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## 17. An Overview of India's Services Trade

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### Introduction

During the economic crisis in 1991, as part of its reform package, India liberalised its service sector and opened the economy to trade. Services have played an instrumental and growing role in the economy and in the country's engagement with the world. It contributing nearly two-thirds to the growth of GDP in recent years, and this contribution has increased over time. Services are playing role within the domestic boundaries of the country as well as in the world economy through trade in services. As a result of globalization, trade liberalization and rapid technological advancement has made almost all services tradable abroad. In the last two decades, India has become one of the top five exporters of services amongst the developing countries, and it has surpassed some of the other Asian countries that dominated the services trade in the 1990s. In the context of India, the services sector too has witnessed a tremendous growth in the last two decades and it turned as service- led economy (Hansda. 2009). India is the second fastest growing services economy in the world after the China. According to the WTO statistics, of 2014, India has been ranked as 6<sup>th</sup> among the leading commercial services exporting countries. The contribution of Indian services export to world services export has increased to US \$ 156.28 billion in 2015 from US \$ 52.19 billion in 2005.

In this study, researcher has studied growth of services trade of India, India's share in world exports and imports of services, India's services trade share in total trade and India's trade share in world trade. He has chosen descriptive and analytical research methods for analysis.

### Objectives of the Study

- i. To study the growth of services trade of India
- ii. To overview India's share in world exports and imports of services
- iii. To study India's services trade share in total trade
- iv. To study India's trade share in world trade

  
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### 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.

### India's Services Trade and Share in World Services Trade

Table 1 and Figure 1, shows India's exports and imports of services for 2005 to 2015 period in US \$ billion. In the year 2005 India's exports of services was US \$ 52.19 billion, it increased up to US \$ 156.28 billion in 2015. From 2005 to 2008 the growth rate of exports of services is better but in the year 2009 growth rate of exports of services is negative because of financial crisis 2008. From 2012 the growth rate of exports of services come on one digit. In the year 2005 exports of services growth rate was 27 %, it decreases up to 5.11 % in the year 2014. The Compound Annual Growth Rate (CAGR) was 11.59 % of exports of services for the study period.

**Table: 1 India's Services Trade and Share in World Exports and Imports of Services**  
 (Value in US \$ Billion)

Year	Exports		Imports		Share in world exports of services (%)	Share in world imports of services (%)
	Value	% change	Value	% change		
2005	52.19	27.00	47.18	24.86	1.95	1.81
2006	69.45	24.85	58.52	19.38	2.29	2.01
2007	86.56	19.77	70.19	16.63	2.39	2.05
2008	106.05	18.38	55.58	-26.29	2.60	1.43
2009	92.90	-14.16	53.03	-4.81	2.55	1.54
2010	117.07	20.65	78.93	32.81	3.00	2.12
2011	138.53	15.49	77.77	-1.49	3.10	1.84
2012	145.52	4.80	79.93	2.70	3.17	1.83
2013	149.16	2.44	78.72	-1.54	3.06	1.70
2014	157.20	5.11	81.13	2.97	3.03	1.63
2015	156.28	-0.59	82.65	1.84	3.18	1.77
CAGR	11.59%		5.77%			

