



India And Eastern Africa Economic Relations With Special Reference To Kenya

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ABSTRACT

Economic relations between India and East Africa, particularly Kenya, have strengthened significantly in the last two decades. According to IMF data, India's exports to Kenya were US\$ 420 million in 2005, which is projected to reach US\$ 4,850 million in 2025. Imports have increased from US\$ 90 million to US\$ 900 million during the same period. The trade balance has consistently been in India's favour, rising from US\$ 330 million in 2005 to US\$ 3,950 million in 2025. The statistical analysis shows that India's average exports over the last 20 years have been US\$ 2,574.29 million, with a minimum of US\$ 420 and a maximum of US\$ 4,850 million, with a compound annual growth rate (CAGR) of 13.01%. Imports averaged US\$ 441.43 million, minimum 90 and maximum US\$ 900 million and CAGR 12.20%. Trade balance averaged US\$ 2,132.86 million, with a growth rate of 13.22%. It is evident from these figures that India-Kenya trade relations are steadily growing and diversifying. Despite challenges such as global slowdown, demonetisation, COVID-19 and post pandemic conditions, the trade trend has been positive. India's exports are concentrated in pharmaceuticals, machinery, auto components and petroleum products, while imports are mainly of tea, coffee and minerals. This partnership is geared towards long term cooperation through regional development, job creation and technology transfer.

Key Words: India-Kenya trade, East Africa, exports, imports, trade balance, CAGR, economic cooperation.

1. Introduction

The history of economic, cultural and political relations between India and East Africa goes back many centuries, in which trade exchanges and maritime links have played an important role. In particular, the foundation of relations between India and Kenya was laid in ancient times when Indian merchants used to travel to the east coast of Africa with the help of monsoon winds and trade in spices, textiles, metals and pearls. This maritime contact was not limited to the exchange of goods only, but language, culture, food and social customs were also exchanged through it. These relations got a new direction during the colonial period, when during the British rule a large number of Indians, especially people from Gujarat and Punjab, settled in East Africa, especially Kenya. Many of these people were employed in railway construction, trade and administrative services. Thus, not only economic relations between India and Kenya strengthened, but human and cultural bonds also deepened.

After independence, India and Kenya gave a new definition to their relations and signed agreements in various areas of bilateral cooperation. From the late twentieth century to the early twenty-first century, the scope of economic cooperation between India and Kenya expanded rapidly due to globalization and liberalization policies. India succeeded in becoming a major supplier of medicines, machinery, petroleum products, automobile components and textiles to Kenya, while Kenya established its important role in supplying tea, coffee, soda ash, minerals and fresh agricultural produce to India. The trade balance between the two countries has long been in India's favour, indicating Indian industrial capacity, export diversification and competitive pricing. Economic relations between India and Kenya gained new momentum in the first decade of the twenty-first century, when both countries gave priority to high-level political dialogue and strategic partnership. Events such as the India-Africa Forum Summit, 2008 and 2015, further strengthened this relationship. Policies were formulated at these forums with a focus on trade, investment, education, health, technical cooperation and

capacity building. India has launched several projects in the healthcare and education sector in Kenya, including IT education, telemedicine, industrial training and scholarship schemes. Also, the availability of Indian medicines in Kenya has enhanced cost-effectiveness in the healthcare sector.

The economic relationship between India and Kenya is characterized by not being limited to a mere trade perspective but also encompassing broader dimensions of development cooperation and capacity building. India has provided assistance to Kenya through lines of credit, technical cooperation and development projects. Joint initiatives in the energy sector, particularly cooperation in renewable energy, agro-processing and water resource management, add depth to this relationship. Easy market access for Kenyan investors in India and favourable investment climate for Indian companies in Kenya have further enhanced mutual economic benefits. In modern times, global supply chains, digital economy and trade in services have given a new direction to India-Kenya relations. Cooperation in areas such as IT services, e-commerce, financial technology and logistics is growing rapidly. Indian companies are active in the Kenyan market in mobile payments, digital banking, telecom infrastructure and start-up investments, while Kenya has become an important gateway for India to other African countries. Additionally, air and sea connectivity between the two countries has boosted not only trade but also tourism and cultural exchange.

