



Confederation of Indian Industry

India's Services Sector Overview

7th October 2023

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Global Services Landscape

- In 2021, global services exports were valued at US\$ 6.1 trillion, representing 6.3 per cent of world GDP and 21.4 per cent of total world trade in both goods and services. After the plunge of travel and transport during the pandemic in 2020, international services flows recovered in 2021 and almost reached their 2019 levels.
- In more than half of the world economies, services export share in GDP was larger than 10 per cent
- Some smaller economies, such as Luxembourg, Malta and Ireland, as well as several island economies, recorded services exports higher than 70 per cent of their GDP.

Global Services Landscape



- With US\$ 876 billion worth of services sold internationally, the United States of America remained the world's leading exporter, accounting for 14 per cent of global services exports.
- It was followed, at some distance, by three European countries that jointly captured 17 per cent of the world market. China, the leading exporter among developing economies, ranked fifth overall, with US\$ 283 billion of services sold.
- All top five services exporters from the developing world were Asian. In 2021, they held a world market share of almost 15 per cent, the same as all other developing economies combined.

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Driving Growth: India's Services Sector

Overview of India's services sector



Importance of Service Sector in the Indian Economy

> 52%

- Gross Value Added

> 60%

- Foreign Direct Investment

> 37%

- Exports

20%

- Imports

34%

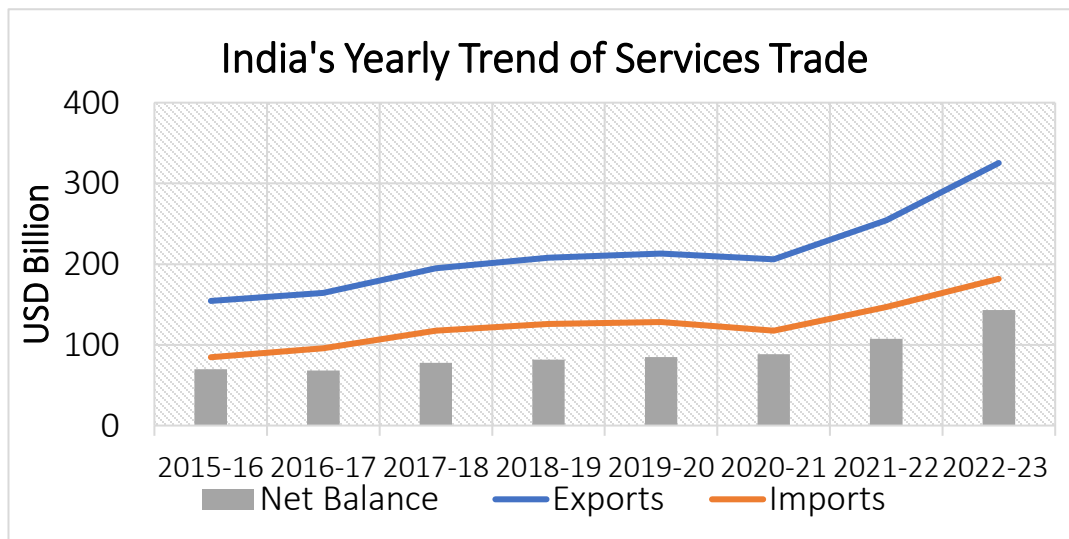
- Employment

Overview of India's services sector



Year	Exports (USD Billion)	Imports (USD Billion)	Net Balance (USD Billion)
2015-16	154.3	84.6	69.7
2016-17	164.2	95.9	68.3
2017-18	195.1	117.5	77.6
2018-19	208.0	126.1	81.9
2019-20	213.2	128.3	84.9
2020-21	206.1	117.5	88.6
2021-22	254.4	147.0	107.4
2022-23	325.3	182.0	143.3

