

IMPACT OF GLOBALISATION AND LIBERALIZATION ON EXPORTS OF INDIA

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ABSTRACT

Import is one of the important corridors of foreign trade. Export plays an important part in the process of economics development of a country. It isn't only essential for generating foreign exchanges which are necessary for acquiring modern technology and meeting the domestic conditions, but it's inversely significant for establishing international cooperation, collective understanding and artistic relations. It also helps in generating employment, ensures effective use of domestic resource and provides an occasion to display nation's capabilities in international markets. The present study would examine the impact of liberalisation and globalisation on India's exports. It was realised that the Indian economy has for long been sheltered and defended from international competition. The experience of other nations as well as the position of economy development achieved by them had proved beyond mistrustfulness that no country can grow in insulation and the only way to accelerate the pace of economical development was to make it internationally competitive and to integrate it into the global economy. In this regard, it was considered desirable by the Government to launch on the programme of structural reforms to give a new direction and energy to the economy. In July 1991, as part of the massive economical liberalisation, programme, the Government initiated a series of measures. In the short run, these aimed at extremity operation of the economy while in the long run the structural reforms were aimed at perfecting effectiveness, productivity and global competitiveness.

Keywords: Reforms, Efficiency, Productivity, Global, Competitiveness, Development, Globalisation.

Introduction

Economic development in the present period is synonymous with industrialization, which involved operation of a multiple of capital goods and other resources that the developing countries generally don't train. These resources have to be acquired from the advanced countries of the world and as similar, the ineluctable need for foreign exchange need. The need for foreign exchange so urgently felt by a developing country may be met from various resources like foreign sanctioned subventions, aid and loans means dependence of a country's development trouble on the vagrancies and fancies of an outside agency. The amount, quality and timing of these subventions and aids are dependent upon economic conditions and mood of their suppliers. Over and over, similar aid and loans carry with them high servicing charges and prepayment scores. The only reliable source of foreign exchange for developing countries like ours appears to be import earnings. In the environment of the requirements to strive for economic development, development of import, trade and expansion of the import earnings assume strategic significance and it's this pivotal part of exports that calls for formulating an applicable strategy so that the competitive strength of the country isn't only maintained but also vastly enhanced over the times. The present work is a candid trouble in this direction. The work seeks to identify major problems of areas in our import marketing trials and offer some meaningful suggestion for contriving an applicable strategy which could really prove to be a catalyst in strengthening our public economy with the help of an accelerated pace of exports.

Foreign Trade and its Role

With limited import earning and lesser pressure to import experimental goods, an adverse balance, of payments becomes an important specific of a developing country. Specialized know has or bettered technology and ministry have to be imported. Thus, indeed to raise exports, significances tend

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to increase. But this miracle is temporary and need not continue indefinitely. However, it has the necessity to attach a great significance to its foreign trade, if the resource base of a country is limited or its development plan is of big size. Both Adam Smith and David Ricardo, the classical economist, in their separate propositions of "Absolute advantage of trade", and "relative cost" supported natural earnings from international trade. By and large, still, one can say that whatever may be their development strategies, developing countries have no volition but to depend on foreign trade for enhancing their pace of growth. The relationship between economical growth and foreign trade is one of the interdependences rather than of unilateral occasion. K.S. Dhinsa enumerates that *ceteris paribus*, exports contribute to economical growth in three ways (a) They increase gross national product, (b) Import assiduity affects growth through its goods on other sectors i.e., capital conformation, specialized change and re-allocation of resources, and (c) The effect of growth via significances of capital and intermediate goods whose vacuity is essential for transferring securing into investments. As Haberler enunciates, trade is the most important ground for transmission of technological knows - style. Several statistical studies were bearing' by economist in the post war period to determine more precisely, the part of exports in economical development. Advanced rates of economical growth tend to be associated with advanced rates of import growth. He maintain that at first there's close correlation between the growth rate of exports and that of gross public profit, secondly, a country can increase its per capita real GNP by 1 percent for every 2.5 per cent increase in its exports. Therefore, the countries desirous of promoting growth rate should follow the programs conducive to the stimulation of exports. Though due to several internal and external backups, trade couldn't succeed to prove the way of growth of developing countries in the 20th century, yet it still constitutes a crucial position in the economical growth of a country. The part of trade was correctly observed by Prof. Elies worth "Trade or Perish", "Trade or be Poorer". It's salutary to both developing and developed countries. In brief we could conclude that international trade permits further people to live, to gratify further varied tastes and to enjoy a advanced standard of living than would be possible in its absence.

