



# Indian Economy: It's brightest future with seaways

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## Abstract

The importance of seaways has increased as international trade has expanded. As far as the Indian subcontinent is concerned, shipping plays an important role in the transport sector of India's economy. Maritime transport, which plays a vital role in the development of the country, comprises ports, shipping, shipbuilding and ship repair, and inland water transport systems. According to the Ministry of Shipping, Government of India, approximately 95% of the India's trade by volume, and 70% by value, is moved through maritime transport. India is among the top 20 leading countries having large number of merchant fleets in the world. The Gross Tonnage (GT) under the Indian flag was 10.1 million GT as of 1.09.2010, with as much as 1029 ships in operation. The growth of Indian economy is dependent upon growth in international trade, and hence the great importance attached to the growth of seaport infrastructure. GDP in India is dependent upon exports as they account for a major percentage of the GDP. International trade is growing both by way of Exports and Imports through seaways. Hence, Seaways provide ample opportunities for the growth of Indian Economy.

Keywords: seaways, Indian Economy, Shipping industry, Sea routes, Economic Development, Export, Import, GDP.

## Introduction-

### Indian Economy-

The economy of India is characterized as a middle income developing market economy. It is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the International Monetary Fund (IMF), on a per capita income

basis, India ranked 142<sup>nd</sup> by GDP (nominal) and 124<sup>th</sup> by GDP (PPP) in 2020. From independence in 1947 until 1991, successive governments promoted protectionist economic policies with extensive state intervention and economic regulation, which is characterized as dirigisme, in the form of the License Raj. The end of the Cold War and an acute balance of payments crisis in 1991 led to the adoption of a broad economic liberalization in India. Since the start of the 21st century, annual average GDP growth has been 6% to 7%, and from 2014 to 2018, India was the world's fastest growing major economy, surpassing China. Historically, India was the largest economy in the world for most of the two millennia from the 1st until the 19th century.

### **Seaways-**

Sea transport is the most important water transport, because it has certain advantages over land carriage. The sea offers a ready-made carriageway for ships which, unlike the roadway or railway, requires no maintenance. Water surfaces are two-dimensional and, although sea-going vessels frequently keep to shipping lanes, ships can travel, within a limited number of constraints, in any direction. Because of floatability and reduced friction, ocean vessels are capable of carrying far greater loads and far greater weights than can be handled even by the longest railway train, the most powerful lorry and trailer, or the largest aircraft; accordingly, ocean transport is usually the cheapest of all forms of transport.

Again, except for fog and floating ice, and occasionally stormy weather which may hinder progress, ocean-going vessels have fewer physical obstacles to surmount than those which so often handicap overland transport. Ships have been used for transport right from early times. During Graeco-Roman times a fundamental distinction was made between long ships or galleys, used for military purposes, and round-ships for trade. The Vikings had a similar distinction.

During more recent times ships have shown an even greater specialisation and several distinct types of commercial vessels gradually evolved. Today about half a dozen main types of merchant ships are recognised – passenger liners, cargo-liners, bulk-carriers, tramps and coasters, and short-sea traders. The most spectacular development, however, has been the appearance of bulk-carriers, the most important of which are tankers, the product of the oil age. Recent years have witnessed a tremendous growth in the size of tankers, a number of which now exceed 5, 00,000 tons dead-weight.

Today, more than half of the world's merchant shipping tonnage comprises tankers, a fact indicative of the great importance of oil in the modern world. Although ships have freedom of movement and are capable of going virtually anywhere on the ocean surface, they tend to keep to certain "lanes". They do so because of: (i) physical conditions, and (ii) economic considerations. Clearly, ships will go only where there are goods or people to be carried and the most important shipping routes are those linking

the most productive and most populous regions. Certain physical conditions also help to determine the routes followed by ships, e.g., the availability of harbours and ports on coasts, weather conditions such as fog and storm occurrence, and oceanographically factors such as sea ice and icebergs, submarine banks, and shallow waters.

