

India Serves

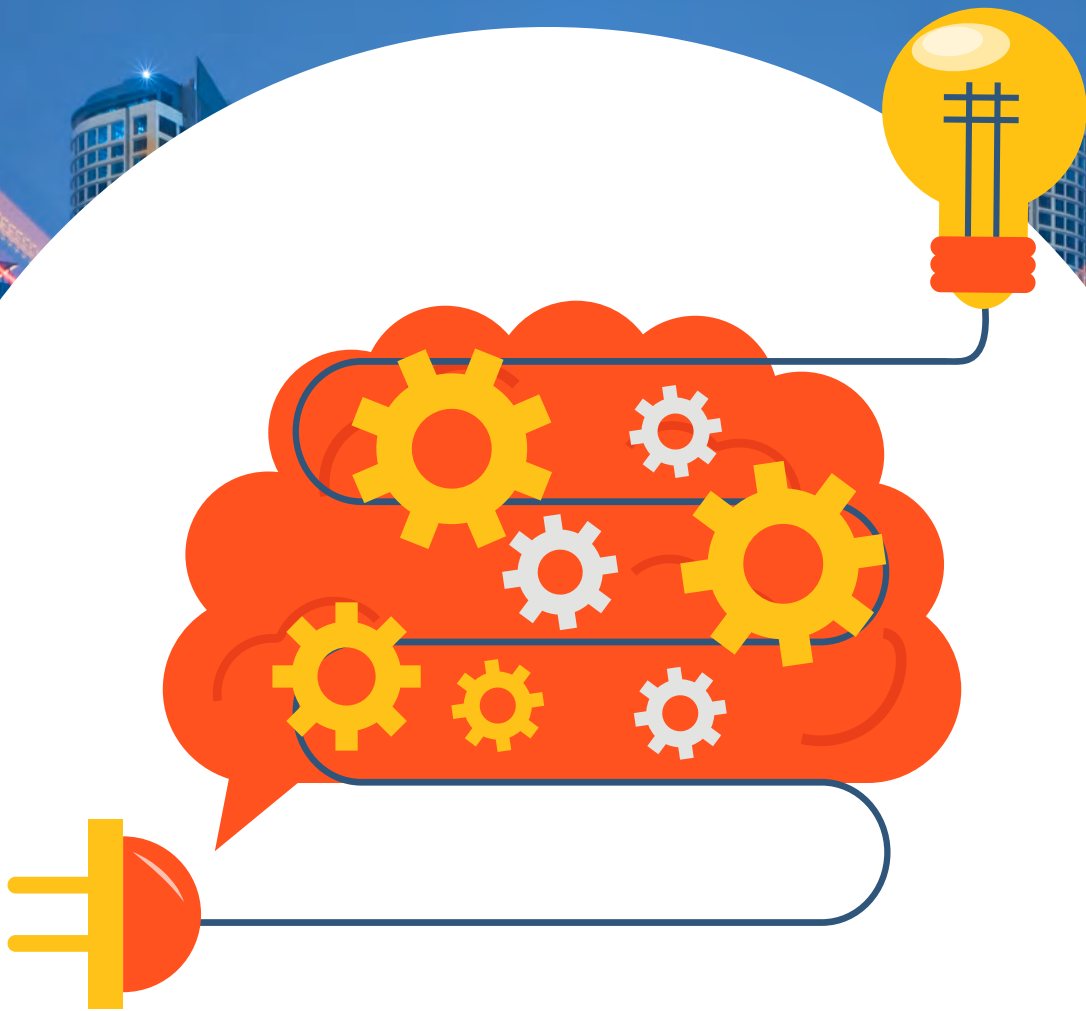
A Monthly Newsletter by

SEPC

SERVICES EXPORT PROMOTION COUNCIL

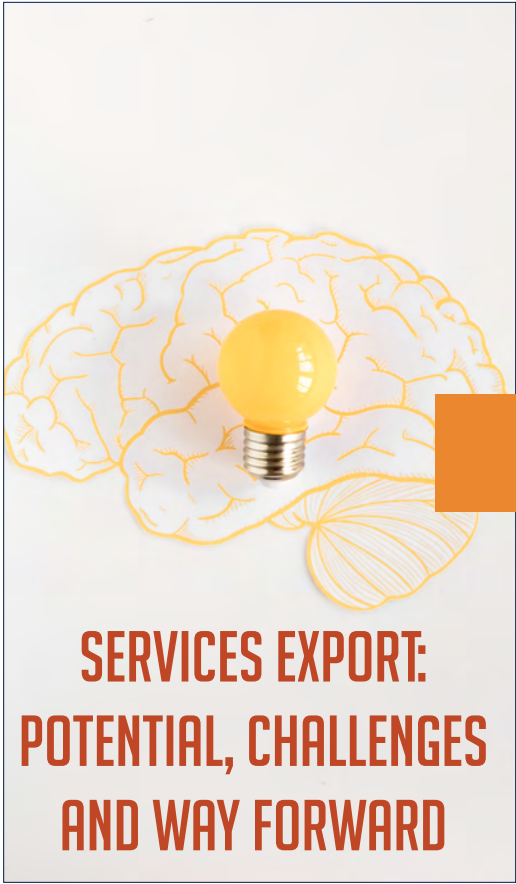
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Services Export: Potential, Challenges and Way Forward Brainstorming Session

SERVICES EXPORT PROMOTION COUNCIL
Setup by Ministry of Commerce & Industry, Govt. of India



SERVICES EXPORT:
POTENTIAL, CHALLENGES
AND WAY FORWARD

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India
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MESSAGE From the CHAIRMAN



CA. SUNIL H. TALATI

I am pleased to present the September issue of our monthly newsletter “India Serves”. Services sector growth has remained stable and sustainable in the last few months and the industry is well on course to achieve the target of \$300 billion in the FY 2022-23. During April-August 2022 services exports stood \$118.30 bn as compared to \$96.03 billion during April-August in 2021. As per the latest data by RBI, services exports from India grew by 9.60 percent YoY in the month of August 2022.

SEPC was given the responsibility of organising a very intensive brainstorming session on “Services Export: Potential, Challenges and Way Forward” under the Chairmanship of Secretary Commerce, Ministry of Commerce and Industry. The session was organised on 30 th August and was attended by over 60 key representatives from 12 Champion Services sectors. Senior Officials from other Ministries concerning respective services sector were also invited. This was first such interactions exclusively on services exports with Secretary Commerce. 12 Champion Services sectors were divided into four groups each having senior representative from related Administrative Ministry, Ministry of Commerce, Senior representative from the sectors in focus and SEPC officials.

