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A Study on the Impact of Globalisation in Promoting of Foreign Trade in the Growth and Development of Indian Economy

*¹Dr. Srinivasa Padmakar Sivalanka

*¹Visiting Professor, Department of Commerce & Management, P.G., Dr. B.R. Ambedkar Open University, Study Centres, Hyderabad, Telangana, India.

Abstract

For the growth and development of economy of any nation, the economic activities like industry, trade, Commerce, and business are very crucial and highly significant. Among the various classification of trade, foreign trade is a driving force for recording high rate of national economy. Through foreign trade, exchange of goods and services may happen between the countries with the cordial bi-lateral and multi-lateral trade relations. Exchange of goods and services through the exports and imports between the countries will fulfil the needs of people of those countries. These are the result of bilateral negotiations and cordial relations prevailed between the countries.

All the goods and services which are needed for the total population in the country may not be possible to manufacture in the country itself due to lack of infrastructure, resources, skills and technological advancements and scientific knowledge and human resources. With all these reasons, many countries will depend mostly on imports from various countries. For ex: our country mainly depending on Arab countries and gulf countries for crude oil which is very much required for daily public transportation services, cooking gas. Like that many countries depending on various imports of food grains, cloth, material, electronic goods, wheat etc. for their public survival.

Not only goods and services, but also information technology, scientific knowledge, plant, machinery, and equipment, needed for heavy industries, software and hardware technology and software equipment and software programming development., medical and surgery equipment also will be imported from certain countries for their needs and economic growth and development. At the same time exports also be made to other countries from the manufacturing countries, consequent on the bilateral agreements.

Balance of trade and balance of payment, if surplus balance is maintained it is measuring scale to decide countries bill payment capacity. A specific range of foreign trade relations at high peak level between countries also treated as 'Most favoured nation' giving priority to deal with trading activities with a particular country. It is status to specific country. It is a globalisation effect.

Advanced countries also like USA, Germany Canada, Australia, and Japan are hiring their services to many countries. Importing human resources by creating employment opportunities to foreign expert in their project which is the result of globalization.

This is a comprehensive paper which studies in depth and examines how the foreign trade between countries leads to growth and development of national economy of a country and how the foreign trade surplus can be achieved and how a country is self-sufficient by minimising imports and maximising the exports and, also how the balance of payments situation shall be improved overcoming the disequilibrium situations.

Keywords: Balance of trade, balance of payments, forex reserves, credit worthiness, self-sufficiency, multi-lateral trade relations

Introduction

Foreign trade shall be made between the countries beyond the borders is an economic activity of a country with a commercial interest exchanging good and services. To maintain good and cordial relations with other countries, a country will export their surplus goods and services to needy countries with a view develop the economic condition of country through foreign trade. Many small and medium level countries in the world are not self-sufficient in manufacturing all the good and services to fulfil the needs their population.

Moreover, many countries cannot manufacture all the commodities due to lack of infrastructure, resources,

technology, skilled and technical labour and with more cost effective. They may feel that importing of goods and services are more economic and convenient instead of manufacturing with risk. With this concept, international trade is more beneficial for both exporter and importer. Exporter earns foreign exchange for their country importers gets the material for the consumption for their population.

Therefore, the various countries will give top priority in framing foreign trade policy. Keeping, in view of the national economic interest, needs and requirements of the people; suitable foreign trade policy will be framed in the respective countries. It is one of the measuring sticks in the hands of

developing country for the growth and development of economy. Many countries in the world strongly consider that the foreign trade is priority sector for the boost up of their economy. Along with other priority sectors.

With the foreign trade the countries will develop with the coordination and cooperation of other advanced countries who have technologically developed. Through the international trade, not only trade the goods with other countries but also the exchange of technology, scientific knowledge, atomic energy technology, air space technology, defence equipment, advanced medical technology equipment, and satellite and rocket launching technology also, many countries they are getting as a part of bilateral and multilateral trade relation from other countries under the globalisation concept.