### **Literature Review-**

As per Mukherjee (2001), India has the largest merchant shipping fleet among the developing countries and ranks seventeenth in the world in terms of gross registered tonnage (grt) and fifteenth in terms of deadweight tonnes (dwt). It has been estimated that around 90 per cent of the world's merchandize and commodity trade is transported by to large no. of people. The seaways lead to international transaction. And it also helps in providing employment. It is very helpful for Indian Economy in every aspect. According to Akhil Salim (2015), the transportation sector is a strong factor in terms of economic and regional balanced development, as well as also having a great influence on national integration to the world economic market. India has a rich history of trade across seas. Ports constitute an important economic activity in coastal areas. The higher the throughput of goods and passengers year-on-year, the more infrastructure, provisions and associated services are required. These will bring varying degrees of benefits to the economy and to the country. According to Behnam, A. & Faust, P. (2004), Over the last 50 years seaborne trade has seen a remarkable development. Shipping carries the vast majority of international trade with its share ranging between 80 and 90 per cent of trade. This predominance is particularly pronounced in developing countries where trade structures including the low volumes of intraregional trade leave limited space for land transport and air transport. In terms of trade value, of course, the shipping share is considerably lower with various estimates hovering around 60 to 70 per cent of trade.

### **Objectives –**

- The purpose of this study is to find the importance of seaways.
- To identify the Seaways potential in increasing Indian Economy.
- To find out the role of Shipping Industry in development of nation.
- To know the impact of seaways in Indian Economy.

### **Methodology-**

The study is based mostly on the secondary sources of data including vast literature review, reports of relevant studies and surveys, census reports, government publications and a desk review of various

websites. The research investigated the role of seaways in growth of Indian Economy. However attempt is made to use reliable official data as a basis of analysis and policy prescriptions.

### **Indian Shipping Industry: an ocean of opportunities for Indian Economy -**

The importance of seaways has increased as international trade has expanded. The growth of Indian economy is dependent upon growth in international trade, and hence the great importance attached to the growth of seaport infrastructure. GDP in India is dependent upon exports as they account for a major percentage of the GDP. International trade is growing both by way of Exports and Imports and therefore, there is a need for strong supporting infrastructure. This infrastructure will be by means of development of seaports, and connecting the ports by road and rail connectivity. It also includes development of special economic zones in vicinity of the ports and the development of dedicated freight corridors to the port.

India is located on the sea-route linking Europe to South East Asian Countries, Japan, Australia and New Zealand. It has 12 major ports and 200 minor ports servicing the country. It is required to have ports matching international standards in order to meet the growing needs of India's Exports and Imports. It is possible to have good connectivity between Exporters and their customers all over the world by having a good infrastructure network of hinterland connectivity and maritime connectivity.

Since independence, the Indian Shipping tonnage has registered a remarkable growth. The Indian merchant fleet strength stood at 1204 vessels with 10.31 million GRT as on end December 2014, representing 54 fold increases in GRT since independence. The outlay and expenditure on the shipping sector have consistently increased over the plan. Also, there had been numerous attempts held by the governments along with other private and public sector firms to promote shipping in the country. In the subsequent years, there had been growth in developing countries in a varied level in order to improve their economy. Topping the list are most of the Asian countries.

The growth in international trade & the removal of trade barriers has made the developing countries to concentrate more on the improvement of their infrastructure, like roads, airports, seaports, which played a vital role in the development of the economy. All these things together with product storage and the capacity to move large shipments have placed the shipping industry in a very advantageous position. Eventually, various other aspects of shipping had been developed over years such as - Containerization, multi-modal transport services, advancement of marine engineering technology, and so on.

As far as the Indian subcontinent is concerned, shipping plays an important role in the transport sector of India's economy. Approximately, 95 percent of the country's trade by volume (70 percent in terms



of value) is moved by sea. There are two geographical factors that put the Indian maritime sector at an advantageous position –

i) The vast coastline of 7,500 km- With a coastline close to 7517 km and 12 major & 187 minor ports India happens to be a potential destination for shipping and transshipment in the futures to come. The classification of Indian ports into major, minor and intermediate has an administrative significance. As per the federal structure, and according to its constitution, maritime transport falls under the "concurrent list", to be administered by both the Central and the State governments. While the Central Shipping Ministry administers the major ports, the minor and intermediate ports are administered by the relevant departments or ministries in the nine coastal states.

ii) The second being the strategic location along most major shipping highways.

