

'MAKE IN INDIA' FOR COMPETITIVENESS: TRANSFORMATIONAL DYNAMICS OF SERVICE ECONOMY

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Abstract

Structural transformation of Indian economy is a factual consequence of two and half decades of economic reforms. The growth rate as well as the contribution of service sector in GDP is moving up year on year whereas the share of manufacturing in GDP is still oscillating between 12% to 15%. Though various measures to boost exports have been taken by the government but the major chunk of export revenue is through IT and ITE service exports and export of manufactured goods is still very little. India's foreign trade is about 0.9% of the world trade and despite being the largest economy of the world in terms of demographic dividend, growth potential, huge domestic market, service-led economy and upward urbanization trend, India has lost its global competitiveness position measured by GCI (Global Competitiveness Index) over the years starting from 2005 to date barring the current year. Service sector itself has undergone drastic transition and is characterised by higher dependence on skilled workforce and skewed pattern of growth. The New Manufacturing Policy (2012) aims to increase manufacturing contribution upto 25% of GDP by the year 2022 and create employment opportunities to 100 million people seems an ambitious mission but the successful implementation will depend on the lateral growth of service economy as well. This paper is authored in view of the transformational dynamics which need to be analysed for boosting up service sector growth in sync with the dream visions of the NDA government such 'Skill India', 'Make in India' and 'Digital India' to bring a possibility of convergence.

Key Words: Service-led growth, Inclusive growth, Skill India, Make in India, Digital India, Smart Cities, Digital Manufacturing

JEL Classification: O14, O40, L80, L88, O21 and O30

Introduction

Service sector has significantly impacted the world economy as the contribution of service sector in the world economy stands at 66% in 2013 (Prasad et al.). Service sector also accounted for 45.1% of the jobs in the world economy in 2013 according to estimates by the International Labour Organization (ILO). It accounts for 19.8% of the world exports in 2013. It has mildly increased from 19.4% in 2001. Also, the sector is important from the point of view of Foreign Direct Investments, which is the largest source of cross-border flows in the world economy. An analysis of the service sector of various economies brings an interesting point to the forefront. The stage of the economy as also the per capita income levels determines the contribution to the GDP of an

economy. High-income countries have the maximum contribution to the GDP by service sectors in their respective economies. India is a notable exception to the above-mentioned rule as it has roughly 60% contribution to the GDP coming from the service sector of the economy. It is exceptionally high and is even more than China, which is at least ten years ahead of India in the per capita income levels. India's dynamic service sector has grown rapidly in the last decade with almost 72.4% of growth in GDP during 2014-15 (Economic Survey, 2015-16). From trade point of view the services trade has been classified as the following (GATS):

1. Commercial service
2. Transport
3. Travel
4. Insurance & financial services
5. Computer, IT, communication and other communication services

Under the NIC 2008 classification system of the economy, services have been classified into the following five broad areas. These include- (a) Trade, hotels, & restaurants, (b) Transport, storage, & communication (c) Financing, insurance, real estate, & business services (d) Community, social, & personal services and (e) Construction. The Constitution of India also defines jurisdiction of service sector under Union, State and Concurrent List. Under Union list the services included are-telecommunication, postal, broadcasting, financial services (banks, insurance etc.), mining and national highways etc. the services under State jurisdiction are- health, real estate, retail, services incidental to agriculture, forestry and hunting. The concurrent list of services includes-education, health and related, professional services (legal, accounting, auditing, book keeping, engineering, urban planning, landscape, architectural, paramedical, printing, publishing and electricity etc.

In nut shell, the service is anything which is characterised by economic motive, intangibility, contractual nature of market transaction, industry like, heterogeneity of activities, storability, transportability, and skill oriented.

Objectives

- To study the current status of global competitiveness position of India and factors influencing it

- To examine the transformational dynamics of service economy during twenty five years of reforms
- To evaluate, compare and analyze the need, importance, relevance and changing dynamics of service driven growth viz-a-viz manufacturing-led growth
- To discuss the strategic issues for bringing convergence among 'Make in India', 'Digital India' and 'Skill India'.

Methodology

The paper is a review paper based on the dissection of an array of literature available including reports of national and international organizations, government publications, working papers, research papers, research studies of established public and private research organizations and data available in public domain. The secondary source of information has been retrieved from the documents, analytical findings, reports, task force recommendations, committees' reports, performance reviews and policy papers etc. This is an analytical synthesis of the phenomenon of reforms initiated in 1991. The propositions are based on the critical evaluation and analysis of policy imperatives especially in terms of service-led economic growth model in sync with the new wave of reforms initiated by the present NDA government. The hypothesis for writing this paper is "India can achieve global competitiveness by converging the transformational synergies arising out of service driven growth and manufacturing led economy."

