FOREIGN DIRECT INVESTMENT IN SERVICE SECTOR

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ABSTRACT

This paper provides an overview of the Indian services sector. It shows that services is the fastest growing sector in India, contributing significantly to GDP, GDP growth, employment, trade and investment. Labour productivity in services is the highest and it has increased overtime. India is a major proponent of liberalizing services both in the WTO and in its bilateral trade agreements. However, there are some concerns. Economic growth has slowed down. Growth in employment in services has not been commensurate with the share of the sector in GDP. A large part of the employment is in the non-corporate or unorganized sector, with limited job security. Although India is portrayed as a major exporter of services, its rank among WTO member countries in services exports is lower than that of China’s and its export competitiveness concentrate in few sectors and a few markets. The paper identifies a number of barriers faced by the services sectors and suggests policy measures, which, if implemented, will lead to inclusive growth, increased productivity, generate quality employment, increase trade and investment, and enhance India’s global competitiveness in services.

KEYWORDS: Services, Employment, Productivity, Trade, Investment.