as the British were imposing no heavy duties on them whereas there were many Indian products that were manufactured and brought to England but had higher import duties on them as compared to the English products imported in India. For instance, the sugar manufactured in India was obliged by the English government that it can only pass when the duty is paid thrice of its actual cost which was shocking for the Indian merchants as they were already not paid well and also had to face trade issues.

During the British era, English products were imposed on Indian people. It became necessary to buy these goods. For the Indian merchants it became mandatory to export all the raw material like raw cotton, silk, wool, etc. furthermore, plants like tea and indigo were highly in demand because these cannot be grown in England due to different weather conditions.

British even smuggled Indian opium to China even after been restricted as an import because of its dangerous properties. This trade made huge profits for the English merchants. But the trade of opium was banned in England. By the end of 19th century India exported goods like cotton, silk, jute, tea and indigo. Indigo was one of the major exports in India. But its plantation was the most difficult of all. It doesn't leave the land enough for more production. It made the waste land.

The main aim of the East India Company was to make India a producer of raw material and a customer of the British products. It also helped the British industry to grow more and more so that the industrial revolution can take place in England.

Even the cruel rulers of previous India charged high taxes on the people unlike British they always did something for the people of India. What British did was a total 'Economic Drain'. Back in those days they promoted Indian trade and building numerous artifacts for the country. It gave the Indian people employment but the British never thought of helping

the Indian people they in return took everything to the UK for their own benefits. In fact, the Indian government that ruled the country at that time was also controlled by the English merchants and the government of the UK.

In today's era, Indian exports are highly desired all over the world. As we get cheap labor and cost of production is very less as compared to the rest of the world. As we know that the goods and services that are manufactured in one country are mostly self sufficient as they export the goods to another country. Present scenario of India, net exports are highly positive in trade of pharmaceuticals, this creates India's competitive advantages. Furthermore, the mineral fuels category is also one of the top most exports of India. But the refined petroleum oil and electric energy are growing slowing.

Other items like machinery and tools that are used for engineering products are growing slowly on the other hand shipments for Organic Chemicals are also recorded as the fastest growing export in India. Other than that, computer and Engineering tools like chips and other micro products are also exported to other countries. There were huge decline seen in the top categories of steel and iron and other jewels and gems accessories and other precious metals are also among exporting items. As the resources are scare in nature like coal, oils, Petroleum and other mineral fuels India has reduced its exporting capacity.

Ranking of Forbes Global shows 50 corporations. The major companies in India exporting goods and services view companies like reliance industries, ITC. JSW steel etc; all the companies that are involved in exporting commodities around the world.

Trade during Financial Crisis

Financial crisis is a situation in the economy where price of assets decreases in value and the buyers are unable to pay debts and there is a scarcity in liquidity. This also happens when bankers sell all their investments and start withdrawing their money from saving accounts in the banks. This crisis can lead the economy to face recession and depression.

There were many times in history that world faced great depression and showed that it takes many years and strong economic policies that can recover the loss. The very famous "Great

depression” that happened in 1929 was the biggest of all. World faced collapsed economy. Aftermath, there were many policies that were introduced after this issues.

In 1973 OPEC oil crisis, one barrel of oil that priced for \$3 immediately increased to \$12. In modern times it is believed that the rise in oil price can lead to stock market crash. After this there was the Asian crisis of 1997-98 it was mainly due to the international restrictions that were obliged on Thai government to abandon US dollars in lieu of Thai Baht.

Great depression in 2007-08

One of the most serious financial crises in history after the great depression in 1930 was the 2007-08 that started in U.S.A. The main reason recorded was the subprime mortgage crisis and other home loan defaults. Similarly to this there was an increase in petroleum price which was \$100 per barrel. There was Global inflation with the decline in the value of dollar. During the same time, the impact of all the above was seen that there were zero job opportunities or underemployed. All these escalated to a level where the GDP of economy fell to 2 % directly.

India’s exports to US were slowing down due to the recession. Due to this Indian exports turned negative. Most of the people sold their shares facing immense losses. The stock market crashed because of the foreign investors pulled out their money as US economy was sluggish. Therefore, people saved money rather than investing money in the market. In the Industrial sector, the private as well as the government sector was rigid to invest or to start new projects. Moreover, the companies were running out of cash as there was no flow of cash during that time. No new projects were accepted and the projects that were under process was halfway to complete were shut down. There was no new staff that was hired that increased the rate of unemployment.

This also affected the export deals. The banking sector also faced issues as the companies were at loss and was unable to invest, therefore banks were unable to recover loans. Although, India was partially depended on the Agriculture sector but recession had a great impact on it as well. The agro products that were supposed to be exported to the US and Europe was declining. There was virtually ban on Indian export food grains. The decrease in the value of US dollar against Indian rupee also had impact on the exports

Top 10 products that India exports to the world

Following is the top 10 products that India exports to the world:-

1. Mineral fuels including oil: US\$48.3 billion (14.9% of total exports)
2. Gems, precious metals: \$40.1 billion (12.4%)
3. Machinery including computers: \$20.4 billion (6.3%)
4. Vehicles: \$18.2 billion (5.6%)
5. Organic chemicals: \$17.7 billion (5.5%)
6. Pharmaceuticals: \$14.3 billion (4.4%)
7. Electrical machinery, equipment: \$11.8 billion (3.6%)
8. Iron, steel: \$10 billion (3.1%)
9. Cotton: \$8.1 billion (2.5%)
10. Clothing, accessories (not knit or crochet): \$8.1 billion (2.5%)

