International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11 November- 2022
ISSN: 2249-7382 | Impact Factor: 8.018|
(An open access scholarly peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

Impact of Foreign Trade on The Economic Growth of India

Dr. Sandeep Kurmi, Assistant Professor
Department of economics
Govt Shyam Sundar Agrawal PG College Sihora Jabalpur
Email: patel.sandeep54@gmail.com

Abstract

The economic exchange of a nation's goods and services reflects, in part, the country's global linkages as a whole in the context of international trade. Examining the volume of exports and imports is a good way to get an idea of the degree of development that has taken place. The consensus among economists is that more international commerce boosts both GDP and individual levels of productivity. It is hard to overstate the importance of international commerce and trade, in particular for the economies of developing countries; this is especially true in the case of overseas trade. This article uses India as an example to show why it is important for emerging nations with big populations to participate in international commerce. When a nation participates in international commerce, it contributes to the expansion of its economy. The Indian government's decision to liberalise the country's economy in the external sector has resulted in significant shifts in India's trading relationships with other countries across the world. The purpose of this research is to investigate the factors that contributed to the expansion of India's economy beginning in 1991 and focusing specifically on the role that trade had in that expansion. According to the findings, while both exports and imports have grown in absolute terms, the pace at which imports have increased has been far quicker. It is important to keep in mind that the majority of exports are composed of manufactured items, while the majority of imports are comprised of petroleum and unrefined products. According to the findings of the research, economic openness and exports both contribute to the growth of India's economy, while imports act to hold it back.

Keywords: *Exports, imports, and the trade balance all contribute to economic growth.*

Introduction

In recent decades, international trade has become an increasingly important factor, not only for the economics of a country but also for the overall level of life of its population. When a company engages in international commerce, it does not only buy and sell products and services but also sends and receives money in a foreign currency. If a nation does not have the essential infrastructure, it will not have the financial resources to create the commodities and services that are required by its population. As a direct consequence of this, it is not feasible for any nation to fulfil all of its own material requirements via domestic production alone. Therefore, it is necessary to engage in some kind of bartering. Trading internationally would make it easier for people all over the world to take advantage of economies of scale and worldwide specialisation, which are two results of the globalisation of science and technology. Trading internationally would make it easier for people to take advantage of economies of scale and worldwide specialisation. Emerging nations need an increasing amount of resources to maintain their economies as their people expand. It is generally agreed that exports have the capacity to stimulate economic development. According to this hypothesis, the local industrial activity of a country would see an improvement in profitability if the country's goods were able to compete more effectively on worldwide markets. As a direct result of this, a greater amount of resources are used, more jobs are created, a greater amount of external finances are drawn, etc. Therefore, it was predicted that business would occur across international boundaries. When a country engages in international commerce, it is able to reach a larger audience. It is feasible that an increase in exports will both accelerate economic growth and raise national production. The greater engagement of a country in international commerce has the potential to revitalise an economy that has been doing poorly and to put that economy on the path that leads to prosperity and advancement. A boost in demand from other countries may cause an increase in output, which would then lead to decreased costs per unit. It is possible that increased exports may result in increased export growth owing to a greater use of already existing capacity and reduced pricing. It's feasible that a rise in exports might lead to an increase in job opportunities. The ability for a country to increase its exports is a strong indicator of increased investment in that nation, which is beneficial to that nation's economy.

Role of International Trade

Characteristics of Foreign Trade

- It is deemed to have been exported from the country of origin and imported into the country of reception when a product is transferred or sold from one party in one nation to another party in another country.
- The part of the balance of payments known as the current account is the one that calculates how much money a country earns from its exports and imports.
- As a result of the expansion of global trade, both consumers and governments may have the opportunity to obtain access to hitherto undiscovered categories of products and markets.
- Food, clothing, spare parts, oil, jewellery, wine, stocks, and currencies are just some of the goods that may be acquired on the global market. Other things that can be purchased on the global market include water.

- Tourism is an example of a service that might be traded for another one. Additional examples include the financial sector, consultancies, and the transportation industry.
- The structure of international trade is influenced in various ways by a number of variables, including but not limited to globalisation, industrialization, outsourcing, and the existence of multinational firms. The most recent technological advances, particularly in the realm of transportation, have a significant impact.

