THINK INDIA JOURNAL

ISSN:0971-1260

Vol-22-Issue-10-November-2019

Global Financial Decendence And Its Collision On India's Trade With SAARC Countries

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ABSTRACT

The international economy since 2002, India's exports witnessed aunusual threefold increase during the period 2002–03 to 2007–08. But this powerful engine for employment generation is now endangered by rapid contraction in global demand and weakening labour markets. It is a major defy for India to put into practicevigorous competitive strategies which not only mitigate the unfavourableblow of the worldwide slowdown on its export basket but also build the resilience of the economy towards such future shocks. However, for scheming such strategies there is a need to weigh up the extent to which the worldwide slowdown may impact on total merchandise exports.

As per the report of United Nation Conference on Trade and Development, the result exhibits that India's exports to the world are highly reactive to income changes. That is for every per cent decline in GDP lead to a 1.88 per cent per cent decline in Indian export growth.

Hence an earnest attempt has been made to examine the India's trade with SAARC countries during pre and post Global Financial turmoil. The present study is based on secondary data. The statistical tool used in this study is Paired t-test.

Keywords:Exports, Imports, Trade Balance, Total Trade, Global slowdown

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Vol-22-Issue-10-November-2019

INTRODUCTION

Among the SAARC nations India is the top growing country in terms of GDP. As per the World Bank estimates, the Indian economy is anticipated to grow at an average growth rate of 7.4% and 7.6% in 2016 and 2017, respectively. India occupies 70% of the SAARC region, both geographically and economically. As the leading and the most industrialized trading associate among the SAARC nations, India enjoys additional tasks in making regional economic cooperation a reality in South Asia.

GDP earnings

In 2016,the Gross Domestic Product (GDP) per capita in India was last recorded at $1861.50. Indian GDP accounts for 15% of the world's average. As on 2016 India's GDP per capita amounted to $1861.50 which is all time high as compared to 1960s' GDP of $304.20.

Export and Import

The allocation of India's exports to the SAARC nations witnessed a positive trend from 5.57% in (2013-14) to 6.42% (2016-17). With respect to imports from SAARC nations witnesses a declining trend from 0.55% (2013-14) to 0.73% (2016-17). The most important products of trade with these countries include agri goods, electronics, textiles, dairy products and metals.

According to the Indian Ministry of Commerce & Industry, the total exports of India to Afghanistan in 2016-17(April to August) accounted for $208.95 million and imports from Afghanistan were estimated to be around $73.01 million. The total exports to Bangladesh during this period were $2,294.32 million and imports stood for $308.74million. With Bhutan, the total exports were $216.7 million and imports were $62.18 million. India's total exports to Maldives included $72.85 million and imports amounted to $4.7 million. India's exports to Nepal were around $1,983.70 million and imports stood at around $ 173.25 million. Exports to Pakistan were $633.34 million and imports from it stood at $187.56 million. Indian exports to Sri Lanka showed a positive growth to reach $1,536.13million and goods worth $234.39 million were imported from the island nation.

Intra- SAARC trade

India has consistently strengthened trade relations with its SAARC partners. Recently, an important step was initiated in promoting electricity trade between India and Nepal following the secretary level meeting in Kathmandu. India agreed to provide surplus electricity to Nepal, which is highly energy deficient.

The new Agreement on Trade, Commerce and Transit between India and Bhutan has come into effect from July 29, 2017. The agreement provides for a free trade between the two

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economies. The agreement also provides for duty free transit of Bhutanese merchandise for trade with third countries.

Trade connecting India and Pakistan has amazinglystrong during the current year despite hastening rate of political tension among the two countries. A State Bank of Pakistan (SBP) report has exposed that Pakistan grew its exports to India during the first eight months of 2016-17 while curtailing imports by 23%. Imports from India in 2015-16 were worth over four times the exports from Pakistan.

The total trade among Maldives and India stood at $68,520.94 million in the year 2011-12 which improved in the year 2015-16 by $119,845.21million. Indian trade relations with Afghanistan have also enhanced. India is Sri Lanka's largest trading associate globally, while Sri Lanka is India's second major trading associate among the SAARC countries.

In the international economy since 2002, India's exports witnessed a unusual threefold increase during the period 2002–03 to 2007–08. But this powerful engine for employment generation is now endangered by rapid contraction in global demand and weakening labour markets. It is a major defy for India to put into practice vigorous competitive strategies which not only mitigate the unfavourable blow of the worldwide slowdown on its export basket but also build the resilience of the economy towards such future shocks. However, for scheming such strategies there is a need to weigh up the extent to which the worldwide slowdown may impact on total merchandise exports.

As per the recent by United Nation Conference on Trade and Development, the result exhibits that India's exports to the world are highly reactive to income changes. That is for every per cent decline in GDP lead to a 1.88 per cent per cent decline in Indian export growth.

Hence an earnest attempt was made to study India's trade with SAARC nations especially during pre and post Global Financial turmoil. For the purpose of answering the above question the study considered secondary data. The statistical tool such as Paired t-test was used to attain the above said the question.

