

CHAPTER-4

Can the financial crisis affect the economy? This question may have different interpretations. It depends on the severity of the crisis, how much it can affect the economy. A recent study conducted by **Reinhart** and **Rogoff** on the impact of the financial crisis presents a gloomy picture. They noted "*broadly speaking financial crisis are protracted affairs*",¹ Can we tell that a crisis is going to be 'severe' waiting to see how long it lasts and what mayhem it inflicts. In their earlier paper Reinhart and Rogoff. Claims that this is possible using a variety of indicators such as level of leverage, size of current account deficits, asset price inflation and slowing down of economic growth.²

4.1 An Overview of Indian Economy

A significant attribute of the Indian economy is high development period of over a quarter of a century is versatility to stuns and a lot of soundness. In the 1990's, India has faced only one serious balance of payment crisis, the Government of India had to undertake structural reforms in order to stabilize the economic condition. Later in the years, whether it is an Asian economic crisis or a Russian crisis in 1997-98 or sanctioned like situation after Pokhran nuclear test, or sanctioned like situation after Pokhran nuclear test, the Indian economy successfully avoid any contagion.³

As fiscal performance is concerned, the fiscal deficit which was 3.8 percent in 1970 recorded 6.8 percent in the 1980s as a percentage of GDP. The Reserve Bank of India took precautionary measures to control the fiscal deficit through monetary accommodation. However, the 1980s show some positive signs as the growth rate of the economy improved. In this period the economy grew at a rate of 5.5 percent as

¹ Ram Mohan, TT (2009), "*The Impact of the Crisis on Indian Economy*" in Global Economic and Financial Crisis. Essays from Economic and Political Weekly. Orient Blackswan. Hyderabad. p. 171.

² Ibid, p. 172.

³ Vadivel, C and Vanithamani, B (2010) "*Indian Economy-Review and, Prospects*" in Vijay kumar, A (Ed.) Global Financial Crisis and Indian Economy. Discovery Publishing House Pvt. Ltd. New Delhi, p. 8.

against 3.3 percent. Industrial production grew at 6.6 percent. Agriculture growth also grew at a rate of 3.6 percent. The economy attracts investment and it went from nineteen percent of GDP in the early 1970s to about twenty-five percent in the early 1980s.⁴

After independence, the experience shows that the development of the fiscal system and institution building was pushed by the needs of the country's central planning. The responsibilities to develop infrastructure in the financial system were given to the Reserve Bank of India. Further to improve the financial system 14 largest commercial banks were nationalized in 1969 so that adequate credit flow could be maintained. In 1966 the Government of India had to devalue the rupees so that signs to strains could be minimized but that did not bring immediate relief.⁵

In the 1970s remittances of people living abroad became a new source of meeting the growing financial needs. The 1979-80s oil crisis put a strain on the economy. But the government remedies pull out the economy of such juncture. The year 1990 saw some strain on the economy. But the Government remedies pull out the economy of such juncture. The problem of the balance of payment rose, so the Government of India had to make some tough decisions regarding the opening of the economy. So the Indian economy had experienced major policy changes in the 1990s. Liberalization, Privatization, and Globalization popularly known as LPG were introduced aiming at making the economy the fastest growing economy in the world. Industrial, financial and trade sector-related reforms were undertaken. The period had a fantastic impact on the overall economic development. All these steps were taken when the Indian foreign currency reserve had plummeted to almost \$ 1 billion.

The uneasing worsening global economic condition has also impact on the Indian economy. The 1997 Asian economic crisis, 2008 American financial crisis and subsequently Eurozone crisis have impacted the growth of the Indian economy. The aftermath of the crisis resulted in a low growth rate and low production. However, the

⁴ Arjunan, C (2010) "*Growth of Indian Economy*" in Vijay Kumar, A (Ed.) *Global Financial Crisis and Indian Economy*. Discovery Publishing House Pvt. Ltd. New Delhi, pp. 196-197.

⁵ Vadivel, C and Vanithamani, B (2010) "*Indian Economy-Review and prospects*" in Vijay Kumar, A (Ed.) *Global financial crisis and Indian Economy*. Discovery Publishing House Pvt. Ltd. New Delhi, p.9.

consequences were more severe in the United State and the European Union particularly on Euroarea-than on India. The Government of India took steps so that the impact could be minimized.

4.2 The Globalization and Indian Economy

The process of development of close contact among countries around the world called 'Globalization". These close contacts may be in the form of political, cultural, civil society and more importantly economic and trade. The diversity of linkages and interconnectedness among states and societies can also be referred to as globalization. In this world event and the decision of one country affects others.⁶

Thus, globalization has a set of processes that includes most of the world and on the other hand, it intensifies the level of interaction and interconnectedness among states and societies. In today's term globalization represents the opening of the economy and service sector across borders. In case the market goes too far in dominating political and social results the development of globalization may disseminate unequally and the concentration of wealth and power may lie in selected hands. The ultimate goal of globalization should be to empower everyone instead of a few. India is also one of the countries that adopted the path of globalization in the nineties and liberalized its economy due to major foreign exchange crisis. In July 1991, a wide range of economic reforms were initiated. The main aim of adopting the globalization was to make Indian economy fastest growing in the world. The efforts were fruitful as India achieved a growth rate of 8 percent in the following years.

4.3 Pre-Crisis Scenario

The sign of deteriorating condition of the Indian economy felt long before the eruption of the global meltdown during the first quarter of 2007-08 the Gross Domestic Product (GDP) growth began to decelerate. It all happened six months before the financial crisis. Industrial production has also begun to fall. The slowdown

⁶ Pandey, Manas (2009), '*Globalization: Emerging challenges for the Indian Economy*' in Pandey, Manas(Ed.) Globalization and Indian economy. Shree Publishers and Distributors. New Delhi, p. 2.

in the industrial sector was much more conspicuous than the GDP growth. The industrial growth registered a half percent fall than the 2006-07. Despite the increase in agricultural growth from 3.8 percent in 2006-07 to 5.1 percent in 2007-08, economic slowdown occurred. Secondary and tertiary sector growth also declined. The deceleration was due to demand-side factors that were operating in the market for non-agricultural products since the agricultural output is supply determined.

The declining trend in capital formation was also one of the reasons for, slowdown of the Indian economy. The private sector hit hard before the outbreak of the crisis. In the private sector, growth recovers in 2002-03 after a long slump in the 1990's. The average growth was 20 percent and constituted the principal driver of the country's GDP growth during this period. Since 2005-06, there has been a deceleration in aggregate investment. The average downfall was around eight percent in 2006-09. This trend of deceleration in the private sector began in 2005-06. There is a similarity between the current slowdown and the deceleration of the Indian economy in 1996-97, the decline in private investment. The share of private, investment was nearly one-fourth of GDP in the year 2006-07. The decline in the private investment was about 8.9 percent between 2006-07 and 2007-08.⁷

As for India's pre-crisis decelerating condition is concerned, the World Bank report also supporting the argument. In 2007, World Bank estimates show a declining trend in the export growth of developing countries. Since the 1990's High-income countries performance also slowed. The lower exchange and fare development among creating nations was to a great extent due to more slow development among low-income nations

⁷ Rakshit Mihir, (2009) '*India Amidst the Global Crisis*' in *Global Economic and Financial Crisis*, Essays from Economic and Political weekly. Orient Black SwanHydrabad. p. 150.

Figure No. 2.10
Decline of Export among the developing nation 2007.
Real Trade Growth Percent ⁸

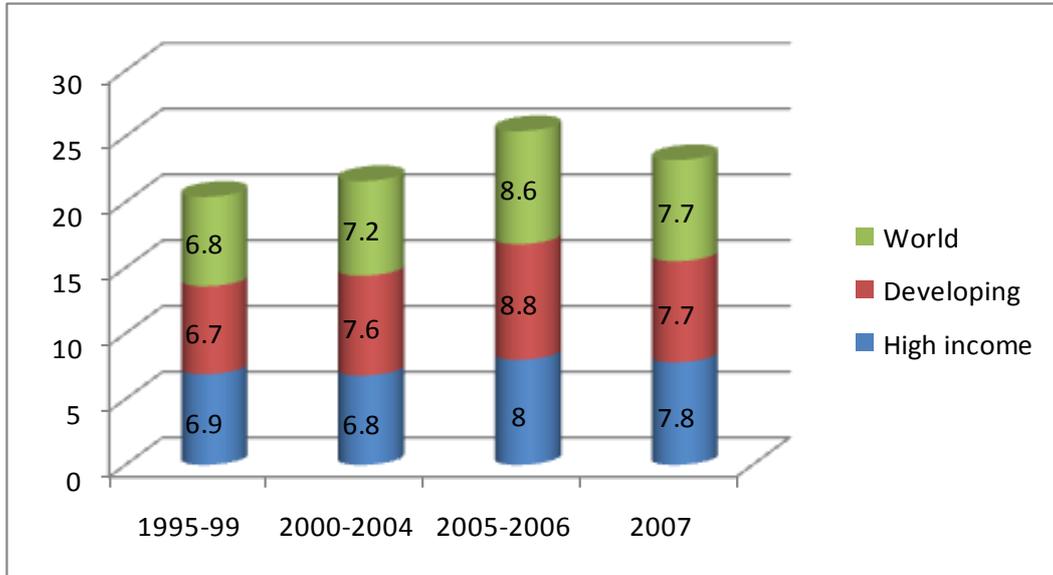
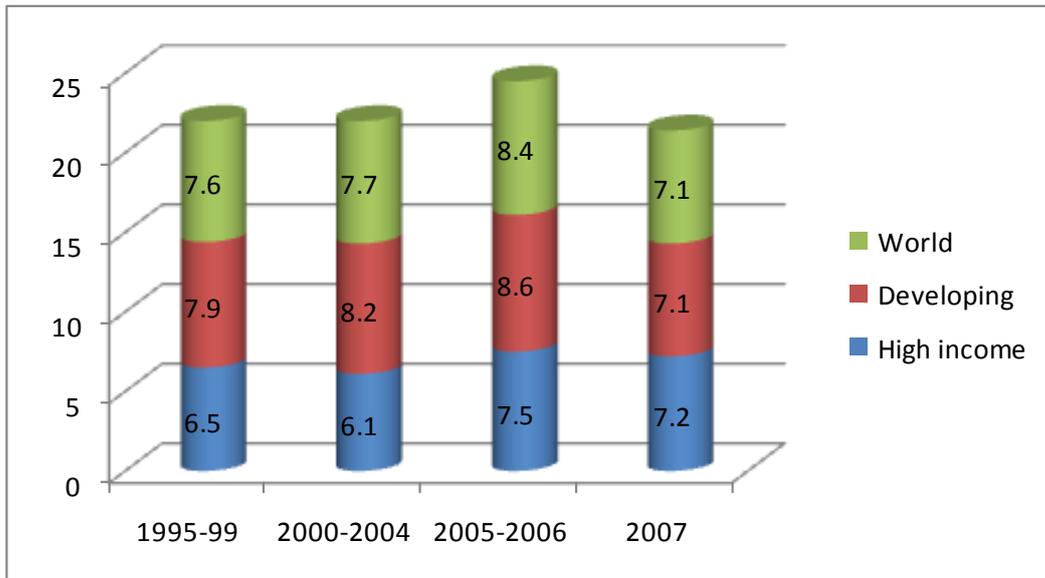


Figure No. 2.11
Real Export Growth Percentage⁹



⁸ World Trade Indicators, Benchmarking Policy and Performance World Bank, P. 41

⁹ World Trade Indicators, Benchmarking Policy and Performance World Bank, P. 41

South Asian countries also hit with the slowest growth rate in the developing world at 6.4 percent that was 7.9 percent earlier. The report has also sighted that the growth of services export has also decelerated. It was 13.7 percent in 1995-99, 12.7 percent in 2000-04, 8.7 percent in 2005-06 and reduced to 6.3 percent in 2007 on the world level.¹⁰ The deceleration in industrial growth began in the month of April 2007. The export growth began to decelerate from the third quarter of 2006-07. Now it is clear that deceleration GDP was started well before the onset of the global crisis.

Even though there was a slight rise in GDP growth of 0.5 percent the growth of private consumption in 2005-06 and 2006-07 declined by 1.6 percent. The most authentic reason behind explanation for the slowdown of utilization corresponding to total income was the decrease in close to home discretionary cashflow as the proportion of Gross domestic product. The Central Statistical Organisation(CSO) data also support the claim that between 2002-03 and 2006-07 the ratio of private disposable income of the GDP came down to 77.6 percent.¹¹ The on going Eurozone Crisis has also impacted the Indian economy as well as the banking sector.

The adverse impact of the crisis mainly on the equity market because of turnaround of portfolio equity flows and its effect on the domestic forex market and liquidity conditions. The foreign exchange reserve has also face the heat of the crisis. The foreign reserve fell to a marginal level. However, this trend lasts for a few months. During the period of crisis, the trade between India and the European Union and the Eurozone got a setback. Export growth for a limited period, stopped. The stock market also shows negative feedback as Nifty was almost two hundred points down.

4.4 IMPACT ON INDIA'S TEXTILE SECTOR

Since the Great Depression of the 1930s, the world economy struck into the worst financial and economic crisis with the coming of 2008. The United States, Europe, and Japan, the three largest economies of the world are already in recession. Despite

¹⁰ Islam, Roumeen and Zanini, Gianni (2008) '*World Trade Indicators: Bench Marking Policy and Performance*' The World Bank. Washington D.C. p. 41, 46.

