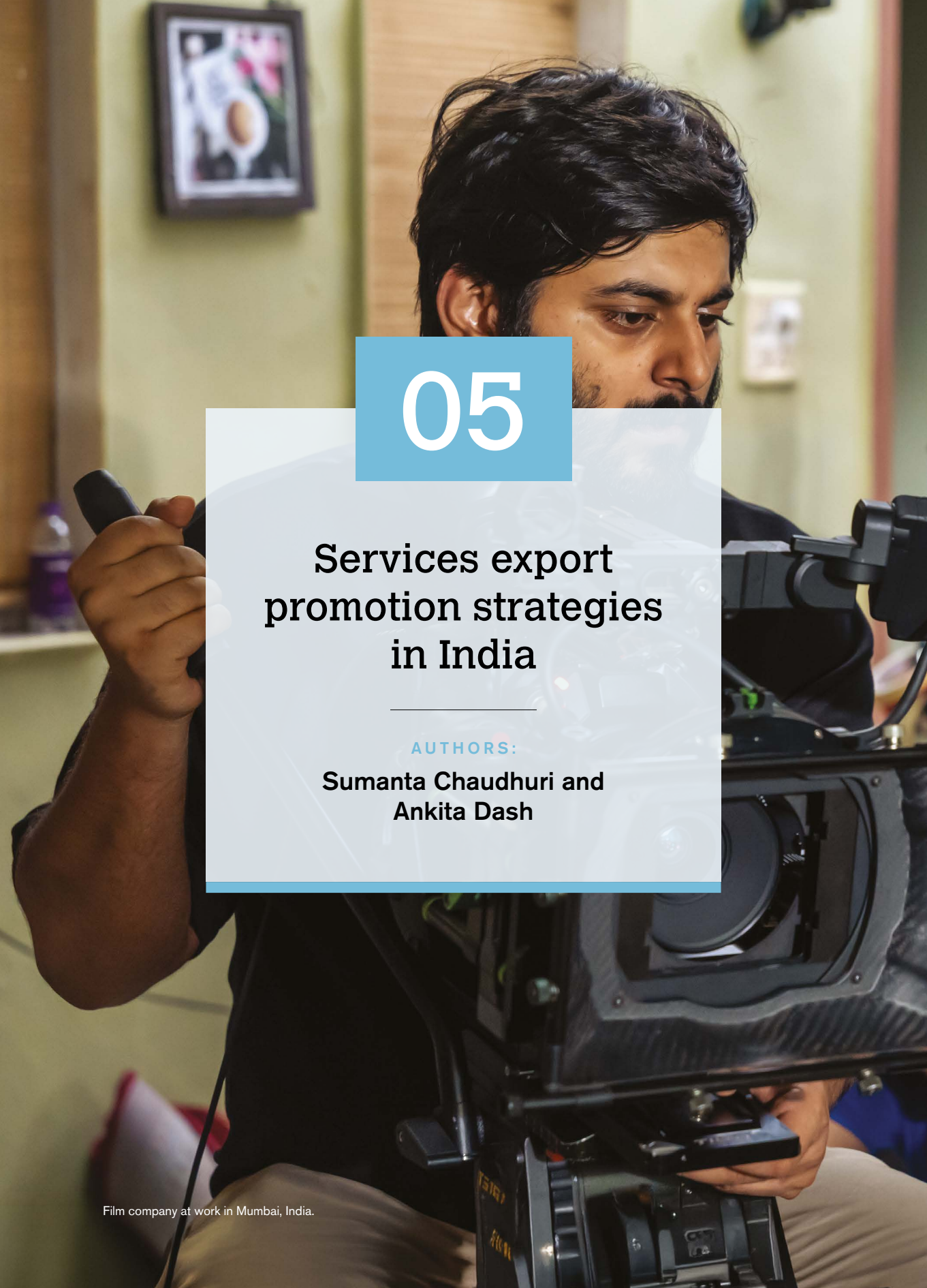


A man with dark hair and a beard is operating a professional video camera. He is looking through the viewfinder. The background is a film set with a framed picture on the wall and a water bottle on a shelf.

