INTERNATIONAL DEVELOPMENT PLANNING REVIEW
ISSN:1474-6743 | E-ISSN:1478-3401

AN ANALYSIS OF BALANCE OF TRADE IN INDIAN CONTEXT

Mr. S.Suriaganth
PhD Research Scholar
Department of Economics
Thandai Periyar Government Arts & Science College
Tiruchirappalli

Dr. A. Mohamed Abdullah
Research Supervisor
Department of Economics
Thandai Periyar Government Arts & Science College
Tiruchirappalli

Affiliated to Bharathidasan University, Tiruchirappalli

Abstract

An important indicator of a nation's economic health is its trade balance, which shows the difference between its import and export values. A trade surplus, also referred to as a positive trade balance, is achieved when a nation exports more products and services than it imports. In contrast, a trade deficit—also referred to as a negative trade balance—occurs when a nation imports more goods than it sells. India has historically imported more products and services than it has exported, resulting in a trade deficit. This has affected the nation's general economic health as well as its foreign exchange reserves and currency value. India's trade deficit is caused by a number of causes, including a high reliance on imports for electronic goods and crude oil.

in addition to a dearth of competition in several sectors of the economy. The Indian government has undertaken measures to mitigate the trade deficit, such as offering incentives and plans to encourage exports and luring foreign direct investment to increase manufacturing and export capabilities. Notwithstanding, certain obstacles persist, such as unpredictable global commerce, volatile commodity prices, and regulatory barriers.

the trade balance in the Indian setting is examined in this research, with particular attention paid to trade patterns, trends, and potential obstacles in the nation. The examination looks at trade policy, imports, exports, and external economic factors as well as how they affect India's trade balance. It also looks at how India's trade balance affects the country's economy, specifically how it affects employment, growth, and overall economic stability. Policymakers are given recommendations on how to improve trade competitiveness and resolve any trade imbalances.

Keywords: Current Account, Foreign Exchange Reserves, Import, Export, Trade Surplus, Trade Deficit, and Balance of Trade, India

Introduction

A crucial metric for assessing a nation's economic health is its trade balance, which computes the difference between its imports and exports. Regarding India, the trade balance has a big impact on the nation's overall economic situation, future growth potential, and competitiveness abroad. India has been a major player in global trade, with imports and exports contributing significantly to the country's economic growth. The export base of the nation is broad and includes goods like textiles, medications, IT services, and agricultural goods. However, India is mostly dependent on imports for necessities such as electronics, machinery, and crude oil. and further necessities.

Analysis of India's balance of trade

In recent years, India has been experiencing a trade deficit, where imports exceed exports. This imbalance has been driven by various factors, including the high demand for crude oil and other commodities, sluggish export growth, and fluctuating global trade dynamics. India's trade deficit has put pressure on the country's foreign exchange reserves and contributed to a widening current account deficit.

One of the key challenges contributing to India's trade imbalance is the lack of competitiveness in certain sectors, such as manufacturing and agriculture. Inefficient production processes, inadequate infrastructure, and regulatory hurdles have hindered the growth of exports in these sectors. Additionally, India's export basket has been relatively concentrated in a few product categories, making the country vulnerable to fluctuations in global demand and prices.

Furthermore, trade policies and regulations have also played a role in shaping India's balance of trade. Tariffs, trade barriers, and regulatory restrictions have impacted the competitiveness of Indian exports and influenced the composition of imports. Reforms in trade policies, including measures to streamline customs procedures, reduce trade barriers, and promote export-oriented industries, are essential to address these challenges and enhance India's trade performance.

Impact of the balance of trade on India's economy

The balance of trade has significant implications for India's economy, particularly in terms of its impact on growth, employment, and external debt. A persistent trade deficit can strain the country's foreign exchange reserves, leading to currency devaluation and higher borrowing costs. This can have a cascading effect on inflation, investment, and overall economic stability.

Moreover, a trade deficit can also affect the domestic manufacturing sector, as cheap imports may undercut local producers and lead to job losses. This can have broader socio-economic implications, including income inequality and social unrest. Addressing trade imbalances and promoting export-led growth are crucial for sustaining long-term economic development and employment generation in India.

