



## Export Preparedness Index 2022

**For Prelims:** [Niti Aayog](#), [Foreign Direct Investment](#), [Technology Upgradation Fund Scheme](#), [Geographical Indication](#)

**For Mains:** NITI Aayog Report on Export Preparedness Index 2022

Recently, [NITI Aayog](#) has released a report titled- [Export Preparedness Index 2022](#).

### What is the Export Preparedness Index(EPI) 2022 ?

The EPI 2022 is a ranking of all states and union territories in India based on their export readiness. It is a composite index that measures the performance of states and UTs across 4 pillars and 10 sub-pillars:

#### ▪ Pillars:

##### ◦ Policy:

- A comprehensive trade policy providing a strategic direction for exports and imports.

##### ◦ Business Ecosystem:

- An efficient business ecosystem helping states attract investments and create an enabling infrastructure for individuals to initiate start-ups.

##### ◦ Export Ecosystem:

- Assess the business environment, which is specific to exports.

##### ◦ Export Performance:

- This is the only output-based parameter and examines the reach of export footprints of States and UTs.

#### ▪ Sub-Pillars:

##### ◦ Export Promotion Policy:

- The quality and effectiveness of the state's export promotion policy.

##### ◦ Institutional Framework:

- The strength and effectiveness of the state's institutional framework for trade and exports.

##### ◦ Business Environment:

- The ease of doing business in the state and the availability of support services for exporters.

##### ◦ Infrastructure:

- The availability of physical infrastructure, such as roads, ports, and airports, that is necessary for exports.

##### ◦ Transport Connectivity:

- The connectivity of the state to major export markets.

##### ◦ Export Infrastructure:

- The availability of specialized infrastructure, such as warehouses and cold storage facilities, that is necessary for exports.

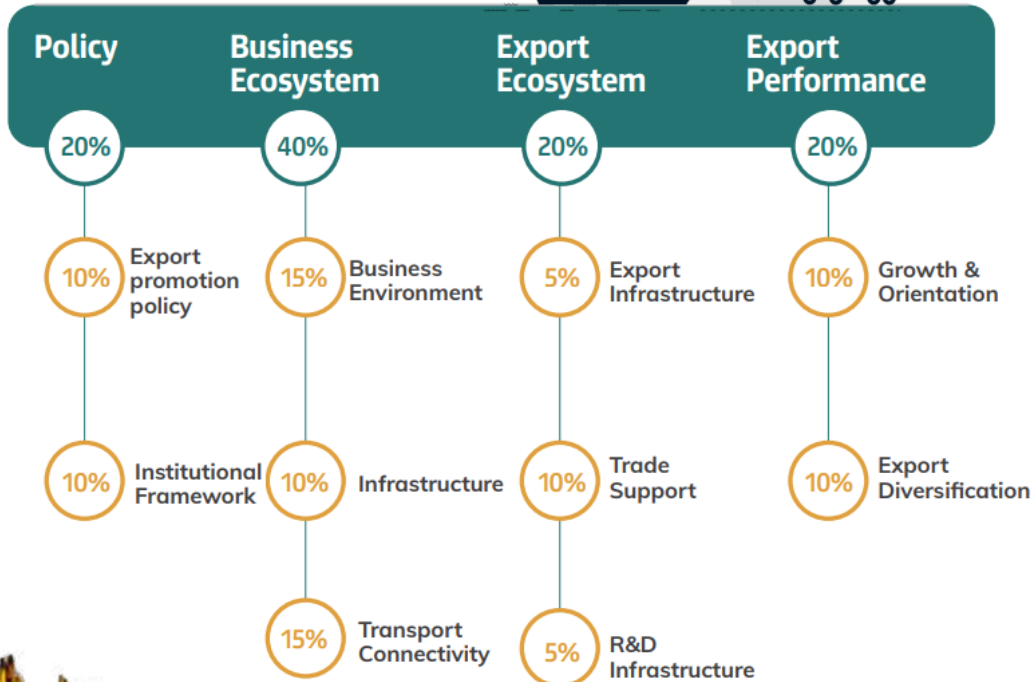
##### ◦ Trade Support:

- The availability of trade finance, insurance, and other trade-related services.