05

Services export promotion strategies in India

AUTHORS:

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Abstract

The services sector in India has been the most important sector of the economy since the country undertook the path to liberalization in the 1990s. India's services sector exports grew at a compound annual growth rate (CAGR) of 9.2 per cent between 2005 and 2024 (WTO), making India one of the top seven services exporters in the world, in terms of value as well as growth rate. This study aims to assess the strategies for promoting services exports in India by analysing the role of institutions, private sector collaborations and the country's overall policy framework for services.

The focus of the study is an in-depth analysis of two sectors – computer and related services and media and entertainment-related services. The main objective is to identify the critical elements of India's support strategies for services export development and to suggest actionable insights for services export capacity-building, investment flows and skills mobility that can be replicated by other economies.

Key points

Main elements of India's export promotion strategy:

- Historically, unequal focus on services trade vis-a-vis merchandise trade, with the latter experiencing better financial incentives, institutional support and a stronger micro, small and medium enterprise (MSME) base. Distinctive services trade promotion introduced to foreign trade policy (FTP) since the 2000s.
- Sequenced and progressive sectoral liberalization of foreign direct investment (FDI) along with concurrent setting up of semi-independent regulatory authorities in the liberalized sectors (telecom, insurance, capital markets, etc.).
- No overarching single nodal agency or industry body overseeing all subsectors of services exists to date.
- Focus on complementary infrastructure such as digital infrastructure, including data centres, high-speed broadband and nationwide fibre optic networks.
- Emphasis on technical and managerial education and requisite skills training.

Main achievements and impacts:

- India's share in world commercial services exports rose from less than 2 per cent in 2005 to 4.5 per cent in 2024. India's commercial services exports constituted 46.7 per cent of its total exports in 2024, compared to 34 per cent in 2005.
- India's growth of digitally delivered services exports experienced a rapid rise at a compound annual growth rate of 11.61 per cent in 2005–2024 (WTO estimates) and has become the predominant means of services delivery for India's exports.
- FDI inflows to India have witnessed a steady rise, from US\$ 36.05 billion in 2013–2014 to US\$ 81.04 billion (estimated) in 2024–2025 with the services sector being the top recipient of FDI.

- India's computer and related services exports are a global success story.
- The Indian media and entertainment (M&E) sector has been experiencing robust growth in recent years but still far below its potential.

Addressing challenges:

- Balancing openness with domestic capacity building has prevented the adverse effects of sudden liberalization in developing economies and ensured sustainability of service-led growth.
- Strategic investment in digital infrastructure has reduced transaction costs, supported remote delivery and allowed firms to connect seamlessly with global clients.
- Focus on the quality of workers' education and training has helped India maintain export competitiveness and generate spillovers into entrepreneurship, startups and innovation ecosystems.
- Government support for plug-and-play studios, incubation centres and incentives for exporters have lowered set-up costs.

Good practices:

- 100 per cent FDI liberalization of selected services sectors with concomitant regulatory mechanisms.
- Incentives sought to be more outcome oriented rather than input subsidy based.
- Sector-specific strategies developed – special economic zones (SEZs) and Software Technology Parks of India (STPI) hugely facilitated exports of information technology (IT) and consulting.
- Recent focus on Global Capability Centres (GCCs) involving largely digital delivery.
- Tapping non-metropolitan regions for setting up facilities and attracting local talent for cost arbitrage and inclusive growth.
- Dedicated e-commerce export policy through creation of e-commerce hubs, automation and paperless trade.

Introduction

The services sector has been the singularly most important sector of the Indian economy since the country's liberalization in the 1990s. As India aspires to become the world's third largest economy (in nominal terms) by 2030, India's services sector, termed as the "Old War Horse" of the economy, is its main growth engine. It is the largest contributor to India's gross domestic product (GDP) and plays a pivotal role in driving employment, investment flows and exports. Hence it becomes an imperative for India to develop carefully planned strategies for each segment of the services sector for sustainable growth, balanced development and long-term gains.

The objective of this study is to identify the key components of India's strategy towards promoting services exports growth and to highlight the key actions for services export capacity-building, investment flows and skills mobility thus far.