¹¹ Rakshit, Mihir (2009) "*India amidst the Global Crisis*" in *Global Economic and Financial crisis: Essays from Economic and Political weekly*. Orient Blackswan. Hyderabad. p. 151.

the fact that several governments in the world pumped trillions of dollars into the financial system, the international financial markets are still dysfunctional, stock markets in emerging economies like China and India fell sharply and the growth is decelerating. Following the Eurozone crisis which is an important trade partner of India trade between both gets impacted.

India's textile and garments segment of exports hit substantially like other Asian countries due to the Eurozone crisis. Europe is India's second-largest market of textile export after the United States. The Eurozone crisis has led the Indian textile exports to revise their estimates of supplying garments to Europe. Italy and Spain are the main destinations of India's textile exports within the Eurozone. However, other Eurozone members also receive a significant amount of Indian textile exports. The decline in textile export to Eurozone compensates from the exports to the United States. The Indian Apparel Export Promotion Council expects a fifteen percent decrease in apparel exports towards its main destinations. Other destinations like Japan and Latin America witnessed growth despite recession in 2011. Exports towards these destinations stood at US\$ 744 million.

If we look at the sectoral trade scenario with the European Union, the major items exported to European Union in 1999 were textile and clothing that consists of 33.4 percent, gems, and jewellery that comprises 11.7 percent and leather and leather goods comprising 11.2 percent. Textile and apparel, leather and leather goods and gems and jewellery constitute more than fifty-five percent of India's exports. From the above data, it is clear that textiles played an important role in Indian export towards the European Union.¹²

A trend change was witnessed in 2000-01. The share of engineering goods to Europe increased substantially while textile including readymade garments (RMG) has decreased 23.6 percent in 2000-01. In 2009-10, India's manufactured export to the European Union suffered a high negative growth, the recovery in the first half of 2010-11 was moderate. 2010-11 was the time when the economies around the world

¹² Bhattacharya, Swapan K (2002) "*European Unions Trade with Asia and India*" in Jain, Rajendra K (Ed.) *The European Union in a changing World*. Radiant Publishers. New Delhi, p. 259.

felt a negative growth rate, as textile export to the European Union is concerned, there is a fall in share. Even in the first half of 2010-11, a negative growth rate was recorded. The textile export which was 29.2 percent in 2000-01 recorded a sharp decline and stood 18.2 percent in 2008-9. Further, during the crisis, it was 15.7 percent in April-September 2010-11. The growth rate of textile exports during the period of 2009-10 was -6.7, in the period of April –September 2009-10 it was -10.5 and in the financial year 2010-11 between April-September at -4.1. The above calculation clearly shows the decline of textile exports to the European Union Table shows the above information.

Table No. 1.10

INDIA'S TEXTILE EXPORT¹³

	Percentage of Share					CAGR*	Growth Rate ^a				
	2000-01	2008-09	2009-10	2009-10 (Apr-Sept)	2010-11 (Apr-Sept)	2000-01 to 2007-08	2008-09	2009-10	2009-10 (Apr-Sep)	2010-11 (Apr-Sep)	
USA	27.20	18.40	18.40	19.10	16.90	7.10	-4.80	-7.60	-14.10	15.10	
EU	29.20	18.20	18.50	19.90	15.70	11.40	7.90	-6.70	-10.50	-4.10	
WORLD	23.60	10.20	10.50	11.30	9.50	8.10	4.40	-1.20	-8.40	9.70	
OTHER	19.80	6.40	6.90	7.50	6.70	6.30	6.20	6.90	-3.90	18.10	

* CAGR: Compound Annual Growth Rate

^a Growth Rate in US Dollar Terms.

As for as India's exports of handicrafts have been concerned it also shows a different picture. During the financial year 2000-01, the handicrafts export to the European Union was 4.4 percent and in April-September 2009-10 it remained 1.1 percent. In the financial year 2010-11 between April-September, it further declined and stood at 0.9 percent. The growth rate also declined. In the year 2008-09, it was -18.0 that further widen in April-September. 2009-10 to -29.4 figure shows the information pertaining to the above analysis.¹⁴

Table No. 1.11

¹³ *Economic Survey: 2010-11. Government of India. Ministry of Finance. P. 167.*

¹⁴ *Economic Survey (2010-2011) Ministry of Finance. Department of Economic Affairs. Government of India. P. 165.*

INDIA'S EXPORT OF HANDICRAFTS¹⁵

	Percentage of Share					CAGR*	Growth Rate			
	2000-01	2008-09	2009-10	2009-10 (Apr-Sep)	2010-11 (Apr-Sep)	2000-01 to 2007-08	2008-09	2009-10	2009-10 (Apr-Sep)	2010-11 (Apr-Sep)
WORLD	20.80	00.60	00.50	00.50	00.50	20.30	-25.80	-10.60	-30.40	22.60
USA	60.00	10.60	10.50	10.50	10.40	-1.70	-30.60	-14.70	-32.20	21.60
EU	40.40	10.10	10.10	00.10	00.90	10.90	-18.00	-7.50	-29.40	3.20
OTHER	00.80	00.20	00.20	00.20	00.20	10.60	-30.20	-10.60	-29.40	56.40

* CAGR: Compound Annual Growth Rate.

The textile and clothing industry is one of the chief contributing factors in the Indian economy. A planning commission report on boosting India's manufacturing export 2012-17, during the 12th five-year plan, envision India's export of textile and apparel of US \$ 32.25 billion by the end of the 11th five-year plan. In the year 2005-06 India's textile and clothing exports registered a robust growth of twenty-five percent. The growth was the US \$ 3.5 billion over 2004-05 in value terms and it reached a level of US \$ 17.52 billion and in 2006-07 the growth continued with textile and clothing exports of US \$ 19.15 billion, up 9.28 percent over the previous year and it reached US \$ 22.15 billion in 2007-08. However on the onset of the crisis in 2008 the growth rate declined over 5 percent.¹⁶

Readymade garments shares almost forty percent of the total textile exports in 2010-11. India's exports textile products including handlooms and handicrafts to more than a hundred countries and bring significant revenue to exchequer. In global market as far as clothing exports is concerned, India ranked sixth largest exporter as per WTO data 2010 trailing Hong-Kong, Bangladesh, Turkey and China.

4.5 Recession and Textile Export

Since August 2008, the United States, European Union and Japan witnessed recessionary conditions. These are the major markets of Indian textile export. The European Unions overall textile and apparel import register a growth of 7.30 percent

¹⁵ *Economic Survey 2011-12. Government of India. Ministry of Finance p. 167(Growth Rate in US dollar terms)*

¹⁶ Annual Report (2011-12) Ministry of Textile, Government of India. p.52.

before the onset of the financial crisis. As far as imports by India, the textile and clothing reached US \$ 4.05 billion in 2010-11. The biggest import among textile and clothing are man made filaments, with the share of US \$ 0.66 billion followed by impregnated textile fabric. During 2000-11 the import gain by 21.69 percent in terms of dollar over the corresponding period last year.¹⁷

4.6 Country Wise Exports of Textile in Some of Eurozone Countries

The Eurozone crisis has impacted India's textile sector to Euroarea. A Mumbai based textile consultant, Deepak Shah said that *"Indian suppliers of textile are concerned with the worsening financial situation in United States and Europe. Some of the Indian companies sell more to Europe than in the United States. The uncertainties over Euro are weighing heavily on India textile and apparel exporters."*¹⁸

4.7 FRANCE

The largest category France imported is apparel which represent 76 percent of total textile imports. China stands number one supplier of textile to France. India is the fifth largest, supplier of apparel and textile products to France. During the Eurozone crisis, India's exports of carpet and other textile floor covering which falls under 45 code 57 percent a different picture. Before the crisis hit the Eurozone, 2006-07 and 2007-08, it recorded a 18.18 percent growth but in the financial year 2008-09 and 2009-10 the growth rate was negative, it was -2.39 percent. On the other hand, article of apparel and clothing knitted or corched also show negative growth. During 2008-09 and 2009-10, the growth rate recorders- 19.77 percent.

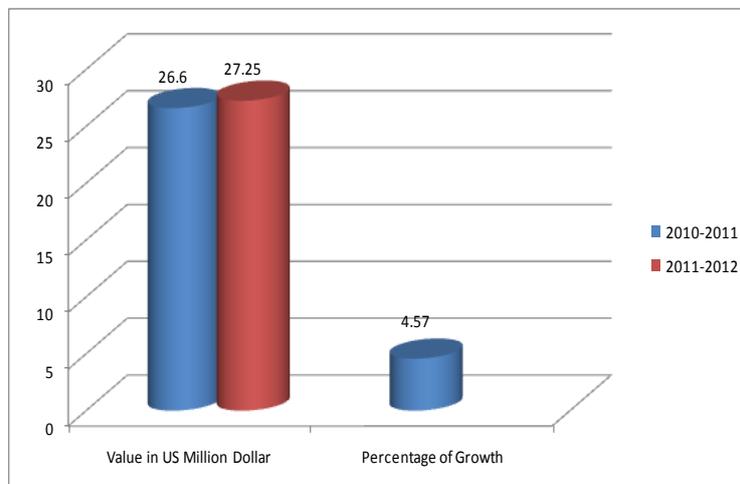
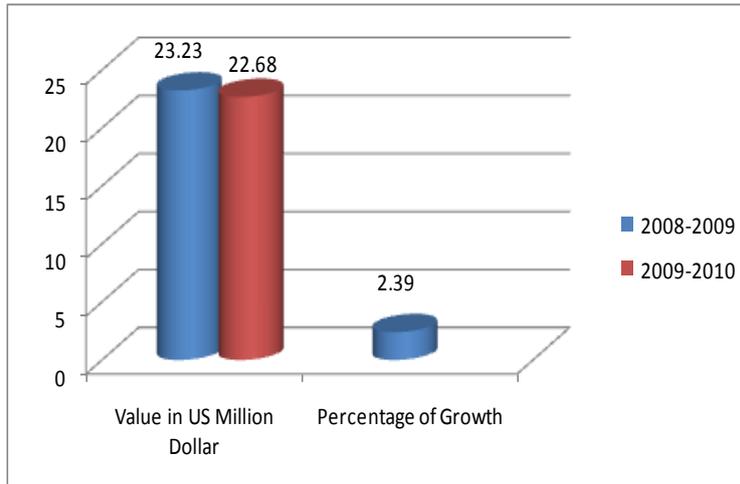
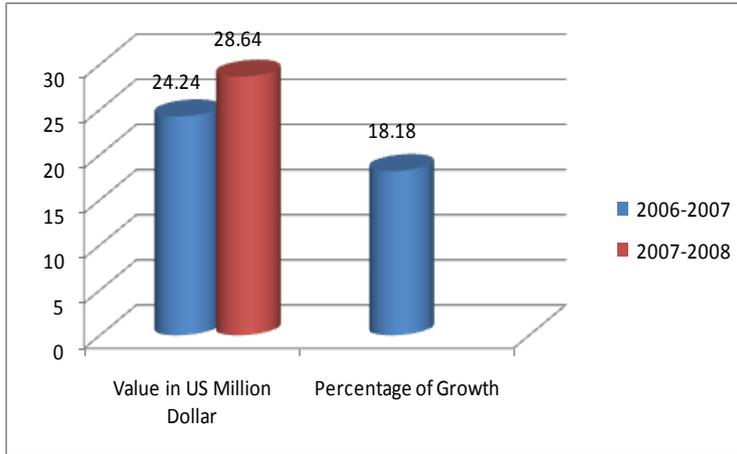
The figure present the whole picture.

