



## TRENDS IN EXPORTS SECTOR IN INDIA

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### Abstract

Exports have played an increasingly important role in India's economic growth in the last two decades. This paper analyses the performance of India's exports and broadly discuss about the initiatives taken by the Indian government to boost the export sector of the economy. Since manufactured exports comprise a significant share of India's aggregate (merchandise) exports, the paper also provides an overview of the export performance of five important commodities; namely, Engineering goods, Petroleum products, Gems and Jewellery, Organic and Inorganic chemicals and Drug Pharmaceuticals and concludes with key policy changes which could have a bearing on the current trends seen in these sectors

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### 1. Introduction:

One of the key factors driving the economic growth of any country is its exports. India witnessed 600 times growth in total exports since independence. India exported a mere \$1.27 billion worth goods and services in 1950-51. Commodities like jute, tea, cotton and textiles dominated exports from India to the rest of the world. Exports play a major role in accelerating the economic development of developing economies like India. A raising level of exports and a favourable current account can have a positive impact on economic growth of the country. India has reached USD 418 billion dollars of manufacturing exports in the fiscal year 2022 (FY22) with rapid growth over the last 2 years. Despite having the fifth-largest economy in the world, contributing to 3.1% of the GDP, India's export contribution to global trade is still only 1.6% that includes a variety of factors like rising protectionism and de-globalization, lack of basic infrastructure and low market penetration in high-income countries. It calls India to look forward towards expediting Free Trade Agreements, lowering tariffs and addressing supply-side bottlenecks would help in addressing export challenges.

### 2. Importance:

One of the key factors driving the economic growth of any country is its exports. India witnessed 600 times growth in total exports since independence. India's GDP growth rate before 1991 was 3.5%. This was associated with export contribution of 4.5%. Trade liberalisation reforms increased GDP growth rate (to >6%) after 1991, with exports

contributing >11% to the GDP. Thus, international trade emerged as a viable engine for economic growth in India.

Most of this export-led growth in the GDP can be attributed to free-trade policies, rise in public spending, favourable taxation policies, growth in private investments and reforms in the financial sector that increased FDI inflow. Contribution of exports to India's GDP stood at 31.5% in 2018-19 and recorded marginal decline to 27.8% in 2019-20. Exports are one of the fundamental drivers of growth for any economy. It can influence a country's GDP, exchange rate, level of inflation as well as interest rates. A robust export data is beneficial as it leads to increase in job opportunities, enhances foreign currency reserves, boosts manufacturing and also increases government's revenue collection. It is also a good means by which a country can bring itself out of the recession phase. Exporting to countries with a favourable economic climate helps in increasing the GDP levels as well as helps in reducing unemployment.

### 3. Objectives:

- 1) To study the trends in India's exports sector during the period 2015 to 2021.
- 2) To understand the composition and direction of India's export.
- 3) To identify the policy measures taken by the government to boost the India's exports.

### 4. METHODOLOGY:

The present study is both descriptive as well as empirical in nature based on secondary data. The information and findings cited in the paper are accessed from research papers, journals, books, different websites, government official reports, ministry of commerce and industry reports, World Bank report etc. Based on the information accessed from various genuine secondary sources, the objectives of the study have been fulfilled.

#### Trends in India's exports sector from the year 2015 to 2021 :

Year	Billion of US \$	% of GDP
2021	\$679.68 billion	21.40%
2020	\$499.10 billion	18.71%
2019	\$529.24 billion	18.69%
2018	\$538.64 billion	19.16%
2017	\$498.26 billion	18.79%
2016	\$439.64 billion	19.16%
2015	\$416.79 billion	19.81%

Data source :- World Bank

India's overall exports (merchandise and services combined) in 2021 is estimated to be USD 679.68 billion. And the share of exports of goods and services in GDP has increased from 18.7 % in 2020-21 to 21.4% in 2021-22. In 2020, India's overall exports was USD 499.10 billion, as compared to USD 529.24 billion in 2019, which shows a 5.7% decline from 2019. India's exports for 2018 was 538.64 billion USD, followed by 498.26 billion USD in 2017, \$ 439.64 billion in 2016, \$ 416.79 billion in 2015.

#### India's merchandise exports:

Year	Value in billion USD
2021-22	335.44 billion
2020-21	228.9 billion
2019-20	264.19 billion

*Data source:- Ministry of Commerce and Industry*

India's merchandise export in 2021-22 ( April to January ) was USD 335.44 billion, an increase of 46.53 % over USD 228.9 billion in 2020-21 ( April to January) and an increase of 27.0 % over USD 264.13 billion in 2019-20 ( April to January).