Top companies in Indian Export companies

1. Reliance Industries (oil, gas)
2. Tata Motors (cars, trucks)
3. Indian Oil (oil, gas)
4. Coal India (diversified metals, mining)
5. ITC (tobacco)
6. Bharat Heavy Electricals (electrical equipment)
7. Hindalco Industries (aluminum)

8. Tata Steel (iron, steel)

4.2: Changing status of Import and Export Status of Pakistan, Afghanistan, Nepal and Bangladesh

This section presents the Changing status of Import and Export Status of selected SAARC countries, viz. Pakistan, Afghanistan, Nepal and Bangladesh

Table 4.1: Changing status of Import and Export Status of Pakistan

	Pakistan	
Year	IMPORTS	EXPORTS
2008	4,23,26,567	2,02,79,046
2009	3,15,83,718	1,75,54,698
2010	3,75,37,025	2,14,13,103
2011	4,35,78,259	2,53,43,769
2012	4,38,13,262	2,46,13,676
2013	4,37,75,183	2,51,20,883
2014	4,75,44,889	2,47,22,182
2015	4,39,89,645	2,20,89,018
2016	4,69,98,269	2,05,33,793
2017	5,74,40,013	2,18,77,787
Growth Rate	4.05	3.50

Pakistan is located in Southern Asia. It is one of the neighboring countries of India. It is basically situated in between India on east side and towards west Iran and Afghanistan and Arabian Sea to the south. Pakistan is maintaining trade deficit as it is importing more and

more goods from other countries. According to Economic Complexity Index (ECI) Pakistan is the 23rd largest economy and 68th largest export economy in the world.

In recent year Pakistan’s economy is in trade deficit as in 2017 it imported more than it exported therefore, the trade went in negative. Top exports of Pakistan is textiles that includes non stitched men’s suits, Linens, pure yarn, unstitched women’s clothing, etc. it also exports petroleum products like refined petrol and diesel etc. The major countries that Pakistan exports its products are The United Nations of America, The United Kingdom, Germany, Afghanistan, The United Arab Emirates, China, Saudi Arab, Indonesia and Japan.

Pakistan also exports food grains like rice, palm oil, cereals, salt, Fish, etc. other products like leather, leather product, cotton, medical and technical equipment and other machinery. To India, Pakistan exports mainly Fresh fruits and vegetables, cement and leather and petroleum and other mineral and ore products.

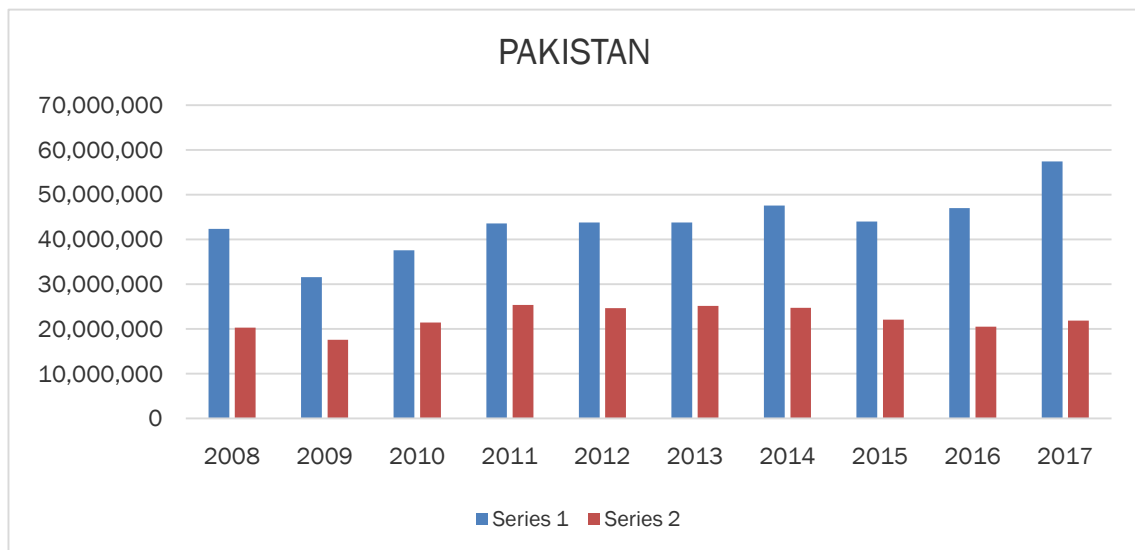


Figure 4.3: Changing status of Import and Export Status of Pakistan

Table 4.2: Changing status of Import and Export Status of Afghanistan

Year	Afghanistan	
	IMPORTS	EXPORTS
2008	30,19,860	5,40,066

2009	33,36,435	4,03,441
2010	51,54,250	3,88,484
2011	63,90,311	3,75,851
2012	62,04,984	4,28,903
2013	85,54,414	5,14,973
2014	76,97,178	5,70,534
2015	77,22,865	5,71,405
2016	65,34,140	5,96,455
2017	77,92,620	8,31,927
Growth Rate	1.47	4.76

Afghanistan is one of the Least Developed Country (LDC) located in Southern Asia. This country is on the road to recovery decades as it had been in state of war ever since 2001. Afghanistan has a slender export base as it exports very few products like rugs, fruits, dried fruits, carpets, etc. Foremost countries that partnered with Afghanistan is Pakistan, India, Iran and the countries that import are India, Japan, Iran, China and Russia. It will be soon a part of WTO (World Trade Organization) as the process is going.

