



“IMPACT OF INTERNATIONAL TRADE IN ECONOMIC GROWTH”

SHIKHA SHARMA

Roll no. A40801922017
MBA FINANCE
Session 2022-24

ABSTRACT :

International trade is necessary for the development of some countries because in the age of international trade, people of one country can easily buy and sell goods to people of another country. The aim of this study is to examine the impact of foreign trade on the economic growth of India and the relationship between international trade and business growth of the Indian economy. The study is based solely on secondary data collected from various journals, trade organizations and Exim Bank. To obtain empirical results, analysis was performed using Pearson correlation and regression models. Studies show that international trade has a positive impact on India's gross domestic product (GDP) and international trade has a positive relationship with India's economic growth (GDP).

INTRODUCTION :

The relationship between international trade and economic development is an important aspect of international trade that determines the development of countries and the well-being of people. International trade, characterized by the exchange of goods and services, plays an important role in driving economic growth by promoting specialization, resource allocation, and technological advancement. The impact of international trade on the growth of the economy is numerous and affects the overall success of the country in many ways. In this next article, the relationship between international trade and economic growth, the opportunities and problems brought by the field of international trade are explained. Gifts. Provides an in-depth study of the processes by which international business fosters economic growth, including the development of employment opportunities, expansion of market size, and acquisition of resources and technology. It also explores the role of trade policy, labor market and international trade dynamics in shaping the impact of globalization on economic development. Through a review of empirical evidence and theoretical frameworks, this article aims to provide a better understanding of the impact of international trade on business growth and its impact on policy makers, businesses and individuals. He emphasized the importance of developing open, fair and inclusive international trade to realize the potential of global trade and promote economic growth and development. Through this research, we can gain a deeper understanding of the changing global economy and its profound impact on the economic outlook of many countries in the 21st century.

Significance of the Study :

Understanding the effectiveness of trade:

Global trade is a key driver of trade and growth. By analyzing its impact, policy makers, economists and businesses can gain knowledge about the factors affecting the country's economy.

Policy Development:

Research in this area informs the development of economic policies designed to stimulate economic growth and increase the efficiency of international trade. Understanding the effects of trade liberalization, tariffs, trade agreements, and trade imbalances can help policymakers create better trading conditions.

Global Competitiveness:

Globalization affects a country's competitiveness in the global economy. Examining its impact helps identify areas where the country has a comparative

advantage and can specialize in production, thereby increasing competitiveness and economic growth.

Income and Employment:

International trade can affect the distribution of income and employment in a country. Research in this area helps policymakers understand the impact of economic inequality and income inequality, allowing them to implement policies that reduce negative impacts and promote growth.

Investment Opportunities:

Impact Analysis The impact of international trade on economic growth can provide insight into investment opportunities both domestically and internationally and in foreign countries. Understanding how the economy affects different industries and markets can help investors make informed investment decisions and make different market allocations.

International security:

International trade and international trade are interrelated. Understanding its impact on economic growth can help policymakers anticipate and address risks and vulnerabilities in the global economy, leading to stability and stability.

Objectives of the Research :

Purpose of the research:

- a. Analyze the impact of globalization on India's economic growth.
- b. To determine the relationship between international trade and economic growth in India.
- c. To determine the relationship between international trade and economic growth in India.

- Scope of the Study
- Limitations of the Study

Research Methodology :

Sources of Data

The study is based on secondary data and case analysis. The necessary information is collected from various sources. Reserve Bank of India, Exim Bank of India, DGFT, Business Administration, Newspapers and various other publications.

Period of the study

The research period is between 2014-2015 and 2018-2019.

Selection of Commodities:

Major agricultural products/commodities were selected for analysis based on their share in India's total agricultural production and exports. these;

Exports:

Basmati rice, processed vegetables, processed fruits, juices and nuts, milled products, non-basmati rice, legumes, fruit and vegetable seeds, spring onions, wheat and berries.

Imports:

alcohol, other processed products, cocoa products, other grains, poultry products, grain products, dairy products, guar gum, flowers and processed meat.

Framework of Analysis :

- Use SPSS software to analyze the impact to analyze the relationship between international trade and growth of Indian economy.
- Using SPSS software to analyze regression models, impact of international trade on economic growth of India as a covariate.

Export:

The term “export” refers to the supply of goods or services produced in one country to meet the needs of another country. The person who sends goods or services is called an exporter, the person who receives goods or services is called an importer, and the person who receives goods or services is called a buyer. Export refers to producing goods or services domestically and selling them overseas.

