India's Trade Policy Conundrum and Market Failure: Understanding the Role of Government Support for International Entrepreneurship and Business Internationalization in Driving Economic Growth

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Abstract:

International Business in today's world has occupied a vital place among the economies of the world, particularly among the fastest growing economies like the BRICS nations. The annual rate of growth in the international business sector in India is more than 8%.With rich resources available in India, it has a huge advantage over other nations and is regarded as the right nation for exploring business opportunities, Like highly skilled and semiskilled manpower, technologies available within the country, rich natural resources, willingness on part of government to take the world along with and budding middle class segment. This study of international entrepreneurship deals with the internationalization process itself, in terms of, why certain firms become international, the different options available (e.g. exporting vis-à-vis FDI), and the different processes available. This research paper is trying to find out the reasonable answer related to question, how much can medium-large businesses benefit from the growth potential of small and medium-sized businesses becoming internationalized with systematic use of trade policies? To what extent can business internationalization help innovative firms grow, achieve a higher performance and thus maximize their returns on innovations even in case of market failure? And To what extent does business internationalization contribute to aggregate productivity growth through both improvements in the performance of international firms and through a reallocation of resources to such firms away from lower productivity domestic producers. The findings of the paper are expected to help in boosting the Indian economy at international platform.

Keywords: International Entrepreneurship, Market failure, Indian Economy, Techno-friendly, Business Internationalization.

1. INTRODUCTION

In this research paper, researcher investigates the function of state intervention in the internationalization of business. Researcher also take into account some of the existing literature that argues for a broader reaction by government, in addition to the standard 'market failure' arguments and a summary of the types of market inventions often conducted by government. This encompasses not only the criteria of 'born-global' businesses, but also the requirement that all businesses encounter the 'proper' incentives while making the essential adaptations to the altered business environment brought about by globalization's liberalization of trade and investment. After discussing 'market failures,' this study looks at some of the existing literature that proposes a broader government response to the globalization of business. This encompasses not only the requirements of 'born-global' businesses, but also the necessity to guarantee that all businesses confront the 'proper' incentives when adapting to the altered business climate brought on by globalization's liberalization of trade and investment, among other factors. As a result of this research, we can more accurately assess whether or not certain companies can improve their economic health by going global and of the reasons why some do so and others do not, as well as the options available to them (such as exporting, FDI, or joint ventures) and the processes involved. Since it is expected that early internationalization will become more significant over time as globalization increases, it is crucial to comprehend the factors that have facilitated the dramatic acceleration with which SMEs in particular can now enter international markets (OECD, 1997). In the field of economics, the term "internationalization" can refer to a company's efforts to expand its presence or raise its share of a market that is located outside of its country of domicile through penetrating international markets. Doing business beyond national borders is, in the simplest terms, international business. The definition of 'internationalization, "the process of business activities across home nation borders with an increasing degree in operations," as outlined by Welch and Luostarinen (1988).The globalization of business can be analyzed from the following vantage points:

- Market Globalization Mechanism
- Supply Chain Globalization Mechanism
- Capital Globalization Mechanism
- Human Skills Globalization Mechanism