The interactions drew following insights Significance and potential of the sectors in the Indian economy and India's export.

- Global Markets-traditional, emerging and non-traditional markets
- Global Competitive environment
- Key issues and challenges in the entire value chain for required competencies in global markets.
- Creating business opportunities through FTAs
- Government perspectives on the scope and challenges
- Support expected by the industry in terms of requisite interventions, infrastructure, incentives and global promotion.
- Formulation of action plan-Take Aways

SEPC suggested that Government provide all necessary support, launch a brand campaign globally, constitute inter-ministerial committee to address respective sectors and develop institutional mechanism for services trade data collection for market potential analysis and strategies. Further, as a precursor to SEPC's forthcoming flagship event “Sanjeevani- India Heals” organised a curtain raiser event to Sanjeevani on the 25 th of August 2022. The curtain raiser was an opportunity to kickstart this flagship event that will help in formulating suitable strategies to augment the growth trajectory in existing and new emerging markets in the healthcare sector in India and ensure that India becomes the next best medical tourism destination in the post-pandemic era. and issues that the sector is facing.

The coming months for SEPC are going to be eventful with several flagship events lined up. SEPC is organising an India Pavilion at MIPCOM in collaboration with the Ministry of Information and Broadcasting, Govt. of India in Cannes, France between 15th to 20th October 2022 in the area of entertainment and audio-visual services. This is one the biggest flagship events of SEPC abroad. SEPC would also be participating in the World Travel Market on Tourism services in UK in November 2022 along with organising buyer seller meetings (BSM) and taking a delegation across sectors to CIS countries in November 2022. We have a series of BSM's lined up throughout the financial years with EU, LAC, African and ASEAN countries and we urge our members to actively participate in all of these. Stay connected with SEPC as we strive to bring immense business opportunities and play a very significant catalytic role in export promotion. Wish you all a very happy Dussehra and the upcoming festivities.

OVERVIEW OF SERVICES OFFERED BY SEPC

TRADE INTELLIGENCE

EXPORT DEVELOPMENT

EXPORT PROMOTION

ENABLING BUSINESS ENVIRONMENT

Services Export Promotion Council set up in 2006 by Ministry of Commerce & Industry, Government of India is an apex trade body to promote exports of services from India.

Key role in Foreign Trade Policy, Export Strategy formulation by Department of Commerce and related Govt Departments.

Interface between Services Sector and Government

Provides inputs on Trade Negotiations

Represents Services Sector in various Joint Trade Committees, Joint Business Councils and Joint Working Groups of Government of India to facilitate export.

Creates Business opportunities in global market place for services exporters

Providing commercially useful information and assistance to members in increasing exports.

Organising visits of delegation of its members abroad to explore overseas market opportunities.

Organising participation of Services exporters in specialised International Trade Fairs.

Dissemination of government notification, orders, information on trade and other relevant information to members.

Facilitates execution of Government Schemes like SEIS.

In order to enhance the competitiveness of services exports and enable services industry to generate employment, the Union Cabinet chaired by Honourable Prime Minister Shri Narendra Modi in 2018 identified 12 Champion Services Sector.

The following table provides the mapping of identified Champion Services vis-a vis the services covered under SEPC and BPM6 classification. Sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) is developed by IMF in collaboration with compilers and other interested parties worldwide and used by most of the countries to record and report services trade data.

S.N.	Services covered under SEPC	Champion Services	BPM6 Classification
1	Accounting/Auditing and Bookkeeping Services	Accounting and Finance Services	Other business services
2	Consultancy Services	-	
3	Legal Services	Legal services	
4	Architectural Services and related services	Construction and related Engineering services	
5	Environmental services	Environmental services	
6	Marketing Research and Public Opinion Polling Services/ Management services	-	
7	Advertising Services	-	
8	Printing and Publishing services	-	
9	Other services (IT & ITES, Communication Services)	IT & ITES, Communication services	Telecommunications, computer, and information services
10	Hotel and Tourism Related Services	Tourism and Hospitality Services	Travel
11	Education Services	Education services	
12	Healthcare services including services by nurses, physiotherapist and paramedical personnel	Medical Value Travel Services	
13	Maritime Transport Services	Transport and Logistics services	Transport
14	Distribution Services		
15	Other services (Financial Services)	Financial Services	Financial services
			Insurance and pension services
16	Entertainment services including Audio-visual services	Audio-visual services	Personal, cultural, and recreational services
17	Other Services	-	Charges for the use of intellectual property n.i.e.
		-	Government goods and services n.i.e.
		-	Manufacturing services on physical inputs owned by others
		-	Maintenance and repair services n.i.e.
		Construction and related Engineering services	Construction
			Services not allocated



SERVICES EXPORT: POTENTIAL, CHALLENGES AND WAY FORWARD

Skilling and capacity building for personnel

Inequality of professional & educational credentials

Mode 4 or movement of natural persons

GST
rationalization

Achieving the goal
of \$7 trillion in
services exports
by 2030

*Brainstorming Session between the Service Industry and
Department of Commerce, 31st August, Vanija Bhawan, New Delhi.*



BACKGROUND

The services industry has emerged as a proven strong pillar in balancing the trade deficit as well as a tool to attain a sustained growth. Infact, it has shown strong resilience even during the pandemic and reached a remarkable figure of \$ 254 billion in 2021-22 and expected to touch nearly \$ 350 bn in 2022-23.

Just before the much-awaited trade policy, which is revisited and notified every five years, the Ministry of Commerce & Industry undertook a comprehensive stakeholder engagement as part of preparations for achieving the goal of \$ 1 trillion in services exports by 2030 and to deliberate on potential, challenges and way forward for the sector. A one-day brainstorming session on Services Sector was organized by Department of Commerce on 31st August 2022 at Vaniya

Bhawan, New Delhi under the Chairmanship of Shri BVR Subrahmanyam, IAS, Commerce Secretary, Ministry of Commerce and Industry, Government of India in coordination with Services Export Promotion Council (SEPC) where in top service industry honchos and stakeholders numbering more than 100 and representing the 12 champion sectors of Information Technology & Information Technology Enabled Services, Communication Services, Entertainment (including Audio Visual Services-AVCG), Tourism & Hospitality, Medical Value Travel (Healthcare), Education Services, Accounting and Financial Services, Legal Services, Transport & Logistics Services, Construction and Related Engineering Services and Environment Services actively participated in the stakeholder consultative sessions.



