

# **35<sup>th</sup> Voorburg Group Meeting on Service Statistics**

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Cross-cutting Topic part-3  
International Trade in Services by Mode

“India’s Experience in Measuring Trade in Service by Mode”

**India**

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## 1. Introduction

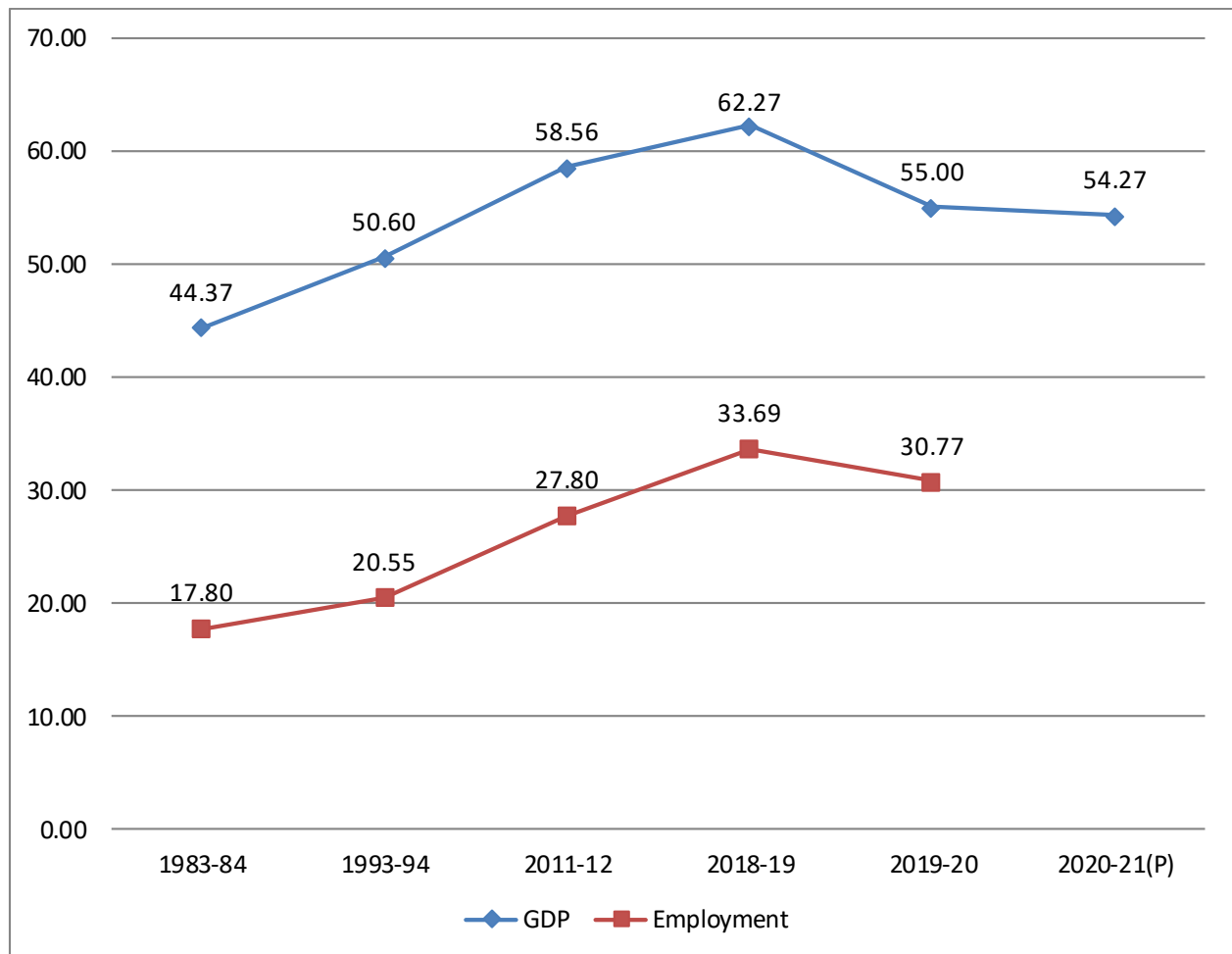
The term “Services” covers a wide range of intangible and heterogeneous activities that are difficult to define with a simple definition. The service sector include telecommunication, financial services, hotel and catering, insurance, transport, real estate, health and education, professional, marketing, computer services, and other business support, recreational, and domestic services.

International Standard Industrial Classification of All Economic Activities (ISIC) and National Industrial Classification (NIC) have classified service sector into major groups.