The main products that this country trades is dried fruits, shelled, peeled, other vegetables shelled and peeled. The handicrafts or the replicas of the same are also highly praised and exported to other countries. This country is also the third largest exporters of cashmere this country is full of precious and semi precious stones and many uncommon metals and stones that are not found anywhere on the earth.

After the fall of the Talibanis Afghanistan has started recovering slowing yet pace is needed. It wants to do business with the world but has to redeem it strict policies regarding trade barriers. To pay for import and other debts Afghanistan had to sell its 90% of natural gas to Soviet Union during early 1970s. All in all economy of this country is growing at a snail's pace and we might see the difference in the coming years.

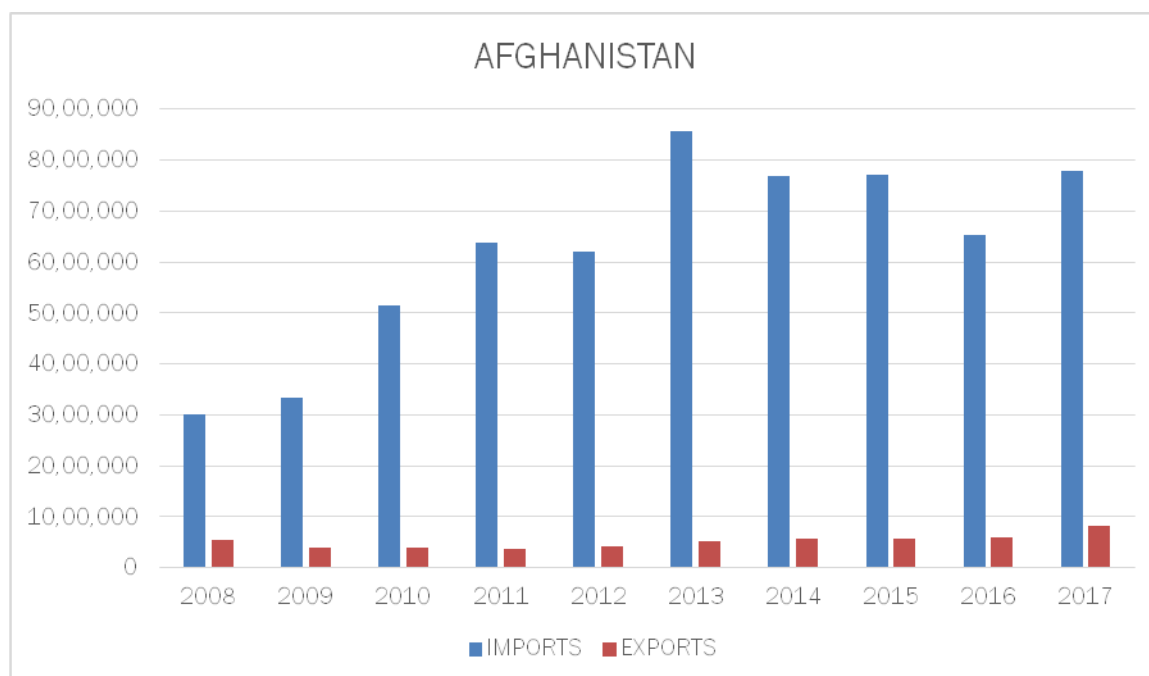


Figure 4.4: Changing status of Import and Export Status of Afghanistan

Table 4.3: Changing status of Import and Export Status of Nepal

Nepal		
Year	IMPORTS	EXPORTS
2008	33,23,478	7,44,169
2009	37,54,389	8,85,999
2010	51,15,880	8,74,201
2011	59,15,923	9,07,634
2012	60,17,474	8,70,663
2013	64,51,695	8,63,258
2014	75,90,090	9,00,859
2015	66,12,094	6,60,182
2016	88,78,502	7,28,846
2017	1,00,37,840	7,40,743

Growth Rate	1.71	5.21
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Figure 4.5: **Changing status of Import and Export Status of Pakistan**

Nepal is yet again another LDC (Least Developed Country) among many other in Southern Asia. Due the decree communist party and changing political circumstances Nepal’s economy is complex and exaggerated by these changes. Due to growth of textiles and carpet industries during 2000 the exports flourished in the country. Furthermore, in the coming year Nepal decreased its trade deficit by escalating exports that included products like coffee, tea, spices, manmade fiber, food waste, etc. Other products like minerals and other fuel related products show trade negative.

Nepal’s top ten export records world’s 2/3 of global consignment. Nepal mainly import products like petroleum, energy, gold, iron and steel, attire etc. Thailand and Indonesia are the main countries that are partnering with Nepal for importing products. Nepal is the member of many organizations like WTO, SAARC, etc.