Literature Review

Sinha, Yadav and Srivastava etl., (2016) investigated on the of trade imbalance of Indian balance of trade. The finding from their investigation indicated that the execution of trade liberalization policies introduced during the years 2012-13 reacted negatively and changed the scenario from import exceeding the exports. This created greater trade imbalance and imposed burden on balance of payments accounts of the nation. They further deciphered the causes of such variations causing financial burdens are due to the factors affecting the exchange and interest rates, domestic currency fluctuation, opening more exporting opportunities for new startups.

Singh,S.,(2016) examined the trend in India's balance of trade since 1990-91 to 2014-2015. The findings of the analysis of this study revealed that given the noninterventionist imports created more trade deficit that later became a matter of concern for the Nation. The reverse effect of both foreign direct investment (FDI) and foreign portfolio investment played a crucial part in this reversal process by implementing the reverse economy that compelled to meet all the payments during this crisis. This study further suggested that it is prudent to depend on short-term discriminating controls of trade and capital that flows moderate to meet the short-term volatility while the market mechanism fails to backup the catastrophe.

Mathew (2014) scrutinized the prevailing trends and existing challenges of India's balance of trade. He came to conclusion that the current account deficit gets wider because of the factors of financial crisis and fluctuation existed in exchange rate.

Veeramani, C., (2007) in his study of the problem of balance of trade imbalances based on comparisons of few countries such as Japan, China, Middle East and United States, deciphered that the effect of crisis on balance of trade imbalances are of short-term and is highly subjected to change. The conclusion of this study indicated that external economic imbalances have no role in finalizing the imbalance but to be more attentive on negative implementations and improvise them at earlier stages, that avoids future damages through which greatest cross-border trade benefit are possibly gained from financial flows.

Sargan, D.J and Vijayakumar (2016) analyzed the effects of exchange rate on the trade balance in Indian context after independence. The result of this study revealed many interesting facts that real-time and frequent fluctuations in the exchange rates have significant influence on the trade balance of India, both in the short-term and long-term. However, J-curve evidence did not prove the effect of non- existence of such trade balances between India and with the other foreign countries. The finding further suggested that depreciation on improving the trade balance in the short-term insists repetitive tendency in the long-term pattern.

Malik, J.K., and Anantharam. L. (2013) analyzed the Balance of Trade in India using the monetary approach. The study revealed that the balance of trade disequilibrium in India is significantly influenced by GDP rate, domestic credit, interest rate as well. Their finding additional suggested that the Indian government expenditure and public debt has a strong influence on the balance of trade in India.

India's new Harmony of Trade circumstance:

India's import/send out irregularity has shown broad reduction in April-August 2023. Overall import/send out irregularity for April-August 2023 is evaluated at USD 37.49 Billion when diverged from the lack of USD 60.31 Billion during April-August 2022, enrolling a rot (of -37.85%). Due to the stronghold of overall organization in India, the overall items projected towards 13.84% during the money related year 2022-23 finishing April-Stroll, over the financial year 2021-

22 conclusion April-Walk. Under stock items, 13 associations of the 30 key regions showed to perform positive improvement during Walk 2023 while differentiating a comparable period and last Walk 2022. These included Oil Meals region (156.55%), Oil Seeds region (99.4%), Electronic Product region (57.35%), Coffee region (17.85%), Marine Things region (12.84%), Natural items and Vegetables region (11.36%), Rice region (10.03%), Stoneware Things and Dish sets region (9.72%), Iron Metal region (6.84%), Meds and Medications region (4.18%), Meat, Dairy and Poultry Things region (3.42%), Tobacco region (3.03%), and Cereal Courses of action and Different region (2.6%). Under stock items, 17 regions exhibited positive improvement during 2022-23 finish April-Stroll while differentiating and the 2021-22 culmination April-Walk. These included Oil Galas region (55.13%), Electronic Product region (50.52%), Oil based merchandise region (40.1%), Tobacco region (31.37%), Oil Seeds region (20.13%), Rice region (15.22%), Oat Courses of action and Different Regular items and Vegetables region (11.19%), Various Cereals region (9.74%), Tea region (8.85%), Cowhide and Calfskin Things region (8.47%), Marine Things region (3.93%), Meds and Medications region (3.25%), Normal and Inorganic Engineered intensifies region (3.23%).