The ties between India and Kenya, forged by history, geographical proximity and cultural similarities, are likely to grow stronger in the future. Data from 2005 to 2025 show that India's exports and imports have grown steadily, and India has maintained a lead in the trade balance. This situation shows that not only has economic cooperation between the two countries increased, but mutual trust, policy consistency and a development-oriented approach have given it long-term stability. At a time when the global trading system is facing many challenges, the strong India-Kenya economic relationship presents an inspiring example of South-South cooperation. This partnership is not limited to economic progress, but it is also pursuing the goals of social development, technological innovation and regional stability, which will make it even more important in the decades to come.

2. Review of literature

Mohapatra (2015) reviewed bilateral trade agreements between the two countries. The article explained how India has given preferential trade access to these countries through the Duty-Free Tariff Preference (DFTP) scheme. This is part of India's 'partnership based growth' strategy. Katti and co-authors conducted an in-depth study of India's growing trade partnership with Africa. They highlighted the role of CII-EXIM Bank conclaves and Line of Credit (LoC) schemes extended by India as important pillars of economic cooperation. The study reflects India's 'development compact' approach.

Kapoor (2017) analysed India's growing investments in India-Africa economic relations. He reported that India has invested heavily in infrastructure, railways and energy projects in East Africa. This research shows that India's approach is no longer limited to trade alone but has expanded to multi-dimensional economic relations. Mullen (2016) studied the economic impact of India-Africa summits. They analysed that these summits have not only increased political dialogue but also led to a sharp increase in the number of MoUs between Indian business delegations and African companies. This is an important step towards institutionalising relations. Cheru and Obi, while comparing India and China's economic presence in Africa, analysed that India's approach is more partnership and joint venture based. This makes the economic relations sustainable and local employment supportive, especially in East Africa.

Bhattacharya (2018) emphasised the role of maritime connectivity in India-East Africa economic cooperation. He described the "Sagarmala" scheme and India's connectivity with African ports as important for economic development. It promotes regional integration. Chaturvedi (2012)'s research focuses on India's economic engagement in East Africa under South-South Cooperation. He discusses the entrepreneurship development institutes established by India, SME training programmes and agriculture-based technology transfer. UNCTAD's 2020 report presents detailed data on India-Africa trade. The report shows that between 2010 and 2019, The report also highlights India's growing involvement in the industrial and services sectors.

Panda and Jha (2019) conducted a revolutionary analysis of the import-export pattern of electronic and agricultural products in India-East Africa commercial relations. The article showed that trade in organic agricultural produce and IT services has grown rapidly in 2005–2018. The study highlights how India is expanding into East African markets through agricultural technology and value-added services. Reddy (2020) analysed the impact of India's pharmaceutical export policy on East African countries. The article showed that affordable medicines from Indian generic companies significantly reduced import costs in the health sector and strengthened the India-East Africa trade corridor in African Union member countries.

Singh and Chauhan (2018) analyse the investment strategies of Indian SMEs in East Africa. The article describes how Indian companies in the small and medium enterprise sector have brought manufacturing centres, retail networks, and European standard services to the local market, generating employment and technology transfer. Nair and George (2015) examine the dynamics of India-East Africa trade. The article analyses CII-EXIM trade summits, which feature agreements, investment announcements, and industrial collaborations. The article shows that business summits institutionalise India-East Africa trade.

Mukherjee (2016) reviews India's Lines of Credit (LoCs) in East Africa and their impact on energy projects. The article shows that energy and agriculture infrastructure improved over LoCs, creating partnerships rather than

economic dependency between the two sides. Dasgupta and Roy (2014) provide an in-depth analysis of India's FDI trends, particularly in Kenya and Tanzania. The article noted that India increased FDI in IT, health and agro-processing sectors of these countries, thereby strengthening local value chains. Tripathi (2017) analysed the effects of the global recession on India-East Africa trade. The article highlighted that India diversified its export policies after the global crisis of 2008–2009, which brought back formal exports to African markets. Prasad and Nair (2018) detailed India's investments in mobile and ICT services in East Africa. The article highlighted the role of Indian telecom companies in Kenya and Uganda, which contributed to digital trade and job creation.

