



# “EXPORT PERFORMANCE OF KARNATAKA: AN ANALYSIS”

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## **ABSTRACT**

This research paper throws a light on the export performance of Karnataka, descriptive research study method has used to evaluate the export performance. Over the last few decades, the State of Karnataka has been on the forefront of India's economic growth, transitioning from a primarily agrarian State to emerge as the Silicon Valley of India. India's vision is to achieve USD5 trillion economy by 2024 is directly linked with an export-oriented approach. With a share of 8% in 2018-19, Karnataka was the fifth highest contributor to India's GDP of ₹ 140.9 trillion, after Maharashtra (14.5%), Tamil Nadu (8.6%), Uttar Pradesh (8.4%) and Gujarat (8.1%). Remarkably, the per capita income in Karnataka has not only risen, but has also exceeded the national average during the period 2011-12 to 2019-20. Karnataka has emerged as a technology, services, and knowledge hub of the country drawing a niche for itself. This largely gets explained by the plethora of job opportunities in the State, leading to migration of labour from across the country to Karnataka.

**KEY WORD:** Exports, Export Performance, Analysis, Karnataka

## INTRODUCTION

Export import bank of India is forecasted the volume of exports from Karnataka will strengthen by financial year 2025. Karnataka's merchandise exports to reach the \$35.3 billion by the year 2025 from \$16.6 billion at present. The state's software and services exports are expected to reach \$150 billion by 2024-25, up from \$83.9 billion in 2019-20.

As per the study, merchandise exports from Karnataka in 2019-20 were valued at \$16.6 billion, and registered an average annual growth rate of 4.8 per cent, during 2010-11 to 2019-20. Some of the major items exported by Karnataka include petroleum products, RMG cotton, iron and steel, electronic instruments, and electronic components. The State has a well-diversified export basket. Karnataka has emerged as a technology, services, and knowledge hub of the country drawing a niche for itself. As regards foreign trade, in the last two decades, Karnataka has emerged as a key player in the export of electronic and computer software, engineering goods, readymade garments, petrochemicals, gems and jewellery, agro and food processing products and chemicals, apart from its traditional exports of coffee, silk, spices and handicrafts.

The state has attracted FDI inflows worth \$ 8.9 billion in 2019-20, which was 17.9 per cent of the total FDI inflows in India during the year, and Karnataka was the second highest recipient of FDI inflows in India next to Maharashtra which received FDI of \$10.8 billion.

## REVIEW OF LITERATURE

**Olimpia c racela (2007)** investigates the market orientation, exporter potential, export performance based on quantitative study collected 388 strategic business units from various industries. Data were analyzed by using structural equation modeling export market orientation significantly increases. The cooperation between exporters and overseas distributors. Export performance is higher with high cooperation and lower with distance. Market orientation and export performance have positive correlation and lower exporter dependence did not have significant relationship.

**John w cadogan ( 2012)** this research focus on strategic flexibilities and export performance, degree of which firms have different types of market oriented behavior with their export operations. 783 exporting firms sample collected via mail survey and structural equation modeling were used to test the hypotheses. Export marketing behavior have significant relationship between export flexibilities and export sales performance. Internal and external factors implications leads to success determination of exporting firms.

**Ku ho lin (2014)** paper aims at exploring the role of export market orientation, export performance and inter organizational relationship. 1000 large manufactures listed in common wealth and random sample of 500 machinery were used for study purpose study found that mutual trust social interaction positively influence on

EMO later improves the export performance. Degree of internationalization has no significant relationship and impact on export market orientation and export performance.

**Jieke Chen (2016)** Evaluation of determinants of export performance and the major factors which contribute to enhance the overall export volume and export performance. Based on the vote counting technique on reviews of 124 published articles from 2006 to 2014. Assess the major determinants of exports. Policy implications and export promotional strategies plays a vital role on enhancement of export performance.