Source: Compiled from WITS data



Figure: 1 India's Services Trade

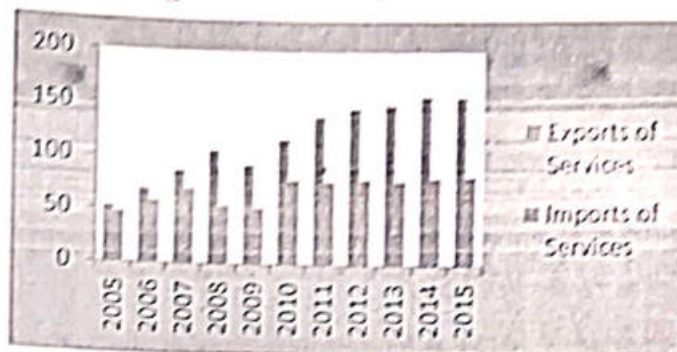
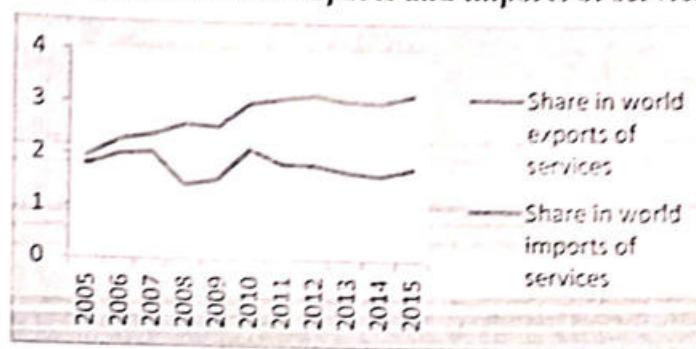


Figure: 2 Share in world exports and imports of services (%)



In the year 2005 India's imports of services was US \$ 47.18 billion and it increased up to US \$ 82.65 billion in 2015. There was US \$ 35 billion increase in imports of services during study period whereas regarding exports of services there is US \$ 104 billion increase. Four years out of study period, we see that the growth rate of imports of services is negative. In the year 2005 imports of services growth rate was 24.86 % and it decreases up to 1.84% in the year 2015. The Compound Annual Growth Rate (CAGR) value of imports of services was 5.77% for the study period.

India's share in world exports of services was 1.95 % in the year 2005. India's share in world exports of services increased up to 3.18% in the year 2015. More than 1 % increase in India's share in world exports of services during study period. India's share in world imports of services was 1.81 % in the year 2005. India's share in world imports of services decreased up to 1.77% in the year 2015. India's share in world imports of services is near about constant or decrease during study period exceptions some years.

#### India's Services Trade share in Total Trade

In the Table 2 and Figure 3 show India's services trade share in India's total trade during 2005 to 2015. In the year 2005 India's services trade share in total trade was 22.42%; it was

21.14% in the year 2015. After financial crisis 2008 India's services trade share in total trade decreased year by year.

Services exports share in total exports in the 2005 was 33.76%, it increased up to 36.46% in the year 2015. This shows that during 2005 to 2015 period India's services exports share in India's total exports is more than 30%.

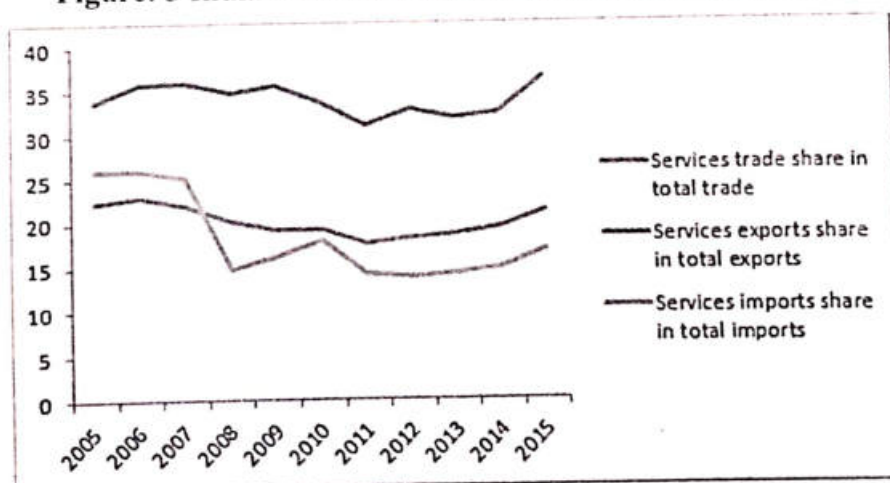
**Table: 2 India's Services Trade share in Total Trade**

(In percentage)

Year	Services trade share in total trade	Services exports share in total exports	Services imports share in total imports
2005	22.42	33.76	25.94
2006	22.98	35.92	26.00
2007	22.05	36.07	25.19
2008	20.21	34.76	14.65
2009	19.07	35.61	16.16
2010	19.23	33.64	17.98
2011	17.57	31.03	14.06
2012	18.11	32.80	13.78
2013	18.57	31.85	14.04
2014	19.29	32.37	14.66
2015	21.14	36.46	16.80

Source: Compiled from WITS data

**Figure: 3 India's Services Trade share in Total Trade (%)**



Services imports share in total imports in the year 2005 was 25.94%, it decreased up to 16.80% in the year 2015. After financial crisis 2008 India's services imports share in India's total imports is decreased extremely.