- As per RBI's disaggregated data on India's invisibles for 2022-23, India's services exports are mainly concentrated in Telecommunications, computer and information services (47%), followed by Business services (25%) and Transport services (11%).
- India's services exports have grown from US\$ 154.3 billion in 2015-16 to US\$ 325.3 billion in 2022-23 while imports have also increased from US\$ 84.6 billion to US\$ 182.0 billion during the same period.
- India has a net surplus in its services trade, which has increased from US\$ 69.7 billion in 2015-16 to US\$ 143.3 billion in 2022-23

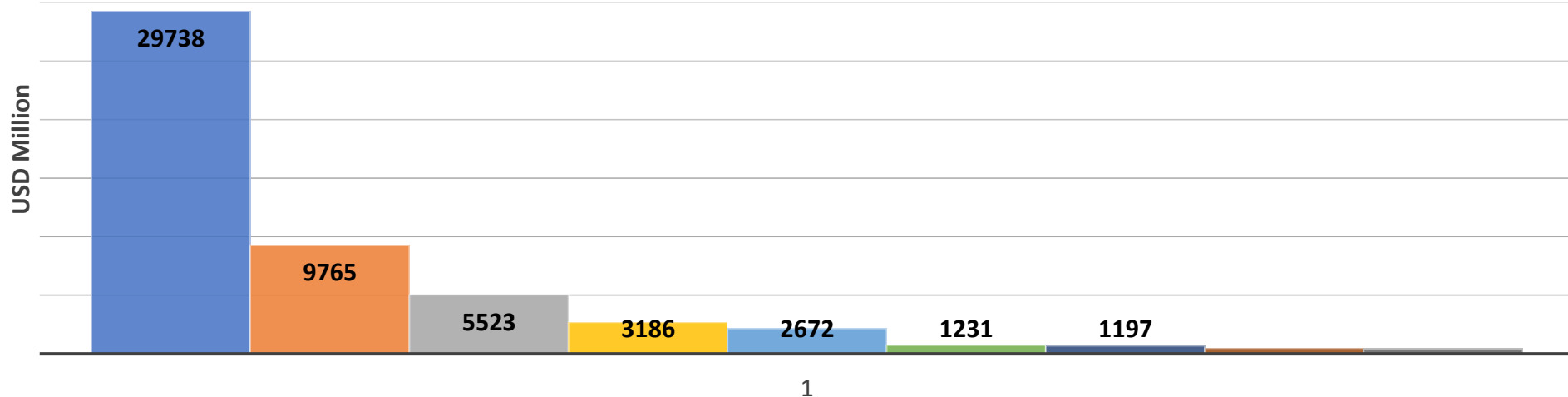


India's Service Trade Trends



Top Destinations for Indian Services Exports

Top Destinations for Indian Services Exports in 2021



■ United States of America ■ United Kingdom ■ Germany ■ Netherlands ■ France ■ Sweden ■ Ireland ■ Denmark ■ Finland

India's Service Trade Trends



India moved up the ladder by two positions in 2020 to become 7th largest services exporter in the world – India's share in global services exports jumped from 3.4 % to 4.1%

Country	Exports - 2020 (Million USD)	Share	Global Ranking
United States of America	705,643	14.2%	1
United Kingdom	342,439	6.9%	2
Germany	310,661	6.3%	3
China	280,629	5.7%	4
Ireland	262,704	5.3%	5
France	245,578	4.9%	6
India	203,253	4.1%	7
Singapore	187,564	3.8%	8
Netherlands	186,644	3.8%	9
Japan	160,287	3.2%	10

