

# Positive Effects of International Trade on Indian Economy

Shweta Gupta\*

#949/11, Behind Aruna Filling Station, Ambala Road, Kaithal -136027

**Abstract – The significance of international trade on the planet has been commonly studied and additionally examines the job of international trade in different problems. Generally, my paper focussed on the connection between international trade along with economic development. The changes brought by international trade could be a strong force for producing jobs, enabling effective use of resources, providing bonuses to entrepreneurs and eventually boosting standards of living in all the countries. Trade will help produce economic conditions that are favourable for obtaining development objectives.**

-----X-----

## 1. INTRODUCTION

International trade refers to trade throughout national boundaries. The increasing volumes of international trade, as well as the decrease of trade barriers, have triggered analysis and debate on the effect of international trade on the economic growth of nations. Historical validation has shown that worldwide energetic nations are likely to be much more effective compared to nations that just make for the domestic market. The relationship between economic progress and international trade of a nation could be sometimes negative or positive, what establishes the dynamics of the connection is actually the economic frameworks put in place to control the trade. Predominantly in the world today of ours, there's rarely a nation which can endure by itself without engaging in trade interactions with various other places. The neo-classical and classical economists have placed much credence on international trade as an engine of economic development.

The explicit objectives of the economic reform program of India after 1991 with regard to the outside sector were creating a significant change in the momentum of export development as well as to attract huge inflows of foreign capital in the type of export-oriented FDI. It's on this particular note that the analysis intends to look at the connection between economic growth and international trade of India.

## 2. THE SIGNIFICANCE OF INTERNATIONAL TRADE:

Economics works with the correct allocation as well as the efficient use of scarce online resources. International Trade is concerned with the allocation

of economic energy among nations. This kind of allocation is actually carried out to the world markets by means of international trade underneath the idea of free trade, the most effective items are made as well as purchased in market that is competitive, as well as advantages of effective generation such as better quality as well as lower cost can be found to other individuals of the world.

International trading lets the advanced nations use the resources of their efficiently love technology, labor as well as capital. As most of the places are actually gifted with various assets and natural energy (labour, technology, capital, and land) they are able to make lots of items better. Sell at cheaper costs compared to some other places. A nation is able to obtain an item from another country in case it cannot successfully create it to the national boundaries. This's special of international trade. Worldwide trading enables the various nations to take part in an economy that is worldwide stimulating the foreign immediate investors. These people invest the money of theirs in the foreign businesses along with other assets. Hence, countries could become cut-throat worldwide participants.

## 3. POSITIVE EFFECTS OF INTERNATIONAL TRADE ON ECONOMY

International Trade has positively affected the economic development of a nation in the following ways:

- International trade injects worldwide competitiveness and hence the domestic business units are likely to be extremely effective being exposed competition that is

international. Because of the integration with the world economy the business owners are able to have access that is easy to technological innovations. They are able to use the newest technologies to boost the efficiency of theirs.

- The developing countries have higher trade protectionism methods as compared to the advanced nations. The countries which have adopted these kinds of procedures are actually seen to enjoy the advantages of an open trade regime.
- The items which are labour rigorous including clothes, footwear, textiles etcetera are actually exported by the developing nations to both underdeveloped and developed nations. This kind of exports earns serious tax revenue of countries as Mexico, India, China and a lot more.
- International Trade has additionally brought in a decrease in the poverty level. India was a closed economy in the 1960s as well as 70s. There wasn't actually a 1% decline in the poverty level. The whole situation transformed into international trade and globalization. Based on Prof. Jagdish Bhagwati the decrease in the poverty level is because of a pull up instead of a trickledown outcome. The economic development brought around by international trade is able to produce financial information. This kind of assets could be utilized to set up anti-poverty programs. Better training and health facilities can additionally be provided to the poor.
- The exclusion of all kinds of trade barriers in the agricultural products of the advanced nations will result in a decline as well as an increase in production as well as planet prices

International trade isn't a brand new idea among various nations. In the past, there were a number of apparent situations in international trade. For 15th and 14th-century traders used to carry spices and silk via silk route. In the 1700s quickly sailing ships used to carry tea from China to various European nations. Foreign trade also offers a huge effect on economic development.

#### 4. ROLE OF FOREIGN TRADE IN ECONOMIC DEVELOPMENT

The role of foreign trade could be gauged by the following faces:

##### Foreign trade and economic development

All of the country's export a great deal of agricultural product to various other countries as well as import

capital goods. Hence, it the economic development of a nation hugely depends on foreign trade.

##### Foreign exchange earning

Foreign trade offers foreign exchange which is actually utilized to get rid of the poverty and for some other product requirements.

