

ISSUES AND CHALLENGES IN INDIA'S TRADE IN SERVICES

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Abstract

India is a country with global interests and a powerhouse in the services sectors. The current international environment is challenging for India. India has a remarkable journey in the last seven decades. The terms "services" and "invisible" are used frequently. A lot of people use the phrase "invisible" when discussing the balance of payments, and the term "services" when discussing the economy as a whole. "Services" basically means immateriality, non-storability, consumption, and production all occurring at the same time. Aside from products, all of the key items of the Current Account account are considered invisible. Merchandise, on the other hand, is intangible; you can't physically touch it. They are invisible and imperceptible to the human eye and touch. Education, insurance, medical treatment, consultancy and accountancy are all examples of intangible trade. The combination of a diagnosis and the administration of a medicine, for example, can make it difficult to distinguish between a service and a sale in products. It is the goal of this research to analyse the trade in services from India between 2000-01 and 2019-2020, which is a span of 20 years. Only non-factor services are included in the study. The research looks at the significant patterns that have emerged over the last few years and predicts how they will change over the next few years.

Paper Identification



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Introduction

The challenges which India has faced as a nation were both external and internal. As a nation on the move it is evolving and progressing along multiple axes at a very rapid rate. Services normally include transport, communication, construction, wholesale and retail trade, financial services, domestic services, business, education, health, social services, defence, medical, marketing sectors, tourism and many more. Services are playing a very vital role in the economies of developed and developing countries. The share of services in the world is not very high, which accounts around 10% in the world. The foreign trade in services has increased in the 80s and 90s but not dramatically as has been frequently argued. Before going into the concept of issues in trade in services, it is most important to identify some of the major aspects of the services sectors from India. Firstly, State regulation plays a very important role in services sector, with regulating and promoting the services sector on a number of grounds. Secondly, some of the components

of the service sector, such as transport, finance, computers and many more, have a strategic role to play in the context of the defence of the country.

India's services trade has been a major driver of its exports over the past two decades. The country has emerged among the fastest growing nations in global services trade. This sector has not only attracted significant foreign investment flows but also contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotels and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction. The services sector is the key driver of India's economic growth. It contributed 54.17% of India's gross value added (GVA) at current prices in 2018-19.

Objectives

1. To review the trends in Service Sector from India during 2000-01 to 2019-2020.
2. To find various issues in international trade in services.

Research Methodology

The study is based on secondary data collected from Handbook of Statistics published by Reserve Bank of India. To examine the trends of total exports, total imports and balance of trade various charts, tables and graphs have been used. The data used in the study is based on secondary data. The data for the present study is compiled from the various sources such as articles published in various journals and magazines, reports published by Ministry of Commerce and Industry of India, newspapers, periodicals, websites, etc.

Major Sector of Services

India's services sector covers a wide variety of activities which includes trade, hotels and restaurants, tourism and travel, construction and

engineering services, financial services, insurance, communication, Indian shipping services, air transportation and many more. The service sector is an important part of the economy not only in dominant sector in India's Gross Domestic Product (GDP), but also attracted significant foreign investment. The service sector in India is also called the tertiary sector. The primary sector, which covers areas such as mining, fishing, farming and secondary sector which covers manufacturing and making things. The service sector provides a service, not a product that could be held in hand.

- **Travel and Tourism:**

The Indian travel and tourism industry holds great promise for high growth in India and has emerged as one the key drivers of growth among the services sector in India. Foreign trade in tourism takes place when individuals residing in one country travel to another country to purchase tourism. India is a major tourism attraction based on its cultural and physical resources, strategic locations, and the most important the availability of low cost labour. But in some segments the travel and tourism industry is highly capital intensive.

- **Construction and Engineering Services:**

India has a comparative advantage in construction and engineering services sector. It is based on the availability of semi-skilled and low cost skilled labour.

- **Insurance:**

Insurance constitutes one of the most structurally complex industries in the world services economy. Insurance sector is one of the most regulated sectors due to the susceptibility to recurring crisis. Asia has a share of 25% to 30% of world insurance.