India's Service Trade Trends



Trade Performance of India's Major Services

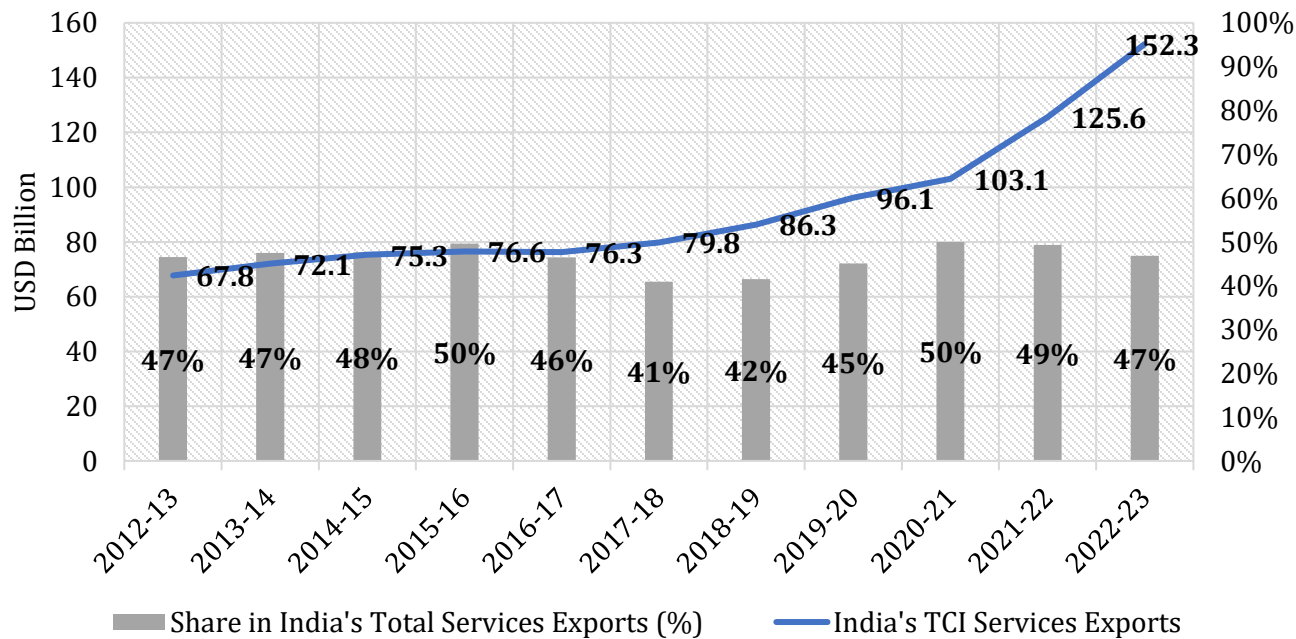
Services Exports (Million US Dollar)	2022-23	2021-22	Growth (%)	Share (%)
Telecommunications, computer and information services	152285	125579	21	47
Business services	80350	58967	36	25
Transport	36091	32660	11	11
Travel	27049	9099	197	8
Financial services	7815	5472	43	2
Total services exports	325329	254527	28	
Services Imports (Million US Dollar)	2022-23	2021-22	Growth (%)	Share (%)
Other Business services	59706	51681	16	33
Transport	40617	35836	13	22
Travel	28447	16272	75	16
Telecommunications, computer and information services	19773	14489	36	11
Charges for the use of intellectual property n.i.e. (Royalties, copyright and license fees)	10639	9043	18	6
Total services imports	182046	147011	24	

India's Service Trade Trends



India's Telecommunications, Computer and Information (TCI) Services Exports

India's Exports of Telecommunications, Computer and Information (TCI) Services



- The Information Technology (IT) and Information Technology enabled services (ITeS) are covered under the category of Telecommunications, Computer and Information (TCI) Services.
- Throughout the last ten years, India's TCI services exports have held a dominant share in India's total Services exports.
- According to RBI data, India's exports of TCI services has increased by 125%, from USD 67.8 billion in 2012-13 to USD 152.3 billion in 2022-23.

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Free Trade Agreements

Role of FTAs in boosting Trade in Services



Concluded FTAs of India in Services

- | | |
|----|-------------------------------|
| 1. | India- Singapore CECA (2005) |
| 2. | India- South Korea (2010) |
| 3. | India- Malaysia CECA (2011) |
| 4. | India- Japan CEPA (2011) |
| 5. | India- ASEAN TISA (2015) |
| 6. | India- Mauritius CECPA (2021) |
| 7. | India- UAE CEPA (2022) |
| 8. | India- Australia ECTA (2022) |

- FTAs are important instruments to achieve India's trade goals.
- Market Access, Movement of natural Persons, Professional Services are supported.
- Given India's strong position in Services, it constitutes an integral part of any bilateral trade negotiations that India is entering into.