Import:

The term “import” refers to the supply of goods or services produced in one country to meet the needs of another country. The person who sends goods or services is called an exporter, the person who receives goods or services is called an importer, and the person who receives goods or services is called a buyer. Import refers to producing goods or services domestically and selling them overseas.

GDP:

Gross domestic product (GDP) is the financial measure of the economic value of all goods and services produced in a country over a given period of time. Today, GDP is considered the most powerful indicator in the world to measure the economic growth of a country.

This study adopted the Augmented Dickie Fuller (ADF) test and Autoregressive Distributed Lag Model (ARDL) integration of the Wald test, long-term OLS test, Error correction and unit base requiring brief social evaluations and brief. futures relationship forecast. Test for causality. Different data from Indian Economic Statistics Manual and World Bank database. The data collection period is between 1980 and 2012.

LITERATURE REVIEW :

- Zahoo et al. (2012) examined the relationship between international trade and economic growth using OLS techniques; Their results show that international trade stimulates increases in raw materials, production, labor and output. From this they conclude that international trade plays an important role in supporting the country's economic development.
- Aziz et al. (2014) believe that international trade has a significant and positive impact on economic growth. The results show a positive relationship between exports, imports and trade openness.
- Atoyebi et al. (2010) believes that there is a positive relationship between international trade and economic growth, that is, both international trade volume and high technology exports will have a positive impact on the economy.
- UNCTAD (2013) in its report on globalization and how it affects the poor in India says: Although globalization increases income and work in the economy, its benefits do not reach the poor.
- Giaruzazmi (2011) investigated the impact of trade liberalization on the economic performance of OIC member states that have allowed trade since the 1970s. Research results show that, on average, trade liberalization increases each country's per capita GDP over time, although results vary from country to country, but the share of exports, imports, and trade in GDP did not improve after trade liberalization.
- Shresh and Kishore (2012) studied the impact of international liberalization on the Indian economy using the Solow model as the basis of an analysis. Their findings show that globalization and open markets increase aggregate output and lead to rapid economic growth.
- Jayati, G (2006) in his article titled "Trade Liberalization and Economic Restructuring" said that India's trade liberalization strategy would bring about a major change in the growth of exports and attracting large foreign capital, but these objectives have not been achieved. Instead, it reduces production capacity as there is a greater threat of leakage.
- Nduka, Chukwu, Ugor and Nwakaire (2013), “According to the export development strategy, the development of a new country depends on its ability to produce a program of goods and services comparable to the country's local needs and finally. Import and export products that have a relative disadvantage, for example, the price is higher at home.

ANALYSIS AND INTERPRETATION :

India's total exports (combined goods and services) in March 2023* are estimated at \$66.14 billion, registering a negative growth of (-) 7.53% over March 2022. Total imports in March 2023* are expected to be US\$ 66.14 billion and US\$ 72.18 billion. The US dollar recorded a negative growth of 7.98% compared to March 2022.

Table 1: Trade during March 2023

		March 2023 (USD Billion)	March 2022 (USD Billion)
Merchandise	Export	38.38	44.57
	Import	58.11	63.09
SERVICES	Export	27.75	26.95
	Import	14.07	15.35
Overall Trade (Merchandise +Services) *	Export	66.14	71.52
	Import	72.18	78.44
	Trade Balance	-6.04	-6.92