The session commenced with a brief presentation by Dr. Abhay Sinha, DG, SEPC wherein he highlighted the need for sector specific schemes and incentivisation for the sector along with suggesting a services specific MAI scheme for global market access. He also emphasised on the following points: Focus on Competence and capacity building; Value Chain Development; Global Benchmarking; Integrated Approach to address sector specific issues; Inter-Ministerial Group for reviewing and addressing issues; Global Branding-India Serves and Sector Specific Branding. In sum he reiterated the need for support expected by the industry in terms of requisite interventions, infrastructure, incentives and global promotion.

The Inaugural keynote address was given by the Additional Secretary Ms. Rachna Shah wherein she emphasised on developing an enabling eco system for services exports to take India on a higher growth trajectory. She mentioned that, though the Government understands the importance of SEIS as it has helped the sector immensely, however, she said that the government



is working on an alternative/promotion incentive scheme. She also mentioned a few other points.

One that FTA's can play a huge role in providing market access to the sector. The sector is currently heavily concentrated in a few sectors and diversification of the sector is the need of the hour. As a part of FTAs, the government is focusing on Mutual Recognition Agreements for movement of professionals. She mentioned that Export cells will be set up in different ministries and ensuring uniform standards across the services sector is the focus of the government. Overall, she stressed on creating an environment where service sector grows further. Almost all the champion sectors emphasised the need for making English as the business language and train people accordingly.

Thereafter, four parallel breakout sessions on sectoral basis were organized to deliberate upon service sectors related issues. These groups included; Group 1: Information Technology & Information Enabled Services, Communication Services & Entertainment (including Audio Visual Services), Group 2: Tourism & Hospitality Services, Medical Value Travel & Education Services, Group 3: Accounting and Finance Services, Financial Services & Legal Services, Group 4: Transport & Logistics Services, Construction & Related Engineering Services & Environment Services. The four groups were moderated by Shri. Manish Chaddha, JS, DOC; Mr. Darpan Jain, JS, DOC; Dr. Amiya Chandra, Jt. DGFT and Shri. Anant Swarup, JS, DOC respectively. The Moderators of the 4 groups made brief presentations highlighting the key points emerging out of brain storming sessions.

THE COMMON THREAD EMERGING OUT OF ALL THE FOUR GROUPS INCLUDED:

- **Skilling and capacity building for personnel, incentivisation of the sector to help each of the sectors get back to pre-covid levels especially healthcare, MVT, travel and tourism and education services.**
- **Another issue that was discussed cutting across all sectors is the issue of mode 4 or movement of natural persons.** Movement of natural persons is characterised with issues such as quotas, long timelines for application processing, unnecessary red tape & high Visa fees.
- **Inequality of professional & educational credentials was also widely discussed:** The Govt will need to work with foreign governments, and certification bodies in both the India and abroad, and convince them into recognising the respective qualifications of architects, engineers and others. It can unlock a host of opportunities for India based service providers looking to trade their services abroad.
- **GST rationalization:** This demand has been pouring in mostly from the sectors delivering in mode 2 such as tourism & hospitality. The GST is a considerable constituent of the total bills, keeping it on a higher side makes our destinations less attractive as compared to other neighbouring countries due to higher total costs.



The sector specific issues and key suggestions are as follows

CONSULTING SECTOR: KEY ISSUES & SUGGESTIONS

authority) or even at a state level, a project is started without having a dedicated fund for payments for consulting at various stages. As such, there should be some guidelines at all levels of Government (local, state, national, etc.) to have the dedicated funds, at the time of taking up projects.

Incentives to the Consulting Firms for Export of Services: In the early 90s, the EXIM Bank of India used to give incentives in the form of reimbursement of 50% of the marketing expenses incurred by the Consulting Firm, who had secured a project abroad. This helped in the growth of consultants as they were able to invest more cost, efforts and time in marketing. This provision needs to be revived, so that the Consulting Industry can take full advantage and cover more diverse geographies in a befitting manner. Through this, the growth of Consulting Services would definitely substantially increase.

Quality cum Cost Based Selection: The procurement mechanism has since been amended for procurement of Goods, Services and Consultants. These are now been governed by amended GFR issued by the Ministry of Finance's Order No. F.1//2021-PPD dated 29th October, 2021. This needs to be imbibed in our system in letter and spirit. This will ensure that quality of consultants improves and the riff-raff in Consulting & construction is set aside, to improve their credentials and then only come forward. We should prepare a list of consultants for various disciplines. These should be those who have the valid credentials, and only when their credentials are exceedingly good, then they should be supported to work abroad. By these provisions, Quality Consultants are encouraged to get work and deliver to the satisfaction of Client as well earn proud for the nation.

Early information about Projects: To maximise the chances of success, it is important to know as soon as possible, what work is expected in which region, so as to equip oneself with a winning team. As such, we expect that the Commercial Attaché in the Indian Embassies keep a liaison with the concerned Govt., collect the information at the early stages and forward this information on a regular basis, so as to enable the Indian Consultants to maximise their chances of success.

Visas: Issuance of visas is a subject which needs to be addressed on priority. At times, consultants do face problems in getting visa. Indian Consultants should be given multiple entry visa for one year from the various countries in which they are interested to explore and do business. Single entry visas are pain in the neck and many times the project related meetings come up suddenly, and if the concerned staff is not holding multi entry visa he/she is unable to participate.

Taxation: It is necessary to sign the double Taxation Treaty with other countries so that the Consultants do not have to pay taxes both in India and in the country where the services are being provided. In certain countries in Africa, we have experienced very peculiar problem. At the time of invitation of bids, they bring out that this project is non-taxable but when services have been rendered, you are told to pay taxes. This is most unfortunate. Since we are giving assistance to these countries, in case the Indian High Commission is unable to resolve the issue with the concerned country on above account, the amount in question should be recovered from their grant and paid to the concerned Consultant.

Timely payments: It is often found that there is a provision to pay within 30 days of receipt of invoice but the payments are inadvertently delayed for months. It is necessary to emphasise on various countries in our bilateral contracts that timely payment is an inescapable necessity and should always be adhered to. It is being witnessed especially in Govt. Contracts that the payments are taking a lot of time for realisation and our Joint Venture partners from abroad are finding it difficult to sustain in this scenario. Therefore, they do not want to partner with us in India. They prefer to partner with other firms in different geographies including their own territories. This is reducing our share of export of consulting services. An assurance of timely payments and mitigation measures for delays as a part of the Contract

should be the norm. Further, in some cases where projects are dealt at local level (municipal/ authority) or even at a state level, a project is started without having a dedicated fund for payments

for consulting at various stages. As such, there should be some guidelines at all levels of Government (local, state, national, etc.) to have the dedicated funds, at the time of taking up projects.