This study further aims to analyse the role that institutions, private sector collaborations and policy frameworks have played in accelerating India's services exports growth. It also emphasizes the best practices and identifies avoidable pitfalls as lessons for other developing economies. A case study approach has been undertaken to scrutinize two vital services subsectors of the Indian economy – computer and related services and M&E services – in greater depth.

Computer and related services are one of the most successful subsectors in India and have

contributed immensely to establishing India's position as a global leader in services exports and in attracting FDI. Powered by a large and skilled workforce, low-cost services delivery, government support and innovation, this subsector will be studied extensively to understand the key factors of success.

The second subsector – media and entertainment – includes AVGC-XR (animation, visual effects (VFX), gaming, comics and extended reality (XR)). This sector holds a lot of promise for the future, especially fuelled by India's talent pool, growing culture of innovation and digitalization, and rapidly growing demand in diverse industries such as entertainment and education. The advent of artificial intelligence (AI) is also expected to provide a boost to this subsector's growth and transformation.

This chapter is structured as follows – the first part provides an overview of the trends and features of overall services trade (including FDI dynamics) in India. The next part outlines India's overall strategy for promoting services exports with key players, including the challenges and policies they face. Subsequently, various skills development initiatives are examined. Two case studies are then presented, each one on the chosen subsectors in focus. The chapter concludes with lessons that have been learnt from India's experience in promoting services exports.

Services exports and FDI dynamics in India

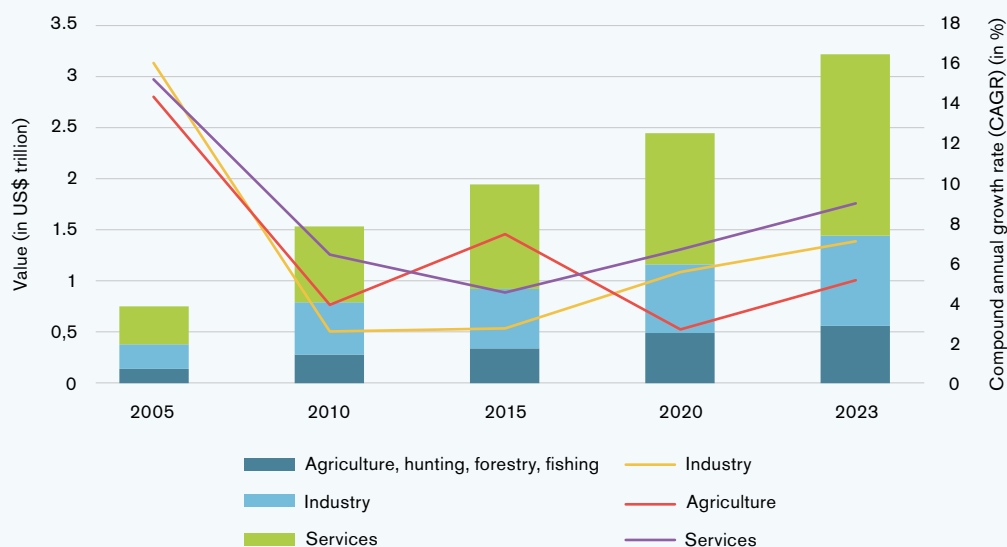
This section provides a brief overview of the services landscape in the Indian economy, in terms of its contribution to GDP, employment, FDI and exports.

Contribution of services to India's GDP

India's services sector has been the steadiest contributor to its GDP with its share of value

