

WINNING THE GLOBAL MARKET THROUGH SERVICE EXPORT – GREAT OPPORTUNITIES TO INDIAN SERVICE INDUSTRY

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ABSTRACT

India's services exports mirrors the broader services sector in India. As per WTO, ranked India as 8th largest exporter (3.3% of world exports) and 7th largest importer (3.1% of the world imports), in commercial services trade. Service Sector has shown higher growth rate as compared to agriculture and manufacturing sectors. At the other side, the world economy has been receiving shocks at regular intervals since the 2008 crisis. This confluence is leading to tensions, with emerging market economies facing the dual challenges of slowing growth and tighter global financial conditions. Thus, through considering the role of service export as an opportunity in global markets, this paper aimed to reveal the facts and figures of Indian service export and its global perspective.

Keywords: *Export, Service Export, Service Sector, Global Export Opportunities*

Exports have played an increasingly important role in India's economic growth in the last two decades. A striking feature of India's growth performance over the past decade has been the strength of its services sector. Growth in the services sector has also been less cyclical and more stable than growth in industry and agriculture. The emergence of services as the most dynamic sector of the Indian economy has in many ways been a revolution. The most visible and well-known dimension of the take-off in services has been in software and information technology (IT)-enabled services (including call centers, software design, and business process outsourcing).

The importance of India's services exports mirrors that of the broader services sector in India, which is large compared with other countries at a similar stage of development. India's services exports, focusing on their composition and destination, and discusses some of the reasons why services exports are so important to the Indian economy. Rapid growth of the services sector is not unique to India. The existing literature shows that as an economy matures the share of services in output increases consistently. To begin with, the increase occurs along with an increase in the share of industry.

Thereafter, the services share grows more rapidly, accompanied by a stagnant or declining share of the industrial sector. Consistent with this trend, India's growth experience has been characterized by a decline in the share of agriculture in GDP and an increase in the shares of industry and services. The paper going to show that almost all service subsectors in India have grown faster than GDP over time, but the pick-up in growth in the 1990s was the strongest in business services, communication, and banking services, followed by hotels and restaurants and community services.

WHAT IS SERVICE?

Service is a type of economic activity that is intangible, not stored and does not result in ownership. A service is consumed at the point of sale. Examples of services include the transfer of goods, such as the postal service delivering mail, and the use of expertise or experience, such as a person visiting a doctor. A service carrying following characteristics:

1. **Intangibility:** Services are intangible and insubstantial: they

- cannot be touched, gripped, handled, looked at, smelled, and tasted.
2. **Inventory (Perishability):** Services are perishable in two regards
 - The service relevant resources, processes and systems are assigned for service delivery during a definite period in time.
 - When the service has been completely rendered to the requesting service consumer, this particular service irreversibly vanishes as it has been consumed by the service consumer.
 3. **Inseparability:** The service provider is indispensable for service delivery as he must promptly generate and render the service to the requesting service consumer.
 4. **Inconsistency (Variability):** Each service is unique. It is one-time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, current configurations and/or assigned resources are different for the next delivery, even if the same

The delivery of a service typically involves six factors:

- The accountable service provider and his service suppliers (e.g. the people)
- Equipment used to provide the service (e.g. vehicles, cash registers, technical systems, computer systems)
- The physical facilities (e.g. buildings, parking, waiting rooms)
- The requesting service consumer
- Other customers at the service delivery location
- Customer contact

THE REVIEW STUDY

Economic Survey (2015): India's dynamic services sector has grown rapidly in the last decade with almost 72.4 per cent of the growth in India's GDP in 2014-15 coming from this sector. Unlike other developing economies, the Indian growth story has been led by services-sector growth which is now in double digits. Services in India are emerging as a prominent sector in terms of contribution to national and states'

service consumer requests the same service.

5. **Involvement:** One of the most important Characteristic of services is the participation of the customer in the service delivery process.

Any service can be clearly and completely, consistently and concisely specified by means of the following 12 standard attributes which conform to the MECE principle (Mutually Exclusive, Collectively Exhaustive):

- Service consumer benefits, Service-specific functional parameters, Service delivery point, Service consumer count,
- Service delivering readiness times,
- Service consumer support times, Service consumer support language, Service fulfillment target,
- Service impairment duration per incident,
- Service delivering duration, Service delivery unit,
- Service delivering price incomes, trade flows, FDI inflows, and employment.