OBJECTIVES OF THE STUDY

1.To evaluate India's Exports as well as Imports with SAARC nations pre Global meltdown.

2.To investigate India's Exports as well as Imports with SAARC nations post Global meltdown.

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ISSN:0971-1260

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HYPOTHESIS

Ho1: There isa considerablevariation of global meltdown on India's Exports among SAARC Nations.

Ho2: There is noconsiderable variation of global meltdown on India's Exports among SAARC Nations.

DATA SOURCE AND METHODOLOGY

The source of secondary data used in this study has been collected from International Trade Centre. The methodology adopted in this study is trend analysis as well as descriptive statistics. The research paper used paired't' test to find the shock of Global meltdown on Exports as well as Imports of India among SAARC nationss. The period of the study is between 2001 to 2016.

Trend Analysis of India's Exports to SAARC Countries:

The table 1 and bar chart below depicts the India's Exports among SAARC nations, during pre Global Slowdown has increased consistently. From US $ 2,092,222(Value in thousands) in 2001, exports rose to US $10,130,441(Value in thousands) in 2008. Average exports in 2001 to 2008 are US $ 5,321,702 (Value in thousands).The exports increased consistently during this period.

Table: 1 India's Exports to SAARC ($ in 000)

Year	Pre GSD	Year	Post GSD
2001	2092222	2009	7373574
2002	2415180	2010	11114204
2003	3875186	2011	12937536
2004	4579673	2012	13738380
2005	5399782	2013	16899974
2006	6232732	2014	19836415
2007	7848397	2015	17257457
2008	10130441	2016	16933209

Source: International Trade Centre

ISSN:0971-1260

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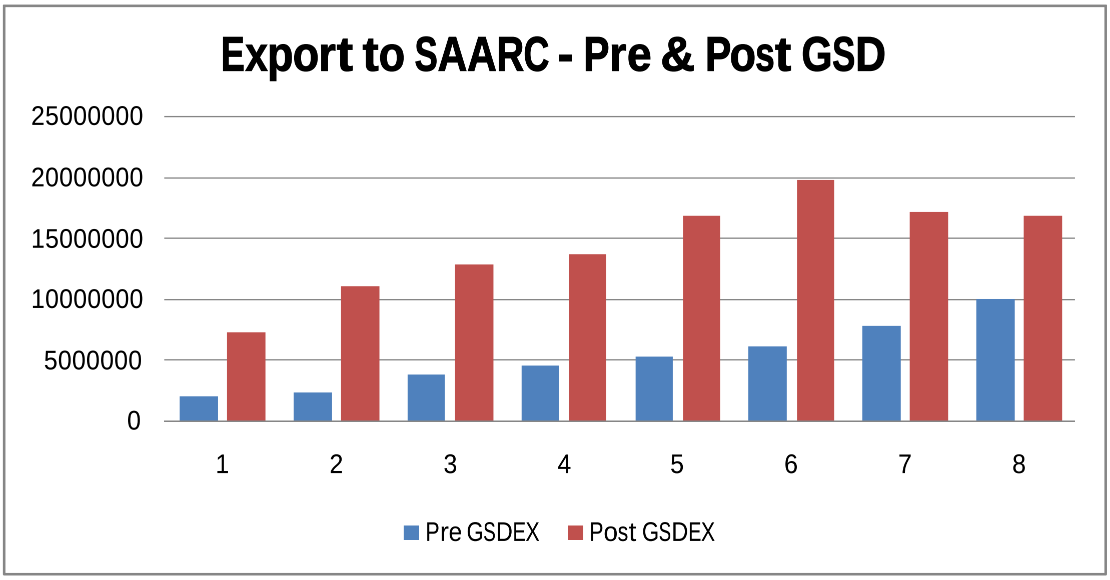

From the above table 1 and bar chart exhibits India's Exports among SAARC nations after Global meltdown has increased considerablybut with low volatitlity. From US $7373574 (Value in thousand) in 2009, exports rose to US $ 16933209 (Value in thousand) in 2016. Average exports in 2009 to 2016 is US $ 14,411,344(Value in thousands). India's Exports is able to with stand the shock of global slowdown upto 2014 thereafter exports starts deceleration.

An effort has been made to assess the effect of global meltdown by making a comparison of India's Exports among SAARC nations for the period of pre and post Global meltdown with paired 't' test using the SPSS package, result are presented below.

	Paired Samples Test of India's Exports towards SAARC					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PREGSDEX - PostGSDEX	-9189642.00000	2566273.22831	907314.60106	-11335100.10948	-7044183.89052	-10.128	7	.000

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Hypothesis

Ho1: There is a considerable variation of global meltdown on India's Exports among SAARC Nations.

Ho2: There is no considerable variation of global meltdown on India's Exports among SAARC Nations.

With a 5% significance level the p value (0.000) rejects null hypothesis. The Global slow Down on Exports, indicates that the exports during post Global slowdown has been significantly higher as compared with pre Global slowdown. The macroeconomic indicators are fundamentally strong. Hence Global slow Down on Export is insignificant.

