

# Services exports likely to overtake merchandise trade by FY28: SEPC

## Export of services likely to touch \$780 billion in FY28

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INDIA'S SERVICES EXPORTS are expected to overtake merchandise exports in the next five years on the back of above-par growth in emerging areas of service economy, a senior official at the Service Export Promotion Council said Thursday.

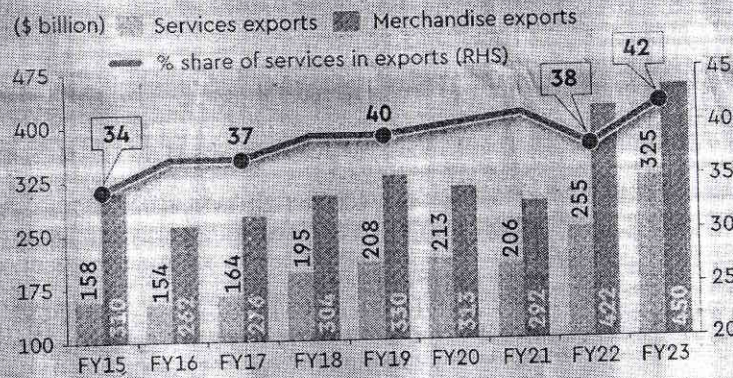
"Our projections show that by 2027-28 services exports would touch \$780 billion, a tad above goods exports that year," director general of the council Abhay Sinha said.

For the current financial year the council has set a target of \$400 billion for services exports, a 23% growth from FY23, when the exports totalled \$325 billion. Last year services exports grew 27% while merchandise exports were up 6.7% on year to \$450 billion.

The Federation of Indian Export Organisations estimates that merchandise exports will grow to \$500 billion this fiscal. Services exports will be \$100 billion less than goods exports this year.

Government has set a target of \$2 trillion exports by 2030 with both merchandise and service exports

### TREND OVER THE PAST DECADE



contributing equally. For merchandise exports to reach the target of \$1 trillion growth of 14.5% per year will be required. "It looks quite ambitious but achievable," Director General of Foreign Trade Santosh Kumar Sarangi had said on Tuesday.

Share of services exports in India's exports is rising rapidly. From 34% in 2014-15, it grew to 42% in 2022-23.

Information Technology and Information Technology Services account for 50% of India's services exports.

"As the IT services sector is showing a decline in growth rates, exports of some other services will be increasing," Sinha said.

The sectors to watch out for in services trade are tourism, financial ser-

vices, aviation, sea transport services and freight, construction and engineering design, entertainment and content creation, market research, environment services, accounts and bookkeeping, and legal services. Exports of business services which includes back-end office functions, market research, legal services, advertising and market research was \$58 billion in April-December 2022 as against \$58.9 billion in 2021-22.

Transport services exports which were \$28.1 billion in April-December 2022-23 as against \$32.6 billion in 2021-22 should pick up more. Financial services exports grew 51% on year in April-December of last year to \$8.1 billion. Construction services exports were \$2.7 billion in April-

December of last year as against \$2.6 billion in the whole of 2021-22.

"To achieve the \$1 trillion target of services exports the government is looking forward to out of box ideas for creating market access and business opportunities globally," Sinha said. Industry should stand on its own and not look for traditional incentives which the schemes like Service Export from India Scheme provided, he said.

Under SEIS service exporters were given a percentage of their net foreign exchange earnings as transferable Duty Credit Scrips. The scheme was discontinued from 2020. A similar scheme for exporters of goods MEIS was also discontinued in 2021.

While merchandise exporters got a new scheme - Remission of Duty or Taxes on Exported Products (RoDTEP). There is no such scheme announced for service exporters and since then some sections of the industry have been demanding something similar for the sector.

"We did one study on Duty Remission on Export of Services Scheme on the lines of RoDTEP but because of complexity and unique characteristics of each service sector it was not found feasible," Sinha said.

"The government is receptive to policy reform, change in regulatory framework, infrastructure support and enhancing Ease of Doing Business for the sector," he added.