

## Emerging global economic situation: opportunities and policy issues in services sector

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### Key Words

Services Sector, Tourism, Real Estate, IT and ITES

### Abstract

*The services sector has been the major growth propeller of the Indian economy with the highest sectoral contribution in India's Gross Domestic Product (GDP). However, in recent quarters, in line with general slowdown of the economy, the growth of services sector has also decelerated. Services export growth has also decelerated since 2011-12 and was at 3.4 per cent both in 2012-13 and H1 of 2013-14. However 'Net Services' growth which decelerated to 1.4 per cent in 2012-13 picked up to 12.6 per cent in H1 of 2013-14. This paper makes an attempt to analyze the recent performance services sector and list out some important policy issues in this sector. During 2012-13, 'trade, hotels and restaurants' (i.e. tourism related) sector grew at 9.1 per cent. However the combined growth of this sector and 'transport, storage and communication' decelerated to around 4 per cent in first two quarters of 2013-14. Though, the number of foreign tourist arrivals grew by 4.4 per cent in first half of 2013-14 as compared to 2.9 per cent in 2012-13, the foreign exchange earnings in USD terms decelerated to 1.2 per cent in H1 of 2013-14 as compared to 5.6 per cent in 2012-13. In transport related services, the performance of aviation and railway sector have shown some improvement during H1 of 2013-14, while shipping sector's performance was moderate. The growth of construction sector which decelerated in 2011-12 and 2012-13 remained at the same level of 4.3 per cent in Q2 of 2013-14 as in 2012-13. In IT and ITeS sector, the growth of total IT and BPM services revenue moderated to 7.5 per cent in 2012-13, though NASSCOM has forecasted a growth in revenue of 13-15 per cent for software sector in 2013-14. Teledensity which is an important indicator of telecom penetration, increased from 18.22 per cent in March 2007 to 73.01 per cent as on 30<sup>th</sup> Sept 2013.*

*The government has taken many policy reforms like opening more sectors for FDI, freeing the control on opening new bank branches subject to certain conditions, setting an innovation fund to boost scientific innovation in R & D sector, incentivizing shipping sector by withdrawing excise duty and CVD on imported ships, notifying safe harbor rules, and setting aside an amount of Rs. 14,000 crore for capital infusion into banks.*

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