

Export Promotion in India Since Independence: Concept, Importance And Need

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Abstract

International trade has been regarded as the engine of growth and economic development. International trade is the key factor for the developing economy like India. It encourages country to face competition at global level. It is a responsible factor for standardized and qualitative production at global level. Export is part of International trade. It has direct link with economic growth of a country. It has attained a pride in the Indian economy. They are an indication of a nation's economic growth. Exports encourage industrial development, which naturally raised the standard of living of the people. Countries with large exports also have more economic power. Understanding the importance of export to our economy many primitive measures are adopted to increase exports. Now-a-days export promotion has become a world-wide phenomenon Export promotion is the task of persuading firms to export, and the provisions of services to support export marketing. It is very essential for the development of Indian economy. In India government has been adopting various export promotion measures for the promotion and diversification of export. Export promotion measures includes various policy decisions, schemes, concessions, incentives and facilities offered to the exporters Export promotion motivates exporters to export and aims at removing the difficulties and problems faced by the exporters. These measures should be practical, produce results and attract the existing and prospective exporters.

Keywords: Export, Indian economy, history of export, export promotion, business finance

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I. Introduction And Literature Review

Concept: Foreign/International Trade: International trade has been identified historically as the engine of growth and has become the key factors in the entire process of growth and development. Many economists consider it an important tool of economic growth and prosperity. Foreign trade has played vital role in the development of the economies of developed countries like U.K., U.S.A., and JAPAN. In the present scene and structure of global economies no economy can exist without the development of foreign trade. There are many reasons of importance of international trade, some of the reasons can be enumerated, i.e. The first reason which gave birth to the inter-dependence of economies with each other and ultimately the reliance on growing foreign trade is due to the scatteredness and centralization of various natural resources in the various regions of the world. In some parts of the world some resources are abundant while in some parts they are very scarce or even not available. International trade has become the pivotal tool for the exchange of natural resources among different regions and countries of the world. International trade has been regarded as engine of growth and development. Growing significance of the international trade is the result of increasing geographical specialization. Many countries have adopted techniques of division labor and international specialization due to technological development. They produce only those goods in which they specialize and thus they produce more than their requirements at a low cost and gain the advantage of large-scale production and their economies. International trade helps a country to solve its emergent and immediate problem of scarcity of goods, drugs, textiles or other essential raw materials through imports. International trade is a responsible factor for standardized and qualities production of global level. It encourages competition at global level, due to this competition foreign goods in the domestic market tends to induce domestic products which is more efficient and competitive to improve and maintain the quality of the products. International trade promotes harmonizing international political relation. Due to the increasing inter-dependence of the countries, nations of world are compelled to recognize the mutual interests, co-operation and peace at global level. International trade also promotes cultural exchanges and co-operation between different countries and thus develop cultural and

civilization. International trade also promotes capital formation and external economies in the industrial activities of an economy. It enables to produce larger volume and variety of goods this process ultimately increases production and productivity at large and general well-being and living standard of mankind is raised and thus boost the production and capital formation.

Thus we can conclude that international trade has become the key factor' in the entire process of growth and development. In nutshell, according to noted figure an international trade, else worth, foreign trade has been the question of life and death for many countries of world. After understanding the concepts of international trade and recognizing its importance, one should also understand the importance of export in countries economic development. International trade as an engine of growth is adopting the motto of "Prosperity through exports". Export has acquired much importance in the modern world of economic liberalization. It has become the vital indicator of nation's social, political and economic growth. Nations have to export and import goods and services because it cannot produce everything it wants. Economic development in the present era is synonymous with industrialization, which involves application of a magnitude of capital goods and other resources that the developing countries generally do not possess. These resources have to be acquired from the advanced countries of the world and as such the inevitable need for a foreign exchange. The need for foreign exchange so urgently felt by a developing country may be met from various sources like foreign official grants, loans and aid and private flows and export. The reliance on official grants, aids, loans and private flows means dependency of a country's development efforts on the whims and fancies of an outside agency. Amount and quality to timing of these grants is dependent upon economic condition and modes of the supplier and also such aids and loans carry with them high charges and repayment obligations.

Thus the only dependable source of foreign exchange for a developing country like ours is export earnings. Almost all countries of the world try to achieve maximum exports the need for exports is much greater in the present competitive world. Government encourages exports due to various reasons. Foreign exchange earnings have become very essential not only for imports but also for building a strong economic base. It enables the country to import basic raw materials, capital goods, technology etc. A favorable balance of payment enhances the prestige of the country and this is possible with exports only. Growth in exports is an indicator of economic development. Countries with small home market try to export as information the tempo of economic development. Exports means, intense economic activity which provides employment and increases the standard of living when export increases all sectors of the economy develop. Fast economic development and expansion of export earnings assumes strategic importance, and it is this crucial role of exports that calls for formulating an appropriate strategy so that the competitive strength of the country is not only maintained but considerably enhanced over the years.