**Nihar ranjan jena ( 2020)** this research paper throws a light on to investigate how inward remittances leads to export performance in selected south Asian countries economies over the period of 1993-2017. Unit root test, granger causality, panel VECM is used to confirm the existence to ascertain the long term relationship among the variables. Findings reveals that inwards remittances inflows a major sources of development finance, but negatively impacted the export performance in Bangladesh, India, Pakistan, Sri lanka and Nepal during the year 1993-2017

### OBJECTIVES OF THE STUDY

- To study Export performance of Karnataka
- To analyze the Export performance status of Karnataka

### METHODOLOGY

This research paper focuses on the export performance of Karnataka. Research methodology is used in the form of descriptive type and touch of analytical evaluation of export performance. Required data and information has collected from various official website of government departments, agencies, special economic zone and export oriented units. Export volume status have extracted from annual reports of economic surveys and working papers. Secondary survey method were used in addition to books, reports and published journal article has been studied to meet the set objectives of the paper.

### Key Exports from Karnataka

Karnataka has 52 notified Special Economic Zones, out of which 32 are operational. 45 of them are in the IT/ITES sector. Further, it has 1 each in textiles, pharmaceuticals, engineering, aerospace, bio-technology and electronics. Some of the main exports of Karnataka (*merchandise and services*) are given in the table below. over the last 5 years, software and service exports constitute a major chunk (38% in 2020-21). In terms of merchandise exports, some of the major goods exported include silk products (49.61%), coffee (85.71%), aerospace (23.82%), and cashews (21.48%).

Under the Govt. of India, 29 Export Promotion Councils and Commodity Boards are engaged in export promotion of products coming under their jurisdiction. In Karnataka, the Visvesvaraya Industrial Trade Centre (VITC) a registered society functioning under the Directorate of Industries & Commerce is, at present, the Nodal Agency for promotion of Exports of all products from the State. VITC is regularly conducting Seminars / Workshops / Training Programmes related to exports, organising / participating in Trade Fairs / exhibitions both at the National and International levels, sponsoring Trade Delegations abroad, counselling exporters, resolving grievances of exporters etc., and is working in close co-operation with FIEO, ITPO, Export Promotion Councils.

Karnataka has a long tradition of overseas trade. Historically, Karnataka has been a major exporter of commodities like coffee, spices, silk, cashew nuts, handicrafts and agarbathies. In the last two decades, the State has emerged as a major player in the export of electronic and computer software, engineering goods, readymade garments, petrochemicals, gems and jewellery, agro and food processing products, chemicals, minerals and ores, marine products, etc. Karnataka has carved out a niche for itself in the global marketplace as the knowledge and technology capital of the Country. The State has made rapid and spectacular strides in the new economy. Information technology, biotechnology and research and development institutions have enhanced Karnataka's achievements at national and global levels. Karnataka accounts for more than one third of electronics and computer software exports from the country. It is also a leader in exports of readymade garments, petrochemicals and engineering commodities from Southern Region. Karnataka exports as a percentage of GSDP has a fairly large share and has also increased significantly over the period. The share of exports in GSDP which was 7.36% in 1993-94, has grown to 28.90 during 2018-19. Karnataka's exports amounted to about Rs.659425.33 crore in 2018-19 which constituted about 17.04% of the Country's exports in that year. The share of merchandise exports in the National exports constitutes around 5.30% and software / service exports around 39% for the year 2018-19.

Karnataka ranks 1st in software / service exports and stands 4th in merchandise exports in the national export basket. Visvesvaraya Trade Promotion Centre (VTPC) under the aegis of Department of Industries and Commerce of the Government of Karnataka is the official institution for compilation and publication of the export data by 19 commodities from Director General of Commercial Intelligence and Statistics, Kolkata.

### **MAJOR EXPORTING SECTORS OF KARNATAKA**

1. Agricultural and processed food products
2. Readymade garments
3. Electronics
4. Information technology
5. Bio technology
6. Engineering goods
7. Arts and crafts

## 8. Minerals and allied products

### EXPORT INCENTIVES SCHEMES OF KARNATAKA

#### a) Market Development Assistance (MDA) Scheme

The MDA scheme of the State Govt., shall focus on the small and medium manufacturing units who wish to enter export field and small merchant exporters of the State and would be administered by VITC. This scheme would include among others, financial support for visit of Trade Delegations to other countries, participation in International Trade Fairs/ exhibitions, Market Survey Reports, Publicity in foreign media etc. Initially an outlay of Rs.1.00 crore per year will be provided under the scheme.

