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EXPORT INFRASTRUCTURE ON THE TOTAL EXPORTS OF INDIA AND GROWTH OF INDIAN ECONOMY

Dr. Neeraj Chaudhary

Assistant Professor,

Institute of Business Studies,

Ch. Charan Singh University, Meerut

Abstract

After registering GDP growth of over 7 per cent for the third year in succession in 2016- 17, the Indian economy is headed for somewhat slower growth, estimated to be 6.5 per cent in 2017- 18, as per first Advance Estimates released by CSO. This is slightly lower than the range of 6.5 per cent to 6.75 per cent being currently projected based on recent developments. Even with this lower growth for 2017-18, GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world. That this growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio makes it all the more creditable. In addition to the introduction of GST, the year also witnessed significant steps being undertaken towards resolution of problems associated with non-performing assets of the banks, further liberalization of FDI, etc., thus strengthening the momentum of reforms. After remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 and strengthened further in 2017-18. There was an augmentation in the spot levels of foreign exchange reserves to close to US$ 414 billion, as on 12th January 2018. Key words : Global Financial Crisis, economy

Introduction

Economic activities which showed significant growth rates in 2017-18 over the corresponding period last year were mining and quarrying (10.6 per cent), manufacturing (10.8 per cent), electricity, gas and water supply (6.5 per cent), construction (6.5 per cent), trade, hotels, transport and communications (9.3 per cent), financing, insurance, real estate and business services (9.7 per cent), community, social and personal services (5.6 per cent). The Gross National Income is estimated to rise by 7.3 per cent in 2015-16 as compared to 6.8 per cent in 2017-18. The per capita income is estimated to grow at 5.6 per cent in 2012-13. India's industrial output grew by 17.6 per cent in April 2018. The manufacturing sector that accounts for 80 per cent of the index of industrial production (IIP) grew 19.4 per cent in April 2018, as against 0.4 per cent a year-ago. Capital goods production grew by 72.8 per cent against a contraction of 5.9 per cent a year ago. Consumer durables output continued to grow at a fast pace of 37 per cent, mirroring higher purchase of goods such as televisions and refrigerators.

Investment Attractiveness of India

Size of the market and growth potential are two important factors in attracting investments in an economy, then India's potential is widely acknowledged. It is a well known fact that India has been one of the fastest growing economies over the past decade, averaging around 9.5% GDP growth second only to China. According to the World Economic Forum's Global Competitive Index (GCI) for FY 2007, India climbed two spots to 43rd, well ahead of Brazil (66), China (54), Russia (62), South Africa (45) and Kuwait (44).

This demonstrates remarkably high scores in capacity for innovation and sophistication of firm operations. The quality of the business environment in India has improved tangibly in recent years. The available evidence suggests that the Indian economy may have entered a high growth model. India scored 4.44 overall in the Global Competitive index in which the top ranking Switzerland got 5.81 in the study covering 125 nations. China's overall score was 4.24.

India got credit in particular for the quality of scientific research and the number of scientists and engineers, which are increasingly supplying highly- skilled professionals to the private sector "Firm use of technology and rates of technology transfer are high, although penetration rates of the latest technologies are still quite low by international standards, reflecting India's still low levels of per capita income and high incidence of poverty," But its level of fiscal deficit is still an area of concern, along with that of lack of appropriate infrastructure, hampering growth in remote regions. The other concerns revolve on shortcomings in the provision of health services and education, which are necessary to ensure that the benefits of economic growth are more broadly distributed.

Foreign direct investment in India

Table 1 : Share of top five investing countries in FDI inflows

Rank	Country	Inflows (Million USD)	Inflows (%)
1	Mauritius	85,178	44.24%
2	United States	18,040	9.37%
3	United Kingdom	15,363	7.98%
4	Netherlands	11,177	5.81%
5	Singapore	9,742	5.06%
6	Cyprus	5,742	3.06%

As the fourth-largest economy in the world in PPP terms, India is a preferred destination for foreign direct investments (FDI); India has strengths in telecommunication, information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewellery. Despite a surge in foreign investments, rigid FDI policies resulted in a significant hindrance. However, due to some positive economic reforms aimed at deregulating the economy and stimulating foreign investment, India has positioned itself as one of the front-runners of the rapidly growing Asia Pacific Region. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 300 million and represents a growing consumer market.

