India's Import Export Scenario During 2004 – 2013

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Abstract

Background: India adopted trade liberalization in 1991 by outcome of WTO, and is becoming progressively towards an open economy. It is important virtuous growth between trade and output growth. Hence this paper tries to address the impact of Gross Domestic growth (GDP) on import and export of the nation.
Methods: Multi-linear Regression (MLRM) has been used to analyze import and export scenario of India since 2004.
Results: Import and export are influenced by the GDP at the market price of the economy. A possible reason for the results is the auspicious trade circumstances of India.
Application: GDP at market price determines the import, export and openness of India.

Keywords: Gross Domestic Product, time-series data, Import, Export, Trade, Trade openness

1. Introduction

Since the early 1960s stakeholders have shown great interest on exploring the possible relationship between international trade and economic growth because of nations are concerned with improving the standard of living of the citizens. Hence, creating the wealth, increasing GDP is of major importance of the economy. There are many different methods to attain the goal. There are some possibilities through macroeconomic policies like to find new export markets for goods and services and along with increase the import of new technologies. This strategy raises the questions that must a country promote export and import to speed up economic development and growth or must it primarily focus on economic growth to generate international trade? India has entered into the era of trade reform since 1991 with the dawn of WTO and has been moving gradually towards open economy. It is important that export is essential in providing the drive to economic growth in developing countries. Hence, export led growth has been put forward as an effective alternate to inward-oriented strategy of development. Outward orientation is said to lead to higher total factor productivity growth [1, 2, 3, 4] and inspires capital material investment including Foreign Direct Investment (FDI). The pressure to contest with the best in the world may lead to enhanced products and service quality and force the domestic producers to reduce inefficiencies. MacDonald (1994) [5] stated that the imports of final and intermediate goods will influence domestic producers to modernize and increase their efficiency to compete with foreign imports. Anoruo and Ahmad (2000) [6] refered Esfahani (1991) [7] and Ram (1990) [8] that import have positive effect on economic growth. Imports of capital goods are especially important for developing countries which depend on foreign capital for their economic development programme and the imported capital must prolifically engaged in the production of goods and services. If export growth is projected to increase imports as well, further encouraging in GDP growth of the economy. India continued a sheltered economy for quite a long time that had been described as an "import substituting country par excellence" [9] since 1990s India's import management was dominated by quantitative boundaries on imports and a highly protectionists import bill structure.

The Institute of Chartered Accountants of India (2008) [10] stated that in the year 2004, when the Government of India publicized its Foreign trade Policy 2004-09, India's exports mounted at little over US $ 63 billion. In 2007-08, India's exports have grabbed US $ 155 billion with an average collective annual growth rate of 23% year on year, way ahead of the average growth rate of international trade.

In [11] ascertained exports and imports measured in current prices in two currencies, Indian rupee (INR) and US dollar (USD). The results indicate no favorable circumstances between exports and imports. The lack of favorable circumstances means that Indian macroeconomic policies have been fruitless in carrying exports and imports into long-run equilibrium and India is in violation of her international budget restriction.

In [12] analyzed that the economic growth of China and India in terms of their integration in the global economy. They resulted that the effect on economic growth (in terms of GDP per capita) of variables of interest (Openness and FDI) are positive and favor for the trade circumstance and statistically significant. The results prove the optimistic growth effects, for the two countries, of opening up and integrating in the world economy.

In [13] analyzed the association between openness and economic growth for Indian Ocean Rim Countries and resulted that means of openness absolutely affect economic growth.

In [14] analyzed the Total Factor Productivity (TFP) with trade openness in his paper. He resulted through his analysis that trade openness in India has pretentious TFP growth option and pointedly and also suggested that construction of more and more outward oriented policies would additional in improving the productivity of the economy.

In [15] examined the pragmatic relationship between trade openness and economic growth of India for the time period 1970-2010. The estimation results from Vector Autoregressive method suggest that growth in trade volumes accelerates economic growth in case of India.

In [16] analyzed the effect of trade openness on economic growth of BRIC countries are Brazil, Russia, India, China and Turkey and resulted that effect of openness on economic growth was positive, and statistically significant in line with theoretical outlooks. The above studies are expressed India's import and export scenario. This paper analyses import and export with trade openness since 2004.

2. Objective of the paper

The objective of this paper is to find out the performance of import and export of Indian economy during the period 2004 – 2013.

3. Methodology

This paper aims to assess the import and export of the country between 2004/05 to 2012/13. Linear Regression analysis has been applied with GDP at market price and Import, export, trade and trade openness.

4. Data used

Central Statistical Organization of India's data on macroeconomic aggregates during the period 2004-05 to 2012-13 at 2004-05 constant prices for analysis of import and export performance of Indian economy is used in this study. This data is presented in Table 1. The import and export with GDP during the above-mentioned time period in percentage growth rate over previous year 2004-05 is presented in Table 2.

5. Data analysis

GDP at market price: GDP evaluations are generally used to measure the economic performance and growth of the economy of a whole country or region from year to year. The pattern of GDP growth is held to specify the success or failure of economic policy and to govern whether an economy is in recession. India's GDP has increased from 32422090 million INR in 2004-5 to 58998471 million INR in 2012-13 (Table 1). The percentage growth rate over previous year (2004-05) abysmally reduced from 9.28 in 2005-06 to 4.74 in 2012-13 and it was high as 10.26 in the year 2010-11 (Table-2). India's economic growth in 2012 slowed because of obstinately high inflation and interest rate and little progress on economic reforms [17].