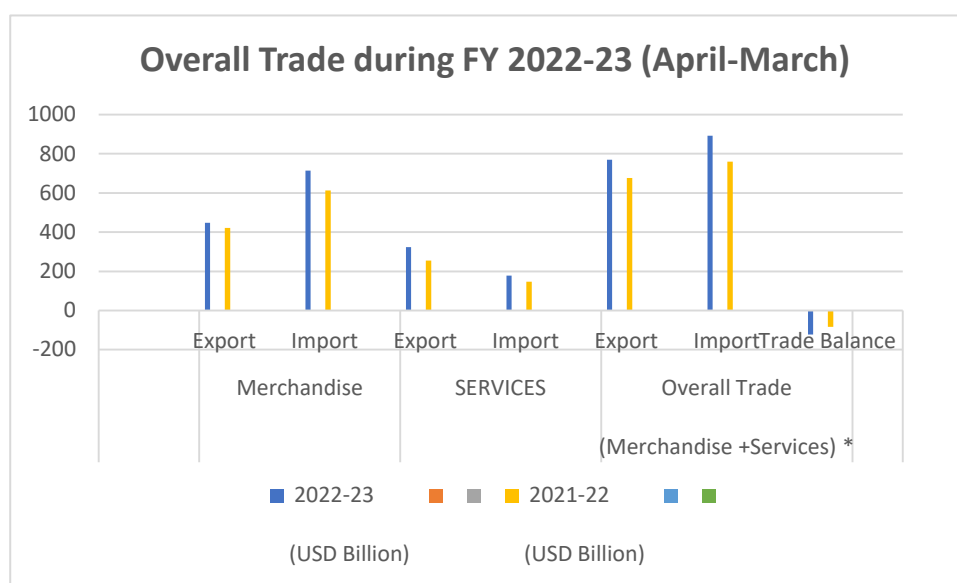
**Note:**

The latest economic data published by the Reserve Bank of India is as of February 2023. Data for March 2023 is an estimate and will be revised as per the next announcement of the Reserve Bank of India. (ii) Data for financial years 2021-22 (April-March) and April-December 2022 have been updated as per the relevant quarterly data of payment information.

- India's total exports (combined goods and services) in Financial Year 2022-23 (April-March) are expected to register a positive growth of 13.84% compared to Financial Year 2021-22 (April-March). Total imports are expected to increase by 17.38% in fiscal 2022-23 (April-March) compared to fiscal 2021-22 (April-March) as domestic demand in India remains stable amid the global slowdown.

Table 2: Trade during FY 2022-23 (April-March)

		2022-23 (USD Billion)	2021-22 (USD Billion)
Merchandise	Export	447.46	422.00
	Import	714.24	613.05
SERVICES	Export	322.72	254.53
	Import	177.94	147.01
Overall Trade (Merchandise + Services) *	Export	770.18	676.53
	Import	892.18	760.06
	Trade Balance	-122.00	-83.53

**CONCLUSION :**

According to various analyzes of domestic and international data, the analyzed factors are classified as import-export, export and economic growth (GDP). The value and growth rate of GDP are generally considered important factors in economic growth. International trade is important for all countries because one country cannot keep track of all times of production and services, so worldwide trade emerged between two countries to overcome this problem. India is like other countries that deal with international trade such as imports and exports. India's economic growth is measured by India's GDP. International trade (imports and exports) has a positive impact on GDP growth and India's international trade has a positive impact on economic growth (GDP). To develop India, the government needs to develop export trade and finance policies that will increase its exports and GDP growth.

In summary, international trade has a huge impact on India's economic growth. The analysis shows that exports play an important role in supporting domestic investment and GDP growth. However, there is a negative correlation between imports and domestic economic indicators, indicating problems such as economic inequality. . These measures are necessary to reap the benefits of global trade while reducing risks and inequalities.

REFERENCES :