¹⁷ Ibid, p. 55

¹⁸ Mehta, Manik (2012) *"India's Textile Industry Nervously watches Euro Debt Crisis"*.
<http://www.google.com/url?sa=t&source=web&drct=j&url=http://apparelmag.com/indias-textile-industry-nervously-watches-euro-debt-crisis&ved=2ahukewi>

Figure No. 2.12

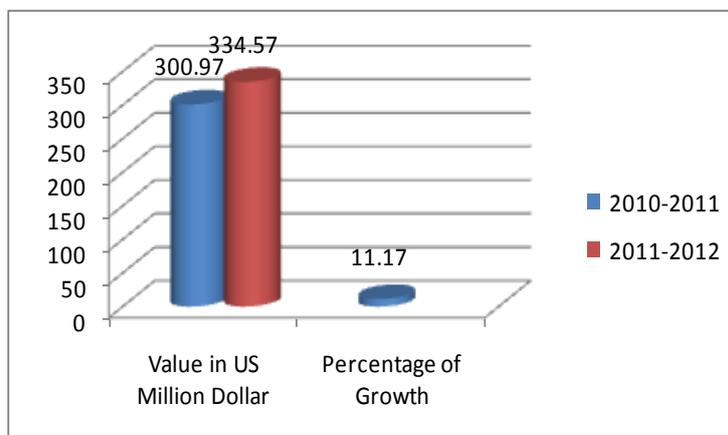
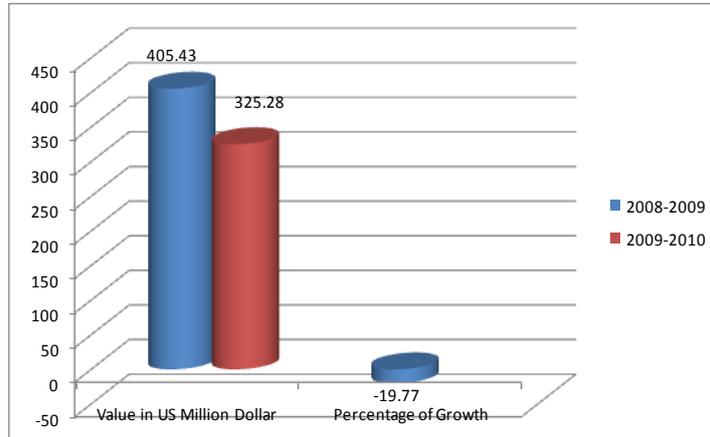
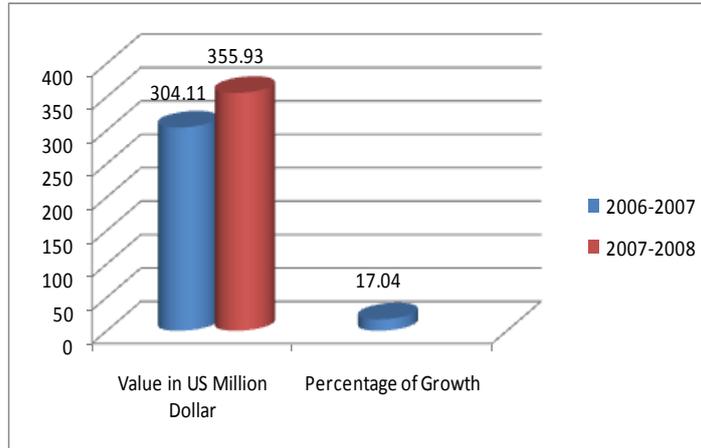
Export of Carpets and other Textile Floor Covering¹⁹



¹⁹ Ministry of Commerce and Industry. Government of India

Figure No. 2.13

Article of Clothing & Apparel Accessories, Corcheted or Knitted ²⁰



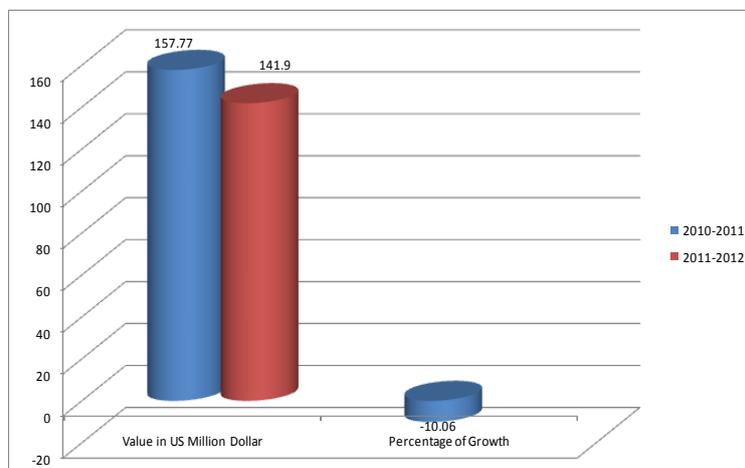
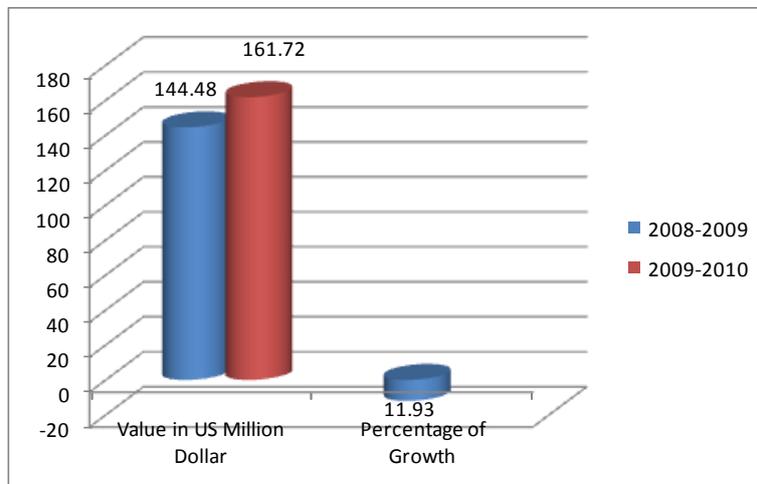
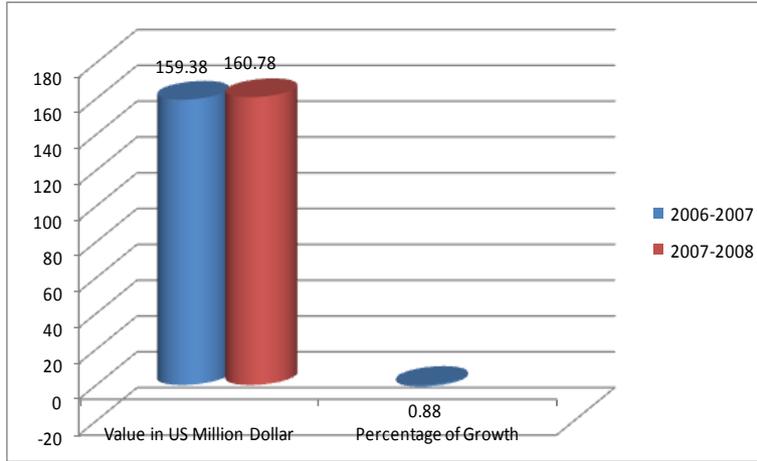
²⁰ Ministry of Commerce and Industry, Government of India.

4.8 GERMANY

Germany imports significant amount of textile and apparel from India and India stands sixth largest supplier of apparel and textile products to Germany. It is also true that share of India's textile and apparel import into Germany is only 3.5 percent. Germany imports almost 24 percent of textile and apparel products from China. The Euro crisis has also impacted negatively India's exports of textile to German destination. During 2006-07 and 2007-08 the HS Code 57 recorded a growth rate of 0.88 percent. In 2010-11 and 2011-12 the growth rate was -10.06 percent.

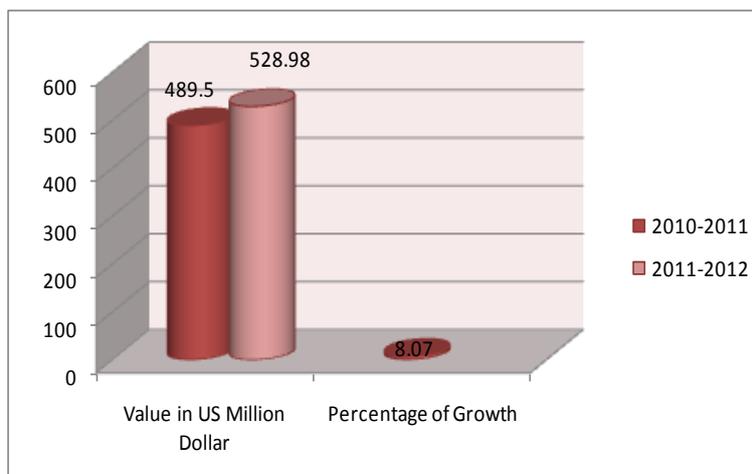
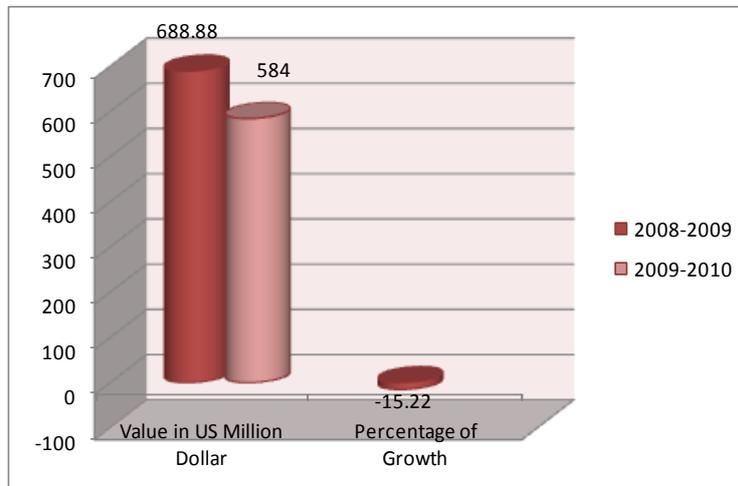
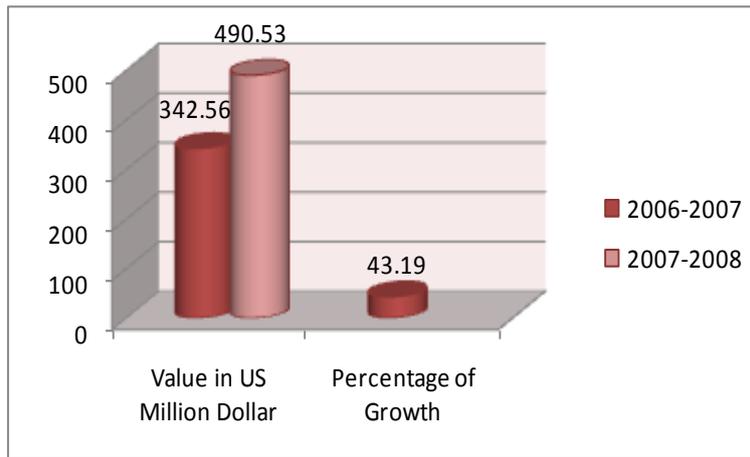
Figure No. 2.14

Exports of Textile (including carpets) & Floor Covering²¹



²¹ ibid

Figure No. 2.15 Exports of Textile (including carpets) & Floor Covering



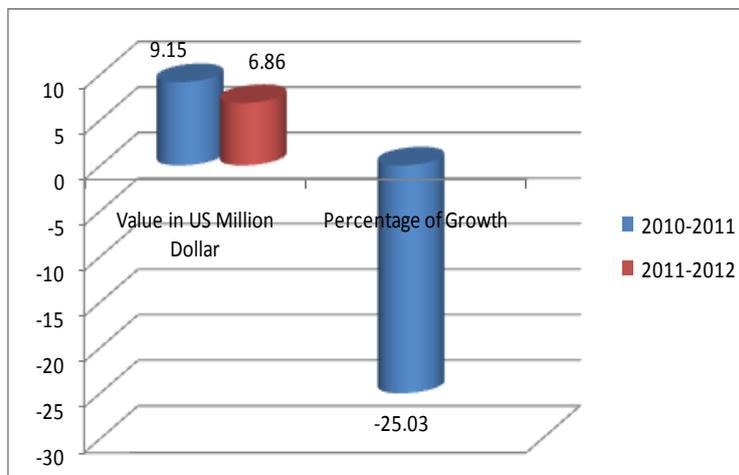
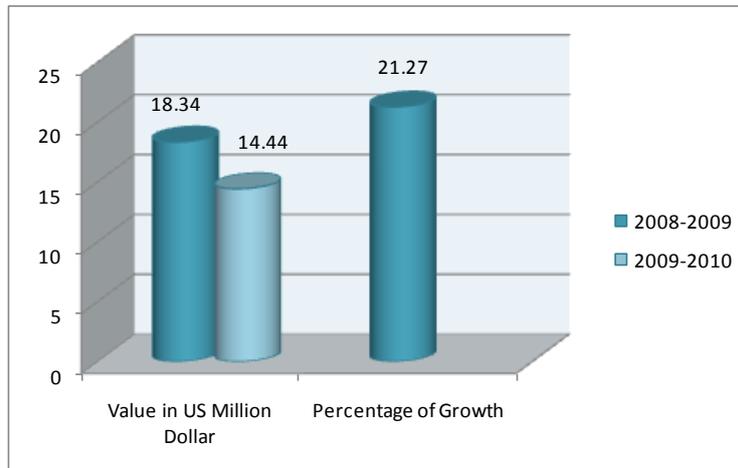
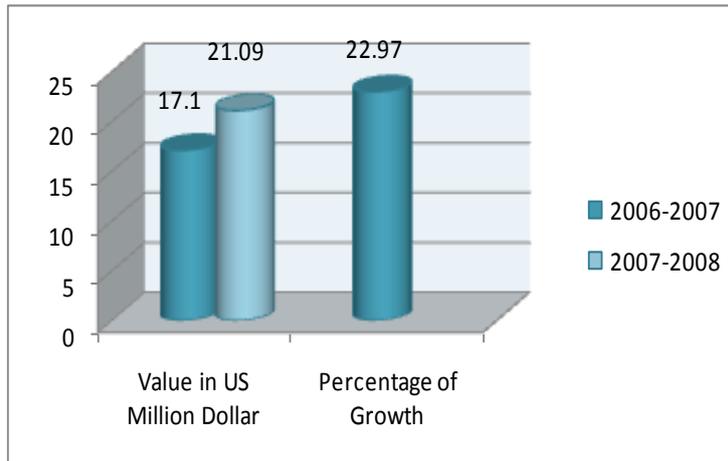
Source: Ministry of Commerce and Industry, Government of India.

4.9 GREECE

Greece, which is the epicenter of Eurozone crisis face the heat of declining of its export as well as imports. Greece's debt to GDP ratio was so high that it had to follow austerity measures in order to seek the bailout package. Greece's economy is mainly dependent on tourism sector. However, Greece import a significant amount of textile and apparel from India. The financial crisis in Eurozone also have negative impact on Indias textile export to Greece. During 2010-11 and 2011-12 the growth rate recorded -25.03 percent in carpets and other textile products and in the same period article of apparel and clothing record growth rate of -1.16 percent. The period 2006-07 and 2007-08 with HS Code 61 recorded a growth rate of 44.56 percent.