2. PHILOSOPHICAL FOUNDATIONS

In particular with respect, while many long-standing businesses continue to expand internationally via a gradual, evolutionary process (*the so-called Uppsala model; Johanson and Vahlne, 1990*), a number of newer, more dynamic (often high-tech), firms have emerged in the last decade, with a focus on internationalisation from the outset. Some corporations choose to expand their operations abroad for reasons that have been the subject of several theoretical frameworks, each of which has its roots in a slightly different area of study. Process and stage models (*Johanson and Vahlne, 1977, 1990; Cavusgil, 1980*) and network theories are examples of behavioural theories (*Turnbull and Valla, 1986; Johanson and Mattson, 1988; Coviello and Munro, 1997; Dana et. al., 1999*). Hymer's (1976) monopolistic advantage theory and Arrow and Coase's (1973) transaction cost theory are two examples of economic-based ideas (*e.g. Buckey and Casson, 1976).* When the option to go global is already on the table, there is a body of work in economics that examines the best way to break into that market. Given asset specificity, uncertainty, and information asymmetries, transaction cost techniques focus on assessing the efficacy of various modalities of entry *(e.g. Williamson, 1985; Teece, 1986*). There is little doubt that this literature supplements the aforementioned more modern techniques; yet, they fail to adequately address the significance of business heterogeneity or rather take a different approach when including it, since resource-based theories of why some firms internationalize are implicitly assuming firms differ in their ability to respond to market opportunities. In contrast, the literature found mostly in business and management journals uses procedures and a (more recent) focus on the 'born-global' corporation to explain internationalization.

Current study adopt the methodology of the existing literature by highlighting the key distinctions between the classic (*cf. Bell, 1995; Johanson and Vahlne, 1990; Knight and Causgil, 1996; Larimo, 2001; Moen and Servais, 2002; Wickramasekera and Bamberry, 2001*) and "born-global" models of internationalization (*Madsen and Servais, 1997; Bell et. al. 2003; Oviatt and McDougall, 1994, 1999*). Internationalization, according to conventional models, occurs in stages, beginning with exporting and progressing to foreign direct investment activities. When venturing into an unfamiliar area, there are bound to be additional expenses and unknowns, but the focus of this literature is on elucidating which processes are crucial to understanding how such obstacles might be surmounted. Knowledge accumulation as a means of overcoming obstacles to globalization is discussed, although the tone is less formal and the description is more descriptive.

2.1 WHAT IS INTERNATIONALISATION

“A process of integrating an international, intercultural, or global dimension in the purpose, functions, or delivery of postsecondary education” (*Knight, 2003 , p. 2*). Common practices among companies who choose to compete in international markets. It entails rolling out products and services that can be readily altered and adopted by people in a variety of countries. The actions in question could be B2C or B2B in nature. Foreign direct investment (FDI) and cross-border trade (of products, services, or resources) are both possible components of this phenomenon. Is the process by which more people become involved in global marketplaces (Westhead *et al.*, *2007*). The term refers to a company's sales or operations that take place in a country other than its own *(Li Sun, 2009*). As a business strategy, localizing goods and services for certain countries is implemented. As a method of education and resource allocation, it facilitates the movement of goods and services between international market places. It's the result of making little alterations in response to shifts in the company's internal and external environments (*Aharoni, 1966*). Importers, licensees, and franchisees are all examples of related inward operations of internationalization. Exporting, licensing, franchising, and FDI are all examples of what are known as "outward activities" (*Westhead et al., 2007*).The internationalization of business can be examined from the following vantage points:

a) Market Globalisation Mechanism: Because of the increasing mechanization of the global market, businesses now have access to all of the world's most lucrative markets, both developed and developing. In this type of global expansion, companies aim to reach a large number of people in different parts of the world. Many new multinational corporations have joined the Indian market in recent years, focusing mainly on the computer, mobile phone, vehicle, real estate, and real estate development sectors.

b) Supply Chain Globalization Mechanism: The utilization and availability of precise locations for carrying out supply chain operations is inextricably linked to the process of globalizing supply chains. Several companies operate on a worldwide supply chain and a regional market presence. For example, just 34% of Toyota cars were made in Japan; the remainders were created abroad places like the United States, Europe, and Asia.

c) Capital Globalization Mechanism: The other metric is a company's "capital base," which is defined as the extent to which it has access to and is effectively utilizing sufficient domestic and international sources of financing.

d) Human Skills Globalization Mechanism: The globalization of human mind refers to the acquisition and knowledge of the social and cultural values prevailing in different markets. The best example in this regard is that of GE capital which is highly globalised in character.