### **Important trade routes of seaways**

- Crude and product imports from the Gulf, Malaysia, and Nigeria -  
India imports around 40 million tonnes of crude and 20 million tonnes of products every year, chiefly from the Gulf, Malaysia, and Nigeria. While Indian ship-owners have a considerable stake in this trade, liberalization, and relaxation of norms has allowed private-sector refineries to make their own shipping arrangements.
- Iron ore exports from India to East Asia -  
India exports around 30 million tonnes of iron ore annually, 70 percent of which is directed toward Japan, China, and South Korea. Iron ore exports are predominantly made on an f.o.b. basis, implying lack of opportunity for Indian ship-owners. It should be noted that globally iron ore shipments are made in large Cape size and Panamax vessels. These vessels, however, constitute a small portion of the Indian fleet.
- Coking coal imports from Australia to Visakhapatnam, Paradip and Haldia -  
India imports around 10 million tonnes of coking coal, chiefly from Australia, by Handymax vessels for consumption by public sector steel majors like SAIL & RINL and Tata Steel. Indian ship-owners, led by SCI, have a share of 4 million tonnes.
- Thermal coal from Haldia, Paradip, and Vizag to Chennai and Tuticorin -  
More than 14 million tonnes of thermal coal moves along the coast from Haldia, Paradip, and Visakhapatnam to Chennai and Tuticorin primarily to meet the fuel requirements of coal-fired power plants of the Tamil Nadu Electricity Board. The responsibility of making necessary shipping arrangements is borne by Poompuhar Shipping Corporation (PSC), a government of

Tamil Nadu undertaking. The firm along with its three Handymaxes, hires around 10 vessels of similar size from Indian shipping companies like - Great Eastern, Tolani, Surrendra Overseas, Essar and Varun Shipping, on a one year time charter basis by way of open tender and in case of need, more vessels are also hired on a spot charter basis.

- Iron ore from Visakhapatnam and Paradip to JNPT and minor ports in Gujarat -  
Around 3 million tonnes of iron ore move in Handymax vessels from the eastern ports to JNPT and Magdalla for shore-based steel plants of Ispat and Essar respectively.
- Crude oil from Bombay to various major ports like Kandla, Cochin, and Chennai -  
Coastal movement of crude oil to the extent of 10 million tonnes while the above routes account for around 8 million tonnes. Crude originates from Bombay High oil fields of ONGC off Bombay and is chiefly bought by oil majors like IOC, HPCL, and BPCL for their shore-based refineries.
- Fertilizer and fertilizer material -  
India had been an importer of 5 million tonnes of fertilizer and 3 million tonnes of rock phosphate and sulphur, chiefly in small size Handymax and Handysize vessels. Imports are made nearly at all the major ports of the country, of which, more than 60 percent of the imports are routed through the East India ports. Better infrastructure facilities at ports such as JNPT have led to prospects of future fertilizer imports being made in Panamax vessels to capitalize on economies of scale.
- Containers -  
India exports and imports around 1 million TEU's each, mainly through Bombay, JNPT, and Chennai. USA, Western Europe, and East Asia are the chief destinations through transshipment ports of Dubai, Colombo, and Singapore. Only one Indian player, SCI, has a role in container shipping. However, most of the leading global container lines like NOL-APL, Maersk-Sealand and P&O-Nedlloyd offer services to Indian shippers.
- Coastal shipping -  
Compared with global trade, coastal trade has remained quite stagnant and today accounts for around 40 million tonnes of cargo, chiefly comprising four bulk commodities viz. crude, products, thermal coal and iron ore. This is primarily because of the typical contours of our country which favors roadrail transport more than coastal shipping. This, added to lack of

proper regulatory support to coastal ship-owners and lack of proper integration with road/ rail network has led to present scenario of low coastal trade volumes.

➤ Cement -

Cement is another important commodity moving between various minor ports, in smaller 2,500 - 4,000 dwt vessels. Gujarat Ambuja Cement was the first company to set-up bulk-handling facilities to transport cement by sea. Narmada Cement, which has been taken over by L&T, is also using coastal shipping for transporting cement between ports in Western India. Other companies who have used coastal shipping for movement of cement include L&T, Saurashtra Cements, etc.