##### Promote expansion

International trade plays a crucial role in raising the generation of any nation. The foreign trade is actually an outstanding element in growing the marketplace and encouraging the producers. In countries where the home market place is restricted it's essential to promote the product in some other countries.

Expansion in expenditure Foreign trade really encourages businessmen to boost the expense to create a lot more goods. So the speed of expense increases.

##### Foreign investment

Foreign trade offers rewards for foreign investors, besides regional investment, to invest in those countries in which there's a lack of investment.

The significance of international trade on economic, political, and social problems has been theorized in the Industrial Age too. It's important for the development of globalization.

#### 5. ECONOMIC DEVELOPMENT AND TRADE

Developing countries are more and more operating the overall performance of the world economy. Trade between developing countries is actually starting to be as vital as trade between them and developed economies. Additionally, by expanding the domestic market of theirs and pursuing regional economic integration developing countries are able to diversify the creation of theirs away from the conventional export markets of theirs in North America and Europe.

Economic development depends upon improving efficiency (of work, capital, knowledge and land); a conducive and stable policy environment; as well as strong rewards for expenditure by companies and people. For developing countries, the main barriers to development are:

- regulatory, informational and coordination problems which hamper the effective functioning of markets;
- Poor conditions for private sector expense (terrible governance, lack of infrastructure, etc.);

- limited financial services with lack of access to credit for small businesses which hold back production;
- poverty which restricts the progress of inner customer need and encourages a big casual sphere; and
- Difficulty in accessing international markets (technical barriers to trade, protectionist actions, etc.).

Foreign Trade is currently an essential component of international relations and it offers essential foreign exchange reserves which would add to the higher effectiveness of information consumption, much better technology as well as much better quality etc. Internationalization of production, analysis, information research, and trade marketing, technology transfer, human resource development have today reached an unprecedented level of intensity. In this find state of the world economic scene, India's outside trade sector must increase to the chance of making the most effective use of the potentialities as well as beware of the pitfalls as well as bottlenecks. Because exports are going to have to play a really substantial role in the coming years, the export method must be created on a far more thorough and integrated framework as opposed to the one that is used at current.

## 6. CONCLUSION

To conclude it could be said that, international trade leads to economic development offered the policy methods, as well as economic infrastructure, is actually accommodative adequate to cope with the changes in the financial and social scenario which come from it.

Policy suggestions to the federal government consist of the enhancement of international trade participation by India. This may be accomplished through producing the enabling atmosphere for trade promotion and also increased participation of India in the world market. Particularly, the government must improve the generation of much more exportable commodities by providing the producer's tax incentives and supplying them with subsidies when needed. The federal government must also lower export tariffs so as to motivate a lot more exports since export is actually discovered to have an optimistic impact on the economic growth of India.

## REFERENCES:

1. Gupta, Shuchi (2019). An analysis of Present Position of International Trade of India. Restaurant Business. 118. pp. 1-12. 10.26643/rb.v118i9.7920.
2. Dhankhar, Preeti (2018). INDIA'S FOREIGN TRADE AND IMPACT OF EXPORTS ON FOREIGN EXCHANGE RESERVES OF INDIA", IMPACT: International Journal of Research in Humanities, Arts and Literature (IMPACT: IJRHAL), Vol. 6, Issue 8, Aug 2018, pp. 187-194, ISSN (P): 2347-4564; ISSN (E): 2321-8878,
3. Babaji Abubakar, Attahir (2015). Impact of international trade on economic growth of India.
4. Azeez et. al. (2014). Effect of International Trade on Nigerian Economic Growth: The 21st Century Experience. Journal of Economics, Commerce and Management Vol. 11, NO. 10.
5. G. V. Vijayasri (2013). "THE IMPORTANCE OF INTERNATIONAL TRADE IN THE WORLD" International Journal of Marketing, Financial Services & Management Research, Vol.2, No. 9, September (2013)
6. Shreesh, B. & Kishore, K. (2012). Impact of International Liberation on the Indian Economy. Journal of Emerging Knowledge on Emerging Markets. Vol. 4, Art 5.
7. Bakhshi, Priti (2012). India's Trade Dynamics and International Trade. Journal of Management Development & Research 2249-023X. II. 25-34.
8. UNCTAD (2010). How are the Poor Affected by International Trade in India: An Empirical Approach. An UNCTAD report 2010.
9. Pillania, Rajesh, K. (2008). AN EXPLORATORY STUDY OF INDIAN FOREIGN TRADE. Journal of Applied Economic Sciences. 3. pp. 281-292.

---

### Corresponding Author

**Shweta Gupta\***

#949/11, Behind Aruna Filling Station, Ambala Road, Kaithal -136027