



On The Occasion of Centenary Birth Anniversary Year of
Hon. Dr. Shankarraoji Chavan

&

Silver Jubilee Years of Globalization of Indian Economy
A One Day National Level Conference

On

**GLOBALIZATION & ITS IMPACT ON INDIAN ECONOMY
(GIIE 2020)**

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IMPACT OF GLOBALIZATION ON SERVICES TRADE OF INDIA

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Services are playing role within the domestic boundaries of the country as well as in the world economy through trade in services. India's trade openness was 29% in 2000. As a result of globalisation and trade liberalisation it increased up to 56% in 2012. In other words now India's more than 50 % GDP is depending on trade. India is gaining economic growth and development and technology transfer through trade openness. India's service exports growth increased from US \$ 16.69 billion in 2000 to US \$ 156.08 billion in 2015. Whereas South Asian countries service export growth was US \$ 20.88 billion in 2000. It increased to US \$ 176.76 billion in 2015. World service exports growth was US \$ 1.68 trillion in 2000. It increased up to US \$ 4.98 trillion in 2015. India's service exports growth increased by more than 9 times during above period. India's share in world exports of services rise from 1.1 per cent to 3.2 per cent during study period. India's share in world imports of services increase from 1.3 per cent to 1.9 per cent during study period. India's increasing exports of services helps to correct its overall balance of payments. India's service imports growth increased from US \$ 19.19 billion in 2000 to US \$ 82.64 billion in 2015. Whereas South Asian countries service imports

growth was US \$ 25.20 billion in 2000. It increased to US \$ 106.48 billion in 2015. World service imports growth was US \$ 1.63 trillion in 2000. It increased up to US \$ 4.71 trillion in 2015. India's service imports growth increased by more than 4 times during above period.

Key words: Globalization, Trade, Exports, Imports

2.0 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 important role in the Indian growth story. 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 6th among the leading commercial services exporting countries. The contribution of Indian services export to world services export has increased to US \$ 156.08 billion in 2015 from US \$ 16.69 in 2000.

In this study, researchers has studied impact of globalization on trade openness of India, India's share in world exports and imports of services and share of services exports and imports in Balance of Payments during 2000 to 2015 period. They have chosen descriptive and analytical research methods for analysis.

3.0 Objectives of the study:

- i) To study impact of globalization on services trade of India
- ii) To analyse trade openness of India
- iii) To overview of India's share in world exports and imports of services
- iv) To study share of services exports and imports in Balance of Payments

4.0 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.

5.0 Trade Openness of India:

The ratio of trade to GDP – an indicator of trade 'openness' –has increased for most trading nations, and is a result of globalisation, and trade liberalisation. The Openness Index is an economic metric calculated as the ratio of country's total trade, the sum of exports plus imports, to

the country's gross domestic product. The interpretation of the Openness Index is that the higher the index the larger the influence of trade on domestic activities, and the stronger that country's economy. It is argued that trade openness brings many economic benefits, including increased technology transfer, transfer of skills, increased labour and total factor productivity and economic growth and development. India's trade openness was 29% in 2000. As a result of globalisation and trade liberalisation it increased up to 56% in 2012. In other words now India's more than 50 % GDP is depending on trade. India is gaining economic growth and development and technology transfer through trade openness.

6.0 India's service Exports and Imports:

The importance of a skilled human capital is an important endowment of the country. India enjoys comparative advantage in exports of Other Commercial Services category as it is more human-intensive sector. Therefore it is the human factor which is contributed India's growth in the service sector. The largest English speaking, technically qualified people and lower manpower cost have been backbone for the magnificent growth of Indian computer and information services exports. It made India as the top leading exporter of computer and information services, excluding European Union (WTO, 2014).

As per IMF data India's rank was 8th during 1990 to 1999 period in service export growth and service export growth was 0.67 % during this period. During 2000 to 2007 period India's service export growth was 1.65 % and its rank was 11th during that period. Service export growth increased to 3.13 % during 2008 to 2015 period and its rank is 10th in the world.

Table 1: Service Exports (BoP, Current US \$ Billion)

Year	2000	2001	2005	2006	2010	2011	2012	2013	2014	2015
India	16.69	17.34	52.18	69.44	117.07	138.53	145.53	149.16	157.20	156.08
South Asia	20.88	21.89	60.24	78.04	133.20	154.99	163.25	166.70	177.53	176.76
World (in US \$ Trillion)	1.68	1.68	2.69	3.04	3.92	4.48	4.59	4.89	5.25	4.98
India's share in world exports of services (%)	1.1	1.1	2.1	2.4	3.0	3.1	3.3	3.2	3.1	3.2

Source: Compiled from World Trade Indicators Database, World Bank, 2015

Table 1 and Chart 1 shows, that India's service exports growth increased from US \$ 16.69 billion in 2000 to US \$ 156.08 billion in 2015. Whereas South Asian countries service export growth was US \$ 20.88 billion in 2000. It increased to US \$ 176.76 billion in 2015. World service exports growth was US \$ 1.68 trillion in 2000. It increased up to US \$ 4.98 trillion in 2015. India's service exports growth increased by more than 9 times during above period. Technology has played a critical role in the growth of India's service exports. Advances in information and communication technology not only have made it possible to trade services that were historically regarded as non-tradable, but also have made distance and delivery costs virtually irrelevant for some services. Therefore, a country such as India, which is thousands of miles away from North America, is still able to deliver services to

the United States as efficiently as a U.S. border country. In fact, the distance between India and the United States may even encourage greater service trade because the time differences allows for round-the-clock service provision.

