



SERVICES EXPORT PROMOTION COUNCIL
(Set up by Ministry of Commerce and Industry, Government of India)
www.servicsepc.org



सत्यमेव जयते

Govt. of India
Ministry of Commerce and Industry
DEPARTMENT OF COMMERCE
www.commerce.nic.in

MINISTRY OF DEVELOPMENT OF **NORTH EASTERN REGION**
www.mdoner.gov.in



International Chamber for Service Industry
Empowering Service Industry
www.icsiindia.in

POTENTIAL OF SERVICE SECTOR CATERING TO DOMESTIC & INTERNATIONAL DEMANDS

International Conference : Advantage North East India

Thur-Fri, 25-26 Feb, 2016, Radisson Blu, Guwahati (Assam)



SERVICE INDUSTRY: GLOBAL

Service Industry is one of the most prominent industries in the whole spectrum of industries contributing to the Gross Domestic Product (GDP) of a country. Today, with increasing globalisation, industrialisation and shrinking boundaries due to information technology, the scope to provide services is ever so increasing. The service sector is fast emerging as the top contributor to income of countries, besides contributing and promoting trade, exports, foreign direct investments (FDI) inflow and employment.

Services sector is the largest sector globally. A total of 63.5 per cent of the world's wealth is generated from the services sector. About 30 countries receive more than 80 per cent of their GDP from the services sector. In 2015, the services sector was one of the main growth drivers in the global trade market.

The World Economics Global All-Sector Sales Managers' Index (SMI) was recorded at 54 in December 2015, indicating a strong but slow growth rate of the service sector globally. The index is a composite indicator derived from the average of Business Confidence, Market Growth, Product Sales, Prices Charged and Staffing Levels.

SERVICE INDUSTRY: ASEAN

Some Facts:

- ASEAN is on its way to becoming the 4th largest economy by 2050
- ASEAN is more populated than Europe, with the world's 3rd largest labor force to give skilled manpower to the world.
- 67 million ASEAN households were in the consuming class in 2014; it could double to 125 million by 2025 due to rising consumerism
- India is the sixth largest trade partner for ASEAN
- Trade between India and ASEAN stood at US\$ 76.52 billion in 2014-15
- India's exports to ASEAN were US\$ 31.81 billion and its imports from the grouping were US\$ 44.71 billion
- ASEAN hosts 227 of the world companies with more than US\$ 1 billion in revenues, which is only 3 per cent of the world's total revenue
- ASEAN is the world's 4th largest exporting region, behind the EU, US and China
- Income differences between ASEAN member states are 7 times higher than the EU's having tremendous scope for growth and partnership.
- ASEAN aims at creating jobs, prosperity and a single production base to become more than just the sums of its 10 members

ASEAN Economic Community is the realization of the end-goal of economic integration as outlined in the ASEAN Vision 2020, to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a free flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020.

Free flow of trade in services is one of the important elements in realizing ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations.

S.No	Country NAME	Population	GDP(Million)	GDP(Balance of trade)	Merchandise Export	Service Export
1	INDIA	1295.292 Millions	2041085 millions	-3.29%	321596 millions	156209 millions
2	BRUNEI DARUSSALAM	0.417 Millions	14971 millions	40.37%	10509 millions	479 millions
3	CAMBODIA	15.328 Millions	16435 millions	-6.06%	10800 millions	4014 millions
4	INDONESIA	254.455 Millions	848025 millions	0.13%	176293 millions	23531 millions
5	LAO PEOPLE'S DEM.REP.	6.689 millions	11667 millions	-4.72%	2650 millions	781 millions*
6	MALAYSIA	29.902 millions	326.113 millions	11.04%	234139 millions	39484 millions
7	MYANMAR	53.437 millions	67628 millions	0.56%	11031 millions	2271 millions*
8	PHILIPPINES	99.139 millions	285098 millions	-3.85%	62100 millions	24837 millions
9	SINGAPORE	5.507 millions	301193 millions	24.98%	409769 millions	140433 millions
10	THAILAND	67.726 millions	405533 millions	6.57%	227574 millions	55295 millions
11	VIETNAM	92.423 millions	186599 millions	-0.82%	150475 millions	10970 millions

Source: UNCTAD Report: November 2015

Data is for 2014 except the * Data is for 2013

India-ASEAN trade stood at US\$ 76.58 billion in 2014-15, registering an average annual growth rate of 12 per cent from US\$ 44 billion during 2009-10. In terms of FDI flows, India has received US\$ 25 billion of FDI equity, while US\$ 31 billion of Indian equity has been delivered into ASEAN in the last seven years, thereby outpacing many other important regions across the world.