Figure No. 2.16

Carpets and Other Textile Floor Covering²²

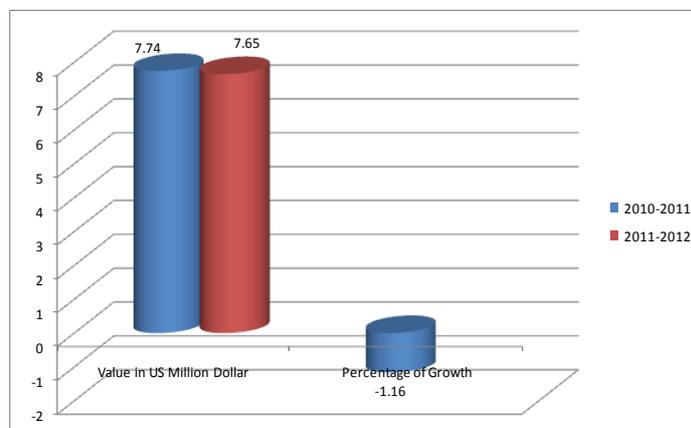
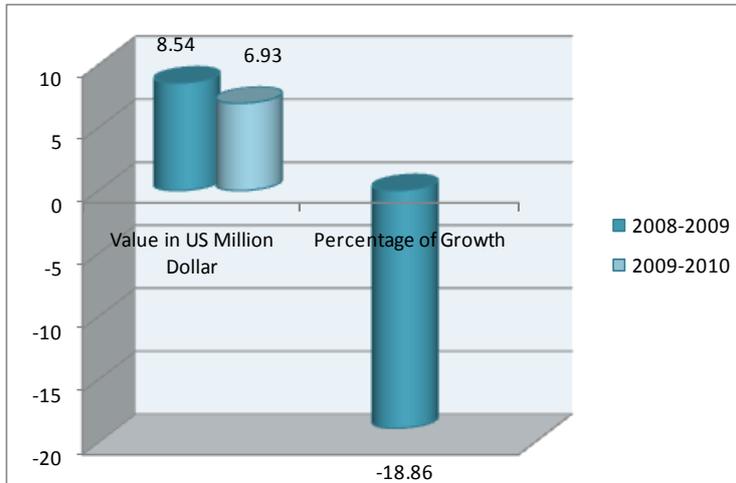
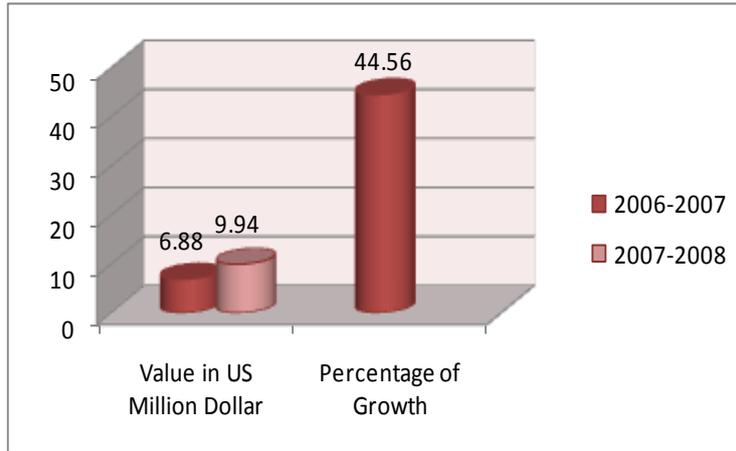


Source: Ministry of Commerce and Industry, Government of India.

²² ibid

Figure No. 2.17

Article of Clothing & Apparel Accessories, Corcheted or Knitted ²³



Source: Ministry of Commerce and Industry, Government of India.

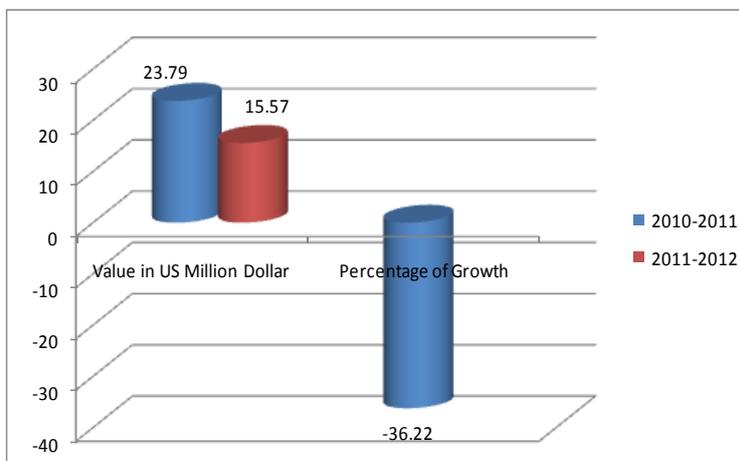
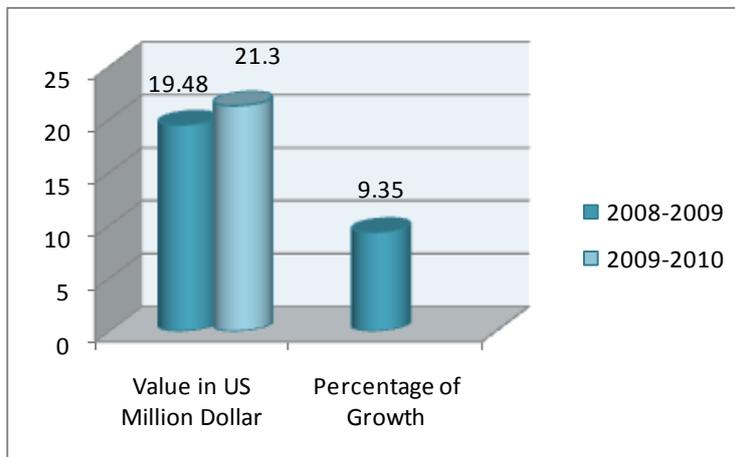
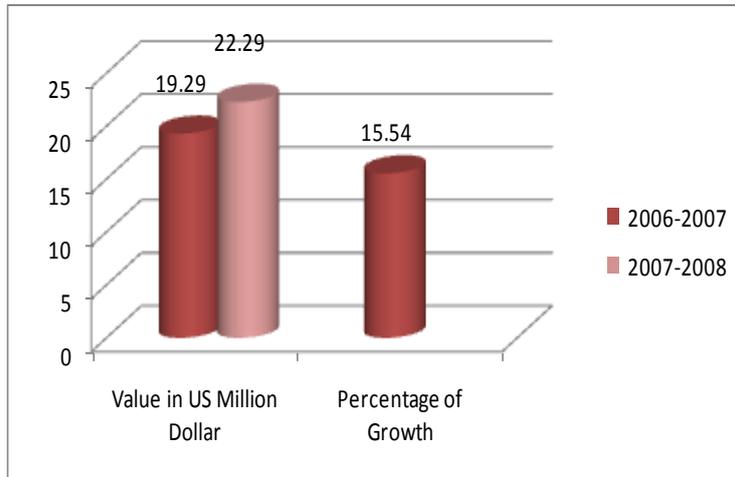
²³ *ibid*

4.10 PORTUGAL

Bilateral trade between India and Portugal stood at US \$ 937.7 million in 2017-18. The balance of trade has been in India's favour. Textile and apparel, which include readymade garments, chemicals, rubber etc are major exports from India to Portugal. During the crisis, Indian textile exports also felt negative growth. The analysis is as follows:

Figure No. 2.18

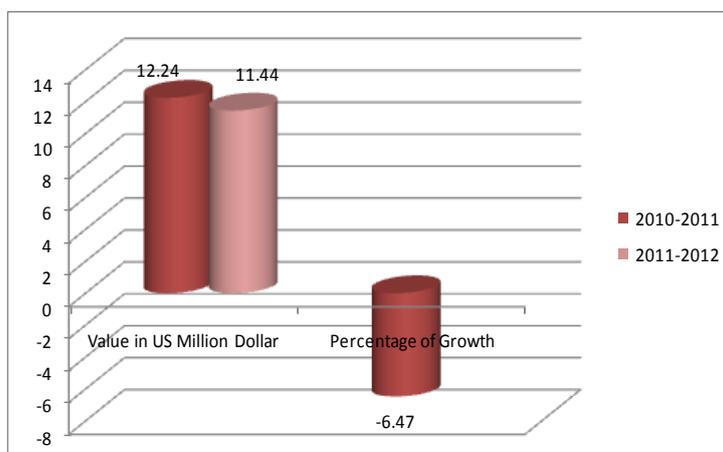
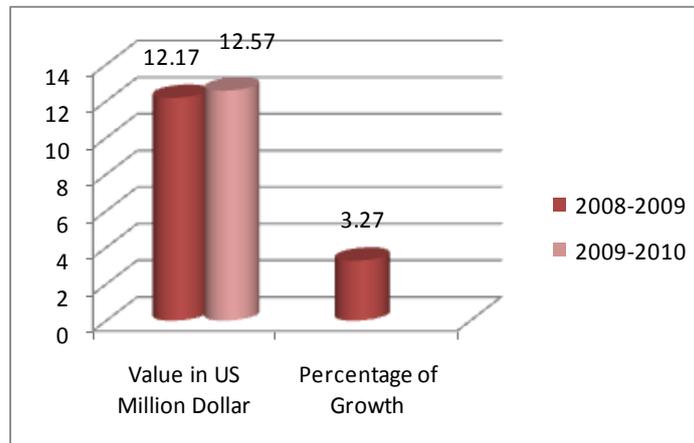
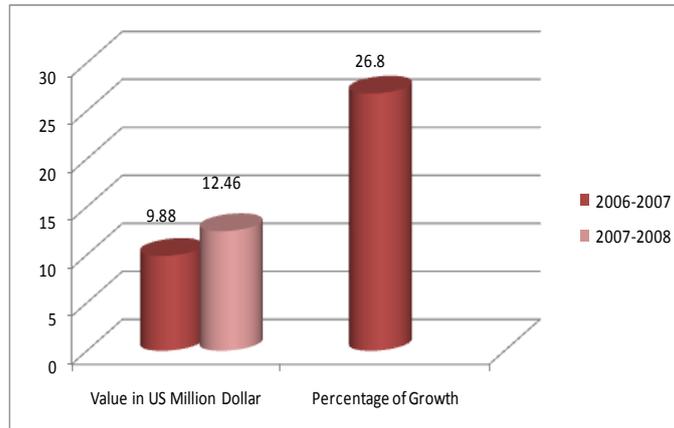
Carpets and other Textile Floor Covering ²⁴



²⁴ *ibid*

Figure No. 2.19

Articles of Apparel & Clothing Accessories ²⁵



²⁵ *ibid*

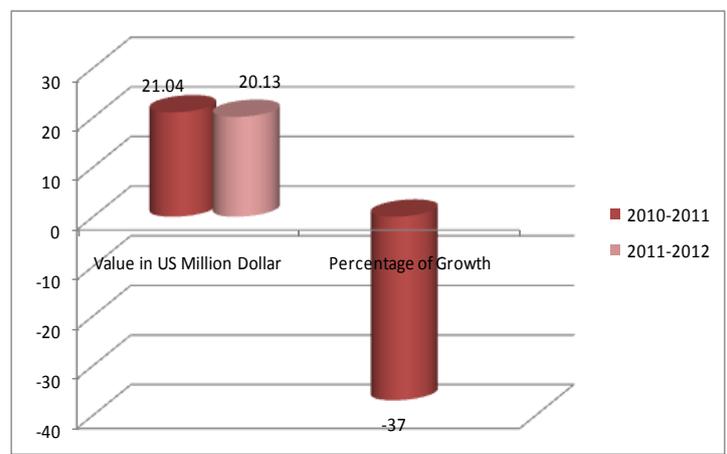
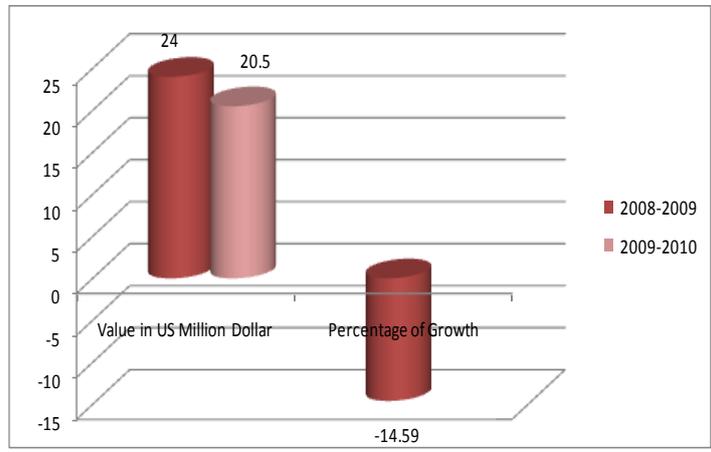
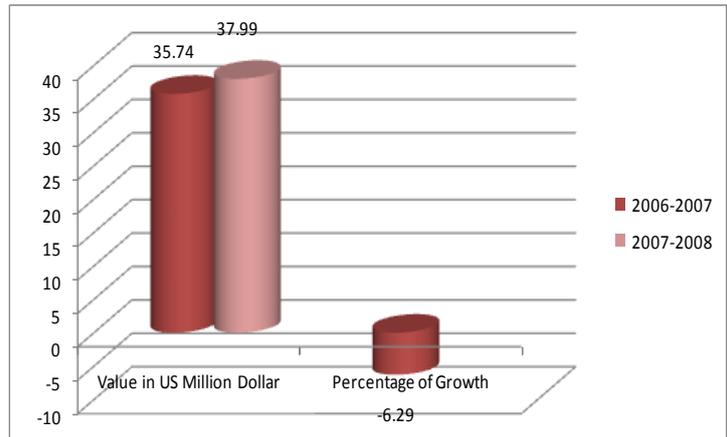
4.11 SPAIN

The Largest imported category by Spain is apparel that is 78 percent of total textile and apparel imports, During 2012 India's share of textile and apparel exports to Spain was four percent and in 2013 it stood at five percent. Bangladesh and Turkey are the main competitors of India regarding exports of textile products to Spain.²⁶ During 2006-07 and 2007-08 the percentage of growth of apparel and clothing to Spain was 30.19 but in 2008-09 and 2009-10 declined to 8.95 percent. (HS Code 61)

²⁶ *"Scope for Enhancing India's Apparel exports to Spain (2018)*
https://www.indiantextilemagazine.in/global-industry-news/scope-for-enhancing-india's-apparel-exports-to-spain/andved=2ahukewis=hot93kahwe_xmbhwtgBZOQFjAGEGOIARAZandusg.

