

# 75 Years of Independence of India Opportunities and Challenges



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Azadi Ka  
Amrit Mahotsav

Chief Editor  
Principal Dr. Sarkate S. H.

**75 YEARS OF  
INDEPENDENCE OF INDIA:  
OPPORTUNITIES AND  
CHALLENGES**

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**Principal Dr. Sarkate S. H.**

J.B.S.P. M's Arts and Science College,  
Shivajinagar Gadhi, Tq. Georai, Dist. Beed-431143



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# **India's Foreign Trade Policy And Services Exports: Special Reference To Ftp 2015-2020**

**Dr. Shivaji Kakade**

Associate Professor and Head,  
Dept. of Economics, Arts and Science College, Gadhi Dist.  
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## **Abstract:**

International trade plays an important role in the growth and development of any economy. It makes a significant contribution to the economic welfare of the people and to the development of the resources available in the country. It promotes level of production, employment generation and income, inflow of foreign exchange at the domestic level and strengthening bilateral and multilateral economic relations at the global level. Like many other developing countries, service sector has undoubtedly become the most important sector in the Indian economy. The services sector has emerged as a major sector in India in terms of contributing to GDP, trade flows and FDI inflows. The services sector has played and will continue to play an important role in India's trade policy. In this study researcher has tried to focus on features and objectives of Foreign Trade Policy (FTP) 2015-2020, taken overview of Service Exports from India Scheme (SEIS) and analyse India's services exports. For analysis researcher used descriptive and analytical research methods.

**Key Words:** Foreign Trade Policy, Services Exports

## **Introduction:**

International trade plays an important role in the growth and development of any economy. It makes a significant contribution to the economic welfare of the people and to the development of the resources available in the country. It promotes level of production, employment generation and income, inflow of foreign exchange at the domestic level and strengthening bilateral and multilateral economic relations at the global level. Foreign trade policy is a set of rules and procedures to facilitate imports and augmenting exports from India and to create favourable balance of payments position. In the post-liberalization period, India's growth driven by service sector and India has gained a positive trade balance in services as opposed to trade in goods. Like many other developing countries, service sector has undoubtedly become the most important sector in the Indian economy. The services sector has emerged as a major sector in India in terms of contributing to GDP, trade flows and FDI inflows. The services sector has played and will continue to play an important role in India's trade policy. The services sector is helping India to integrate into the world economy. It has been an integral part of India's negotiating agenda in the World Trade Organization (WTO). Regarding General Agreement on Trade in Services (GATS) negotiations India has been an important participant.

Like the case of Intellectual Property Rights (IPRs), India in the beginning years of the Uruguay Round, strongly opposed any proposal for the inclusion of services in the World Trade Organization (WTO) Agreement. Because of India's interests in the fast emerging services sector in mid-1990s India slowly

begin shifting away from its rigid opposition to service trade and lastly by the mid-2000s adopted an aggressive pro-service trade liberalization policy. India has both export and import interests in services. With a huge English-speaking, skilled work force available at competitive prices, the country has created a niche for itself in exporting knowledge-based services but needs foreign investment and best management practices in infrastructure services. Developed countries are the major trading partners for India in services.

In this study researcher has tried to focus on features and objectives of Foreign Trade Policy (FTP) 2015-2020, taken overview of Service Exports from India Scheme (SEIS) and analyse India's services exports.

#### **Objectives of the Study:**

1. To study features of foreign trade policy.
2. To study objectives of foreign trade policy.
3. To overview Service Exports from India Scheme (SEIS)

#### **Research Methodology of the Study :**

This study is purely depending on secondary data. Data is collected from various reference books, research articles, Journals and websites. For analysis researcher used descriptive and analytical research methods.

#### **Foreign Trade Policy 2015-2020:**

Foreign Trade Policy (FTP) came into effect from 1<sup>st</sup> April, 2015; this policy was announced by the Union Commerce and Industry Minister, Ms. Nirmala Sitharaman, with the main focus on doubling exports to \$900 billion by 2019-20 and facilitating ease of doing business and digitisation. The new five year Foreign Trade Policy provides a framework for increasing

exports of goods and services as well as employment generation and increasing value addition in the country. Tremendous changes have been made in this policy such as, incentives to Special Economic Zones (SEZs), eliminating bottlenecks for doing business, etc. The government has extended benefits of both the reward schemes, Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) to units located in SEZs in order to give a boost to exports from SEZs. Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new Foreign Trade Policy. Another feature of this policy is that it has given importance to services sector exports. Services have become an important component of our export basket at \$ 145 billion; they are half the merchandise exports of \$300 billion.

This new Foreign Trade Policy provides a framework for increasing exports of goods and services. The government expects significant increase in share of services in India's total goods and services exports in the next five years, the target for which has been set at US \$ 900 billion. Foreign Trade Policy is to be aligned to 'Make in India', 'Digital India', 'Skill India' and 'ease of doing business' initiatives. Foreign Trade Policy 2015-20 introduces two new schemes namely 'Merchandise Exports from India (MEIS)' for exports of specified goods to specified markets and 'Services Exports from India Scheme (SEIS)' for increasing exports of notified services, in place of a plethora of schemes earlier, with different conditions for eligibility and usage. Services sector has emerged as a prominent sector in India in terms of its contribution to GDP, trade flows and FDI inflows. The main focus of the new Foreign Trade policy 2015-20 is to promote exports of

value added and labour intensive manufacturing as well as services. The focus of the new policy is to support both the manufacturing and services sectors, with a special emphasis on improving the 'ease of doing businesses'.

