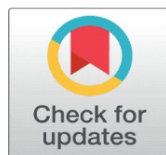


PROBLEMS RELATED TO EXPORTS OF MANUFACTURED PRODUCTS FROM INDIA

Madhusudhan A. ¹, D. Krishnamoorthy ²

¹ Research Scholar (PT), Department of Econometrics, S. V. University, Tirupati-2, A.P., India

² Professor (Rtd.), Department of Economics, S.V. University, Tirupati-2, A.P., India



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ABSTRACT

India was challenged with one of the vilest crises early 1990s when the foreign exchange reserve levels fell to such a minimum extent that the residual resources were sufficient to meet only two-week import requirements. This situation led to a sharp deterioration in the country's balance of payment position. India lost her international credit rating. After a long and hard struggle by the duo Prime Minister Shri P. V. Narasimha Rao and the Finance Minister, Dr. Manmohan Singh, this position has changed very much. Now India's foreign exchange reserves have gone up to around \$638.0 billion (Rs.15,000 crores) which are considered adequately by enough to cover up about six months imports. If the developments during last few years are examined, one can find several measures initiated by the Government of India like import compression, schemes to attract funds from overseas, advancement of financial system, development of advance marketing infrastructure, changes in commercial and economic policies etc. According to the information given by the Press Information Bureau of the Ministry of Commerce and Industry, government of India, India's total exports during FY 2024-25 (April-March) is estimated at US\$ 820.93 Billion registering a positive growth of 5.50 per cent. Total imports during FY 2024-25 (April-March) were estimated at US\$ 915.19 Billion registering a growth of 6.85 per cent. It is a great achievement in foreign trade and the country has achieved this target with the help of exports especially exports of manufactured products like engineering goods, chemical & allied products, readymade garments, gems & jewellery, leather products etc. The share of manufactured exports in the total exports earnings have been constantly going up. The manufactured products have been playing magnificent role to earn the foreign exchange reserves and they offer better opportunities to the expand export earnings and also to fetch better prices as compared to other non-manufactured and primary products. All efforts should therefore be made to increase the production and productivity of manufactured products, because the export of manufactured products earns more foreign exchange reserve comparatively with no or little fluctuations.

1. INTRODUCTION

India was challenged with one of the vilest crises early 1990s when the foreign exchange reserve levels fell to such a minimum extent that the residual resources were sufficient to meet only two-week import requirements. This situation led to a sharp deterioration in the country's balance of payment position. India lost her international credit rating. After a long and hard struggle by the duo Prime Minister Shri P. V. Narasimha Rao and the Finance Minister, Dr. Manmohan Singh, this position has changed very much. Now India's foreign exchange reserves have gone up to around \$638.0 billion (Rs.15,000 crores) which are considered adequately by enough to cover up about six months imports. If the developments during last few years are examined, one can find several measures initiated by the Government of India like import compression, schemes to attract funds from overseas, advancement of financial system, development of advance marketing infrastructure, changes in commercial and economic policies etc. According to the information given by the Press Information Bureau of the Ministry of Commerce and Industry, government of India, India's total exports during FY 2024-25 (April-March) is estimated at US\$ 820.93 Billion registering a positive growth of 5.50 per cent. Total imports during FY 2024-25 (April-March) were estimated at US\$ 915.19 Billion registering a growth of 6.85 per cent. It

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2. INDIA'S EXPORT PERFORMANCE DURING PLANNING PERIOD

2.1. CURRENT STATUS OF INDIA'S FOREIGN TRADE

The cumulative value of merchandise exports during the financial year 2024-25 (April-March) was US\$ 437.42 Billion as compared to US\$ 437.07 Billion registering a marginal positive growth rate of 0.08 per cent. It is heartening to note that Non-Petroleum exports constituted an overwhelming proportion of more than 85.50 per cent in the total merchandise exports and the same registered a surge of 6.0 per cent during the year. Major drivers of merchandise exports growth during the financial year 2024-25 (April-March) were Coffee, Tobacco, Electronic Goods, Rice, Jute Manufactures including Floor Covering, Meat, Dairy & Poultry products, Tea, Carpet, Plastic & Linoleum, RMG of all Textiles, Drugs & Pharmaceuticals, Cereal preparations & miscellaneous processed items, Mica, Coal & Other Ores, Minerals including processed minerals, Engineering Goods and Fruits & Vegetables. The India's Foreign Trade during the period in 2024-25 in the Table-1.

