

# An Analytical Study On Foreign Trade In Indian Perspective

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**Abstract-** Any economic activity which is having profit motive referred to a business. The term business has two dimensional aspects, one is the traditional era of profit making and other one is the modern era of maximization in terms of profit, wealth and value. The maximization objective creates wide scope for business portfolio matters in the context of expansion, diversification, and strategic alliance and other entry mode choices. Now in the modern era, the expansion of domestic business at the international level and the harmonious bond between different countries in the world are the requirements of survival which helps fulfil our demands. In this, the present paper attempts to analyse the important economic variable which is growth prospective of our economy is the foreign trade. The present papers address the importance of foreign trade in the Indian economy and the paper tries to explore the correlation between the foreign trade, foreign investment, and the GDP growth. For analysing the correlation between the variables the Karl Pearson coefficient technique is used.

**Keywords-** GDP, GNP, FDI, foreign trade, foreign reserves, imports, and exports

## I. INTRODUCTION

The modern globalized world economy creates an opportunities door to the nations to expand their strategies for getting a competitive advantage; thereby they can try to tackle the faster growth of their economy. In this context, the genesis of the world international business starts with the concepts of international trade and international markets. The international business, international trade, and international markets are synonymously used terms which are closely associated with foreign trade. The cross border transactions take place between different countries by exchanging goods and services with capital also, can call for foreign trade. It is a major factor of openness, has made an increasingly significant contribution to economic growth (Peng Sun 2010).

In India, Foreign trade over the years has been playing an important role in the Indian economy. Exports have continued to be the major focus of India's foreign trade policy and India is today rated as one of the most exciting markets for foreign trade with a large base of export- and import-

centric industries (G.P. Gandhi). The Indian economy having plethora of opportunities by inviting globalization as a tool to invite the foreign capital, foreign goods and services, transformation of technology, and global competitive advantage through enjoying the quality products by the consumers. So the present paper addresses the role of foreign trade on India's economic growth and development.

## II. OBJECTIVES OF THE STUDY

- To analyze the recent development in Indian foreign trade
- To analyze the relationship between Foreign trade and economic growth.

## III. METHODOLOGY OF THE STUDY

The present study is based on secondary data which available in different books, journals, articles, research papers and internet source also. The main objectives of the study are analyzing the recent development in Indian foreign trade and analyze the relationship between foreign trade and GDP. The study explores the correlation between the foreign trade, foreign investment, and the GDP growth. For analysing the correlation between the variables the Karl Pearson coefficient technique is used.

## IV. HYPOTHESIS FOR THE STUDY

### Alternative hypotheses

- **H<sub>1</sub>**-There is significant correlation between GDP, GNP, and foreign trade, reserves
- **H<sub>1</sub>**-There is a significant correlation between GDP, GNP, and foreign investment.

### Null hypotheses

- **H<sub>0</sub>**-There is no significant correlation between GDP, GNP, and foreign investment
- **H<sub>0</sub>**-There is no significant correlation between GDP, GNP, and foreign trade, reserves

Table-1 ANALYSIS AND INTERPRETATION

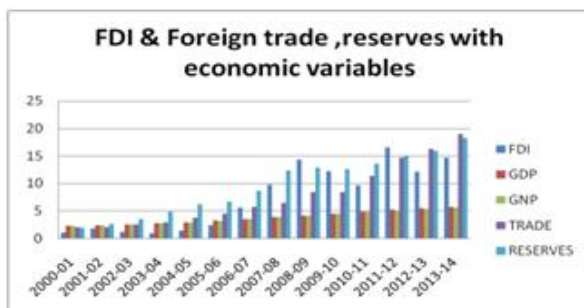
YEAR	FDI	TRADE	RESERVES	GDP	GNP
2000-01	1.07	2.03	1.97	2.34	2.32
2001-02	1.86	2.09	2.64	2.47	2.45
2002-03	1.28	2.55	3.61	2.57	2.55
2003-04	1.00	2.93	4.90	2.78	2.76
2004-05	1.46	3.75	6.19	2.97	2.94
2005-06	2.45	4.56	6.76	3.25	3.23
2006-07	5.63	5.71	8.68	3.56	3.53
2007-08	9.86	6.55	12.37	3.90	3.88
2008-09	14.28	8.40	12.83	4.16	4.13
2009-10	12.31	8.45	12.59	4.51	4.48
2010-11	9.73	11.42	13.61	4.91	4.86
2011-12	16.51	14.65	15.06	5.24	5.20
2012-13	12.19	16.34	15.88	5.48	5.45
2013-14	14.75	19.05	18.28	5.74	5.67