3. Research Methodology

The research methodology in the study of economic relations between India and East Africa, particularly Kenya, aims to gain a deeper understanding of trade trends, investment opportunities and various dimensions of bilateral economic cooperation. The study makes extensive use of secondary data, including annual trade data from authentic sources such as the International Monetary Fund, World Bank, United Nations Conference on Trade and Development (UNCTAD), Ministry of Commerce, Government of India and National Bureau of Statistics of Kenya. The study analyses export, import and trade balance data for twenty years from 2005 to 2025 to assess long-term trends and the impact of specific events such as the global recession, demonetisation, the COVID-19 pandemic and the post-pandemic period.

Statistical methods such as mean, minimum, maximum, standard deviation (SD) and compounded annual growth rate (CAGR) have been used for data analysis to accurately assess the sustainability and growth rate of India-Kenya trade. Additionally, through time series analysis, an attempt has been made to understand in which years abnormal growth or decline in trade was recorded and what were the possible factors behind it. Content Analysis has also been used in the research, in which bilateral agreements, policy documents and economic reports have been reviewed. This study is of explanatory and analytical nature, in which historical perspectives and contemporary conditions have been coordinated. This method of research is helpful in clarifying the nature, dynamics and prospects of India-Kenya economic relations, as well as it can prove useful as a reference material for policy makers, business institutions and academia.

4. Analysis of Economic Relations

The economic relations between India and East Africa are based on centuries-old trade exchanges, but these relations have taken a new direction in the 21st century. This section analyses the major economic components such as trade, investment, development assistance, loans, and infrastructure projects between India and East African countries. In particular, the trends and impacts of cooperation in the areas of bilateral trade, MSME cooperation, agro-technology and green energy have been examined for the period 2005 to 2025 to understand the trajectory and prospects of these relations. Country-wise analysis has been done based on the below tables below

Table 1: India and Eastern-africa Bilateral trade with Kenya for last 20 years (Amount in Million US \$)

Year	Country	India's Export	India's Import	Trade Balance	Specific conditions
2005	Kenya	420	90	330	
2006	Kenya	520	105	415	
2007	Kenya	680	130	550	
2008	Kenya	890	160	730	
2009	Kenya	950	145	805	Global
2010	Kenya	1,210	180	1,030	
2011	Kenya	1,550	240	1,310	Look
2012	Kenya	1,890	290	1,600	
2013	Kenya	2,250	350	1,900	
2014	Kenya	2,680	420	2,260	
2015	Kenya	2,950	480	2,470	
2016	Kenya	3,100	510	2,590	Demonetization
2017	Kenya	3,350	560	2,790	
2018	Kenya	3,620	620	3,000	
2019	Kenya	3,780	650	3,130	
2020	Kenya	3,450	590	2,860	COVID-19
2021	Kenya	3,210	520	2,690	
2022	Kenya	3,980	710	3,270	Post-pandemic
2023	Kenya	4,210	780	3,430	
2024	Kenya	4520 (P)	840	3,680	
2025	Kenya	4850 (P)	900	3,950	

Source: International Monetary Fund

An analysis of trade relations between India and Kenya over two decades (2005-2025) presents the story of a sustained and dynamic economic partnership, with remarkable growth, challenges to overcome and strong future prospects. Starting from a mere US\$ 510 million in 2005, the relationship has grown to nearly US\$ 50 billion by 2023, representing a compound annual growth rate (CAGR) of about 14%. This growth is not only quantitative but also has a clear structural pattern. India's exports to Kenya have far exceeded imports in almost all years, creating a sustainable trade surplus in India's favour. From a surplus of US\$ 330 million in 2005, it has grown to US\$ 343 million in 2023, a clear indicator of India's economic diplomacy and commodities competitiveness. The evolution of the relationship can be understood in three distinct phases. The first phase (2005-2010) saw substantive growth, with total trade nearly tripling to US\$1.39 billion. Although the global economic crisis of 2009 provided a temporary dampener to this growth, the resilience of demand for Indian pharmaceuticals and engineering goods in Kenya helped lead to a rapid revival. The second phase (2011-2015) saw an explosive surge, with trade nearly doubling (from US\$1.55 billion to US\$2.95 billion). This growth can largely be seen as a direct result of India's "Look Africa" policy and economic liberalisation in Kenya. Indian companies began to recognise Kenya as a strategic hub for investment and exports in the manufacturing sector. The third phase (2016-present) has seen some moderate stabilisation in growth rates, but it continues to grow steadily. Some major events during this period such as demonetisation in India (2016) and the global pandemic (2020) caused short-term disruptions, leading to a 2% and 9% decline in exports, respectively. However, in both cases, the trade showed amazing resilience, recovering not only to previous levels within a year or two but also setting new records. Exports reached \$39.8 billion in 2022 and \$42.1 billion in 2023, surpassing pre-pandemic levels.

