

India's Export Concentration Across States - Explained

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Export Concentration Latest News

- Recent analysis of RBI State-wise export data shows that India's export growth is increasingly concentrated in a few States, exposing structural imbalances in regional development.

Overview of India's Export Performance

- India's export numbers appear robust at the national level, even amid a weakening rupee.
- However, a disaggregated view reveals that export growth is not evenly distributed across States.
- According to the RBI Handbook of **Statistics on Indian States** (2024-25), a small group of States accounts for a disproportionately large share of India's total exports.
- This pattern challenges the long-held assumption that export expansion naturally leads to broad-based industrialisation and employment growth across regions.

Concentration of Exports Among a Few States

- India's export geography is increasingly dominated by five States, **Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Uttar Pradesh**, which together contribute nearly 70% of the national export basket.
- Half a decade ago, their share was around 65%, indicating a steady rise in concentration.
- This trend reflects a core-periphery pattern, where coastal and industrially advanced States integrate more deeply into global supply chains, while large parts of northern and eastern India remain marginalised.
- The rising **Herfindahl-Hirschman Index (HHI)** of export concentration signals growing regional imbalance rather than convergence.
 - The HHI is used by anti-trust agencies that possess the mandate to promote competition. It is calculated by squaring the market share of each producer in the market and then comparing the sum to a scale.

Structural Reasons Behind Regional Divergence

- Several structural factors explain why exports are clustering instead of dispersing:
 - First, global trade conditions have changed. The era of labour-intensive, low-skill manufacturing as a pathway to development is narrowing.
 - Global merchandise trade growth has slowed, and capital now seeks regions with high economic complexity rather than just cheap labour.
 - Second, export-leading States possess dense industrial ecosystems, logistics, skilled labour, supplier networks, and financial depth that reinforce agglomeration.
 - Firms benefit from spatial clustering, making it costly to relocate to less-developed regions.
 - Third, hinterland States suffer from persistent deficits in infrastructure, human capital, and institutional capacity, preventing them from entering complex global value chains.

Shift from Labour-Intensive to Capital-Intensive Exports

- A key insight from the analysis is that India's export growth is increasingly **capital-intensive** rather than labour-absorbing.
- Data from the Annual Survey of Industries (2022-23) shows that while fixed capital investment grew by over 10%, employment growth lagged behind at about 7%.
- Fixed capital per worker has risen sharply, indicating capital deepening. As a result, exports generate value without proportionate job creation.
- This breaks the traditional development link where exports absorb surplus labour from agriculture into manufacturing.

Employment Outcomes and Labour Market Trends

- The **Periodic Labour Force Survey (PLFS)** reinforces this concern. Manufacturing's share in total employment has stagnated around 11.6-12%, despite record export values.
- This suggests a collapse in the employment elasticity of exports.
- Most new export-linked jobs are concentrated in capital-intensive hubs, such as electronics clusters in Tamil Nadu or Noida, rather than dispersed factory employment across the hinterland.

- Wage share in Net Value Added has also declined, indicating that productivity gains accrue more to capital than to workers.

Financial and Institutional Constraints in Hinterland States

- Regional inequality is further deepened by financial asymmetries. Credit-Deposit (CD) ratios in export-leading States often exceed 90%, ensuring local recycling of savings into industry.
- In contrast, States like Bihar and eastern Uttar Pradesh have CD ratios below 50%, implying capital outflow to already developed regions.
- This creates a vicious cycle: weaker States lose capital, struggle to build industrial capacity, and remain excluded from export growth.

Rethinking Exports as a Development Metric

- The evidence suggests a structural shift; exports are no longer a driver of development but an outcome of prior development.
- States do not export their way into prosperity; they export because they already possess industrial and institutional strength.
- This raises important policy questions. Treating export growth as a proxy for inclusive development risks overlooking employment generation, regional equity, and human capital outcomes.

Source: TH

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