2.2 WHAT IS MARKET FAILURE

In the middle of the twentieth century, a school of thought known as Keynesianism emerged, focusing on welfare and macroeconomics, and developing a set of descriptive terms for when markets fail. Arthur C. Pigou, Francis Bator, William Baumol, and Paul A. Samuelson all made significant contributions. According to the standard neoclassical Arrow-Debreu model of the perfectly competitive, generalized linear economy, the availability of economic resources is determined by the market, which is comprised of individuals driven by self i.e., seeking to maximize profitability and engages in the production, exchange, and consumption of goods and services. In order to maximize social welfare, the market establishes the optimum supply and demand for a product or service (such as exports) among individuals and businesses. At this point, there is no way for one person to improve their situation without making someone else's worse. This in turn causes there to be a lack of equilibrium. When prices do not reach a state of equilibrium as a result of applying the law of supply and demand, it is an indication that one of the market's factors has failed to perform as expected. Businesses will create less of these things than is optimal because many of the people who consume them won't pay for them. It may be beneficial for government agencies to intervene in such situations. The government can increase production by providing the good directly, buying it from a private provider, or providing a subsidy for its use. As a result of being funded by taxes, the free-rider issue is also mitigated. Direct regulation is an additional strategy that can be utilised to address the above mentioned issue. For instance, a company could be compelled to cut down on the amount of pollutants it produces. The owner of a home who transforms their front yard into a garbage dump runs the risk of being ordered to clean up the mess. The First Theorem of Welfare Economics states that if resources are allocated in this way, then everyone benefits. Although ideal, imperfect markets can lead to inefficient resource distribution. Market failures, according to the conventional wisdom, result from imperfections in the supply and demand for an item or service, such as the existence of externalities or public goods, and in the structure of the market, such as monopoly, oligopoly, or a lack of knowledge.

2.3 AN INTERNATIONALIZATION IMPEDING MARKET FAILURE TAXONOMY

a- *The inefficiency of the market as a result of its imperfections*

(1) *Imperfect information:* Businesses that make decisions about whether or not to engage in overseas production based on incorrect or inadequate information.

(2) *Asymmetric information:* Adverse selection and/or moral hazard occur when some people have easier access to knowledge than others due to differences in the cost of gaining that information. All businesses face the possibility of knowledge asymmetry before entering into a contract for the purchase or sale of products or services, though. After a commercial agreement has been signed, moral hazard issues can arise. There is room for one party to slack off because they cannot both be sure the contract is being adequately executed. To some extent, inefficiencies can be avoided through the use of contracts that attempt to shift the greater risks from one party to the other *(Klein et. al., 1978*).

(3) *Constraints imposed by a lack of funds:* Corporations with insufficient collateral or track record have a harder time gaining access to capital. If small and medium-sized enterprises have trouble convincing potential lenders or equity providers to back them due to a lack of collateral and/or a track record that can mitigate the risk associated with the activity in question, this is sometimes viewed as a market failure. This obstacle may be seen as an institutional failure to the extent that the issue is the result of financial institutions and business owners taking a short-termist view. As a result, it seems like there are good reasons for government involvement or trying to establish a 'missing market,' such as encouraging (via tax reductions) suppliers of capital.

(4) *Missing markets:* Externalities, features that serve the public good and severe examples of asymmetry and imprecise information are not tradable. Both sellers and buyers may be unable to be matched in extreme circumstances of inaccurate information and/or asymmetric information (to agree a price for trade). Also, the government's very long-term, non-commercial commitment to international markets makes available unique, dependable, and impartial access to information, such as through the global embassy network and other Government channels and relationships. In furthermore, there are likely to be positive spillovers through demonstration effects that lead to changes in domestic firms' own business practices, as increased internationalization exposes firms to patterns in international product and process development and business developments, as well as consumer's preferences and requirements.