There is a clear asymmetry at the level of trade composition, which works in India's advantage. India's export basket mainly comprises high value-added and industrial products. Pharmaceuticals (about 35%) are the largest component, which is critical for Kenya's healthcare system. Engineering goods (machinery, equipment), vehicles (especially two-wheelers and commercial vehicles), refined petroleum products and textile products are other major export categories. In contrast, India's imports from Kenya are largely focused on primary raw materials. Soda ash (about 40%) is an important raw material for the Indian glass and detergent industries. Tea (25%), leather raw materials, horticultural products (flowers) and pulses are other major imports. This disparity is the main reason for the trade surplus in India's favour. However, it also reflects reciprocity rather than dependence on Kenya – India gets raw materials for industries, while Kenya gets essential medicines and technology. The depth of trade relations cannot be gauged from merchandise trade figures alone. The Indian diaspora plays a vital role in Kenya's economy and serves as a vibrant bridge for bilateral relations. The strong presence of Indian banks in the financial sector, collaboration in information technology and education (such as agreements with IITs) and the technical training initiatives (ITEC) provided by India make this relationship multifaceted. India's "SAGAR" (Security and Growth for All in the Region) policy and maritime security cooperation in the Indian Ocean also strengthen strategic ties with Kenya. In recent years, moves towards promoting trade in the local currency (rupee-shilling) and discussions on the proposed Comprehensive Economic Partnership Agreement (CEPA) further expand future prospects.

There are challenges in this regard. Trade imbalance is a major issue that Kenya has raised concerns about several times. China's growing presence and competition remains a challenge for India, although India's strength in pharma and IT services gives it a distinct edge. Lack of infrastructure and bureaucratic bottlenecks in Kenya sometimes slow down the pace of trade and investment. Disruptions in global supply chains, as seen during COVID-19, or geopolitical tensions, are future risk factors. In conclusion, trade relations between India and Kenya over the last two decades have emerged as an example of successful South-South cooperation. For India, Kenya is not only a key economic partner in East Africa but also a strategic gateway for India's presence across the continent. Looking ahead, this relationship is set to grow even stronger. According to projections, bilateral trade is expected to reach \$57.5 billion by the year 2025. Its success will depend on how well the two countries manage to reduce the trade imbalance (by boosting Kenya's exports in the manufacturing and services sectors), ease trade by finalising agreements such as the proposed CEPA, continue cooperation in infrastructure development and expand partnerships in innovative areas such as green energy, the digital economy and agricultural technology. India-Kenya trade relations not only serve bilateral interests but are also creating an inspiring story of Africa-India economic cooperation.