India and Global Competitiveness

After initiation of economic reforms in 1991, an influx of funds, technology, market, expertise and skills entered into India and on similar lines the vice-versa took place. From a closed regime of socialist economy to a more open and liberal regime, the transformation of India has witnessed sustainable growth rates barring some period of political instability. But the measure of global competitiveness i.e. Global Competitiveness Index has been oscillating in lower trajectory. What may be the reasons for it? Is the competitiveness due to the service driven growth? Before answering these queries it would be pertinent to know the relative performance of India in terms of global competitiveness over the years.

Table 1: India's Global Competitiveness Position over the years (2005-06 to 2014-15)

Index/Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
GCI	45 (117)	43 (125)	48 (131)	50 (134)	49 (133)	51 (139)	56 (142)	59 (144)	60 (148)	71 (144)
Basic Requirement		60	74	80	79	81	91	85	96	92
1 st Pillar :Institutions		34		53	54	58	69	70	72	70
2 nd Pillar: Infrastructure		62		72	76	86	89	84	85	87
3 rd Pillar: Macro-economy		88		109	96	73	105	99	110	101
4 th Pillar: Health & Primary Education		93		100	101	104	101	101	102	98

Efficiency Enhancers		41	31	33	35	38	37	39	42	61
5 th Pillar: Higher Education & Training		49		63	66	85	87	86	91	93
6 th Pillar: Market Efficiency		21		---	---		---	---	---	---
6 th pillar : Goods Market Efficiency				47	48	71	70	75	85	95
7 th Pillar: Technological Readiness		55		---	---	---	---	---	---	---
7 th Pillar: Labour Market Efficiency				89	83	92	81	82	99	112
8 th Pillar : Financial Market sophistication		---		34	16	17	21	21	19	51
9 th Pillar : Technological Readiness				69	83	86	93	96	98	121
10 th Pillar: Market Size				5	4	4	3	3	3	3
Innovation Factors		26	26	27	28	42	40	43	41	52
8 th Pillar: Business sophistication		25	---	---	---	---	---	---	---	---
9 th Pillar: Innovation		26	---	---	---	---	---	---	---	---
11 th Pillar Business Sophistication		---	25	27	27	44	43	40	42	57
12 th Pillar: Innovation			26	32	30	39	38	41	41	49

Source: Compiled from Global Competitiveness Reports of respective years, WEF, Geneva
 Note: Figures in parentheses show number of countries surveyed

A look at the decadal data of global competitiveness index (GCI) reveals that during the last decade India has slipped her position and trend is continued (table 1). Indian economy is placed under the sub-index i.e. Basic Requirement Index under which four pillars namely institutions, infrastructure, macro economy and health & primary education have been included. On this front too, the position from 60th in 2006-07 to 92nd in 2014-15. These pillars reflect the working and performance of our institutions such as protection of minorities shareholders' interest, judicial independence, strength of auditing & accounting standards, property rights, business cost of crime and violence, efficacy of corporate bonds, burden of government compliance, public trust of politicians, reliability of public service, ethical behaviour of firms and organized crimes etc. the pillars related to infrastructure are; overall infrastructure quality such as railroad, road, port, electricity supply and telephone lines. Third pillar constitutes the factors such as; government budget, national savings, inflation, govt. debt and country's credit rating etc. Under the fourth pillar there are factors such as; malaria, TB cases, business impact of Tuberculosis, business impact of HIV/AIDS, infant mortality, life expectancy, quality of primary education and enrolment in primary education. Efficiency enhancer index is composed of six pillars i.e. higher education and training, goods market efficiency, labour market efficiency, financial market sophistication, technological readiness and market size. Except market size, the position of India has come down on all sub-indices during the last ten years of observation (Table 1). India is placed under the head of a factor driven economy where basic requirement index containing four pillars are prominent. The most problematic factors for doing business in India are ; inadequate supply of infrastructure, inefficient government bureaucracy, corruption, tax regulations, policy instability, restrictive labour regulations, inflation and access to financing (GCRs of respective years). A positive macro-economic outlook as reflected in Deloitte's Report (2014)

observes that "India made substantial headway in the past decade, recording an annual average growth rate of 8.3 percent from 2004 to 2011. Robust growth, combined with strong demographics, helped India emerge as a new global economic player and brought recognition as one of four emerging nations with the potential to become an economic powerhouse by 2050."