Table 1. Import and Export of India @ 2004-05 Prices (In Million)

Year	GDP at market prices	Exports of goods & services	Imports of goods & services	Trade	Trade Openness*
2004-05	32422090	5690510	6259450	11949960	0.37
2005-06	35432440	7174240	8299260	15473500	0.44
2006-07	38714888	8634590	10081980	18716570	0.48
2007-08	42509474	9146280	11109630	20255910	0.48
2008-09	44163499	10481400	13633020	24114420	0.55
2009-10	47908470	9990297	13341800	23332097	0.49
2010-11	52823861	11950034	15424284	27374317	0.52
2011-12	56330496	13811285	18672487	32483772	0.58
2012-13	58998471	14498033	19895783	34393816	0.59

Source: Central Statistical Organisation, Government of India 2014.

* Trade Openness is calculated by the ratio of exports plus imports to GDP based on data of CSO, 2014.

Table 2. India's Trade Performance since 2004

Year	Percentage Growth rate over previous year 2004-05				
	GDP at market price	Exports of Goods And Services	Imports of Goods And Services	Trade	Trade Openness
2005-06	9.28	26.07	32.59	29.49	18.48
2006-07	9.26	20.36	21.48	20.96	10.70
2007-08	9.80	5.93	10.19	8.22	-1.44
2008-09	3.89	14.60	22.71	19.05	14.59
2009-10	8.48	-4.69	-2.14	-3.24	-10.81
2010-11	10.26	19.62	15.61	17.32	6.41
2011-12	6.64	15.58	21.06	18.67	11.28
2012-13	4.74	4.97	6.55	5.88	1.09

Source: Calculation based on data of Central Statistical Organisation, Government of India 2014.

Export of Goods and Services: Annual trade surpluses are abrupt and direct additions to their nation's GDP. Exports induce additional increases to GDP. The volume of export of goods and services has increased from 5690510 Million INR in 2004-05 to 14498033 Million INR in 2012-13 (Table-1). Nevertheless percentage over previous year 2004-05 has abysmally reduced from 26.07 in 2005-06 to 4.97 in 2012-13 and it was moreover negative in the year 2009-10 as -4.69 (Table-2). The volume of export of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 1.427, R-square value is 0.96 and t-statistics is 12.97 (Table-3).

Table 3. Regression results
(Regression result of the dependent variables Export and Import of goods and services, Trade, and Trade openness with GDP @ market prices as an independent variable)

Variables	Coefficients	R Square	t -statistics
Export	1.427	0.96	12.97
Import	1.79	0.97	14.49
Trade	1.626	0.97	14.12
Trade Openness	0.626	0.81	5.44

Source: Calculation based on data of Central Statistical Organisation, Government of India 2014.

Import of Goods and Services: Imports are virtually crucial are defense requirements, crude oil, fertilizers, capital goods, raw materials, import of samples, import of technology, import of drawing and designs and import of services. There are many dynamic areas where there is a need to import capital goods in order to advancement of products and survives to increase a nation's GDP. India is deprived in oil resources and is presently greatly depend on coal and foreign oil imports for its energy need. Imports of goods and services of India has increased from 6259450 INR million in 2004-05 to 19895783 INR million in 2012-13 (Table 1). However percentage over previous year 2004-05 has abysmally reduced from 32.59 in 2005-06 to 6.55 in 2012-13 and it was furthermore negative in the year 2009-10 as -2.14 (Table 2). The volume of import of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 1.79, R-square value is 0.97 and t-statistics is 14.49 (Table 3).

Trade: Fast mounting trade activities act as a spur to rising local demand that led to establish industries and increased level of exports. Exports incline to grow fastest in countries with more liberal trade policies and these countries have experience the faster growth of GDP. Trade of goods and services of India has increased from 11949960 INR million in 2004-05 to 34393816 INR million in 2012-13 (Table-1). Conversely percentage over previous year 2004-05 has tragically reduced from 29.49 in 2005-06 to 5.88 in 2012-13 and it was furthermore negative in the year 2009-10 as -3.24 (Table 2). The volume of trade of goods and services has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 1.626, R-square value is 0.97 and t-statistics is 14.12 (Table 3).

Trade Openness: Trade openness is mostly measured as a major factor for economic growth. There is hopefulness among most economic policy planers in favor of trade openness. Trade openness can potentially improve the growth scenarios of a country by prompting obtain factors more easily from abroad, better allocation of resources and forces of comparative advantage. Trade openness also inspires technology transfer from developed to developing countries which lead to a surge in factor productivity and final enhance growth in terms of GDP. Trade Openness is measured by the ratio of exports plus imports to GDP based on data of CSO, 2014 and presented in the Table 1. The ratio of trade openness of India has increased from 0.37 in 2004-05 to 0.59 in 2012-13 (Table 1). The percentage over previous year 2004-05 has tragically reduced from 18.48 in 2005-06 to 1.09 in 2012-13 and it was also negative in the year 2007-08 and 2009-10 as -1.44 and -10.81 respectively (Table 2). The trade openness has positively influenced the GDP growth rate which indicated by coefficient of the regression analysis is 0.626, R-square value is 0.81 and t-statistics is 5.44 (Table 3). The coefficient is less than the export, import and trade which expressed that there is more import of volume of goods and services than the export subsequently trade deficit. The trade deficit has to decrease to escalation of GDP of the economy by efficient trade policies.

6. Conclusions

India's GDP, export, import, trade have increased from 2004-5 to 2012-13. The percentage growth rate over previous year (2004-05) abysmally reduced in the above mentioned period. India's economic growth in 2012 slowed high inflation and interest rate and little progress on economic reforms. Export and import of goods and services, trade and trade openness is significantly influence the GDP growth of the economy which implies that a possible reason for the results is the auspicious trade circumstances of India. The trade openness has less coefficient with GDP of the economy because of trade deficit. The trade deficit has to decrease to escalation of GDP of the economy by efficient trade policies. Furthermore the government policy should focus on export promotion and better quality production of domestic goods and services.

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