

A Review of Globalization of India's Services

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Abstract

Service sector around the world is growing. India has also seen a very positive growth rate in the services. India's services have grown and crossed the national boundary and have become global. The paper tries to analyse the growth of services and its spread in global economy. The growth of services through 2001 to 2012 has been emphasised. It has been observed that all the countries have seen the growth of services but the growth of this industry has been very much favourable in India. The growth of services has contributed to overall growth rate of Indian economy.

1. Introduction

India's services sector expanded quickly with double digit growth in the second half of the 2000s. As the Euro zone crises has worsened, growth has slowed, though the sector is still growing at a much higher rate than the other two sectors of the economy. India's share of services export, in the world export of services, has increased from 0.6% in 1990 to 1.0% in 2000 and further to 3.3% in 2011, has been increasing faster than the share of merchandise export in world export. The growth of the services sector is closely linked to the FDI inflows into the sector and the role of transnational firms.

2. Objective of the study

The study is undertaken to analyse the growth of Indian services through globalization and its impact on Indian economy.

3. Research Methodology

Secondary sources data are used to conduct the study.

3.1 Introduction

The service sector covers a wide array of activities ranging from services provided by the most sophisticated sectors like telecommunication, satellite mapping, and computer software to simple services performed by the barber, carpenter and the plumber; highly capital intensive activities like civil aviation and shipping to employment oriented activities like tourism, real estate and

housing; like railways, roadways to social sector related activities like health and education (Table 2).

3.2 International comparison of services

- (a) In world GDP of US \$ 70.2 trillion in 2011, the share of services was 67.5%. India ranked 9th in overall GDP and 10th in services GDP (Table 1). A comparison of the service performance of the top 15 countries in the 11 year period from 2001 to 2011 shows that the increase in share of services in GDP is the highest for India (8.1 percentage points) followed by Spain.
- (b) Country estimate for 2012 shows a deceleration in service growth worldwide. For example, in 2012 it decelerated to 0.5% from 0.9% (in 2011) in the US; 8.5% in 2012 from 9.4% in 2011 in China; for India it was 6.6% in FY 2012-13 from 8.2% in FY 2011-12.
- (c) While the share of services in employment for many developed countries is very high and in many cases higher than the share of services in income, the gap between these share is relatively less. Except China and India all other BRICS countries also have a similar pattern. In the Indian and Chinese cases there is a wide gap between the two, while gap being wider for India.
- (d) World service export growth that is compound annual growth rate reached a high of 12.6 percentage during 2000-2008, compared to 6.6 % in 1990s. Growth of world exports of services declined to -11.1% due to the global economic crisis of 2008 quickly rebounded in 2010 and grew by 10 percent.

Table 1. Performance of services: International comparison

Country	Rank		Overall GDP (US \$ billion)		Share of services (percentage of GDP)			Change in share 2011 over 2001	Service growth rate (percent)			CAGR 2001-11
	Overall GDP	Services GDP	At current Prices 201 1	At current Prices 2012	2001	2010	2011		2001	2010	2011	
US	1	1	144991.3	13225.3	77.0	78.3	78.4	1.4	2.9	2.5	5.1	2.1
China	2	3	7203.8	4237.0	40.6	41.9	41.7	1.1	10.4	9.9	8.9	11.1
Japan	3	2	5870.4	4640.1	70.6	69.9	70.5	-0.1	1.8	1.1	0.6	0.4
Germany	4	4	3604.1	3038.7	70.0	70.8	70.0	0.0	2.5	1.0	1.9	1.3
France	5	5	2775.5	2240.5	76.8	79.0	79.2	2.4	1.8	1.9	2.1	1.4
Brazil	6	8	2476.7	1126.4	65.4	66.2	66.5	1.1	1.8	5.0	3.1	3.8
UK	7	6	2429.2	2381.1	74.0	76.4	76.0	2.0	3.8	1.1	1.2	2.3
Italy	8	7	2195.9	1773.1	70.9	73.1	73.1	2.2	2.6	1.4	0.7	0.6
India	9	10	1897.6	1322.7	50.1	56.8	58.2	8.1	7.5	9.4	7.4	9.2
Russia	10	13	1857.8	947.2	56.3	62.4	62.1	5.8	3.3	3.9	3.6	5.5
Canada	11	9	1736.9	1233.5	65.0	69.9	69.7	4.7	3.5	2.6	2.2	2.7
Australia	12	11	1515.5	894.5	67.9	69.0	69.2	1.3	3.9	2.3	3.6	3.3
Spain	13	12	1478.2	1183.8	63.7	69.8	70.0	6.3	3.6	1.2	1.2	2.8
Mexico	14	14	1155.2	956.8	61.4	63.8	64.2	2.8	1.2	5.4	5.0	2.9
South Korea	15	15	1116.2	1056.1	60.5	57.0	56.6	-3.9	4.4	3.9	2.7	3.5
World			70201.9	52667.7	68.2	67.6	67.5	-0.7	2.8	2.9	3.6	2.6

Source: Computed from UN National Accounts Statistics accessed on 4 Jan 2013.