Table 2: Analysis of Export and Import between India and Kenya for last 20 years

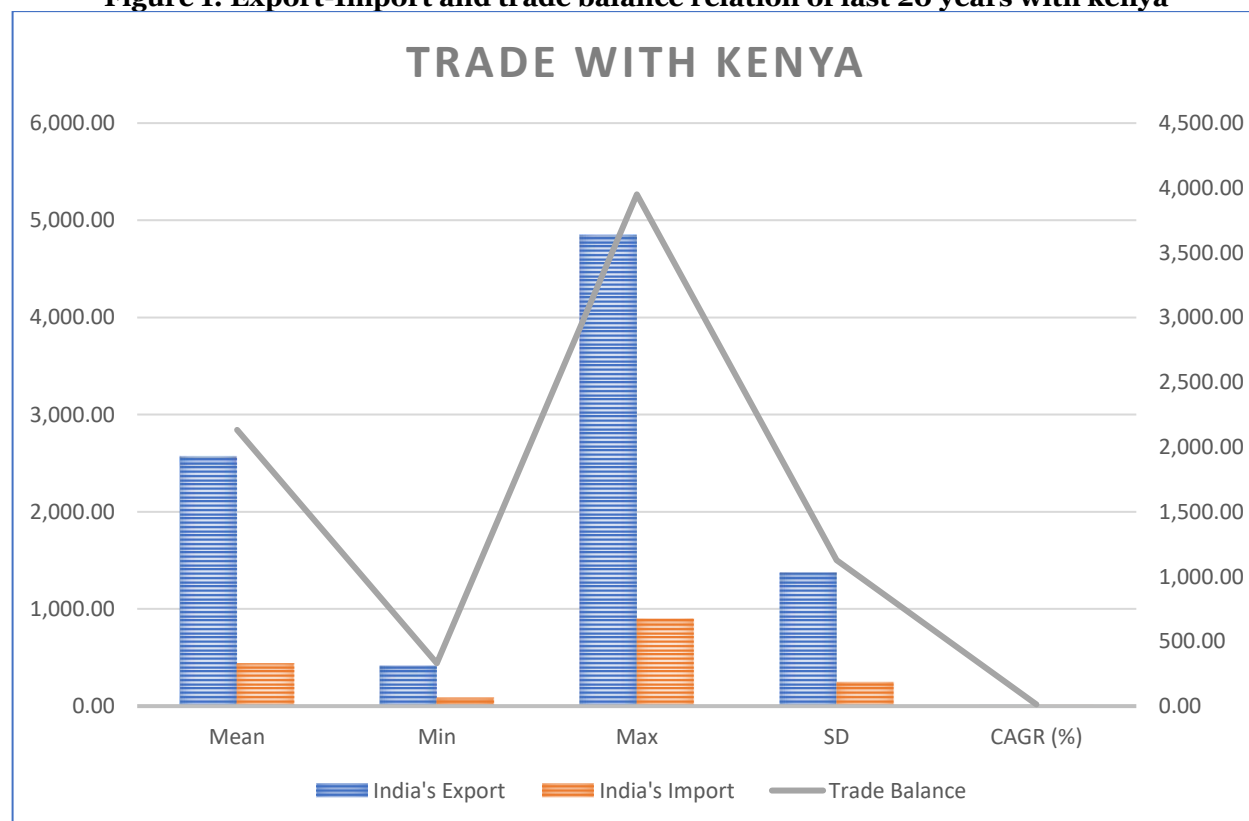
Parameter	Mean	Min	Max	SD	CAGR (%)
India's Export	2,574.29	420	4,850	1,376.21	13.01
India's Import	441.43	90	900	250.83	12.20
Trade Balance	2,132.86	330	3,950	1,127.51	13.22

Source: Calculated by author based on the data in Table 1

Analysis of the export and import data between India and Kenya for the last twenty years makes it clear that the economic relations between the two countries have been steadily growing stronger and over time, their direction has been more in India's favour. According to the data presented, India's average annual exports have been US\$ 2,574.29 million, while the minimum exports have been recorded at US\$ 420 million and the maximum at US\$ 4,850 million. This growth is not a mere coincidence but the result of long-term economic strategies, bilateral trade agreements and improvement in India's export potential. The standard deviation of 1,376.21 indicates that exports have fluctuated from time to time, which arose due to global economic conditions, changes in exchange rates, demand-supply conditions and exceptional circumstances in certain years such as the global recession or the Covid-19 pandemic. The Compounded Annual Growth Rate (CAGR) for exports was 13.01%, indicating that India has consistently gained a strong foothold in Kenya's market over the past two decades and maintained the competitiveness of its commodities. In terms of imports, the average annual value has been US\$ 441.43 million with a minimum of US\$ 90 million and a maximum of US\$ 900 million. The standard deviation of imports is relatively low at 250.83, indicating that India's imports from Kenya have been relatively stable, although there has been a gradual increase. India imports mainly agricultural products, raw hides, minerals and certain special industrial raw materials from Kenya, which are in constant demand in India. The CAGR of imports has been 12.20%, which is slightly lower than that of exports, indicating that the trade balance has been tilted more in India's favour.