#### **India's service sector exports from 2018-22 (USD BILLION) :**

Year	Value in billion USD
2021-22	254.35 Billion
2020-21	206.09 Billion
2019-20	213.19 Billion
2018-19	208 Billion

*Data source:- Ministry of Commerce and Industry*

As witnessed in the above table, even after the adverse effects of the COVID-19 pandemic on the global economy during 2020-21, the induced global lockdowns lead to a decline in the service sector exports by 3.3%. The buoyant government expenditure led to expedited growth, breaking the initial goal of USD 250 billion during 2021-22.

The service sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment, has contributed significantly to export and has provided large-scale employment. India's export of services reach an all time high of USD 273.57 billion as of November 2022 - that's 17.03% more than the value of services exported in all the 12 months of 2021, despite the looming threat of global recession. 10 years ago, in 2012, India exported USD 140 billion worth of services rising at an annual average growth rate of 6.9%>

#### **India's Merchandise exports:-**

India has achieved merchandise export of USD 33.0 billion in August 2022, almost at similar levels of USD 33.38 billion in August 2021. Value of non-petroleum exports in August 2022 was 28.09 USD billion, registering a negative growth of only 2.22% over non-petroleum exports of USD 28.73 billion in August 2021. The value of non-petroleum exports in April-august 2020-21 was USD 152.29 billion, an increase of 7.97% over USD 141.05 billion in April- August 2021-22.

Value of non-petroleum and non-gems and jewellery exports in August 2022 was USD 24.8 billion, Registering a negative growth of 1.96% over non-petroleum and non-gems and jewellery exports of USD 25.29 billion in August 2021. The cumulative value of non-petroleum and non-gems and jewellery exports in April-August 2021-22 was USD 135.49 billion, an increase of 8.4% over cumulative value of non-petroleum and non-gems and jewellery exports of USD 124.99 billion in April- August 2021-22. Amongst the major

products exports of electronic goods ( 50.68% ), rice ( 42.32% ) , organic and inorganic chemicals (13.35% ) registering impressive growth during August 2022.

### Exports of top 5 major commodity groups in August 2022 :

Major commodity group	Value of exports (Million in USD)		Share in total exports %	Growth % (Aug2022 Aug2021)
	August 2022	August 2021		
Engineering goods	8253.47	9663.09	25.01%	-14.59%
Petroleum product	4907.81	4655.35	14.87%	5.42%
Gems and Jewellery	3292.64	3432.63	9.98%	-4.08%
Organic and inorganic chemicals	2528.68	2230.85	7.66%	13.35%
Drug and Pharmaceutical	2141.64	2008.88	6.49%	6.6%

Data source:- Ministry of Commerce and Industry

### India's Service exports:

India has a dominant influence among the leading 10 services export countries in 2020, with its spurring share in the global commercial services exports from 3.4% in 2019 to 4.1 in 2020. With vast inoculation drive and pickup in global demand, India's service sector exports showed a resilient spike with more than 25% growth in the FY 2021-22. The value of exports for April- December 2022 is estimated at USD 235.81 billion which is a 21.69% increase as compared to April - December 2021, USD 184.65 billion. Moreover, services exports in the month of December 2022 are estimated at USD 27.34 billion as compared to USD 25.98 billion in December 2021 exhibiting a growth of 4.97 %.

In the period April'22 to July'22 services exports is USD 94.757 billion which are significantly higher (26.78%) than the corresponding export value of USD 74.740 billion for the period April'21 to July'22.

Services exports in fiscal year 2021-22 are projected to be significantly higher than last year's services export of USD 254.53 billion.

During 2021-22, the estimated export of India's software services have increased by 17.2% to USD 156.7 billion, of which computer services accounted for over two-thirds of the total software export. 60% of total software services exports were from private limited enterprises, and roughly 84% of all IT enabled services exports were BPO services.

Almost 41% of exports came from Banking, Financial Services and Insurance (BFSI), which contributed USD 61.4 billion. The gains from the hi-tech/telecom and manufacturing services were USD 26.3 billion and USD 24.3 billion, respectively, accounting for 17.65% and 16.28 % shares in 2020-21. Business services exports surged by 17.1% in H1 2021-22, mostly due to an increase in revenues from professional and management consulting.

### Direction of India's overall exports:

India exports services to many parts of the world. USA, UK, and Japan are the largest importers of Indian services. Due to the large-scale workforce availability, cheap labour and English language skills, India's services are popular around the world. Hence, the software, computer, IT, BPO, and call centre are some of largest services that are exported to America, Europe, Asia, and also the Gulf countries.

For the software services and the IT sector of India, USA, UK, and the EU are the top importers accounting for about 62%, 17%, and 11% of the total IT-ITeS exports, respectively. Some of the other major software services from India are Canada, Asia, Australia, New Zealand. During 2020-21, USA and Canada imported US\$ 75 billion of software services from India. The share of Europe and Asia combined during the same period was about 37% (i.e., US\$ 49 billion). Also, during the same period, the share of the same for Australia and New Zealand combined was 3% (i.e., US\$ 4.2 billion). Some of the other importers of services from India are Asia Pacific, Latin America, and Middle East Asia.

