5th International Conference on Research Developments in Applied Science, Engineering & Management (AEM- 2019)

Mahratta Chamber of Commerce, Industries and Agriculture ,Pune (India) AEM- 2019

23rd February 2019, www.conferenceworld.in ISBN: 978-93-87793-72-9

A Review on Impact of Foreign Trade Policy on Export Performance of manufacturing Sector in India

Vijay Kaliraman

Research scholar

Haryana School of Business, GJUS&T Hisar, Haryana, India

ABSTRACT:

Purpose of this study to identify the impact of trade policies on the manufacturing sector in India. Perhaps due to swift changes in the international trading environment and competitiveness. The effective implementation of trade policies promotes export competiveness and also provide safe guard measure to local manufacturer. Further this study focus on finding the gaps in implementation of foreign trade policy.

Keywords: *competitiveness, manufacturing, trade policy, SEZs*

INTRODUCTION:

The economic reforms initiated in 1991 opened various sectors of the economy including primary, secondary and territory sector in India except few mainly defense and nuclear energy sector. Despite efforts made by Indian Government to increase exports of India. There are some sectors whose potential is still unexplored and one of them is a manufacturing sector, which needed more focus and attentions. The report of EXIM bank revealed that share of foreign trade is less than 2%, even after two decades of structural reforms. As far as trade deficit is concerned, the picture is quite gloomy its US$113.4 billion, despite the phenomenal growth in the export of IT services. The growth rate and volume of exports are also not increasing. There may be various factors affecting this lower performance but competiveness is one such factors and to improve the situation, one more effort is made by Govt. of India to promote manufacturing sector. They introduced "Make in India" in 2014. An initiative to boost manufacturing in India and to make manufacturing industry more competitive with regard to the world standards and further aim of this policy is to make India 5th largest manufacturing hub in world. (icai.org)

To increase the export volume every country must make their manufacturing activities to be competitive in world, it is said that competitiveness of any country depends on the various factors such as technology, product differentiation, innovation, ease of doing business and many more. The competitiveness as measured by the global competiveness Index (GCI). Refer the GCI reports of various years, w.e.f 2017- 18. In global competitiveness ranking issued by World Economic Forum India is at 40th position from pervious performance was 39th. India in last decade has continuously improving in health basic educations and infrastructure, still

India lacking at technology readiness. Due to those undermined factors, the competitiveness is hampered. (World Economic Forum 2016-17)

EXIM POLICY AND FOREIGN TRADE POLICY OF INDIA:

Main objectives of Exim policy (2002-07) to attain 1% share in world-merchandised trade, to attain sustained economic growth, increasing the competiveness by accepting international standards and providing consumers an internationally competitive price with providing level of playing filed for domestic producers. Development of agro- export zones with development of SEZ. India's Exim Policy Defines SEZ as "special Economic zone is a specifically delinked duty free enclave and shall be deemed to be a foreign territory for the purpose of trade operations and duties and tariffs". Objectives of SEZ to increase forex reserve by promoting export, to attract Foreign Direct Investment in export production, to boost export and competiveness, to generate employment opportunities. some important economic zone in India Kandla SEZ, in Gujrat, SEEPZ SEZ, Mumbai for electronics and gems, Cochin SEZ Multiproduct,Surat SEZ, Private sector and Multi product SEZ. Exim Policy (2015-16) overall all export of automobiles is down with 0.4%, there is 2 % increase in export of chemical and related products, 2.4% decline in textile and garment industries, very poor export performance by capital goods industry it remains in negative over an after witnessing recovery in FY 2014-15 also in electronic goods we witness strong imports over export. Foreign Trade Policy (2004-09) the main objective of this policy to increase India's share in world merchandise trade from 0.7 % ($61.8 billion) to 1.5% (61.8 billion) till 2009.in this policy a new scheme Vishesh Krishi Upaj Yojana was launched to boost the export of fruits, vegetables, flowers and minor forest produce. Another scheme to boost export called "Target Plus "and EOUs (export oriented units) exempted from service tax in proportion to their exported goods. 100% FDI were permitted for the development of free trade and warehousing (FTWZs) zone to enhance export and import activities. Main focus of this policy were: Agriculture, handicrafts, gems & jewellery, footwear both leather & sports.

Government has introduced new reward scheme in Foreign Trade Policy (2015-20) for merchandised export (MEIS) to promote export and reduced export obligation (EO), domestic procurements, special focus on 'Make in India'. Simplification of process and E- Governance, more focus on defense export. And Calicut Airport and Kerla & Arakonam ports were allowed to for export and imports. and additional support for pharmaceuticals, industrial machinery, automobiles, plastics, rubber and hand tools etc. (http://dgft.gov.in).