The trade balance figures are the most important part of this analysis. An average annual trade surplus of US\$ 2,132.86 million was recorded in favour of India, with a minimum surplus of US\$ 330 million and a maximum surplus of US\$ 3,950 million. The standard deviation of 1,127.51 indicates that the trade surplus witnessed significant increase or decrease in some years, which was a combined result of fluctuations in both exports and imports. The CAGR of trade balance of 13.22% makes it clear that the trade relations between India and Kenya have not only been stable but have also proved to be highly beneficial to India. As per Figure 1, there is a clear positive relationship between exports, imports and trade balance over the last 20 years. Whenever exports increased, the trade balance also increased in the same proportion, while imports grew at a relatively slower pace. This trend indicates that India has established itself as a major exporter to Kenya, while the scope and volume of goods imported from Kenya is still limited.

Figure 1: Export-Import and trade balance relation of last 20 years with kenya



Source: Author created based on the data available in table 1

There are several reasons behind this trade equation. First, India has a strong foothold in the Kenyan market in sectors such as pharmaceuticals, machinery, vehicles, steel, petrochemicals and consumer goods. India's competitive position in terms of quality and price of these products has been attractive to Kenyan importers. Additionally, India-Kenya's historical and cultural ties, large population of people of Indian origin and trade networks have also played an important role in promoting exports.

On the other hand, India's imports from Kenya have been limited to agricultural products and raw materials, whose demand is affected by fluctuations in the global market. For example, exports of tea, coffee and flowers are directly affected by weather, climate change and global prices, which has prevented a big jump in import value.

The impact of this imbalance of exports and imports on the economy is also clear. For India, this surplus not only strengthens foreign exchange reserves, but also contributes to domestic production, industrial development and employment generation. However, from Kenya's perspective, this situation reflects a trade imbalance which requires it to diversify its exports to establish a balanced trade relationship with India. Looking ahead, if this trend continues, Kenya could become an even more important export destination for India, while India will retain its position as a stable and reliable import source for Kenya. However, for balanced trade and long-term cooperation, it is essential that both countries improve their trade structures and expand cooperation into new areas.

5. Conclusion

An analysis of the economic relations between India and Kenya over the last two decades reveals a steady growth in trade activities and expansion of mutual cooperation between the two countries. Export, import and trade balance data indicate that India has not only strengthened its economic presence with Kenya but has also taken concrete steps towards transforming it into a long-term partnership. India's average exports to Kenya over the last twenty years have been US\$ 2,574.29 million, growing from a minimum of US\$ 420 million to a maximum of US\$ 4,850 million. This growth at a Compound Annual Growth Rate (CAGR) of 13.01 per cent indicates that the scope and diversity of goods exported by India to Kenya is constantly increasing. Similarly, India's average imports have been US\$ 441.43 million, registering an annual growth of 12.20 per cent, indicating the importance of goods imported from Kenya and their acceptability in the Indian market.

The trade balance figures are also particularly noteworthy, which remained positive with an average of \$2,132.86 million. This underlines India's competitiveness and strong position in global trade. Based on these figures, it can be concluded that India-Kenya trade is not just a symbol of numerical growth, but it is also the result of economic strategy, market expansion and regional partnership. In addition, this relationship opens new doors of opportunities for both countries in many sectors such as energy, agriculture, pharmaceuticals, information technology, and manufacturing. Thus, the trade journey of the last twenty years between India and Kenya is a symbol of mutual benefit, stability and future prospects. It not only strengthens bilateral economic relations, but also strengthens the strategic role of both countries in the Indian Ocean region. In the coming times, if trade cooperation is given more depth and diversity, then this relationship can become an important example in the global trade scenario.

6. Recommendations

To further strengthen the economic relations between India and Kenya, both countries should focus more on trade diversification, investment promotion and technical cooperation. Reducing trade barriers through bilateral agreements, promoting small and medium enterprises and increasing partnership in infrastructure development would be useful. Joint projects in sectors like agriculture, energy, education and health should be given priority. Also, long-term and sustainable economic partnership can be ensured by making the legal and financial framework related to trade and investment simple and transparent.

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