#### b) Brand Equity Fund:

A brand equity fund with an allocation of Rs.1.00 crore per year will be setup at VITC under the scheme. This will be aimed at building strong globally competitive brands for products manufactured /produce originating from Karnataka.

#### c) Market Research Fund

A market research fund with an allocation of Rs.1.00 crore per year will be setup at VITC to activate a mechanism for providing live and timely market information on products and markets which will help the SME exporters to enter the export market directly.

#### d) Technology Upgradation Fund

Priority will be given to the exporting units of the State to avail of the facilities under the Technology Upgradation Fund created under new Industrial Policy released in 2001

#### e) Export Awards

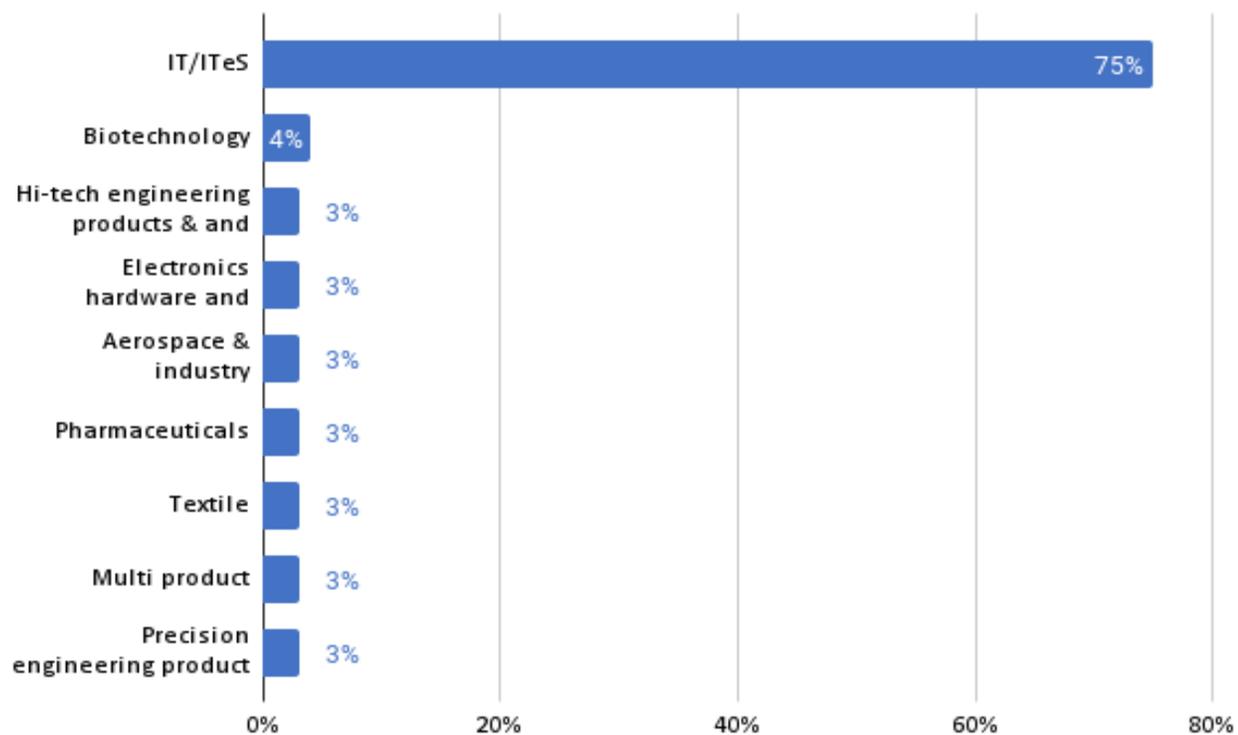
VITC on behalf of Govt. of Karnataka is awarding export awards to top exporters of the State for their excellence in exports. These awards will be in those sectors that are focus sectors for the State viz., IT, BT, Food Processing, Precision Engineering, Electronics & Communications, Garments and Machine Tools. A onetime corpus fund of Rs.1.00 crore will be setup for this purpose.

