

Strengthening India's competitiveness in services exports

Services sector is a major driver of India's economic growth, not only because of its predominant share in GDP, but also its contribution to the country's foreign trade. Services sector contributes 54% to India's Gross Value Added (GVA), 31% to employment and 41% to India's exports. The share of services sector in India's GDP and exports is far higher than the world average. The share of services sector in world GDP is 61% and its share in world trade is 21%.

India's services exports is estimated to have grown 6.55% to USD 35 billion in the first two months (April and May 2021) of the current financial year. Service sector is a major source of surplus foreign exchange for the country to compensate for the deficit in the goods trade sector. India is estimated to have generated surplus of USD 15 billion from net export of services, which has largely made up for the deficit (of USD 21 billion) incurred in goods trade in these two months.

Therefore, considering the importance of the services sector for the economic growth of the country, there is a need to strengthen this sector, especially tourism, hospitality, transport, education and financial services to increase our export potential further. Currently, IT and software services account for more than 40% of India's services exports and hence there is a dire need to diversify the country's services exports basket to the above mentioned sectors.

India's position in world services exports

Currently, India ranks 8th with a share of 3.5% in world services exports, compared to 14.1% share of USA, 6.8% share of UK, 5.5% share of Germany, 4.7% share of France, 4.6% of China, 4.3% of Netherlands and 3.9% of Ireland. Asia accounts for 56% of world services exports. Among the developing countries, China, Singapore, South Korea, Hong Kong and India are major exporters of services.

Segment wise India's position

Apart from IT and ITeS services, India does not figure in the top five rank in world export of services. India ranks second in IT and ITeS services, 9th in communication services, 10th in construction services exports, 12th in tourism, 15th in financial services, 16th in transport and education services and 20th in healthcare services.

As the above ranking indicates, India's position in world export of healthcare, transport and education services are poor, which can be improved through focused policy measures.

The New Education Policy 2020, with its emphasis on developing world class universities in India, relaxing FDI guidelines in education and allowing foreign universities to set up campus in India are progressive measures that can improve India's ranking in education exports.

In order to improve India's healthcare service exports, the country should encourage investment in world class hospital chains, support clinical research and promote medical tourism in modern and traditional medicine (such as Ayurveda, Unani, Siddha and Homeopathy).

In order to promote export of transport services, India should strengthen its ports and logistics infrastructure, reduce congestion in ports and reduce turnaround time of ships. The average turnaround time of ships in India is 2.59 days, compared to global average of less than one day. India's Sagarmala project and the dedicated freight corridor projects should improve cargo movement across land, sea and railways.

Notifications

Press Information Bureau

Week-long activity for International Yoga Day

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1727972>

Extension of validity of UAM and EM part II

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1727980>

CBIC

Exchange Rate Notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt54-2021.pdf>