(5) *Appropriability failure:* Inability to implement property rights, especially in the areas of information and technology. It happens when money is put into inventive or similar endeavours but nothing comes of it in the form of property rights that may be kept for the investor's sole benefit. Therefore, it is impossible for the buyer and seller to work in tandem to maximize the innovation's private rent for the exporter. As a result, there is less motivation to expand internationally, and this is rarely remedied by organizations that provide absolute, legally binding property rights. Government meddling is so justified. Although the government cannot give itself full property rights (*Casson, 1999*), it can appropriate resources through taxation, creating a clear correlation between taxation and government supports of trade providing activities.

b- Challenges to Getting In and Out- Due to the high sunk cost of starting up or shutting down a foreign operation, it's not a cheap proposition to go global (such as export market entry). Obstructions include the price of learning about demand conditions in foreign markets research, the expense of setting up a distribution network, and the effort required to adapt items to local preferences and institutional norms and requirements including cultural variations. It is also anticipated that if a company stops exporting for any period of time, all of its upfront expenditures, including the ones that can't be recovered, will return. Having too few participants in a market might reduce competition, which can have a negative effect on the efficiency of that market.

c- Institutional failure: government- The government should step in and provide a service or good when it can do so more efficiently and effectively than private industry, usually information. Thus, the rationale for government involvement is to reduce these obstacles by providing information services and subsidizing the sunk cost component of entry/exit. However, government support for specific sectors within an industry may erect new hurdles for new entrants and existing players alike. Public goods are often cited as an example where private sector production would fall short of societal needs due to the free-rider dilemma.. Furthermore, unless a company is large (and already known abroad), it may be difficult to build a brand image for a product, which can affect the export sale potential of any (new, niche) product.

d-Institutional failure: networks- Due to membership limitations, some businesses may be left out of networks that otherwise would have the necessary set of expertise. Proximity and preexisting commercial and personal contacts are commonly used as prerequisites in information searches (networks). It was mentioned that when SMEs start to internationalize, networks would become more significant because learning about foreign markets from personal experience is essential for making decisions about which countries to enter and grow in. The ability to reach out to and interact with prospective partners and customers in international markets helps businesses learn about the "culture" of doing business there and establishes a foundation of trust for future relationships and joint ventures. Therefore, governments have an obligation to remove barriers to establishing professional connections in foreign markets, especially for small and medium-sized enterprises (SMEs), and to invest in export promotion activities that generate new knowledge.

e-Systemic failure- Due to a combination of bounded rationality and path dependency, many businesses find up using technologies that aren't the best fit for them and are unable to escape. the problem of technology failure on a global scale. As a result, "although individual company competency is the basic base of inventive performance, companies work within' systems of innovation' which intermesh their activities with those of other organisations." (*Dodgson and Bessant, 1995*). Several authors (*e.g. Freeman, 1987; Patel and Pavitt, 1997*) highlight how businesses function within regional (or national) technology systems that feature distinctive capabilities, networks, and institutions. In this, we can see echoes of the 'cumulative causation' models developed by Mydral (1957) and Hirshmann (1958) and formalised in a regional setting by Dixon and Thirlwall (1989). (1975). Such models function with increasing returns and virtuous circles of spread and backwash (feedback), but they can also fail if firms, institutions, and networks become stuck in "old" technologies or if they impede the process of diversity creation. The necessity for diversity and increased connectedness in these technical systems is a recurring subject in the literature on government interventions to fix broken systems (*Metcalfe, 1998*).

3. OBJECTIVES OF THE STUDY

The basic objectives of the study under discussion can be enumerated under the following heads:

a) How much can internationalizing a company's operations support its rapid expansion into new international markets?
b) How much does internationalizing a company's operations help it expand, improve its performance, and reap the greatest possible financial rewards from its innovations?
c) To investigate the likelihood of opening up the market to players from other countries.
d) How much does the increased performance of international firms, as well as the reallocation of resources to such firms from lower productivity local producers, result from the development of international trade?