Foreign Trade and Growth- The Indian Experience

Comprehensions on the part of foreign trade in growth have changed dramatically in the last five decades. During the 1950s and the 1960s import negotiation grounded industrialisation represented the dominant growth strategy pursued by several developing countries. The attendant shift in policy station in favour of out word- acquainted trade strategies that started towards late 1970s gathered instigation in the posterior times as a large number of cross-country studies validated the positive relationship between import growth and affair growth. Some substantiation demonstrating the superior growth performance of countries with import - acquainted trade strategies is also available. The theoretical arguments supporting an import- led growth strategy underscores that trade restriction can reduce economical growth by distorting the patterns of resource allocation and by limiting the compass for invention, specialized progress and effectiveness. Trade liberalisation, in turn, could contribute to economical growth by easing technology transmission, international integration of product and the associated possibility for reaping scale agriculture, reduction in prize deformation and increase in effectiveness. In amiss competitive markets, increased competition through trade could bring about weal earnings by reducing the dead weight losses stemming from monopolies and oligopolies. Trade liberalisation could be largely conducive to growth as import' negotiation inflicts static costs on the economy by way of resource misallocation as also dynamic costs by raising the incremental capital- affair rates and by depriving access to new technology. India pursued restrictive import control governance up to the 1970s. Several studies indicate that the major downsides of the exorbitantly inward looking trade governance was that it led to an hamstrung and high cost artificial structure which also negatively affected the prospects of import growth. Picky import liberalisation measures were introduced during the late 1970s. Trade policy measures accepted during the 1980s sought to enhance the access of domestic manufacturers to imported capital goods and raw accoutrements that were else not available indigenously. Likewise the domestic assiduity was exposed to a limited degree of competition by placing named particulars of significances under the open general licensing system. These programs were aimed at making the domestic assiduity cost effective while contemporaneously perfecting their international competitiveness.

The tariff structure continued to remain kindly complex with fairly advanced tariff rates constraining growth by raising the cost of essential growth sensitive significances. Trade policy reforms accepted during the 1990s included sharp reduction in custom tariff, phasing out of the quantitative and other types of trade restrictions and alignment of trade policy with the international commitments. With a clear shift in emphasis from import negotiation to export creation, direct subventions were replaced by circular promotional measures, and reach of import impulses was widened to cover a number of non-traditional goods.

Reflecting the liberalisation of the trade governance, both exports and significances as chance of GDP rose during the 1990. Empirical studies generally find some substantiation for employing trade as an machine of growth in India. Relative static goods of trade policy reforms using a Computable General Equilibrium (CGE) model indicate that trade policy reforms in India could lead to effectiveness- enhancing inter-sectoral factor movements and also gauge agriculture in the manufacturing sectors. Trade reform during the 1990s placed lesser emphasis on perfecting external competitiveness and effectiveness in resource allocation. Trade liberalisation is seen to have led to increase competition, reflected in the drop in the price-borderline cost mark- ups. The commercial response has been in terms of increased combinations and accessions, resort to foreign technology, efforts to ameliorate manufacturing capability by erecting alliances as well as through in house enterprise, product isolation, increased announcement charges and relinquishment of import acquainted growth strategies. Substantiation on enhancement of productivity of the Indian assiduity performing incompletely from trade policy reforms remains unsettled, strong co-movement between exports and affair growth in a liberalised trade environment appears to be the general case which lends support to the need for persisting with open trade governance.

