Trade in Services and Indian Business: An Overview

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Abstract

Trade in services in India has gained considerable importance. This industry is contributing in the Gross Domestic product up to 14.7 percent. Trading in this sector is growing at the fast rate. Service sector of the country is contributing to the Gross Domestic Product up to 57 percent. This sector includes banking, insurance, education, health issues consultation, transportation, hotel and catering services, information technology, financial services, logistics, business processing outsourcing, communication, transmission, legal services, real estate, research and development, advertising, postal services, courier services, tourism and online services. RBI statistics issued in June 2015 on India’s International Trade in Services reveals that the total Exports receipts were valued worth 12765 US $ million and the total imports payments were recorded worth Rs. 7522 US $ million. Indian trade in services is helping the sustainable growth of the economic development by its growth-oriented nature.

Key words

Gross Domestic Product (GDP), Indira Gandhi National Open University (IGNOU), Comprehensive Bilateral Agreements (CBAs), Free Trade Agreements (FTAs), Services Export Promotion Council (SEPC), Common Facility Centre.

Introduction

Trade of services occupies prominent place in the economic perspective of any country. Trade in service means buying and selling of services. Service industry has very important role to play in the development of the industrial economy. Trade is also referred as commerce and financial transaction. Business entities deal into two types of products namely, goods and services. Goods are manufactured in the business organizations and services are rendered or provided by the same. Trade in services includes dealing in intangible products mainly. Service providing industry is also called as territorial sector.

The services are provided by the service providers in various types in the industry. Service industry includes banking, insurance, education, health issues consultation, transportation, hotel and catering services, information technology, financial services, logistics, business processing outsourcing, communication, transmission, legal services, real estate, research and development, advertising, postal services, courier services, tourism and online services. Sevices
Trading can be categorized into two main parts i.e. trade on the basis of domestic and foreign trade and trade on the basis of wholesale and retail trade. Domestic trade involves the buying and selling within the territory of the country while foreign trade includes trading outside the borders of the country. Wholesale trading includes selling and distribution of the services to next distribution channel and retailing trading facilitates the availability of services to the ultimate customer.

**Objectives of the Study**

In this paper the main area of discussion is the magnitude of trade in the service sector of India. An effort has been made to highlight the contribution of this sector in the economy. After analyzing the various aspects of this area a discussion has been designed to discuss the overall view of the Indian trade in services.

**Methodology**

In the present study the information have been collected through various published and online sources. Data have been collected for the purpose of analysis from secondary sources. This study is not any case study hence the outcome of the discussion are not applicable to any particular area of the trade in service sector.

**Perspective of the trade in Service Sector in India**

Trading in services has important place in economic development of developing courtiers. India is attaining growth towards development at the rapid rate. Trade in services has great importance for the Indian economy. Indian service sector is growing at the fast rate. Service sector of the country is contributing to the Gross Domestic Product (GDP) up to 57 percent.

After the liberalization process since 1991 Indian service sector has been progressing in the significant way. This sector is facilitating a lot to the employment generation, foreign trade and investment. In the year 2010 the trade in services of the country was at 13.6 percent of GDP which has increased up to 14.7 percent in the year 2014. Figure 1 is depicting the year-wise scenario of this sector in the following section.

**Figure 1: India’s Trade in Services (% of Gross Domestic Product)**
Source: World Bank Statistics

This sector has attained significant progress at international level. According to the report of RBI issued in June 2015 on India’s International Trade in Services, the total Exports receipts were valued worth 12765 US $ million and the total imports payments were recorded worth Rs. 7522 US $ million. This data shows the favorable balance of payment which is helping to generate the foreign exchange in the nation.

India has achieved a prominent position in the trading of higher education services in the recent years. Indian education system has now been considered very efficient for creating skilled human power all over the world. Distance courses are capturing great popularity in this area. Indira Gandhi National Open University (IGNOU) has achieved prominent place in the gulf countries like Abu Dhabi, Muscat, Kuwait, Dubai and Doha. Private education sector is achieving great popularity all over the world. Indian education sector has proved itself for providing the education at lowest cost as compared to other nations.

Various service sectors of the country are performing very well at the international level. Figure 2 is showing the export and exports data for the various prominent service industries.
Figure 2: Export and Import of Main Service Sectors for the Year 2014-15*(P**) (US $ million)

*Data are related to the period of April to March

**Preliminary

Source: Services Export Promotion Council

For promoting trade in services at international level Government of India has signed Comprehensive Bilateral Agreements (CBAs) with the governments of South Korea, Japan, Singapore and Malaysia. This agreement will certainly boost the business at international level. Various Free Trade Agreements (FTAs) have been engaged by the Government with the Canada, Thailand, Australia, Israel and New Zealand which includes special emphasis on trade in services.

Discussion

The service sector of India has achieved considerable growth in terms of trade. This sector can contribute more to the development of the economy. The business is facing certain problems which are affecting this sector. Trade policy plays a significant role for attaining the growth in the trading of goods and services. We need the trade policy as like that of developed countries. Many developed countries like Germany, U.S.A., and Japan etc. frame their trade policy for developing domestic as well as international trade. They restrict the
imports in such a way in which the local industries can develop fast and promote exports in such a way in which their expanding industries can capture the secure international markets. Government of India has set up an exclusive Services Export Promotion Council (SEPC) to boost service exports in 2007. This Council will provide proper guidance, direction and encouragement to the services providing industries. To promote export trade in services the Government has established Common Facility Centre for of home-based service providers. This facility will focus on the help business of multi-media, software development, engineering and architectural design in State and District level towns. This scheme will provide a direct and definite track to home-based professionals for establishing themselves at international level. A developed business of trade in services provides direct benefit to consumers along with a concrete path for the economic growth. It ensures foreign investment in terms of both direct and indirect manners. Indian trade in services is helping the sustainable growth of the economic development by its growth-oriented nature.

References