

Article History: Received 01 December 2024, Accepted 16 December 2024, Published 20 December 2024

Exporter's Performance on the Financial Growth of India in the Reform Era

Dr. Abhishek Priyadarshi¹

Abstract

The current study is to explore the connections between the evolution of economic growth, international commerce, and India's financial development. Real GDP, which has taken the position of economic growth, export and import services, international trade, gross capital creation, and exchange rate as independent variables, has been the main focus of the study. It is frequently discovered that more frequent traders have superior advancement rates and positively impact the expansion of the financial sector and the economy. The study will also look at whether trade growth, financial development, and other macroeconomic variables in India from 2000 to 2018 have a consistent relationship with one another. To determine if financial development, economic growth, and trade factors remain related over a long period of time, the study used the Johansen co-integration technique, KPSS, ADF, and PP. These methods were also used to look at the long-term connections between specific variables. The Granger causality test can be used to determine the direction of causation between variables. The study shows that there is a long-term association between financial development, economic growth, and international commerce, and all of the variables have been demonstrated to be non-stationary. The study's findings demonstrate how trade, financial development, and economic development are interdependent; nevertheless, even while macroeconomic policy remains stable, unfavourable macroeconomic factors, like rising inflation, may obstruct economic growth.

Keywords: *Exports, Economic Growth, G.D.P, Inflation, Exporter's performance*

Introduction

International trade has benefited from the deregulation of investment transactions and the growth of financial markets in the age of globalization (Asif M et al., 2023). International trade enables countries to amass sufficient foreign exchange reserves and make best use of their available resources. In the years following the 1991 implementation of trade policy liberalization, India's exports have increased significantly (Tiwari S et al., 2022). After rising steadily to 75,751 crores in 1990–1991 and 3,74,624 crores in 1999–2000, the total value of foreign trade had a significant growth to 59,02,401 crores in 2018–19. (2019–20 Economic Survey). With important trading blocs including the European Union, North American Free trading Agreement, Association of Southeast Asian Nations, South Asian Association for Regional Cooperation, South African Customs Union, and European Free commercial Association, India's foreign commercial contacts have expanded.

¹Senior Manager, Canara Bank, New Delhi, Abhishek.zero1@gmail.com, <https://orcid.org/0000-0002-6039-2128>