Challenges Faced in Exports

There has been wide under- application of capacity in several units. The slow pace of establishing fresh capacity has also contributed to reducing surplus available for exports. Deficit of critical factors and raw accoutrements as well as power deficit have been substantially responsible for the under application of capacity. The wide power deficit that has been felt in numerous corridor of country is again reflective of the inefficiency of the power generating and distributing systems as also the defective planning of the power generating capacity. The high unit cost of exports leads to another important aspects of the relative profitability of exports and the Indian market. Since the prices of raw accoutrements and outfit, which enter as input in our exports, are frequently much advanced than international prices, procedures frequently find import- deals less seductive. In order to neutralise disadvantage, Government has been extending compensatory support to products belonging to the engineering, chemical, and modern and traditional and some other confederated diligence. There are egregious limitations to a policy like this because under conditions of rising prices and advanced cost of product, it would mean that the cash subventions and other benefits should also increase precipitously by making our exports competitive in international market. There have been multitudinous hurdles in the expansion of capacity also. Considerable time elapses between the submission of an operation for blessing to the Government, its final disposal and the establishment of the undertaking. A multifariousness of department and time-consuming procedures are involved at every stage in regard to operation from both larger houses as well as other businessman. Since the views of these different departments and agencies don't cover on numerous occasions, the cases on oscillating from one section to another without the entrepreneur ever know the factual position. It is, thus, important to borrow a simple procedure within the frame of given socio- economical pretensions of the Government. This is an area, which needs critical attention that new capacity is set up within a proper time sequence. Also, the constraints on the external front are inversely significant as they vastly affect our exports, particularly of manufacture and semi manufacturers⁴. The restrictive trade programs of the rich countries have always acted against interest of developing countries in exporting their non-traditional particulars.

Impact of Liberalisation and Globalisation on Indian Exports

It's honored fact that there has been a large-scale illegal sale of significances and exports in India. Illegal significances have negatively affected the factual stoner import license. It has been delicate for import trade central authorities, to maintain law and order for the actuality of factual users and their significances due to large scale smuggling in import trade. Factual users have been suffering from deficit of essential input due to non-official import conditioning, which has negatively affected the product of import products and accordingly import creation. Further, illegal deals are also observed across borders, which have affected India's balance of trade position, as there has been patient deficiency in it. In Indian economy illegal deals of goods, services and foreign exchanges are being at advanced black market rate than the rate fixed for sanctioned deals. Due to liberalisation and globalisation of Indian economy, the size of smuggling in India should come down but it has increased as indicated by the numbers in crimes and deletions of balance of payment. One of the styles to find out the magnitude of smuggling depends on the size of crimes and deletions shown in balance of payments. The negative numbers of the crimes and deletions indicate unlisted payments for smuggled particulars. The import successfully in a global economy is to get integrated into it. Globalization isn't a simple process of integration with world markets via arm's length market deals. Countries are incorporated in the global economy through a network of international product, trade, and finance. The channels handed by the networks are especially important

for India, which is trying to break into the world market for manufactured goods. An important element of the globalization process is the growth of intra-firm trade, which creates walls to entry for developing countries. This increased the value of links with MNEs for carrying access to world markets. The design of reform programs, which grease India's participation in the global network grease India's participation in the global network of product, needs lesser attention.

Conclusion

India's viability on external trade account would come a living a reality only if we're suitable to finance our significances through our own foreign exchanges earnings. Increased product at home is an important aspect of any strategy to make our economy tone- reliant. Expansion of product leads us to the larger and much- batted question of import negotiation, for accelerating the pace of economical development, easy access to technology is of special significance. This is a problem that's being faced by the developing countries. All by each, at the beginning of the 21st century, India's exports will have to face numerous new import challenges and strategies in the world market. The emphasis of the strategy to manage with this has to be put on the curtailment of domestic demand for bulk particulars of significances, similar as, comestible canvases, sugar and diseases in order to cope., with the arising challenges for exports from the world markets. Effective operation of the domestic demand for petroleum products has come a vital necessity. Contemporaneously, measures have to be taken to insure a sustained growth of exports coupled with effective import negotiation in respect of important bulk import particulars holds the key to a feasible balance of payments. Emergence of protectionist tendencies and other misgivings in the world market are no doubt a serious manacle, but the fact that India's exports constitute about a half per cent of the world exports suggests that the possibilities of growth in exports live and need to be exploited urgently. This is largely dependent upon. The emergence of an effective artificial product system in the economy. Import negotiation has to be accelerated which again calls for a healthy environment for investment in the artificial sector.

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