

# EXIM BANK: RESEARCH BRIEF

## *Promoting Exports from Rajasthan: Insights and Policy Perspectives*



EXPORT-IMPORT BANK OF INDIA  
Visit us at [www.eximbankindia.in](http://www.eximbankindia.in)

No. 107  
March 2017

In the wake of continued export slowdown and a fast changing global market, the Government of India has responded with a series of initiatives. One of the key policy measures that has been initiated includes calling for greater involvement of States in pushing exports.

As of now, under the federal architecture of India's governance, foreign trade related matters are handled by the Central Government whereas the actual production of goods and services happen at the State level. However, higher participation of the State Governments is required for trade facilitation, reform of standards regime and more value addition in the production cycle. Involvement of States is critical to bridge the gap between the capacity of the domestic industry and the demand emanating from the international market.

Set against this backdrop, this Study has attempted to draw up a strategy for promoting exports from the State of Rajasthan, based on an analytical framework which, inter alia, examines the State's current trade profile, its competitiveness and future potential.

### TRENDS IN EXPORTS

Merchandise exports from India have more than doubled from Rs. 8.40 lakh crore in 2008-09 to Rs. 17 lakh crore in 2015-16, witnessing a Compound Annual Growth Rate (CAGR) of 11%. During the same period, exports from Rajasthan registered a marginally better CAGR of 13% to amount to Rs. 36,047 crore in 2015-16.

A year-on-year (y-o-y) comparison of performance indicates that the growth of exports from Rajasthan has fared better than the national average in most years save for 2013-14. However, this growth rate seems to have slowed down during the last three years, reflecting the trend in overall exports from India.

The top five export items from Rajasthan accounting for nearly two-thirds of exports from the State are textiles (including readymade garments), gems and jewellery, engineering goods, chemical and allied products (including tyres), and handicrafts. In terms of services exports, tourism and hospitality is a key segment in Rajasthan.

### EXPORT PROMOTION POLICY

Although Rajasthan currently has a small share in India's total exports, the potential for exports from the State is huge. In order to tap this potential, Rajasthan needs to draw out an export policy and provide incentives specific to the industries present in the State, and align these with the Central Government policies and schemes. The Export Promotion Policy can be formulated based on the following building blocks:

- Promote cooperation and unified approach to exports amongst the relevant departments of State Government;
- Leverage and create appropriate infrastructure to achieve targets;
- Aim for global quality and standards that will ensure that the products and

services from Rajasthan rank amongst the best;

- Build pipeline of skilled human resources who can contribute to export growth from the State.

In order to assess the effectiveness of any export strategy, it is critical to have a Vision which sets forth measurable targets in place. In this context, the Government of Rajasthan can consider enhancing the value of exports from the State by a factor of at least 2.5 by 2022, through consolidation, diversification and increased value addition of exports, and generating impactful employment opportunities. Based on the Vision for exports from the State, the export target for Rajasthan is projected at Rs. 1.2 lakh crore by 2022 covering merchandise and services. The sectors of agro and food products, chemical and allied products (including tyres), and engineering products, when holistically strengthened through the State Government initiatives, may emerge as areas of competitive advantage for the State.

### POLICY INTERVENTIONS TO ACHIEVE TARGETS

The export strategies for Rajasthan for meeting the targets and fulfilling the vision have been built around the following six major dimensions:

#### **Institutional Streamlining**

The overall ecosystem in Rajasthan would need to be framed in a manner that propels the State to a higher export trajectory. Institutional structure comprising the associated State

machineries would be pivotal in this process. In Rajasthan's context, the nodal bodies which could ensure fulfilment of the outlined targets include Rajasthan State Industrial Development and Investment Corporation, Bureau of Investment Promotion, Export Promotion Councils (EPC) having regional offices in Rajasthan, State and cluster specific associations such as Rajasthan Chamber of Commerce and Industry, Rajasthan Financial Corporation, and Rajasthan Khadi and Village Industries Board. Additionally, the draft Export Promotion Policy 2017 intends to incubate the Rajasthan Export Promotion Council (REPC) that is envisaged to be set-up with the participation of the Government, exporters and industry in order to provide a forum for exchange of views, sharing of information, and removing hindrances and obstacles faced by the exporters.