Mr. Arun Jaitley (Finance Minister, INDIA; New Delhi: Services Conclave, Nov. 12, 2014): Research and development (R&D), tourism, education and healthcare services had the potential to lead exports growth in the service sector. Exports from the sector were important as they compensated for the deficit in merchandise exports created as India imported more goods than it exported. In the entertainment sector, one-sixth of the global viewership was in India and hence there was immense scope for services export.

Nirmala Sitharaman (Commerce and Industry Minister, INDIA; New Delhi: Services Conclave, Nov. 12, 2014): The immense untapped potential in the services sector should be harnessed for increasing the share of India's exports in the global services arena. The sectors of entertainment, wellness, professional services and hospitality could provide a platform for services export from India.

The Hindu (July 9, 2014): India has the second fastest growing services sector with its compound annual growth rate at nine per cent, just below China's 10.9 per cent, during the last 11-year period from 2001 to 2012, the Economic Survey for 2013-14 said. Russia at 5.4 per cent is a distant third. As per the survey, in

India, the growth of services-sector GDP has been higher than that of overall GDP between the FY2001- FY2014. Services constitute a major portion of India's GDP with a 57 per cent share in GDP at factor cost (at current prices) in 2013-14, an increase of 6 percentage points over 2000-01.

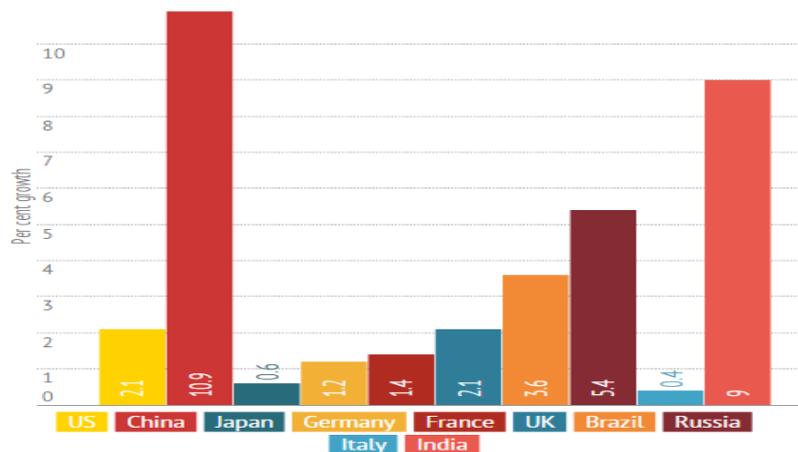


Figure 1: Performance in Service Sector

(Source: <http://www.thehindu.com/business/budget/india-has-second-fastest-growing-services-sector/article6193500.ece>)

ASSOCHAM (2013) has underlined the necessity of Government incentives to the IT segment, as this segment holds the maximum stake in the global export sector market. ASSOCHAM revealed, "India's IT services sector witnessed 4.2% growth in 2012-13, while Russia and Philippines grew at a massive 69 percent and 27 percent respectively. In the face of the increasing competition it is imperative that IT industry is incentivized towards increasing its export growth."

Emerging Global Economic Situation

The world economy has been receiving shocks at regular intervals since the 2008 crisis. As per the IMF's World Economic Outlook (October, 2013), advanced economies are gradually strengthening whereas; the growth in the emerging market economies has slowed down. This confluence is leading to tensions, with emerging market economies facing the dual challenges of slowing growth and tighter global financial conditions. The advanced economies are projected to grow

at 1.2 per cent and 2.0 per cent in 2013 and 2014 respectively with no lowering of projections. But there is a lowering of projections for emerging market and developing economies (EMDEs) by 0.5 and 0.4 percentage points for 2013 and 2014.

India's growth has been lowered sharply by 1.8 and 1.1 percentage points for 2013 and 2014 respectively resulting now in a projected growth rate of 3.8 per cent and 5.1 per cent in 2013 and 2014 respectively. (India's actual growth rate in 2011 was 6.3 per cent and in 2012 it was 3.2 per cent.)