Trend Analysis of India's ImportsFrom SAARC Nations:

The table 2 and bar chart shows below the India's Imports with SAARC countries pre Global Slowdown has increased considerably. From US $ 589,266 (Value in thousands) in 2001, exports rose to US $ 2,180,010 (Value in thousands) in 2008. Average exports in 2001 to 2008 are US $ 1,176,620 (Value in thousands).

Table: 2 India's Imports from SAARC($ in 000)

Year	Pre GSD	Year	Post GSD
2001	589266	2009	1515494
2002	491615	2010	2063704
2003	634333	2011	2501198
2004	926088	2012	2297013
2005	1379695	2013	2156246
2006	1499053	2014	2592419
2007	1712902	2015	2952404
2008	2180010	2016	2571638

Source: International Trade Centre

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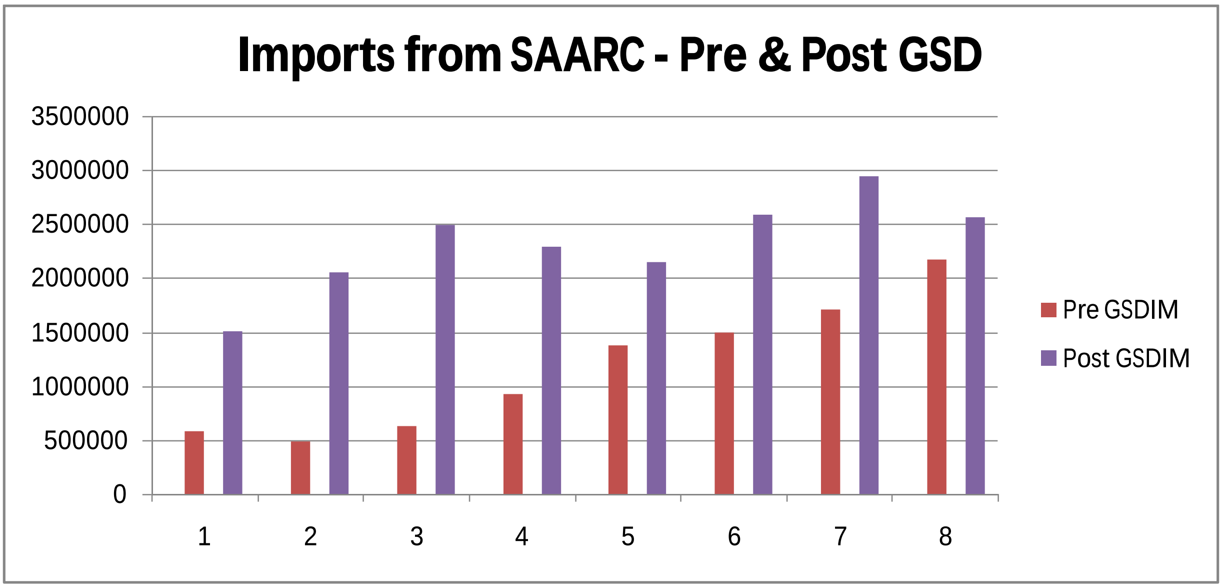

From the above table 2 and bar chart the India's Imports with SAARC countries after Global Slowdown has increased considerably with low fluctuations. From US $ 1,515,494 (Value in thousand) in 2009, exports rose to US $ 2,571,638(Value in thousand) in 2016. Average Imports in 2009 to 2016 is US $ 2,331,265 (Value in thousands).The Imports has low volatility during 2015 -16.

	Paired Samples Test of India's Imports to SAARC					T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 PREGSDIM - POSTGSDIM	-1154644.25	465460.45	164565.12	-1543778.92	-765509.57	-7.016	7	.000

For the purpose of measuring the impact of India's Imports with SAARC countries during pre & post Global Slowdown paired 't' test was used and the result shown as above.

Hypothesis

H01: There is a considerable variation of global meltdown on India's Exports among SAARC Nations.

Ho2: There is no considerable variation of global meltdown on India's Exports among SAARC Nations.

ISSN:0971-1260

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With the results of significantp - value (0.000) rejects the null hypothesis with 5% significant level. TheGlobal Slowdown on Imports indicates that the imports after Global Slowdown has been significantly higher than the before Global Slowdown with low fluctuation. Hence Global meltdown on imports is insignificant.

CONCLUSION

This study investigated the effect of Global meltdown on Exports as well as Imports for India by considering time series data from 2001 to 2016. Further, the study also analysed the trends and patterns of India's Exports and Importsamong SAARC nations.The result revealed that the India's Export has increased consistentlybefore Global slowdown, with low fluctuations after Global Slowdown. India Imports has increased consistently during pre global slowdown and low volatility after Global slowdown. The growth rate of imports was more than the growth rate of export was evinced statistically. There was a positive effect of Global meltdown on India's Exports as well as Imports suggested through paired 't' test. With strong Macroeconomic fundamentals of Indian Economy it will able to absorb shocks, the exports as well as imports keep bubble and finally burst.

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