Figure No. 2.20

Carpets and other Textile Floor Covering²⁷



²⁷ ibid

Table No. 1.12
APPAREL AND CLOTHING²⁸

Value in Us Million Dollar

YEAR		YEAR		YEAR	
2006-07 -	118.81	2008-09 -	169.81	2010-11 -	176.88
2007-08 -	154.69	2009-10 -	185.00	2011-12 -	193.79
% of Growth	-30.19	% of Growth	8.59	% of Growth	9.56

From the above analysis, it is quite clear that Indian exports of textile (HS Code 57 and HS Code 61) declined in a significant number during the peak time of Eurozone crisis. Some of the Eurozone members like Portugal, Spain imports textile and apparel from other countries like Turkey and Bangladesh which gave competition to Indian exports to these countries.

4.12 India's Textile and Apparel Export to the European Union During 2013-2015

During the year 2013-2015, the textile exports to the European Union has increased from 22.09 percent to 23.4 percent. The average year-on-year growth was recorded at 4.3 percent. The following figure presents the whole picture.

The share of United Kingdom has increased from 23.9 percent in 2013-14 to 25.1 percent in 2014-15. The year on year growth was 9.5 percent. The Slovakia's Y-O-Y growth was highest among European Union members which stands 116.2 percent.

²⁸ *Ministry of Commerce and Industry, Government of India.*

Table No.1.13**India's Textile and Apparel Exports To EU²⁹**

Countries	Export 2013-14	% Share	Export 2014-15	% of Share	Y-O-Y
BELGIUM	550	5.8	500	5.1	-9.0%
BULGARIA	18	0.2	16	0.2	-11.6%
FINLAND	86	0.9	62	0.6	-27.6%
GERMANY	1821.28	19.2	1827.31	18.5	0.3%
CYPRUS	6	0.1	4	0.0	-44.3%
ITALY	871.33	9.2	861.52	8.7	-1.1%
DENMARK	318	3.4	328	3.3	3.1%
AUSTRIA	54	0.6	58	0.6	6.0%
NETHERLANDS	647	6.8	644	6.5	-0.6%
ESTONIA	14	0.2	21	0.2	42.9%
FRANCE	973.51	10.3	1102.21	11.1	13.2%
CZECH REPUBLIC	71	0.8	75	0.8	4.7%
GREECE	41	0.4	46	0.5	11.9%
IRELAND	72	0.8	88	0.9	20.9%
CROATIA	16	0.2	15	0.2	-6.7%
LATVIA	19	0.2	19	0.2	2.8%
LITHUANIA	11	0.1	10	0.1	-14.3%
HUNGARY	10	0.1	22	0.2	112.5%
MALTA	2	0.0	1	0.0	-18.1%
ROMANIA	29	0.3	22	0.2	-26.3%
LUXEMBOURG	1	0.0	0	0.0	-55.1%
POLAND	226	2.4	239	2.4	6.0%
PORTUGAL	254	2.7	226	2.3	-11.1%
SLOVAKIA	18	0.2	39	0.4	116.2%
SLOVENIA	22	0.2	22	0.2	3.6%
SPAIN	827.71	8.7	906.81	9.2	9.6%
SWEDEN	231	2.4	253	2.6	9.6%
UK	2268	23.9	2483	25.1	9.5%
SUB TOTAL	9479	22.9	9889	23.4	4.3%
TOTAL TEXTILE AND APPAREL	41359		42,192		2.0%

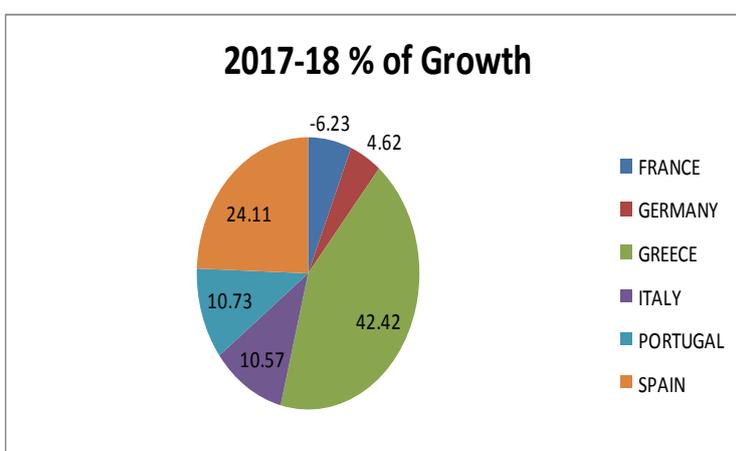
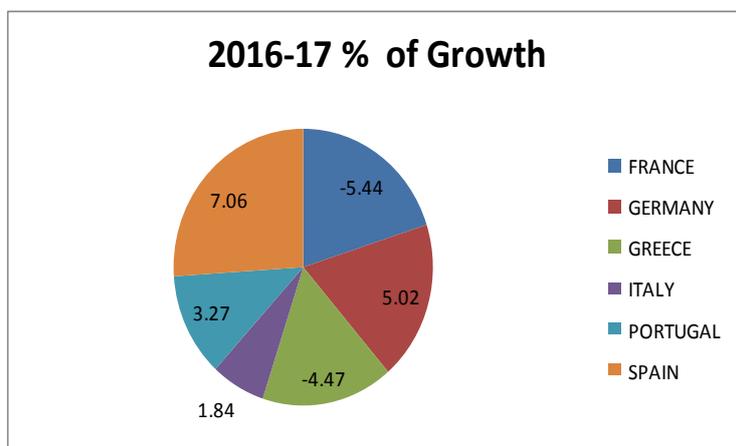
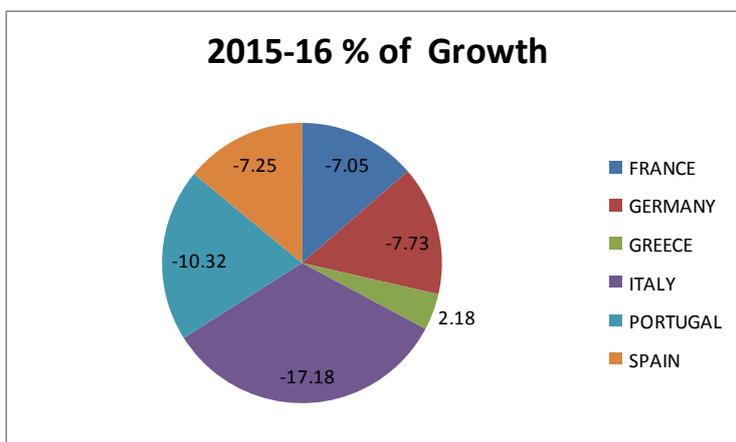
²⁹ Ministry of Textile. Government of India.

4.13 Export Scenario From 2016-2018

As for as apparel export to some of the Eurozone countries are concerned, in comparison of 2015-16, 2017-18 record a positive growth. It was due to the financial crisis was almost over in Eurozone, also the IMF provide bailout package to Greece and Portugal to revive the economic growth. It was only in France in 2017-18 where a negative growth rate was recorded.

Figure No. 2.21

EXPORTS: Article of Clothing & Apparel Accessories, Corcheted or Knitted -2016-18³⁰



³⁰ Department of Commerce. Export- Import Data Bank. Government of India

4.14 IMPACT ON INDIAN LEATHER SECTOR

Just, when the world economy and trade reeling under the shock given by the global financial crisis in 2008, started recovering with output and trade in many developed and emerging economies reaching pre-crisis level. Another blow was awaiting in form of Eurozone crisis. The Euroarea economies began to decelerate. India's export which had surpassed almost pre-crisis levels have started feeling the heat of this second downturn which has come in quick succession to the first though the country is in a better position than many others.

It was the first half of 2011-12 when India's exports witnessed a high growth of 40.6 percent. But as a result of the crisis spread in the peripheral countries in the Euroarea that was decelerating from October 2011. In November 2011, export growth recorded negative at 0.5 percent but in December 2011 and in January 2012, it was positive but low at 6.7 percent. While in 2011-12 (April-December) the export growth in dollar terms decelerated over the corresponding period compared to the growth in the year 2010-2011 full year. In rupee terms, the growth of export was stable in 2011-12. As for as import is concerned the growth in rupee terms accelerated more rapidly.³¹

India's export basket seen a great change in 2000 in sectoral composition. The decade marked accelerated growth. The share of petroleum and crude increased by 11.8 percent during the period of 2000-01 to 2009-10. The trend continues in 2009-10 to 2011-12 when it recorded an increase of 4.8 percent.

However, other sectors remain vulnerable. Manufactures and primary products fell almost proportionately by 11.6 percent and 1.1 percent point respectively during 2000-2001 to 2009-10 and 1.4 and 2.2 percentage points from 2009-10 to 2011-2012. The inter-sectoral composition changes within manufactures exports have also been great with the biggest losers being labour-intensive manufacturers such as textile, leather and leather manufactures and handicrafts from 23.6, 4.4 and 2.8 percent respectively in 2000-01 to 8.7, 1.6 and 0.3 percent in the first half of 2011-12.

³¹ *Economic Survey 2011-12*, Government of India, Ministry of Finance. p. 153.

Table No. 1.14**EXPORTS OF LEATHER AND LEATHER MANUFACTURES³²**

	PERCENTAGE SHARE					GROWTH RATE*					
	2000-01	2008-09	2009-10	2010-11	2010-11 (Apr-Sep)	2011-12	2008-09	2009-10	2010-11	2010-11 (Apr-Sep)	2011-12
	4.40	1.90	1.90	1.50	1.70	1.60	1.50	-5.50	12.10	13.90	27.30
US	3.70	1.70	1.50	1.30	1.40	1.20	16.10	-17.50	12.80	15.40	23.40
	11.40	5.90	6.30	5.20	5.90	5.90	1.00	-2.10	8.40	7.30	32.40
CHINA	1.10	0.50	0.40	0.40	0.60	0.70	-10.20	-2.20	49.70	58.00	48.20
	1.60	0.70	0.60	0.60	0.70	0.50	-1.60	-9.90	20.40	30.40	14.40

The above table shows India's export of leather and leather manufactures, percentage of share and growth rate in different years. India's export of leather and leather manufactures as a percentage of share to the world in the year 2000-01 was 4.40 whereas in 2010-11 (April-December) it stood at 1.70 percent. The growth rate during 2008-09 was 1.50 and 2009-10 it stood at -5.50. The percentage of share to the European Union in 2000-01 was 11.40, 2010-11 (April-December) it grew 5.90 percent. The growth rate in 2009-10 was -2.10 But in 2010-11 the growth rate was recorded 8.40.

Following the Eurozone crisis and the declining value of Euro, is likely to have a negative impact on India's exports to the European region. Chairman, Council of Leather Export (CLE) Government of India, Mr. M. Rafeeqe Ahmed said that *"European Union accounts for a significant share (65 percent) of leather export from India. But the crisis considerably affected the Indian leather industry."* However, during 2013-14 the leather sector registered an appreciable growth but in 2010-15 the growth rate was moderate due to the crisis which deepens in Greece. Data from 2015-16 also shows a trend of decline in 2015-16 export to the European market including Germany, Italy, France, Spain among others with only the United Kingdom, registering an increase in exports in respect of value-added leather products. The

³² *Economic Survey, Ministry of Finance, Government of India.*

Government of India also provides help to the industry through Merchandising Export from India Scheme (MEIS) for export to the European region.

The Euro crisis-hit Indian leather industry and find it difficult to sustain the growth momentum. During 2009-10 the industry recorded a negative growth of 5.41 percent due to the global recession. The industry was of the view that it would gain accelerated growth in the coming months but the Euro-crisis posed a threat. The leather exports from India consists of leather and leather components, leather garments, leather goods, harness and saddler. India also faces competition from Bangladesh, China, and Vietnam in the global market.³³

Traditionally, the European Union is the largest trading partner of India. The bloc is also an important and crucial market for Indian leather and footwear exports. But with the ongoing financial crisis in Eurozone, the bloc is going through the worst time in its history. Eurozone crisis along with the American recession made the situation peculiar. However, there are other challenges the industry is facing.