4. RESEARCH METHODOLOGY

Deductive and inductive methods of investigation are the two most common ways to get to the bottom of a research problem. Using the literature as a starting point, a deductive method seeks out hypotheses to be tested against the data. What this boils down to is the practice of putting theories to the test. Instead of the qualitative data typically employed in an inductive method, author has used quantitative data here. The goal of an inductive strategy is to formulate hypotheses by investigating existing evidence. The next step, after coming up with theories, is to connect them to the existing body of work. Construction theory, in a nutshell to accomplish this goal with this research, a logical strategy proved to be the most fruitful. This requires first doing a literature study to identify pertinent factors that might then be examined empirically through the collection of quantitative data. Because the researcher wasn't attempting to develop an original hypothesis, this method can be categorized as purely deductive. In this study, which depends extensively on secondary sources, the Explanatory research design was adopted for the research that was conducted. For the purpose of gathering information, secondary sources such as books, magazines, research journals, and websites are mined.

5. GOVERNMENT RESPONSE TO MARKET FAILURES

Government solutions are thought to deal with problems in obvious ways, and to be designed in such a way that most of the advantages accrue to organized interest members who value them highly, while the expenses are spread out across many people and thus go unnoticed. There are enormous incentives to favour government solutions, and weak incentives to reject them, even when the benefits are less than the expenses, as is typically the case. In contrast, market-based remedies take a less direct approach by removing special privileges and putting discipline on politically powerful organizations in order to solve problems. This article's goal is to supplement the public choice explanation by considering an explanation for the preference placed on market failure over government failure in political decision-making. The explanation relies on two premises: (1) the widespread agreement among economists that moral considerations play a larger role in policymaking than is generally acknowledged, and (2) the contention that such considerations are of much greater weight in political than in market-based decision making. This view is based on a quote from economist Joseph Schumpeter (1942; 1950: 137), who said, "The stock market is a poor substitute for the Holy Grail." It is argued that the causal chain between individual choices and their immediate outcomes is weaker when dealing with political rather than economic issues. What, therefore, can a government do to fix this inefficiency, and how likely is it to succeed? With many of the most pressing issues in economics, the best response depends heavily on the respondent's political leanings. There are a range of policy choices available, from complete market elimination to direct government provision. Essentially, governments can take the corrective measure with considering the following objectives:

Ultimate Economic Objective: Boost both the sustainable level of GDP and the rate of GDP growth by:

• Gains in productivity from trade due to more effective resource allocation between markets;

• Facilitating the expansion of businesses through the use of export markets;

• Increasing one's exposure to leading practises and foreign markets, with the goal of improving one's inventiveness, quality, and management practises.

Intermediate objectives:

a) To improve the effectiveness of global markets and marketplaces by lowering restrictions on trade and investment and fixing the flaws in the market that keep businesses from participating in global corporate events;

b) For businesses, especially SMEs, to have easy access to useful data and advice concerning potential expansion into international markets;

c) With the goal of improving businesses' worldwide marketing and export skills across a wide range of exportable goods and services;

d) To make it easier for small and medium-sized businesses in particular to get access to networks of commercial contacts in international marketplaces;

e) To educate businesses across a wide range of industries on the benefits of international trade and investment, and to inspire a greater number of businesses to actively pursue possibilities in foreign markets;

f) To facilitate commerce by lowering administrative hurdles and fostering effective processes and best practises in managing data pertaining to international trade transactions;

g) To fortify international commercial institutions including chambers of commerce, business associations, avenues for exchanging information and networking across national boundaries, etc.;

h) Increase the visibility of domestic producers abroad and improve the country's "image" in foreign markets as a provider of goods and services.

This is in contrast to programmes (like a direct export subsidy that is proportional to export revenues) that reduce exporters' marginal costs and hence influence enterprises' decisions regarding export volumes. It has been argued that export subsidies cause market distortions, which are detrimental to trade as a whole, whereas trade and investment promotion (especially when it is rigorously identified with market failure) is beneficial to trade because it stimulates firms to internationalise without affecting their export concentration.