Some of India's other top export markets are Hong Kong, Singapore, Germany, Bangladesh, Netherlands, and Nepal.

In April 2022, India exported mostly to United States (\$5.9B) , United Arab Emirates(2.23B) , Netherlands (\$1.75B) , China (\$1.39B) , and United Kingdom (\$1.12B). In April 2022 , the decrease in India's year-by-year exports was explained primarily by a decrease in exports to United States (-\$1.23B Or -17. 3%), United Arab Emirates (-\$624M Or -21. 8%), and Bangladesh (-\$567M Or -39. 8%) and product exports decrease in Petroleum products (-\$1.38B Or -17. 5%), Pearl, Precs, Semiprecs stones (-\$763M Or -31. 1 %), and wheat (\$-472M Or -99. 9%).

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The mid-term review (2017) of the Foreign Trade Policy (2015-20) was carried out and corrective measures were undertaken.

Foreign Trade Policy (2015-20) extended by one year i.e. up to 31-3-2022 due to the COVID-19 pandemic situation.

A new Logistics Division was created in the Department of Commerce for integrated development of the logistics sector.

Interest Equalization Scheme on pre and post shipment rupee export credit was introduced from 1.4.2015 to provide cheaper credit to exporters.

### **Measures taken by government to boost the India's export:**

The Government started implementing a Niryat Bandhu Scheme with an objective to reach out to the new and potential exporters including exporters from Micro, Small & Medium Enterprises (MSMEs) and mentor them through orientation programmes, counselling sessions, individual facilitation, etc., on various aspects of foreign trade for enabling them to get into international trade and boost exports from India.

Assistance provided through several schemes to promote exports, namely, Trade Infrastructure for Export Scheme (TIES) and Market Access Initiatives (MAI) Scheme.

A comprehensive “Agriculture Export Policy” was launched on 6th December, 2018 to provide an impetus to agricultural exports.

A Central Sector Scheme, ‘Transport and Marketing Assistance for Specified Agriculture Products’ was launched for providing assistance for the international component of freight to mitigate the freight disadvantage for the export of agriculture products.

Remission of Duties and Taxes on Exported Products (RoDTEP) scheme and Rebate of State and Central Levies and Taxes (RoSCTL) Scheme have been implemented with effect from 01.01.2021.

Common Digital Platform for Certificate of Origin has been launched to facilitate trade and increase Free Trade Agreement (FTA) utilization by exporters.

12 Champion Services Sectors have been identified for promoting and diversifying services exports by pursuing specific action plans.

Districts as Export Hubs has been launched by identifying products with export potential in each district, addressing bottlenecks for exporting these products and supporting local exporters/manufacturers to generate employment in the district.

Active role of Indian missions abroad towards promoting India’s trade, tourism, technology and investment goals has been enhanced.

Package has been announced in light of the COVID pandemic to support domestic industry through various banking and financial sector relief measures, especially for MSMEs, which constitute a major share in exports.

## **5. Conclusion:**

India has shown remarkable resistance to the obstacles created by the pandemic in global trade and has achieved new heights in terms of export in the financial year 2021-22. FY2021-22 proved to be a great one for Indian exporters after the country achieved its highest-ever merchandise exports. Riding on resurging global growth after two muted years of the Covid-19 pandemic, India surpassed US\$ 400 billion in exports in FY2021-22, an all-time high for the country, comfortably higher than the five-year average of US\$ 300 billion before corona virus struck. According to the Ministry of Commerce and Industry, the exports stood at US\$ 417 billion, which is roughly US\$ 48 million every hour during FY21-22.

The Make in India initiative, launched in 2014, has played a pivotal role in facilitating investments and promoting innovation, which has resulted in driving overall development, thereby making India a major hub for the manufacturing, innovation, and design. The Foreign Direct Investment (FDI) policy under this initiative aims to drive growth and promote exports from India. Within the ambit of this policy, the central government has approved 100% FDI under an automatic route in many sectors in order to give a thrust to Indian exports. Free trade agreements (FTAs) are crucial for the continued growth of Indian exports and these need to be further leveraged. The integration of India into global value chains (GVCs) plays a pivotal role here. GVCs offer the opportunity to engage with the most advantageous part of the value chain, instead of producing a completed product with a reduced average cost. This will facilitate greater economic growth, job creation, income generation, and tax revenue.

The Government of India has been proactive in creating a regulatory environment that fosters globally competitive firms. Several reform initiatives have been introduced which have been the key to enhancing the export potential of the Indian economy, these reformative initiatives include the introduction of the Production Linked Incentive scheme (PLIs), corporate tax rate cuts, simplification of labour laws, and increased focus on human capital.



For a holistic approach to boost exports, India's state governments must also be proactive in creating the right business environment and facilities.

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