Observing that China's part in India's "stock imports" have declined to 13.78% in the money related year 2022-23 from 15.42% in the financial year 2021-22 is extremely entrancing." In like manner the imports of electronic product from China have declined to around $2 billion in the financial year 2022-23 differentiating a comparative period last year. It is furthermore captivating to the note that imports share from China in "electronic items" have declined from 48.2% in the money related year 2021-22 to 41.8% in financial year 2022-2023. A tremendous fall in imports of composts share from China declined from 21.8% in the financial year 2021-22 to 13.89% in the money related year 2022-23, in this way shows India has diminished imports from China for the value of around the larger section a billion lessening in imports from China.

Impact on Gross domestic product

Equilibrium of exchange is exceptionally fundamental consider deciding the estimation of the Gross domestic product "GDP" of any country. As overwhelming part of Gross domestic product computations, send out values are added and import values are deducted from the terrific aggregate. This involves that more prominent the exchange excess, clearly demonstrates that more noteworthy the Gross domestic product of any country. The definitive translation behind this component is that "Gross domestic product" is the determinant of the complete worth created in any country. Imports should require cash outpouring from the country while trades start cash inflow to the country. This is may not be case situation generally founded on the collaboration from the kinsmen, nature and obviously the political steadiness circumstance winning in the country. This has been a contextual investigation in numerous nations that on occasion of downturn, creation units need to import to support the stock chains and secure guarantee their assembling cycle to have vital assets. besides during endeavors to renew business, diminishing or forcing limits on the import levies builds the opposition and results in resuscitating the country's monetary effectiveness.

Unfamiliar Direct Venture: FDI "Unfamiliar Direct Speculation" saves are one of the main determinants of a nation's Equilibrium of Exchange. Through government burdens, the Reserve Bank forces send out levies and, in this manner, expands a country's unfamiliar venture saves. These stores serve fundamental reinforcement during emergencies times in obtaining global advances hazel liberated from the Worldwide Monetary Organizations. In India, during the 1991 balance of payments emergency our nation might actually apply for got advances from the IMF and World Bank solely after selling the gold stores. In any case, in the cutting-edge monetary world, just gold stock may not be adequate to win the kindness of the global monetary establishments. There brings in for an Unfamiliar Direct Venture hold that addresses the ideal country and makes perceive universally and that is acknowledged as guarantee at any worldwide loaning organization. Taking into account every one of the above factors, Equilibrium of exchange is viewed as the significant measure to economy's wellbeing. It goes about as an underlying advance notice convention for obligation and forex calamity in not-so-distant future and can makes states for public anticipating exact pointers aware of get ready with respect to Worldwide Exchange emergency. The job of an "Import/export imbalance" or "Exchange Excess" likewise cautions each country to support the global monetary connections that assists nations with haggling early common gainful designs for better situating the worldwide prudent range. The principal driving variables in destitution improvement for denied countries in accomplishing political power by giving monetary acknowledgment "Equilibrium of Exchange" ends up being vital in accomplishing the previously mentioned acknowledgment.

Objectives

The fundamental objective of this study is to understand and evaluate the going with:

1. To analyze the historical trends of India's balance of trade over the past decade.
2. To identify the primary factors influencing India's balance of trade, such as exports, imports, and foreign exchange rates.
3. To assess the impact of India's balance of trade on the economy, including its effect on GDP growth, inflation, and employment.
4. To explore the policies and strategies implemented by the Indian government to improve the balance of trade.
5. To make recommendations for future actions that could help enhance India's balance of trade and promote economic growth.