Significance of the Study of Foreign Trade

Foreign trade with other countries having significant role in a country economic development financially and in maintaining cordial trade relations between the countries. Through the exports, not only the goods and services, infrastructure development equipment, facilities are sharing to other countries. By creating transportation facilities through air ways and waterways with other countries, facilitating foreign trade for smooth shifting of goods and services between the countries. With that infrastructure and trade and transportation facilities trade relations, cordial healthy relations between various countries will be developed.

Foreign trade through exports, bilateral relations between countries will be developed. Exchange of good and services are to be facilitated, so that the countries will have great relief from the burden of manufacturing sparing huge investments. Through the export trade countries will earn foreign exchange by selling their goods and services outside needy countries. It's a source revenue to the countries for their growth and development of economy. Our expertise services will also be spared for foreign countries like medical, transportation, construction, software programming, hardware technology., space technology services, defence equipment operation training etc., These are all the result of cordial relations between countries consequent on the bilateral agreements made by the countries with thorough negotiations at different levels.

Through the imports we can purchase needy equipment, plant, machinery, material food grains, electronic equipment, cloth, essential commodities from foreign countries where they are available abundantly through the bilateral agreement. Cordial bilateral relations between countries will facilitate to import needy goods and services. Moreover, we can hire the services of different kinds to foreign countries in the technology, medical and equipment, defence, space technology and atomic energy department.

Review of Literature

1. Hariprasad E and Bhavani Prasad (2018)^[5] in their article Impact of foreign trade on Indian Economy, on Pre and post liberalisation period before 1991 and after 1991, how the foreign trade greatly influenced on the growth and development of Indian Economy., GDP of the nation and industrial economy., employment opportunities, exchange of goods and services, bi-lateral relations between country are greatly influenced by the foreign trade policy of a country. They recognised and identified the importance foreign trade keeping in view of the above concepts.

2. A study on foreign trade literature revealed that the balance of trade and balance of payment, greatly influenced by the foreign exchange rates in conversion of the currency into foreign dollars. The rates of foreign exchange rate enhanced by the federal reserve it will affect on many countries economy.
3. Govardhan. P (2020)^[6] in his research paper studied the impact of foreign trade as engine and accelerator for the development of entrepreneurship in a country. The growth of ExIm trade is the main measuring stick for a country creditworthiness. He further found that in his study that the export and imports were remarkably increased of our country between 2011-12 to 2017-18 due to number remedial steps and economic reforms taken in favour of foreign trade. It creates a constructive and healthy environment between countries participating foreign trade and to have a positive balance of foreign trade.
4. Michel Alessandrini *et al.*, (2009) through their working paper series (2009) of Asian Development Bank, examined and observed in their deep study that the L.P.G. concept improved the benefit of advantage to many manufacturing industries in creating global demand for their products and services and recognised the India trade specialization quality., brand image, innovativeness, creativity, and with affordable competitive pricing strategy to attract and capture foreign market.
5. Radha Raghu Rama Pathruni., and Surya Chaitanya (2020) their study examined and evaluates and assesses, the impact of foreign trade on Indian economic growth and development by adopting latest statistical and technical statistical methods. Their paper found and examined a positive relationship between foreign trade of a country and growth and development of economy.

Objectives of the Study

- i). To study the concept and importance of the foreign trade in a country's economic development.
- ii). To explain and examine various aspects of foreign trade like Balance of Trade and Balance of payment, features, objectives, and advantages of foreign trade.

Research Methodology

The data pertaining to this study taken from secondary source both from published and unpublished journals and magazine, internet sources and R.B.I., websites of Ministry of foreign affairs under authorised sources due to non-availability of primary data pertaining to this study.

Scope of the Study: This paper study mainly focussed on the influence and impact of foreign trade on the growth and development of Indian economy. And how the foreign trade accelerate works as engine for the rapid growth and development of economy of a nation GDP. And this study made mainly on the post reforms period.

Conceptual Frame Work of the Study

- a) **Balance of Trade:** The difference of export and import in foreign trade will be considered as the balance of trade. The Excess of Exports over the imports treated as 'Surplus trade'. Excess of Imports over the exports are treated as 'Deficit trade'. Overall meaning of balance of trade is the net difference of trade.
- b) **Balance of Payments:** The difference between trade bill payment from foreign countries and to various countries are treated as balance of payment.