Services GDP and Trade: Global Scenario

The services sector has the highest sectoral contribution in global GDP with a share of 67.5 per cent in world GDP of US\$70.2 trillion in 2011, as per UN National Account Statistics. While the growth of world economy decelerated in 2012, the services sector growth in some major countries also decelerated and this trend is continuing in 2013 with the growth

deceleration of US consumption expenditure on services at 0.1 per cent in Q3 of 2013 as compared to 1.2 per cent in the previous quarter.

In India, the growth of services sector has decelerated to 6.6 per cent in Q1 of 2013-14 from 7.7 per cent in Q1 of 2012-13 and 5.9 per cent in Q2 of 2013-14 from 7.6 per cent in Q2 of 2012-13. While world trade in services is dominated by the developed countries, emerging economies like China and India are now playing an increasing role. India is the most dynamic exporter of commercial services in the world, the highest among the top 10 exporters.

Service Sector in India

India ranks amongst the top ten countries in the World Trade Organization considering the service export sector of the country. As per WTO, ranked India as 8th largest exporter (3.3% of world exports) and 7th largest importer (3.1% of the world imports), in commercial services trade. Services sector is playing pivotal role in the growth of Indian economy and employment generation, and has become oiling wheel of the growth and prosperity of Indian masses which forms a backbone of social and economic development of India.

Over the years, Services Exports has constantly been giving trade surplus for India. Service Sector has shown higher growth rate as compared to agriculture and manufacturing sectors. Service sector is the largest and fastest growing sector in the Indian economy making as high as 59% contribution in total GDP of India. Services export is one of the key thrust areas of the Government of India. Services exports have recorded about seven fold increases in ten

years from US\$ 20.76 billion in 2002-2003 to US\$ 142.325 billion in 2011-2012 and US\$ 105.84 billion upto December, 2013.

The ITS sector is the largest and one of the fastest growing services exporting sectors of the Indian economy; over the past 15 years, the value of ITS services exports has grown at an average annual rate of almost 30 per cent. The ITS sector is also predominantly export oriented, with exports accounting for around two-thirds of its revenue. The ITS sector can be divided into three broad industries: information technology, business process outsourcing and engineering design & product development. The exports of all of these industries have grown rapidly in recent years, with depressed global economic conditions resulting in a softening in demand for information services, particularly from the advanced.

A common misconception is that large shares of India's services exports are call centre-related services. However, business process outsourcing, which includes call centre-related services, only represents around one-quarter of total ITS exports. In fact, more than half of India's ITS export revenue comes from information technology exports, which include consulting, system integration and management.

FDI in India's Services Sector

The combined FDI share of financial and non-financial services under services sector, construction development, telecommunications, computer hardware and software, and hotels and tourism can be taken as the best estimate of services FDI, though it could include some non-service elements (Economic Survey, 2015).