### **Analysis of the Indian shipping industry –**

#### **Market segmentation:**

The shipping industry is not limited to only transportation; it also entails other related industry as well. The shipping industry can be classified into the following segments based on their business function. Though there are many companies which operate in more than one segment.

- Shipbuilding industry –

The Indian shipbuilding industry currently accounts for a mere 1% of the global shipbuilding market. At present India have 27 shipyards of which 19 belong to the private sector. The current cumulative shipbuilding capacity of Indian shipyards is around 0.5 million deadweight tonnage. The major players in this market are private players such as ABG shipyard and Bharti shipyard along government controlled Hindustan shipyard and Cochin Shipyard. Together these four account for more than 70 percent of the market share. Of late a lot of companies from the infrastructure segment are showing an interest in this industry like L&T, TATA Steel and some other carrier companies like Mercator Lines and Apeejay shipping.

- Shipping transport industry/Freight or Cargo Industry -

At present, there are 235 shipping companies in India in which the shipping corporation of India is the largest accounting for about 33% of the total tonnage. India has one of the largest merchant shipping fleets with about 997 vessels and is ranked 17th in the world. Most Indian shipping companies ply on Indian shipping routes only to meet Indian export and import demands; however, a few companies like GE shipping also do business on global routes.

- Ship - breaking industry -

The Indian ship-breaking industry has a global market share of 25 percent. Alang in Gujarat is one of the world's largest ship-breaking yards. The Andhra Pradesh authorities gave conditional approval to a mega ship-breaking project on Vodarevu beach. The other ship-breaking yards are in Pipavav and Bombay. The ship breaking industry is located in India because of the availability of cheap labor and also a lax government attitude towards stringent regulation of environmental laws.

- Ports -

India has 13 major ports and about 200 non-major ports covering an extensive coastline of 7517 Km. the port sector has witnessed a substantial growth in cargo traffic leading to utilization levels of almost 94%. Taking this into account government has called for capacity expansion projects on a PPP basis with the private players. The major revenue stream is port charges. Recently, ports have started collecting congestion charges due to over congestion at the ports. Revenues also come from sources like demurrage collection, port handling activities, storage of containers, providing Depot services, etc. In order to improve efficiency productivity and quality of services as well as to bring in competitiveness in port services, the port sector has been thrown open to private sector participation. The Major Port Trust Act, 1963 permits private sector participation in major ports invites Foreign Direct Investment (FDI) up to 100%.

- Offshore industry -

The offshore industry comprises of support services to the exploration and production (E&P) activity of oil and gas in offshore areas. The industry includes a wide array of activities ranging from drilling rigs, marine construction, port support/terminal services to development of oil field and production of support facilities.

- Others -

Ship sale & purchase, ship engineering & manning personal are also a part of the shipping industry.

### Findings –

The research findings indicate that seaways play an important role in the growth of Indian Economy. The Indian shipping industry has been growing in the last two decades; however the competitive position of the Indian shipping industry needs to be strengthened. Government of India has been supporting the growth of the industry through various measures. Government has a role to develop



Indian port sector, which would contribute to the growth of the Indian shipping. The players in the shipping and associated sectors have also a role to play for the development of the industry, for it to carve a niche in the world shipping map. Indian shipping industry needs to team up with foreign consortium of fleet owners to tap the growing LNG transportation business. Indian ship builders must focus on benchmarking their own processes to international standards to improve the efficiency, delivery time, price and quality.

### **Conclusion –**

Given the present scenario, India appears to be among the major economies in the world. Seaways constitute an important role in the transport sector of India's economy. The seaways is essential for both the exports and imports from the country as 90% of the countries international trade takes place through sea ports. India will require a vibrant and strong maritime industry for economic & strategic reasons. There are many factors conducive to the development of a robust and sustainable maritime sector. Finally, it will depend on how the different stakeholders utilize the opportunities presented to them to transform the sector into an engine of growth for India. Therefore it can be convincingly concluded that India is on the cusp of major maritime revolution which will play out over the next couple of years.

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