Excess of Exports over imports will generate more foreign exchange revenue to export countries than imports trade bill payment. Then the situation is called surplus in Balance of payments.

Excess of Imports over the exports will have to pay the trade bill payment to various foreign countries from where imports were made. In this situation imports trade bill payment is more than exports bill foreign exchange revenue to the country. It is called Deficit in Balance of payment.

Generally, many developing and underdeveloped countries, the balance of payment is always running with deficit.

The balance of payment position of a country is measuring stick to decide a countries' creditworthiness.

c) Liberalization, Privatization and Globalization (L.P.G):

This L.P.G. concept is the result of industrial and financial sector reforms since 1991. For the boost up of Indian economy this concept has been evolved the then Prime Minister late Sri P. V. Narasimha Rao and the then Finance Minister Dr. Manmohan Singh after the Gulf war to come out of severe financial crisis faced in India to facilitate the payments of import bill and international debts

d) Liberalization: while relaxing the rigid rules and regulations, sanctioning the licenses and permits to all entrepreneurs who wants to start the industrial and business enterprises so that many industrial enterprises will be established for increasing productivity, employment, foreign trade, availability off goods and services and to eradicate unemployment to the educated youth.

e) Privatization: In the place of sick units of public sector enterprises, uneconomic with less productivity and with poor economic performance, their ownership shall be transferred from government to Private Ownership by disinvestment process. Government will take back its stake and invite Private companies to purchase PSUs. This process is meant for handing over the defunct PSUs to Private companies.

f) Globalization: It is a worldwide trading opportunity shall be provided to indigenious industries and manufacturers to encourage foreign trade and to gain foreign exchange by participating trading activities in world competitive market with our export quality products and services. With this many countries manufactured their products with high export quality to keep them up to the international standards to capture world market.

Nature and Objectives of Globalization

Globalisation is meant for the facilitating of foreign trade between countries worldwide removing trade barriers for the free movement of goods and services facilitating free flow of goods and services to meet the demands of consumers. It improves world trade opportunities equally for all countries irrespective of its economic status and without any discrimination. The concept of globalisation is entire world is global village. With competitive spirit, worldwide countries can trade products and services. There is wide choice of goods services. Quality, brand image, quality grade with competitive prices. Every country with research development process, using technology try to meet the customer needs and

desires with innovations. No deficit of goods and services under globalization. The demand for the quality goods and services are available worldwide easily with the reasonable prices.

The following are the main objectives of globalization-for the free movement of Capital, men, material technology transfer:

- i). Free transfer of sharing of knowledge of technology
- ii). Role of Multi level organisations and non-government organisations multiplied.
- iii). Rapid fast growth and development
- iv). Shifting of manpower, labour mobilisation
- v). Improving worldwide internet connecting facility

Merits of Globalization

- i). For the last three decade, there is rapid growth of market and production.
- ii). Markets place coverage improved and enhanced.
- iii). Trade barrier removed. World trade facilities improved.
- iv). Increased the movement of goods and services.
- v). Free flow of capital investments
- vi). Restriction on intellectual property
- vii). Development of global financial system
- viii). Increasing outsourcing in M.N.Cs.
- ix). Increased the role of international organisations W.T.O, I.M.F
- x). Reduction transportation and other trade related costs.
- xi). Growth of foreign direct investment
- xii). Reducing investment barriers
- xiii). Information of organisations through internet and world word web.
- xiv). Online global trade, e-Commerce, digital marketing.
- xv). Habituate the competitive spirit and facing world market challenges

Our country mainly depending on crude oil, electronics equipment, medical advance equipment, software equipment and technology from Arab countries, and Russia and America, Japan Germany and even from China also. We are also exporting rice, food grains and cloth, textile materials to other countries, medicines, vaccines to various countries. After the L.P.G. concept (Liberalization, Privatization and Globalization) since 1991 trade reforms, many developments were happened in foreign trade under globalization concept with close and healthy trade relations of all countries. Moreover, we are all supporting 'under privileged' countries exporting goods, equipment, technology, and infrastructure facilities for their economic development on flexible terms maintaining good and cordial relations with all countries.

This paper will also discuss the following topics of foreign trade under the Concept of globalization.