Methodology

The investigator follows an elucidating way to deal with figure out the exchange volume of India, dissect the pattern of commodities, imports and equilibrium of exchange of India and Normal Least Squares Relapse is taken on to track down the connection between equilibrium of exchange and Gross domestic product of India and the impact of FDI through. This paper depends on secondary information, which is gathered from Reserve Bank of India Yearly Reports for a time of a decade from 2012 to 2023hange and Gross domestic product and FDI.

Data Analysis and Interpretations

Biggest exchange accomplices of India have a complete exchange for (quantity of imports and products) 1065 USD$ billion bucks for the monetary year 2022-23 is organized previously. As indicated by the Service of Business and Industry, India is trading roughly 7500 items to all over globe for around 190 nations, and we additionally import around 6000 products from around 140 nations. Among the strenuously exchange did in India during the monetary year 2022-23, fifteen biggest exchanging accomplices of India address 61.67% the worldwide market. The two biggest items exchanged by India are mineral energies that are refined as well as raw, gold that are done gold product as well as gold metal. During the year 2013-14, mineral energies was at the top rundown among the biggest exchanged things, worth 181.383 billion US$ imports and the equivalent being sent out for the Products, Imports and Equilibrium of Exchange of India (in billion USD $) amount of 64.685 billion US$ subsequent to refining.

Table No. 1: Trade Volume of India

Rank	Country	Exports	Imports	Total Trade	Trade Balance
1	United States	71.39	46.82	118.21	24.57
2	China	13.60	90.72	104.32	-77.12
3	United Arab Emirates	28.76	48.88	77.64	-20.12
4	Saudi Arabia	9.69	38.62	48.32	-28.93
5	Russia	2.80	41.56	44.37	-38.75
6	Indonesia	9.06	26.89	35.95	-17.83
7	Iraq	2.33	31.52	33.86	-29.18
8	Singapore	11.00	21.70	32.70	-10.70
9	Hong Kong	9.36	16.31	25.68	-6.95
10	South Korea	6.10	19.26	25.35	-13.16
11	Netherlands	18.53	5.52	24.04	13.01
12	Australia	6.49	17.50	23.97	-11.00
13	Germany	9.21	14.61	23.82	-5.40
14	Japan	4.99	14.78	19.77	-9.79
15	United Kingdom	10.27	8.43	18.70	1.84
16	Malaysia	6.63	11.68	18.31	-5.05
17	South Africa	7.86	9.86	17.72	-2.00
18	Qatar	1.82	15.50	17.31	-13.68
19	Belgium	8.16	8.36	16.53	-0.20
20	Brazil	9.19	6.28	15.46	2.92
21	Switzerland	1.23	14.22	15.45	-12.98
22	Thailand	5.22	10.10	15.31	-4.88
23	Vietnam	5.30	8.07	13.37	-2.77
24	Italy	7.81	5.07	12.88	2.75
25	Kuwait	1.42	11.40	12.82	-9.98
-	Remaining Countries	140.82	112.51	253.32	28.31
India's Total		**409.06**	**656.13**	**1065.18**	**-247.07**
Source: Ministry of Commerce and Industry, Annual Report September 2023					