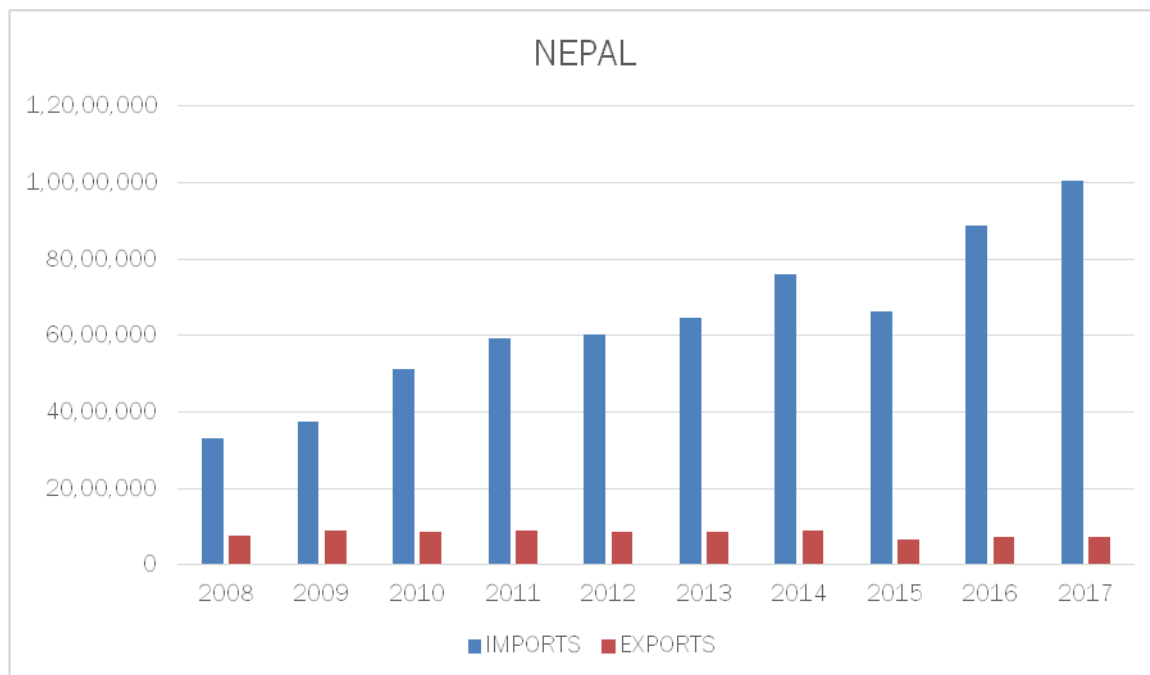


Figure 4.5: **Changing status of Import and Export Status of Nepal**

Table 4.4: **Changing status of Import and Export Status of Bangladesh**

Bangladesh		
Year	IMPORTS	EXPORTS
2008	2,43,34,108	1,55,06,719
2009	2,32,45,039	1,55,58,634
2010	3,05,03,835	1,92,30,983
2011	4,12,21,652	2,43,13,744
2012	3,63,56,219	2,45,13,501
2013	3,54,93,348	2,45,37,341
2014	3,60,43,283	2,84,51,371
2015	4,80,58,710	3,17,34,162
2016	4,84,48,309	3,49,71,000
2017	5,28,47,700	3,48,83,000
Growth Rate	1.77	1.93

Bangladesh is one another country in Southern Asia situated near India and Myanmar. Earlier it was a part of India likewise Pakistan. The monetary sector of Bangladesh is the second largest in Asia .Bangladesh's economy is a market based economy which means free market where prices of the commodities are not determined by the involvement of the administration and other systems. Prices of goods and services are lay down free according to the supply and demand and required to achieve the point of equilibrium.

This country's economic growth is mainly because of ready-to-wear garments and transfer of funds from immigrants. As Bangladesh is a labor intensive country labor it utterly cheap and easily available. This country has an export sloping industry. There are major export products like seafood, textile, leather products, pharma industries, steel and food processing etc. Moreover, Bangladesh is also amongst the fastest growing economy. Bangladesh also has telecom industry that is speedily mounting.

The main importing partners are India and China whereas major exporting countries are United States of America and the European Union, Kuwait, China and Bangladesh. Products like oil and other oil based products, capital goods and food bits and pieces.

