Abstract

Indian economy has been documented as the best ever growing country in the world economy. Indian economy constitutes Primary, Secondary and Tertiary sectors. The overall development of the economy depends on synchronized development of each and every sector. People are depending on these sectors for productive employment and income generation. India has to be provided many possessions to its people from end to end the development of these sectors in terms of providing productive employment and income generation. There are greater potentialities for each sector in providing these needs in the long run. Presently service sector has been emerged as a major sector in providing productive employment, income generation, raising savings and it has become pioneer sector in the Indian economy. So the present study would be made an effort to study the growth potentialities of the service sector through attracting foreign direct investment in India.

1. INTRODUCTION

Services sector growth is governed by both domestic and global factors. The services sector, with around 52 per cent contribution to the Gross Domestic Product (GDP) in 2014-15, has made rapid strides in the past decade and a half to emerge as the largest and one of the fastest-growing sectors of the economy. The services sector is not only the dominant sector in India’s GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India’s services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate,
business services, community, social and personal services, and services associated with construction. Out of overall services sector, the sub-sector comprising financial services, real estate and professional services contributed US$ 305.8 billion or 20.5 per cent to the GDP. The sub-sector of community, social and personal services contributed US$ 188.2 billion or 12.6 per cent to the GDP. The third-largest sub-segment comprising trade, repair services, hotels and restaurants contributed nearly equal or US$ 187.9 billion or 12.5 per cent to the GDP, while growing the fastest at 11.7 per cent CAGR over the period 2011-12 to 2014-15.

2. REVIEW OF LITERATURE
The aspects of foreign direct investment in service sector and trends are analyzed by most of the studies and they are, Dr. Arjun Singh Sirari and Satpuli (2011) studied the need of FDI in India in retail sector and uses the augment that FDI is allowed in multiple sectors and the effects have been quite good without harming the domestic economy and the study also suggests that FDI in retail sector must be allowed. Priya Dwivedi and Jyoti Badge (2013) studied a positive and significant impact of foreign capital inflows on Indian economy and also demonstrated a positive impact of the FDI on the GDP in service sector. Arpita Mukherjee (2013), in her study focused on the service sector and assessed the labor productivity, and was projected to continue to grow at a fast pace. Dr. M. Sumathy and L.S. Sridhar (2014), in their study investigated the Foreign Direct Investment (FDI) inflows in India in service sector. The study was used the time series data of FDI along with GDP (Service Sector) the research attempts the FDI and its impact in GDP. The analysis had been revealed that Foreign Direct Investment has positive and significant impact on GDP.

3. OBJECTIVES OF THE STUDY
The present FDI statistics reveals the major significant role in making changes in the Indian economy. The major noteworthy changes can be seen in terms of numerous macroeconomic variables. FDI is an essential requirement for the development as an external non-debt capital inflow in the modern economies. The service sector draws an attention by making added contribution to GDP and also attracting additional FDI inflows as compared to the fundamental sectors of the economy. It is also important to assess the future and contemporary changes in the service sector as a result of FDI inflows and can be helpful for policy implications. The following are the objectives of the study.

- To study the growth trends of foreign direct investment in Indian economy.
- To examine the contribution of foreign direct investment to service sector in India.

4. THE GROWTH TRENDS OF FOREIGN DIRECT INVESTMENT IN INDIAN SERVICE SECTOR
The enormous India’s population is still looked-for productive employment and income generation. The service sector has this potentiality to fulfill these needs. In order
to provide more potentialities to the service sector investment is needed domestically. There is a shortage of domestic investment to boost the service sector and necessarily has to bring the foreign investment. If looks into the present trend in foreign direct investment the service sector is not lagging behind in attracting foreign direct investment. Proper policy measures can attract more foreign direct investment in India. It is important to note that there is a greater ability of the service sector in Indian economy. India is the second fastest growing service sector as per the economic survey. In India, the growth of service sector GDP has been higher than that of overall GDP during the period from 2001 to 2014. The service sector has 9 percent of its compounded annual growth rate and is just below China’s 10.9 percent during the last 11 year period from 2001 to 2012. As per Economic Survey 2013-14 Russia had been recognized a distant third with 5.4 percent. During 2012, among the World’s top 15 countries in terms of GDP, India ranked 10th in terms of overall GDP and 12th in terms of services GDP. It is earmarking that, services share in world GDP was 65.9 percent and its share in employment was 44 percent in 2012. According the economic survey of Indian 2013-14, services constitute a major portion of India’s GDP. It has 57 percent share in GDP at factor cost (at current prices) in 2012-13, an increase of 6 percent points over 2000-01. During 2013-14, services GDP growth at 6.8 percent was above the 4.7 percent overall GDP growths. On the other hand, robust growth was seen in financing, insurance, real estate and business services at 12.9 percent. FDI inflows to the service sector declined sharply by 37.6 percent compared to an overall growth in FDI inflows at 6.1 percent. India’s share in world services exports, which increased from 0.6 percent in 1990 to 1.1 percent in 2000 and faster than its share in world merchandise exports according to the economic survey. Exports of software services accounted for 46 percent and during 2013-14 India’s exports of financial services registered a high growth of 34.4 percent. Software and telecom had been given a brand image in services in Indian economy. Further focus is needed on the services to retain high employment linkages.

There is a greater opportunity for investors to invest in tourism, hospitality, port, railways, business activity, aviation and shipping and other sectors in India’s service sector. These sectors are also can attract more foreign investments and can create productive sustainable employment in India. The service sector had been attracted 18 percent of foreign direct investment during 2013-14 and it is the highest among the other sectors. There is a positive growth in inflow of foreign direct investment in India. There is a need of further inflow of investment from foreign countries to add an additional value to the Indian economy in terms of achieving high growth rates with sustainability. So the present study has been made an effort to study the growth potentialities of the service sector through attracting foreign direct investment in India.

5. CONCLUSION

Foreign Direct Investment has been treated as a power booster of the service sector in India. There is a drastically positive change in the macroeconomic factors such as
employment, income, savings, and reinvestment of profit as a result of foreign direct investment inflows into the service sector. There is a complementarily and supplementary between the sectors and policy should by formulated for the simultaneous development of other sectors by encouraging huge foreign direct investment inflows.

6. REFERENCES