The REPC proposed under the Export Promotion Policy of Rajasthan can be strengthened by inclusion of the following new functions:

- Creation of independent and fully functional department focusing on merchandise and services exports. The merchandise wing could enhance focus on merchandise export segments by coordinating with State bodies, exporters, etc, while the services wing could focus on services export. These wings could outline strategies for ensuring that targets are met in their respective areas, and also provide advisory services.
- Setting up of Programme Management Unit (PMU) to review, monitor and assess the impact of export initiatives. The PMU could integrate the functions of all the divisions of REPC. The PMU could also undertake continuous monitoring of the export targets, their achievements and key constraints for the same on a half yearly schedule. It could also strategize with the REPC and the Department of Industries, Government of Rajasthan for liaisoning with national export bodies on issues of importance.
- Focus on quality, technology and capacity building through creation of interlinked support functions.

To supplement the institutional strengthening, a one stop information portal for exports could also be established. This portal could enable exporters to improve their know-how and access information pertaining to markets, finance, export promotion programs, event details, etc. Advisory services can also be provided through the portal. This portal can be directly administered and managed by the IT Division of REPC in consultation with various EPCs.

### Focus on Growth and Value Addition

To expand the export basket, it is of utmost importance to first enhance competitiveness and then ensure its sustainability. One of the efficient ways to widen export opportunities is to look at diversification based on value addition.

There are several sectors where Rajasthan can initiate measures that engender horizontal export diversification. Rajasthan has limited presence in the processed food segment, which presents a case for capacity building and horizontal diversification in the higher value added areas of ready to eat food, processed food, health and wellness food products and organic food products, all of which have a huge export potential. In the dimensional stones segment, the current export basket comprising crude and roughly trimmed granite, sandstone and marble, can be expanded to include worked and processed granite and marble. Further, exporters from the State can target high value products in the chemical and allied products segment, including agrochemicals, dyes and pigments, textile chemicals, personal care ingredients and construction chemicals. In the textiles sector, focus on readymade garments and other value added and specialty fabrics can help boost value of exports from the State.

A substantial opportunity also exists for vertical diversification of exports. The bigger and dynamic markets of the EU, Canada, South Korea, Australia and New Zealand can be further leveraged by exporters from the State for vertical diversification of agro and agro based exports. In case of dimensional stones, the markets of the EU, Egypt, Tanzania, South Africa, Russia and Canada can

be targeted. China and Latin American countries can be targeted for enhancing export revenues from the handicrafts and carpets segment. Export diversification in the textiles segment can also be achieved by focusing on vibrant markets of Japan, Africa and South Korea.

Facilitating horizontal and vertical diversification would entail suitable interventions from all relevant stakeholders from the State. In the gems and jewellery segment, establishing design development centre will be essential to support diversification of exports. Development of quality tourism infrastructure at tourist destinations and circuits in the State will be critical for improving tourism revenues, especially when targeting new avenues such as adventure tourism, rural and eco-tourism and other innovative tourism categories.

### Infrastructure Leverage and Strengthening

To meet the export targets, it is essential to adopt a two pronged approach of leveraging the existing infrastructure, and simultaneously creating segment-specific need based infrastructure.

#### Infrastructure Leverage

It is important to analyse the scope for leveraging existing infrastructure so that the investment in creating needless infrastructure may be curtailed and appropriate investments can be planned. Some of the key leverage measures are outlined below:

- Use the existing Inland Container Depot (ICD) at Jaipur more efficiently by putting in proper procedures and time bound activities. As a result of the usage challenges at the ICD, currently, most of the exporters are exporting either through ports in Gujarat or using air cargo from Delhi.
- Leverage common infrastructure available in Export Promotion Industrial Park and product specific Industrial Parks to ensure that small units do not invest in replicating infrastructure rather invest in boosting production and quality.
- Utilize the existing Testing Facilities, especially in gems and jewellery

sector. Currently for quality checks, gems and jewellery items are sent to Mumbai, which leads to considerable loss of time.

- The infrastructure developed by DMIC will include export infrastructure such as warehousing (in Jodhpur) and logistics that will connect it to the freight corridor. These can be leveraged wherever possible.

### *Infrastructure Strengthening*

Infrastructure strengthening can be undertaken across two dimensions:

- Supply Driven Infrastructure – This is the infrastructure required by the exporters in the State.