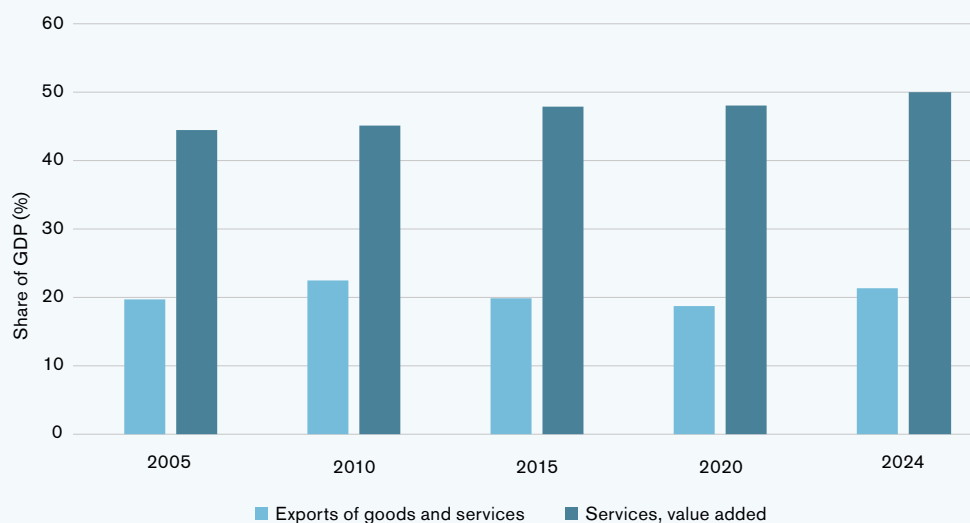
added at current prices reaching 55 per cent in FY24, up from roughly 50 per cent in FY14 (see Figures 5.1–5.2). In FY24, the services share of GDP was significantly greater than agriculture and allied sectors (16 per cent) and industry (24.75 per cent) in that financial year. The Indian services sector grew at a CAGR of 8.7 per cent between 2005 and 2023. According to the Indian government's Economic Survey 2024-2025,

Figure 5.1: Contribution of different economic sectors to India's GDP, 2005–2023



Source: UNCTADStat, World Bank World Development Indicators, and authors' calculations.

Figure 5.2: Goods and services exports and value added of services as share of GDP, 2005–2024



Source: UNCTADStat, World Bank World Development Indicators, and authors' calculations.

India's services sector recovered steadily from the pandemic, with higher growth than the industry and agriculture sectors, while industry (including manufacturing) was affected by the dampening of global merchandise trade. Figure 5.1 illustrates the sectoral contribution of agriculture, industry and services to India's GDP between 2005 and 2023.

Contribution of services to employment in India

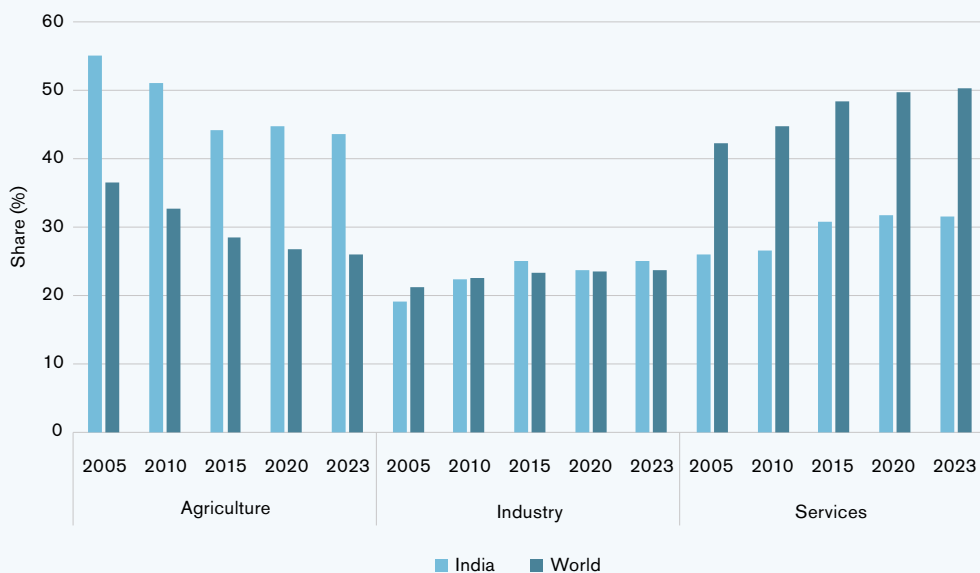
According to the International Labour Organization (ILO), India's services sector employed 31.5 per cent of the country's 565 million-strong workforce, compared to 43.5 per cent in agriculture and 25 per cent in industry (see Figure 5.3). In 2023, the services sector in India employed around 22.5 per cent of the female workforce as compared to the global average of 57.4 per cent. Regarding the male workforce, these figures stood at 34.9 per cent in India and 45.6 per cent globally.