SERVICE INDUSTRY: INDIA

Services sector is the largest sector contributing to the economies of 194 countries. **With a 7.7 per cent growth in 2016, India has been projected to be a 'Star Performer' amongst the emerging markets**, according to Pricewaterhouse Coopers (PwC) report. Indian services sector ranks 10th globally in its contribution/ share to the 60 per cent contribution to the Gross Domestic Product (GDP) in 2014-15.

The Nikkei India Composite PMI (Purchasing Managers' Index) Output Index (seasonally adjusted), rose to a five month high to reach 51.6 per cent in December 2015 indicating that the services activity increased at an accelerated pace. (Source: <http://asia.nikkei.com/Markets/Nikkei-PMI/>)

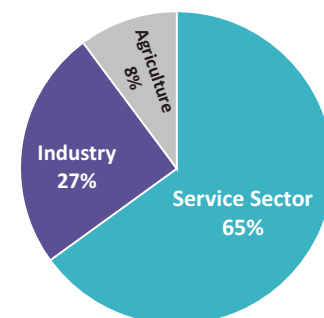
Sector data analysis for December 2015 shows that the headline **Manufacturing SMI** (Sales Managers Index) rose to 68.3, the fourth consecutive month that the index has increased. Meanwhile, the **Services SMI** rose for the fifth successive month to register 70.6. These index values indicate quicker and balanced economic growth for both sectors across the country, with the service sector continuing to drive the overall economic expansion.

Manufacturing and Services Sectors rose at faster rates Job creation was at its quickest pace since May 2014, in December 2015.

India's international trade in services (exports receipts) for the month of November 2015 was registered at US\$ 12,019 million, as per data released by the Reserve Bank of India (RBI) on January 15, 2016.

The services sector has attracted significant foreign investment contributing significantly to exports as well as to provide large-scale employment. The Indian services industry has received international accolades on various fronts like Four Indian cities (Wayanad, Rishikesh, Amritsar and Jaisalmer) have been listed in the top 100 quality hotel services index'. The e-Tourist Visa facility registered a growth of 635.8 per cent in tourist arrivals in December 2015 year-on-year (y-o-y).

Service Industry Contribution in Indian GDP



The economy of India is the tenth-largest in the world by nominal GDP and the third-largest by Purchasing Power Parity (PPP)

Source: The Economic Survey of India Report, 2013

SERVICE INDUSTRY: NORTH EAST REGION

Northeast India is the eastern-most region of India connected to East India via a narrow corridor squeezed between Nepal and Bangladesh. It comprises of the 7 contiguous States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura) and Sikkim. As per 2011 census the NER Region comprises 40 million population which is 3.1% of the total Indian population. According to the Study on Development and Employment Generation Potential of the North- Eastern States, between 2011 and 2021, the region will have only 2.6 million jobs and half of this demand will be in Assam alone, which is about 1,234,357 jobs. As opposed to the low demand, there will also be a supply of 17 million people in 2011-2022, an excess of 14 million job seekers. So there is a need for a twin approach for developing skills for both local Employment and Entrepreneurship for those who seek to migrate. With recent liberalization in the field of trade in services, Government of India has laid special emphasis on the economic trade and development in the North Eastern region.

ECONOMY US\$ 44.20 BILLION OPPORTUNITY

S.No.	STATES	GDP (US\$ Bn)	GROWTH RATE %	SECTOR WISE GDP (%)		
				Agriculture	Industry	Services
1	Arunachal Pradesh	2.20	4.8	28.2	32	39.8
2	Assam	26.44	6.9	23.8	23.5	52.7
3	Manipur	2.15	7.1	25	27.5	47.5
4	Meghalaya	3.38	8.9	14.9	31.4	53.7
5	Mizoram	1.28	10.1	19.4	20.1	60.4
6	Nagaland	2.45	5	27.5	17.2	55.4
7	Sikkim	1.83	7	8.1	58.9	33
8	Tripura	4.07	8.6	23.2	26.7	50.1

Sources: Planning Commission, Government of India, Centre for Monitoring Indian Economy, Government of India, Department of Industrial Policy and Promotion, 2013.