- **R&D Infrastructure:**
  - The availability of research and development facilities that can help to develop new export products and services.
- **Export Diversification:**
  - The extent to which the state's exports are diversified across sectors and markets.
- **Growth Orientation:**
  - The state's commitment to export-led growth.

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## Export Preparedness Index Framework



### What are the Key Highlights of the EPI 2022?

#### ▪ Performance of States:

##### ◦ Top Performers:

- Tamil Nadu has topped in EPI 2022, followed by Maharashtra and Karnataka.
  - Gujarat, which held the top position in **EPI 2021 (released in 2022) has been pushed to the fourth slot in EPI 2022.**
- Tamil Nadu's performance in terms of export performance indicators, including the value of exports, export concentration, and global market footprint, **contributed to its top ranking.**
  - It has been a consistent **leader in sectors such as automotive, leather, textiles, and electronic goods.**

##### ◦ Hilly/Himalayan States:

- Uttarakhand secured the **top position among hilly/Himalayan states in the EPI 2022. It is followed by Himachal Pradesh, Manipur, Tripura, Sikkim, Nagaland, Meghalaya, Arunachal Pradesh, and Mizoram.**

Rank	State	Category	Score
1	Uttarakhand	Himalayan	59.13
2	Himachal Pradesh	Himalayan	52.25
3	Manipur	Himalayan	40.77
4	Tripura	Himalayan	38.30
5	Sikkim	Himalayan	36.86
6	Nagaland	Himalayan	33.33
7	Meghalaya	Himalayan	24.34
8	Arunachal Pradesh	Himalayan	19.92
9	Mizoram	Himalayan	16.96

◦ **Landlocked Regions:**

- Haryana topped the **chart among the landlocked regions**, indicating its preparedness for exports.
- It was followed by **Telangana, Uttar Pradesh, Punjab, Madhya Pradesh, and Rajasthan.**

Rank	State	Category	Score
1	Haryana	Landlocked	63.65
2	Telangana	Landlocked	61.36
3	Uttar Pradesh	Landlocked	61.23
4	Punjab	Landlocked	58.95
5	Madhya Pradesh	Landlocked	55.68
6	Rajasthan	Landlocked	54.80
7	Jharkhand	Landlocked	43.91
8	Assam	Landlocked	43.19
9	Bihar	Landlocked	41.06
10	Chattisgarh	Landlocked	39.10

◦ **Union Territories/Small States:**

- Among union territories and small states, Goa ranked first in the EPI 2022.
- Jammu and Kashmir, Delhi, Andaman and Nicobar Islands, and Ladakh secured the second, third, fourth, and fifth positions, respectively.

Rank	State	Category	Score
1	Goa	Union Territories/Small States	78.12
2	Jammu and Kashmir	Union Territories/Small States	77.12
3	Delhi	Union Territories/Small States	76.12
4	Andaman and Nicobar Islands	Union Territories/Small States	75.12
5	Ladakh	Union Territories/Small States	74.12

▪ **Global Economy:**

- Global trade in 2021 showed signs of recovery from the Covid-19. Factors like increased demand for goods, fiscal policies, vaccine distribution, and easing of restrictions contributed to a **27% increase in merchandise trade** and a 16% increase in **services trade** compared to the previous year.
- The **Russo-Ukrainian** war in February 2022 slowed down the recovery, impacting **sectors like grain, oil, and natural gas.**
- Trade in goods saw significant growth, and services trade recovered to pre-pandemic levels by Q4 2021.

▪ **India's Export Trends:**

- Despite global slowdown, India's **exports in 2021-22 crossed an unprecedented USD 675 Billion**, with trade in goods accounting for USD 420 billion.
- The value of merchandise exports crossed USD 400 billion in FY2022, an ambitious goal set by the government, reaching up to **USD 422 billion by March 2022.**
  - The cause of this performance was manifold. Globally, the increase in prices of commodities and rise in demand from developed countries helped increase India's merchandise exports.

