



RACE IAS

EXPORT PREPAREDNESS INDEX 2021

- **Published by:** NITI Aayog, in partnership with the Institute of Competitiveness.
- **Aim:** The Export Preparedness Index is a data-driven endeavor to identify the fundamental areas critical for subnational export promotion.
- **Objective:** The index can be used by states and union territories to benchmark their performance against their peers and analyze potential challenges to develop better policy mechanisms to foster export-led growth at the subnational level.
- **Four Pillars:** The EPI ranks states and UTs on 4 main pillars—
 - **Policy:** A comprehensive trade policy provides a strategic direction for exports and imports.
 - **Business Ecosystem:** An efficient business ecosystem can help attract investments and create an enabling infrastructure for businesses to grow.
 - **Export Ecosystem:** This pillar aims to assess the business environment, which is specific to exports.
 - **Export Performance:** This is the only output-based pillar and examines the reach of export footprints of states and union territories.
- **Eleven Sub-pillars:** Export Promotion Policy; Institutional Framework; Business Environment; Infrastructure; Transport Connectivity; Access to Finance; Export Infrastructure; Trade Support; R&D Infrastructure; Export Diversification; and Growth Orientation.
- **Outcome:** The 2021 edition has shown that most of the 'Coastal States' are the best performers, with Gujarat as the top-performer.
- **Ranking:** Gujarat has been named India's top State in terms of export preparedness followed by Maharashtra, Karnataka, Tamil Nadu.

Category Wise Ranking:

HIMALAYAN

COASTAL

State	Score	Rank	State	Score	Rank
Uttarakhand	40.79	1	Gujarat	78.86	1
Himachal Pradesh	40.43	2	Maharashtra	77.14	2
Tripura	27.46	3	Karnataka	61.72	3
Sikkim	27.41	4	Tamil Nadu	58.84	4
Manipur	15.78	5	Andhra Pradesh	50.39	5

UT/CITY STATES			LANDLOCKED		
State	Score	Rank	State	Score	Rank
Delhi	43.66	1	Haryana	53.20	1
Goa	41.95	2	Uttar Pradesh	51.09	2
Jammu & Kashmir	30.06	3	Madhya Pradesh	51.03	3
Chandigarh	28.41	4	Punjab	50.99	4
Puducherry	22.19	5	Telangana	47.92	5

Goals of EPI:

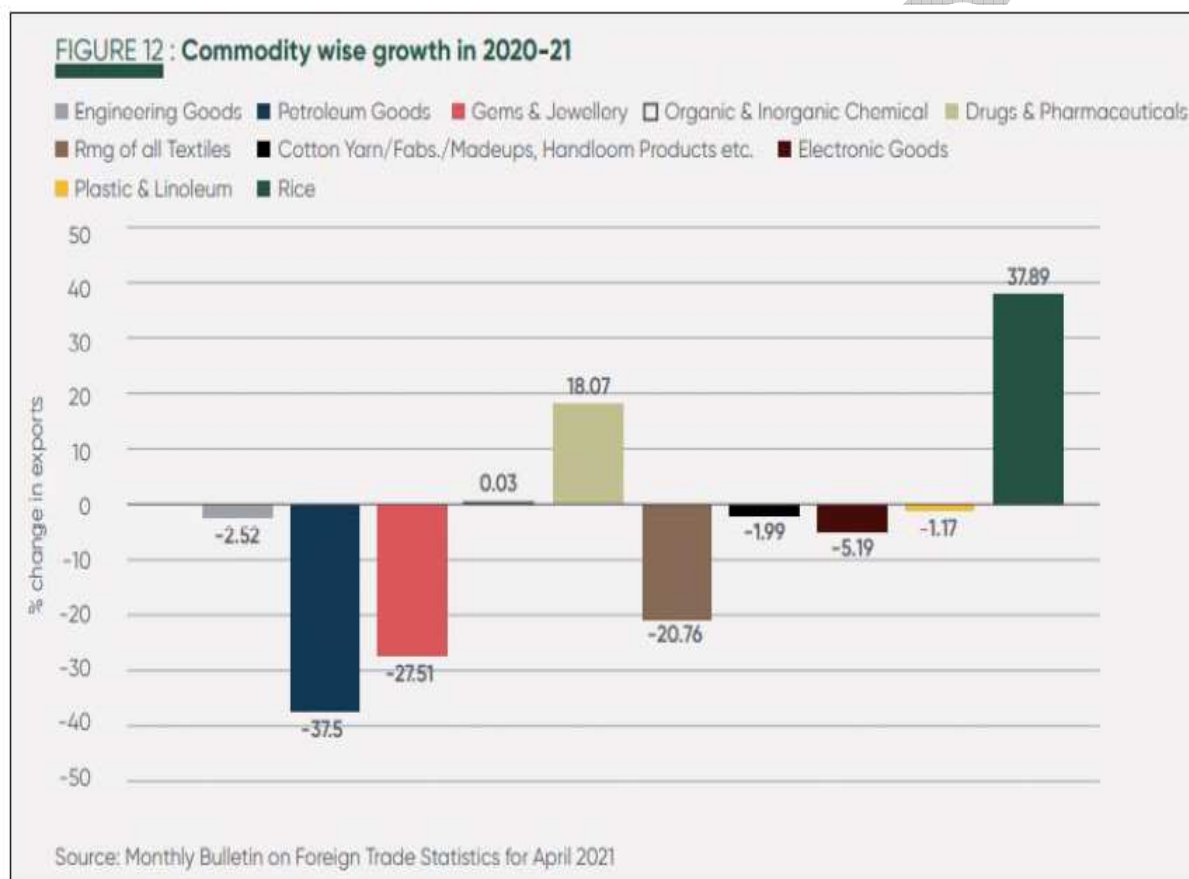
- The EPI's primary goal is to instill competition among all Indian states ('Coastal', 'Landlocked', 'Himalayan', and 'UTs/City-States') to bring about favorable export-promotion policies, ease the regulatory framework to prompt subnational export promotion, create the necessary infrastructure for exports, and assist in identifying strategic recommendations for improving export competitiveness.
- It promotes competitive federalism and a fair contest among States/UTs.
- The index can be a valuable tool for the government and policymakers in encouraging healthy competition among states and UTs, hence enhancing India's standing in the global export market.