Role of FTAs in boosting Trade in Services



India's Commitments in Services Under FTAs

India has taken commercially meaningful Market Access and National Treatment commitments for services and service suppliers of its FTA partners, with:

- Commitments in all the 11 broad categories of services, viz., 'IT and Communication Services', 'Business Services', 'Construction and related engineering services', 'Distribution Services', 'Educational Services', 'Environmental Services', 'Financial Services', 'Health related and Social Services', 'Tourism and travel related Services', 'Recreational Cultural and Sporting Services' and 'Transport Services'.
- GATS-plus commitments in domestic regulations to provide certainty on ease of doing business measures related to services sectors.
- Market access to Business Visitors (BV), Intra Corporate Transferee (ICT), Contractual Services Suppliers (CSS), Independent Professionals and Installer and Servicers from its partner countries for a range of services sectors.
- Full commitments in IT and Communication Services to foreign service suppliers, with no FDI limitations in this sector.

Role of FTAs in boosting Trade in Services



Potential Gains in Services under India's recent FTAs

India-UAE FTA:

- The UAE has undertaken best FTA plus commitments in around 111 sub-sectors.
- Services sectors of India's interest have been committed by the UAE like Professional services, Computer relates services, Audio visual services, Other Business Services, R&D Services, Education services, Health Services, Environmental services, Financial services, Tourism & Travel related services, Transport Services etc.
- The UAE has undertaken full commitments in Computer-Related Services, which will benefit the Indian IT/ITeS in UAE.
- Majority foreign equity stake has been offered in most of the subsectors in services, with 100% foreign equity in Computer Related Services.
- Market access has been offered for Business Visitors, Intra Corporate Transferees, and Contractual Services Suppliers in a range of services sectors.

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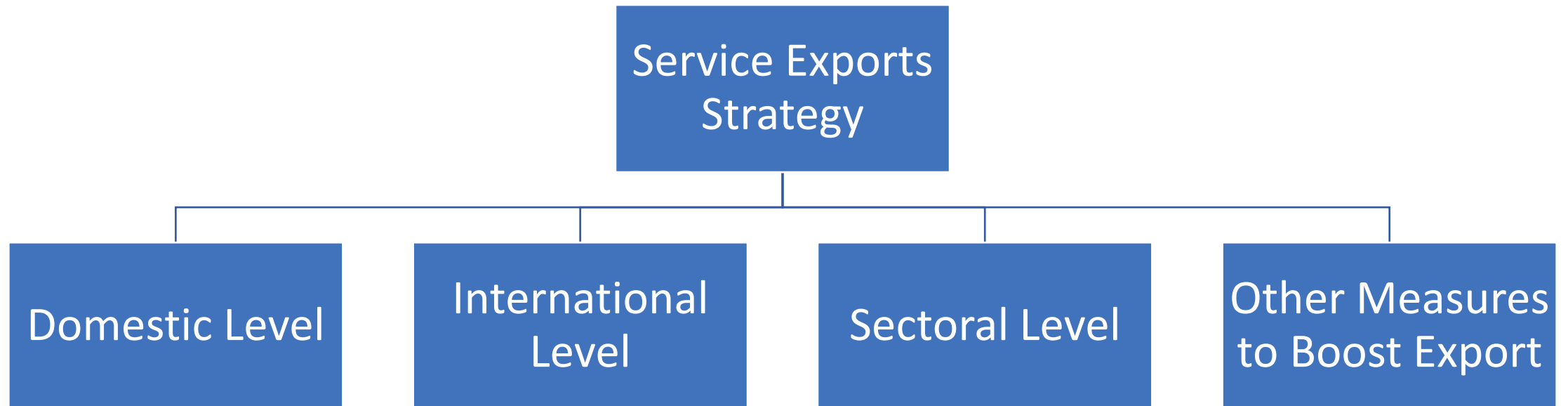
Strategy For Strengthening Exports of Services