With a large demographic dividend and rising aspirations among the workforce for better standards of living, labour productivity in India could experience dramatic growth by actively shifting its workers, especially female workers, from agriculture to industry and services (Thind and Singh, 2018). India's services sector is gradually transitioning towards emerging and innovative sectors, including technology and digital services, which will present a rising need for higher productivity, improved skills, and rapid industrialization.

Contribution of services to India's exports

While India's merchandise exports have been historically dominant in its trade profile, the growth rate of services exports has outstripped that of merchandise exports since the 2000s. Exports of commercial services grew from US\$ 52 billion

Figure 5.3: Share of labour force employed in agriculture, industry and services (2005–2023)



Source: ILO World Employment and Social Outlook Data Finder, available at <https://www.ilo.org/wesodata>.

in 2005 to around US\$ 375 billion in 2024 at a CAGR of 10.4 per cent, compared to 7.8 per cent for merchandise exports over the same period (see Figure 5.4). India's share in world commercial services exports rose from less than 2 per cent in 2005 to 4.5 per cent in 2024. In 2024, India's commercial services exports constituted 46.7 per cent of India's total exports, up from 34 per cent in 2005 (World Bank 2012).

In 2024, India ranked sixth globally in commercial services exports, behind the European Union, the United States, the United Kingdom, China and Singapore. India's share in digitally delivered services exports globally increased to 5.8 per cent in 2024, up from 4.1 per cent in 2014 (WTO Stats).

According to WTO Stats – a portal with statistical indicators related to WTO issues – the top services exported by India (as a per cent of total commercial services exported) in 2024 were:

- Professional and management consulting services (33.6 per cent).

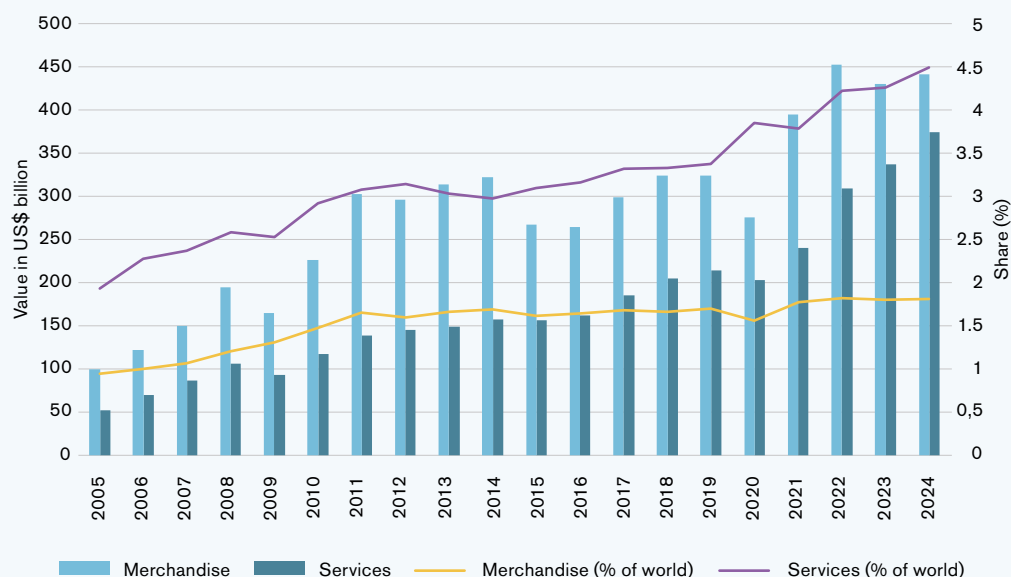
- Computer services (32.1 per cent).
- Travel (9.4 per cent).
- Transport (8.9 per cent).

These categories have consistently dominated India's services export profile since 2005.

Moreover, in terms of growth, professional and management consulting services have exhibited the highest CAGR of 14.45 per cent over the last two decades, followed by computer (10.5 per cent), transport (8.2 per cent) and travel (8.0 per cent). Thus, there is a heavy sectoral concentration in India's services exports and greater diversification is probably desirable.

In telecommunications, computer and information services, India commanded 10.2 per cent of the global exports market in 2024 and was the world's second-largest exporter in the sector in the same year, reflecting its strong position in IT outsourcing, software development and digital services. The role of GCCs in shaping India's digital services exports is discussed in Box 5.1.

