Research Article

Volume-1 | Issue-1| Jan-Jun-2024

JOURNAL OF
Management and Applied Sciences
Double Blind Peer Reviewed Journal
DOI: https://doi.org/10.48001/JoMAS

The Role of New Era Exporters on the Financial Growth in India

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ARTICLE HISTORY:

Received: 4th Jan, 2024
Revised: 22nd Jan, 2024
Accepted: 5th Feb, 2024
Published: 13th Feb, 2024

KEYWORDS:

Economic growth, Exports, Foreign Direct Investment (FDI), Gross Domestic Product (GDP), Inflation

ABSTRACT: The present study aims to investigate the relationships among India's financial development, international trade, and the evolution of economic growth. The study's primary focal areas have been the real GDP, which has replaced economic growth, export and import services, international commerce, gross capital creation, and exchange rate as independent variables. More frequent traders are often found to have excellent advancement rates and to have a positive influence on the growth of the financial industry and the economy. The research will also examine if there is a sustained correlation between various macroeconomic factors in India from 2000 to 2018, such as trade growth, financial development, and other macroeconomic variables. Regarding the previous sentence, the study employed the Johansen co-integration approach, KPSS, ADF, and PP to ascertain if financial development, economic growth, and trade variables continue to be associated over an extended period of time. These techniques were also applied to investigate the long-term relationships between particular variables. The direction of causation between variables can be ascertained using the Granger causality test. All of the variables have been shown to be non-stationar, and the study demonstrates that there is a long-term correlation between financial development, economic growth, and international trade. The study's conclusions show the interdependence of trade, financial development, and economic development; yet, while macroeconomic policy is stable, negative macroeconomic variables, such increasing inflation, might impede economic progress.

1. INTRODUCTION

International trade has benefited from the deregulation of investment transactions and the growth of financial markets in the age of globalization (Asif 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 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 as given in Figure 1.

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Figure 1: *Impact of Exports on 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	2.452	-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

The cause-and-effect link between the economic variables is still a topic of intense debate as given in Figure 2.

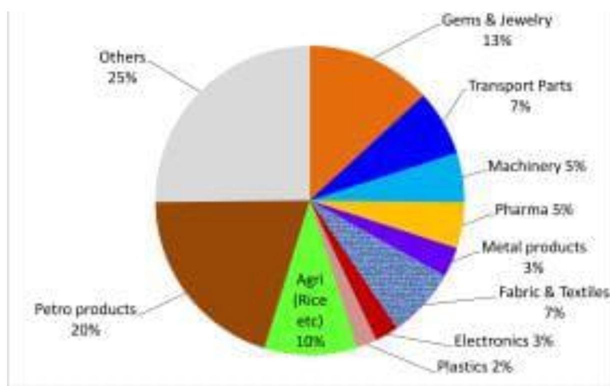

Figure 2: *Economic Variables.*

2. LITERATURE REVIEW

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.

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 (Reddy et al., 2020).

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.

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.

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.

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 (Ghimire et al., 2016).

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

In industrialized nations, improving export performance may be possible by advocating publicly financed financial

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incentives in addition to more traditional programs like R&D subsidies (Okafor et al., 2020).

3. 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. Based on the 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. 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.

4. 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.

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.

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