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INVESTMENT OPPORTUNITIES IN PRODUCTION AND SERVICE SECTORS IN INDIA

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ABSTRACT

The fastest growing sector in India, contributing significantly to GDP, GDP growth, employment, trade and investment. Labor 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.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, Trade Agreements and India.

OBJECTIVES

- To know the investment pattern of the Indian retail equity investors in general and investment preferences, risk-return perceptions to a limited level and;
- To analyze the level of importance assumed by the retail equity investors on various investment objectives based on the socio economic variables and selective investment profile factors viz., like liquidity, quick gain, capital appreciation, safety and dividends on various classes of investors based on demographic factors.
- To reveal findings, suggestions and give final conclusions based on the analysis

INTRODUCTION

India is among the fast growing economies in the world.According to the International Monetary Fund (IMF), in 2010, India's gross domestic product (GDP) grew at 10.6% compared to 10.4% of China, an average growth rate of 9.7% in developing countries within Asia and 7.5% average growth rate in emerging and developing economies. Although growth rate slowdown substantially in 2011 to 7.2%, it was still higher than the average growth rate of emerging economies (6.2%). Services sector has been a major contributor to India's GDP and growth (Bhattacharya and Mitral 1990). It is the second largest employer after agriculture. India's trade in services have increased overtime

FOREIGN DIRECT INVESTMENT (FDI) INFLOWS AND OUTFLOWS

The growth of India's services sector, its contribution to GDP, and its increasing share in trade and investment has drawn global attention. Unlike other countries, where economic growth has led to a shift from agriculture to industries but in India, there has been a shift from agriculture to the services sector. In this respect, some economists (Ansari 1995) consider India as an outlier among South Asian countries and other emerging markets. Contending this view, Gordan and Gupta 2003,Banga 2005 and Jain and Ninan 2010 have pointed out that India is not an outlier as the share of services sector in GDP has increased with rise in per capita income. Kochhar ET. al. 2006 argued that India as negative outlier in 1981 compared to other emerging markets as the share of services in value added and employment was below that of other countries. After the economic reforms of the 1990s, services sector grew and in 2000 India became a positive outlier in terms of the share of services in value added but continued to be a negative outlier in terms of its share in employments.

In India, growth in services sector has been linked to the liberalization and reforms of the 1990s. In the first three decades (1950s to 1970s) after India's independence in 1947, GDP grew at an average decadal growth rate of less than four per cent. India was largely an agrarian economy. The share of services sector was small and a large number of services were government monopolies. Services sector started to grow in the mid-1980s but the growth accelerated in the 1990s when India initiated a series of economic reforms after the country faced a severe balance of payment crisis. Reforms in the services sector were a part of the overall reform process, which led to privatization, removal of FDI restrictions and streamlining of the approval procedures, among others.

The objective of this paper is to provide an overview of the Indian services sector. It identifies the major barriers faced by the sector and provides policy recommendations which if implemented will lead to inclusive growth, increase productivity, generate quality employment and increase trade and investment. Section I provides an overview of the services sector in India, focusing on its contribution to GDP, GDP growth and employment. It also presents future growth projections. Section II examines India's trade and investment in services. Section III discusses India's negotiating position in services in the WTO and bilateral trade agreements. Section IV presents the barriers faced by the services sector in India and provides policy recommendations. The last section v draws the main conclusions

INDIAN ECONOMY OVERVIEW

According to the Economic Survey 2009-10, the Indian economy is expected to grow at 7.2 per cent in 2009-10. The expected growth comes on the back of the growth momentum witnessed in 2009-10 estimates, when the economy recorded a GDP growth of 7.9 per cent as against 7.5 per cent in the corresponding quarter of 2008-09. The industrial and the service sectors are growing at 8.2 and 8.7 per cent respectively, as per the advance estimates of gross domestic product (GDP) for 2009-10, released by the Central Statistical Organization (CSO).