TOURISM AND HOSPITALITY SECTOR



Travel & Tourism sector is one of the most important services sectors globally as well as in India. The sector had the highest contribution in global services trade with around 25 percent share in overall global services exports. With the COVID-19 pandemic shocks, the share of the sector came down to 11 percent as this sector is amongst the most adversely affected services sectors due to pandemic and travel restrictions. According to ITC, Global travel and tourism trade has plummeted from 1.5 trillion USD in 2019 to only 531 billion USD in 2020.

Government of India came up with a draft national tourism policy last year in November 2021 to prepare a national strategy and a clear roadmap for the sector to have a higher and sustainable growth in the coming years. Main focus of the draft policy is on Green Tourism, Digital Tourism, Tourism and Hospitality sector skill mission, Destination Management Organization (DMO), Tourism MSMEs, visa, immigration and custom process, cleanliness and hygiene, transport infrastructure, and quality and standards.

India has recently signed two important Free Trade Agreements (FTAs) with UAE and Australia and negotiations are ongoing with many more important countries and regions like UK, Canada, USA and the European Union. Since these agreements are generally comprehensive, they include services trade commitments. With more international integration tourism of all types is expected to grow in India. As these agreements are coming in effect and travel restrictions have been eased, India's tourism industry needs to be fully prepared with short term and long-term policies and roadmaps. Some of the key issues and suggestions with regard to the sector are as follows.

KEY ISSUES AND SUGGESTIONS

- To give competitive package tours to foreign tour operators/clients to compete with our neighbouring countries and add value for tourists' products. On the basis of the added value for their package tours, their foreign

tour operators/tourists are able to compete with other foreign countries/competitors and they are able to divert tourists to India.

- Round the year Door to Door aggressive Overseas Sales Promotion and Marketing through multiple sales tours to various source markets and emerging markets.
- Printing of brochures in different foreign languages, creating websites and online promotion showcasing Indian tourism products, Culture, Heritage, History, best available hotels and palaces.
- Marketing and promotions through participation in international travel fairs/exhibitions/expo and road shows covering all source markets and emerging markets.
- Showcasing India by extending Familiarisation Tours in India
- Active promotion on social media -Web promotions, Facebook, Instagram, Webinars and so on.
- Currently hotels built with an investment of Rs.200 crores or more have been accorded infrastructure status. Lowering the eligibility criteria for rendering Infrastructure status to hospitality projects from 200 crores to 25 crores is strongly voiced by the industry. Granting of infrastructure status will allow hotels to avail term loans with longer repayment schedule of 15 or even 25 years like other sectors such as road, railways and ports.
- The industry also want government to make available the statutory utilities like electricity available to the sector at industrial rates instead of the commercial rates is needed.
- There is abundance of cultural heritage in the country, such endowments must be capitalised by identification of appropriate opportunities & designing a development plan preferably on a PPP model.
- It was also brought to the notice that the heritage hotels incur disproportionate maintenance & upkeep expenses as compared to new properties. If some benefits are passed on to them by way of incentives or taxes it would help sustain them by offsetting those high maintenance charges.

The tourism sector also recommended a few points for consideration in the new forthcoming FTP 2022-27

- Continue SEIS in the same format as it was working very well before.
- Relaxation in deemed export guidelines
- Please consider scrips at 5% minimum with additional 2% incentive for incremental business growth.
- Capping 5 crore, need to relook as it is disadvantageous for Chain Hoteliers submitting one balance sheet for all hotels.
- To encourage MICE business, need separate incentives as per international norms to lure big overseas Mice organisers to look towards India as this segment of business has big potential to grow. The government could also consider a dedicated MDA scheme for MICE sector.
- Special focus on Heritage Hotels by allowing them to charge a special tax rate due to high maintenance and upkeep; encourage PPT model of development; focus on cities with heritage; promotion of Indian heritage through embassies-Mascot branding; policy for EV charging station near hotels, formal skilling fund for developing MICE etc.
- It has been an incessant demand from the industry to reinstate the erstwhile Services Exports from India Scheme (SEIS) along with an enhancement of the lower limit for scrip incentivization in SEIS, commencing from 7% and with an additional 2% benefit on incremental basis in place existing range of 5% plus 2% on incremental basis.
- Furthermore, the industry wants government to relook at the capping of Rs. 5 crores in the SEIS on account of its being misused by providing multiple balance sheets & thus disadvantageous for large institutions (Hotels & Tour operators) submitting a single balance sheet of all entities.
- The stakeholders are of the view that, GST levied on various services in the sector is on a higher side and requests a rationalization in the GST, as such that makes it parable with the neighbouring countries, wherein its levied within the range of 6 to 8 % as against 20 to 23% faced by Indian industry at present.
- There is potential to attract business in the MICE (Meetings, Incentives, Conferences & Exhibitions) segment, the sector will welcome a set of incentives or a dedicated scheme/fund etc. exclusively for the overseas promotion of the MICE sector.

IT AND ITES:



IT&ITES is one of the major sectors contributing nearly 50% to total services exports from the country. Some of the key issues facing the sector include:

- The IT policy not in sync with emerging technology;
- Data protection bill not in place; there is lack of clarity and uncertainty on labour laws implementation;
- Stringent IP regime in India yet to materialise;
- Unlike manufacturing there is no specific HS code for services used;
- many experts opined that India IT industry which is a global brand is in need of rebranding;
- With regard to IT&ITES exports high social security tax paid in UK and USA is a huge cost burden.
- There was also a suggestion to implement the SEZ/DESH bill to support exports and WFH and to settle large tax disputes in ITES sectors.
- Some of the other important suggestions revolved around providing R and D incentives for creating IPR's, bringing about greater harmonisation of the inter-ministerial policies; to create super-clusters of R&D to promote the emerging technologies (similar to Canada and Israel), promote India as the design hub of all products and automated manufacturing system and how India should play an active role in setting global standards.

FINANCIAL AND ACCOUNTING SERVICES



Inclusive growth of the world is largely dependent on the Financial Sector. It is not only a key factor of stability in the global economy, but also a source of immense economic opportunity. This sector is expected to grow rapidly till 2035, driven by rising incomes, heightened government focus on financial inclusion and digital adoption. It is evident from the data that global exports in Financial Services is growing substantially. There has been an increase of \$63 billion in its exports, which indicates that demand for Financial Services is at an all-time high. Moreover, India is providing the best accounting services at 40-50% lower cost vis-à-vis other developed countries. To add to that, increase in international transactions like cross border merger and acquisitions are creating huge opportunities for accounting professionals. Remote working due to Covid has led to outsourcing of accounting and finance resulting in huge potential. However, the sector faces a few challenges.