ISIC & NIC		
Section	Divisions (ISIC & NIC Code)	Description
G	45-47	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	49-53	Transportation and storage
I	55-56	Accommodation and food service activities
J	58-63	Information and communication
K	64-66	Financial and insurance activities
L	68	Real estate activities
M	69-75	Professional, scientific and technical activities
N	77-82	Administrative and support service activities
O	84	Public administration and defence; compulsory social security
P	85	Education
Q	86-88	Human health and social work activities
R	90-93	Arts, entertainment and recreation
S	94-96	Other service activities
T	97-98	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	99	Activities of extraterritorial organizations and bodies

The service sector was contributed 44.37 percent to India’s GDP in the year 1983-84 which reached at 54.27 percent in the year 2020-21. A significant shift has also taken place in generation of employment from the other two sector of the economy namely, agriculture and manufacturing to the service producing sector. The share of service sector in total workforce was 17.80 percent in 1983-84 and this share increased at 30.77 percent in the year 2019-20. Increase the service sector share in GDP attracts significant foreign investment flows in the economy.

**Figure-1: % Share of Service Sector in GDP and Employment**



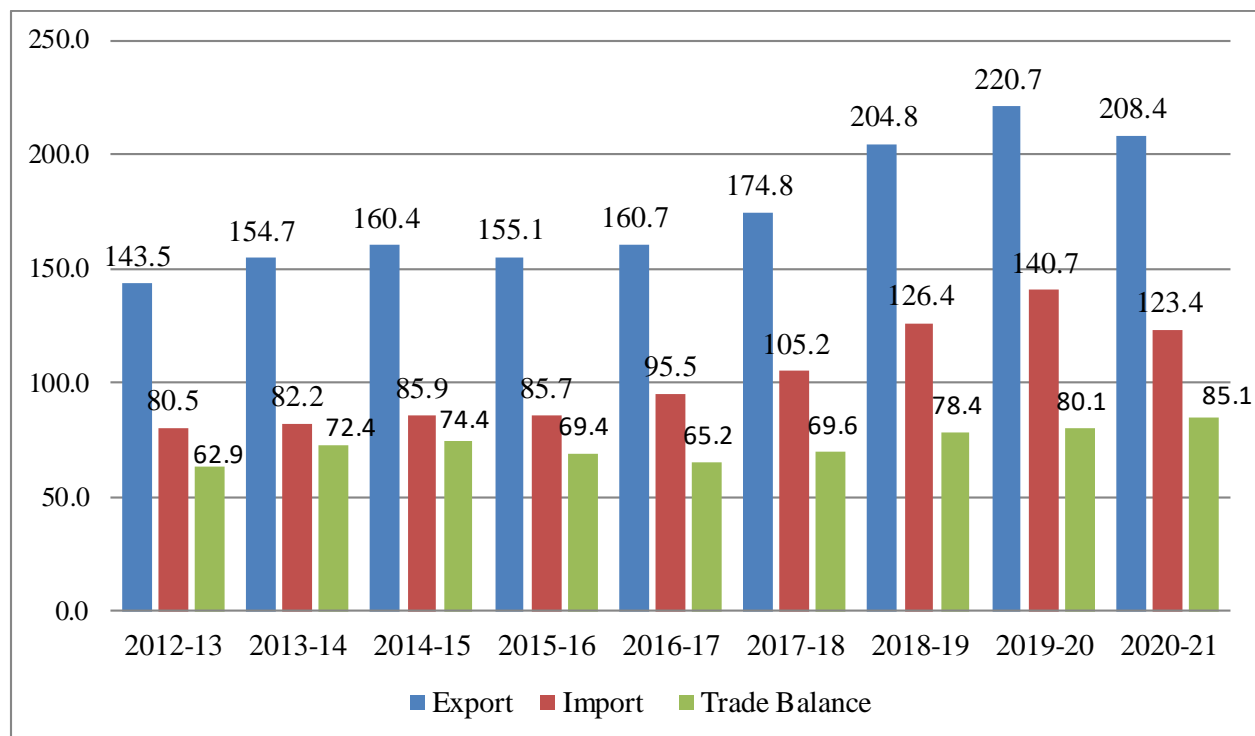
Source: MoSPI, and Employment & Unemployment Survey (EUS) and Periodic Labour Force Surveys (PLFS).

## 2. Trade in Services

Over the past 20 years, trade in services has become the most dynamic segment of international trade, growing more quickly than trade in goods with the technological advancement and changing living patterns of the population around the globe.