- shortage of skilled manpower
- infrastructure deficiencies;
- market diversification³⁴

India's city of Kanpur is famous for its leather industry. But owing to the Eurozone crisis, the industry had severely affected. The depreciation in the Euro currency to Rs 57 had resulted in constricting margins for the exporter in the city. The reducing rate of exchange severely hurt the exports. Buyers are also slow to purchase leather items. All this is due to they purchase products in dollars they have to remove more Euros for each dollar as the Euro is depreciating against the dollar.³⁵ But exporters are now searching market in Russia, Latin America and in the African region.

³³ Anand, N (2012) "*Eurozone Crisis to Take its toll on Leather Industry*". The Hindu June, 12, 2012.

³⁴ Kebschull, Dietrich (2012) '*46th Leather Research Industry Get – Together (LERIG)*'. Chennai. <http://www.igep.org/newsletter/LERIG%2520speech.pdf&ved=zahUKEWIRKb441>.

³⁵ "*Euro crisis Affects Kanpur Leather Industry*" <https://www.fibre2fashion.com/news/daily-textile-industries-news/newsdetails.aspx2012>.

Figure No. 2.22

India's Export of Leather and Saddlery and Harness³⁶,

Value in million US \$.

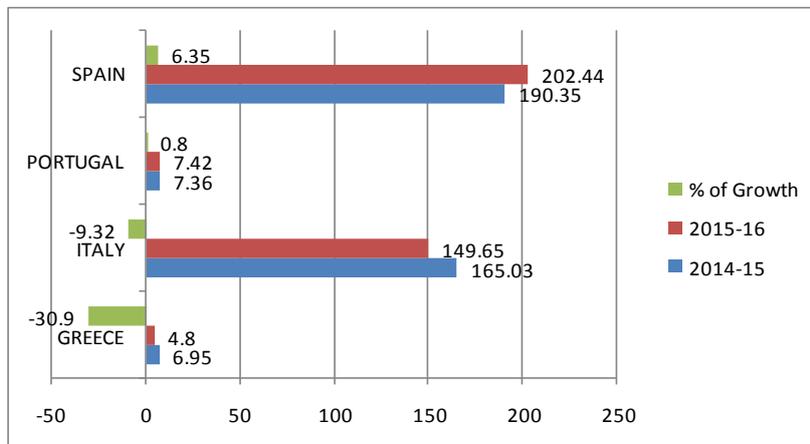
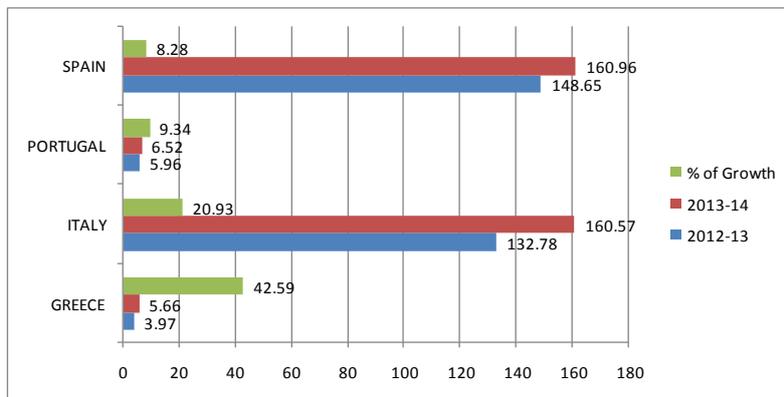
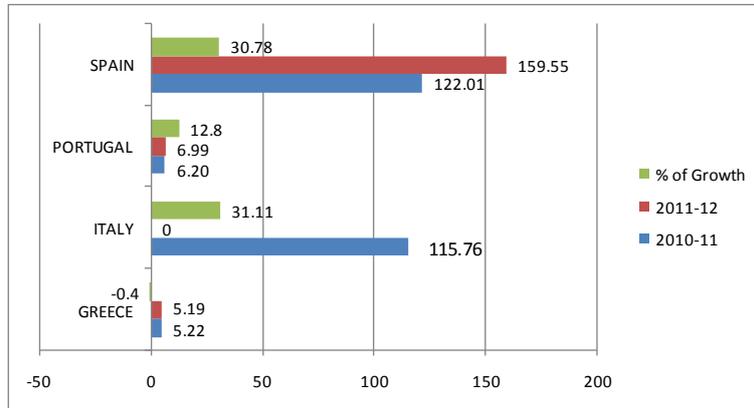
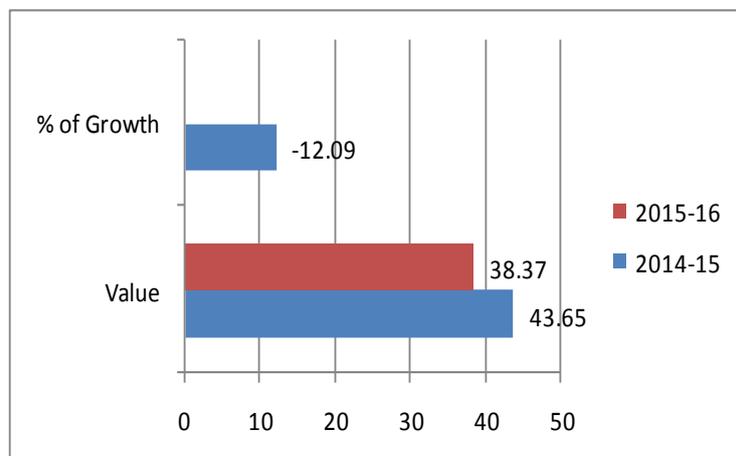
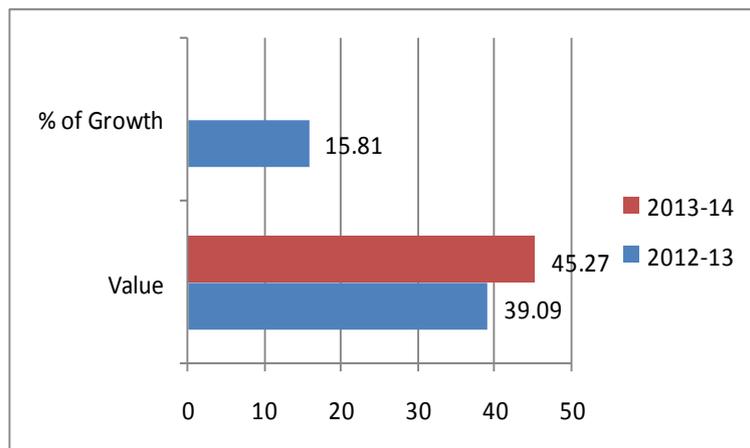
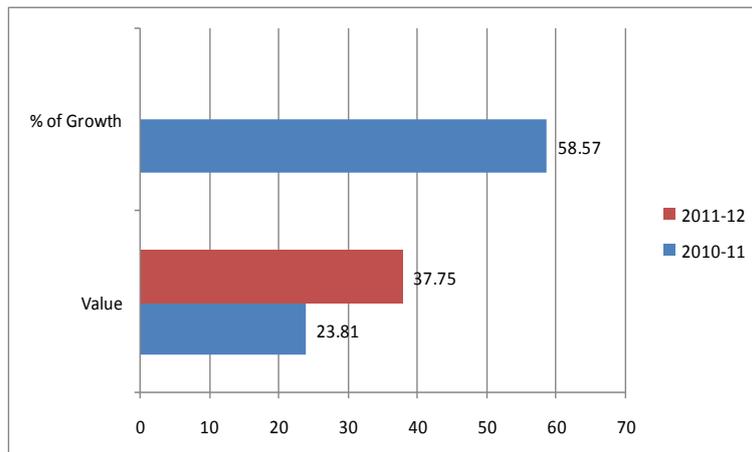


Figure No. 2.23

³⁶ Ministry of Commerce and Industry. Government of India.

HS CODE 42: Indias Import of Leather and Saddlery and Harness From EU Countries

Value in million US \$.



Source: Ministry of Commerce of Industry, Government of India.

The above figure shows India's export of leather products to some of the specific countries in the Eurozone which were hit badly by the crisis. The second figures presents the picture of the Indian import of leather products from European countries. As for as exports are concerned Italy and Spain are two countries which received a significant amount of Indian leather export. But during the period of 2014-16, the percentage of growth regarding Italy was recorded -9.32 percent and regarding Spain, it was positive i.e. 6.35 percent. During 2010-12 India's export to Greece was recorded a negative trend. But in 2012-14 the export regaining its momentum and accelerated. Export to Portugal was almost stable. On the import front during 2010-12 the percentage of growth was 58.57, 2014-16 recorded a decline in Indian import from the European region which stood at -12.05 percent.

4.15 Impact on Indian Gems and Jewellery Sector

The Sovereign obligation emergency in various European nations intensified in the second 50% of 2011. The striking advances taken by the legislature in European territory nations to arrive at a methodical sovereign obligation exercise for Greece were met with proceeded with money related market disturbance and increased worries of obligation defaults in a portion of the bigger economies in the Eurozone. Creating economies which bounced back from the worldwide downturn of 2009 would be hit through exchange and money related channel. The Eurozone crisis also caused a contagious sell-off in the equity market in several developing countries, leading to sudden withdrawals of capital and pressure on their currencies.³⁷

From 2002-04 to 2007-08, India's export witnessed tremendous growth. But this growth was half by the global recession and the Eurozone crisis. Global demand plays an important role in determining the export growth of a product.

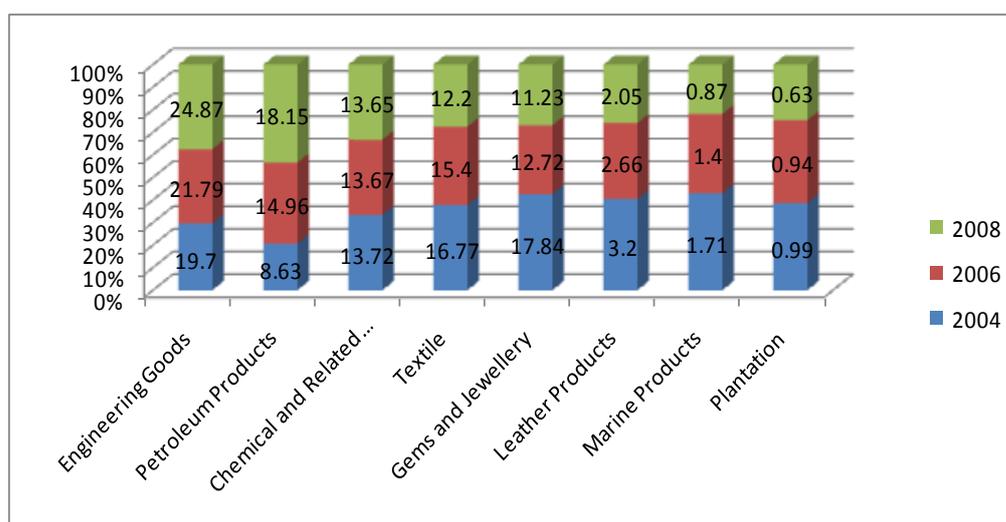
The globalization has integrated world markets and this integration has its merits or demerits. Now the transmission of financial crisis from one region to another region has become smoother. The bigger the size of the country where the crisis originates, the greater the impact on other countries would be felt. The Eurozone crisis has also

³⁷ "World Economic Situation and Prospects" (2012) United Nations Publication, p.1.

its repercussions for developing nations like India. The pre-crisis scenario presents a picture of India export of different categories. India's traditional exports have consisted of items such as textiles, gems and jewellery and tea. The share of petroleum products in India's export has risen since 2004. The export of gems and jewellery declined from 18 percent in 2004 to around 11 percent in 2008.

Figure No. 2.24

Change in Composition of India's Export Basket: 2004-2008.



Source: Unctad.org.

The trend of India's export has also diversified. Engineering goods, petroleum products, and chemical products increase their share. Gems and jewellery, textile losing their share.³⁸

The gems and jewellery is a labour-intensive export sector. The sector consists relatively low-value addition but on the other hand, it contributes a high volume of exports and employment. The sector consists of SME (Small and Medium Enterprises) units and is a source of revenue generation. The sector provides employment to around 4.6 million workforce. The figure provides us with information regarding the exports of gems and jewellery to the different destination including the European Union.

³⁸ "Impact of Global slowdown on India's Exports and Employment". UNCTAD 2013. http://unctad.org/en/Publications_Library/webdictctncil2009dl_en.pdf. ved = 2an UKEW1a)

Table No. 1.15 (A)**COMPOSITION OF EXPORTS OF GEMS AND JEWELLERY BY MAJOR MARKETS³⁹**

*Growth Rate in US \$ terms.