Government policies



- **12 Champion services sectors have been identified for promoting and diversifying services exports by pursuing specific action plans.**
- **Districts as Export Hubs has been launched by identifying products with export potential in each district.**
- **It is proposed to replace SEZ Act with a new legislation that will enable the states to become partners in Development of Enterprise and Service Hubs**

4-Pronged Strategy



Strategy: Domestic Level



Addressing Constraints:

- Investing in transport and digital infrastructure
- Reducing regulatory restrictions that affect services both at the border and behind the border
- Investing in human capital to strengthen and sustain India's advantage in knowledge and skill-intensive services
- Liberalizing business and professional services to encourage competition and harmonizing and internationalizing domestic standards

Encouraging export through Mode 3:

- India has a miniscule share in mode 3 of services exports. Need to encourage domestic companies to explore global markets through outward FDI

Strategy: International Level



Service Negotiations:

- More integrative and forward-looking approach for negotiations.
- Exploit synergies that exist across modes and across sectors, such as between IT hardware, electronics, automotive industries and IT and IT-enabled services, between outward FDI in IT-enabled services and related mode 1 and 4 based professional services exports.
- In its agreements with Asian partners, India needs to be strategic in pursuing its interests in services by accessing the regional production network through a mix of trade and investment flows and a combination of different modes.

Diversification

- It is imperative to focus on diversification in terms of new sectors and markets (Asia Pacific, Africa and Central Asian regions) and enable our service exporters through skilling, MRAs, and awareness creation in terms of regulations and market access conditions.

Strategy: Sectoral Level



Education:

- Reduction of GST rates for Higher Education Institutions (HEIs)

Legal Services:

- To establish Indian International Arbitration, Mediation & Conciliation Centre
- To establish International Student Research & Training Centre
- To work on developing India as a hub of Alternate Legal Services Provider

Strategy: Sectoral Level



Healthcare & MVT:

- On short term, need to open the flights, specially from the countries from where India gets maximum number of Medical Traffic i.e. Africa, CIS, Middle East & SAARC regions
- Should work towards Liberalizing the Medical Visa Norm and should give longer period MVisa
- Should work towards organizing the MVT sectors. The agencies concerned with Medical Value Tourism sector are to be assimilated in the organized sector (like NABH is for Hospitals)

Logistics and Maritime Services:

- Need to increase containers which will also reduce freight rates
- Container Manufacturing and Container Ownership needs to be differentiated
- Break Bulk needs encouragement
- Current GST on handling charges needs to be re-considered

Other Measures to Boost Exports



Level Playing field with manufacturing:

- The need of the hour is level playing field with manufacturing sector in terms of incentives and support to tide over the pandemic.

Continuous Reforms:

- Announcement of the New Foreign Trade Policy and conclusion of FTAs with UK and other partner countries will also help India enhance its exports.
- Access to Indian service professionals through mode 4 of GATS in the countries with which India is negotiating the FTAs would help the service industry to further boost its exports.

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Way Forward

Way Forward for Achieving \$ 1 trillion Exports by 2030: Possible Solutions



- India needs to diversify its Services exports especially towards healthcare, travel and tourism, Audio visual services and gaming, IT and ITES, Education services etc.
- Services exporters have to think towards boosting the enhancement of productivity of manufacturing related services by way of building brands, product standardization, etc.
- Digital servicification of manufacturing exports can increase the competitiveness of Indian firms and enable diversification.
- Policy interventions need to target the development of 'soft' digital infrastructure, such as cloud computing capabilities, data infrastructure and intellectual property networks capacity.
- Ease of doing business and easing of regulations in services sectors is required.



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