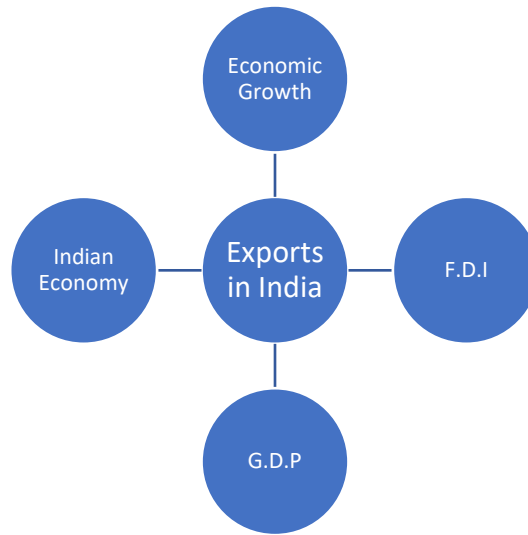


Figure 1: Impact of Exports on the Indian Economy

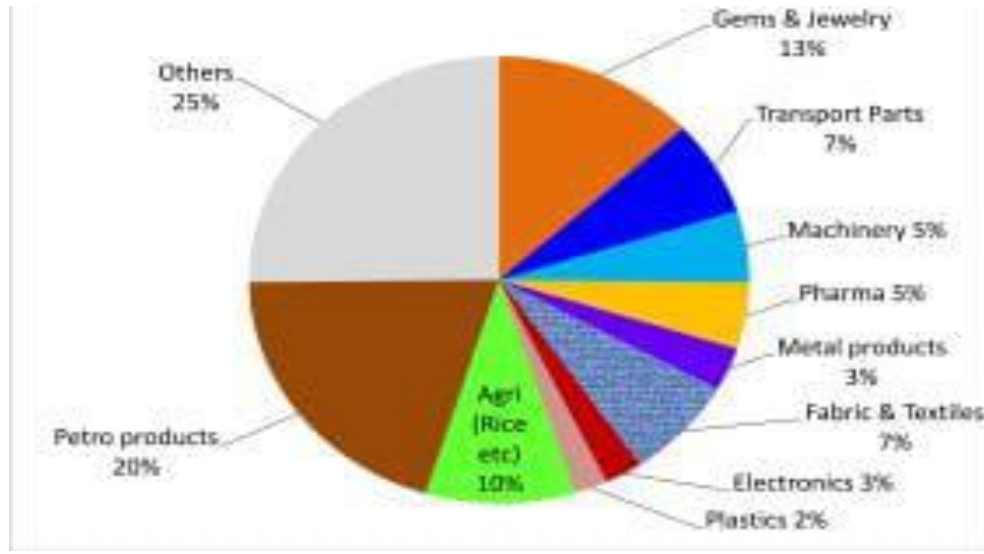
During the post-reform era, global commerce began to emerge as a driver of economic growth. Trends in emerging and developing Asia's current account balances as a percentage of GDP are seen in Table 1. The table indicates that these economies have more exports than imports of products, services, income from investments, and unilateral transfers. China's current account surplus for the year of 2019 was 0.969% of its GDP. Since 2018, the Philippines' and Bangladesh's previous current account surpluses have both significantly decreased. It is evident from the following table that, in comparison to other developing Asian nations, Indonesia and Sri Lanka have a substantial current account deficit. The current account deficit is predicted by the IMF to decrease by 0.5 in 2020 and 1.4% in 2021.

Table 1: Current Account Balance Trends in Emerging and Developing Asia (As % of GDP)

Country	2014	2015	2016	2017	2018	2019	2020	2021
China	2.243	2.737	1.801	1.591	0.355	0.969	0.545	1.047
India	-1.314	-1.050	-0.626	-1.834	-2.108	-1.120	-0.592	-1.422
Srilanka	-2.506	-2.336	-2.116	-2.641	-3.150	-2.152	-3.631	-2.930
Philippines	3.780	2.482	-0.393	-0.683	-2.651	-0.129	-2.255	-2.207
Indonesia	-3.087	-2.035	-1.819	-1.595	-2.938	-2.715	-3.169	-2.680
Malaysia	4.327	2.987	2.393	2.792	2.114	3.292	-0.099	1.720
Thailand	2.858	6.916	10.500	9.631	5.619	6.862	5.165	5.569
Vietnam	3.700	-0.861	0.248	-0.596	1.908	3.993	0.727	1.044
Bangladesh	1.331	1.861	0.622	-2.079	-2.569	-2.700	-2.167	-0.816

Source: *World Economic Outlook Database, April 2020.*

The cause-and-effect link between the economic variables is still a topic of intense debate.



Literature Review

According to Levine (1997), a growing body of empirical analyses using a variety of methods and tools of analysis, firm-level studies, industry-level studies, country-specific case studies, and cross-country analysis, clearly show a strong positive relationship between the financial system and long-term economic growth.

According to (Reddy, 2002). In reaction to the 1997 Asian crisis, the growth of the domestic bond market became crucial for fund channelization as well as for the financial system's diversification of external sector risk.

According to Chaney (2005), great productivity (in a particular area) entails substantial earnings. This enables businesses to provide large returns to outside investors. They are therefore better able to fund fixed export costs through borrowing. Therefore, substantial margins are critically dependent on the amount of business productivity. The author demonstrates the existence of a productivity threshold whereby high-productivity enterprises export while low-productivity firms do not because they are unable to get external funding to meet fixed expenditures.

According to (Mohan, 2007) This market was kept highly volatile by frequent borrowing by banks and lending by non-banking firms, which made effective risk management and instrument pricing difficult. The meddling in the call money market was decreased with the establish the CBLO, resulting in a rather stable market. This is demonstrated by the declining market share (%) of the call money market over time.

According to Caggese and Cunat (2013), a constrained firm is one that recently had a loan request denied, hoped for additional credit at the market interest rate, or had to pay a higher interest rate to get credit. The authors also demonstrate how financial constraints raise a firm's wide trading

margin. However, they discover that their level of financial risk has no impact on their high profit margin.

According to Ghimire et al. (2016), who examined the financial sector's impact on the export performance of 121 aid-receiving developing nations, financial development plays a crucial role in fostering employment and enhancing export performance, both of which are necessary for productivity growth and export diversification, both of which contribute to economic diversification.

