# 6. India's Exports – Economy

The RBI Handbook of Statistics on Indian States 2024–25 reveals that export growth is increasingly concentrated in a few developed coastal and industrial States, masking deep regional and employment-related challenges

## Pattern in India's Exports - Growing Regional Concentration

**Rising Dominance of a Few States**

India's export growth is becoming increasingly spatially concentrated. In FY25, the top 10 States accounted for over 91% of India's total exports, a sharp rise from 84% in FY22, indicating accelerated regional divergence. The top five States—Gujarat, Maharashtra, Tamil Nadu, Karnataka and Uttar Pradesh—together contribute nearly 70% of national exports. This reflects a winner-takes-most dynamic, where export capacity is clustering in already industrialised regions.

**Regional Divergence in Trade Integration**

Western and southern coastal States are integrating more deeply into -

1. Global value chains (GVCs)
2. Manufacturing and services exports
3. Capital- and technology-intensive trade

In contrast, large parts of northern, central, and eastern India are -

1. Weakly connected to global trade
2. Largely dependent on domestic demand
3. Gradually decoupling from the export-led growth engine

## Reasons Behind Export Concentration

**1. Infrastructure and Geographic Advantages -** Coastal States enjoy -

1. Dense port networks
2. Industrial corridors
3. Multimodal logistics (road–rail–port integration)
4. Proximity to global shipping routes

These reduce transaction costs and turnaround time, critical in competitive global trade.

**2. Agglomeration Economies -** Established industrial clusters create self-reinforcing advantages -

1. Easier access to skilled labour
2. Presence of suppliers, ancillaries, R&D, and services
3. Lower coordination and information costs

This agglomeration effect attracts further capital and firms, crowding out lagging regions.

**3. Shift from Cost to Complexity in Global Trade -** Global capital increasingly prefers regions with -

1. High economic complexity
2. Diversified export baskets
3. Strong regulatory and institutional capacity

Low-cost production alone is no longer sufficient; capability depth matters more than cheap labour.

**4. Global Trade Slowdown and Competitive Pressure -** According to World Trade Organization data - Global merchandise trade growth has slowed to 0.5–3%. UN Conference on Trade and Development estimates show - The top 10 exporting countries control ~55% of global trade.

Sluggish global demand intensifies competition, favouring regions already embedded in GVCs.

**5. Financial Depth and Credit Asymmetry -** High-export States such as Tamil Nadu and Andhra Pradesh record Credit–Deposit ratios above 90%. This allows -

1. Local savings to fund local industry
2. Faster scaling of export-oriented enterprises

In contrast, many hinterland States suffer from credit leakage, limiting industrial expansion.

## Impact of Export Concentration

**1. Deepening Regional Inequality -** Export-led growth is reinforcing -

1. Coastal–inland divide
2. West–South versus North–East divergence

This undermines the objective of balanced regional development.

**2. Fragile Export Resilience -** Over-dependence on a few States and sectors -

1. Increases vulnerability to regional shocks (natural disasters, infrastructure failures)
2. Amplifies sector-specific risks (electronics, petroleum, gems & jewellery)

**3. Weak Employment Elasticity -** Modern exports are -

1. Capital- and skill-intensive
2. Less labour-absorbing

As a result, export growth no longer guarantees mass employment, limiting its role as a development lever.

**4. Fiscal and Social Stress -** Persistent divergence -

1. Strains cooperative federalism
2. Increases pressure on fiscal transfers
3. Fuels political and social discontent

Inclusive growth objectives become harder to achieve.

## Government Initiatives to Improve Hinterland Export Competitiveness

**1. Districts as Export Hubs (DEH) -** Seeks to transform every district into an export hub. Focus areas -

1. Processing, testing, and logistics infrastructure
2. Capacity building of local producers

Integrated with One District One Product (ODOP) for decentralised export promotion.

**2. Export Promotion Mission (EPM) -** A unified six-year programme (FY 2025–2031). Explicitly prioritises -

1. Non-traditional districts
2. Landlocked States
3. Labour-intensive and MSME-driven exports

Marks a shift from volume-centric to region-sensitive export strategy.

**3. Agriculture Export Policy and APEDA FAS -** Targets agricultural and processed food exports from -

1. Rural
2. Inland
3. Hinterland regions

Supports -

1. Infrastructure creation
2. Market access
3. Quality certification

**4. Towns of Export Excellence (TEE) -** Identifies towns with sector-specific export potential -

1. Handicrafts
2. Handlooms
3. Textiles
4. Leather

Provides

1. Financial assistance
2. Technology upgradation
3. Skill development
4. Export marketing support

**5. PM Gati Shakti National Master Plan & National Logistics Policy -** Aims to reduce logistics cost and improve trade efficiency. Key benefits for hinterland regions -

1. Improved road, rail, inland waterway, and multimodal connectivity
2. Development of dry ports, logistics parks, and freight corridors
3. Faster movement of goods from production centres to ports

## Way Forward - Towards Balanced Trade-Led Development

**Strengthen district-level institutions** -

1. Logistics
2. Finance
3. Skill ecosystems

Enable hinterland regions to move into - Medium- and high-complexity export value chains.
Complement export targets with qualitative metrics, such as -

4. Employment generation
5. Regional dispersion of exports
6. Domestic value-chain integration

Shift from export growth alone to inclusive, resilient, and regionally balanced trade strategy.

Source - https -//www.thehindu.com/business/Economy/how-exports-are-concentrated-in-few-states/article70429584.ece