

Chapter 9 - Services

INTRODUCTION

- The COVID-19 pandemic, the subsequent lockdown, and social distancing measures have had a significant impact on the contact-intensive services sector.
- During the first half of the financial year 2020-21, the services sector contracted by almost 16 percent.
- The services sector's significance in the Indian economy has been steady, with the sector now accounting for over 54 percent of the economy and almost four-fifths of total FDI inflows.

SERVICES SECTOR PERFORMANCE IN INDIA: AN OVERVIEW

Impact of COVID-19 on Services Sector:

- Services Purchasing Managers' Index (PMI), which was at an 85-month high of 57.5 in February 2020, fell to its lowest level of 5.4 in April 2020. As mobility restrictions were lifted and business resumed, Services PMI recovered sharply to 54.1 in October 2020.
- 'Trade, hotels, transport, communication & broadcasting services', 'Financial, real estate & professional services', and 'Public administration, defense & other services' are estimated to contract by 21.41 percent, 3.68 percent, and 0.82 percent, respectively.

Service sector share at the State and UT level

- The services sector accounts for more than 50 percent of the Gross State Value Added (GSVA) in 15 out of the 33 states.
- Chandigarh and Delhi stand out with a particularly high share of services in GSVA of over 85 percent while Sikkim's share remains the lowest at 27.02 percent.

FDI Inflows into Services Sector

- As per World Investment Report 2020 by United Nations Conference on Trade and Development (UNCTAD), India has improved its position from 12th in 2018 to 9th position in 2019.
- The Jump in FDI equity is driven by inflows into the 'Computer Software & Hardware' sub-sector.

Trade-in Services Sector

- World Trade Organization (WTO) projects the global merchandise trade volume growth to fall by 9.2 percent in 2020, the IMF expects the volume of global trade in goods and services to contract by 10.4 percent in 2020.
- WTO services trade activity index indicated a decline in global trade in commercial services of 4.3 percent in the first three months of 2020, reflecting partly the adverse effect from the spread of COVID-19.
- It remained among the top ten trading countries in commercial services in 2019 accounting for 3.5 percent of world services export.

MAJOR SERVICES: SUB-SECTOR WISE PERFORMANCE AND RECENT POLICIES**Tourism:**

- As per the World Tourism Barometer of the United Nations' World Tourism Organization international arrivals fell by 72 percent globally over the first ten months of 2020 due to the pandemic.
- "Foreign tourists from the top 10 countries visiting India are from Bangladesh, USA, UK, Australia, Canada, China, Malaysia, Sri Lanka, Germany, and Russia. (67 percent)
- Tourism contributed 5 percent share to India's total GDP in 2018-19. It also supports almost 13 percent of total employment in India.

Information Technology-Business process management (IT-BPM) Services

- Over the last decade, the industry grew by 102 percent reaching US\$ 190.5 billion in revenues in 2019-20. It also added 1.8 million employees, up 70 percent over the last 10 years.
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Reforms

- Relaxation of Other Service Provider Terms & Conditions guidelines tremendously reduce the compliance burden of the BPO industry and enable it to 'Work from Home' (WFH).
- Consumer Protection Act, 2019, empowering consumers and protect their rights through its various notified rules and provisions such as Consumer Protection Councils.

Ports, Shipping and Waterways Services

- Ports handle around 90 percent of export-import cargo by volume and 70 percent by value in India.
- To harness the coastline, 14,500 km of potentially navigable waterways, and strategic location on key international maritime trade routes, the Government has embarked on the ambitious Sagarmala Programme to promote port-led development in the country.
- This includes reducing the cost of transporting domestic cargo; lowering the logistical cost of bulk commodities by locating future industrial capacities near the coast; improving export competitiveness by developing port proximate discrete manufacturing clusters, etc.

Space sector

- India spent about US\$ 1.8 billion on space programmes in 2019-20. However, the country still lags behind the major players in the space sector, such as the USA, which spent about 10 times more than India in the space sector in 2019-20, and China, which spent about 6 times more.
- India has launched around 5-7 satellites per year in recent years. On the other hand, the USA, Russia, and China dominate the satellite launching services with 19, 25, and 34 satellites respectively in 2019.
- New Space India Limited (NSIL), a Central Public Sector Enterprise under the Department of Space, has been mandated to transfer the technologies emanating out of the Indian space programme and enable the Indian industry to scale up its high-technology manufacturing base.
- The government of India has also established Indian National Space Promotion and Authorization Centre (IN-SPACe) for promoting industries and attracting investment in the space sector.

- The global space economy in 2019 was pegged at US\$ 366 billion, growing by about 1.7 percent over 2018. It also estimates that the Indian space economy is valued at US\$ 7 billion, which is around 2 percent of the global space economy.
- The Indian Space ecosystem is undergoing several policy reforms to engage private players and attract innovation and investment.

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