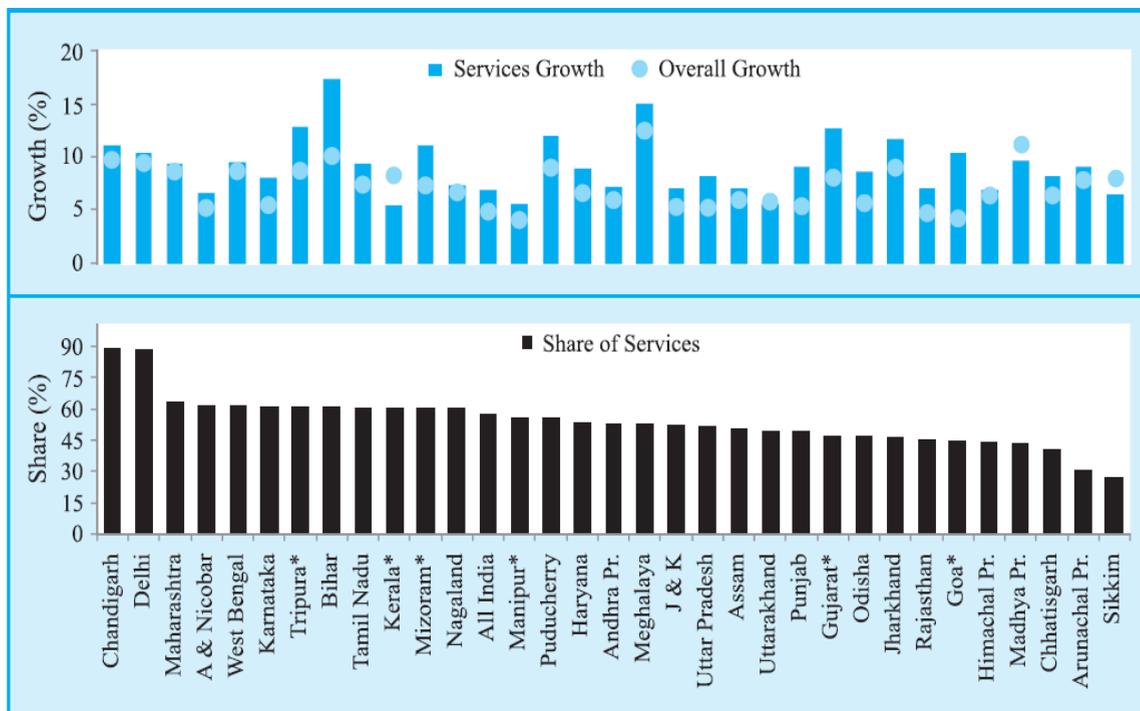


Figure 2: Share and Growth of Service Sector in 2013-2014 (Economic Survey, 2014-2015)

Reserve Bank of India (RBI) Projected Growth Statistics for Service Export

Export of Goods and Services from India is allowed in terms of clause (a) of subsection (1) and sub-section (3) of Section 7 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account) Rules, 2000, as amended from time to time (**RBI Master Circular on Exports of Goods and Services; July 1, 2013**).

Transport, construction, travel, insurance and pension, communication, information services and telecommunication are some of the services identified by the RBI’s classification of the service sector industry of the country. As per the data released by RBI, the net revenue accrued from service export sector of India amounted to USD 12.94 billion (July 2013) registering a net increase of 4.8% from the month of June, 2013, net service sector income for which was USD 12.35 billion.

| Table 1: India’s Service Exports | | | | | | | |
|---|------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| US\$ Billion | | | | | | | |
| Sector | 2013-14 April-June (P) | 2012-13 (P) | 2011-12 (P) | 2010-11 (PR) | 2009-10 (R) | 2008-09 (R) | 2007-08 (R) |
| Service Export | 36.52 | 145.67 | 142.32 | 132.88 | 96.04 | 105.96 | 90.34 |
| Travel | 3.82 | 17.99 | 18.46 | 15.27 | 11.85 | 10.89 | 11.34 |
| Transportation | 4.13 | 17.33 | 18.24 | 14.2 | 11.17 | 11.31 | 10.01 |
| Insurance | 0.50 | 2.22 | 2.63 | 1.94 | 1.59 | 1.42 | 1.63 |
| G.n.i.e* | 0.13 | 0.57 | 0.47 | 0.53 | 0.44 | 0.38 | 0.33 |
| Miscellaneous (Total) | 27.93 | 107.54 | 102.51 | 100.85 | 70.97 | 81.94 | 67.01 |
| Software Services | 16.48 | 65.86 | 62.21 | 55.46 | 49.70 | 46.30 | 40.30 |
| Business Services | 7.26 | 28.44 | 25.91 | 24.05 | 11.32 | 18.60 | 16.77 |

| | | | | | | | |
|-------------------------------|------|------|------|------|------|------|------|
| Financial Services | 1.72 | 4.94 | 5.96 | 6.50 | 3.69 | 4.42 | 3.21 |
| Communication Services | 0.63 | 1.68 | 1.60 | 1.56 | 1.22 | 2.29 | 2.40 |

Source: <http://www.serviceseperc.org/services-export-data/>

Competitiveness of Indian Exports

The Revealed Comparative Advantage (RCA) method developed by Balassa (1965) is a commonly used measure of export competitiveness. RCA is calculated as the ratio of a country's export share in world trade for a specific commodity or a group of commodities. India has a clear comparative advantage in services exports to the world and its competitiveness has improved since 1996. For services in particular, India's competitiveness remains higher than that of many other emerging markets.

International competitiveness is the ability of an economy to compete in the global market by either producing goods at a lower cost and/or selling them at a cheaper price than competitor countries. However, India's RCA for merchandise exports has always stayed below unity, which suggests that merchandise exports have remained low and not gained a larger share in world exports (relative to total exports). The merchandise exports of emerging economies like Brazil, China and South Africa perform better as they have higher RCAs and are thus more competitive than India's merchandise exports.