Table 1

India's Foreign Trade during FY 2024-25 (April-March)

Sector	Exports/ Imports	FY 2023-24 (US\$ Billion)	FY 2024-25 (US\$ Billion)	Simple Growth Rate (%)
Merchandise	Exports	437.07	437.42	0.08
	Imports	678.21	720.24	6.20
	Merchandise Balance	-241.14 (-55.17%)	-282.82 (-64.66 %)	-17.28
Services	Exports	341.06	383.51	12.45
	Imports	178.31	194.95	9.33
	Services Balance	+162.75 (47.72%)	+188.56 (49.67%)	15.86
Total Trade (Merchandise +Services) *	Exports	778.13	820.93	5.50
	Imports	856.52	915.19	6.85
	Trade Balance	-78.39 (10.07%)	-94.26 (11.48%)	-20.24

Source Press Release by PIB, Ministry of Commerce and Industry, Government of India,
dt.16th April 2025

From the Table-1 observed that, the merchandise imports during the financial year 2024-25 (April-March) were US\$ 720.24 Billion as compared to US\$ 678.21 Billion during FY 2023-24 (April-March) registering a positive growth rate of 6.20 per cent during the year. Merchandise trade deficit during the financial year 2024-25 (April-March) was US\$ 282.83 Billion as compared to only US\$ 241.14 Billion during the financial year 2023-24 (April-March). The merchandise trade deficit aggravated both in absolute and relative terms. In absolute terms, the deficit grew by -17.28 per cent and in relative terms as a proportion of merchandise exports deteriorated from -55.17 per cent to 64.66 per cent during the year. The negative merchandise balance that arose relatively higher quantum of merchandise imports as compared to merchandise exports to some extent was eased by favourable services balance. As could be observed from the table, during the financial year 2023-24, the services exports accounted for US\$341.06 Billion and the same soared to US\$383.51 Billion registering a growth of 12.45 per cent. During the same period, India's services imports grew at a relatively lower rate of 9.33 per cent from US\$ 178.31 Billion to US\$194.95 Billion. Consequently, the Services balance improved substantially from US\$162.75 Billion to US\$188.56 Billion registering a sumptuous growth of 15.86 per cent between 2023-24 and 2024-25.

India's total exports constituting both merchandise and services items have raised from US\$778.13 Billion to US\$820.93 Billion registering a moderate growth of 5.50 per cent. On the other hand, India's total imports comprising both merchandise and service items rose at relatively higher rate of 6.85 per cent from US\$856.52 Billion to US\$915.19 Billion between 2023-24 and 2024-25. In view of the cushion provided by India's positive services balance, her total trade deficit eased in both the years at US\$-78.39 Billion and US\$94.26 Billion. Nevertheless, India's total negative trade balance continues to rise by -20.24 per cent in absolute terms and from 10.07 per cent to 11.48 per cent in relative terms as a proportion of India's total exports between the years 2023-24 and 2024-25. This causes concern for the Indian economy. In view of this an attempt is made to discuss the current problems of India's exports focussing on India's manufactured exports.

3. EXPORT OF MANUFACTURED PRODUCTS IN INDIA

The Economic Survey of India generally classifies the exports into five main categories. These categories are (I) Agricultural and Allied Products; (II) Ores and minerals; (III) Manufactured Goods; (IV) Mineral-Fuel; and (V) Lubricants and others. For a very long period, the developing countries in general and India in particular are considered to be the exporters of primary products and the importers of manufactured products. Due to the low price and income elasticity of demand for the exports of primary products in the destination countries, the exports of primary products would suffer great revenue (foreign exchange) loss. Hence, Singer- Prebisch, in their monumental Secular Deterioration Thesis, advocated the need for the developing countries to switch over to the exports of manufactured products from the exports of primary products. India seemed to have followed this suggestion and provided great boost for the exports of manufactured products. Consequently, the shares of India's exports of primary products could rise only marginally from a low of 7.32 per cent in the year 2010-11 to a high of 11.40 per cent in the year 2020-21. On the other hand, India's exports of manufactured goods bourgeoned from 61 per cent to 72 per cent between 2010-11 and 2020-21. In other words, manufactured goods constituted nearly two-thirds to three fourth of India's exports during the last 10 year period. It should be noted that even during the COVID-19 period, India could marginally improve her share of manufactured products from 70.60 per cent to 71.69 per cent.