We have seen the benefit of international trade and exports to nations. In this present era, most of the countries of the world encourage exports because of the crucial importance of exports to the economy. By saying encouraging exports means promoting export i.e. boosting export program so that its share in the development of economy increases this particular study highlights all those programs, institutions and organizations that encourage exports. Thus in short we can say that by export promotion we mean persuading firms to export, and the provision of service to support export marketing. In India, the steps taken by the Government of India towards globalization of the economy also throw light on the importance of export promotion. Globalization puts emphasis on consumers concern, encourages competition and quality. Hence export promotion measures are required to face the challenge of globalization.

India, after freeing from colonial shackles embarked on the path of economic development with the twin objectives of achieving self-reliance and ensuring socio - economic justice to every citizen. Among the national economic policies exports have been accorded a very high priority. Therefore, to increase export due weightage must be given to export promotional programs. Export promotion has become an important part of India's trade and Exim policy. Export promotion is very essential for the Indian economy. Therefore, Government of India has been adopting various export promotion measures and diversification of exports. Government is also encouraging many private institutions to promote exports. Promotion measures include various policy decision, schemes, concessions, incentives, and facilities offered to the exports. Various export promotion councils; committees, and boards etc. is opened. The various export promotion measures may be grouped as follows: -

Government Measures: Policy measures, Institutional set up/ Export Promotion Agencies, Import facilitation for export production, Incentives, subsidies& financing, Financing facilities, Foreign exchange facilities.

Private Sectors: India International Marketing Sector, Indian Diamond Institute, Indian Investment Centre, Marine Export Development Authority, Federation of Indian Exports Organizations, Trade Information Centres 100% Export Oriented Units, Chambers of Commerce in different cities, Handicrafts and Handloom Association in different cities and many others.

IMPORTANCE

In this present economic era and in globalized market any nation well-being and development depends to the larger extent on its export performance and its export promotion programmes. Export is the life line and motive power for the economic growth. Export promotion must be given importance so that it results in increased exports, which can reduce the rigorous of growing trade deficits and galloping repayment obligations. Growth of any country depends upon the desired level of export as an important among other components. If growth of export is higher than the expected growth is bound to fulfill the targets of achievement. Export is bound to result in favorable balance of trade and financial viability to meet the financial commitment both internal and external. It is understood that a country, which has better exports, will gain the reputation among other nations. All most all nations of the world endeavor to develop export promotion programme because of the importance of export. Why so much of attention is given by export promotion? What is the relevance or significance of exports for Indian Economy? Attempts have been made to answer these questions.

Need: Before Independence, India was totally underdeveloped country and its exports consisted mainly of agricultural and minerals. Commodities, which were used as raw material in the British Factories, whereas the imports, consisted mainly of manufactured goods. The British's had no interest in promoting and diversifying Indian exports as they knew very well that this might adversely affect the British exports. After the British rule, the tension of partition and allied problems threw the Indian economy into total shambles. But the independence brought in its wake a new determination to achieve economic self- sufficiency by fostering the pace of economic development. This naturally implied a massive expansion of industrial base, which in turn, necessitated huge imports of machinery, chemicals and technology from abroad. Therefore, the policy makers in the government realized the importance and need of promoting export.

After freeing itself from colonial shackles in 1947, India faced the world for the first time on its own terms after an interval of 200 years. The continuous exploitation by foreign rules of the population and resources of the country to feed and booster the business and industrial abroad ceased. But the challenges come up from the need to recover the lost time for the mighty task of industrialization and spreading welfare for the impoverished and deprived Indian masses. Social and political goals of projection of India's image internally and internationally as well as establishment and subsistence of basic industries become the most important concern of the government. One important objective of development planning was to achieve a satisfactory rate of economic growth. In this framework of planning and development effort, promotion of export industries and export trade was considered of vital significance for financing the foreign exchange component of the plans.

India, where the economy consisted of small size of markets because of low level of business and growth in investment export constitutes an important mean. Export contributes to growth & process in a developing economy by offering to it opportunities to expand the output base, specialize in certain area of production, gain access to raw material and machinery as well as acquire technology know how from rest of the world. India has benefited significantly by availing of these opportunities through export since Independence. Self-reliance, which is one of the enduring objectives of planned growth in India. By self-reliance we mean an ultimate situation where India is able to pay for her imports through export earnings. For bridging the gap between imports and exports, import control and export promotion policies have been pursued simultaneously. Seeing the need of export and export promotion government has formulated many polices and has opened many institutions to promote export. Government has given support too many private institutions to promote export thus it was realized that export growth is not a luxury for India. It is perquisite for adequate foreign exchange earning to maintain the tempo of economic development without sacrificing the countries self-reliance. The key to viable balance of payment is strong and sustained export growth and an efficient import substitution.