India's services trade has been a significant driver of its exports over the past few decades. The country has emerged among the fastest growing nations in terms of global services trade.

**Figure-2: India's Trade in Services (US \$ Billion) since 2012-13**



Source: Reserve Bank of India (RBI)

India's services exports have increased from US\$ 143.5 billion in 2012-13 to US\$ 208.4 billion in 2020-21. India's imports of services have increased from US\$ 80.5 billion in 2012-13 to US\$ 85.1 billion in 2020-21. Overall India's trade balance of services has been positive throughout the years.

### **3. Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry Survey**

In the similar line of survey done by U.S. Bureau of Economic Analysis (BEA) and UK Office for National Statistics (ONS), Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry conducted a survey to measure the services supplied through Mode-1, Mode-2 and Mode-4 in India. Information on Mode 3 transactions of the enterprises was not collected in the survey. The survey was done for IT-enabled services. Further, IT-enabled services has been categorized into four major groups i.e. (a) IT Services, (b) IT eS/Business Process Outsourcing (BPO) Services, (c) Engineering Services, and (d) Software Products. ICT-enabled services are defined as services are delivered remotely over ICT networks. According to

the definition followed, services delivered through Mode 1 are essentially ‘ICT-enabled services while those delivered through Mode1, Mode 2 & 4 are ‘potential ICT-enabled’ services. The following 10 categories of services are identified as potentially ICT-enabled services; (i) Telecommunications (ii) Computer Services (including computer software) (iii) Sales and marketing services, not including trade and leasing services (iv) Information services (v) Insurance services (vi) Financial services (vii) Management, administration and back office services (viii) Licensing services (ix) Engineering, related technical services and R&D (x) Education and training services.

**3.1. Coverage Area:** The survey covered the entire Union of India. The all India survey covered about 2500 enterprises. The survey was conducted during the financial year 2016-17, i.e., from April 2016 to March 2017. Enterprise-based approach has been adopted and information covering all establishments spread across the country was collected from the corporate headquarters of the enterprises.

**3.2. Sampling Units:** Data has been collected from the corporate headquarters of all the enterprises spread around the country by dividing them into two types i.e. Census units and Sample sector units. Following were the criteria used in classifying the units:

Category of services	Census units	Sample units
Telecommunications, Engineering, related technical services and R&D, Education and Training	Enterprises having cumulative contribution of almost 90 percent of total value of exports.	Remaining enterprises having very less contribution in total exports value.
Financial services	All public & private sector banks and also the financial enterprises having cumulative contribution of 90 percent in total value of exports	Remaining enterprises that have the least contribution in the total export value.
Computer services, Sales and marketing services, not including trade and leasing services, Information services, Management, administration and back office services,	Top 100 enterprises from NASSCOM's members having acumulative contribution of 70 percent in total value of exports and Software Technology Parks of India (STPI) units	Remaining units.

Licensing services	which are not NASSCOM members.	
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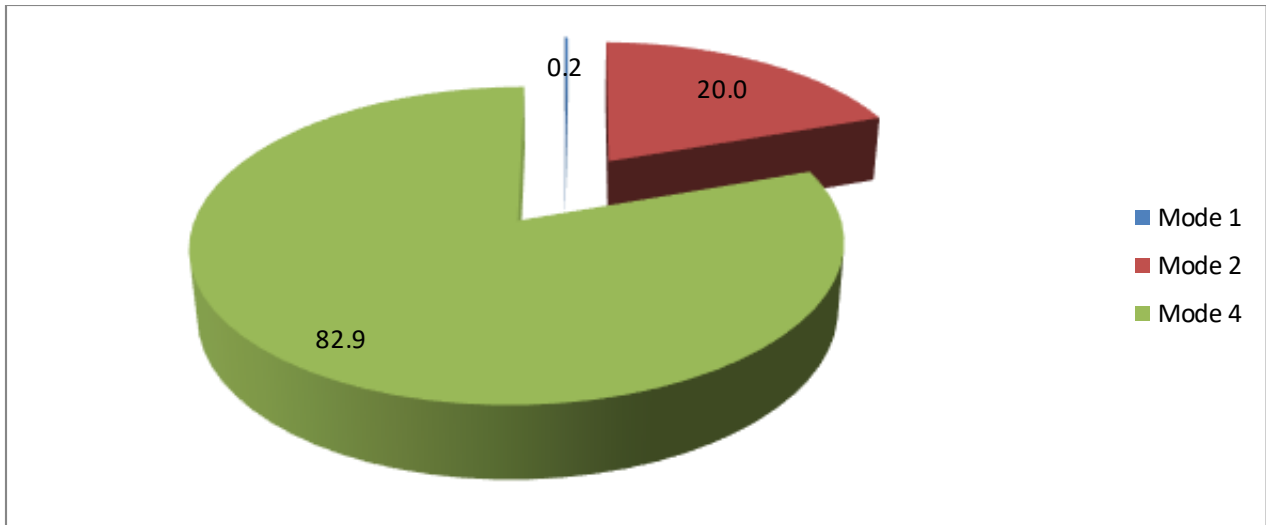
**3.3. Survey Format:** A format questionnaire as prescribed by the IMF in the BPM6 compilers' guide, was prepared in consultation with UNCTAD. However, certain modifications were also made in the questionnaire for collecting information on services export for the significant trading partners along with the export of services through modes of supply. The questionnaire included 4 sections which were:

Section A	Identification particulars of the service provider (name, address, etc)
Section B	General information (total turnover, total exports, no. of employees, etc)
Section C	Services to be included (identification of services traded by the enterprise)
Section D	Details of service traded (category of service traded and percentage delivered through Mode 1, Mode 2 and Mode 4)

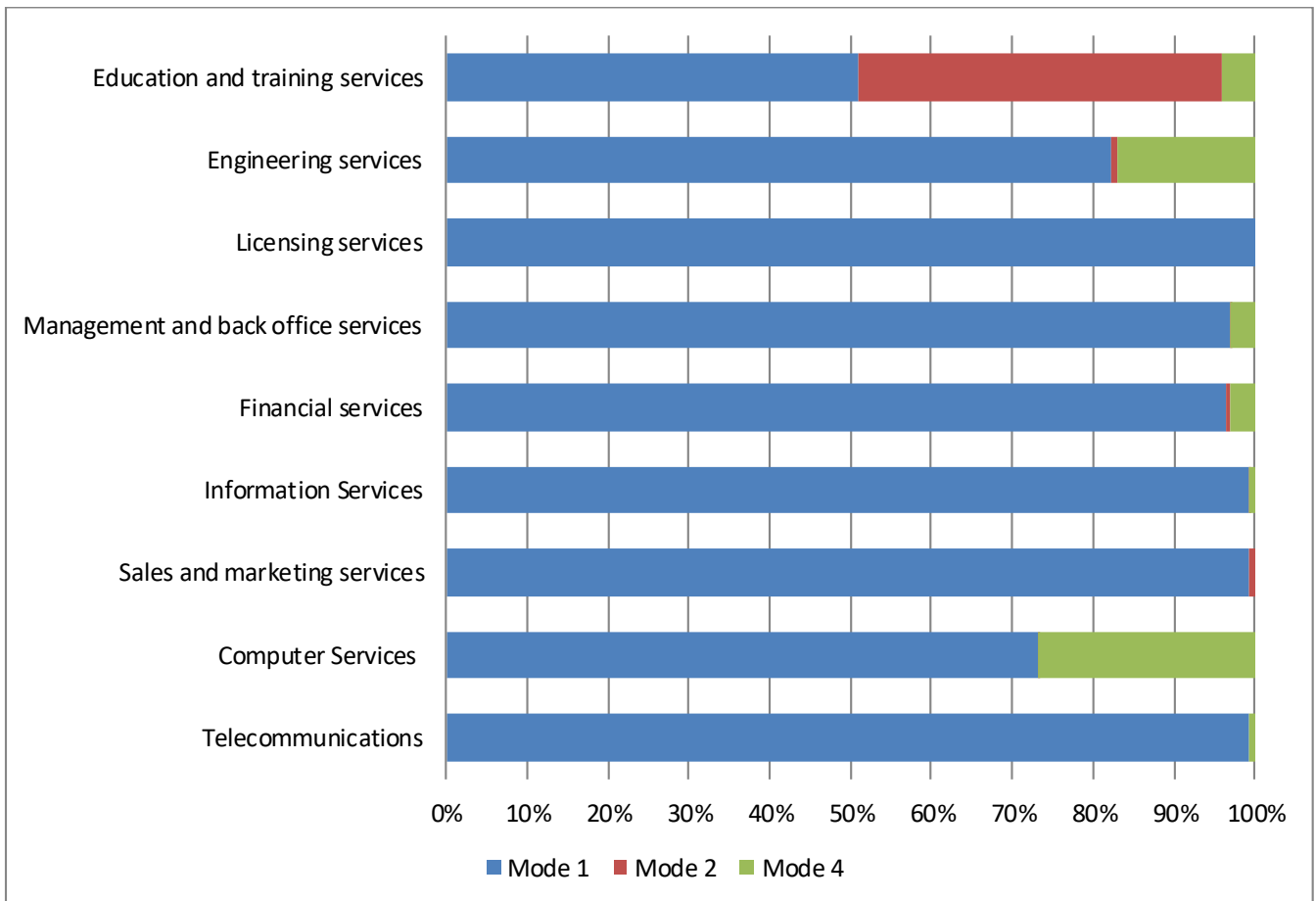
**3.4. Mode of Data Collection:** Field visit was not undertaken for collecting information from the enterprises. The information was collected by way of issuing notices to the selected enterprises under the Collection of Statistics Act, 2008 and encouraging them to submit the requisite data within a specified period. An excel format of the questionnaire had also been designed and the same was made available through the website of DGCIS. This was followed by telephonic follow-up and issue of reminder for submission of information. Guidance for compilation and submission of information was provided through e-mail and telephone. For reporting principal activity of the enterprise, the International Standard Industrial Classification (ISIC), Revision 4 at 2-digit level have been used.