4. PROBLEMS OF EXPORTS

The manufactured products were dominated mainly by Engineering Goods, Gems & Jewellery, Leather Products, Ready-made Garments, Chemical and Allied Products, Computer software. Among them, textiles group topped the list followed by handicrafts including gems & jewellery. The main contributors to the foreign exchange earnings individually were gems and jewellery followed by ready-made garments and engineering goods like, machine tools, transport-equipment etc. It is evident from the above discussion that the importance of manufactured products increased constantly while that of primary and agricultural items has gone down gradually mainly due to the emphasis laid on industrial development policy during the last 70 years since 1956. India was also able to take advantage of the emerging global economic and political situations and increased the exports of certain manufactured products. Recent increase in the export of ready-made garments, gems & jewellery, leather products and certain engineering goods have resulted partly due to these developments in the world production structure. At the same time India has also realised the importance of the latest technological changes and adopted such technologies which are suitable according to the comparative advantages needed for the production and export of manufactured products. If the country wishes to achieve the desired level of export growth, it has to solve various problems coming in the way of production and exports of manufactured products.

5. GEMS AND JEWELLERY PRODUCTS

Gems and jewellery industry in India enjoys a special significance due to its labour incentive nature and export oriented base. The important factor, which makes export of gems and jewellery an attractive business is the value added content in it. India, at present, meets out more than 70 per cent of world's demand for gems and jewellery. During the year 2024-25, the exports of Gems & Jewellery put up a growth of 10.62 per cent while the imports of Precious & Semi-Precious Stones including Gems and Jewellery registered a negative growth of -13.77% over the previous year. The export of Gems and jewellery industry is facing certain bottlenecks, which need immediate attentions. The main

problems involved in the growth of gems and jewellery industry in general and the growth of export of gems and jewellery are irregular and inadequate supply of raw material, lack of modern technology in the field of manufacturing, severe competition from other suppliers of gems and jewellery, prominent among these being Israel, Italy, Turkey, Belgium, Thailand and Malaysia and lack of adequate marketing information and bold marketing strategy. The government of India and the state governments concern need to take necessary and adequate measures to tide over these problems at the earliest so that the country could boost the exports of these products.

6. CHEMICAL AND ALLIED PRODUCTS

A significant achievement in the export of Chemicals and Allied products has been caused by India's multifaceted industrial development. During the financial year 2023-24, the exports of major chemicals and petrochemicals stood at US\$ 20.4 billion and during the financial year 2024-25 up to December 2024, the value stood at US\$ 15.73 billion. They are expected to reach US\$29.7 Billion during the entire period of the financial year 2024-25. There are certain problems that come in the way of export of chemicals and allied products. These major problems include i. High cost of Raw-materials and other inputs, ii. Information gap and poor marketing strategy of export promotion, iii. Non-Fulfilment of Delivery Schedule and Export Contract, iv. Lack of Finance particularly for the small manufacturers and exporters who are facing lot of serious financial problems and lack of incentives for research and development.

7. READYMADE GARMENTS

The readymade garments and other textile products have shown a remarkable potential for export growth during the last two decades. RMG of all Textiles exports increased by 10.03 per cent from US\$ 14.53 Billion in financial year 2023-24 to US\$ 15.99 Billion in the financial year 2024-25. In the present fast changing world, Indian manufacturers of ready-made garments should have adequate knowledge of the latest designs and fashion so that they will be able to produce such items which have in high demand in the world market. This industry, in fact, is mostly unorganised and the producers of ready-made garments are working in tiny and small sectors. The major buyers of Indian garments are U.S.A., E.C.M. and Japan. On the other side Indian garments exporters are facing tough competition from the garment exporters of developed countries like Italy, Japan, Australia. China has also emerged recently as one of the potential suppliers of ready-made garments. Some other problems in this regard are related with the improper cost structure, poor quality of raw materials, and inadequate export incentives for exporters and manufacturers, lack of strong technological and modern base of production, Non-availability of Trimmings and Embellish fabrics, lack of strong marketing strategy for export promotion and production of ready-made garments and less participation in international garments exhibitions and trade fairs.

8. ENGINEERING PRODUCTS

Engineering exports are crucial for India's economy and serve as a major driver of growth, job creation, and foreign exchange earnings. They contribute significantly to the nation's GDP, with the engineering sector being the largest contributor to India's overall exports. This export activity also fosters innovation, enhances global competitiveness, and provides a pathway for economic prosperity. Exports of Engineering Goods increased from US\$ 109.3 Billion during the financial year 2023-24 to US\$ 116.67 Billion during the financial year 2024-25 registering a growth of 6.74 per cent. There are certain constraints at the domestic and international levels that inhibit the growth of India's exports of engineering goods from India.