Data mentioned in the table shows that India's services exports share in India's total exports is more than services imports share in total imports and services trade share in total trade.



### India's Services Trade share in World Trade

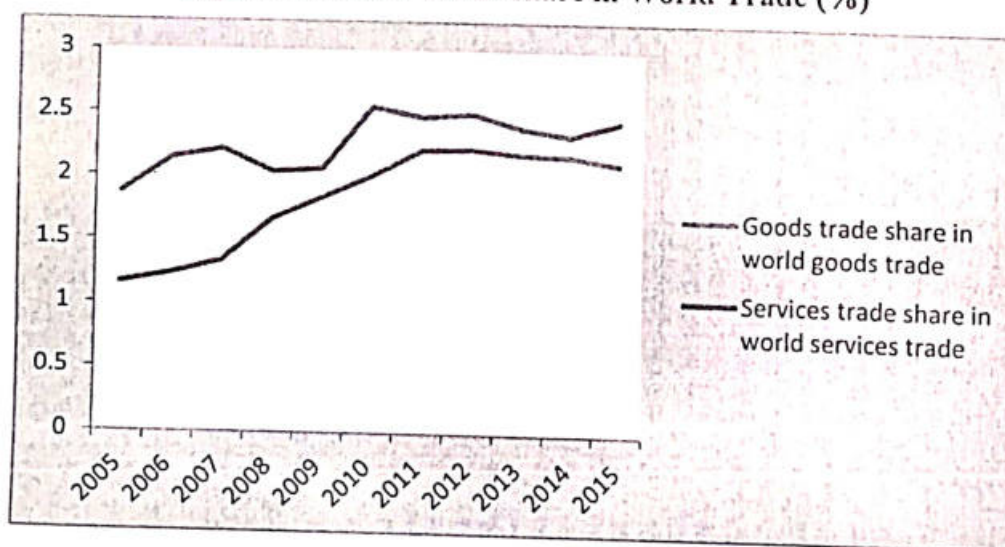
Table 3 and Figure 4 shows India's goods trade share in world goods trade and services trade share in world services trade. India's goods trade share was 1.16% in the year 2005. It increased up to 2.11% in the year 2015. Near about 1% growth in India's goods trade share during study period. India's services trade share was 1.87% in the year 2005. It increased up to 2.44% in the year 2015. About 0.57% growth in India's services trade share in world services trade. India's services trade share is always more than 2% except 2005 as compare to goods trade share in world goods trade.

**Table: 3 Percentage share of India's Services Trade in World Trade**

Year	Goods trade share in world goods trade	Services trade share in world services trade
2005	1.16	1.87
2006	1.23	2.14
2007	1.33	2.21
2008	1.66	2.03
2009	1.83	2.06
2010	2.00	2.55
2011	2.21	2.47
2012	2.22	2.50
2013	2.18	2.39
2014	2.17	2.33
2015	2.11	2.44

Source: Compiled from WITS data

**Figure: 4 India's Trade share in World Trade (%)**



### Conclusion

We see that services sector contributing nearly two-thirds to the growth of GDP in recent years, and this contribution has increased over time. Services are playing very important role within the domestic boundaries of the country as well as in the world economy through trade in services. There was threefold increase in exports of services as compare to imports of services during study period. More than 1 % increase in India's share in world exports of services during study period. India's services exports share in India's total exports is more than 30%. India's services trade share is always more than 2% except 2005 as compare to goods trade share in world goods trade.

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