The inordinately high investment from Mauritius is due to routing of international funds through the country given significant capital gains tax advantages; double taxation is avoided due to a tax treaty between India and Mauritius, and Mauriitus is a capital gains tax haven, effectively creating a zero-taxation FDI channel.
India's recently liberalized FDI policy (2015) allows up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and foreign direct investment FDI. The upward moving growth curve of the real-estate sector owes some credit to a booming economy and liberalized FDI regime. In March 2005, the government amended the rules to allow 100 per cent FDI in the construction business. This automatic route has been permitted in townships, housing, built-up infrastructure and construction development projects including housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure.

A number of changes were approved on the FDI policy to remove the caps in most sectors. Fields which require relaxation in FDI restrictions include civil aviation, construction development, industrial parks, petroleum and natural gas, commodity exchanges, credit-information services and mining. But this still leaves an unfinished agenda of permitting greater foreign investment in politically sensitive areas such as insurance and retailing. FDI inflows into India reached a record $19.5 billion in fiscal year 2006-07 (April–March), according to the government's Secretariat for Industrial Assistance. This was more than double the total of US$7.8bn in the previous fiscal year. The FDI inflow for 2007-08 has been reported as $24 billion and for 2008-09, it is expected to be above $35 billion. A critical factor in determining India's continued economic growth and realizing the potential to be an economic superpower is going to depend on how the government can create incentives for FDI flow across a large number of sectors in India

Investment Attractiveness of Maharashtra

Maharashtra is the second most populous state in the country accounting for 9.4%of the country's population (2001 census) and 13% of the country's GDP. World competitiveness report lists Maharashtra as the 42nd most competitive region in the world. Some of the notable features of the Maharashtra economy are enumerated below.

· Maharashtra is one of the most developed states in the country with high per capita income of US$ 722 (All India US$ 522).
· Maharashtra accounts for 22% of the country's net value added in the industrial sector.
· The state has the highest power generation in the country.
· Average annual growth rate in last 10 years has been 7% p.a. with 12% targeted growth rate for next 5 years.
· It is the most urbanised state in the country 43% (India 28%)
· Maharashtra accounts for around 40% of the total exports from the country. · World Bank report rates Maharashtra to have the best investment climate in the country.
· Maharashtra is the leading state in India in respect to investment attraction. The total investment in the state during 1991-2004 stood at US$ 52.8 billion. · The key sectors in manufacturing include automobiles, petroleum products, synthetic textiles, chemicals and electrical and electronic equipments.
· The state accounts for 27.5% of the country's chemicals, petrochemicals and oil and gas output; 40% of the country's pharmaceutical output, 38% of the country's automobile output and 23% of the engineering sector output.

FOOD AND AGRO PRODUCTS

Market Size & Export Potential

Food processing covers activities such as agriculture, horticulture, plantation, animal husbandry and fisheries. It also includes other industries that use agriculture inputs for manufacturing of edible products. The sector covers Dairy, Fruits and Vegetable processing, Grain processing, Meat and poultry processing, Fisheries and Consumer foods including packaged foods, beverages and packaged drinking water. Globally food-processing sector is the largest sector. Global Food and Beverage Industry is valued at USD 3668.3 billion in 2005. The food processing industry is one of the largest industries in India. It is ranked fifth in terms of production, consumption, export and expected growth. Major highlights of Indian food industry are highlighted.

· Agriculture sector contributes one-fourth of the country's GDP.
· India is the largest producer of milk, fruits, pulses, cashew nuts, coconuts and tea in world and accounts for 10 % of the world fruit production.
· Horticulture sector contributes 30 % of the agriculture GDP and accounts for 8.5 % of cultivated area.
· Cotton production for FY 2005-06 has increased to 18.4 million bales, compared to the previous forecast of 17 million bales.
· Basmati exports in FY 2005 grown to USD 596 million from USD 432 million in previous year.
· Non-Basmati rice exports grew to USD 880.0 million in FY 2005 from USD 483.8 million in previous year.

· Agriculture output expected to grow by 3%
· Joining the list of biotech mega countries, India now has 14 biotech crops under consideration.
· CII has estimated that the food processing sector has potential of attracting USD 33 billion (Rs.150, 000 Crores) of investment in next ten years

CONCLUSION

This paper based on both desk research and interactions with stakeholders makes a comparative analysis of trade of world, India and its trading partners; examines the various dimensions of India's trade with special reference to exports; points out the immediate and medium term concerns in India's export front; outlines major strategies and policy reforms along with specific suggestions, both general and sector specific to revive and accelerate exports and also achieve the goal of reaching a respectable share in world exports.

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