Chart 1: India's Service Exports and Imports

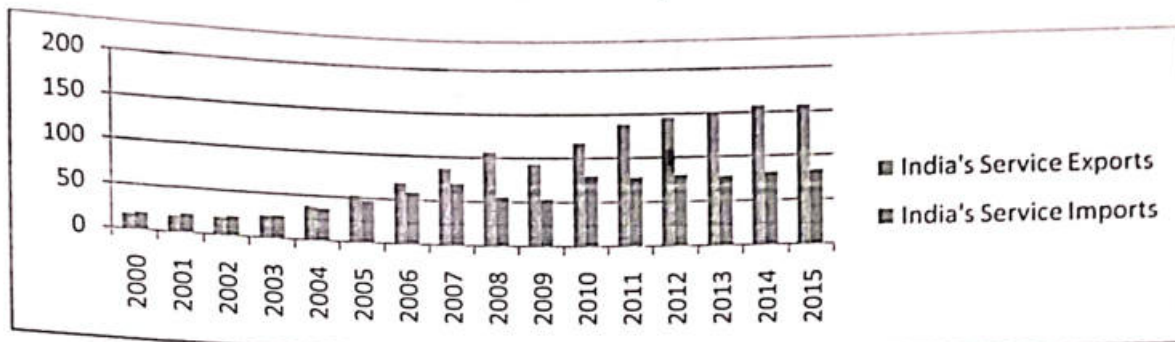


Chart 2: India's Share in World Exports and Imports of Services

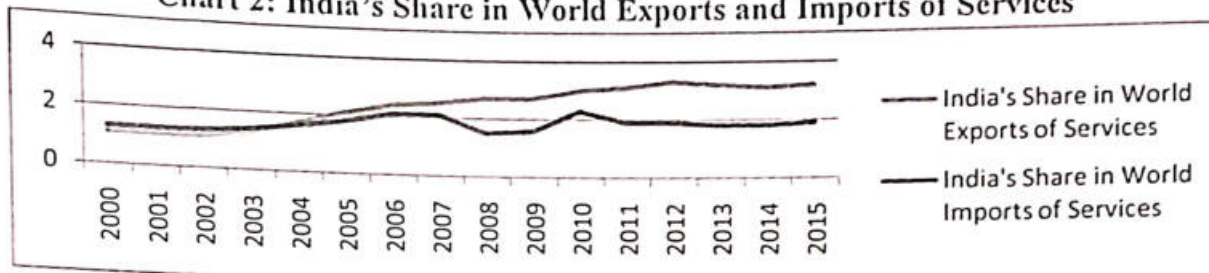


Table 1, 2 and chart 2, shows India's share in world exports and imports of services. India's share in world exports of services rise from 1.1 per cent to 3.2 per cent during study period. India's

share in world imports of services increase from 1.3 per cent to 1.9 per cent during study period. India's increasing exports of services helps to correct its overall balance of payments.

Table 2: Service Imports (BoP, Current US \$ Billion)

Year	2000	2001	2005	2010	2011	2012	2013	2014	2015
India	19.19	20.10	47.17	78.91	77.76	79.92	78.12	81.12	82.64
South Asia	25.20	26.24	60.53	96.43	98.75	100.53	100.68	105.10	106.48
World (in US \$ Trillion)	1.63	1.64	2.60	3.73	4.22	4.36	4.63	5.01	4.71
India's share in world imports of services (%)	1.3	1.3	1.8	2.3	1.9	1.9	1.8	1.8	1.9

Source: Compiled from World Trade Indicators Database, World Bank, 2015

Table 2 shows that India's service imports growth increased from US \$ 19.19 billion in 2000 to US \$ 82.64 billion in 2015.

Whereas South Asian countries service imports growth was US \$ 25.20 billion in 2000. It increased to US \$ 106.48 billion

in 2015. World service imports growth was US \$ 1.63 trillion in 2000. It increased up to US \$ 4.71 trillion in 2015. India's service imports growth increased by more than 4 times during above period.

7.0 Conclusions:

- India's trade openness was 29% in 2000. As a result of globalisation and trade liberalisation it increased up to 56% in 2012.
- India's service exports growth increased from US \$ 16.69 billion in 2000 to US \$ 156.08 billion in 2015.
- South Asian countries service export growth was US \$ 20.88 billion in 2000. It increased to US \$ 176.76 billion in 2015.
- World service exports growth was US \$ 1.68 trillion in 2000. It increased up to US \$ 4.98 trillion in 2015.
- India's service exports growth increased by more than 9 times during above period.
- India's share in world exports of services rise from 1.1 per cent to 3.2 per cent during study period.
- India's share in world imports of services increase from 1.3 per cent to 1.9 per cent during study period.
- India's service imports growth increased from US \$ 19.19 billion in 2000 to US \$ 82.64 billion in 2015.
- South Asian countries service imports growth was US \$ 25.20

billion in 2000. It increased to US \$ 106.48 billion in 2015.

- World service imports growth was US \$ 1.63 trillion in 2000. It increased up to US \$ 4.71 trillion in 2015.
- India's service imports growth increased by more than 4 times during above period.

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