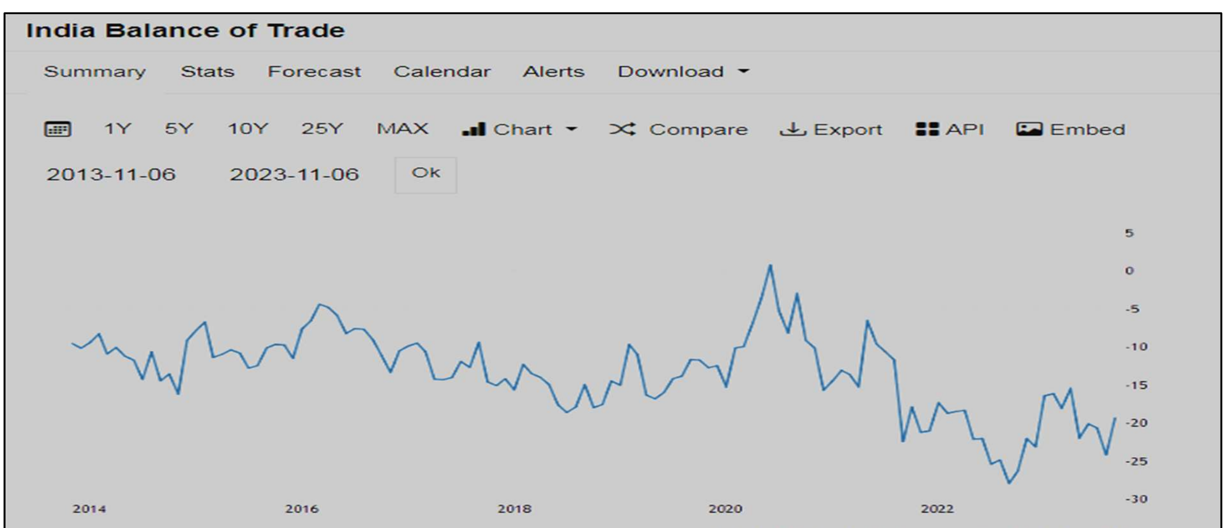
Table 2
Export Products, Imports and Equilibrium of Exchange of India (in billion USD $)

Year	Exports (including re-exports) (US $ million)	Imports (US $ million)	Trade Balance (US $ million)	Rate of Change	
				Export	Import
				(per cent)	
(1)	(2)	(3)	(4)	(5)	(6)
2011-12	305964	489319	-183356	22.5	32.3
2012-13	300401	490737	-190336	-1.8	0.3
2013-14	314405	450200	-135794	4.7	-8.3
2014-15	310338	448033	-137695	-1.3	-0.5
2015-16	262291	381008	-118717	-15.5	-15.0
2016-17	275852	384357	-108505	5.2	0.9
2017-18	303526	465581	-162055	10.0	21.1
2018-19	330078	514078	-184000	8.7	10.4
2019-20	313361	474709	-161348	-5.1	-7.7
2020-21	291808	394436	-102627	-6.9	-16.9
2021-22	422004	613052	-191048	44.6	55.4
2021-22 (Apr-Dec)	305044	441496	-136453	-	-
2022-23 (Apr-Dec)(P)	332763	551704	-218941	9.1	25.0

Source: *Ministry of Commerce and Industry, Economic Report September 2023*

Imbalance of USD 19.00 billion in during September 2023, the most reduced hole in five months and beneath market assumptions for USD 24.10 billion. Imports fell by 15% year-on-year to USD 58.8 billion, fundamentally determined by decreased imports, and gold imports have bounced back in the wake of declining last year because of import obligations. India has been consequently exhibiting supported import/export imbalances starting around 1980 fundamentally on account of gigantic imports, especially mineral powers, oils and waxes. As well as India zeroed in on bringing in gold, pearls, valuable and semi-valuable adornments. As of late, the greatest import/export imbalances India experienced with China, Switzerland, Saudi Arabia, Iraq and Indonesia. In any case, India has an account for exchange overflows with the US, UAE, UK, Hong Kong and Vietnam.

Figure 1



Actual	Previous	Highest	Lowest	Dates	Unit	Frequency	
-19.37	-24.20	0.71	-27.98	1957 - 2023	USD Billion	Monthly	Current Prices, NSA

The above pattern investigation indicates that commodities from India get decreased by 2.6% to USD 34.5 billion in the midst of easing back worldwide interest. This is a result of the pearls stones, gold gems, natural and inorganic synthetic substances. As well this got impacted because of the diminished obtainment of designing products that experienced huge commodity challenges during the April-September period. Then again, iron metal electronic supplies, drugs and oil experienced exceptional development in sends out. Source: Service of Trade and Industry, India

Recommendations for policy intervention

To address the challenges and improve India s balance of trade, policymakers should consider the following recommendations:

1. **Diversification of export markets and products:**
   India should explore new markets and diversify its export basket to reduce reliance on a few products and regions. Promoting high-value-added exports, such as technology services, pharmaceuticals, and engineering goods, can enhance India's competitiveness in the global market.
2. **Infrastructure development:**
   Investments in infrastructure, including transportation networks, ports, and logistics facilities, are essential to reduce trade costs, improve supply chain efficiency, and boost export competitiveness. Improving connectivity and streamlining customs procedures can help enhance India's trade performance.
3. **Trade policy reforms:**
   Simplifying trade procedures, reducing trade barriers, and promoting a more open and transparent trade regime can stimulate export growth and attract foreign investment. Aligning trade policies with global standards and best practices can enhance India's integration into the global economy.
4. **Support for domestic industries:**
   Providing targeted support for domestic industries, such as incentives for technology upgrades, skills development, and research and development, can enhance their competitiveness and productivity. Encouraging collaboration between industry, academia, and government can drive innovation and foster sustainable growth.

Conclusions

This paper analysed the trade volume of India, item and import designs, trade balance and Total national output, FDI relationship among them. Considering the discernments in the illuminating assessment and the data suggested in the Reserve Bank of India Yearly Reports

(September 2023) and reports from the Assistance of Industry and Business, coming up next is done up. The yearly import/send out inevitable of India got diminished by 2.6% to USD 34.5 billion amidst moving back overall interest during the period September 2023. India is conveying approximately 7500 items to all over globe for around 190 countries, around 6000 things are imported from around 140 countries. More than one fourth of all results of India is to US of America where as in abundance of 80% of items are overpowered by Centre East, China, Asia-other and European Affiliation. During the money related year 2022-23, India tended to 61.67% of the overall market, for the two greatest things i.e., mineral fills and gold.

According to the Help of Business, India, posted an item import/trade irregularity of USD 19.00 billion in during September 2023, and under market presumptions for USD 24.10 billion. Also imports crumbled by 15% to USD 58.8 billion, essentially on account of diminished gold imports and import charges during the money related year 2022-2023.

The example of trade account balance depends upon the norm of direct of items and imports of India during the period from 2012-2012 to 2022-2023. During the most recent decade India was experiencing relentless import/trade discomfort. Regardless, there has been a miserable improvement during 2019 and besides during this year, benefit from conveys recorded an extreme turn of events and utilization on imports were diminished stood out from the past money related years. The public power of India had advanced endeavours to build up the abroad trading markets for Indian things alongside working with the systems and philosophy to attract new pursuit. In like manner wary apportions have been conveyed for explicit worldwide methodologies that pardoned imports which will at last monitor area local things. In like manner the specific assessment reveals that there breathe tremendous relationship among Harmony of trade, FDI, local usage and GDP factors.

The open monetary system introduced by the Prime Minister Mr. Narendra Modi had extraordinary single window exercises for private and government trades which accordingly had unequivocally contributed towards extending the Indian items and in this manner diminishing the harmony of import/send out irregularity.

Finally, the finding from this study that exhibits constantly that India is experiencing setback balance of trade, which is has been shown in the past assessments suggested in the composing review.

References:

Malik, J.K., and Anantharam. L. (2013) “The Effects of Exchange rate on the Trade Balance in the Indian Context after Post Liberalization”, International Journal on Global Business Management and Research, Vol. 2, Iss. 2, 01-13.

Mathew, J. (2013) “A Technical Study on the Determinants of Greece’s Current Account Position”, Economy & Markets, Vol. VII, Issue 2, 01-33.

Sargan, D.J and Vijayakumar (2016) “The Problem of Balance of Payment Imbalance”, Focus on Economics, No. 44, 01-04.

Sinha, Yadav and Srivastava etl., (2016) "International Financial Management" 12th Edition, Cengage Learning, Boston.

Singh,S.,(2016) "Trends and Challenges of India's Balance of Payments", Munich Personal RePEc Archive, 01-12.

Srivastava L. Sinha A. and Yadav G. (2016) "A Trend Analysis of Trade Imbalance of Indian Balance of Payment (Bop)", Paripex - Indian Journal Of Research, Vol.5, Issue 1, 68-70.

https://tradingeconomics.com/india/balance-of-trade#calendar-table

https://Investopedia/Matthew Collins w.