Services industry accelerates the process of development through quality improvement and enhancement with efficiency of productivity and developmental activities. Service sector is the lifeline for the social economic growth of a country especially in the North East Region of India with its difficult terrain. The NER's economy benefits from its geographical location as it prospers on services provided by industries like Tourism, Hospitality, Retail, Health Wellness, Media Entertainment, Handloom, Handicrafts etc. The influx of tourists in this region illustrates the contribution of services industry.

NE Service Industry Snapshot

S.No	STATES	Services 2013-14 (US\$ Million)
1	Arunachal Pradesh	686.05
2	Assam	13,489.66
3	Manipur	1133.94
4	Meghalaya	1811.55
5	Mizoram	820.02
6	Nagaland	1736.14
7	Sikkim	548.67
8	Tripura	2368.97

Source : NE Basic Statistics 2015 : Conversion as on August 1, 2014

ACT EAST POLICY

Commerce, Culture & Connectivity are the three major pillars of North East India's robust engagement with Asia. North East India is home to 45 million people and is surrounded by 5300 kms of international borders, which could easily be India's portal to the east. Given its geographic position, the richness of natural resources and the increasing focus on engaging with the east, the region could very well become the new growth engine for the country. India's North East Region (NER) is endowed with huge untapped natural resources and is acknowledged as the eastern gateway for the country's 'Act East Policy'.

Northeast India shares 98 per cent of its border with Bhutan, Bangladesh, China, and Myanmar; thus should be seen as a huge trade and commerce opportunity, besides fostering relations with ASEAN region following the 'Look East Policy'. The bilateral trade between India and the ASEAN countries along with China, Nepal, Bhutan and Bangladesh has been estimated at US\$ 152 billion during 2013-14. It has been forecast that India's bilateral trade with ASEAN countries, China, Bhutan, Nepal and Bangladesh will cross US\$ 1000 billion by 2035. Services industry accelerates the process of development through quality improvement and enhancement with efficiency of productivity and developmental activities and is considered to be the life line for the prosperous growth of North East Region.



ICSI Recommendations: Vision for North East Region contributing to ASEAN & Global Demands

- ICSI with its skill partner Galaxy Skills Finishing School (GSFS) has opened the first FINISHING SCHOOL in North East India at Guwahati, Assam. We propose to open more such Finishing School across NER and ASEAN region to develop quality human resource with direct employment and entrepreneurship opportunities.
- ICSI recommends Joint Research, Faculty Exchange, Student Exchange, organizing various Cultural Exchange Programs with focus on Human Resource Development for Employment and Entrepreneurship.
- Acknowledging the scope of Media Entertainment Industry in the NER, ICSI proposes to organize Talent Hunt, Roadshows, Conferences, Trade Fairs across India and ASEAN Region strategically channelizing NE Youth for Media Entertainment Industry.
- Realizing the tremendous potential of Niche Tourism (Youth, Cinematic, Health Wellness, Rural, Eco, Farm, Orchard, Cuisine Tourism) in the North East Region. ICSI proposes to organize Familiarisation FAM tours, various Tourism related Competitions, Cinematic Tourism Festivals, talent hunt shows, Single Window System within the North East Region and ASEAN countries.
- ICSI advocates to boost Service Industry Commerce & Trade thereby allowing manpower Exchange/Export in ASEAN Region.

KEY SECTORS FOR NORTH EAST REGION: SERVICE INDUSTRY

1 EDUCATION, SKILLS, EMPLOYMENT & ENTREPRENEURSHIP

According to the study on development and employment generation potential of the north-eastern states, between 2011-21, the region will have only 2.6 million jobs. As opposed to the low demand, there will also be a supply of 17 million people in 2011-2022, an excess of 14 million job seekers. The region will generate 2.6 million jobs, but the manpower supply will be 16.8 million persons. So there is a need for a twin approach for developing skills for both local employment and for those who seek to migrate.