Figure 5.4: India's exports performance (2005–2024)



Sources: UNCTADStat, World Bank Development Indicators.

Box 5.1: Global Capability Centres driving India's services industry and exports

GCCs (earlier known as Global In-house Centres or Captive Centres) are wholly owned offshore or nearshore units established by multinational corporations to perform strategic, technical and operational functions whilst also driving innovation and value creation. GCCs are a specific business model used by multinational corporations.

GCCs represent one of the most significant success stories of India's computer and related services exports. The Indian GCC market grew at a CAGR of nearly 11 per cent between 2015 and 2021. India is currently home to over 1,700 GCCs, with over two-thirds of the Fortune Global 30 and 174 of the Fortune 500 operating such centres in the country. India accounts for 17 per cent of the global GCC market, employing 1.9 million professionals in 2024. As per Ernst & Young estimates, India is expected to have 2,400 GCCs employing nearly 4.5 million professionals by 2030.

These centres that once primarily focused on cost-effective back-office operations have evolved into strategic hubs driving innovation, intellectual property (IP) creation, and digital transformation across various industries. Leveraging India's talent pool, Indian GCCs

are now at the forefront of developing AI models, engineering global cloud platforms and enhancing cybersecurity. Within GCCs, AI, including Generative AI, is increasingly embedded in core processes to boost productivity and enable new service offerings, ranging from automated content creation to intelligent decision support.

Cities like Hyderabad and Bangalore are the primary GCC hubs due to their strong infrastructure and talent pool. However, Tier 2 and Tier 3 cities,¹ such as Vishakhapatnam, Indore, Coimbatore and Nagpur, are also becoming increasingly popular due to lower operational costs, a skilled workforce and government incentives. These cities offer a growing IT ecosystem, less competition for talent and better work-life balance, making them attractive for companies looking to optimize costs and reduce pressure on metropolitan city operations.

A national framework and policy, piloted by the Confederation of Indian Industry (CII), is currently under active consideration. In July 2025, CII organized a dedicated business summit to advance discussions on this initiative.

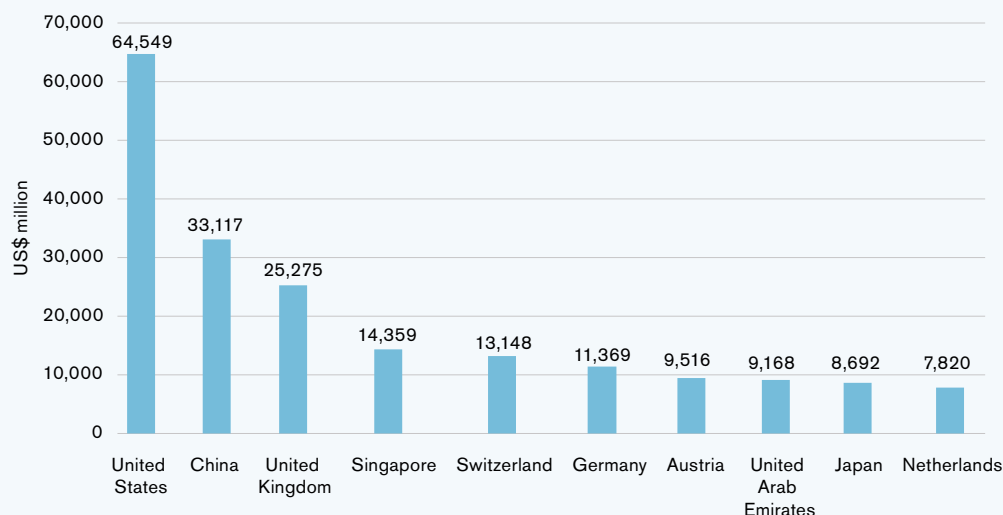
Source: Confederation of Indian Industry.

The subsectors where India has a tremendous scope to improve include charges for use of intellectual property (0.45 per cent of India's total commercial services exports), audio-visual and related services (0.49 per cent), insurance and pension services (0.95 per cent) and construction (1.19 per cent). In 2024, construction and audio-visual and related services exhibited the highest CAGR since 2005 at 13.78 per cent and 12.48 per cent respectively.