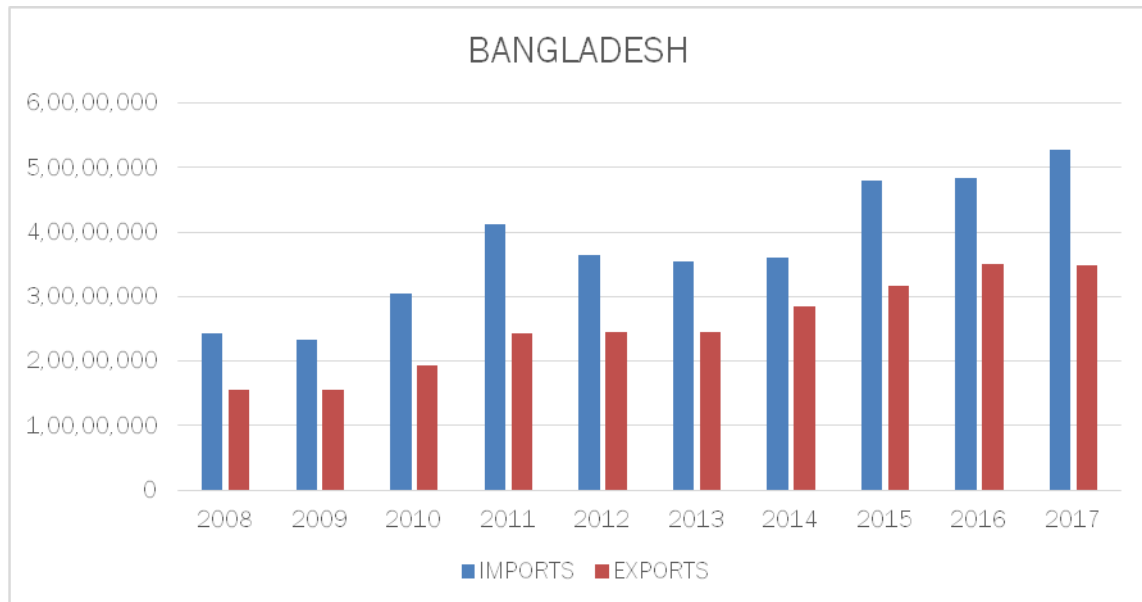


Figure 4.6: **Changing status of Import and Export Status of Bangladesh**

Table 4.5: **Changing status of Import and Export Status of India**

	India	
Year	IMPORTS	EXPORTS
2008	31,57,12,106	18,18,60,898
2009	26,64,01,553	17,67,65,036
2010	35,00,29,387	22,04,08,496
2011	46,24,02,791	30,14,83,250
2012	48,89,76,378	28,95,64,769
2013	46,60,45,567	33,66,11,389
2014	45,93,69,464	31,75,44,642
2015	39,07,44,731	26,43,81,004
2016	35,67,04,792	26,03,26,912

2017	44,40,52,354	29,43,64,490
Rate of Growth	2.75	1.97

India is the seven largest country by area. It is the most popular democratic country in the world surrounded by the Indian Ocean, the Arabian Ocean and The Bay of Bengal. The neighboring countries are Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka and Afghanistan. India is a diverse nation with immensely rich culture and heritage. India has been under the rule of many rulers who were cruel and selfish but most of this glory was under the name of the British Raj. It scooped all the wealth and left India with nothing at all. Trade escalated during that time but only for the benefits of the English people. Therefore, this was a result of the failure of the Indian people who were not only blind in the name of the British but also couldn't see the impact they had on the country.

After the independence, it wasn't easy for the new government to trade with the foreign company as it had a uneasy past with the foreigners. But in 1991, India opened its doors to new companies and became an open economy. It was believed that the globalization is the key to growth and developed of the nation which stood correct for India. Today, India is the sixth largest economy in the world in market exchange rates. India is the fastest growing economy in the world. India is a labor intensive country. Averaging an economic growth rate of 7.5% for several years prior to 2007, India has more than doubled its hourly wage rates during the first decade of the 21st century.



Figure 4.7 : **Changing status of Import and Export Status of INDIA**

4. 3: Top 15 Commodities Exported by India

Table 4. 5: Growth Rates of Top 15 Commodities Exported by India

S. No.	Commodity	2013-2014	2014-2015	2015-2016	2017-2018	2017-2018	Growth
1.	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.#42	3,92,38,312.3 1	3,51,11,080.15	2,03,88,463.32	2,69,11,550.92	2,69,11,550.92	1.38
2.	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRE.METALS, CLAD WITH PRE.METAL AND ARTCLS THEREOF; IMIT.JEWELRY; COIN.#53	2,52,17,541.0 2	2,53,93,999.05	2,59,18,297.78	2,47,90,423.37	2,47,90,423.37	2.61
3.	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.#55	78,56,975.35	88,52,545.59	94,04,045.37	1,11,22,918.45	1,11,22,918.45	1.21

4.	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS.	73,16,992.25	84,43,257.50	88,51,134.75	1,15,18,730.79	1,15,18,730.79	1.31
5.	ORGANIC CHEMICALS#59	72,86,046.52	73,06,890.31	75,29,455.08	85,44,729.55	85,44,729.55	1.64
6.	PLASTIC AND ARTICLES THEREOF #66.	67,40,371.23	70,81,510.40	84,48,106.41	95,38,061.91	95,38,061.91	1.30
7.	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PRE. EDIBLE FATS; ANIMAL OR VEGETABLE WAXEX.#4	63,54,285.04	58,28,221.99	40,96,626.70	56,21,348.40	56,21,348.40	1.94
8.	IRON AND STEEL#16	62,42,820.75	53,15,391.02	61,03,046.86	72,49,507.37	72,49,507.37	2.37
9.	MISCELLANEOUS GOODS.#50	60,48,659.16	47,24,469.94	52,51,398.69	60,11,330.65	60,11,330.65	2.77
10.	SHIPS, BOATS AND FLOATING STRUCTURES.#81	56,04,828.43	53,07,513.71	35,82,894.98	51,52,599.51	51,52,599.51	2.18
11.	OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION, MEDICAL OR SURGICAL INST. AND APPARATUS PARTS AND ACCESSORIES THEREOF.#57	50,44,557.19	56,22,087.16	47,98,352.32	45,41,150.87	45,41,150.87	2.30
12.	ORES, SLAG AND ASH.#58	41,25,650.86	46,44,505.96	50,15,324.47	52,53,712.36	52,53,712.36	0.99
13.	FERTILISERS.#27	40,33,855.94	46,80,411.21	40,29,977.17	43,79,574.04	43,79,574.04	2.18
14.	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OR RADI. ELEM. OR OF ISOTOPES.#35	34,15,380.62	31,02,209.23	25,70,438.88	44,17,576.30	44,17,576.30	2.44
15.	PROJECT GOODS; SOME SPECIAL USES. #74	29,45,117.09	32,08,437.78	25,99,384.00	40,92,781.63	40,92,781.63	1.99

As shown through Table 4.5 In case of Exports highest growth was reported for Natural or Cultured Pearls, Precious or Semiprecious Stones, Pre-Metals, Clad with Pre-Metal and Articles Thereof; Imit. Jewellery; Coin. Inorganic Chemicals; Organic or Inorganic

Compounds of Precious Metals, of Rare-Earth Metals, or Radium Elements or of Isotopes also had high growth. This was followed by Iron and steel had a higher growth of 2.37.