**3.5. Findings of the Survey:** The main contributing mode of supply of ICT enabled services to the total value of exports were Mode 1 and Mode 4 with about 81 percent 19 percent contribution. However, the supply of potential services through Mode 2 was almost negligible.

**Figure-3: Exports of Potential ICT-enabled Services (US \$ Billions) of India**

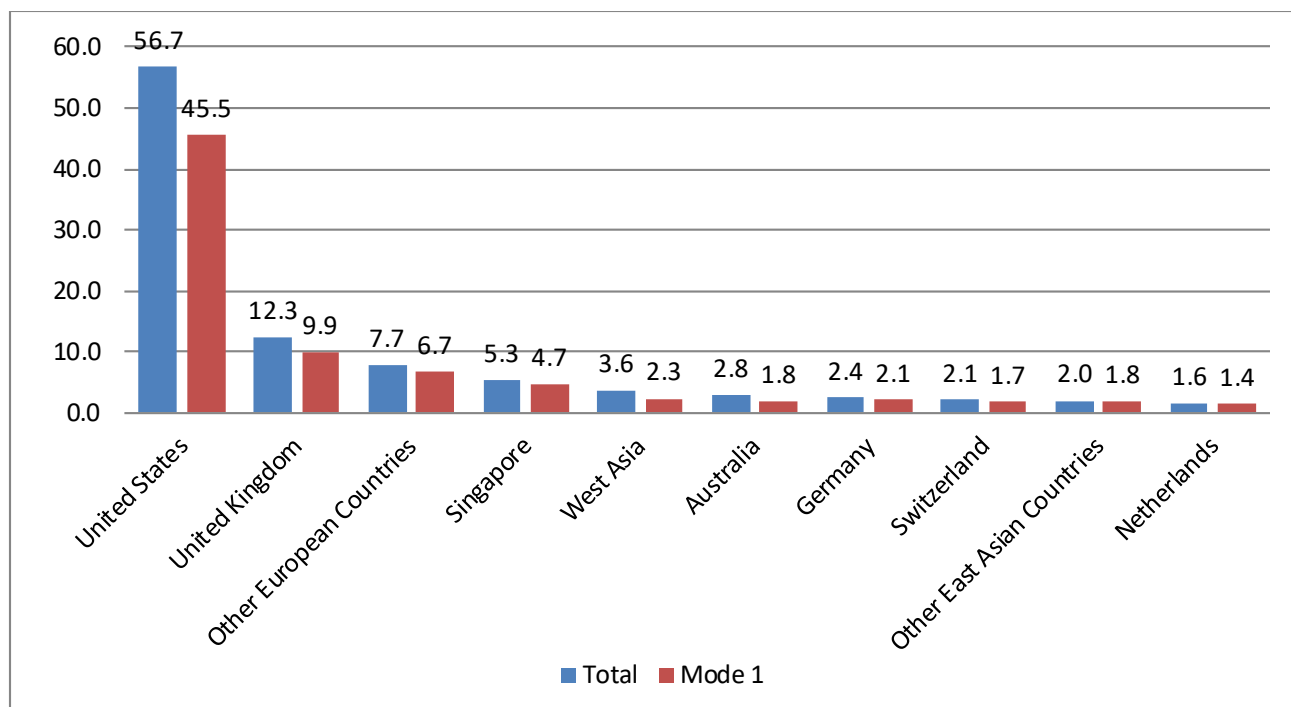


**Figure-4: Exports of Potential ICT-enabled services by modes of supply of India**



**Figure-5: Exports (%) of potential ICT-enabled services by Countries**





**Table-1: World Exports of ICT-enabled services by category and mode of supply**

Sl. No.	Category of Service	Value of Exports (in USD Million)			
		Mode 1	Mode 2	Mode 4	Total
1	Telecommunications	2762.70	-	20.20	2782.90
2	Computer Services (including Computer Software)	47704.30	5.80	17407.10	65117.10
3	Sales and marketing services, not including trade and leasing services	665.70	4.10	-	669.70
4	Information Services	6519.90	1.00	43.00	6563.80
5	Financial services	1699.30	7.10	55.70	1762.10
6	Management, administration and back office services	13502.80	1.70	436.10	13940.50
7	Licensing services	343.70	-	-	343.70
8	Engineering, related technical services and R&D	9644.40	97.10	1995.10	11736.60
9	Education and training services	74.20	65.80	6.00	146.10
	<b>All</b>	<b>82916.90</b>	<b>182.50</b>	<b>19963.10</b>	<b>103062.50</b>

**Table-2: Exports of ICT-enabled services by continents and countries**

Sl. No	Country/Region	Value of Exports (in USD Million)	
		Mode 1	Total
	<b>Asia</b>	<b>11052.3</b>	<b>13965.9</b>
1	Japan	862.9	1130.5
2	Singapore	4695.1	5261.3
3	Hong Kong	547.2	574.1
4	Other East Asian Countries	1840.8	2012.5
5	South Asia	769.3	1399.6
6	West Asia	2337.1	3587.9
	<b>Europe</b>	<b>21730.8</b>	<b>26206.5</b>
7	Germany	2057.2	2439.8
8	Hungary	25.8	38.6
9	Netherlands	1363.5	1632.7
10	Switzerland	1704.3	2083.6
11	United Kingdom	9901.0	12327.0
12	Other European Countries	6679.0	7684.8
	<b>America</b>	<b>46756.6</b>	<b>58216.9</b>
13	United States	45537.0	56682.9
14	Canada	1059.6	1333.6
15	Latin America	160.0	200.4
	<b>Australia</b>	<b>1822.0</b>	<b>2916.0</b>
16	Australia	1753.9	2812.6
17	New Zealand	68.0	103.8
	<b>Other Countries</b>	<b>1555.2</b>	<b>1756.8</b>
	<b>All</b>	<b>82916.9</b>	<b>103062.5</b>