Factors Affecting Competitiveness: Indian Context

Competitiveness is a comprehensive term encompassing productivity of a nation in any way. Hence, the factors which affect the productivity also have an impact on the competitiveness. Various studies and review of literature show macro-economic and strategic factors which influence the competitiveness. Classical theory focused factors of production such as land, labour and natural resources as the drivers of competitiveness of a nation while Porter (1991) finds it inappropriate to define competitiveness solely on the basis of exchange rates, interest rates, cheap and abundant labour, bountiful natural resources, government policies or management practices and includes evaluation parameter for competitiveness of a nation must include parameters like global strategy, foreign investments, segmented market, differentiated products, economies of scope and scale, innovation etc. Productivity (and thus competitiveness) is viewed as a function of political, legal and macroeconomic context. Cost of doing business is another important factor impacting competitiveness. Five factors which would make Asia to compete in the third industrial revolution identified by the Institute of Competitiveness in its White Paper (2014) are; Innovation and the talent which drives innovation, energy, input costs (whether they are labour cost or material cost), infrastructure, Government taxes and fiscal policy. As far as the index of doing business in India is concerned as reflected by World Bank Reports on Ease of Doing Business, India is constantly losing her ranking (Table 2). In other words, the ease of doing business in India is getting tougher year on year.

According to this report by World Bank (2010) it took 12 procedures and almost a month to register a business in India. Besides, taxes for a typical registered firm amount,

on average, to 63% of profits. In terms of R & D innovations competitiveness, India's position is on slippage year on year.

Table 2: Year-wise ranking of India in Ease of Doing Business (2006-15)

Year	Ranking	No. of countries surveyed
2006	116	155
2007	134	175
2008	120	178
2009	122	181
2010	133	183
2011	134	183
2012	132	183
2013	132	185
2014	134	189
2015	142	189

Source: Report on Ease of Doing Business, World Bank (various years)

India's rank and score on R&D innovation parameters are lowering according to the Global Competitiveness Report GCR, 2014-15. The patents granted per million are also very low as compared to other countries including China, Russia

and Brazil. Only in terms of availability of scientists and engineers, India scores well or at par with the BRICS countries (table 2A).

Table 2A: Global Competitiveness Index: R & D Innovation

Country	Capacity For Innovation		Quality of scientific research institutions		Company spending on R & D		University-industry collaboration on R & D		Availability of scientists and engineers		PCT Patents granted/million population	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
USA	5.9	2	6.1	4	5.5	4	5.8	2	5.3	5	149.8	11
UK	5.3	10	6.3	2	4.8	14	5.7	4	4.8	22	89.1	18
South Korea	4.7	24	5.0	27	4.5	20	4.6	26	4.4	42	201.5	8
South Africa	4.3	35	4.7	34	3.4	48	4.5	31	3.5	102	6.5	45
China	4.2	40	4.3	39	4.3	23	4.4	32	4.4	43	11.7	34
Brazil	4.1	44	4.0	50	3.5	43	3.8	54	3.3	114	3.2	50
India	4.0	48	4.0	52	3.8	30	3.9	50	4.4	45	1.5	61
Russia	3.8	66	4.0	56	3.2	62	3.6	67	4.1	70	7.1	41

Source: Global Competitiveness Report, 2014-15, WEF (Note: PCT-Patent Co-operation Treaty)

Table 3: Incremental Human Resource Requirement for Service Sector in 2022

Sector	Incremental Requirement(in millions)
Informal Employment Sector	37.6
Transportation and Logistic	17.7
Organized Retail	17.3
Real Estate Service	14

Healthcare	12.7
IT & ITES	5.3
Banking, Financial Service and Insurance	4.2
Tourism and Hospitality Services	3.6
Education & Skill Development	5.8
Media & Entertainment	3

Source: NSDC (Excerpts Gopalan & Singhi, 2015)

With the emergence new space in service economy driven by IT, ITES, Digital Manufacturing, media and entertainment, there exists a 'skill deficit' in these sectors. As estimated by the NSDC, out of 240 million skilled human resources required in both manufacturing and service industry by the year 2022, nearly 50% i.e. 121 million will be required for service sector only (Table 3). For achieving this target of human workforce, institutional structure involving educational set ups and industrial collaboration with skill impartation need to be made more stringent and focused so as to harness the lying opportunities.