## Policy support for exports in Karnataka

1. General industry policy
2. Export strategy policy
3. Export promotional activities by VTTC
4. Capacity building programmes
5. Geographical indications policy
6. Software technology parks
7. Digital economy mission
8. Export management and training programmes
9. State export awards for export excellence
10. Promotion of SEZ and EOU's



### Sector-wise operational SEZs in Karnataka



Source: IBEF

## Special economic Zones and export performance for the year 2019-2020

Sl. No.	Name of the Zone	Exports (₹ in Crores)
1.	AEQUS SEZ (FORMERLY QUEST GLOBAL SEZ)	575.29
2.	AMIN PROPERTIES LLP	591.96
3.	ASPEN SEZ (FORMERLY SUZLONSEZ)	6.90
4.	BAGMANE DEVELOPERS PVT.LTD. SEZ-I	9761.54
5.	BAGMANE SEZ-III	678.00
6.	BIOCON SPECIAL ECONOMIC ZONE	2717.99
7.	BRIGADE ENTERPRISES PVT. LTD.	343.25
8.	CARBORUNDUM SEZ	16.56
9.	CESSNA SEZ	7221.95
10.	DIVYASREE TECHNOPARK	5005.94
11.	ELECTRONIC TECHNOLOGY PARK-1	300.33
12.	ELECTRONIC TECHNOLOGY PARK-3	740.53
13.	ELECTRONICS TECHNOLOGY PARK-II	3270.40
14.	EMBASSY TECH VILLAGE SEZ (FORMERLY M/S. VRINDAVAN TECH VILLAGE)	5862.42
15.	GOPALAN ENTERPRISES PVT. LTD (GLOBAL AXIS-HOODI)	8238.55
16.	HCL TECHNOLOGIES LTD.	4386.40
17.	INFOPARK	5487.56
18.	INFOPARK PHASE II	637.15
19.	INFORMATION TECHNOLOGY PARK LTD. SEZ-II	8747.34
20.	INFOSYS LTD. SEZ (MANGALORE)	1519.36
21.	INFOSYS LTD SEZ (MYSORE)	2583.94
22.	KARLE INFRA PVT. LTD.	2486.82
23.	KEONICS SHIMOGA	80.90
24.	KIADB AEROSPACE SEZ	311.22
25.	KIADB SEZ HASSAN - TEXTILES	145.06

26.	KINFRA (FOOD PROCESSING) SEZ KAKKANCHERRY	0.07
27.	KINFRA (IT, ANIMATION & GAMING) SEZ	383.17
28.	KINFRA - ELECTRONICS SEZ KALAMASSERRY	69.31
29.	KSITIL (CHERTHALA)	6.85
30.	KSITIL (KOLLAM)	4.41
31.	KSITIL - INFOPARK KORATTY	42.88
32.	KSITIL KOZHIKODU[CYBER PARK]	12.96
33.	LARSEN AND TOUBRO SEZ	26.70
34.	MANGALORE SPECIAL ECONOMIC ZONE	4901.88
35.	MANYATA EMBASSY BUSINESS PARK SEZ	17513.66
36.	MILESTONE BUILDCON SEZ	1257.44
37.	MODERN ASSET(PHASE I)	59.64
38.	PRITECH PARK SEZ (PRIMAL PROJECTS LTD)	9235.70
39.	RGA INFRASTRUCTURE SEZ	754.34
40.	RMZ ECOWORLD INFRASTRUCTURE PVT. LTD. [FORMERLY ADARSH PRIME PROJECTS PVT. LTD]	9032.62
41.	SATTVA GLOBAL CITY SEZ[FORMERLY GLOBAL VILLAGE SEZ OR TANGLIN SEZ]	517.43
42.	SMART CITY (KOCHI) INFRASTRUCTURE PRIVATE LIMITED	262.91
43.	SUTHERLAND GLOBAL SERVICES PVT LTD	28.98
44.	ULCCSL SEZ	36.84
45.	VALLARPADOM SEZ	81.62
46.	WIPRO LIMITED (ELECTRONIC CITY)	6340.17
47.	WIPRO LIMITED (SARJAPUR)	6322.31
48.	WIPRO LIMITED, KODATHI	1293.05

