

Indian Agricultural Imports an Adverse Effects on The Indian Economy: A Review

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ABSTRACT:

Agriculture plays a significant role in Indian economy. Indian Agricultural import has undergone foremost change in this modern era. The study focus the analysis related to the import performance of Indian agricultural sector. This study covers the an Import category includes cereals, fresh fruits and vegetables, animal products, floriculture, processed food and organic product Pulses, wheat, other fresh fruits, Alcoholic Beverages and Other Cereals are the most imported products. The study is based on secondary data which is drawn on quantitative and qualitative data, document, records and information available in agricultural statistics at a glance 2020. The paper highlights the fact performance of India, agricultural import from 2010-11 to 2019 – 20. If the imports are raise the rupee value devaluation. This paper theoretically analysis, the imports are increases its advisers effect on Indian economy.

KEY WORDS : *Agricultural Imports, India Economy, Crore, Negative Impact.*

INTRODUCTION: Agricultural markets are characterised by government interventions of varied forms. The peculiarities associated with the agricultural sector made the governments to intervene at different stages of production, marketing and consumption of agricultural commodities. In case of imports, Long Term Import Export (L TMX) policy measures from early nineties sought to liberalise on a priority basis imports of capital goods and raw materials by shifting these to OGL list and also through tariff reduction. With gradual dismantling of import barriers, the emphasis on export promotion during the nineties received relatively a greater attention than in earlier L TMX announcements. Nevertheless, for imports, trade policy in India has also been subject to short run adjustments to combat critical external payments situation. Measures to tackle foreign exchange crisis included cut in the value of free foreign exchange component of supplementary licenses issued to major industries, charging of higher cash margins and higher interest rates for financing imports of capital goods. Special import licenses, permitting imports from restricted list and of 18 selected durables from the negative list, were allowed to certain categories of privileged export houses. Moves to strengthen liberalisation measures in economy were marked in budget of 1992-93 which introduced simplification of import licensing procedures by scrapping multiple list of imports including those of limited permissible. Customs duties were slashed in 1993-94, which reduced the peak average duty from IID percent to 85 percent. Pressures from both domestic and external sources have initiated the short run deviations form the LTMX policy of 1992-97. Thus indigenous inputs were excluded from the computation of value addition for export obligations of the EOUs/EPZs units, a step devised to encourage the use of indigenous inputs by the latter. Later in June 1993, countervailing duties were imposed on a range of products, on the grounds that it would create a level playing field for both the importer and the domestic manufacturer of such goods.¹ Anoruo and Ahmad (2000), referring to Esfahani (1991) and Ram (1990), note that imports have positive influence on economic growth. Imports of capital goods are especially important for developing countries which depend on foreign capital for their economic development programmes. However, to be beneficial, imported capital must be productively engaged in the production of goods and services. Piana (2001), while discussing exports, advocates that increasing exports raise production, GDP, and employment. Thangavelu and Rajaguru (2004) suggest that trade has an important impact on productivity and output growth in the economy, however it is imports that provide the important 'virtuous' link between trade and output growth.²

OBJECTIVES

- 1.To examine the agricultural imports in India from 2010-11 to 2021-22.
- 2.To study the agricultural imports are negative impact on Indian economy.

HYPOTHESES

1. There is no significant difference between agricultural imports in India from 2010-11 to 2019-20.

2. There are no significant negative impact agricultural imports on Indian economy.

METHODOLOGY OF THE STUDY

The secondary source is used to gather data in the present study. Secondary data gathered through reliable and authentic government offices, agencies, organizations, survey reports, private studies, websites, journals, news papers & annual reports. T- Test averages and percentages, tables give a qualitative approach towards this research framework. Research design is descriptive by nature.