Table 1 Average Trade Deficit at the End of each Five-Year Plan: (Rs. In crores)

Particulars	Exports as% of Imports	Average trade deficit
First Five Year Plan	85	126
Second Five Year Plan	63	575
Third five year plan	61	772
Annual average of three annual plans	63	744
Fourth five year plan	93	165
Fifth five year plan	86	706
Average of rolling plans of 1978-79,1979-80	76	1905
Sixth five year plan	61	5723

Seventh five year plan	59	8140
90-91 annual plan	75	10635
91-92 annual plan	92	3809
Eighth five year plan	88	56772
Ninth five year plan	82	134059

Mounting Burden of Debt Servicing: Since independence, India has secured massive closes of external assistance in the shape of loan and grants for finance import content of development process.

Table 2
The total authorization and utilization of external assistance are given in the following table.

AUTHORISATION			UTILISATION			
Year	Loans	Total	Loans	Loan	Grants	Total
1	2	3	4	5	6	7
Up to IVth Plan	96653	753.1	10418.4	8572.6	6712.7	79285
1986-87	5374.2	429.5	5803.7	3175.9	420.0	3595.9
1990-91	6868.8	516.8	7304.6	5383.5	413.0	5796.5
1994-95	10717.5	1040.4	17757.9	8328.8	716.5	9045.3
1995-96	9951.1	1128.2	11079.3	8618.9	886.1	8904.0
1996-97	11903.4	2773.0	14676.4	8560.9	710.3	9271.2
1997-98	12379.3	1184.1	13563.4	8564.2	643.8	9208.0
1998-99	7203.2	205.2	7408.4	9730.4	726.6	10457.0
1999-2000	4155.1	2603.8	6758.9	10620.2	751.2	11371.3

The repayment means not only the amortization but interest payment also. Seeing above table we could conclude that whatever we receive as external assistance, 40% of this assistance is wiped out by debt servicing alone. That is 17% of ours export earnings are consumed by the debt servicing. Thus exports are very vital to maintain the credibility among the donor countries as a good debtor and secondly to see that the inflow of foreign aid is not wasted in debt servicing. We don't have to borrow to pay back the previous loan. This must be cardinal ingredient of our export strategy. To Earn Foreign Exchange: Export earns valuable foreign exchange for the country and that will be used for the import of machinery, equipment's, agricultural machinery, etc and to keep its balance of trade favorable. A country must therefore need to boosts its export promotion measures. Full exploitation of its limited resources: Exports help to exploit the untapped resources with a view to serve the requirement at different overseas market, which are usually not manufactured for the home market so far. Profitable use of natural resources like minerals, forest, wealth, human resources etc can be profitably utilized when a country earns foreign exchange. Expansion and diversification into exports lead to improvement in the level of technology.

II. Conclusion

Thus we can say that exports are the life line and motive power for the economic growth and development of a country. The significance of export makes it imperative that the promotional measures must be given to boost export. Export is an engine of growth and the master key to development of a country. Trade in particulars exports give rise to growth effects that go beyond the export sector. As export industries Expand, these stimulate investment in the areas also. it encourages activities in son export industries is form of increased factor supplies productivity, production, income, investment and hence rate of warmth in these Industries. Economic history finds successful stories of various countries like Taiwan, Singapore, Hong Kong, Brazil, Turkey, Philippines, Ivory Coast, Columbia, Malaysia, Britain, Sweden etc. Where trade has played a vital role in economic development without foreign trade, rise in the standard of living and rates of growth of these nations could have been impossible. These countries before becoming important trading nation, were relatively under developed at one time. It is therefore argued that in many less developed countries, lack of export acted as hindrance to economic growth. Importance is given to export and export promotion due to following reasons - When the domestic market is small foreign market provides opportunities to achieve economies of scale and growth. Rate of export is very small fraction of world trade (5%). If India had to occupy 1% share in the world

trade, it requires an increase in export effort by about 18% per annum at constant price. To check Mounting Trade Deficit and earn foreign exchange. Full exploitation of its limited resources, Sources for meeting the import requirement, Increases National Income, Increase Employment, Increase bring standards and etc. Export promotion, apart from promoting economic growth, give various benefits to countries in form of greater utilization of plant capacity, specialization in commodities of comparative advantage, increase efficiency, economies of scale, widening of market, incentive of technological improvements, training of higher quality and internally competitive management. In fact, expansion of exports may well be described as an integral part of the development process.

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