- a) Concept of Globalisation-its nature and features and Promotion of foreign trade.
- b) Significance of foreign trade and impact of globalisation on promotion of foreign trade.
- c) Globalization-Foreign Direct investment
- d) L.P.G model for Indian Economy.
- e) Advantages of globalisation.

a) Concept of Globalisation: As opined by Mahatma Gandhi, "There is enough in the world for everybody's need but there cannot be enough for everybody's greed." to be frank, Globalization has not worked for the interests of world's poor and downtrodden. Globalisation is nothing but a free flow of goods and services, technology, knowledge, capital, technical support. Moreover, the

globalisation is the process of integrating various economies of the world without creating any problem for the free flow of goods and services worldwide.

b) Significance of Foreign Trade: For the growth and Development of economy of a country foreign trade is also one of the important priority and importance source. Since 1991 L.P.G model economy has developed integrating world economy promoting foreign trade between the countries facilitating free flow of good and service, technology, capital investments, infrastructural facilities, and equipment.

c) Globalization-Foreign Direct Investment: As a part of Industrial development in various countries for gaining industrial economy, employment opportunities, quality productivity etc., Foreign Direct Investments are getting from various N.R.Is on our continuous motivational approaches in our corporate industrial organisation. worldwide, it is a policy to gain industrial economy. Governments are attracting foreign Direct Investments to promote industrial development.

d) L.P.G. Model Economy for the Growth and Development of Indian Economy: Consequent on the introduction Liberalisation, Privatisation and Globalisation in 1991, the then Prime Minister Sri P.V Narasimha Rao and the then Finance Minister DR. Manmohan Singh, both together introduced industrial, financial, and public sector Reforms in India for getting growth in productivity (Liberalisation), overcoming Public Sector Enterprise losses (Privatisation and Disinvestment) and to gain foreign exchange improving foreign trade (through Globalisation). Through this our foreign trade improved and Indian economy developed.

e) Advantages of Globalisation

- i). Reduction of trade barriers, free permits to flow of goods and services.
- ii). Creation foreign trade environment
- iii). Transfer of technology support for research and development for innovative product designs.
- iv). Globalization widens the world market facilitating developing countries for free trade of trade of goods and service, exports gaining of foreign exchange.
- v). Globalization reduces the cost of transportation and communication for free flow of goods and services.
- vi). Foreign trade is a recognition and identity of a particular country with the availability of a product.

Overall concept of, globalisation, is the fast growth of economic engine, technology revolution improving productivity, employment opportunities, reduction of poverty due increasing purchasing power. It is a worldwide trading activity with free flow of goods and services without international trade barriers. It's an opportunity for the industrialists of a country to participate in world trade with healthy competition. And only with the export quality of the goods and services world trade can be facilitated.

Effects and Merits of Globalisation

- i). Foreign Exchange reserves Improved greatly since 1991 from U.S \$ 5.8. billion in March 1991 raised to US \$ @5.2 billion by the end March 1995.
- ii). Total Composition of Principal Imports and Exports are taken into considerations for analysing the impact of globalisation of foreign trade.

- iii). The percentage share of infrastructure capital goods, imports decreased remarkably from 24.23% in 1990-91 to 10.95% in 2000-01.
- iv). The imports of raw material increased from US \$ 18140 million in 1990-91 to US \$ 44982 million 2000-0.
- v). The imports of food grains goods stood at U.S \$ 102 million in 1990-91 decreases US \$ 20 million in 2000-01.

Foreign Trade is a Great Opportunity for the Growth and Development of Economy

Foreign trade is a great opportunity for a country industrial and manufacturers. International demand can be assessed and supply the goods and services and earn foreign exchange revenue. It is a great recognition and identification for the availability of a particular product with specialised brand image with international trademark, Patent and copy right and with intellectual property rights. The following opportunities shall be created with the global trade.

- i). Products of a country will have global competition.
- ii). Quality and export quality goods only can have recognised and traded
- iii). Abundant, employment opportunities shall be created.
- iv). With the employment opportunities, standard of living of the public shall be improved.
- v). Below Poverty line category can gradually be eradicated
- vi). Sophisticated high technology developments will be improved
- vii). Rapid economic growth can be achieved.
- viii). Foreign exchange can be earned.
- ix). Balance of payments shall be regulated.
- x). Direct and indirect employment opportunities will be created.

