

Analysis of Engineering Exports from India

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Abstract

India's largest industry, Engineering, contributes 3.53% of the nation's GDP. India has made considerable progress in strengthening its engineering sector as it strives to become a worldwide giant. The Engineering Export Promotion Council (EEPC) has been designated by the Indian government as the leading organization in charge of promoting engineering commodities, products, and services coming from India. The performance of India's exports and the numerous economic reasons that have fueled its expansion are analyzed in this study. The study has reached on the conclusion that Indian exports of Engineering goods over the past years has considerably contributed largely to the Indian economy. As per my research, it has been analyzed that the government is taking numerous steps to give a push to engineering exports in the past few years by organizing trade fairs such as The Silver Jubilee Edition of the International Engineering and Technology Fair in Pragati Maidan inaugurated recently by President of India.

Index Terms: Engineering, exports, market, international, growth, economy.

Introduction

Engineering is a broad industry that includes a variety of sub-industries involved in the production of metals and their ores, according to the definition provided by the Ministry of Commerce, Government of India. It is a wide sector with many different segments, but it may be roughly divided into two groups: heavy engineering and light engineering. The engineering industry does, however, include a number of subsectors, including iron and steel, other base metals and their products, mechanical and electrical machinery, transport equipment (including automobiles), instruments and appliances, time-keeping devices, musical instruments, arms and ammunition, and furniture and related goods.

The Indian economy has completely recovered to the pre-pandemic real GDP position of 2019-20, according to the provisional estimates of GDP released on May 31, 2022. Real GDP growth in FY 2021-22 daises at 8.7%, which is 1.5% advanced than the real GDP in FY 2019-20. These figures point to a stronger growth trend, which suggests more economic demand. The fourth quarter saw an increase in the investment rate that was the greatest in the nine quarters prior. Moreover, manufacturing capacity utilization increased in the fourth quarter compared to the third quarter, indicating a build-up in demand that is compatible with the Indian economy's growth goals.

In terms of industrial sectors, India's engineering industry is the biggest. It comprises 63% of all international collaborations overall and 27% of all industrial sector factories. The growth in capacity across a number of sectors, including infrastructure, electricity, mining, oil and gas, refineries, steel, autos, and consumer durables, is driving demand for engineering sector services.

Government Body

EEPC was established in 1955 to promote trade and investment in the Indian engineering industry. The council's main duties and tasks include organizing seminars, exhibitions, buyer-seller meetings, and promoting the "Made in India" brand. Additionally, it offers services to both overseas customers and its members. The top organization in India for promoting trade and investment is EEPC India. It serves the Indian engineering industry and is funded by the Indian Ministry of Trade & Industry. It serves as a liaison between the engineering industry and the government and actively participates in shaping government policy as an advisory group.

Literature Reviews

A Study on the Export Performance of Indian Engineering Goods was examined by (1) Suruchi D. Mitra, Utkarsh Kulkarni, Dr. Meenal Pendse (2020). According to them, India's exports of goods and engineering resumed growth in May 2019 with respective year-over-year growth rates of 3.93% and 7.7%. The gain is on account of large increase in exports of industrial machinery, electrical machinery, etc. This is good news, especially in light of the dire state of international trade. As already noted in the earlier reports in its Global Trade Outlook quarterly report, WTO predicted global merchandise exports growth to decline from 3.9% in 2018 to 3.7% in 2019.

(2) Export performance of Engineering Products in India was another study examined by Dr. Meghna Sharma, Prachi Trivedi (January, 2018). The study indicates that India's engineering exports decreased as well, but at a far slower rate than the general trend. From 0.9% in 2014 to 0.85% in 2015, India's engineering share decreased. Auto Components and Parts, Hand Tools, Iron & Steel, Ships, and Boats are significant panels that have had a minor fall in share.

Objective of the study

- To study the state wise export contribution in engineering exports from India.
- The goal of the study is to evaluate the export performance of Indian engineering products and region-wise shares of India's engineering exports.

Research Methodology

1. Nature of the study

The study is analytical in nature and contains data which are obtained from secondary data sources. This paper analyses a comparison of the engineering goods export performance in India over the course of the previous two fiscal years. To get at the appropriate conclusion for the same, both the growth and declining figures have been evaluated.

2. Data collection

In this study, secondary data method is used to gather the information. The secondary data of this study includes Government & private websites, journals and research reports on trend analysis of India and EEPC India. Both descriptive and analytical techniques have been used in the course of the study. These techniques have been employed to delineate major trends in India's engineering exports to various regions in the world in a temporal as well as cross-sectional basis.

3. Tools For Data Analysis

Study is done by evaluating overall export and engineering export them in terms of percentage increase/decrease. The effects of such fluctuation on Indian economy are also discussed with the help of statements given by economists as well as experts of foreign trade.

Data Analysis

- The production processes across the world have been interconnected by global value chains.
- This is brought on by the ongoing liberalization of commerce in products and services, the advent of the fourth industrial revolution and its subsequent developments in information technology and production processes, and a decline in the price of logistics and transportation.
- These causes led to the emergence of international production networks, which amplified the growth in FDI flows and cross-border commerce in goods.
- Engineering goods have shown positive development in their exports despite a number of obstacles such as high input costs, high freight rates, supply chain interruptions, and second waves because of delta variation.
- Due to its close ties to other industrial sectors and the fact that it is 100% open to foreign investment, the Indian engineering sector is crucial from a strategic perspective.