The growth rates are represented through figure 4.7.

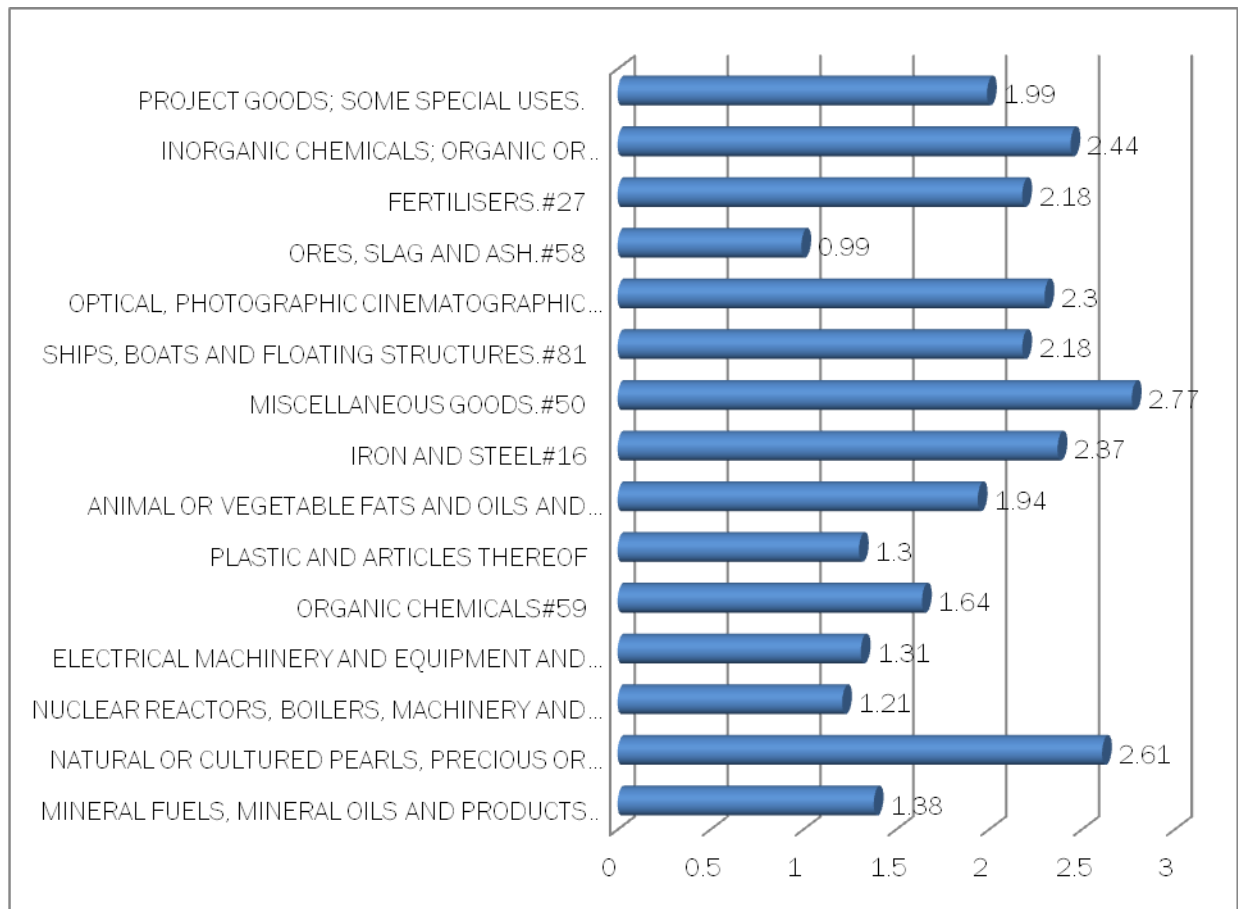


Figure 4.7: Growth rates of top 15 goods Exported

The next objective was to analyse the trends of Top 15 Commodities Imported by India.

The time period of the study was 2013-2018. Growth rates were calculated to see the changes in trends.