KEY ISSUES AND SUGGESTIONS

- Inclusive growth of the world is largely dependent on the Financial Sector. It is not only a key factor of stability in the global economy, but also a source of immense economic opportunity. This sector is expected to grow rapidly till 2035, driven by rising incomes, heightened government focus on financial inclusion and digital adoption. It is evident from the data that global exports in Financial Services is growing substantially. There has been an increase of \$63 billion in its exports, which indicates that demand for Financial Services is at an all-time high. Moreover, India is providing the best accounting services at 40-50% lower cost vis-à-vis other developed countries. To add to that, increase in international transactions like cross border merger and acquisitions are creating huge opportunities for accounting professionals. Remote working due to Covid has led to outsourcing of accounting and finance resulting in huge potential. However, the sector faces a few challenges.
- There is a need by regulatory institutes to sign MOUs with International body/institutes for mutual recognition of professional degrees to access global markets automatically.
 - Further, setting up of a SEZ in line with IFSC in Gujarat GIFT city across other states would promote exports of financial services. Other challenges include parity in taxation of branches of foreign banks set up in India vis-à-vis Indian banks and mark-up standardization for financial service providers in line with international standards.
 - Overall, the sector has immense potential to grow. The Government of India has made financial inclusion a top priority by launching and expanding multiple programs, creating and strengthening transparency and digital systems, and enforcing regulatory measures to increase competition.
 - Government efforts to persuade cash-based vendors to embrace formal banking, including through device-based and digital payments, will also accelerate financial services demand from micro and SMEs.
 - The demand for pensions is expected to rise considerably out to 2035 on the back of an increase in the elderly population, a higher life expectancy and decrease in the prevalence of the extended family structure.
- ### KEY ISSUES AND SUGGESTIONS
- The industry opined that the regulatory restrictions need to be removed. For example, restriction in partnership law limits the number of partners to 20, allowing limited liability.

CONSTRUCTION AND RELATED ENGINEERING SERVICES



Global construction market is estimated to be 12,639 billion USD for the calendar year 2020. 41% of Global market revenue was accounted for by Asia Pacific region in 2020. The Global construction market is expected to grow at a CAGR of 7.4% till 2028. The US market still dominates the global scene as the largest national construction market, representing 25 per cent of the world total. Japan is second, followed by China. After this comes Germany, followed by Italy, France, the United Kingdom, Brazil, Spain, Korea, Mexico, Australia and India. Developing country markets have been the most dynamic in recent years. China and India stand out, with spending on construction growing annually by more than 8 per cent.

Indian construction and engineering services over the years has developed using state of the art technologies for infrastructure development, with a vast geographical boundary having different topography and weather con-



ditions. Indian construction and engineering services have firmly had a decent share in the global construction markets. According to the WTO data, India has exported 3176.5 USD million dollars of construction services and is ranked 9th in exporting construction services around the globe. In India, the sector though performing well is faced with a few challenges. For instance, China and other countries form joint ventures with public private partnership to compete for international tenders which is not present in the case of India. Many a times, terms and conditions in tenders favour foreign entities and doesn't let Indian companies to participate. Getting work visa is an issue for architects and Indian qualifications are not recognised. Further, professional indemnity insurance is required for most of the tenders.

THE SUGGESTIONS TO TAKE THE SECTOR FORWARD INCLUDE:

- Financial grants to be provided to support individuals who are doing international business, database of professionals having international experience to be utilised for overseas projects by Indian companies; building education system and curriculum for Indian workforce to be able to compete at international level; strengthening the "Make -in India" framework for public procurements; with regard to line of credit government to intervene to support in making consortium to bid for larger projects.
- The current definition of an "Indian Company" is too loose for the foreign firms to twist it in their favour while competing for tenders. The said definition should be revisited in the light of promoting native companies.
- The quality & skill set of the passing engineers does not match with the new age demands of the profession. A complete revamp of the education system is required with professional skills orientation & exposure as against the current system which focusses more on the bookish knowledge.
- Along with the definition of an "Indian Company" the industry also mulls bringing about the "Engineers Bill" to check and measure the professional ethics of engineers, this shall preserve the quality and progression of the profession.
- The Government should also look into the prospects of a project visa proposition during FTA negotiations. At times a swift visa approval comes really handy in saving the project and company on the costs and reputation in project delivery.

MEDICAL VALUE TRAVEL



India is performing quite well in the Medical Value Travel and has been able to attract large number of foreign patients. India was included among top 10 best medical services providers in the world by Medical Treatment Index (MTI), 2020-21. This is despite the fact that India is among the lowest spending countries in the world on healthcare services. Share of India's healthcare expenditure as a percentage of GDP is only 3.6 percent, whereas world's average is around 10 percent. India's MVT competitors spend much higher than India; Canada – 10.8 percent, Israel – 7.5 percent, Japan – 11 percent, Jordan – 7.8 percent, Korea – 7.6 percent, Thailand – 3.8 percent.

India holds a strong position in advanced healthcare services such as organ transplants, cardio-

vascular procedures, cancer treatments, etc with a high success rate. Countries such as Africa, South Asia, CIS countries, Gulf bring most of the patients in India capitally for an organ transplant, orthopaedic, and oncology treatment. India offers lower cost for skilled treatment compared to Europe and USA. There is a rise of super-specialty hospitals in the country, which have upgraded facilities with skilled professionals.

For Digital technologies and emerging technologies such as Artificial Intelligence (AI), Internet of Things (IoT), Block chain, the government is creating a modern technology infrastructure in healthcare sectors focusing on transforming the healthcare system to provide quality healthcare facility as a basic human right.

KEY ISSUES AND CHALLENGES

With the continuous adaptation of technologies, the industry is going through a major transformation and facing some major challenges.

- First, India needs to tap the untapped markets of Africa, LAC and Gulf countries with continued focus on US and UK and promote MVT in other countries via road shows and seminars via incentives, subsidies.
- Given the long waiting time, government should provide medical visa special treatment, steps should be taken to ensure that medical secrecy is maintained and regulations for tele-diagnosis, tele-medicines and tele-consultations to be aligned and also the focus needs to be on improving soft skills for various departments.
- Given that quality matters, India can promote market for high end medical services-movement may give concessions in visa and air travel to patients/tourists coming for medical treatment.
- Several industry experts expressed the need for dedicated fund for promotion of MVT and adoption of WTO mutual recognition for rules and regulation for telemedicine making it easier for doctors and patients.
- The Government can also consider signing some inter-government level agreements with agencies like NHS UK targeting patients in waiting.