- Cold Chain and Warehouse: Cold chain infrastructure and warehouses will be critical for the agro and agro based industry. Dimensional stones also require quality storage facilities both on-site as well as post processing. Hence, creating warehouses to support production and exports would be a crucial element of strengthening existing infrastructure.
- Inland Container Depot: An ICD needs to be created near the Bhiwadi and Neemrana region to support the growth of the auto industry in the area. Further, dry ports can be created at Bhilwara and Udaipur for facilitating textile exports.
- Multi-Modal Logistics Hub: A multi modal logistics hubs can be promoted around areas such as Udaipur, Jodhpur, etc so as to provide easy and convenient transport facility to industrial units in the region.
- Processing Infrastructure/ Technology: Limited food processing facilities in the State creates a need for investments in infrastructure for agro and agro processing industries. Processing infrastructure will also be required for supporting cutting and finishing of dimensional stones in the State. There is also a need to establish a Gem bourse in Jaipur which has customs, banks, certification,

dealing/auction rooms and other facilities in a flatted complex.

- Utilities: Power, water, road and rail network needs to be improved for strengthening of overall logistics in the State.
- Demand Driven Infrastructure – This is the infrastructure required to satisfy the demands in the destination markets, like design institutes, quality labs, testing labs, etc.
- Design Labs: Indian Institute of Gems and Jewellery can consider offering advisory services pertaining to design, technology and management to gems and jewellery exporters from the State. Similar services can be offered by the Indian Institute of Crafts and Design to handicraft exporters in the State. There is also a need to establish carpet design institute and textile design labs in the State.
- Quality Labs: Quality labs can be set up to test quality of products and ensure that they comply with international standards and certifications. In the agro and agro based industry, testing can be undertaken for standards like USFDA, HACCP, etc. In dimensional stones segment, provisions can be made for international certifications like Conformité Européene (CE).
- Testing Centres: Marble granite testing centres can be set up for checking parameters like hardness, modulus rupture, etc. There is also a need for multi sector testing facility in key export oriented sectors from the State such as textiles, handicrafts and carpets.

### *Standards, Regulations and Quality*

Various quality requirements need to be fulfilled by the exporters from the State. Many export destinations prescribe export specifications which need to be adhered to. It is the responsibility of stakeholders to ensure that these standards are met.

Critical inputs on export including documentation, time lines, cost involved, etc. should be disseminated to concerned

exporters through the portal by REPC. All the details can be hosted as a one-click icon on the portal. Online help / call centre system can also be established to clarify doubts. Advisory support can also be extended to first time exporters. One-day training and awareness drive can also be conducted at the district industry centres.

### *Capacity Building*

One of the most important requirement to ensure that the export growth targets for the State are met is to enable the availability of skilled and productive human resources across various export segments. The capacity building initiatives could be across two areas: adhering to the national skill framework, and focused skill development through trade facilitation centres.

### *Adhering to National Skill Framework*

There is an evolving National Skill Framework in India that looks at standardizing all skill development initiatives in the country. These standards are set by the National Occupational Standards (NOS) of the Sector Skill Councils (SSC). The key export segments in Rajasthan require immediate skill development efforts, and it is imperative that the training delivered is adhered to the NOS that are developed by various SSCs. This is critical in the export context because NOS are formed by incorporating requisite international and national standards of performance which are necessary when skilling for exports.

### *Focused Skill Development through Trade Facilitation Centres*

One of the models that can be adopted to enhance the skill level of key personnel involved in export across the major segments is the Trade Specialization Model (TSM). The TSM looks at building key skills in areas where they are inadequate, thereby enabling an appropriately skilled human resource pipeline – especially in domains where export is critical. For this purpose, Trade Specialization Centres (TSC) can initiate large scale skill building processes and adhere to the standards and processes which are aligned to the NOS. This stability in the supply of personnel will



pave the way for initiatives that can look at further strengthening of export performance. In fact, these centres can also leverage resources from the Centre for WTO Studies, which conducts programmes on several export related focus areas.