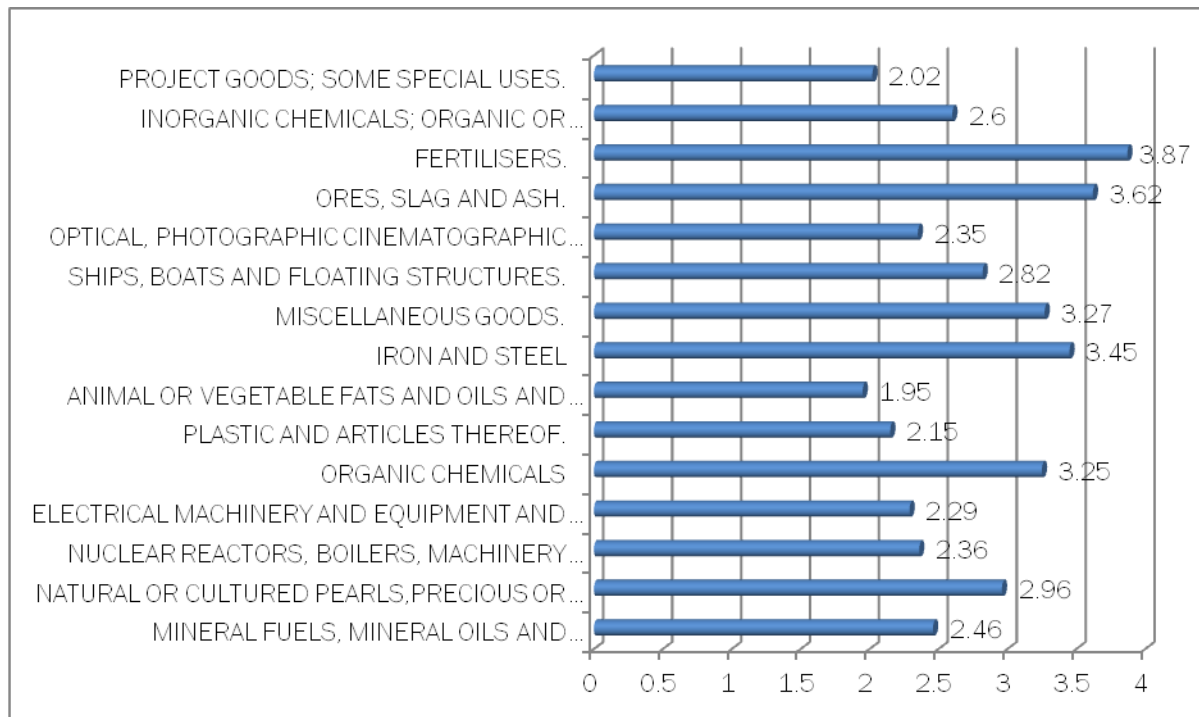
4. 4: Top 15 Commodities Imported by India

Table 4.3 :Top 15 Commodities Imported by India

Commodity	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Growth
MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.	10,98,31,161.82	9,53,43,879.64	6,32,02,188.50	6,91,91,244.02	8,52,69,665.08	2.46
NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMIPRECIOUS STONES,PRE.METALS,CLAD WITH PRE.METAL AND ARTCLS THEREOF;IMIT.JEWELRY;COIN.	3,45,02,956.00	3,81,51,469.87	3,69,48,050.48	3,60,26,221.84	4,81,70,503.00	2.96
NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.	1,85,27,012.32	1,94,16,276.83	2,15,42,902.36	2,15,22,965.33	2,43,81,593.24	2.36
ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS,AND PARTS.	1,76,46,098.06	2,02,76,399.06	2,35,58,683.02	2,58,69,704.39	3,11,10,255.48	2.29
ORGANIC CHEMICALS	1,03,15,690.14	1,08,31,982.70	1,01,98,608.75	1,03,79,756.63	1,23,76,076.23	3.25
PLASTIC AND ARTICLES THEREOF.	61,07,179.92	71,39,778.21	74,56,628.44	77,57,345.98	89,76,837.41	2.15
ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PRE. EDIBLE FATS; ANIMAL OR VEGETABLE WAXEX.	57,15,281.68	65,18,454.42	68,92,713.95	73,39,802.14	75,40,198.29	1.95
IRON AND STEEL	54,90,818.14	75,51,631.15	73,55,789.06	55,27,753.58	67,23,542.03	3.45
MISCELLANEOUS GOODS.	48,87,973.81	45,75,982.77	50,16,505.29	47,34,156.19	9,886.74	3.27
SHIPS, BOATS AND FLOATING STRUCTURES.	40,89,588.71	30,66,257.87	29,71,658.12	38,02,350.91	30,87,870.26	2.82

OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION, MEDICAL OR SURGICAL INST. AND APPARATUS PARTS AND ACCESSORIES THEREOF;	40,63,600.18	43,10,910.32	47,58,125.99	49,62,015.76	56,21,232.17	2.35
ORES, SLAG AND ASH.	39,38,645.66	45,04,007.18	35,29,572.21	28,69,389.32	41,81,561.98	3.62
FERTILISERS.	32,63,945.01	39,10,614.77	45,97,310.59	28,75,418.65	30,10,817.25	3.87
INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE- EARTH METALS, OR RADI. ELEM. OR OF ISOTOPES.	29,06,307.54	31,41,315.34	33,16,958.03	31,65,364.92	38,92,703.28	2.60
PROJECT GOODS; SOME SPECIAL USES.	27,51,782.72	22,26,848.57	18,23,527.33	13,98,661.92	13,50,707.36	2.02

The results highlight that growth rates for imports were higher for Fertilizers followed by Ores, Slag and Ash. The next in line were Iron and Steel.



Summing up it can be said that India imports fertilizers, ores Slag and Ash, iron and steel.

4.5 Impact of International Trade on Gross Domestic Product

Most of the studies on India have failed to establish causality between exports and GDP in both directions. Nain's and Ahmad's (2010) study substantiates the validity of the growth-led exports hypothesis in the Indian context. Mishra's (2011) analysis also proves that causality runs from growth in GDP to growth in exports.

Dhawan and Biswal (1999) also examined the export led growth hypothesis in the Indian context. They considered the relationship between real GDP, real exports and terms of trade between the periods 1961 and 1993. According to them the Johansen's cointegration procedure proves that there is a long-run relationship between the three variables. They find that causality runs from growth in GDP and terms of trade to growth in exports and the export led hypothesis is a short-run phenomenon in the Indian case.