Foreign Trade In India

- The concept of Indian businesses expanding their operations into neighbouring countries is not a novel one in India. Even as early as the year B.C., India was already used to doing trade with other countries.
- Around the year 100 AD, a sailor from Alexandria wrote a book titled "The Periplus of the Erythraean Sea," in which he described in great detail the trade that took place between many countries, including India. The sailor did not provide their identity when questioned.
- Europeans have been making the journey to India through the ocean route ever since the year 1498 in order to do business with the many kings who reside there. Spices such as pepper, ginger, cinnamon, cardamom, nutmeg, and mace were among the most sought-after products to be exported during that time period. Another thing that was quite popular was cloves.
- Between the years 1947 and 1991, the economy of India functioned as if it were a closed market in every respect. On products that were brought in from other countries, very high tariffs were imposed. There were restrictions put in place regarding FDI (foreign direct investment).
- However, with the liberalisation of trade in 1991, there was a discernible uptick in foreign business activity.

India's Foreign Trade Policy

- When a product or service is sold or transferred from one country to another, the transaction is considered to have happened in two countries: the country of origin and the country of receipt.
- The current account is the part of the balance of payments that looks at both the goods and services that are brought into and taken out of the country.
- Because of global trade, both consumers and governments may be able to get access to products and markets that they haven't seen before.

International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11 November- 2022
ISSN: 2249-7382 | Impact Factor: 8.018|
(An open access scholarly peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

- Some of the things you can buy on the global market are food, clothing, spare parts, oil, jewellery, wine, stocks, currencies, and even water. Just a few examples are listed above.
- One service that can be traded for another is providing tourism. The transportation industry, consulting, and finance are some other examples.
- The structure of international business is affected by a number of factors, such as globalisation, industrialization, outsourcing, and the presence of multinational firms. Using cutting-edge technology has a big effect, especially in the transportation field.

Trends in Foreign Trade

- On a global scale, intense competition between countries, industries, and enterprises is a new development owing to the convergence of numerous main developments.
- These are some of the current trends:

		January 2022 (USD Billion)	January 2021 (USD Billion)	January 2020 (USD Billion)	Growth vis-à-vis January 2021 (%)	Growth vis-à-vis January 2020 (%)
Merchandise	Exports	34.50	27.54	25.85	25.28	33.45
	Imports	51.93	42.03	41.15	23.54	26.19
	Trade Balance	**-17.42**	**-14.49**	**-15.30**	**-20.23**	**-13.91**
Services*	Exports	26.91	17.37	18.36	54.95	46.57
	Imports	15.83	9.88	10.90	60.32	45.33
	Net of Services	**11.07**	**7.49**	**7.46**	**47.86**	**48.38**
Overall Trade (Merchandise+ Services)*	Exports	61.41	44.90	44.21	36.76	38.90
	Imports	67.76	51.91	52.05	30.54	30.19
	Trade Balance	**-6.35**	**-7.00**	**-7.83**	**9.30**	**18.92**

** Note: The latest data for services sector released by RBI is for December 2021. The data for January 2022 is an estimation, which will be revised based on RBI's subsequent release. (ii) Data for 2019, 2020 and April to September 2021 are revised on pro-rata basis using quarterly balance of payments data.*

International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11 November- 2022
ISSN: 2249-7382 | Impact Factor: 8.018|
(An open access scholarly peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

Fig 1: Overall Trade during January 2022*

Fig 2: Overall Trade during April-January 2022*

Forced Dynamism

- Trends in politics, culture, and economics around the world force international trade to change.
- International trade is a complicated subject because the environment in which it takes place is always changing.
- First, corporations keep pushing the limits of economic growth, technology, culture, and politics, which changes the social and economic situation around the world.
- Second, changes in science and information technology, for example, keep putting pressure on international trade to change how it works.

Cooperation among Countries

- Countries work together in a huge number of ways, such as through international organisations, treaties, and talks.
- In general, this kind of cooperation helps globalise the economy by getting rid of barriers and setting rules that make it clearer what corporations can and can't do.
- Countries work together for many different reasons:
- To achieve mutual benefits
- To face problems they can't handle on their own.
- To take care of things that aren't anyone's job.
- Countries can get benefits from each other when they agree on things like transportation and trade that are related to business.
- Also, governments work together to solve problems that they can't solve alone.
- Groups of countries have also agreed to protect the assets of businesses owned by people from other countries and make it easier for goods and services made in other countries to enter their countries.
- Lastly, the countries agree on how to make money from places that are not in their own countries.
- These include outer space (for TV transmission, for example), parts of oceans and seas that are not near the coast (for mineral mining, for example), and Antarctica (for example, limits on fishing within its coastal waters).