LEGAL SERVICES



Globally, the value of legal services is approximately 901.8 billion USD and India's share is \$ 1.3 billion. India has 2 million legal professionals in the world which is 2nd highest after USA. Most of the legal experts in India are in the domain of arbitration, competition law, environmental law, international trade law, outward FDI's etc. there is a huge market for Indian legal professionals in US, Australia, New Zealand and UK. However, the sector is faced with several challenges. First and foremost, there are old and historic policy restrictions in the legal professions that need to be removed. For example- No advocate in India can enter into a partnership with a non-advocate. Further it is not allowed/possible to set up a one-stop-shop as corporate clients prefer a law firm providing an entire bouquet of professional services. For example, accounting, economics, taxation etc.

KEY SUGGESTIONS TO TAKE THE SECTOR FORWARD ARE AS FOLLOWS:

- There is huge potential for arbitration related work in India. The legal industry has proposed setting up of international arbitration Centre in India in line with Singapore.
- This will bring in the international intelligence and open a field for foreign lawyers to come to India to practice.
- The industry also suggested to bring in reciprocity in legal profession through entering into FTAs and relevant amendments in arbitration Act. It was also suggested that the potential of LPOs (legal process outsourcing) should be recognized for its potential post covid and replicate modes on the basis of various other countries like Philippines.
- The need for capacity building in India for law firms in areas such as international law, third country law, patents law so that foreign companies in India get good advice was also discussed.

MEDIA AND ENTERTAINMENT



The Media & Entertainment industry is expected to grow at a CAGR of 13.5 per cent during FY19-FY24 and is expected to reach around US\$ 43.93 million by 2024. India's online video market is estimated to reach 4 billion USD by 2025, with subscription services contributing more than 1.5 billion USD and advertising adding 2.5 billion USD. The Indian film industry reached 1.43 billion USD in 2019. India's video streaming industry is expected to grow at a CAGR of 21.82 per cent by 2023. Mobile gaming has emerged as a key growth area as seen in China (Tencent has become world's largest video game vendor surpassing many traditional technology companies in value). India has a large mobile gaming base already and the domestic industry has also seen rapid growth. Policy incentives for mobile gaming companies can both attract Indian start-ups and large global multi-national corporations to set up base in India, which can serve both the domestic and exports markets.

KEY ISSUES AND CHALLENGES

The media and entertainment sector needs recognition at both national and global level. It has been a long-standing demand to recognize the media and entertainment as an ‘infrastructure industry’ on account of the extent of data being generated. The industry also highlighted payment and remittance issues as a problem requiring lot of effort and paperwork. Further, it was also pointed out that there is no public Indian broad caster which procures animation IP. The industry also requested for single window support across all ministries.

Shri B.V.R. Subrahmanyam, Commerce Secretary in his concluding address underlined the importance of services sector as a key driver of country's economic growth. He assured the participants that necessary Government support would be extended to realise the full potential of service sectors and to remove any constraints in this regard.