POWER GROWTH PERSPECTIVE

Today, India can well be identified as an energy guzzler. The demand for power is growing exponentially and the scope of growth of this sector is immense. India's power supply-demand gap has averaged between 8 and 10 per cent over the last decade where electricity access exists. By 2012, India's energy requirement to touch 975,222 MU (and peak demand 1,571,070 MU) an increase of 31.9% and 44.3% respectively from the current demand. India's grid-connected over generation capacity will need to scale from 148GW currently to 460GW by 2030 while the country's primary energy demand is expected to grow from 400 million tons of oil equivalent to well over 1,200 million by 2030. It is feared that by 2030, the country will import 94% of its petroleum requirement.

RENEWABLES IN INDIA: POTENTIAL & PROSPECTS

India is the forth largest country with regard to installed power generation capacity in the field of renewable energy sources and much is waiting to be discovered by it. Wind, Hydro, Biomass and Solar are main renewable energy sources. India has tremendous potentialities to harness the much-needed energy from renewable sources and considered as one of the ideal investment destinations for renewable energy equipment manufacturers and service providers. Wind energy has posted the highest growth. India could become top player in world's solar market. India intends to provide a reliable energy supply through a diverse and sustainable fuel mix that addresses major national drivers. These include security concerns, commercial exploitation of renewable power potential, eradication of energy poverty, ensuring availability and affordability of energy supply and preparing the nation for imminent energy transition and of Opportunities

INDIA-LAND OF OPPORTUNITIES

- Sustained economic growth
  - ➢ 5.7% p.a. during last 10 years
  - ➢ 8.1% projected for 2003-04
  - ➢ 5% p.a. up to 2050 (Study by Goldman Sachs)
- Fourth largest economy globally in terms of purchasing power parity (PPP) with GNP of US $ 2.91Trillion (2001-02)
- Tenth most industrialized country
- Well-developed Banking system of over 66,000 branches, moving rapidly towards ICT integrated core banking/net banking

- Vibrant capital market comprising of 23 stock exchanges with over 9000 listed companies. National Stock Exchange (NSE) third largest in the world in terms of number of trades. Bombay Stock Exchange fifth largest
- FII investment of over US $ 5 billion since January 2003
- Foreign Exchange Reserves exceed US $ 105 billion
- Ranks 1st in terms of prevalence of foreign technology licensing, 2nd in terms of availability of scientists and engineers, 9th in terms of quality of management schools, 12th in terms of firm level innovation and16th in terms of firm level technology absorption (World Economic Forums Global Competitiveness Report 2002-2003

YEAR WISE FDI INFLOWS IN INDIA

Year wise FDI inflows in INDIA (2000-2011)

YEAR	AMOUNT OF FDI FLOWS
2000-01	4029
2001-02	6130
2002-03	5035
2003-04	4322
2004-05	6051
2005-06	8961
2006-07	22826
2007-08	34835
2008-09	41874
2009-10	37745
2010-11	32901

Source: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry

Analysis: The total FDI flow from the year 2000 to 2011 is around million US $ 203709 (Rs.1100028.6 Crores). The FDI into education sector for during same period is 2051 Crores. This is only0.186% of total inflow. This is very small and an indication that FDI in education should been courage. The outflow of money from India through the expenditure incurred overseas on education by Indian students is $5.5 billion (about Rs 30,000 crore) a year, according to human resource development ministry estimates. Over 2.64 lakh Indian students are studying abroad. This annual outflow is far more than eleven years FDI inflow so Government need to address this problem. This is possible only if FDI flow increases and private organizations are encouraged to invest in higher education to revamp it to global standards.

CONCLUSION

At present 21 domestic and 18 foreign automobile manufacturers are active in the automobile industry of the country in manufacturing of automotive vehicles of different segments. Out of 21 domestic automobile companies of country only 3 were established in the period of liberalization i.e. 1991 onward. On the contrary out of existing 18 foreign automobile companies 16 were entered in the automobile sector of India on and after 1994. Most of the foreign automobile companies showed their interest in the manufacturing of cars and utility vehicles due to vast untapped potential in non-commercial vehicle segment of the country.

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