REVIEW OF LITERATURE

Sane Hassan Husain, Basher Ado Abdullahi, Musa Abba Mahmud (2015) in their paper “Exports, Imports and Economic Growth in India: An Empirical Analysis” testing the Export Led Growth Hypothesis for India with annual time series data from 1980 to 2013. they found that within the period of 1980 to 2013, the variables are cointegrated and there exist bidirectional relationship between GDP and Export.³

After independence Indian foreign trade had changed drastically in all its dimensions- Value, Composition and Direction .Till 1990-91 i.e. during pre reform period, despite changes the Indian share in world trade had remained quite in adequate. However during reform period particularly after 1990’s, much progress was witnessed by Indian Foreign trade. The trends in Indian foreign trade can be observed from the given discussion of the trends in value of foreign trade, composition and direction.⁴ Table-1 shows the chief agricultural imports in India.

TABLE-1

S.NO	Commodities	2009-10 (Value % crores)	2020-21 (Value % crores)
	Tea	0.25	0.31
	Coffee	0.27	0.72
	Wheat	0.21	0.05
	Pulses	9.87	0.92
	Spices	1.37	7.69
	Cashew	2.83	6.8
	Sesame seeds	0.04	1.09
	Vegetable oils	20.72	51.77
	Oil meals	0.09	1.14
	Sugar	5.54	1.86
	Fresh fruits	2.64	10.67
	Cereal preparation	0.17	0.76
	Cocoa products	0.34	1.38
	Dairy products	0.30	0.28
	Poultry products	0.02	0.03
	Flora culture products	0.04	0.17
	Misc processed items	0.77	1.99
	Animal casings	0.03	0
	Buffalo meat	5.09	0
	Sheep/goat meat	0.69	0.0
	Alcoholic beverages	0.54	3.5
	Marine products	9.19	0.97
	Ayush and herbal products	1.15	0.45
	Jute, raw	0.05	0.26
	Cotton raw includes. Waste	8.85	7.07
	Rice	28.81	0
	Total	100	100

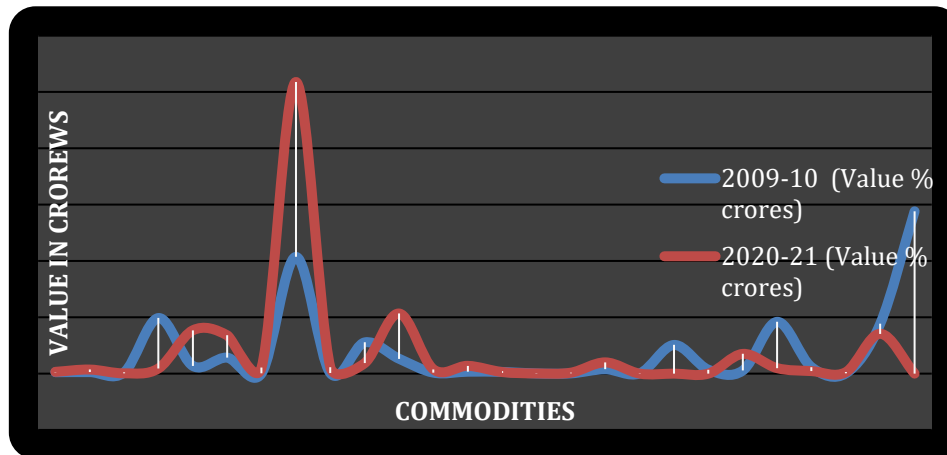
CHIEF AGRICULTURAL IMPORTS IN INDIA

SOURCE: Agricultural Statistics at a Glance -pg.182 to 183, 2022.

From the table-1, it is clear that we have very much congratulate the rice import share is in highest 28.81 percent in 2010-11, but it is gradually fallen to “0” in 2020-21. However a keen observation on the above table the relative

vegetable oils import share is increased to 20.72 percent to 51.77 percent in 2010-11 to 2020-21. Further sugar share imports are increased to 5.54 percent to 10.67 percent in 2010-11 to 2020-21. The marine products imports are decreased 9.19 percent to 0.97 in table -1. Pulses, spices, fresh fruits cashew commodities imports are noticeable changes are appearing in above the table. Raw cotton import share is decreased 8.85 percent to 7.07 percent in 2010-11 to 2020-21. Misc processed items, alcoholic beverages imports are a little spike 2010-11 to 2020-21 years. Wheat, sesame seeds, oil meals, cereal preparation, cocoa products imports share is not significant in both years. Figure-1- depict the Chief Agricultural Imports in India.