- **Air Transportation:**

There has been a phenomenal increase in the volume of air traffic, both domestic and international over the last two decades.

Major Trends in Trade of Service Sector from India

The trends in exports and imports of trade in services from India can be seen in Table 1.1 and 1.2 respectively.

TABLE 1.1. INVISIBLES BY CATEGORY OF TRANSACTIONS (EXPORT)

(Value in ₹ Crore)

YEA R/IT EM	TR AV EL	TRANSP ORTATI ON	INSU RAN CE	G. n.i .e	MISCEL LANEO US
2000-01	16,0 64	9,364	1,234	2,9 86	44,907
2001-02	14,9 75	10,326	1,374	2,4 67	52,597
2002-03	15,9 91	12,261	1,783	1,4 17	68,967
2003-04	23,0 54	14,714	1,922	1,1 05	82,380
2004-05	29,8 58	21,021	3,913	1,7 97	137,122
2005-06	34,8 71	28,023	4,694	1,3 96	186,684
2006-07	41,1 27	36,049	5,403	1,1 43	249,371
2007-08	45,5 26	40,200	6,586	1,3 31	269,400
2008-09	50,2 26	52,074	6,534	1,7 71	377,407
2009-10	56,0 46	52,904	7,540	2,0 87	336,002
2010-11	71,8 51	64,859	8,853	2,4 33	419,278
2011-12	89,1 85	87,565	12,68 3	2,2 70	492,662

2012-13	97,8 81	94,300	12,11 9	3,1 26	585,062
2013-14	108, 807	105,261	12,84 9	2,9 47	689,385
2014-15	124, 542	106,865	13,46 1	3,3 21	719,002
2015-16	139, 542	91,660	13,11 3	3,7 88	762,343
2016-17	155, 929	106,312	14,79 5	3,9 46	820,384
2017-18	182, 768	112,418	16,15 4	4,2 80	941,852
2018-19	199, 142	136,100	18,63 4	4,2 60	1,098,141
2019-20	212, 684	148,761	17,23 8	4,6 77	1,128,298

Source: Compiled from Reserve Bank of India, Handbook of Statistics on Indian Economy 2019-2020

Note: G.n.i.e. (Government not included elsewhere)

TABLE 1.2 INVISIBLES BY CATEGORY OF TRANSACTIONS (IMPORTS)

(Value in ₹ Crore)

YEA R/IT EM	TR AV EL	TRANSP ORTATI ON	INSU RAN CE	G. n.i .e	MISCEL LANEO US
2000-01	12,7 41	16,172	1,004	1,4 60	35,273
2001-02	14,3 36	16,486	1,339	1,3 49	32,340
2002-03	16,1 55	15,828	1,687	1,1 05	48,000
2003-04	16,5 34	10,688	1,672	97 6	46,924
2004-05	23,5 71	20,363	3,249	1,8 43	75,854
2005-06	29,4 32	36,928	4,965	2,3 43	79,389
2006-	30,2	36,504	2,903	1,8	128,548

07	49			25	
2007-08	37,190	46,279	4,192	1,517	117,619
2008-09	43,336	58,531	5,230	3,777	128,731
2009-10	44,242	56,395	6,098	2,481	174,169
2010-11	50,212	63,215	6,377	3,733	243,176
2011-12	65,906	78,794	7,201	3,740	220,844
2012-13	64,333	80,605	7,662	4,422	282,248
2013-14	71,418	89,480	6,760	5,888	302,835
2014-15	93,535	98,925	6,835	5,871	293,711
2015-16	96,756	98,618	7,530	5,677	346,035
2016-17	110,318	94,773	10,033	4,021	423,771
2017-18	125,778	113,488	10,957	5,119	502,162
2018-19	151,485	143,689	12,543	7,795	566,982
2019-20	155,741	172,134	12,335	7,841	561,226

Source: Compiled from Reserve Bank of India, Handbook of Statistics on Indian Economy 2019-2020