Source: www.dipp.nic.in and Handbook of Indian statistics

Table-2 Correlation analysis

Correlation between foreign trade, Foreign reserves and FDI with Economic variables						
Particulars	FDI		Foreign trade		Foreign reserves	
	GDP	GNP	GDP	GNP	GDP	GNP
'r' Value	0.916222	0.917048	0.974199	0.973367	0.981192	0.981383
Result	Very strong positive	Very strong positive	Very strong positive	Very strong positive	Very strong positive	Very strong positive
Null hypothesis	Rejected	Rejected	Rejected	Rejected	Rejected	Rejected

Source: Author calculations



Graph -2.1

The table one and table two reveals the statistical analysis with a significant correlation between foreign trade , foreign reserves and foreign direct investment with the economic variables which very commonly used international standards to the measure the healthy economic position of a country, as well as the world economy, are the gross domestic product and gross national product. The testing of hypotheses by using correlation coefficient technique states the very strong positive relationship between foreign trade , reserve, and foreign direct investment.

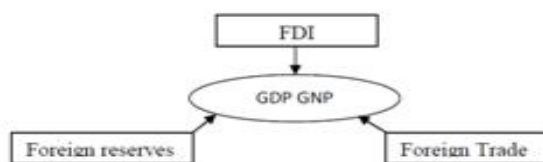


Figure 2.2 Relationship model

**Relationship model:** The foreign direct investment is going positively correlated with the gross domestic product

and gross national product. The correlation coefficient between these two variables is 0.91. The next correlation factor is foreign trade and economic variables are also very strong positive nature.

The correlation between the foreign reserves is also positively correlated. Hence it is clear that the null hypotheses are rejected and it indicates that there is a significant correlation between all Economic variables with foreign trade and investments.

Table-3 Top countries Export, Import, India's Total exports and imports (in lacks)

Rank	Top countries Export, Import			India's Total exports and imports		
	Country	Export	Import	year	exports	imports
1.	China	41,592.79	280,089.01	2016-17	184,942,875.55	257,766,559.22
2.	U S A	174,707.11	90,872.79	2015-16	171,637,804.58	249,029,808.12
3.	U Arab Emts	109,479.77	83,333.57	2014-15	189,634,841.76	273,708,654.84
4.	Hong Kong	56,836.02	41,391.08	2013-14	190,501,108.86	271,543,390.74
5.	Saudi Arab	18,230.87	77,226.36	2012-13	163,431,828.96	266,916,195.69
6.	Korea	15,777.19	63,785.41	2011-12	146,595,939.96	234,546,324.45
7.	Germany	30,809.03	47,798.93	2010-11	113,696,426.38	168,346,554.76
8.	Switzerland	3,378.06	72,893.93	2009-10	84,553,364.39	136,373,554.76
9.	Indonesia	12,783.12	60,632.91	2008-09	84,075,505.87	137,443,555.45
10.	Australia	14,612.07	49,246.94	2007-08	65,586,352.18	101,231,169.93

