

## **RECENT TRENDS IN SERVICE SECTOR IN INDIA**

Service sector contributes one-third of global GVA, half of global employment, one-fifth of global trade and around half of global FDI flows.

Currently, United States is world's largest service provider, followed by China and Japan at second and third position. In terms of services GVA, India is 10th largest economy.

After India's independence, the Service sector's contribution to GDP was less than 30% for more than a decade. The Service sector is the fastest-growing sector of India. The contribution of the Service sector to GDP is continuously increasing in India. In the year 2018-19, this contribution increased to 62.50 percent of GDP. Table-1 shows that over time the share of services in GDP has increased while agriculture has declined. The share of services has exceeded the combined share of agriculture and industry in the last decade, making it the most crucial provider to its output. In 2011-12, services, industries, and agriculture correspondingly accounted for 57.3%, 25.7%, and 16.9% of India's GDP. In 2007-08, service, industry, and agriculture also accounted for 55.43%, 22.97%, and 21.60% of India's GDP. In 2018-19, service, industry, and agriculture correspondingly accounted for 62.5%, 23.13%, and 14.38% of India's GDP. During the period of economic reforms, the share of service has increased very speedily. We can observe that the rate of contribution of GDP for Agriculture and Industry is slowing down steadily. Still, indeed, the Service Sector is on the successive fastest growing Stage

**Table-1: Components of Gross Domestic Product (at Constant Prices)**

<b>Year</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>
1991	35.13	21.56	43.32
1995	31.87	23.54	44.59
1999	29.17	22.09	48.74
2003	25.77	22.10	52.12
2007	21.60	22.97	55.43
2011	18.65	22.83	58.52
2015	15.37	23.26	61.36
2018	14.38	23.13	62.50

**Sources:** Handbook of Statistics on Indian Economy, RBI

## **Recent trends in Healthcare Sector**

Healthcare industry in India is projected to reach \$372 bn by 2022

Healthcare industry in India comprises of hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance, and medical equipment. The healthcare sector is growing at a tremendous pace owing to its strengthening coverage, services, and increasing expenditure by public as well private players.

- The hospital industry in India, accounting for 80% of the total healthcare market, is witnessing a huge investor demand from both global as well as domestic investors. The hospital industry is expected to reach \$132 bn by 2023 from \$61.8 bn in 2017; growing at a CAGR (CAGR stands for the Compound Annual Growth Rate. It is the measure of an investment's annual growth rate over time, with the effect of compounding taken into account) of 16-17%.
- In 2020, India's Medical Tourism market was estimated to be worth \$5-6 Bn and is expected to grow to \$13 Bn by 2026.
- Healthcare sector in India is expected to grow to reach a size of \$50 bn by 2025.
- The diagnostics industry in India is currently valued at \$4 bn. The share of the organized sector is almost 25% in this segment (15% in labs and 10% in radiology).
- The primary care industry is currently valued at \$13 bn. The share of the organized sector is practically negligible in this case.
- 1,50,000 Ayushman Bharat centers, which aim at providing primary health care services to communities closer to their homes, are operational in India
- The market size of AYUSH has grown by 17% in 2014-20 to reach \$18.1 bn and the industry is projected to reach \$23.3 bn in 2022
- Health insurance contributes 20% to the non-life insurance business, making it the 2nd largest portfolio. The gross direct premium income underwritten by health insurance grew 17.16% year-on-year to reach \$6.87 bn in FY20
- Over 4 cr health records of citizens digitized and linked with their Ayushman Bharat Health Account (ABHA) numbers under Ayushman Bharat Digital Mission (ABDM)

### **Recent trends in tourism including Medical Tourism**

\$512 bn contributions to India's GDP by 2028 and 53 mn jobs by 2029

India is estimated to contribute 250 Bn USD GDP from Tourism, 137 mn jobs in the Tourism sector, 56 bn USD in Foreign Exchange Earnings and 25 mn foreign arrivals are expected to be achieved by 2030.

By 2028, Indian tourism and hospitality is expected to earn \$ 50.9 bn as visitor exports compared with \$ 28.9 bn in 2018. International tourist arrivals are expected to reach 30.5 mn by 2028

The travel market in India is projected to reach \$ 125 bn by FY27 from an estimated \$ 75 bn in FY20

In FY20, tourism sector in India accounted for 39 mn jobs, which was 8.0% of the total employment in the country. By 2029, it is expected to account for about 53 mn jobs.

It is estimated that outbound trips from India will touch 29 mn by 2025 and cross the \$24 bn mark by 2024.

Medical Tourism can be defined as when clients go for medical treatment and choose to travel across international countries for medical services such as dental problems, beauty surgery, and different type of surgery and fertility treatment.

Medical tourism in India is a fast-growing sector. It has been estimated that the current size of the Indian medical tourism industry is a little over \$ 3 billion and forecasted that the medical tourism industry will reach India by \$ 6 billion by 2018.

Over the past decade, India has gained a reputation in providing high quality medical service at low costs to medical tourists traveling from across the globe. However, with the travel bans during the covid-19 pandemic, the influx of medical tourists had dipped. According to the Tourism Ministry, India registered a negative growth of 79.4% over 2020

The following measures have been taken up by the Ministry of Health and Family Welfare:

- Special provision of Medical Visa has been made for tourists travelling to India for healthcare purposes. This has been made available in 165 countries.
- Setting up a feedback mechanism to obtain testimonials from tourists travelling to the country for medical purposes. This 'one-step' portal would add to the convenience and provide credible information for medical tourists coming to India.
- The 'Heal in India' initiative aims to position the country as a global hub for medical and wellness tourism.