	Percentage Share					CAGR	Growth Rate				
	2000-01	2008-09	2009-10	2009-10 (Apr. Sep.)	2010-11 (Apr. - Sep.)	2000-01 2007-08	2008-09	2009-10	2009-10 (Apr. Sep.)	2010-11 (Apr. Sep.)	
WORLD	16.60	15.10	16.20	17.00	14.90	15.00	42.10	3.70	-20.90	14.20	
USA	29.30	21.70	24.20	24.20	20.30	8.90	-7.70	2.80	-23.30	8.90	
EU	11.50	8.30	6.70	6.90	6.40	11.30	24.80	-26.20	-48.50	12.80	

The Compound Annual Growth Rate (CAGR)⁴⁰ of gems and Jewellery from 2000-2001 to 2007-08 was 15.0 percent regarding exports to the world in the context of European Union the CAGR was 11.3 percent in the same period. The percentage of share of India's gems and jewellery to European Union show a decline from the period of 2008 to 2010-11. But during 2010-11 (April-September) the exports regained again since 2000-01, the percentage of share at gems and jewellery show a declining trend. In the first half of 2011-12 (regarding total export), with the highest growth rate among manufactures at 58.4 percent, gems and jewellery, the second major export item has retained its share almost 16-17 percent since 2000-01. In the world, India is the largest center of cutting and polishing diamond. In terms of value of the global polished diamond market, India's share is estimated to be 70 percent, in volume terms it is estimated 85 percent and in volume terms, it is 92 percent. The sector provides almost 34 Lakh jobs, according to Gems and Jewellery Export Promotion Council (GJEPC).⁴¹

³⁹ Ministry of Commerce and Industry. Government of India.

⁴⁰ Annual rate of return, on investment needs to grow from its initial balance that ends to its final balance, within given time framework.

⁴¹ <https://www.ibef.org/industry/gems-jewellery-india.aspx>

Table No. 1.15 (B)

SHARE		CAGR		GROWTH RATE			
	2010-11	2010-11 (Apr. Sept.)	2011-12 (Apr. Sept.)	1999-2000 to 2008-09	2009-10	2010-11	2011-12 (Apr. Sept.)
	14.70	14.30	16.10	15.90	3.70	27.00	58.40

In the last five years i.e. from 2008-09, the export growth of India sees many vicissitudes as an aftershocks of 2008 crisis and in 2012-13 as a result of the ongoing Eurozone crisis. The export growth rate also sees many ups and down in 2013-14. From November 2013 to January 2014 the export growth again decelerated, after record a double-digit growth from July 2013 to October 2013. Again changes have been noticed in India's export basket. Petroleum, crude increased five times to 20.1 percent. However, during the year 2013-14, the share of gems and jewellery and textile fell. In the case of the European Union, the share too declined.

Table No. 1.16

INDIA'S EXPORT OF GEMS AND JEWELLERY TO WORLD⁴²

**Growth Rate in US dollar terms*

Percentage Share	CAGR		Growth Rate *
2000-01	2013-14	2000-01 to 2012-	2013-14
		13	
16.60	13.10	15.90	-5.20

From the above analysis, one thing is clear that the Eurozone crisis has impacted India's gems and jewellery sector. Owing to the crisis the industry has also face unemployment in this sector with job losses. The Government of India took measures to protect the sector for further deterioration.

4.16 Impact on India's Engineering Export

The Indian economy faced twin shock one after another. The 2008's American financial crisis and after that Eurozone crisis. Europe is the largest trading partner of India. So the crisis in the bloc have repercussion for India too. The crisis impact the world through the deceleration in demand. The World Economic Outlook suggested that the global economy grow at 5.0 percent in 2010. The growth in emerging economies remains stable. The major impact of the crisis felt on developed economies.

The engineering sector is the largest employment provider sector in India which provides approximately four million skilled and semi-skilled labour. Iron and steel, articles of iron, copper, and articles, aluminium and articles, tin and articles, electrical machinery, aircraft, and parts are the main engineering articles. The sovereign debt crisis in the Eurozone and its likely spread in other peripheral countries have made the market nervous. Like textile, engineering products are also one of the main exporting items which have their way to Europe.

⁴² *Economic Survey 2013-14. Government of India*

India's export trade enjoyed robust growth in 2002-03. India's trade growth has a strong correlation with world trade. 2002-03 to 2008-09 was the year, India experienced a tremendous growth rate. The American financial crisis and slow growth rate in Europe led the Indian trade growth in a slow pace. A negative quantum growth was recorded for the first time due to negative quantum growth in almost all regions. India's manufactured exports to the European Union suffered a high negative growth in 2009-10. The recovery in the first half of 2010-11 record moderate growth. In the case of exports to the European Union suffered a high negative growth in 2009-10. The recovery in the first half of 2010-11 record moderate growth. In the case of exports of engineering goods to the United States and the European Union, there was a sharp fall in 2009-10, particularly the European Union. Import composition has also changed in this period.

The largest foreign exchange earning comes from the engineering exports. It accounts for over 20 percent of countries total export with around 35 percent of the engineering exports contributed by the micro, small and medium enterprises sector. There was a growth of 25.2 percent in engineering export for the period of 2000-01 to 2007-08. The trend slowed down in 2008-09 with growth of 18.7 percent. Again the growth rate decelerated to 19.6 percent. In 2010-11 the global growth rate accelerated. There was an important role of stimulus packages by the government across the world provides to the industrial sector to revise the growth.

All the major segments like iron and steel, machinery and other engineering goods registered with high growth during the first half of 2010-11. The growth rate of sub-categories like non-ferrous metals and manufactures of metals, transport equipment, primary and semi-finished iron and steel registered a growth of 40.3 percent, 61.8 percent and 65.0 percent respectively. The other categories of engineering goods also see rise in their growth the major destinations of Indian engineering products are United States, China, and the European Union. If we consider the share of Indian engineering export to the world it stood at 0.8 percent in 2008.⁴³

⁴³ *Economic survey* 2010-11. Government of India p. 166.

Table No.1.17

EXPORT OF DIFFERENT ENGINEERING GOODS⁴⁴

	Engineering Categories	Share in India's Total Exports (Percentage)				Growth Rate Percentage	
		2008-09	2009-10	2009-10 (Apr.- Sept)	2010-11 (Apr.- Sept)	2009-10	2010-11 (Apr.- Sept)
1.	Machinery	12.20	11.0	12.50	13.30	13.30	37.70
(A)	Machine Tools	0.20	0.20	0.20	0.10	-26.40	-1.20
(B)	Transport Equipment	6.10	5.50	6.70	8.30	12.90	61.80
(C)	Machinery and Instrument	5.90	-5.30	-5.70	-4.80	-13.30	10.50
2.	Iron and Steel	3.20	2.00	1.90	2.30	-39.20	63.90
(A)	Iron and Steel Bar Rods, etc.	0.60	0.40	0.40	0.40	-34.20	59.90
(B)	Primary and semi finished Iron and Steel	2.60	1.60	1.50	1.90	-40.40	65.00
3.	Other Engineering Items	6.40	5.20	5.10	6.20	-21.70	59.80
(A)	Ferro Alloys	0.80	0.50	0.40	1.0	-43.10	229.40
(B)	Aluminum other than products.	0.30	0.30	0.30	0.30	11.30	63.50
(C)	Non-Ferrous Metals	1.10	1.20	1.0	1.30	5.40	61.50
(D)	manufacture of Metals	4.10	3.10	3.30	3.60	-27.20	40.30
(E)	Residual Engineering Items	0.10	0.10	0.10	0.10	-5.90	37.60
	Total Engineering Exports	21.80	18.20	19.50	21.80	-19.60	46.00

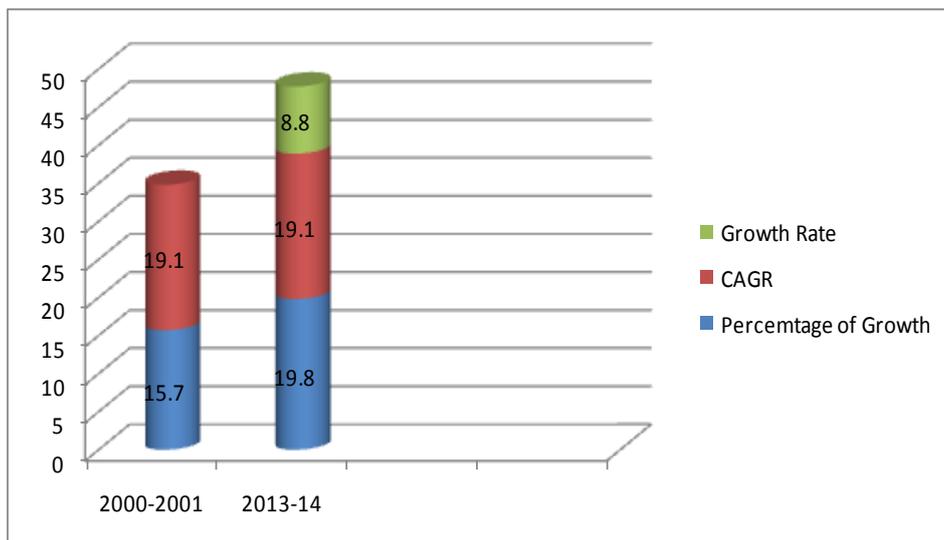
⁴⁴ *Economic Survey 2010-11, Government of India, p. 166.*

In the year 2009-10 the growth rate of engineering products to the European Union recorded -25.1 percent which was low in comparison to the previous year. The share of engineering goods changed during 2010-11 and 2010-11 (April-September). In 2010-11 it was 23.8 percent and in 2010-11 (April-September) it stood 21.7 percent.

World trade volume growth which decelerated in 2012 to 2.8 percent after the recovery in 2011 to 6.1 percent, has shown signs of recovery again albeit slow with the growth of 3.0 percent. 2012-13 was the time when the Eurozone crisis was on its peak level world growth saw decelerated trend. The India's export growth decelerated from 28.3 percent during 2011-12 to 11.5 percent in 2012-13, in rupee terms. The imports come down during the period. In 2012-13 the import value stand at 13.8 percent. However, engineering goods gained its share in 2013-14 due to their nearly 20 percent compound annual growth rate (CAGR).⁴⁵

Figure No. 2.28

Performance of Engineering Goods



Source: Economic Survey 2013-14, p. 123.

Now we will analysed main engineering articles export to different Eurozone countries in different years.

⁴⁵ *Economic Survey 2013-14, Government of India, p. 123*

Table No.1.18**INDIA'S EXPORT OF DIFFERENT ENGINEERING SUB CATEGORIES TO FRANCE⁴⁶***Value in us \$ billion*

HS Code		2014	2015	2016	2017	2018	% Growth (2018 over 2017)	% CAGR 2014-2018	India's % of share in France import	
									2017	2018
72	Iron and Steel	0.07	0.04	0.06	0.08	0.10	17.16	5.79	0.67	0.70
73	Articles of Iron and Steel	0.16	0.13	0.12	0.15	0.17	13.56	0.98	1.36	1.38
76	Aluminum and Articles Thereof	0.01	0.01	0.01	0.02	0.02	12.5	4.74	0.24	0.24
85	Electrical, Electronics Equipment	0.36	0.32	0.31	0.34	0.34	0.12	-1.25	0.62	0.59

The export of engineering categories to France shows that total growth in CAGR recorded in Iron and steel during 2014-2018 which stood at 5.79 percent while electrical, electronics record negative growth of -1.25 percent. Iron and steel and articles of Iron and steel record increase in their share to France's import from India from 2017 to 2018.

⁴⁶ India Trade Portal. Trade Statistics. Ministry of Commerce and Industry, Govt. of India

Table No. 1.19**INDIA'S EXPORT OF DIFFERENT ENGINEERING SUB-CATEGORIES TO GREECE⁴⁷***Value in US \$ Billion*

HS Code		2014	2015	2016	2017	2018	% Growth 2018 over 2017	% CAGR 2014-2018-	India's % of share in import GREECE	
									2017	2018
72	Iron and Steel	0.03	0.02	0.03	0.03	0.02	23.72	-8.79	2.37	1.37
73	Articles of Iron and Steel	0.01	0.01	0.01	0.01	0.01	26.36	10.71	1.56	1.66
76	Aluminum and Articles Thereof	0.00	0.01	0.00	0.03	0.06	82.56	115.51	3.02	4.52
85	Electrical, Electronics Equipment	0.03	0.03	0.00	0.021	0.031	70.82	-0.80	0.61	0.81

4.17 Greece

Which is the epicenter of Eurozone crisis received the bailout package from Troika, (the European Central Bank, International Monetary Fund and the European Commission) 2015, was the worst time for Greece as speculation emerged that Greece might leave the European Union. The bailout provide a temporary relief to Greek economy though it was not permanent. As for as engineering sub categories export to Greece is concerned, it was moderate. The percentage of share of iron and steel during 2014, 2018 was negative -8.79 percent. The share of same article also declined in 2018 compared to 2017. The share of aluminum rise in 2018 which Greece imported from India.