Monthly Services Exports from India in the FY 2021-22

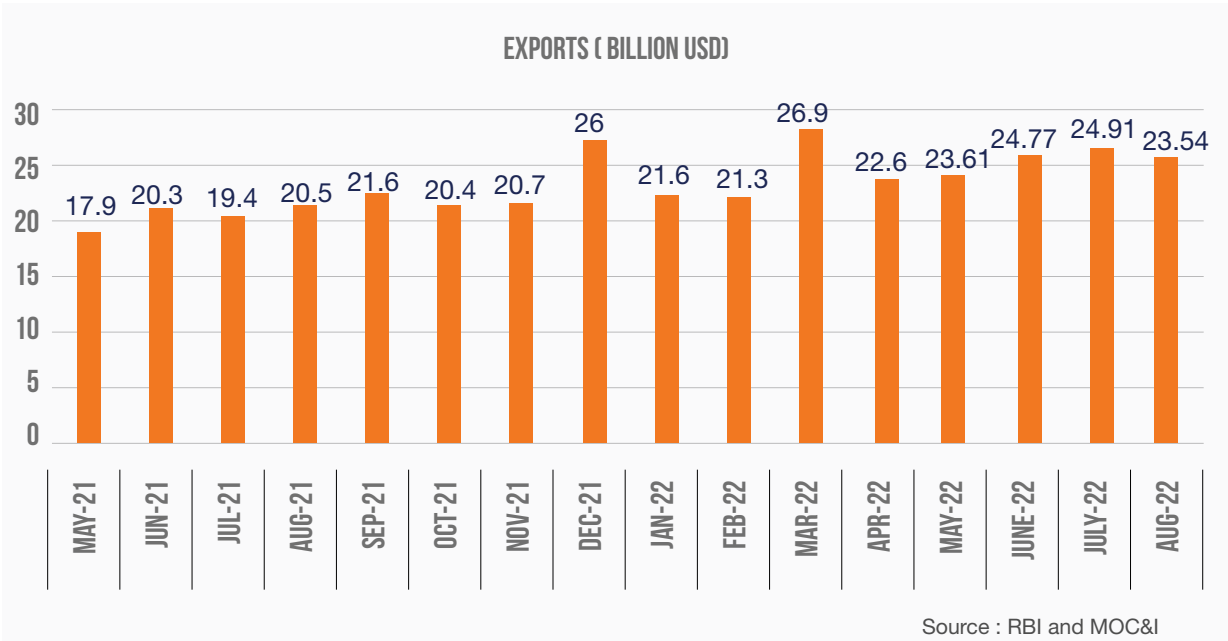


Fig: Services Trade in August 2022

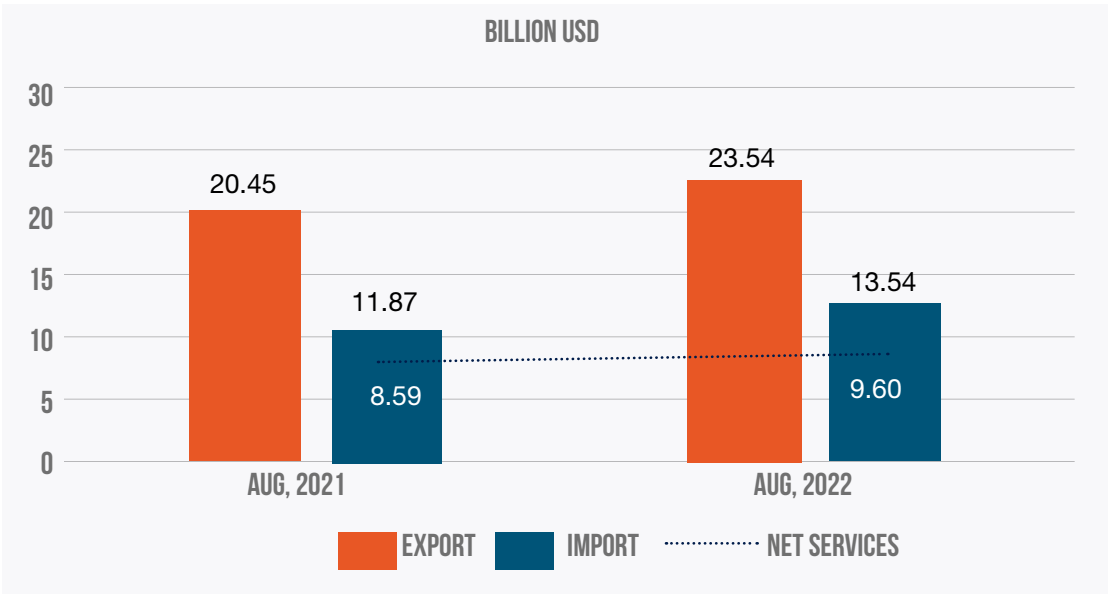
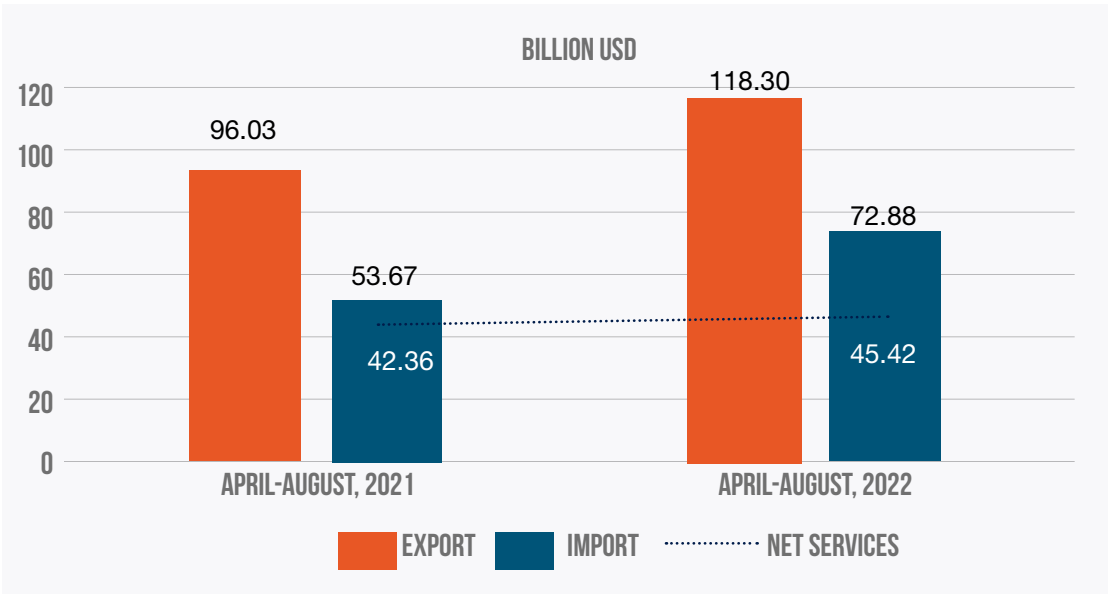


Fig: Services Trade during April - AUG 2022





Curtain Raiser to SANJEEVANI, India Heals 2022

The Third edition of India Heals “SANJEEVANI 2022” is being organized during 3-5th November 2022 supported by the Department of Commerce, Ministry of Commerce and Industry, and Government of India in partnership with the Services Exports Promotion Council (SEPC). In cognizance of the impact of the pandemic on the services sector, especially medical tourism and the healthcare sector, the Services Export Promotion Council under the Ministry of Commerce is propounding innovative ideas to augment and accelerate engagement.

At Sanjeevani, the focused Buyers Seller Meets shall bring together the stakeholders from over 40 countries, they will meet with reliable NABH / JCI accredited hospitals, wellness centers and AYUSH Centers. Foreign Buyers will also visit these establishments to experience first-hand the prowess of the Indian Healthcare Sector. Mainstreaming traditional Medicine in healthcare is the vision of SANJEEVANI 2022. Ethical and state of the art healthcare practices the world yearns for will be strengthened through SANJEEVANI.

Services Export Promotion Council organized the curtain raiser for SANJEEVANI - India Heals 2022 on the 25th of August, 2022 at Diwan-I-Am, Hotel Taj Mahal in New Delhi. The curtain raiser was a prologue to the much-awaited event SANJEEVANI - India Heals 2022 to promote India as a destination for credible and holistic healthcare. This curtain raiser was graced by eminent and distinguished Healthcare Industry experts, leaders, Senior Govt Officials from respective Ministries, Senior Diplomats from the Foreign Missions in India and other stakeholders.



The curtain raiser event was graced by distinguished personalities including Dr. Naresh Tehran, CMD of Medanta, Dr. Arvind Lal, MD, Lal Path Labs, Shri. Vaidya Rajesh Kotecha, Secretary, Ministry of Ayush, Dr. Atul Mohan Kochhar, CEO, NABH, Dr. Anupam Sibal, Medical Director, Indraprastha Apollo, Dr. Upasana Arora Healthcare Services Panel Head, SEPC and Director Yashoda Super Specialty Hospital, Dr. K R Balakrishnan- Heart and Lung Transplant Surgeon, MGM Hospital, Chennai and Vice Chairman, SEPC, Mr. Karan Rathore and DG SEPC, Dr. Abhay Sinha.



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IN the NEWS

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INDIA SERVICES PMI: AUGUST 2022

The S&P Global India Services PMI increased to 57.2 in August 2022 from July's four-month low of 55.5, and above market consensus of 55. The latest reading was the 13th straight month of expansion in the sector, amid a faster rise in both output and new orders, while employment rose to the fastest pace in over 14 years. On the price front, input price inflation eased to an 11-month low. Meanwhile, output cost inflation was solid and broadly similar to that seen in July. Looking ahead, sentiment strengthened to an over four-year high, amid ongoing improvements in demand and planned marketing. **source: Markit Economics**

HEALTHTECH START-UPS PUSHING THE GROWTH OF PREVENTIVE HEALTHCARE IN INDIA.