Deregulation of International Travel

- Every country has rules about how goods, services, and the people and money needed to make them, like employees and capital, can move in and out of the country.
- These limits make it hard to do business with other countries, and because they can change at any time, the ability to do business with other countries is always in question.
- On the other hand, governments now make it easier for people to move across borders than they did a decade or two ago. This makes it easier for businesses to take advantage of opportunities around the world.
- Governments have loosened rules because they think that in so-called "open economies," consumers will have better access to a wider range of goods and services at lower prices (which have few international restrictions).

International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11 November- 2022
ISSN: 2249-7382 | Impact Factor: 8.018|
(An open access scholarly peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

- By competing with foreign companies, producers will get better at what they do.
- If they loosen their own rules, other countries will follow suit.

Technology Transfer

- Technology transfer is the process of getting commercial technology to people who need it.
- This will be done through a technology transfer transaction, which may or may not be a legally binding contract, but will involve the person who is giving away the knowledge giving it to the person who is getting it.
- There are also technology transfers that are not for profit, like those found in international cooperation agreements between developed and developing countries.
- These agreements could be about building infrastructure or improving agriculture. They could also be about international cooperation in areas like research, education, employment, and transportation.

Growth in Emerging Markets

- The rise of emerging markets like India, China, Brazil, and other parts of Asia and South America has had a big effect on international trade.
- Emerging markets have made international trade bigger and more valuable, and they have also made it possible for a new generation of innovative businesses to start up.

Benefits of Trends in Foreign Trade

- International commerce has been profoundly impacted by the rise of developing markets such as India, China, Brazil, and other regions of Asia and South America.
- Emerging markets have made international trade even bigger and more valuable, and they have also made it possible for a new generation of innovative businesses to start up.

Trends in Indian Foreign Trade

- Forecasts put India's total exports at USD 61.41 billion in January 2022*. It's up 38.90% from January 2020 and up 36.76% from the same period last year.

- In January of 2022*, imports are projected to hit USD 67.76 billion. Compared to the same period a year ago, this is a rise of 30.54 percent, and compared to January 2020, this is an increase of 30.19 percent.

Conclusion

International commerce is essential to the prosperity of any country because of the profound effect it has on GDP (GDP). Its principle function is to promote global economic growth and development. Taking advantage of the opportunities presented by international commerce was formerly much more challenging, but has become much easier with the advent of new technologies, increases in communication, and changes in infrastructure. International commerce broadens a nation's access to new markets for its products. A rise in exports boosts national production, which in turn may stimulate growth in the economy. Boosting a country's participation in international commerce may help revive an economy that has been stuck in a rut and set it back on the road to development and prosperity. Increased production in response to increased worldwide demand might lead to economies of scale and reduced unit costs for firms. Since increased exports would better utilise current capacity, resulting in cheaper costs, this might lead to an increase in the quantity of goods exported. Increasing exports is one strategy for increasing job opportunities. Potentially higher exports might provide insight on a country's underlying investment, which could aid in the growth of the economy.

References

1. Awdhesh Pathak, "An Analysis of India‟s Foreign Trade Policy (2015-20). Altius Shodh Journal of Management and Commerce: ISSN 2348-8891.
2. Bhagwati J. (1962): Indian Balance of Payments Policy and Exchange Auctions‖, Oxford Economic Papers.
3. Chanda, R (2005), "Trade in Financial Services: India‟s Opportunities and Constrains", working paper No.152, ICRIER, New Delhi
4. Dr. M. Rajarajan (2015), "An Empirical Study on Foreign Trade in India". Asia Pasific Journal of Research: ISSN 2320-5504.
5. Dr. M Suresh Babu, Professor, DOM, SV University, Tirupathi, Andhra Pradesh, India.
6. *John, K. C.; Kevin, S (2004). Traditional Exports of India: Performance and Prospects. Delhi: New Century Publications. p. 59.* ISBN 81-7708-062-8.

International Journal of Research in Economics and Social Sciences(IJRESS)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11 November- 2022
ISSN: 2249-7382 | Impact Factor: 8.018|
(An open access scholarly peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

7. Kumar, R. and Sengupta,A. (2008). Towards A Competitive Manufacturing Sector. ICRIER
8. Working Paper No. 203
9. Sharma, K. (2003). Factors determining India‟s export performance. Journal of Asian Economics, 14, 435-446.
10. Pradhan, J.P., Das,K. and Paul,M. (2011). Export-Orientation of Foreign Manufacturing
11. Affiliates in India: Factors, Tendencies and Implications. Eurasian Journal of Business and Economics, 4 (7), 99-127.