6. GOVERNMENT RESPONSE TO FIRM ADJUSTMENT TO GLOBALISATION

According to Hoekman and Javorcik (2004), governments should (i) act in areas where there are market failures and (ii) make sure that businesses have the "proper" incentives to adapt to globalisation in order to ease the process of internationalisation.

It is the authors' contention that governments frequently fail in the latter function, for example by pursuing wrong macroeconomic policies or inappropriate microeconomic policies. They conclude that enterprises' incentives to bear the costs of change are greatly affected by the credibility of the overall policy position. Specifically, they stress the following impacts of globalisation on local businesses:

(a) Competition effects: More foreign direct investment (FDI) and imports mean more domestic competition. It is argued that trade liberalization should be accompanied by measures that facilitate/allow the reallocation of factors of production from low to higher productivity firms, as a large body of evidence points to 'churning' (entry and exit) as a significant source of productivity enhancement, with such churning related to import penetration (*Criscuolo, C. et al, 2004, for the UK; and Bernard and Jensen, 2004b, for the US*). To guarantee that businesses have sufficient levels of absorptive capacity, we must encourage entry, remove barriers to leave, and encourage innovation (R&D). Since economies with slow labour markets benefit the least from globalisation as trade barriers are lifted, it is essential that policies be in place to ensure that labour-market flexibility is complementary and encourages such churn.

(b) Technology transfer: When trade barriers are lowered, more people and businesses are able to participate in global supply chains. This, however, calls for the absorptive capacity to adapt to such new technologies, and this capacity is linked to human capital endowments and investment in R&D. Demonstration effects and other potential spillover effects of FDI might potentially lead to transfers (*Harris and Robinson, 2004*). All this, say Hoekman and Javorcik, shows that a "one size fits all" policy approach is not suitable for this domain.

(c) Access to new markets: There are now more chances for domestic companies to upgrade to meet the standards of foreign markets thanks to globalization. Policy intervention to encourage enterprises to export may be a waste of resources, according to Hoekman and Javorcik, if firms that do not export have unfavourable qualities such as low capacities and absorptive capacity. However, there is a rationale for intervention to overcome such market failure if the decision not to export is caused by incomplete information related to uncertainty about the (sunk) costs and profitability of entering.

Therefore, it would appear that the primary prerequisite for raising participation rates in export markets is policies that improve the absorptive capacity and dynamic capacities of enterprises. Consequently, this boosts aggregate productivity since resources are redistributed in the form of market shares to exporters with better efficiency, while the least efficient firms are driven out of the sector/economy (*as various models, most notably that analysed by Melitz, 2003*). Also, the 'learning-by-exporting' effect isn't strictly necessary: as Melitz explains, "... trade-induced reallocations towards more efficient firms explain why trade may generate aggregate productivity gains without necessarily improving the productive efficiency of individual firms" (p. 1719).

6. RESULTS AND FINDINGS

Since this research relied solely on inductive reasoning, all of the data and information used to derive conclusions came from rigorous empirical examination. In the 21st century, international trade has become an essential part of every industry. The prosperity of global trade can be traced to a number of causes. Skill migration and relocation are now embedded in corporate culture. To satisfy the ever-increasing need for superior expertise, every organization is today resorting to international human resource outsourcing. For instance, around 55% of Sony's workforce is Japanese, while the rest comes from all over the world. Modern consumers have convenient and widespread access to information. It now takes only a few times to purchase goods from all around the world. The price of travel and communication has dropped significantly. International trade is on the rise as a result of rising demand, and the business as a whole is expanding as a result. Improvements in communication have also made it simpler and less time-consuming to exercise management control and leadership. Each of these factors has increased their impact on global trade. Many foreign corporations have set up shop in the United States, and many domestic ones have taken on an increasingly global focus. Products as varied as toothpaste, cosmetics, washing machines, televisions, textiles, bicycles, automobiles, toys, and video games may now be delivered right to the front doors of ordinary consumers. The global and international corporations should be credited for these changes. As a result of liberalization and globalization, international trade has taken on new dimensions. Every nation places limits on the free flow of capital, labour, information technology, and other resources. Today's governments loosen up on border controls for the following reasons.