Here we compare the annual growth rate of exports of services across countries and over the two most recent decades. While the growth of exports of services has

accelerated across a wide range of countries, it has risen fastest of all in India in the last decade. The fast pace of growth of service exports is reflected in the rising share of India in global markets for tradable services. The composition of exports of services at ten years intervals indicates that the share of exports of modern services in the total rose from 44 percent in 1991 to 63 percent in 2000, 74 percent in 2010 and further continually growing.

Export Services from India

The service export sector of India is multifaceted consisting of various services like transportation, communication, financial, business services etc. including social, community and personal services. The quarterly estimates of services sector growth during 2013-14 show a decelerating trend from Q1 of 2012-13 onwards. The growth rate of services sector during the Q1 and Q2 of 2013-14 was at 6.6 per cent and 5.9 per cent compared to 7.7 per cent and 7.6 per cent in Q1 and Q2 of previous year. Construction sector's growth which decelerated to 2.8 per cent in Q1 grew by 4.3 per cent in Q2 of 2013-14. The growth rate of 'community, social & personal services' during Q2 decelerated to 4.2 per cent from 9.4 per cent in Q1 of 2013-14. On the other hand, growth rate of 'financing, insurance, real estate and business services' was high at 8.9 per cent in Q1 and 10.0 per cent in Q2 of 2013-14.

| | Value (US\$ bn) 2013-14 | Share (per cent) 2013-14 | Export growth rate (per cent) | | | |
|---|-------------------------------|--------------------------------|-------------------------------|-------------|----------------|----------------|
| | | | 2012- 13 | 2013- 14 | 2013- 14 H1 | 2014- 15 H1 |
| Total services exports | 151.5 | 100 | 3.4 | 4.0 | 3.4 | 3.7 |
| Transport | 17.4 | 11.5 | -5.1 | 0.3 | -2.1 | 8.5 |
| Travel | 17.9 | 11.8 | -2.5 | -0.4 | 4.8 | 18.0 |
| Construction | 1.3 | 0.9 | 24.9 | 33.3 | 37.2 | 36.0 |
| Financial, insurance, & pension services | 8.8 | 5.8 | -16.5 | 22.2 | 23.3 | -11.8 |
| Telecommunications services | 2.4 | 1.6 | 2.0 | 43.0 | 38.4 | -22.2 |
| Computer services | 69.4 | 45.8 | 5.9 | 5.4 | 5.6 | 5.1 |
| Other business services | 28.5 | 18.8 | 15.8 | 0.1 | -0.1 | -3.9 |
| <i>R & D services</i> | 1.1 | 0.8 | 17.0 | 24.0 | 9.7 | 6.3 |
| <i>Professional & consulting services</i> | 15.5 | 10.2 | 26.0 | 10.4 | 7.1 | -6.7 |
| <i>Technical, trade-related, & others</i> | 11.8 | 7.8 | 6.8 | -12.2 | -8.6 | -1.4 |
| Net services exports | 73.0 | — | 1.4 | 12.4 | 12.6 | 2.4 |

Source : RBI's Balance of Payments (BoP) data (BPM-6).

Figure 3: Export Performance of Major Services

India's major services exports in 2013-14 are computer services (45.8 per cent share); other business services (18.8 per cent share) including professional and consulting services (10.2 per cent share), technical and trade-related services (7.8 per cent share) and R & D services (0.8 per cent share); travel (11.8 per cent share); transport (11.5 per cent share); and financial, insurance and pension services (5.8 per cent share). In 2013-14, there was deceleration in export growth of software services to 5.4 per cent, negative growth of -0.4 per cent in travel, and marginal growth in transport (0.3 per cent) and other business services (0.1 per cent).

General Agreement of Trade in Services (GATS) covers four Modes of delivery of services in cross-border trade namely cross border services, consumption abroad, commercial presence and movement of natural person. Major services supported by Service Export Promotion Council established by Ministry of Commerce and Industry, Government of India are:

Healthcare Services: Healthcare Services include hospital services and other health services including services by Nurses, Physiotherapist and Paramedical Personnel. The Indian healthcare industry, which comprises hospitals, medical infrastructure, medical devices, clinical trials, outsourcing, telemedicine, health insurance and medical equipment, is expected to reach US\$ 160 billion by 2017.