#### **Features of Foreign Trade Policy 2015-2020:**

- ❖ The Policy is framed by considering long term and medium term strategy to increase overall growth of India's foreign trade by enhancing trade competitiveness.
- ❖ The norms of the policy are product wise and location wise.
- ❖ In this new policy there is an attempt to maximize the foreign trade of the country.
- ❖ More focus is on doubling the India's share in world trade from the present level of 3 per cent by the year 2020.
- ❖ Two new schemes are announced in this policy namely Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS).
- ❖ Focus on the need to ensure local products and services are globally competitive.
- ❖ The aim is on improving ease of doing business in new foreign trade policy.

#### **Objectives of Foreign Trade Policy 2015-2020:**

- ❖ To increase exports from \$ 466 billion in 2013-14 to \$900 billion by 2019-20.
- ❖ To raise India's share in world exports from 2 per cent to 3.5 per cent.
- ❖ Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) launched.



- ❖ Foreign Trade policy to be aligned to 'Make in India', 'Digital India', and 'Skill India' initiatives.
- ❖ Duty Credit Scrip made freely transferable and usable for payment of custom duty, excise duty and service tax.
- ❖ Export promotion mission to take on board state governments.
- ❖ Higher level of support for export of farm produce, defence and eco-friendly products.
- ❖ Mainstreaming of state governments and various ministries in formulating Foreign Trade Policy.
- ❖ Agricultural and village industry products would be supported across the globe at the rates of 3 per cent and 5 per cent.
- ❖ Foreign Trade Policy will be reviewed after two and half years.

#### **Service Exports from India Scheme (SEIS):**

In the new Foreign Trade Policy 2015-2020, with effect from 1<sup>st</sup> April, 2015 Service Exports from India Scheme (SEIS) has been announced by the Government of India. While the service sector contributes about 66 per cent in India's GDP, its services exports are only about \$ 145 billion as compared to merchandise exports of over \$ 300 billion. This signifies that there is a vast untapped export potential in the Indian services sector. While there were several schemes to encourage and support the export of goods, but the served from India scheme was the only scheme for service sector. In the Foreign Trade Policy 2015-2020, the Served from India Scheme (SFIS) has now been recast into the Service Exports from India Scheme (SEIS). In this scheme government would provide duty scrip to exporters.

Objectives of Service Exports from India Scheme are as follows:

- ❖ To encourage export of services from India.
- ❖ The rewards are admissible on exports of services rendered on and after 1<sup>st</sup> April, 2015.
- ❖ Service providers will be entitled to Duty Credit Scrip at notified rates 3 per cent and 5 per cent on the net foreign exchange earned.
- ❖ Minimum net free foreign exchange earnings in the preceding year to be eligible for Duty Credit Scrip- for individual service providers and sole proprietorship- \$10,000 and for other service providers -\$ 15,000.
- ❖ Duty Credit Scrip will be granted as rewards under Service Exports from India Scheme.

**Salient features of Service Exports from India Scheme (SEIS):**

- ❖ It applies only to 'Service providers located in India'.
- ❖ Service providers of notified services, located in India, shall be rewarded.
- ❖ Rate of reward under this scheme are based on net foreign exchange earned.
- ❖ Reward issued as duty credit scrip is freely transferable and usable for all types of goods and service tax debits on procurement of services/goods.
- ❖ Debits are eligible for CENVAT credit or drawback.
- ❖ Certain specified categories of services are not eligible for benefit under the scheme.

**Eligibility of Service Exports from India Scheme (SEIS):**

Service providers located in India are provided rewards under this scheme. Service provider should have minimum net free foreign exchange earnings of a US \$ 15000 in preceding financial year to be eligible for Duty Credit Scrip for individual service providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US \$ 10,000 in preceding financial year. Payment in Indian Rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India.

Net Foreign Exchange earnings for the scheme are defined as under:

Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses/payment/remittances of Foreign Exchange by the IEC (Importer Exporter Code) holder, relating to service sector in the Financial year. If the IEC holder is manufacturer of goods as well as service provider, then the Foreign Exchange earnings and Total expenses / Payment/remittances shall be taken into account for service sector only. In order to claim reward under the scheme, service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed. Service Providers of eligible services shall be entitled to Duty Credit Scrip at notified rates on net Foreign Exchange earned.

**Conclusion:**

The services sector has emerged as a prominent sector in India in terms of contributing to GDP, trade flows and FDI inflows. The services sector has played and will continue to play an important role in India's trade policy. To accelerate growth in exports of services and to create a powerful and unique 'Served from India'

brand instantly recognized and respected in the whole world. To overcome and taking consideration into the financial crisis 2008. Tremendous changes have been made in the Foreign Trade Policy 2015-20 such as, incentives to SEZs, eliminating bottlenecks for doing business, etc. The government has extended benefits of both the reward schemes, Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) to units located in SEZs in order to give a boost to exports from SEZs. Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new Foreign Trade Policy. Another feature of this policy is that it has given importance to services sector exports.

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