FIGURE-1



AGRICULTURAL IMPORTS ARE DOWNGRADING THE INDIAN ECONOMY

If the agricultural imports are increase, when the fall in the value of Rupee is sharp and continuous, it may lead to volatility and harm the growth prospects of the economy. Some of such negative consequences are mentioned below-

1) Imports become more expensive

When the value of Rupee falls, the imports become expensive. As a result, the deficit in the balance of payments becomes wider. More foreign exchange reserves will be drained out of the country as are gained. This adversely affects the economy.

2) Oil prices goes up

A large proportion of India's imports are composed of Oil and Gold. As much as 35% of India's Import

Bill is owed to Oil from the Middle East. When the value of Rupee falls, the import of oil also goes up for the general public in India. This adversely impacts the economic growth of the economy. Oil is the backbone of any economy. When the oil prices go up, the entire economy faces a problem.

3) Gold becomes more expensive

India is one of the largest consumers of gold. Around 11% of the total import bill is owed to Gold. When the import of gold price increases, the price of the precious metal in the domestic market also goes up.

4) General Price level goes up – Inflation

The price of oil governs the health of the economy. When the price of oil goes up, the entire economic cycle gets affected. Hence, the cost of production for every commodity goes up and as a result, the prices of all goods increase. This leads to inflation in the economy.

5) More Burden on the Government with respect to Subsidies

The government provides assistance to the lower middle class and lower sections of society by providing them subsidies on LPG. Farmers are given subsidies on fertilizers and the small industries are given subsidies on crude oil. When the value of Rupee goes down, the burden on the Government of India, to provide these benefits goes up.

6) The Gap in the Balance of Payments widens

When the imports become expensive and exports become cheaper, the gap in the Balance of Payments increases. The Capital Account Deficit widens.

7) Difficult to Plan the Monetary Policy

When the value of Rupee becomes weaker, it becomes difficult for the Reserve Bank of India to determine the Interest rates and formulate the Monetary Policy.

8) More Pressure on the Corporate to repay debt

When the price of Rupee falls, corporate find it harder to repay debt to foreign borrowers because US Dollar becomes more expensive. For example – When a foreign investor lent 100 US \$ to a company, the conversion in 2015 was Rs. 62.5. Hence, the amount of US \$ 100 would equate to Rs. 6250. Now in 2020, the value of US \$ = 75, so the amount to be repaid is Rs.7500. Hence, the burden on the corporates to repay foreign borrowings will increase.⁵

HYPOTHESES TESTINGS

1. The first hypotheses namely “There is no significant difference between agricultural imports in India from 2010-11 to 2019-20” is accept, because of lot variance from t table value and t critical value. .
2. The second hypotheses namely “There is no significant negative impact agricultural imports on Indian economy” is partially accepted, for the cause of shortage of agricultural products.

FUTURE IMPLICATIONS

According to the study government should adopt certain policy that help in improving the agricultural productivity by advancing the agricultural technologies in terms of highbred seeds and fertilizer and giving certain incentives to the agricultural producer to produce quality output with efficient utilization of the resources so as a net effect the imports will also decrease. Secondly rather than importing the agricultural products government should invest in the agricultural sector to increase the productivity so that there is no need of importing the agricultural products and domestic demand is fulfil by the domestic production. If the agricultural imports are increased the drastic depreciation of the exchange rate fall in the value of Rupee leads to a negative impact when the fall is constant and leads to volatility in the economy.

CONCLUSION

The impact of imports of agriculture products doesn't have any effect on agricultural exports because Importing of agriculture products is done to fulfil the domestic demand for that agriculture products so that is why we are importing it and it does not affect the exports whereas exports of agricultural products has an effect on imports of agricultural products because when there is exports of good between two countries so the country from which the product is exported to other country so that other country can say or put an obligation on the country from which he is exporting that exporting countries should also imports some of the products from their country.

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