Source: Cochin special economic zone

### Share of Karnataka Exports in Total National Exports Volume

Commodities	India 2016-17 (US\$ mn)	Karnataka 2016-17 (US\$ mn)	% share	India 2020-21 (US\$ mn)	Karnataka 2020-21 (US\$ mn)	% share
A. Software and Service Exports	160,683	62,666.37	39	208,500	79230	38
B Merchandise Exports (SI 1 to 21)	276,280.11	19,404.61	7.02	291,060.45	15,141.18	5.2
1. Semiconductor	113.34	25.33	22.35	173.57	25.69	14.8
2. Wool & woollen products	161.6	0.15	0.90	88.66	0.69	0.78
3. Silk products	86.95	56.68	65.19	79.21	39.3	49.61
4. RMG	22201.3	2174.98	9.80	17509.87	1,667.08	9.52
5. Aerospace	3007.75	450.32	14.97	1166.02	277.72	23.82
6. Petroleum	32277.05	1713.51	5.31	26881.28	1,000.79	3.72
7. Engineering	45074.4	4093.65	9.08	61579.24	5,714.88	9.28
8. Automobile	15021.05	406.12	2.70	13637.19	381.84	2.8
9. Iron ore and minerals	3779.2	136.17	3.60	7087.14	363.48	5.13
10. Basic chemicals, pharmaceuticals & chemicals	31,240.86	1,930.33	6.18	45,082.25	2,051.37	4.55
11. Agriculture and processed food	17,117.17	629.69	3.68	24,509	979.42	4
12. Coffee	560.09	491.1	87.68	470.21	403	85.71
13. Cashew & cashew kernels	790.62	150.63	19.05	420.43	90.29	21.48
14. Spices	2,035.11	47.61	2.34	2,850.44	109.14	3.83
15. Marine products	5,516.44	157.32	2.85	5,235.4	151.09	2.89
16. Gems & jewellery	43,784.76	5256.38	12.01	26,160.76	24.63	0.09
17. Handicrafts	11,484.43	166.67	1.45	3,175.01	106.03	3.34
18. Leather products	3,242.18	55.46	1.71	2,208.3	44.77	2.03
19. Chemicals & allied products	4,731.99	77.56	1.64	7,314.69	93.84	1.28
20. Plastic goods	5,315.02	133.47	2.51	6,870.87	196.71	2.86
21. Others	28,739.2	1251.48	4.35	385,60.91	1,419.42	3.68
<b>TOTAL (A+B)</b>	<b>436,963.11</b>	<b>82,070.98</b>	<b>18.78</b>	<b>499,560.45</b>	<b>94,371.18</b>	<b>18.89</b>

Source: Karnataka state government data

### Strengthening Karnataka's Trade - Challenges and Strategies

#### STRENGTHENING MANUFACTURING

- Improving the State's Investment Potential and FDI Attractiveness
- Improving Export Preparedness
- Integrating into GVCs
- Strengthening ESDM facilities

#### SERVICES EXPORTS

- Developing the AVGC sector
- Increasing effectiveness of the State's Logistics Sector