Performance of Service Economy in India

Over the past twenty three years after reforms, service sector has been major growth driver of the Indian economy. In 2014-15, 72.4% of the growth came from this sector. At a sub-national level too, the service sector is the dominant sector. It has more than 40% share in GDP in all the states and Union territories (UT) barring the north-eastern states of Sikkim and Arunachal Pradesh. Among the states and UT's Chandigarh and Delhi are UT's with more than 85% share of GDP coming from the service sector alone. According to Economic Survey 2014-15, India has shown 'reasonably good performance' in different services like telecom, aviation, tourism, railways, and shipping on various performance parameters. In the telecom sector, India has about 91 crore telephone connections. Similarly, aviation services were delivered to 10 crore domestic and international passengers in 2013-14. In the tourism space, India is expected to receive a total of 7.5 million international tourists, which is expected to bring in 19.7 billion USD of foreign exchange revenue. Indian Railways similarly carried 1051 million tonnes of freight traffic in 2013-14. The port traffic of 975 million tonnes 2013-14 shows an increase of 125 million tonnes over the previous year reflecting a deepening shipping sector (Economic survey, 2015-16). The growth in these sub-sectors over the years shows the deepening of the services' sector and the importance it has in the growth and development of the Indian economy. There are a variety of services that come in the service sector ambit. The range of services is truly phenomenal. Service activities are a diverse bunch with services ranging from the very basic services like those offered by a barber to more complex ones like IT and some financial services. Their relative share or contributions to the GDP and their respective growth rates over the years show an interesting trend. Financing, insurance, real estate, & business are the biggest contributor in GDP followed by trade, hotels, & restaurants. Together these account for approximately 40% of the total gross value addition in the service sector. Exceptional growth is witnessed

in the trade and repairs sub-segment (Economic survey, 2014-15). Prasad et al (2014) observe that the share of services in India's GDP at factor cost (at current prices) increased from 33.5% in 1950-51 to 55.7% in 2011-12 and to 56.9% in 2012-13. If construction is also included, the service sector's share increases to 65.0% in 2012-13. Pais (2014) observes that business services have emerged as a major contributor to services sector GDP growth between 2004 05 and 2009 10. Business services accounted for about 7.4% of services GDP in 2009 10. These services in turn are made up of computer related services (5.4%), accounting services (0.2%), Research and development (1.5%) and Legal services (0.5%). In terms of growth of GDP, high double digit growth by the business services is essentially led by computer related services (17.34%) and Research and Development (19.04%). Sahoo et al (2013) conclude that India's share in total world service exports has increased from 0.97% to 3.1% during 2000 to 2010. Its rank has risen from 26th to 10th among all countries exporting services and also it can be seen that India's share and rank has risen in Transport, Travel, Insurance, Finance, Computer and Information, License and Fee, Other business service, Personal Cultural and recreational Service export. India's enhanced performance in export of these services has been consistent since 2000. However, sectors where India's share and rank declined between 2000 and 2010 are communication, construction and G.N.I.E. (Govt. services not included elsewhere).

Service Sector Performance during Five Year Plans

The first five year plan (1952-57) emphasized on mass mobilization of idle rural, labour & land reforms. Under this plan service sector was not dominating but focused on improving the agricultural productivity with some concern for manufacturing of capital equipments. In the second plan (1967-72) investment in public sector undertaking (PSU) was the area of concern to meet the objective of socialist pattern of society and generate enough employment potential. In the 3rd plan period, the emphasis was on infrastructure development and small scale cottage village industry. Thus the first phase of economic planning was characterized by growth oriented development strategy. After the gap of three year that is during planned holidays, it was realised that sustained industrialization is not possible without rational wage structure. The fifth plan was oriented towards fulfilling the minimum needs of people a focus to reduce poverty. The trend continued the sixth & seventh plan too, where much emphasis was put on infrastructure development with reappraisal of import substitution. It was the 8th plan which gave reorientation to the earlier strategy of planned economy to

market driven economy which serves as catalyst for change. This was an era of indicative planning where state will be the facilitator for economy. From 1991 onwards there were structural changes made in the economy which include; opening of various sectors of economy, allowing FDI to attract capital and talent, disinvestment of PSUs, financial sector

reforms including banking, insurance, stock market etc. and telecom sector reforms which not only fuelled the growth but also envisaged service oriented economy driven by technology and IT. The following data (table 4 & 5) show the growth rate and share of different sectors of economy during periods of observation:

Table 4: GDP Growth in percentage at factor cost (2004-05 prices)

Sector/Period	1950-51 to 1991-92	1992-93 to 2002-03	2003-04 to 2012-13	2011-12	2012-13	2012-14*
Agriculture	2.64	2.7	4.03	5.02	1.42	2.67
Industry(IIP)	3.2	4.13	5.97	6.28	1.27	5.02
Construction	5.01	5.53	9.23	10.8	1.11	-0.98
Services	4.97	7.66	9.11	6.57	6.96	8.51
GDP	4.0	5.92	7.88	6.69	4.47	5.76

Source: Gopalan & Singhi (2015) Note: * Data 2012-14 relates to the new series of GDP

Table 5: Percentage Share of different Sectors of economy in GDP during Plans

Plan Periods	Agriculture	Manufacturing	Service
First Plan (1951-56)	51.89	16.56	31.55
Second Plan (1956-61)	48.30	18.83	32.88
Third Plan (1961-66)	44.49	21.69	33.82
Fourth Plan (1969-74)	45.03	22.12	32.86
Fifth Plan (1974-78)	40.47	24.21	35.31
Sixth Plan (1980-85)	36.63	25.84	37.53
Seventh Plan (1985-90)	32.23	27.21	40.56
Eighth Plan (1992-97)	30.03	26.97	42.99
1996-2002	11.5	20.2	68.3
2001-2008	7.0	29.3	63.6

Source: Planning Commission, National Accounts Statistics (CSO), MOPSI, GOI

In fact the sectoral percentage share of service sector in GDP which was 34% in 1950-51 became 64.5% in 2008-09 (table 6). it is crucial to note that the percentage growth

difference during forty years (i.e. from 1950-1990) was 12% while during the two decades of reforms it has shown a tremendous jump of 17%.

Table 6: Percentage Share different sectors of economy in GDP

Year	Agriculture & Allied Activities	Industry	Services
1950-51	55.28	10.65	34.07
1960-61	50.81	13.18	36.01
1970-71	44.31	15.46	40.23
1980-81	37.92	17.45	44.63
1990-91	31.37	19.80	48.83
2000-01	23.89	19.99	56.12
2005-06	19.54	19.36	61.10
2008-09	16.95	18.50	64.55

Source: Nirvikar Singh, "Understanding Service Led Economic Growth" India 2010, Business Standard

The data presented by CSO (table 7) also speaks of the phenomenal shift in the service growth which has crossed more than half contribution in terms of percentage share in the

GDP. Among the various service categories i.e. sub services trade, hotel, transportation and communication have grown significantly during the reforms period i.e. after 1991 (table 8)

Table 7: Services Sub-Sector Percentage Shares

Year	Construction	Trade, hotels, transport & communication	Finance, insurance, real estate & business services	Community social & personal services
1950-51	13.01	33.28	22.58	31.13
1960-61	15.49	36.25	19.52	28.75
1970-71	16.50	36.25	16.97	29.89
1980-81	14.78	39.09	16.78	29.35
1990-91	12.54	37.57	21.67	28.23
2000-01	10.08	40.59	23.32	26.00
2005-06	11.50	43.19	22.51	22.79
2006-07	11.55	43.78	23.02	21.65
2007-08	11.49	44.42	23.22	20.87
2008-09	11.25	44.29	22.89	21.57

Source: Nirvikar Singh (2010)

FDI in services has been a critical component of the services growth in the past 15 years or so. The share of services in the cumulative FDI Inflows over the period from April 2000-November 2014 is 53.8%. The majority of flows came to the financial and non-financial service sector, followed by construction development. From a period of April 2000-September 2014, these sectors attracted 65 billion USD of FDI. These accounted for a little over 27% of cumulative FDI inflows during the same period.

Recent Government Initiatives for Service Sector Growth

Realising the importance of promoting growth in services sectors and provides several incentives in wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others, the following policy initiatives have been adopted by the government in the recent past:

- The Central Government is considering a two-rate structure for the goods and service tax (GST), under which key services will be taxed at a lower rate compared to the standard rate, which will help to minimize the impact on consumers due to increase in service tax.
- By December 2016, the Government of India plans to take mobile network to nearly 10 per cent of Indian villages that are still unconnected.
- The Government of India has proposed provide tax benefits for transactions made electronically through credit/debit cards, mobile wallets, net banking and other means, as part of broader strategy to reduce use of cash and thereby constrain the parallel economy

operating outside legitimate financial system.