India's preventive healthcare sector is projected to reach \$197 billion by 2025. Growth is led by the increasing number of start-ups leveraging technologies such as cloud computing to build and scale their applications, internet of things (IoT), data analytics, artificial intelligence (AI), and machine learning (ML), finds the latest report by Redseer Strategy Consultants in collaboration with Chiratae Ventures and Amazon Web Services (AWS). Preventive healthcare which includes fitness and wellness, foods and supplements, early diagnostics, and health tracking among others recorded a compounded annual growth rate (CAGR) of 22 per cent. "Start-ups are known for their ability to invent new solutions that address society's problems and inefficiencies, and the digital transformation happening in India's healthcare sector is an

example," said Kumara Raghavan, Head-AWS Startups India, Amazon Internet Services Private Limited. More than 40 preventive healthcare technology ("Health-Tech") start-ups have raised approximately \$1 billion in funding over the last three years to tap the preventive health opportunity across segments such as nutrition management, condition management, lifestyle monitoring, health checkups, and mental and physical wellness, said the release. "Start-ups can unlock the potential of preventive healthcare in India by focusing on the 3As — awareness, accessibility, and affordability for consumers. Creating more health-conscious individuals (HCIs), tapping into existing ones, and leveraging partnerships with corporates, providers, and insurers are ways that can help move in this direction," said Amitabh Kumar, Senior Manager, Redseer Strategy con-

sultants. Redseer's report also said that not only start-ups, but diversified corporates and healthcare businesses are entering the preventive health space by partnering with start-ups or building their own programmes and digital platforms. The Indian consumer is expected to benefit from the shift from curative to preventive, with the delivery of better health outcomes and lower healthcare costs. "India is looking to effectively deliver quality healthcare to a billion people through rapidly evolving technology that can provide affordable, accessible, and personalised healthcare. We have invested over \$150 million in healthcare companies in India that are revolutionising care delivery in nutrition and wellness, cancer, genomics, and other critical areas," said Sethi, Founder, and Chairman, Chiratae Ventures.

FOREIGN TOURISTS MIGHT SOON START GETTING GST REFUND FOR LOCAL SHOPPING

As per a latest development, the government will soon start a pilot project, under which goods and services tax (GST) paid by foreign tourists visiting India will be refunded, as part of a move to implement a measure that is there in the statute. As regarding the GST, it's the Integrated GST Act that was enacted five years ago, and provides for refund on goods, which are to be taken out of the country by a tourist, who is not a resident of India, and has been in the country for not more than 6 months for non-immigrant purposes. If reports are to go by, most countries follow a system of GST or VAT refund for tourists for consumption outside the country, as taxes are typically not exported, which is a principle followed in duty-free shops at airports as well. Referring to this, government sources added that with the GST regime settling down, the Centre is in the process of setting up the said pilot, which will initially involve outlets, such as the Cottage Industries Emporium and, based on the experience, it will be expanded. With regard to this, tax experts are of the view that several changes will be required to implement the said plan and that it will take time. To start with, even for a pilot, the rules to operationalise the project will need to be put in place, whereas the invoicing system will also require updating, which will likely require tweaking the GST Network architecture. Experts added that the system needs to be fool proof to make sure there is no potential misuse. The machinery provisions to enable foreign tourists to claim a refund of the GST paid on eligible purchases of goods, should be drafted very carefully to ensure that there is no misuse of the provisions, while foreign tourists get a quick refund on their eligible purchases without too much paperwork, stated a professional in the know-how.

SPIRITUAL TOURISM IS BOOMING IN INDIA POST-PANDEMIC

Devotees and tourists are flocking back to shrines across the country. Extended weekends, and improved connectivity have eased the way for those who want to pay their respects, show gratitude and to invoke blessings. Number of visitors to these religious places has more than doubled. The number of visitors to these religious places has more than doubled. For instance, Kerala based Guruvayur, dedicated to the Lord Guruvayurappa has seen visitor numbers almost double. "Normally, the increase in visitors begin after August 15 with the start of the auspicious month. This time even the lean months of March, April and July saw a daily increase. This month we are seeing 6,000-7,000 visitors every day against 4,000 a day pre-pandemic, said VK Vijayan, chairman of Guruvayur Devaswom. Some of the top religious spots are Char Dham Yatra , Do Dham, Vaishno Devi temple, Venkateshwara Temple , Golden Temple, Ajmer Dargah Sharif, and Velankanni Church. The hospitality sector is also looking to increase its footprint in this segment, say experts. "We have a strong presence across the country's pilgrimage spots such as Amritsar, Ajmer, Tirupati, Katra, Varanasi, Nashik, Haridwar, Rishikesh and Dwarka, said Deepika Rao, executive vice president, Indian Hotels (IHCL). Occupancy in these locations have spiked, of late: IHCL says it is seeing occupancy above 90% in Tirupati, and over 60% in markets such as Ajmer, Amritsar, Rishikesh and Haridwar. Amritsar looks set to book as well, says Kamaljit Singh, general manager, Hyatt Regency, Amritsar: "We are expecting a spike from NRIs, especially from Canada, Australia and Singapore for Darbar Sahab visit in Q4 of 2022."

CABINET ENHANCES ECLGS SCHEME FOR TRAVEL, HOSPITALITY SECTOR BY RS. 50,000 CRORES.

Union Cabinet has approved Emergency Credit Line Guarantee Scheme (ECLGS) worth Rs 50,000 crore for hospitality, travel and tourism sectors. The overall ECLGS allotment has been hiked from Rs 4.5 lakh crore to Rs 5 lakh crore, Union Information and Broadcasting Minister Anurag Thakur noted. "Cabinet approved enhancement of limit of emergency credit line guarantee scheme by Rs 50,000 crore for travel, tourism and hospitality sector," Thakur noted. He further mentioned, "For that, excessive additional guarantee will be given. The corpus will be given by the Central government that will be Rs 7,500 crore for this year." The additional amount has been earmarked exclusively for hospitality and allied sectors till March 31, 2023. As of August 5, loans worth around Rs 3.67 lakh crore have been sanctioned under ECLGS, which is a continuing scheme implemented for tiding over the COVID-19 crisis. CLGS allocation towards the sector has been increased to counter severe disruptions triggered by the coronavirus pandemic. Besides this, the additional allocation is also aimed at incentivising lending institutions to provide additional credit of up to Rs 50,000 crore at low cost so that the sector can meet its operational liabilities. It further stated that the revival of hospitality sector and allied industries is necessary since they provide large number of jobs and, in turn, help in aiding overall economic recovery.



SERVICES EXPORT PROMOTION COUNCIL
Setup by Ministry of Commerce & Industry, Govt. of India

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