#### INSTITUTIONAL INFRASTRUCTURE

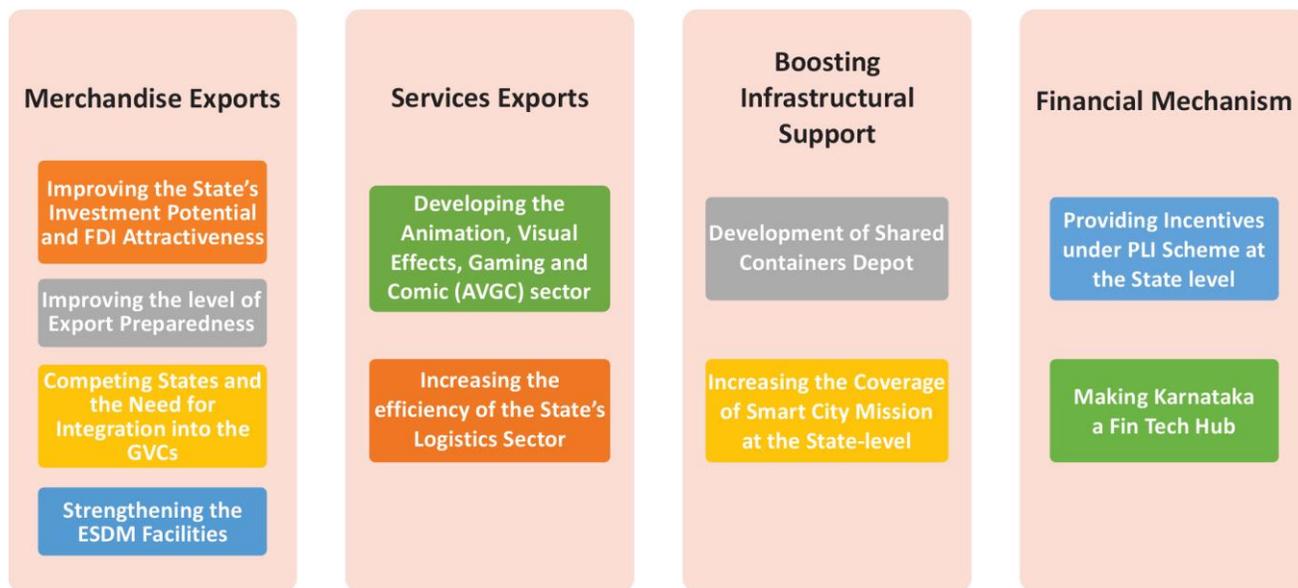
- Development of shared container Depots
- Expanding the coverage of Smart City Mission

#### FINANCIAL MECHANISM

- Providing Incentives at the State level for PLI Scheme
- Making Karnataka a Fin Tech Hub

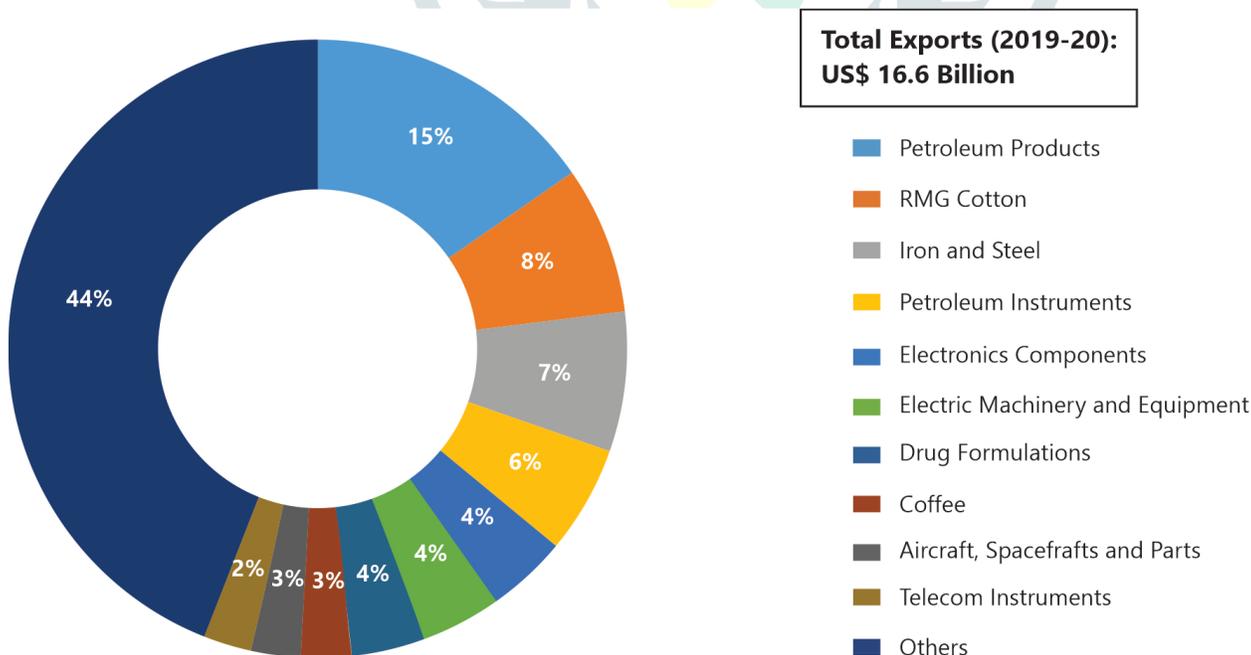
Source: Export-Import Bank of India, Working Paper No. 99 strengthening Exports From Karnataka