#### 4. Challenges/Limitations

- ❖ It is widely acknowledged that measuring trade in services is more difficult than measuring trade in goods. Services are intangible, hard to define and unlike goods they leave little or no administrative trail when crossing the border. As a result, data on trade in services lack the product and geographical detail available for trade in goods, a problem that creates significant and well-known knowledge gaps.
- ❖ In practice, many types of services are produced, distributed, marketed, sold and internationally delivered through a combination of modes, for instance mode 1 and 4, mode 2 and 4, mode 3 and 4 or mode 1, 2 and 4. Even a combination of all modes is possible. It is hard to separate a particular mode from combination of all modes.

- ❖ The survey estimates are based on information reported on invoice basis whereas the BoP figures are compiled by RBI on realization basis, i.e., after the payment against invoices are realized. Thus, there is a conceptual difference in the methodologies used for compilation in the two sets of figures. (ii) The difference in composition of the two sets of categories of services. (iii) Inadequacy in coverage for some of the services categories in the absence of availability of a business register at sectoral level.

## **5. Recommendations:**

- ❖ It is recommended to use the GSTN registration data for frame preparation at the sectoral level. This is likely to bring additional units under the coverage of the survey and improve the quality of estimates.
- ❖ The present survey has been conducted to capture data on export of ICT enabled services. Generally, firms that produce and export services are easy to identify and therefore, relatively easy to collect data on their exports. On the other hand, potentially all firms can import services, so the firms that should be surveyed are harder to identify. However, several developed countries have undertaken surveys to collect data on import of ICT enabled services. In future attempts may be made to capture data on import of ICT enabled services.
- ❖ States have an important role to play in promoting India's services exports. With the states being encouraged by the Department of Commerce to formulate their own export strategies, attempt may be made to compile ICT enabled services export by states as well.
- ❖ There is a need to undertake survey on ICT enabled services at regular intervals to develop this critical database.