At the domestic level, the lacklustre policy of the government of India particularly before 1990s, unsatisfactory performance of the industrial sector, use of low grade or intermediate or not so advanced technology in manufacturing of engineering goods, paucity of power and other infrastructure, shortage of inputs and raw materials, lack of adequate credit facilities could be considered as the major problems of the exports of engineering products. Post-shipment credits including packing credits, procedural delays in the process of exports, are also not available at competitive terms. Due to delay in payment from various importing countries particularly, those of West Asia, Africa and neighbouring Countries, India faces lot of financial problems. This has become a main hurdle in the promotion of export of engineering products specially. Indian exporters had to crack hard-nuts in realising export incentives like C.C.S., Subsidies, Duty Draw Backs and also to get REP licences. In 1994 Scheme of Partial Convertibility was been introduced.

At the international level, frequent recessionary trends in the developed countries, protectionist policies of advanced countries, disequilibrium in the balance of payment situation in certain industrially developed countries like Hong Kong, Singapore, Taiwan, South Korea, China etc., lack of information and adequate incentives for undertaking projects implemented by international financial institutions like I.B.R.D. and I.D.A., unsatisfactory functioning of institutions meant for promotion of export of engineering goods like E.E.P.C., T.D.A., and T.F.A.I., hostilities like Ukraine-Russia war, unrest in the Middle East could be cited as the chief hurdles in the promotion of engineering exports.

9. LEATHER PRODUCTS

India is one of the traditional exporters of leather and leather products. According to the Council for Leather Exports (CLE), during the fiscal year 2014-25, India's leather, non-leather footwear, and product exports surged by approximately 25 per cent to \$5.7 billion. Driven by healthy demand in developed and developing nations, shipments are projected to exceed \$6.5 billion in the fiscal year 2024-25. Some major problems impeding the export of leather and leather products are shortage of High Grade Leather and other Raw-Materials in spite having one of the highest cattle population in the world, Low Capacity Utilisation of Manufacturing Units which is around 60 per cent of the total capacity of around 500 million tonnes, small and unorganised units scattered in small towns except a big houses and industries, payment of un-remunerative prices by the big industries and exporters to the small manufacturers, Lack of Modernisation, high and uneconomical production costs, stiff competition in the foreign markets, lack of wide range of varieties in comparison to other exporters of leather and leather products.

10. COMPUTER SOFTWARE

The Indian IT industry has a leading position globally and has been progressively contributing to the growth of exports and creation of employment opportunities in the country caused by industrial and technological development of the country. As per National Association of Software and Services Companies (NASSCOM), India's IT industry has grown significantly in last decade both in terms of domestic production and exports. The domestic production of software products surged from US\$118 Billion to US\$283 Billion between 2014-15 and 2024-25. During the same period the export revenue rebounded from US\$100 Billion to US\$224 Billion registering a growth of 7.0 per cent as per statistics given by the Commissioner of SEZ development. But there are certain problems that come in the way of export promotion of these products and they need proper attention. Export capability on Indian suppliers of software items depends on supply of products along with services. Thirty to forty per cent of the buyers of software items have generally complained about quality and price factors. It means quality of software materials supplied by India is not of that standard as compared to those supplied by other developed countries of the world. Hence, the Indian software products need to be competitive not only in terms of quality but also in terms of prices. Excess price of these products depends upon different factors like additional expenses in packing, transportation and long marketing procedure. The other problems include high cost of raw-materials and other inputs which are used in production of these items, lack of advance industrial infrastructure and modern technologies due to which exporters fail to fulfil the demand of the buyers, lack of advance research work and development facilities which create serious problems in export promotion.

11. CONCLUSION AND SUGGESTIONS

Indian exports that have seen tremendous growth in recent years particularly after the implementation of LPG policies are also suffering from many problems. In this paper an attempt has been made to analyse the current status in Indian exports and to discuss certain industry specific problems. Apart from these industry specific problems, there are still certain general problems being faced by exporters in India including recessions, lack of incentives, technological differences, and payment difficulties due to the fluctuation of the currency exchange rates of each country. The exporters should be well-versed with various languages, currency rates, market trends, etc., while also being aware of the technicalities of export including documentation, customs, bank procedures, etc. Without this knowledge, information, and training, any exporter would face several obstacles. Embarking on the journey of export from India opens doors to a world of possibilities. With a rich cultural heritage and a rapidly growing economy, Indian goods and services are now in high demand across the globe. Navigating the intricacies of documentation, customs procedures, and compliance with international trade standards become crucial while making exports from India. However, the rewards are well worth the

effort. Whether it is seasoned exporter or a newcomer exploring the potential and understanding the nuances of exports from India would be crucial. Exporters and manufactures have to stay informed about the latest trade policies, market trends, and global demands to optimize their export strategies. In conclusion, the decision to export from India can be a game-changer for their business. They shall constantly explore the vast opportunities, stay informed, and best use the most of the diverse offerings that the Indian market provides.

CONFLICT OF INTERESTS

None.

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