According to Kumarasamy and Singh (2018) Using data from the Asia Pacific region demonstrate how financial development and access to finance improve export performance.

According to Okafor et al. (2020) even in industrialized nations, improving export performance may be possible by advocating publicly financed financial incentives in addition to more traditional programs like R&D subsidies.

Discussion & Conclusion

Using time series data from 1976 to 2015, we have investigated the link between India's GDP, exports, and imports in this article. This study examines the long-term causal relationship between gross domestic product (GDP) import and export in India using the Vector Error Correction, Johansen Co-integration, and ADF unit root test methods (Mittal P., 2020). Based on the aforementioned research, it can be said that when initial difference is taken into consideration, GDP, export, and import series become stationary, according to the results of the Augmented Dickey Fuller unit root tests (Gupta p et al; 2023). The empirical conclusion shows that India's GDP, exports, and imports have a long-term co-integrating connection. We discovered evidence of unidirectional causation, which indicates that while export does not always lead to GDP, export does eventually lead to GDP. The findings showed that there is no causal relationship between GDP and import, i.e., neither GDP nor import causes GDP.

Suggestions:

1) Make sure your entire company plan includes exporting.

We could advise you to assess your individual circumstances and consider possible career routes in light of the research's findings (Gupta & Tiwari, 2023). You should ensure that you understand the legal and fiscal ramifications as well as long-term strategy for growing your clientele and funding your exports.

2) Carefully consider any market you are considering joining.

When entering new markets, a target audience and thorough market research are necessary. When joining international markets, businesses need to be aware of the diversity of cultural practices. Deciding who you want to sell your product to requires knowing what your market wants, even if it may seem like an easy procedure. You ought to consider:

3) Timing Proper timing has the potential to boost export. In some places, what you sell can be cutting edge, while in others, it might be deemed outdated.

References:

- Chinoy, S., & Morgan, J. P. (2018). India's Exports: The New Normal?
- Reddy, T. K., & Lakshmi, V. D. M. V. (2020). Role of exports in economic growth: Evidence from India. *Economic Affairs*, 65(4), 481-490.
- Patel, D., Sandefur, J., & Subramanian, A. (2021). The new era of unconditional convergence. *Journal of Development Economics*, 152, 102687.
- Wani, M. A., Nazki, I. T., Din, A., Iqbal, S., Wani, S. A., Khan, F. U., & Neelofar. (2018). Floriculture sustainability initiative: The dawn of new era. *Sustainable Agriculture Reviews* 27, 91-127.
- Joseph, K. J., & Harilal, K. N. (2001). Structure and growth of India's it exports: Implications of an export-oriented growth strategy. *Economic and political weekly*, 3263-3270.
- Gupta, S., & Tiwari, S. (2023). New Technological Advancements and Its Impact on Healthcare System. *VEETHIKA-An International Interdisciplinary Research Journal*, 9(1), 27-32.
- Tiwari, S., Dharwal, M., & Fulzele, R. (2022). An impact of environment on consumer loyalty towards sustainable businesses in India. *Materials Today: Proceedings*, 60, 911-916.
- Okafor, L. E., Bhattacharya, M., & Apergis, N. (2020). Bank credit, public financial incentives, tax financial incentives and export performance during the global financial crisis. *The World Economy*, 43(1), 114-145.
- Kumarasamy, D., & Singh, P. (2018). Access to finance, financial development and firm ability to export: experience from Asia-Pacific countries. *Asian Economic Journal*, 32(1), 15-38.
- Ghimire, S., Mukherjee, D., & Alvi, E. (2016). Aid-for-trade and export performance of developing countries. *Applied Econometrics and International Development*, 16(1), 23-34.
- Mittal, P. (2020, October). Impact of digital capabilities and technology skills on effectiveness of government in public services. In *2020 International Conference on Data Analytics for Business and Industry: Way Towards a Sustainable Economy (ICDABI)* (pp. 1-5). IEEE.
- Gupta, P. K., & Mittal, P. (2022). Fuzzy bundling of corporate governance practices and performance of Indian firms. *Corporate Governance: The International Journal of Business in Society*, 22(2), 257-277.
- Asif, M., Khan, M. N., Tiwari, S., Wani, S. K., & Alam, F. (2023). The impact of fintech and digital financial services on financial inclusion in india. *Journal of Risk and Financial Management*, 16(2), 122.
-