Accounting and Auditing Services:

Accounting may be defined as preparation and analysis of financial information reported to internal and external users via financial statements. Auditing may be defined as the evaluations of the reliability and credibility of financial information as well as "the systems and processes responsible for recording and summarizing that information". Under the Services Sectoral Classification List (MTN.GNS/W/120), Accounting and Auditing Services are included under Professional Services.

Legal Services: A broad definition of legal services would include advisory and representation services as well as all the activities relating to the administration of justice (judges, court clerks, public prosecutors, state advocates, etc.). According to the WTO services sectoral Classification List (MTN.GNS/W/120), Legal Services are included under Professional Services.

Sub services of legal services are:

- Marketing Research and Public opinion polling
- Services/Management Services
- Consultancy Services
- Accounting, Auditing and Bookkeeping Services
- Architectural Services
- Advertising Services
- Printing and Publishing Services

Hotel and Tourism Related Service:

According to the WTO Services Sectoral Classification List (MTN.GNS/W/120), Tourism and travel-related services include services provided by hotels and restaurants (including catering), travel agencies and tour operator services, tourist guide services and other related services. One of the most crucial aspects of international tourism is the cross-border movement of consumers. This permits even unskilled workers in remote areas to become services exporters — for instance, by selling craft items, performing in cultural shows, or working in a tourism lodge.

Sub services of hotel and tourism are:

- Hotels & Restaurants (including Catering)
- Travel Agencies & Tour Operators
- Tourist Guide Services
- Recreational Sports like Golf & etc.

As per the industry estimates, the total market size of Indian tourism and hospitality sector stood at US\$ 117.7 billion and is expected to touch US\$ 418.9 billion by 2022. Tourism has been identified by the WTO and OECD, as one of the key five sectors with great potential for high impact in aid for trade.

Entertainment Services: Audiovisual services include motion picture and video tape production and distribution services, motion picture projection services, radio and television services, radio and television transmission services, and sound recording.

Sub services of entertainment services including audio visual services are:

- Entertainment Services (including theatre, Live bands, and Circus Services)
- Motion Pictures and Video Tape Production and Distribution Service
- Motion Picture Projection Service
- Radio and Television Service
- Radio and Television Transmission Services
- Sound Recording

Distribution Services: Distribution services include commission agent services,

wholesale trade services, retailing services, franchising. Sub services of distribution services are commission agents' services, wholesale trade services, retailing services, franchising and others.

Advertising Services: This service includes Sale or leasing services of advertising space or time (services provided in soliciting advertising space or time for newspapers, other periodicals, and television stations); planning, creating and placement services of advertising (planning, creating and placement services of advertisements to be displayed through the advertising media) and other advertising services (other advertising services not elsewhere classified, including outdoor and aerial advertising services and delivery services of sample and other advertising material.

Marketing Services: Cross border supply of marketing Research services using technological means. Usage of Marketing Research services in the territory of another country. Marketing Research Professionals enter into a foreign territory to provide their services.

Consultancy Services:

Cross border supply of consultancy services using technological means. Usage of consultancy services in the territory of another country. Consultants enter into a foreign territory to provide their services.

Architectural Services: The associated classification, Architectural Services (8671), of the United Nation "Provisional Central Product Classification"(CPC) 3, contains five sub-headings:

1. Advisory and pre-design architectural services(86711):
2. Architectural design services (88712):
3. Contract administration services (86713):
4. Combined architectural design and contract administration services(86714):
5. Other architectural services(86719):All other services requiring the expertise of architects, such as the preparation of promotional material and presentations , preparation of as-built drawings ,constant site representation during the construction phase ,provision of operating manuals, etc.

Educational Services:

The sector includes primary, secondary, post-secondary and adult education services, as well as specialized training such as for sports. In the Services Sectoral Classification List (MTN.GNS/W/120), Educational Services include

1. Primary Education Services
2. Secondary Education Services
3. Higher Education Services
4. Adult Education
5. Other Education Services.

Policy Issues in Services Sector

There are two major set of issues in services sector:

1. Market Access for India's Services Exports-

There are a number of market access barriers, some visible and some less visible which hinder India's services exports.