International Monetary Organisations Supporting Foreign Trade

The following international financial organisations are supporting foreign trade of a country

- i). International Monetary Fund (IMF) established in July 1945 with 189 countries membership in Washington U.S.A.
- ii). World Bank (WB) or IBRD established in 1944 at Bretten woods, New Hampshire.
- iii). New Development Bank (NDB) referred as BRICS it has been came into force 2015 at Shanghai.
- iv). Asian Infrastructure Investment Bank AIIB with 57 members in December 2014
- v). United Nations Conference on Trade and Development (UNCTAD) with 194 members in 1064.
- vi). World Trade organisation (WTO) (GATT) established in April 1994 commenced in January 2015

Data Related to Indian Foreign Trade and its Effect

After independence., first time we experienced deficit in the payments of import bills worth of Rs.435 crores in 1990-91 due to heavy outflow of investments from the country instead of inflow of foreign direct investment. Resulting of which we have suffered with balance of payments crisis in India with a large amount of Rs. 17367/-crores. This situation caused to introduce and implement financial sector reforms strictly and for the introduction of Liberalisation., Privatization and Globalization L.P.G). New industrial policy paved the way for promoting for high productivity, foreign trade and to meet the demand for consumable goods and products. Bala

Table 1: Balance of period of India during post reforms period 1990-91 (In crores)

Plan Period	Trade Deficit	Net Invisibles	Balance of Payments
-1990-91	-16,934.0	-433.0	17367.0
8 th plan 1992-93 to 1996-97	-1,49,004.0	-86,090.0	-62,914.0
9 th Plan 1997-98 to 2001-02	-3,02,334.0	+2,49,159.0	-53,175.0
10 th Plan 2002-03 to 2006-07	-7,76,474.0	+7,70,823.0	-5,651.0
11 th plan 2007-08 to 2011-12	-29,82,716.0	+20,25,906.0	-9,56,910.0
2012-13	-10,64,456.0	+5,84,846.0	-4,79,610.0
2013-14	-8,84,845.0	+6,97,095.0	-1,87,750.0

Table 2: Balance of payment in India during pre-reform period (1951-52 to 1989-90) (Rs. In crores)

Plan Period	Trade Deficit	Net Invisibles	Balance of Payments
1 st Plan 1951-1956	-542.0	+500.0	-42.0
2 nd Plan 1956-1961	-2,339.0	+614.0	-1,725.0
3 rd Plan 1961-1966	-2,382.0	+431.0	-1972.0
Yearly Plan 1966-67-1968-69	-2,067.0	+52.0	-2,015.0
4 th Plan 1969-70-1973-74	-1,564.0	+1,664.0	+100.0
6 th Plan 1980-81 to 1984-85	-30,456.0	+19,072.0	-11,384.0
7 th Plan 1985-86 to 1989-90	-54,204.0	+13,157.0	-41,047.0

Source Economic Survey of India

Balance of payments severely in crisis during pre-reform period between 1985-86-1990 was at Rs.-41,047 crores and very less at Rs.-42.0 crores and favourable at +Rs.3,082.0 maximum in 1974-75 to 1979 and very less favourable at +Rs.100 crores during 1969-70 to 1973-74.

Conclusion

Foreign trade is an important priority sector for many countries, which facilitates, maintaining cordial relations between countries, for earning foreign exchange, exchange of goods and services, scientific knowledge, space technology, I.T. Services. Consequent on the financial sector reforms, introduction of Liberalization, Privatization and Globalization concept playing a significant role in foreign trade in many countries. It facilitates worldwide trading opportunities for manufacturing industrial concerns of a country. Balance of trade and balance of payments equilibrium is also a big challenging concept for many countries. Generally, there will be no equilibrium in trade and payments. In our foreign trade scenario comparatively examined the balance of trade and balance of payments between Pre-Reform period and post-Reform period between 1951-52 to 2013-14. Now the Foreign trade greatly progressive and emerging sector after post Reforms period particularly in our country.

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