REVIEW OF LITERATURE:

There are research studies available on export policy and growth of manufacturing sector in India. A brief review of the literature is as under:

Nayyar (1975) in his book he "Indian exports and exports policies in 1960" pointed out that the composition of export commodity is very necessary because it influence export competitiveness. In addition, suggested for improvement in export policy of India because current export composition is unfortunate one

Mathur (1985) in his study, focused on proper segmentation of international market and joint venture strategy to enter into foreign market and also laid emphasis on development of specialized agency to aid and support export.

Kurien (1993) concluded in his work that for a nation it's not possible to become competitive in all industry segment therefore national industrial policy should identify those industries, which can attain competitive advantage and foreign capital should be coming in right sectors.

Chandra and Shukla (1994) in their paper author outlined that the role of government, academic institutions, and R&D originations is very crucial. There should be short medium and long-term action plan. to achieve long-term global competitiveness.

Gupta *et al.*, (2009) observed that India rigid labor law, lack of infrastructure and finance are major factors which affect our competiveness.

Kathuria (1996) he studied the impact of economic reform 1991 and export incentive scheme On the total export and profitability of firm. Result revealed that due to dual exchange rate. export profitability has declined in most of sector.

Rajiv and Sharma (2015) in their study revealed that India has bright possibilities and opportunity to become largest economy in world. To attain this goal India must have high growth rate in manufacturing sector. Manufacturing sector must contribute 25% to the total GDP.

Fetscherin (2012)they analyzed four different types of industry groups in India, domestic static, domestic dynamic, global dynamic and global static. Using Revealed Comparative Balassa model. found 61% of country industries fall into dynamic category and 40% of India's industries are global and they are more special than average global rate.

CONCLUSION:

From the foregoing analysis of review of literature, the following problemshave beenidentified. As per press release from Ministry of Commerce & Industry GOI 2016, There is a fall in export growth in case of china 1.79 % April 2016and Major part of our export is the re-imports items like petroleum products and gems & jewellery.As per report of CSO manufacturing Industry down by 2.9 % in 2016-17 (PE) and capital formation by manufacturing industry down to 3.3 % in FY 2015-16 from 6.2 % in FY 2014-15. According to Meyer (2007) India has more export dependency on service industry, which is mainly back office operations and not translating into specialized in sophisticated products. India lacking technological innovations, Mukherjee & Mukherjee, (2012) in his study he found that India is still far behind in cutting-edge technological products. Their major exports are mainly based on low –intensity technological products. A report of National Statistical Commission Govt of India, 2012 unorganized sector remain bigger than organized sector as 50% of national product account for this sector. According to audit report of CAG 2012-13 on performance of SEZs. The reports indicate 56.64 % total SEZs carting the needs of IT sector and only 9.6% catering needs of multi-product manufacturing andthere is 72 % in short fall in total targeted export in states viz., Andhra Pardesh,Tamilnandu and Rajasthan (http://www.cag.gov.in).

REFERENCES

[1.] Chandra, P., & Shukla, P. R. (1994). Manufacturing Excellence and Global Competitiveness: challenges and opportunities for Indian industries. Economic and Political Weekly, M2-M11.

[2.] Fetscherin, M., Alon, I., Johnson, J. P., & Pillania, R. K. (2012). Export competitiveness patterns in Indian industries. *Competitiveness Review: An International Business Journal*, *22*(3), 188-206.

[3.] Gupta, P., Hasan, R., & Kumar, U. (2009). Big reforms but small payoffs: explaining the weak record of growth in Indian manufacturing. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1346042 Retrieved on 22 December, 2016)

[4.] Kathuria, S. (1996). Export incentives: The impact of recent policy changes in India. *Indian Economic Review*, 109-126.

[5.] Kurien, C. T. (1993). Indian economic reforms in the context of emerging global economy. Economic and Political weekly, 655-665.

[6.] Mathur, B. P. (1985). Industrial Exports and Developing Countries: India' s Search for Countervailing Power. Ajanta Publications**.**

[7.] Nayyar, D. (2007). India's Exports and Export Policies in the 1960's (Vol. 19). Cambridge University Press.

[8.] Mukherjee, S., & Mukherjee, S. (2012). Overview of India'Export Performance: Trends and Drivers. IIM Bangalore Research Paper, (363).

[9.] Meyer, T. (2007). India's specialisation in IT exports: Offshoring can't defy gravity. Deutsche Bank Research, Reaserch Notes No. 27 (2007).

[10.] Nayyar, D. (1975). India's Exports and Export Policies in the 1960's (Vol. 19). Cambridge University Press.

Books:

[1.] Cooper, D. R., Schindler, P. S., & Sun, J. (2006). *Business research methods*(Vol. 9). New York: McGraw-Hill Irwin.

[2.] Rudra, D., & Sundram, K. P. M. (2005). Indian Economy; S. *Chand and Sons Co. Ltd*.

Website:

[1.] http://www.commerce.gov.in

[2.] http://www.weforum.org

[3.] http://www.icai.org

[4.] http://dgft.gov.in

[5.] http://www.cag.gov.in