A. The Export of Engineering from India

About half of India's total engineering exports came from the sale of capital goods. Consumer durables and primary iron, steel, and product exports accounted for 21% and 20%, respectively, of India's exports of engineering goods in 2020–21. Non-ferrous metals and products exports made up 9% of those exports.

India's exports of iron, steel, and goods reached a value of US\$18.6 billion in 2020–21, increasing by 14.5% from the previous year. Aluminum and products exports were the highest among the major non-ferrous metals and non-ferrous metals-made products exported in 2020–21, totaling US\$ 5.8 billion, an increase of 13.2% from the previous year. In 2020–21, exports of industrial machinery totaled \$11.7 billion, while those of electrical machinery were worth \$8.1 billion.

B. The Imports of Engineering in India Scenario

India imported engineering products valued at US\$ 10417.3 million in July 2022 compared to US\$ 8416.5 million in July 2021, a positive growth of 23.8 percent in monetary terms.

Other engineering panels, such as iron and steel, non-ferrous metals, machine tools, machinery, electrical & non-electrical, transport equipment, and professional instruments, all saw an increase in imports during July 2022 compared to July 2021, with the exception of medical and pharmaceutical products.

In comparison to July 2021, when it was predicted to be 15.7% of all imports into India, the share of engineering imports has decreased even more in July 2022.

Data Interpretation

Top state wise engineering export performance April-July 2022-23

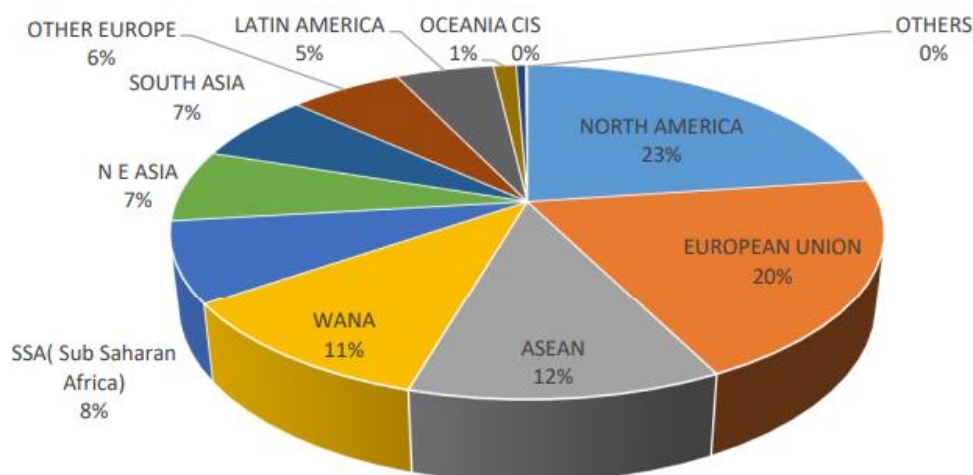
Top States	Cumulative Export	Share %
Maharashtra	7,652.5	20.1%
Tamil Nadu	5,859.9	15.4%
Gujarat	4558.6	12%
Odisha	3302.2	8.7%
Andhra Pradesh	2435.3	6.4%
Haryana	2178.5	5.7%
Karnataka	2110.4	5.5%
Uttar Pradesh	1749.6	4.6%
West Bengal	1441.0	3.8%
Rajasthan	1246.7	3.3%
Delhi	1070.3	2.8%
Punjab	927.1	2.4%

Source: DGCI&S <https://commerce.gov.in/>

The top Indian states' exports are shown in the table above. The table clearly shows that the 12 states listed contribute over 90% of India's exports. Together, Gujarat, Tamil Nadu, and Maharashtra export 47.5 percent of this total.

The western area, which comprises industrial states like Gujarat and Maharashtra, is the leader in terms of exports with a share of over 35%. The Southern region, Northern region, and Eastern region follow it, accordingly.

Region-wise shares of India's engineering exports till Nov 2022



Source: DGCI&S <https://commerce.gov.in/>

- Indian engineering exports were primarily restricted to Asia and to a lesser extent to Africa in the early stages. The situation has drastically changed over time, and as of right now, 38% of all engineering exports go to the EU and North America.
- In contrast to the target of USD 107 billion in 2020–21, India's engineering exports achieved a record high of USD 112.1 billion in 2021–22. With a proportion of 26.7%, the engineering industry contributes the most to India's overall exports and accounts for around 40% of all industrial exports.

Conclusion

- Indian exports are on the decline, and one major reason is the lack of demand in the Chinese economy. Global economic organizations anticipate a recession in the US, EU, and Japan in the upcoming months, which might make the situation worse. Reduced consumer spending power and strict monetary policy in the US, as well as the Ukraine-Russia crisis endangering Europe's energy sector, are the main causes of this recession.
- It should be highlighted that engineering exports are increasingly responding to changes in income rather than price variations.
- Engineering exports contribute significantly to India's economic expansion. Engineering exports may be retroactively impacted by total imports. In addition to disrupting the domestic engineering market by bringing in foreign engineering items, it can also boost emerging technological knowledge.
- It is anticipated that the impact of protectionist policies taken by the EU and the US will boost cross-dumping in other regions and put more pressure on Indian exporters. Slowing shipments of ferrous and non-ferrous metals are already a sign of the impact.

- A deeper integration of the Indian economy with the global market as well as a deeper integration of our MSMEs with global supply chains will be the end result of programmes like One District One Product and Production Linked Incentives. Trade agreements will expand the number of markets available to our export industry.

Limitation of the study

- Time constraint
- Limited data available on websites and portals.

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