### Strategies for enhancing Karnataka’s export



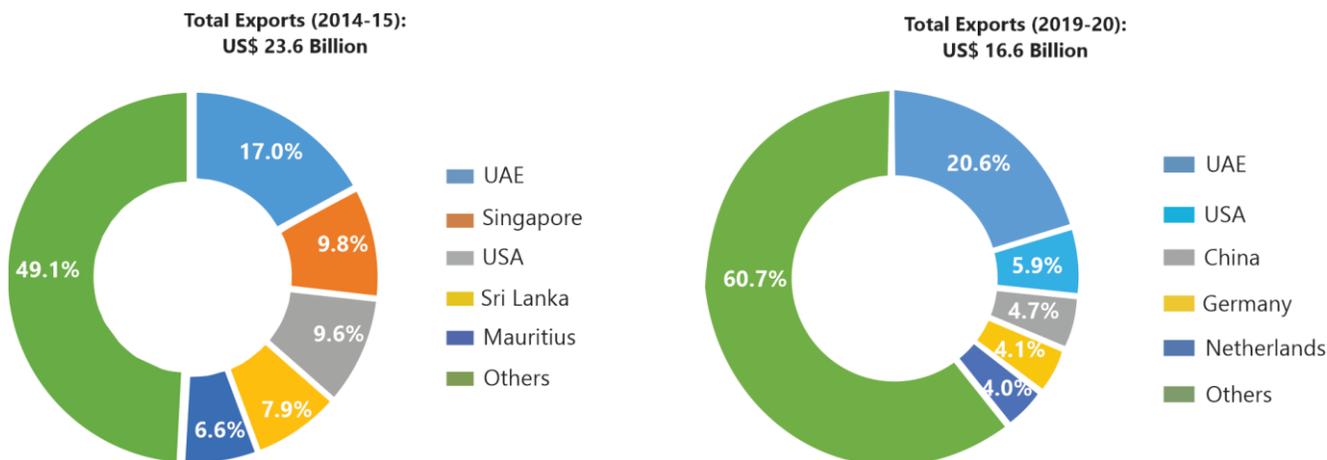
Source: Export-Import Bank of India, Working Paper No. 99 strengthening Exports From Karnataka

### Karnataka’s Total Exports 2019-20



Source: Export-Import Bank of India, Working Paper No. 99strengthening Exports From Karnataka

## Karnataka's Top Export Destinations (2014-15 and 2019-20)



Source: Export-Import Bank of India, Working Paper No. 99 strengthening Exports From Karnataka

### CONCLUSION

Karnataka has a huge potential to grow and contribute significantly to India's growth story. There exists a potential for the exports (merchandise and services combined) to reach US\$ 185.32 billion by 2024-25 from US\$ 100.5 billion in 2019-20. The ten tailored strategies outlined in the Study shall help enhance trade competitiveness, promote innovation, bolster availability of export finance, enhance value addition in the production cycles, while enabling the State to lead India's integration into the Global Value Chains. While the State is endowed with quality manpower and confluence of people from across the country to pursue their studies, the availability of services infrastructure further adds to existing manufacturing prowess of the State. The State is also experiencing significant growth in start-ups put overall, Karnataka is likely to remain on the forefront of India's exports, both in goods and services.

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