• Internal and local clients desire a quicker and more convenient means of accessing a greater variety of products at more competitive pricing.

• The domestic industry will benefit from more foreign competition by seeing improvements in product quality, design, form, colour, and pricing.

• In order to ensure a continuous flow of goods, the customers exert pressure on the international actors, compelling them to lower the export-import barriers.

Trends in Emerging Infrastructure: The infrastructure and services that enable the movement of goods around the world have expanded rapidly in recent years. Now more than ever, businesses in every region are establishing R&D hubs. These hubs are useful for gauging local tastes and preferences. The world of international business in India appears to be quite alluring, with a growing number of exciting opportunities opening up every day. India's overseas trade is expanding at a rate of roughly 8% each year. If connections with neighboring countries can be systematized and stabilized, international business could see tremendous improvements. Incredible growth in India's stock market in recent years has captured the interest of investors throughout the globe. With its large pool of semi-skilled and skilled workers and rapidly expanding middle class, India is a promising market for any type of business. Information and electronic hardware, automobiles, telecommunications, pharmaceuticals and biotechnology, research and development, banking, financial institutions and insurance and pensions, capital market, chemicals and hydrocarbons, infrastructure, agriculture and food processing, retail, logistics, manufacturing, power and non-conventional energy, sectors like health, education, housing, and natural resources are all examples of industries that have the potential to thrive and grow in India.

Central and government agencies in India, including as CII, FICCI, and the various Chambers of Commerce, offer a plethora of events and programmes designed to accelerate the growth of India's international business climate. These groups work together to spot chances for bilateral commercial cooperation, and then advocate the best possible policies to governments abroad. The growth of India's international business scene can be attributed to the country's abundance of lucrative prospects. The international and local business communities in India are both working steadily toward their goal of making the country the global knowledge capital. It is generally agreed upon that India played a negligible role in global events before 1991. With the implementation of Economic Reform 1991, India's economic outlook shifted dramatically. Capitalism, profitability, privatization, and consumption were originally seen as filthy words, but they have now been replaced by more modern ideas about the economy. India's leaders eventually looked to China for guidance after realizing their own isolationist policies were doomed. India has finally begun making headway in the right path economically after years of instability, sluggish economic conditions, fractured states, and massive uncertainty.

India has begun modernizing its antiquated industrial rules, regulations, and ordinances to foster an atmosphere that is welcoming to firms of all stripes, both domestic and international. Much advancement has occurred and are occurring as a direct result of these reforms. The innovations have been grouped broadly into categories like:

• Reforms in Taxation Called Reforms in Tax Reforms

• Reforms in Financial Structure Called Reforms in Financial Reforms

• Setting Capital Market Free

• Bringing Reforms in the Regulation of Business Firms Which Are Solely Responsible for Running the Business

• Encouraging Private Sectors and Framing Regulations to Give Them Freedom to Choose Their Own Businesses

• Minimizing Controls Over Exchange and Corruption (FDI).The current account deficit in the balance of payments is now under control and exports have surged marginally during the current financial year.

7. PROBLEMS, ISSUES, SUGGESTIONS

The research has highlighted other elements that determine internationalization, including industry (such as whether it is high tech or not), business size, the presence or absence of networks/agglomerations, the significance of foreign experience among the owner/managers, and even 'luck' etc. However, throughout all of the existing literature, there was a consistent emphasis on the central and crucial role of (tacit) knowledge generation and acquisition, both from within the organization and from its external environment. Sunk costs and business heterogeneity are two topics that have received a lot of attention in the more recent economic models of internationalization that have been discussed in this paper. Overcoming barriers to entry requires a firm to have a sufficient knowledge base and complementary assets/resources (especially research and development and human capital assets that lead to greater absorptive capacity), and naturally, productivity differences rely on firms having differing knowledge and resource bases associated with differing rates of innovation and other aspects of total factor productivity. Once again, this highlights the centrality of firm-specific assets and knowledge building in explaining the internationalization process.