### **Recent trends in Shipping Sector**

According to the Ministry of Shipping, around 95% of India's trading by volume and 70% by value is done through maritime transport. In November 2020, the Prime Minister, Mr. Narendra Modi renamed the Ministry of Shipping as the Ministry of Ports, Shipping and Waterways.

- India has plans to invest US\$ 82 billion in port projects by 2035.
- Indian ports received cumulative FDI inflow worth US\$ 1.63 billion between April 2000-June 2021.
- In October 2021, the Syama Prasad Mookerjee Port, Kolkata, gave importers the opportunity to bring in vessels at the deep drafted anchorages located at Sagar, Sandheads and X Point.
- In October 2021, Adani Group announced that it wants to make Adani Port a net-zero carbon emitter by 2025 and power all its data centres with renewable energy by 2030.

- India has a coastline which is more than 7,517 kms long, interspersed with more than 200 ports.
- Most cargo ships that sail between East Asia and America, Europe and Africa pass through Indian territorial waters.
- In the Union Budget 2022-23, the total allocation for the Ministry of Shipping was Rs. 1,709.50 crore (US\$ 223.31 million).
- \*In July 2021, the Marine Aids to Navigation Bill 2021 was passed by the Parliament, incorporating global best practices, technological developments and India's international obligations in this field.

### **Recent trends in IT Sector**

- The IT-BPM industry's (excluding e-commerce) total revenue crossed the \$200 bn mark to reach \$227 bn in FY2022. The export revenue from this industry (excluding e-commerce) has been estimated at close to \$ 178 bn in FY2022. In terms of FDI inflow, the computer software and hardware sectors attract the second highest FDI. Between April 2000 and March 2022, it attracted over \$ 85 bn.
- India secured 1st rank in "AI talent concentration". Also, India secures 5th rank in "FTTH/Building Internet subscriptions" and "AI scientific publications".
- India is one of the most preferred destinations when it comes to setting up Global Capability Centres (GCCs). In FY21, more than 1,400+ GCCs have more than 2,300 GCC units in India, employing more than 1.38 mn professionals.
- Over 45 new data centers to come up in India by 2025. Data centres in India attract investment of \$10 bn since 2020.
- There are 135.87 mn Registered Users on the Digilocker in India.
- Investment in Software-as-a-Service (SaaS) has increased 62.5% over 2021 and is expected to reach \$6.5 bn in 2022. There are 1150+ active Indian SaaS companies; 17 of which have achieved the unicorn status.
- Internet users have increased to 80 crores in 2022 from 6 crores in 2014. Optical fiber in panchayats have increased from less than 100 in 2014 to 1.7 lakh panchayats in 2022.

### **IT-BPM Services**

IT-BPM services, the Indian IT-BPM information technology, business process management industry includes IT services which constitute the largest segment with a share of around 52% followed by BPM with share of around 20%, software products, engineering, research and development and product development which together accounts for around 19% share and hardware with around 10% share.

The industry currently employs more than 3.7 million people and is India's largest private sector employer.

Total revenue of the sector for 2015-16 including hardware is expected to grow at 8.3% over the previous year.

## **Research and development Services**

According to the global competitiveness report 2015-16 India's capacity for innovation has been lower than that of many countries such as USA, UK, South Korea and even South Africa in terms of patents granted per million population, India compares badly to other BRICS countries

in terms of company spending on R&D also India ranks below China and other countries

only in terms of availability of scientists and engineers. Does India score better or is equal to other BRICS countries

measures by the government to promote R&D include:

- The weighted tax reduction of 200% for R&D expenditure and announcement for establishment of the Atal innovation Mission within Niti Aayog.
- Self employment and talent utilization Setu program
- IMPRINT (impacting research innovation and technology).

## **RECENT TRENDS IN INDUSTRIAL SECTOR**

India is the third most sought-after manufacturing destination in the world and has the potential to export goods worth US\$ 1 trillion by 2030.

The appliances and consumer electronics (ACE) market in India is expected to grow to US\$ 21.18 billion by 2025 from US\$ 10.93 billion in 2019

.As per a report by NITI Aayog and RMI India, the electric vehicles financing industry in India is projected to grow to ~ US\$ 50 billion by 2030.

According to Department for Promotion of Industry and Internal Trade (DPIIT), India received a total foreign direct investment (FDI) inflow of US\$ 58.77 billion in FY 2021-22. On November 19, 2021, Prime Minister, Mr. Narendra Modi laid the foundation stone for the Uttar Pradesh Defence Industrial Corridor project worth Rs. 400 crore (US\$ 53.73 million) in Jhansi.

In September 2021, the government approved PLI scheme worth Rs. 26,058 crore (US\$ 3.53 billion) for auto industry and drone industry to boost India's manufacturing capabilities.

In May 2021, the government approved a PLI scheme worth Rs. 18,000 crore (US\$ 2.47 billion) for production of advanced chemical cell (ACC) batteries.

India has potential to become a global manufacturing hub and by 2030, it can add more than US\$ 500 billion annually to the global economy.