Highlights of the Report:

- In the category of 'Landlocked States', Haryana was the best-performing state.
- Among 'Himalayan States' and 'Union Territories', Uttarakhand and Delhi are the top-performing states respectively.
- India's merchandise exports increased from \$10.17 billion in April 2020 to \$30.74 billion in April 2021 increasing 197.03%.
- India's service export growth declined from \$213 billion in 2019-20 to \$206 billion in 2020-21, which is a negative growth of (-) 3.3 per cent.
- States with higher exports also experience a high Gross State Domestic Product (GSDP). For instance, US\$ 259.25 billion is the estimated GSDP of

Gujarat in Fiscal Year 2022. Maharashtra GSDP stood at US \$366.67 billion in 2020-2021.

- Only 16 states out of 36 states/UTs have scored above the national average in the Export performance pillar. Their performance has varied drastically for two reasons: Regional Export Disparity, as coastal states continue to dominate the export sector across states of India. Another reason is that indicators have been evaluated relative to their exports' contribution to its GDP, which impacts scores of smaller regions.



India's Export Situation:

- In Q3, 2021, India's Export in goods increased by 5 per cent, and services increased by 17 per cent relative to Q2 2021. Compared to the 2019 average, it has increased by 27 per cent and 7 per cent respectively in goods and services exports.

FIGURE 16 : India's Top 10 Exports Products in April – October 2021



Source: Ministry of Commerce and Industry dashboard

- India has been showing positive statistics in exports since the beginning of the FY 2021-22. It's merchandise exports increased by 197% from April 2020 to April 2021. Since then, the country's exports have been witnessing a rising trend.
- In the light of such scenario, the government of India has set the merchandise export target of \$400 billion for the year 2021-22. It is in line with Prime Minister Narendra Modi's vision on "Local Goes Global: Make in India for the World".
- India's Agri Product Exports reached their highest value, \$4960 million, in March 2021. This increase in Agri exports was majorly driven by its top 3 commodity groups, i.e. marine products, non-basmati rice and basmati rice.
- Despite a host of challenges, engineering goods have exhibited positive growth in its exports. The engineering sector forms almost 25 per cent of India's total exports and remains the largest foreign exchange earner.

Challenges in India's Export Situation:

- According to DST 2019-20 data, it has been observed that all the states of India spend less than 1 per cent of their R&D expenditure relative to its state gross domestic product.
- Trade support remains a low-scoring sub-pillar. One of the reasons is that states lag in identifying key trade facilitation issues, conducting capacity building workshops and no approved projects under TIES (Trade Infrastructure for Export Scheme).
- Growth and orientation remain the second lowest sub-pillar reflecting regional disparity in export growth. There is a considerable gap in the national average and an average score of coastal states like Gujarat and Maharashtra, reflecting their higher contribution to the overall export growth of India.
- The EPI has identified three major challenges to India's export:
 - Intra- and inter-regional differences in the export infrastructure of different states
 - Weak trade support system & growth orientation and;
 - Lack of proper research and development infrastructure

Suggestions to improve Export situation of States and UTs:

- Existing export infrastructure needs to be improved by introducing Export promotion hubs SEZ and agriculture export zones in the regions and making trade guides more transparent and accessible with relevant export information. States should also work on improving access to information.
- States need to identify key trade facilitation issues in strategic policies and further assess capacity building / orientation workshops to ensure trade support to exporters in the region.
- States must work on providing higher credit to exporters by increasing the banking facilities in the region relative to its population. States which have low FDI inflow but a higher percentage of the banking facilities in the region have performed better.
- Industrial land and internet facilities are important as they reflect robust infrastructure for supporting the environment for exports. Moreover, states with high cluster strength have a lot of potential to promote the clusters and accelerate their exports.
- Apart from identifying specific export promotion policy measures, it is required to build the necessary infrastructure like State Center coordination cells, grievance redressal cells, access to an export committee and international markets.

Suggestions to increase Exports of India:

- India's specialization has become more skilled intensive in exports of auto and auto parts, electronics, machinery, pharmaceuticals in contrast to opposite belief. India has not fully exploited the Lewis curve for low-skill manufacturing compared with more skill intensive exports. Low/ Un-skilled exports include apparel, textiles, leather, and footwear. Since the nation has a comparative advantage in low skilled exports, it must boost its manufacturing capacity to further exploit this opportunity.
- India's One District - One Product scheme can be used by states to include traditional products, such as textile, to scale up existing industries around the low skilled driven labor. This will ensure that quality products are manufactured; it further can boost domestic supply and drive increased exports of such products.
- The Indian export sector requires timely technology upgradation and upskilling of the labor force to promote efficiency.
- Further, investment in R&D and design are important to encourage Indian exporters to shift focus from exporting raw materials and intermediary goods to complex and unique economic goods for long term sustainable export growth.

Way Forward:

- The central government and the state governments need to work closely with the exporters and academic institutes to exploit the competitive advantage of states and bring forth unique and complex products that would help expand the international export market for Indian products and set a precedent for the future.