⁴⁷ *India Trade Portal. Ministry of Commerce and Industry, Govt. of India.*

Tabel No. 1.20**INDIA'S EXPORT OF DIFFERENT ENGINEERING SUB CATEGORIES TO PORTUGAL⁴⁸***Value in US \$ Billion*

HC Code		2014	2015	2016	2017	2018	% Growth 2018 over 2017	% CAGR 2014-2018-	India's % of share in import Portugal	
									2017	2018
72	Iron and Steel	0.05	0.05	0.06	0.11	0.07	-29.84	6.54	3.95	2.40
73	Articles of Iron and Steel	0.00	0.01	0.01	0.01	0.01	37.11	11.23	0.49	0.58
76	Aluminum and Articles Therefore	0.00	0.00	0.00	0.00	0.00	79.74	29.13	0.18	0.28
85	Electrical, Electronics Equipment	0.02	0.02	0.02	0.02	0.02	25.46	3.18	0.30	0.32

4.18 Portugal

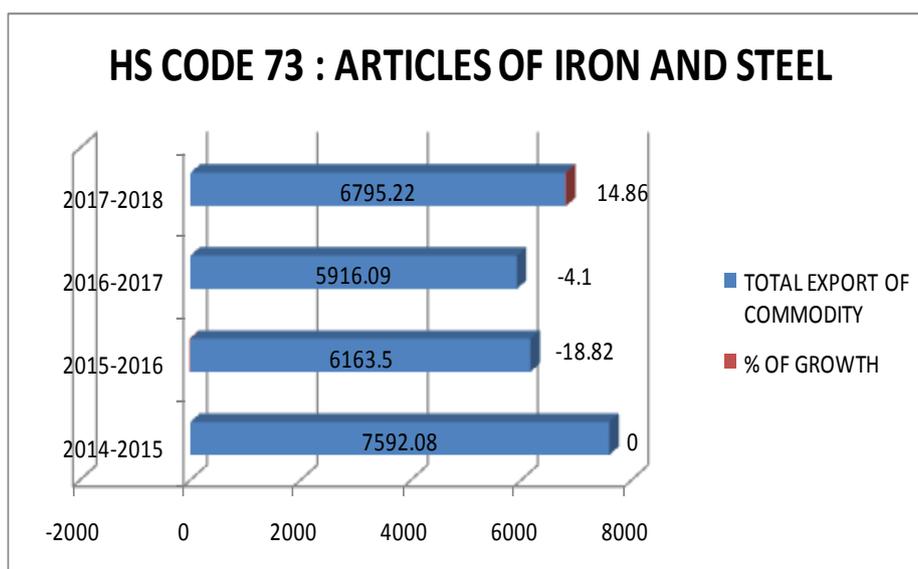
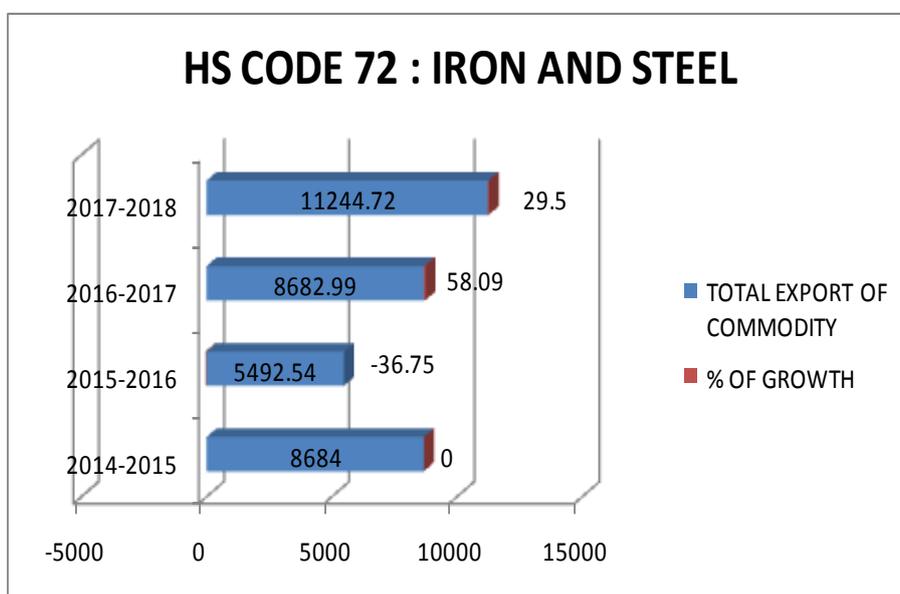
Is also one of the Eurozone peripheral countries hit by the crisis. Slow growth in the Euroarea hit India's export of engineering products to the region. The percentage of CAGR 2014-2018 regarding Portugal, the growth of iron and steel at 6.45 percent. India's percentage of share in Portugal's import during 2017, was 3.95 percent and in 2018 it stood with marginal decline, to 2.40 percent. The highest growth recorded in aluminum and its articles during 2017-2018 period. Electronic goods also registered growth in India's share in 2018.

⁴⁸ *India Trade Portal. Ministry of Commerce and Industry, Govt. of India.*

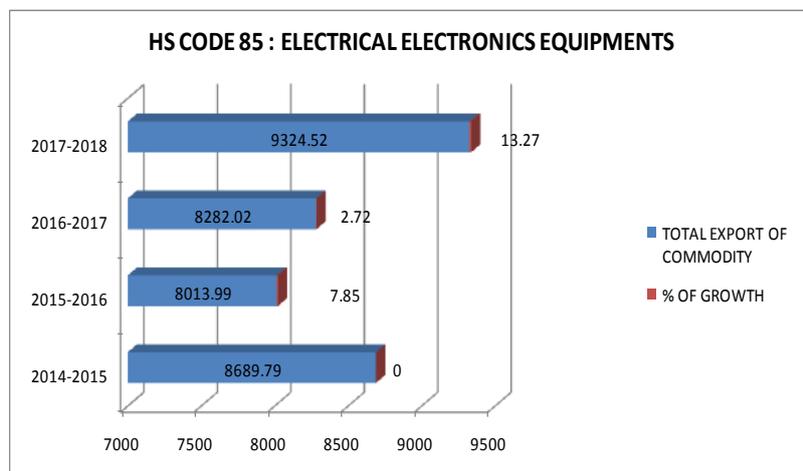
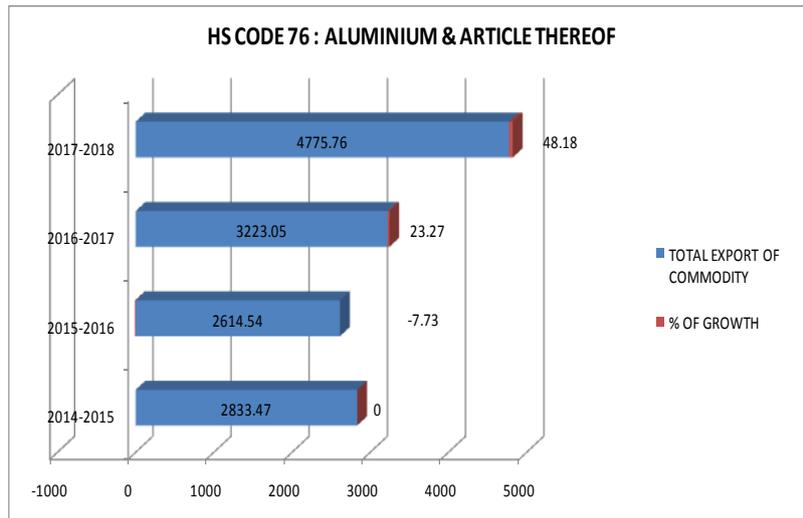
Figure No. 2.26

Export of Different Engineering Sub-Categories to Spain⁴⁹

Value in US \$ Million



⁴⁹ Ministry of Commerce and Industry. Export- Import Data Bank, Govt. of India.



4.19 Spain

Spain is among top ten countries who receives India's engineering exports. The major engineering items India exports to Spain are iron and steel aluminium articles and articles of electrical and electronics equipments. During 2015-16, all the major item of engineering record negative growth among them iron and steel recorded highest negative around 37 percent.

All the engineering sub categories record of Growth rate in negative terms during 2015-16. Eurozone was still in grip of financial during this time. In 2016-17, all the commodities record a positive growth rate except HS Code 73. But in 2017-18, India's export recorded a positive feature with increase in commodities and with growth rate.

During the year 2017-18, the engineering export reached its all time high which stood at \$ 76 billion, a growth of 17 percent year on year. The share of engineering exports is 25 percent in countries total merchandise exports, also it is job provider to millions of skilled and semi-skilled persons. Iron and steel shows a robust growth during April-March 2017-18. The US was the leading market for industrial machinery. In the European Union, United Kingdom was the largest importer.⁵⁰

We have analyzed India's export of different sector categories to Eurozone countries especially the countries which were hit hard by the crisis. All the categories, i.e. textile, gems and jewellery, leather and engineering, exports record decline during the crisis particularly from 2010-2013. The Euroarea countries also record declining trend in their growth rate and high unemployment rate. The deceleration of growth in Eurozone countries discouraged imports. But as the crisis impact is fading away, the import demand is surging. Indian export is also heading Eurozone with positive growth.

After achieving unprecedented growth of over 9 percent for three consecutive years between 2005-06 and 2007-08 and its recovery, though solely from the global financial crisis in 2008-09, the Indian economy is going through challenging times. During 2013-14 the prediction for growth was 5 percent at factor cost. The uncertainty in the global outlook was due to the crisis in the Eurozone. The slowdown is also persistent in other emerging economies, India's economic growth has declined from 8.3 percent per annum during 2004-05 to 2011-12 to an average of 4.6 percent in 2012-13 and 2013-14. Inflation is also posing a challenge. However, the average Wholesale Price Index (WPI) inflation declined in 2013-14 but it is still above comfort levels.

As for as international trade is concerned the share of India's export and imports increased. In 2000 it increased from 0.7 percent to 0.8 percent and 1.7 percent and 2.5 percent in 2013. The share of merchandise trade has improved from 21.8 percent in

⁵⁰ Ghosal, Sutanuk (2018) "India's Engineering Export hit all Time High of \$ 76 Billion". Economic Times. <https://m-economictimes.com.edn.gmpproject.org/v/s/m/economictimes.com/news/economy/indicators/india-engineering-export-hit-all-time-high-of-76-billion-amp-articlehow>.

2000-01 to 44.1 in 2013-14. The merchandise export rose to US \$ 312.6 billion in 2013-14.. India's total exports registered a growth of 8.9 percent in April-May 2014. During the same time, the value of imports declined.⁵¹

The 2008-09 financial crisis hit the world growth prospects. The growth slowed down not only in the developed world but also in emerging economies. As the world recovered from the 2008 crisis in 2010 the crisis in Eurozone frightened the world. The world economic outlook cut the growth rate. India's economic growth which was 7.6 percent in 2011, down to 6.7 percent in 2012 and the United Nations growth forest further cut it to 6.9 percent in 2013.⁵²

The Chief Economic Advisor of India **Raghuram Rajan** said that *"India must not treat Eurozone crisis lightly even though the crisis may appear to be playing out at a distance as the country is vulnerable through the impact on trade financing and capital flows."*⁵³

4.20 Measures Taken by the Reserve Bank of India and the Government of India

The Government of India tried to tackle the crisis by providing fiscal stimulus. The fiscal stimulus package was given so that domestic economy could be strengthened. To strengthen the capital of financial institution, the government also tried to provide liquidity.

- Reserve Bank of India also tried on its level. The RBI announced a number of measures so that the small business could be provided credit on easy terms.
- Tax rebate was provided by the Government of India to manufactures to pull down the costs. All these efforts of the government start showing positive results.

⁵¹ *Economic Survey 2013-14*. Government of India p. 16,17.

⁵² *"World Economic Situation and Prospects"* (2012) United Nations Publication. Academic Foundation. New Delhi. p. 20.

⁵³ *"India Must Not Take Eurozone Crisis Lightly"*: Chief Economic Advisor Raghuram Rajan. (2012) Economic Time <https://m.economictimes.com/news/economy/policy/india-must-not-take-eurozone-crisis-lishtly-cheif-economic-advisor-raghuram-rajana/articleshow/15609040.cms>.

- Government of India were thinking to diversify its trade in wake of Eurozone crisis. Though it is true that Europe is one of the major market of Indian textile and leather sector but owing to the crisis, the demand of these Indian sectors decline in Europe. So, in the economic survey 2014-2015 government emphasised to diversify the export destinations. Now more focus has been provided in African and Latin American region.
- A custom duty on imported flat -rolled stainless steel had been increased from five percent to seven and half percent to encourage the domestic stainless steel industry.
- A number of measures had been highlighted in union budget 2013-2014 to facilitate investment in infrastructure. The corpus for Rural Infrastructure Development Fund had been raised.
- The current account deficit can be reduced by boosting the level of export, it is also true in relation to the volatility of exchange rate. As the global economic slowdown is prevails, the policy initiatives must be an alternative markets and to improves the supply side.
- The criteria of Invest Subvention Scheme (ISS) has been broaden so that more items could be included.
- To support small and medium enterprises interest subvention has been increased from two percent to three percent.
- Financial Sector Legislative Reform Commission (FSLRC) was set up on March 24, 2011. The main aim to set up the commission to bring change in Indian financial system. The commission proposes change in legal and on institutional level.⁵⁴

⁵⁴ *Economic Survey 2013-14.* Government of India. Ministry of Finance. Department of Economic Affairs.p.99.

- Another mechanism that was set up by the Government of India in 2010 was Financial Stability and Development Council (FSDC). The aim of the mechanism was to maintain financial stability and promotion of the development of financial sector. The chairman of the council is the finance minister.⁵⁵
- On April 18, 2013 the government took many steps to boost foreign trade under Foreign Trade Policy. Duty on leather products reduced from 7.5 percent to 5 percent. Duty has also been reduced on precious and semi-precious stones. For garment industry zero excise duty has been implemented at the fiber stage for cotton.⁵⁶
- Relaxation provided to Qualified Foreign Investors to invest equity market in India.

⁵⁵ Ibid. p.100

⁵⁶ Ibid. p.130