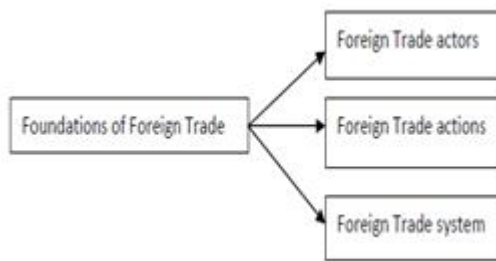
Source: www.commerce.nic.in

**Top ten countries:** table three shows the data about top ten countries in exports and imports from and to India. The share of top ten countries in the total exports, imports, and total trade are 44.56 %, 32.23%, and 49.22% respectively. The first country is china with the amount of export rupees 41,592.79 lacks and the total imports amounting to rs.280, 089.01 lakhs. The second top country is the USA with the amount of exports 174,707.11 lakhs, and the amount of imports rs.90, 872.79 lakhs, and the third top country in the export and import is United Arab Emirates with 109,479.77 exports and 83,333.57 imports.

**Total exports:** The total imports and exports from 2007-08 to 2016-17 reveal that there is an increasing trend in both importing and exporting .in 2007-08 the total exports of the country is 65,586,352.18 and total imports 101,231,169.93, and in 2016-17 the total exports and imports amounting to rupees 184,942,875.55 and 257,766,559.22 respectively, in the positive sense there is increasing trend exports it indicates we are in productive approach.

**Foundations of Foreign trade:** The foundations of foreign trade are classified into three types first one is the central actors in the international trade, the second one is International trade actions, and thirdly systems in the international trade.

**Foreign Trade actors:** The foreign trade actors includes host and home country governments, world economic institutions, suppliers, international or global corporations etc.



**Foreign Trade actions:** The foreign trade actions include the trade policies, entry nomenclature, restrictions, barriers, legal framework, territorial aspects etc.

**Foreign trade system:** The foreign trade system includes the financial system as well as currency system and also the integration of world economic institutions with India economic institutions.

## V. FINDINGS OF THE STUDY

**FDI and Economic growth:** the present study significantly identifies the relationship between the foreign direct investment as well as the gross domestic product and gross national product. The correlation coefficient value clearly depicts about how the FDI contributes towards boosting the economy through productive activities.

**Foreign trade and economic growth:** The standardised measure to tackle the position of particular countries economy is a gross domestic product at factor cost the correlation analysis clearly states that there is a very strong positive relationship between foreign and gross domestic product. Hence it's clear that the null hypothesis is rejected.

**Foreign reserves and economic growth:** The other important economic variable to measure the growth prospects of a particular countries economy is the foreign reserves. The correlation analysis clearly states that there is a significant relation between foreign reserves and gross domestic product.

**Government Role in promoting exports:** The government of India introduced different schemes to promote exports such schemes like Merchandise Exports from India Scheme (MEIS), Service Exports from India Scheme (SEIS), EPCG Scheme, Market Access Initiative (MAI) Scheme, and Marketing Development Assistance (MDA) Scheme.

**Foreign trade trends in 2016-17:** The trends about foreign trade in Indian perspective are different compare to the rest of the world. As a developing nation countries requirement is the main factor for depending on imports, but now in the present scenario, the government has introduced different promotional schemes to boost exports.

**Trade agreements:** The integration of Indian foreign trade with world countries by making collaborative agreements between them are preferential trade agreement between (PTA) India and Afghanistan, the Comprehensive economic partnership agreement between India and Japan, Malaysia, Republic of Korea.

**FTP-2015-2020:** The Foreign Trade Policy (FTP), was introduced on 05.12.2017 with the provisions relating to export and import of goods and services, shall come into force with effect from the date of notification and shall remain in force up to 31st March, 2020, All exports and imports made up to the date of notification shall, accordingly, be governed by the relevant FTP.

## VI. CONCLUSION

The finality of the present paper particularly not confined with the conclusion, but the foreign trade in Indian perspective is quite different compare to the rest of the world. The Indian foreign trade is vigorous and experienced with drastic changes. The India's openness policy greatly contributes to our economy growth in different dimensions. So by observing the current statistics we need to improve the exporting by promoting exports as well as increasing productive activities in the economy. The exports are the tonic for boosting self dependency and faster economic growth.

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