Note: G.n.i.e. (Government not included elsewhere)

Various Issues and Challenges in International Trade In Services

India's trade in services consists of various legal issues and faces various challenges in respect of different business cultures, languages, legal environments and many more. Languages increase the risk of confusion when we trade internationally. It is

important to have a clear contract. Some of the conceptual issues in services trade were as follows:

- Technology driven changes in many services;
- Lack of transparency;
- Difficulty in measuring services data;
- Characteristics of services- Intangible, Simultaneity, Instantaneity;
- Government involvement in the form of- Natural monopolies, Public service obligations etc., Infrastructural importance (transport, communication etc.), role of non-economic objectives (social, cultural, safety);
- Evolving nature of regulations, either not present, out dated or not clearly written in the legislation.

Government Of India Initiatives In The Recent Past

The Government of India recognises the importance of promoting growth in the services sector and provides several incentives across a wide variety of sectors like communication, information technology, banking, finance and management, transportation, tourism, health care, education, and engineering among others. The Government of India has adopted few initiatives in the recent past, some of these are as follows:

- On 4 November 2020, the Union Cabinet, chaired by the Prime Minister of India, approved to sign a memorandum of understanding (MoU) between the Ministry of Communication and Information Technology and the Department of Digital, Culture, Media and Sports (DCMS) of United Kingdom Government to cooperate in the field of telecommunication/ information and communication technologies (ICTs).
- In October 2020, the government selected Hughes Communications India to connect 5,000 village panchayats in border and naxal affected states and island territories with

satellite broadband under Bharat Net project by March 2021.

- Under the Mid-term Review of Foreign Trade Policy (2015-2020), the Central Government increased incentives provided under Services Exports from India Scheme (SEIS) by 2 per cent.
- By 2023, the healthcare sector is expected to reach at US\$ 132 billion. India's digital economy is estimated to reach US\$ 1 trillion by 2025.
- By end of 2023, India's Information and technology sector and business services sector is expected to reach US\$ 14.3 billion with 8 per cent growth.
- The implementation of the Goods and Services Tax (GST) has created a common national market and declined the overall tax burden on goods.
- It is expected to lower cost in the long run on account of availability of goods and service tax input credit, which will result in the reduction in prices of services.

Suggestions to boost Services Exports from India

- Aggressive marketing strategy should be adopted for export of services from India.
- There is need for setting Export Promotion Councils for different services.
- India's services exports are characterized by over-dependence on Software services, which accounts for about 40 per cent of India's services exports.
- To diversify India's services exports Government has identified 12 sectors for focused development, which includes IT, Tourism and Hospitality services, Medical Value Travel, Transport, Accounting and Finance services, Logistics services, Communication, Construction, Legal services,

Environmental, Financial and Education services.

- Visible and Invisible barriers not mentioned in the national commitments to WTO should be made clear by WTO member countries.
- Export facilities should be granted like giving concessional export finance to the exporter of services.

Conclusion

Service plays an important part in income generation, employment and trade (exports). Services sector play vital role in facilitating all aspects of economic activity such as transportation, communication and financial services provide the support for any type of business. Educational, health and recreational services influence the quality of labour available to firms and Professional services provide specialised expertise to increase firms competitiveness.

India is endowed with labour which is one of the important elements of the components of the services sector. Many services sectors need not only unskilled, but also semi-skilled and skilled labour. India is a country which not only possesses unskilled labour but also has vast potential of semi-skilled and skilled labour. This gives the Indian service sector an advantage over its competitors in a number of developing and developed countries.

The large Indian domestic market for a number of services provides adequate economic strength and learning capacity to manage a large number of areas of the services sector. In some specific areas such as travel and tourism sector India possesses a large diversity of natural resources as well as in numerable cultural and artistic places. These would attract the tourist trade in India. The infrastructural facility in terms of hotels, motels, transport etc. is developing to make Indian tourism and hospitality sector attractive to tourists especially foreign tourists.

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