1. Munir, K. & Ameer, A. (2018). Effect of economic growth, trade openness, urbanization, and technology on the environment of Asian emerging economies. Emerald Insights.
2. <https://www.emerald.com/insight/publication/issn/1477-7835>
3. Navarrete, A.F.C., Tatlonghari, V.M. (2018). An empirical assessment of the effects of the Japan–Philippine Economic Partnership Agreement (JPEPA) on Philippine exports to Japan: a gravity model approach. *Economic Structures* .<https://doi.org/10.186/s40008-018-0129-8>
4. Nguyen, H. H. (2019). Impact of foreign direct investment, trade openness and economic institutions on growth in emerging countries: The case of Vietnam. *Journal of International Studies*. 12. 243-264. [10.14254/2071-8330.2019/12-3/20](https://doi.org/10.14254/2071-8330.2019/12-3/20).
5. Nguyen, H. H. (2020). Impact of Foreign Direct Investment and International Trade on Economic Growth: Empirical Study in Vietnam. *The Journal of Asian Finance, Economics, and Business*, 7(3), 323–331. <https://doi.org/10.13106/jafeb.2020.vol7.no3.323>
6. OECD. (2022). Foreign Direct Investment (FDI). OECD iLibrary. Retrieved February 28, 2022, from https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicatorgroup/english_9a523b18-en
7. OECD Statistics. (2022). OECD Glossary of statistical terms - gross capital formation definition. Retrieved February 28, 2022, from <https://stats.oecd.org/glossary/detail.asp?ID=1158>
8. Okenna, N. P. (2020). The Importance of International Trade to the Economies of Developing Countries. *SSRN Electronic Journal*, 9:5(2020), 1–5. <https://doi.org/10.2139/ssrn.3664322>
9. Ortiz-Ospina, E. (2018). Does trade cause growth? Our World in Data. <https://ourworldindata.org/trade-and-econgrowth>.
10. Parcon-Santos, H., (2019). Trade and Investment in the Philippines. Retrieved from <https://www.dlsu.edu.ph/wpcontent/uploads/2019/03/2011-015Electronic> copy available at: <https://ssrn.com/abstract=4461422> The Government Economic Policy: The Philippines Post-Pandemic Economic Growth
11. Wabiga & Nakijoba (2018). High Technology Exports, Gross Capital Formation and Economic Growth in Uganda: A Vector Auto Regressive Approach, *International Journal of Business and Economics Research*. 7,(6). 191-202. DOI: 10.11648/j.ijber.20180706.13
12. Piana, V. (2014). Exchange rate: a key concept in Economics.
13. <http://www.economicwebinstitute.org/glossary/exchrte.htm>.
14. PHIL-HISTORY.ORG. (2020). The Galleon Trade. Galleon Trade: Philippine History. <https://www.philippinehistory.org/galleon-trade.htm>.
15. Prabhakar, A. C., Kaur, G., & Erokhin, V. (2020). Regional trade and development strategies in the era of globalization. *Business Science Reference*.
16. Quimba, F.M., Barral, M.A., Rosellon, M.A. & Calizo, S. (2020). Impact of FTA on Philippine Industries: Analysis of network effects. *Philippine Institute for Development Studies*.
17. <http://hdl.handle.net/10419/241020>
18. Raghutla, C. (2020). The effect of trade openness on economic growth: Some empirical evidence from emerging market economies. *Journal of Public Affairs*. 20. e2081. [10.1002/pa.2081](https://doi.org/10.1002/pa.2081). [63] Ramaiah, T.S., & Reddy, T.K., (2020). The Impact Of Gross Capital Formation On Economic Growth: Evidence From India. *Indian Journal of Economics & Business*, 19(1):57-69.<http://www.ashwinanokha.com/resources/ijeb%20v19-1-4>
19. Nasir, M.A. (2020). Role of natural resource abundance, international trade, and financial development in the economic development of selected countries. Elsevier. <https://doi.org/10.1016/j.resourpol.2020.101591>
20. Ridzuan, A. R., Khalid, M. W., (2018). The Impact of Foreign Direct Investment, Domestic Investment, Trade Openness And Population on Economic Growth: Evidence from Asian-5 Countries. *International Journal of Academic Research in Business and Social Sciences*, 8(1), 128–143.[10.6007/IJARBS/v8-i1/3799](https://doi.org/10.6007/IJARBS/v8-i1/3799)
21. Roser, M. (2013, November 24). Economic Growth. Our World in Data. <https://ourworldindata.org/economicgrowth>.
22. Serafica, R. B. (2019). Facilitating Structural Transformation through Product Space Analysis: The Case of Philippine Exports. *Philippine Institute for Development Studies Research Papers*, 2019(6)
23. Abueg, L. (2017). An Econometric History of Philippine Trade: 1810-1899. *DLSU Business & Economics Review* 26(2) 2017: 125–146.
24. Quimba, F.M., Barral, M.A., Rosellon, M.A. & Calizo, S. (2020). Impact of FTA on Philippine Industries: Analysis of network effects. *Philippine Institute for Development Studies*.
25. <http://hdl.handle.net/10419/241020>
26. Alburo, F. (2018). Export promotion policy and economic growth in the Philippines: A comparative context, UPSE Discussion Paper, No. 2018-05, University of the Philippines, School of Economics (UPSE), Quezon City. <http://hdl.handle.net/10419/202521>
27. Ridzuan, A. R., Khalid, M. W., (2018). The Impact of Foreign Direct Investment, Domestic Investment, Trade Openness And Population on Economic Growth: Evidence from Asian-5 Countries. *International Journal of Academic Research in Business and Social Sciences*, 8(1), 128–143.[10.6007/IJARBS/v8-i1/3799](https://doi.org/10.6007/IJARBS/v8-i1/3799)

Websites :

1. EXIM Bank
2. World Trade Economics
3. Reserve Bank of India
4. World Bank
5. DGFT