- The Reserve Bank of India (RBI) has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and has also allowed white label ATMs to tie up with any commercial bank for cash supply.

The Question of Convergence: Some Strategic Imperatives

No doubt the service economy has potential to lead the country on competitiveness front as clear from the discussion above but without the complementary growth of manufacturing the growth can't be sustained for long run. The recent initiatives like Make in India, Digital India Skill India and Smart Cities by the government are focused to achieve a balanced growth in services as well as manufacturing but how it is to be achieved is a question to be pondered over. In future too, services will continue to dominate the growth story. Even if the manufacturing sector picks up service sector importance will not diminish. It is because manufacturing has a multiplier effect in the economy with one manufacturing job creating a multiple of service sector jobs. Empirical studies prove that the service sector growth is here to stay. Eichengreen and Gupta (2010) found in their study that the skill content of labour employed in both manufacturing and services is increasing and shows tendencies towards convergence. Both sectors are moving towards the employment of skilled labour. skilled-unskilled mix of labour in two sectors is becoming increasingly alike. Though the government has initiated various agencies in making skill India successful by setting up of National Skills Development Corporation (NSDC) which has identified 21 high-growth sectors (including the unorganized sector) to provide expanded employment, the benefits are yet to be realised as number of employable

graduates in engineering, technology and management disciplines are very less. Currently, 59 corporate houses/private players/private education institutes are associated with NSDC for imparting vocational education and training in India. NSDC has formed 14 sector skill councils (SSC) to complement the existing vocational education system for the sector in meeting the entire value chain's requirements for appropriately trained manpower in quantity and quality across all levels on a sustained and evolving basis (FICCI, 2013). There exists a disconnect between primary, secondary, higher education and research institutions in the country as far as imparting skills is concerned. Institutions of higher learning should take lead in establishing a backward forward integration with skill and vocational training providers ITIs and polytechnics. The curricula of various academic programmes in universities and colleges need to be linked with skill specific modular courses in consistent with industry and market requirements. Cluster approach of development as propounded by Michael Porter (1998) must be propelled to attain global competitiveness because clustering of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g. universities, standards agencies, trade associations) in a particular field that compete but also cooperate. For example if a cluster is developed in textile technology, then most of the related companies, educational institutions and skill impartation should be in the area of textile technology coupled with research work in that area.

Conclusion and Policy Implications

Unlike in other developed countries, India's growth is not fuelled by industrialisation but due to services during the last twenty five years. As evidenced by the empirical researches it is concluded that service sector cannot grow in silos in long run. Manufacturing driven growth is equally crucial because due to 'multiplier effect' it also promotes lateral growth in service industry. Fortunately, India has the got largest demographic dividend providing skilled pools of professionals but these are available in IT and ITES space. Still the 'innovation content' measured by R & D is not up-to the mark and due to which our country's competitive position is going down year on year as revealed by GCI reports. The ranking of India in terms of 'Efficiency Enhancer Index' is also going down year on year which is sufficient to prove the declining competitiveness due to neglect of service sector. The export of service trade seems to be in favour of IT, ITES and BPO but as far as real estate, finance, insurance and other business services are concerned there exists wider scope. 'Make in India', 'Digital India', 'Skill India' and 'Smart Cities' will definitely accelerate the pace of manufacturing as well as service industry but the effectiveness and competitiveness will largely depend on the convergence by way of structural and institutional reforms. The regulations related to various services have become out-dated, irrelevant and obsolete and are suffering from FDI barriers and regulatory restriction. Still a large population is deprived of basic services like healthcare, education and sanitation. The increased cost of capital in providing enabling infrastructure for service delivery is another problem. There needs to be a well-integrated financial market for issuance of innovative financial instruments for

municipality services and public utilities services. India has as higher rates of corporate tax structure (30-40%) as compared to Singapore (17%) and China (25%) which is an impediment in growth of both services and manufacturing. Though economy will grow provided GST bill is passed and enacted but the broader reforms in taxation requires to be implemented for service growth. With the emergence of new vistas of service trade in personal care, education, health, insurance, finance, banking, travel, tourism and aviation the window of opportunities can be tapped and opened through policy shift on governance, skilling, education, R & D and innovation. An integrated and coordinated policy approach should be initiated for this convergence.

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