▪ **Coastal States' Performance:**

- Coastal states have shown better performance across various indicators, with six of the top states in the export index coming from the coastal region.
- These states, including **Tamil Nadu, Maharashtra, Karnataka, and Gujarat**, have demonstrated exceptional performance in different areas, contributing positively to the national exports due to their geographical advantage.

	Rank	State	Category	Score
Coastal	1	Tamil Nadu	Coastal	80.89
	2	Maharashtra	Coastal	78.20
	3	Karnataka	Coastal	76.36
	4	Gujarat	Coastal	73.22
	5	Andhra Pradesh	Coastal	59.27
	6	Odisha	Coastal	58.84
	7	West Bengal	Coastal	53.57
	8	Kerala	Coastal	44.03

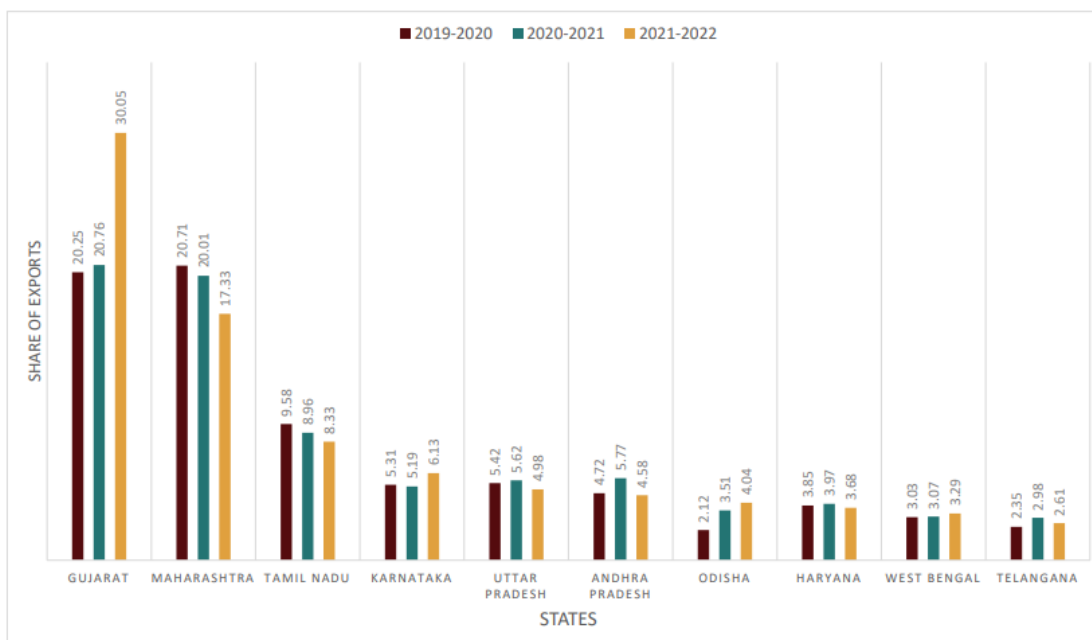
#### ▪ Landlocked States:

- Landlocked states have generally exhibited satisfactory performance, with **Uttar Pradesh and Haryana** standing out as positive outliers.
- States like **Punjab and Telangana have performed adequately** but might not fully utilize their regional advantages, leading to average overall performance.

#### ▪ Himalayan and UT/Small States:

- Himalayan and Union Territory/Small states, except for Uttarakhand, Himachal Pradesh, Goa, and Delhi, have shown unsatisfactory performance in the export index.
- This suggests a **need for urgent reforms by their respective state governments** to improve their export readiness.

% age Share of Top 10 States in India's Exports Across 3 Years



#### ▪ Policy Ecosystem and Infrastructure:

- Many states have adopted export-oriented policy measures and have implemented necessary actions to drive exports.
- The presence of **dedicated industrial zones, single-window clearance, and export infrastructure** has contributed to a positive business environment.
- Export growth is evident in the fact that 29 states have registered a positive growth rate in exports over their pre-pandemic levels.