(e) World service sector FDI rebounded in 2011 after falling sharply in 2009 and 2010, to reach around US dollar 570 billion, registering the growth of 15% over the previous year.

3.3 India's Service Sector

The growth of services took off almost at the same level around the world in 2000, that is around 4-5 percent. But over the time our national growth rate of services has been better than other countries. Interestingly, unlike world services growth, this has been moving in tandem with its overall growth with mild see-saw movements over the years. The growth rate of service in India has been consistently above its overall growth in the last decade. So it has been experienced that the sector has been consistently pulling up the growth in Indian economy with a great amount of stability.

All the subsectors of the service sector has seen a positive growth pattern. A brief look at the sub sector growth reveals that, among commercial services, in terms of shares the major services are trade, transport by other means (excluding railways), banking, insurance, real estate ownership of dwelling, and business services besides construction. In the year 2011-12, the countries growth of 'trade' decelerated to 6.5 percent, its share

improved to 16.6 percent. The share of Banking and insurance with marginal improvement in its share to 5.7 percent was the most dynamic sector in 2011-12 with the growth of 13.2 percent in the preceding years. During the same period, Transport experienced a growth of 5.4 percent. Real estate, ownership of dwellings and business services with a share of 10.8 percent, which is marginally higher than the previous year and is at a robust growth of 10.3 percent. Other services with a share of 7.9 percent both in 2010-11 and 2011-12 grew at a slower pace of 6.5 percent in 2011-12. The items included in other services are education, medical health and community services; and personal services. Some of the sectors like coaching centres and membership organisations of community services have experiences a high growth rate. Construction, the borderline service sector, has been the most vulnerable to global events and has consistent share of 8.2 percent during this period.

3.4 Performance of India's Service sector

The performance of the different services based on the different indicators reveals that sectors like telecom, tourism, and railways have performed very well (Table 2). Shipping and ports show poor performance reflecting the effects of the global slowdown.

Table 2. Performance of India's Service Sector

Sector	Indicators	Unit	Period				
			2008-09	2009-10	2010-11	2011-12	2012-13
Aviation	Airline Passengers (Domestic and International)	Million	49.5	54.5	64.5	70.2	67.5
Telecom	Telecom connection (wire line and wireless)	Lack	4295.25	6212.8	8463.2	9513.4	8955.1
Tourism	Foreign tourists arrival	Million	5.28	5.17	5.78	6.31	6.65
	Foreign exchange earnings from tourist arrival	US \$ Million	11832	11136	14193	16564	17737
Shipping	Gross tonnage of Indian shipping	Million GT	9.28	9.69	10.45	11.06	1045
	No. of ships	Numbers	925	1003	1071	1122	1158
Ports	Port traffic	Million tonnes	744.02	850.03	885.45	911.68	455.77
Railways	Freight traffic by railways	Million tonnes	833.31	887.99	832.75	969.78	735.32
	Net tonne kilometres of railways	Million	538226	584760	444515	639768	470956
Storage	Storage capacity	Lakh MT	105.25	105.98	102.47	100.85	101.60
	No. of warehouses	Numbers	499	487	479	468	469

Source: Directorate General of Civil Aviation, Telecom Regulatory Authority of India, Ministry of Tourism, Ministry of Shipping, Ministry of Railways and Central Warehousing Corporation (Compiled by Exim Bank of India)

The performance based on estimates and forecast shows a mixed picture of growth for this year.

The important commercial services for India based on their significance in terms of GDP, employment, exports, and future prospects, have shown a positive trend. The report compiled by Exim bank deals in detail about these sectors during 2008-13. The table also shows that the country has to do something for storage as that will be needed with the growth of other sectors.

4. Conclusion

India's growth has been basically a service-led growth pulling up the overall growth of the economy. The growth could be through a business-as-usual approach, a more targeted approach with focus on big-ticket services could lead to exponential gains for the economy. The example has been set by telecom and software services and they are followed by some other services like tourism including medical tourism and shipping and logistics.