2 AVIATION -TOURISM -HOSPITALITY INTEGRATED DEVELOPMENT

With reference to the Government's "Act East Policy" and the Vision 2020 document, which deals with the international facet of tourism promotion, the Northeastern region earmarks infrastructure-led tourism development as one of the primary hopefuls for revenue generation. A combined vision for tourism in the region is arguably the most important element for its successful implementation, indeed, its centrality is even acknowledged in the tourism policies of the Northeastern states. Thus, recognition of intra-state tourism will enable connectivity and communication links.

3. MEDIA ENTERTAINMENT (Radio, TV, Music, Films animation & Events)

Youth in the North Eastern states of India tend to be naturally inclined towards the media and entertainment industry and has presented active participation on a national level over the years. Activities related to singing, dancing, instrument play, etc. draw attention from the youth in these regions, where they've showcased remarkable results. To achieve economic prosperity, it is necessary to tap potential of these locals and provide them with a globally acclaimed platform.

4 HEALTH WELLNESS

India is generating approximately US\$ 600 million annually through spa industry alone. In comparison to the rest of India, the healthcare sector in the north-eastern region is yet to garner enough steam, due to the lack of healthcare infrastructural facilities and an acute paucity of trained medical professionals. The private sector is yet to etch its footprints in the region. Other than the urban areas of Guwahati, Dibrugarh and Shillong, the remaining state capitals, district headquarters, major towns and cities of the region are deprived of adequate healthcare infrastructure. Shortage of skilled talent is the single biggest bottleneck affecting the growth of the sector as well as the creation of healthcare access in India.

5 IT/ITES & TELECOM INDUSTRY - SEAMLESS NETWORK

The North Eastern region's technical framework comprises of Industrial Research Institutes, Training Organizations, Consultancy Organization and Testing Centers. Although plagued by unemployment, a majority of the unemployed are highly educated, computer literate, English speaking youths who could not find a suitable job due to the lack of industries in the region. A large chunk of the youths are now working in ITES-BPOs across the country. The fact that the North Eastern States have a legacy of missionary schools, where good English is taught is coming in handy for the industry and offers a huge potential for BPO firms.

CREATING AN INVESTMENT-FRIENDLY SCENARIO FOR THE ITES-BPO SECTOR IN THE REGION

- A single-window clearance system for new businesses operating in the ITES sector.
- An integrated and stable set of policies from the respective state governments.
- Create awareness of these integrated policies among administrators and bureaucrats responsible for giving approvals and clearances.
- Make procedures simpler and more transparent, backed by an efficient and comprehensive information system.
- ITES-BPO townships where the entire infrastructure requirements – manpower, telecom, connectivity, power, etc. will be made easily available.

6 RETAIL - LOGISTICS - HANDLOOM, HANDICRAFTS, HORTICULTURE & FLORICULTURE EXPORTS

For the self-sustained growth of the North East region, there needs to be a thriving entrepreneurial ecosystem which is able to take business strategies, contextualize them for local needs, and create systems of demand and supply for the area. Handloom and Handicrafts industry plays a dominant role in the cultural and economic development of the rural masses in majority of the North Eastern States. Over 53% of the looms in the country and more than 50% of the weavers belong to the north-east and bulk of the handloom output is contributed by people residing in hills and rural areas. Hence, handloom sector plays a significant role in the economy of the region. The States in the North Eastern Region of India also offer immense scope for exploiting the export potential of their horticulture products. These States have been producing substantial quantities of fruits and vegetables, which have considerable potential for exports to the international markets. With the integration of Indian Economy with the global markets, the potential of horticulture exports from this region can provide a huge competitive advantage in international trade in the coming years. The North Eastern Region has been producing many such products, which have a very high potential for supplying to the export markets in fresh and processed forms.



Concept, Planning & Management of Event by ICSI



Sh. B.K. Goswami, IAS (Retd.)
Founder Chairman ICSI

SPECIAL THANKS TO:

- Ministry of Development of North Eastern Region (MDONER)
- Ministry of Communications & IT - Department of Telecommunications
- Ministry of Tourism
- Ministry of Skills Development and Entrepreneurship
- Ministry of Human Resource Development



Government of India