- In the case of **Business Services**, access to the US market, remains non-transparent and unsatisfactory as licensing of professional service suppliers is generally regulated at State level. In addition to this, there are the Buy American provisions.
- In the case of **legal services** while some of the states, namely, New York, Texas, Washington D.C., and California allow overseas lawyers to practice within the state, the system and requirements are set by the concerned state bar associations and therefore differ from state to state.
- In the case of **construction and related engineering services and urban planning and landscape services**, the "Buy American" or "Buy local" legislations passed in many states of US have gone to the extent of even insisting on the materials used (i.e. cement) to be domestically manufactured for public works projects financed by state funds.
- In the case of financial services, particularly in insurance, overseas companies face 56 jurisdictions in US each of which has its own system of licensing, solvency and regulations with visible discrimination like need to be licensed in another state before seeking a license in a state.
- In the case of Port services, there is the issue of Harbor Maintenance tax (HMT) and Harbor services fee in US of

0.125%. While US have stopped collecting HMT on exports, it is still being collected on imports.

2. Domestic regulations & policy reforms for services-

There are many Domestic Regulations for Services in other countries and also in India. Disciplining the many domestic regulations could help in growth and exports of services.

- **Nodal Agency:** Despite having a strong growth potential in various services sub-sectors, there is no single nodal department for services. There is an urgent need to have proper institutional framework to tap the opportunities in services sector in a coordinated way. Even the inter-ministerial committee for services set-up under Department of Commerce has not made much headway.
- **Promotional Activities:** There is a need for greater marketing of services and increasing visibility of India's services abroad. This could be done by setting up a portal for services providing all information on India's services sector in one place, showcasing India's competence in services including non-software services, having regular services related exhibitions/symposiums/ abroad and using the services of dedicated brand ambassadors and experts in the areas of services.
- **Linkages with other sectors:** The linkage effect is considered to be high in services sector.
- **Database:** Lack of good data base for services sector data is a big challenge for policy analysis. Many committees have been formed like the Expert Committee to render technical advice for development of Service Price Index (SPI), Technical Advisory Committee (TAC) to develop methodology for compilation of the Index of Services Production (ISP) and an Expert Group on Strengthening of Institutional Mechanism for Regular Collection and Compilation of Data on International Trade in Services set up by MOSPI. The RBI has also been rationalizing its classification of services. While these could help, quicker outcomes are needed.

- **Ease of doing Business:** The speed of Business approval is another issue. In India there is a lot of delay in getting clearances.
- **Tax and Foreign Trade Policy related:** Service tax has become an important source of revenue for the Government. In 2012-13 a collection of Rs. 132,697 crore of service tax accounted for around 13 per cent of total tax revenue. However, there are a number of issues related to taxation policy which needs to be addressed to help the growth of services sector.

CONCLUSION

A striking feature of India's growth performance over the past decade has been the strength of its service sector. India's service exports, focusing on their composition and destination, and convey the importance of service exports to the Indian economy. India's services share grows more rapidly, accompanied by stagnant or declining share of the industrial sector. India had the second fastest growing services sector, just next to the China's 10.7 per cent. For the top fifteen countries, excluding India and China, the shares of both services GDP and services employment are high and close to each other (Indian Economic Survey, 2015). India's services sector has an elevated share of income and comparatively low share of employment. As per the survey, in India, the growth of services-sector GDP has been higher than that of overall GDP between the FY2001-

FY2014. Services constitute a major portion of India's GDP with a 57 per cent share in GDP at factor cost (at current prices) in 2013-14, an increase of 6 percentage points over 2000-01.

From the government's perspective – research and development (R&D), tourism, education and healthcare services had the potential to lead exports growth in the service sector. Exports from the sector were important as they compensated for the deficit in merchandise exports created as India imported more goods than it exported. According to Advance Estimates (AE) for financial year 2014-15, growth of the services sector accelerated further to 10.6 per cent as compared to 9.1 per cent in 2013-14. This is mainly because of the growth speeding up in financial, real estate, and professional services to 13.7 per cent from 7.9 per cent and public administration, defense, and other services to 9.0 per cent from 7.9 per cent in the previous year (Indian Economic Survey, 2015).

There are many market access barriers and domestic regulations in India's services sector (Economic Survey 2012-13 and 2013-14). Given the potential to India's services sector, removal of these barriers both domestically and internationally is significant to consider at priority. Services sector negotiations both at multilateral and bilateral/ regional levels are therefore of special significance to India (Indian Economic Survey, 2015).

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