### Branding and Export Promotion Campaign

Rajasthan needs to effectively brand itself and utilize the resources to widen its prospects in the coming decade. Some of the key initiatives that may be incubated in addition to the ongoing initiatives are:

- **E-commerce Leverage:** Online opportunities in traditionally strong sectors such as gems and jewellery, handicrafts, carpets, etc are yet to be tapped completely. While there are a significant number of fairs and exhibitions that the State artisans are exposed to, access through online platform can also be considered.
- **Branding:** The Government of Rajasthan in partnership with the EPCs, Export-Import Bank of India (Exim Bank) and CII, could consider showcasing opportunities that exist in Rajasthan on the export front. The Government can also encourage development of individual company brands by providing incentives for brand-development expenditure with appropriate caps.
- **Promotion of Clusters:** For segments like carpets, handicrafts, gems and jewellery, agro products, the entrepreneurs exist at the grassroots level and at times work in silos. Clusters formation must be encouraged by REPC and EPCs so that common infrastructure can be created and utilized and products get integrated. This can also help facilitate access to finance and usher formalization of segments.
- **International Event Participation Fund:** Various market development assistance schemes are initiated at the State and the national level where entrepreneurs get funding

for participating in trade fairs. State specific schemes for sectors such as textile, agro and food, gems and jewellery, and handicrafts can be initiated by the local body of the respective EPCs in Rajasthan. The Draft Export Policy already sets the course for this. However, implementation needs to be made segment specific. The EPCs in the State can also work with the Department of Commerce to develop their international campaign.

### Facilitating Access to Finance: Support from Exim Bank

Several flagship programmes of Exim Bank, such as Lines of Credit (LOC), and Buyer's Credit under NEIA (BC-NEIA) can help propel medium and long term exports from the State, and create export opportunities for Indian companies.

Benefits from the LOC program can accrue to exporters from Rajasthan in several key areas. For example, in the cement sector, Exim Bank has several operative LOCs in the countries of Djibouti, DR Congo, Central African Republic, and the Republic of Congo. Exporters from the State can tap such opportunities. In fact, Rajasthan is best placed to take advantage of such opportunities as the State is among the top producers of cement in India.

While the State has substantial technology-intensive exports, it will need to move up the ladder in terms of technology. Since investment in R&D has high gestation period, the Overseas Investment Finance programme of the Bank can help companies get access to high technology by way of inorganic growth through the mergers and acquisition route overseas. Exporters in Rajasthan can also achieve vertical integration through their overseas investments which will improve their efficiency and margins.

There exists substantial potential for capital goods exports from the State. However, the scope of these exports is fairly limited as the developing countries

are the major markets for India's project exports, and these countries demand medium-to long-term credits. With the BC-NEIA product, project exporters from the State can venture into new markets and help diversify the exports.

### CONCLUSION

Collectively, these strategies can help the State of Rajasthan in scripting a new narrative of export resurgence together with employment generation. The export employment for the State in 2016 was about 3.1 million and this is expected to increase to about 5.3 million by 2022, in line with the increased export targets envisaged for Rajasthan. The incremental employment generated during the said time period is about 2.2 million, of which textiles, engineering and dimensional stones are projected to account for a significant share.

The growth of 2.5 times in the value of exports by 2022 shall translate into substantive outcomes which shall have a bearing on the overall economic performance of the State, and as a corollary, on the overall development of the Indian economy.

*The contents of the publication are based on information available with Export-Import Bank of India and on primary and desk research through published information of various agencies. Due care has been taken to ensure that the information provided in the publication is correct. However, Export-Import Bank of India accepts no responsibility for the authenticity, accuracy or completeness of such information.*

### For further information, please contact

Mr. S Prahalathan  
Chief General Manager  
Export-Import Bank of India  
Centre One Building, Floor 21,  
World Trade Centre Complex,  
Cuffe Parade, Mumbai - 400 005, India.  
Phone : +91 22 22180364 / 22172704  
Fax : +91 22 22180743  
E-mail : rag@eximbankindia.in  
Website : www.eximbankindia.in

**Contact Numbers:** Ahmedabad: (91 79) 26576852, Bangalore: (91 80) 25585755, Chandigarh: (91 172) 2641910/12, Chennai: (91 44) 28522830, Guwahati: (91 361) 2237607, Hyderabad: (91 40) 23307816, Kolkata: (91 33) 22833419, New Delhi: (91 11) 23474800, Pune: (91 20) 26403000, Abidjan: (225) 79707149, Addis Ababa: (251116) 630079, Dubai: (9714) 3637462, Johannesburg: (2711) 3265103, London: (4420) 77969040, Singapore: (65) 653 26464, Washington D.C: (1202) 223-3238, Yangon: (95) 1389520.