Despite knowledge accumulation's centrality and the importance of elements like absorptive capacity for success, we found scant research on the nature of organizational learning and the best ways to quantify absorptive capacity (and its relative importance in determining productivity and entry into foreign markets). Down this review, we zeroed in on the influence at the micro (i.e. company and plant) level, where our understanding of the relationship between international trade and productivity development is at its most fundamental. The question of whether or not exporting increases productivity at both home and foreign locations was central. There is a high level of consensus among the available data that they do; nevertheless, the question remains as to whether this is a necessary condition of internationalization and/or whether enterprises improve their productivity upon entering export markets due to a "learning-by-exporting" impact. This 'self-selection' is likely to be the case if enterprises need to have specific qualities in advance that result in higher productivity to allow them to overcome the sunk costs of entering. There was a need to assess the possible influence of internationalization on aggregate productivity growth, regardless of whether firms self-select into export markets or became more productive after admission. We discovered that although this is a relatively new field of study, there is already a substantial consensus (based on scant empirical evidence) that dynamic restructuring of the economy leads to larger market shares for the most efficient (and usually larger) firms that export, which has a significant impact on increasing aggregate productivity. However, recent literature has begun to argue that government aid needs to be flexible, reflecting the varied character of enterprises, to accommodate the varying requirements of exporters. Some have argued that the policy isn't adaptable enough to accommodate the many various types of businesses that export, and that it isn't tailored enough to the needs of "born-global" companies. The criticisms and proposed legislative shifts that have resulted from them reflect, to a significant extent, the varying resources available to different businesses. Policies that aid firms in acquiring the traits (i.e., absorptive capacity and dynamic capabilities) that lead to higher productivity and, hence, the ability to overcome sunk entry costs in international markets, became necessary when the rationale for policy was broadened to include the need to ensure that firms face the "right" incentives to adapt to globalization. This is in line with government policy concerning productivity and its determinants, and it benefits aggregate productivity by shifting resources to exporters with better productivity.

8. CONCLUSION

Within the context of this article, the 'market failure' reasons for government intervention in corporate internationalization have been examined (rather than subsidizing export revenues). Certain aspects of global markets undoubtedly give a case for government intervention not least because it has an advantage in providing information. However, government aid needs to be adaptable, reflecting the diversity of enterprises, so that it can meet the varying requirements of exporters.

Some have argued that the policy isn't adaptable enough to accommodate the many various types of businesses that export, and that it isn't tailored enough to the needs of "born-global" companies. The criticisms and proposed legislative shifts that have resulted from them reflect, to a significant extent, the varying resources available to different businesses. When the rationale for policy is broadened to include ensuring that firms face the "right" incentives to adapt to globalization, rather than just covering "market failure" arguments, this reinforces the need for policies that assist firms in acquiring those characteristics (i.e., absorptive capacity and dynamic capabilities) that lead to higher productivity and, by extension, the ability to overcome sunk entry costs in international markets. As a result, aggregate productivity rises as a result of a shift in economic favour toward exporters with greater productivity.

A beneficial relationship between the Indian economy and global trade is demonstrated by the study's findings. Economic growth and long-term progress are guaranteed when India expands its presence in other countries purely for commercial reasons. The report elaborates on the importance of increasing global trade as a means of countering the rising power of Brazil, China, and Russia. Current Indian Prime Minister Narendra Modi has promised his international counterparts that his country seeks to be a fair and equitable partner in all facets of development. But making connections with nearby nations like China, Pakistan, Nepal, Malaysia, and Bangladesh is where efforts should be focused first.

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