Nguyen (2016) through his study entitled Impact of Export on Economic Growth in Vietnam: Empirical Research and Recommendations proposes some recommendations for local government and export firm in order to promote export and its impact by contributing to sustainable economic development of commodity-exporting emerging and developing countries.

Sharma and Panagiotidis (2005) believed that export has decisive impact on economic growth, and that expanding export to other areas or countries, with or without allowing for external factors (e.g. non-export, applying forms of advanced management, improving production technique, modernizing infrastructure) will impact on the economy as a whole.

Results of the Regression Analysis

Table 4.4: Impact on GDP of International Trade

Variables	Coefficients	T Statistics	P value	Tolerance	VIF
(Constant)	-5.083	-3.649	0.005		
EXPORT	1.122	15.132	0.000*	0.997	1.003
EXP Growth	0.628	2.536	0.032**	0.997	1.003

IMP Growth	0.243 ^b	2.246	0.055***	0.237	4.224
IMPORT	0.437 ^b	0.842	0.424	0.015	6.415
Multiple R	R Square	AdJ R Square	Durbin Watson	F Value	
0.982	0.964	0.956	1.606	120.230*	
				(0.000)	

Source: Author's Calculation with SPSS

*Significant at 1%

**Significant 5 %

***Significant at 10 %

Table reports the results of multiple regressions. There four predictor variables viz., total import, total export, import growth rate and export growth rate have been used in the present regression model. The dependent variable used in the study is gross domestic product at constant prices. The data of all the predictor variables have been retrieved from the website of Ministry of Commerce and Industry, Government of India. The time period of all these variables are of last 12 years ranges from 2007-08 to 2017-18. Data of gross domestic product has been obtained from national accounts statistics released by Government of India.

The results of multiple regressions indicate that export and export growth rate have positive significant impact on India's gross domestic product (GDP) (Mukherji and Pandey 2014). As the associated t statistics is higher and P value <0.05. Similarly the import growth rate is also showing positive significant impact on India's gross domestic product (GDP) at 10 % level of significance. The import is the last variable is not found significant, as its p value is greater than significance level.

R square (0.964) of model is quite higher. It means all the predictors variable properly explained 96.4% of variance of dependent variable (GDP). Since the difference between R square and adjusted R square is less than 0.05 which further validate the variance explained by all the predictor variables. Value of variance inflation factor (VIF) of all three significant

variables is less than 5 and tolerance value greater than 0.50 except import growth. These results of VIF and tolerance value reflect that there is no problem of multicollinearity in the present model. Durbin Watson ratio greater than 1.50 and near to 2.00 indicates no problem of autocorrelation in the model. The associated F value of the model is quite higher and p value is also significant at 1% level of significance which further validates the model.

CHAPTER 5

CONCLUSION

5.1: Findings of the study

The results highlight that growth rates for imports were higher for Fertilisers followed by Ores, Slag and Ash. The next in line were Iron and Steel. In case of Exports highest growth was reported for Natural or Cultured Pearls, Precious or Semiprecious Stones, Pre-Metals, Clad with Pre-Metal and Articles Thereof; Imit. Jewellery; Coin. Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, of Rare-Earth Metals, or Radium Elements or of Isotopes also had high growth. This was followed by Iron and steel had a higher growth of 2.37.

For Bangladesh the growth rate of export was 1.77 and that of Import was 1.93. For Nepal the growth rate of export was 1.71 and that of Import was 5.21. For Pakistan the growth rate of export was 4.05 and that of Import was 3.50. For Afghanistan the growth rate of export

was 1.47 and that of Import was 4.76. These countries including India reported high import rates.

5.2: Revisiting the Objectives

The present study has been undertaken with the following Objectives. The first objective of the study is: O1: To analyse the current scenario regarding Trade in India. This was achieved by analyzing the current picture of trade and also by highlighting the changes in trade.

In case of exports, there is a perceptible shift away from traditional sectors, viz. textiles and agricultural commodities. Current scenario depicts an increase in the share of engineering goods from 12 % to 28 %. India is also extensively exporting medically important drugs. India is known for being IT-intensive and knowledge-based economy. A significant change is visible in exports from India.

The next objective was O2: To analyse growth of Export and Import in Pakistan, Nepal, Afghanistan and Bangladesh. The time period for calculating growth was 2008-2017. Growth rates were calculated for imports and exports of Pakistan, Nepal, Afghanistan and Bangladesh to understand the trends in trade.

The next objective was O3: To analyse trends of exports in India. The study has used 2014-2018 data for calculating growth rates of Exports in India. Growth rates were calculated to depict the picture of top 15 products exported by India.

The last objective was O4: To analyse trends of imports in India. Here also growth rates were calculated to depict the picture of top 15 products imported by India.

5.3: Implications of the study:

The study helps to understand the changing dynamics of Trade in India. It also is analyzing the trends of growth of Exports and Imports of Pakistan, Nepal, Afghanistan and Bangladesh to understand their trends in trade. This will help to focus on policies needed to give boost to relevant exports where growth rates are higher.

5.4: Limitations of the Study

The study has used secondary data. The study could make comparisons of various time periods to give a detailed picture of trade trends.

5.5: Future Scope

The study could also be used for case study analysis of trade trends of Pakistan, Nepal, Afghanistan and Bangladesh

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