#### ▪ Transport Connectivity:

- The **lack of air connectivity** has been identified as a hindrance to the movement of goods, particularly in landlocked or geographically disadvantaged states.
- Strengthening transportation infrastructure is crucial for efficient trade.
- **Cluster Strength and Innovation:**
  - The importance of creating a nurturing environment for industrial clusters has been highlighted, as a lack of such an environment can hinder productivity.
  - The lower focus on **Research and Development (R&D) and innovation** in exports has been noted as a weakness.
- **Manufacturing Sector and FDI Impact:**
  - The continuing impact of the pandemic is visible in reduced gross value addition by the manufacturing sector and **decreased inflow of Foreign Direct Investment (FDI) in several states.**
  - The need for government support to struggling industries is emphasized.
- **Capacity Building and Knowledge Dissemination:**
  - Proper knowledge dissemination channels are vital for exporters to compete globally.
  - The absence of capacity-building workshops and **limited utilization of government schemes hinder exporters'** abilities to penetrate global markets.
- **Export Concentration and Market Penetration:**
  - The high concentration of exports on a **few commodities and districts, along with a significant portion of exports** going to a limited number of destinations, highlights the need for diversification and exploration of new markets.

## Rankings

Overall Ranking			
Rank	State	Category	Score
1	Tamil Nadu	Coastal	80.89
2	Maharashtra	Coastal	78.20
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### What are the Key Areas for Improvement?

- **Export Diversification:**
  - India's export basket is still heavily concentrated in a few sectors, **such as gems and jewellery, textiles, and engineering goods.**
  - Investment can be attracted from the countries to improve productivity, and state governments can facilitate exporters' access to information about these markets.
- **Strengthening the Business Ecosystem:**
  - There is a need to improve the **business environment in many states, including by reducing regulatory** compliance costs and improving access to finance.

#### ▪ Investing in R&D:

- India needs to invest more in research and development to develop new products and services that can be exported.
- Government **schemes like [Technology Upgradation Fund Scheme \(TIES\)](#) can be utilized to create export promotion zones**, research facilities, and transport infrastructure, thus enabling weaker economies to compete with strong exporting states.

#### ▪ Focusing on Niche Products:

- India should focus on developing and exporting niche products that have a high value-added and are less sensitive to global economic fluctuations.

### What are the Recommendations for Improvement?

#### ▪ Addressing Regional Disparities:

- Different states have varying levels of preparedness and capacity for export growth.
  - While policy adoption is crucial, the **ability to effectively implement these policies can differ significantly** from state to state.
- To bridge the gap between high-performing and lagging states, the central government should provide support to those struggling the most.
  - This assistance could come in the form of **funding, resources, and expertise to help build the necessary ecosystem** for exports.
- States should also be encouraged to learn from each other's successes and adopt best practices.
  - For example, states like **Himachal Pradesh and Uttarakhand could take inspiration from other successful Himalayan states.**

#### ▪ Utilizing Geographical Indication (GI) Products:

- **Geographical Indication** (GI) products are unique to specific regions within India. States can leverage these products to establish a strong market presence.
  - For instance, products **like Kancheepuram Silk are exclusive to Tamil Nadu** and can be exported without domestic competition.
  - By improving their manufacturing, quality, and identifying global markets, states can enhance their exports.

#### ▪ Leveraging Foreign Trade Agreements (FTAs):

- India has signed FTAs with various countries, creating more favorable trading conditions.
  - States can benefit from these agreements by aligning their products with the needs of partner countries and facilitating market access.
- Exporters can seek investments from partner countries to **enhance their productivity and competitiveness.**

#### ▪ Improving Data Collection for Accurate Evaluation:

- Accurate and comprehensive data is crucial **for evaluating the preparedness of Indian states for exports.**
  - Issues with data collection, especially for the origin of exports, need to be addressed.
  - Clear data aids targeted policy formulation and understanding regional trade patterns.
- Additionally, obtaining accurate data on service exports and investment at the state level is essential to assess their contributions accurately.