The destination markets for India's services exports are also currently limited and largely constrained

to English-speaking economies. Most of these economies are advanced and import a range of sophisticated services from India. According to the Organisation for Economic Co-operation and Development (OECD)-World Trade Organization (WTO) BaTIS database, the top five destinations of India's exports of commercial services since 2005 are the United States, China (including Hong Kong, China), the United Kingdom, Singapore and Switzerland (see Figure 5.5). These five destinations have collectively accounted for 44.2 per cent of India's total services exports since 2005.

Figure 5.5: Top destinations of India's commercial services exports in 2023 (in US\$ millions)



Source: OECD-WTO BaTIS.

Note: For the purposes of this chart, the value for "China" includes: China; Hong Kong, China; and Macao, China

India's exports of digitally delivered services have also witnessed a rapid rise in the past two decades, registering a CAGR of 11.61 per cent (WTO estimate). Digitally delivered services exports are projected to grow at a CAGR of 16.64 per cent between 2023 and 2033, reaching US\$ 1.2 trillion by 2033.²

Foreign direct investment in the services sector

FDI inflows have witnessed fluctuations over the past decade, rising from US\$ 36.05 billion in 2013–2014 to US\$ 81.04 billion (estimated) in 2024–2025.³ This represents a 14 per cent increase from US\$ 71.28 billion in 2023–2024.

The services sector has been the top recipient of FDI over the past two decades; this includes other business services, computer (software and hardware), trading, telecommunications and construction. The subsector that attracted

the highest share of FDI inflows was computer services (including hardware) which has been a consistent and increasingly growing beneficiary of foreign investment (see Table 5.1).

Among source economies for cumulative FDI equity inflows to India, Mauritius accounted for the largest share (25 per cent), followed by Singapore (24 per cent) and the United States (10 per cent).

The outward FDI (OFDI) from India has been fluctuating over the past two decades. According to the Reserve Bank of India (RBI), India's OFDI commitments have exhibited a massive surge, almost doubling to US\$ 25.6 billion in 2024–25, up from US\$ 14.29 billion in 2023–24. Key destinations for India's OFDI in 2024–25 were Singapore, the United States, Mauritius and the United Arab Emirates. The services sectors that witnessed the highest OFDI flows were financial services, insurance and business services, wholesale, retail trade, restaurants and hotels, and transport, storage and communication services (RBI).⁴

Table 5.1: FDI equity inflows to India (sector-wise) in US\$ million

Sector	Currency (Indian Rupee (INR) crores/US\$ million)	Cumulative equity inflows (Apr 2000–Dec 2024)	Share of total FDI equity inflows (%)
Services sector **	INR crores	7,47,413	16%
	US\$ million	116,723	
Computer software and hardware	INR crores	7,65,083	15%
	US\$ million	108,403	
Trading	INR crores	3,27,217	6%
	US\$ million	46,731	
Telecommunications	INR crores	2,40,778	6%
	US\$ million	40,036	
Automobile industry	INR crores	2,45,771	5%
	US\$ million	37,518	
Construction (infrastructure) activities	INR crores	2,54,631	5%
	US\$ million	35,715	
Construction development	INR crores	1,33,703	4%
	US\$ million	26,894	
Drugs and pharmaceuticals	INR crores	1,41,586	3%
	US\$ million	23,328	
Chemicals (other than fertilizers)	INR crores	1,40,411	3%
	US\$ million	22,949	
Non-conventional energy	INR crores	1,55,070	3%
	US\$ million	21,335	

Source: Reserve Bank of India.

Notes: Services Sector** includes other business services comprising financial, banking, insurance, non-financial/business, outsourcing, R&D, courier, tech. testing and analysis, other.

The placement of commas in the Indian numbering system is different from the international system and provides a visual cue to identify lakhs and crores, e.g., 10,00,000 (10 lakh), 1,00,00,000 (1 crore). 1 crore is a unit in the Indian numbering system equal to 10 million in the international system.

Overall strategy for services export promotion

This section presents India's overall strategy for services export promotion along with the concomitant challenges and covers the efforts of various key players in enhancing India's services exports performance.

Challenges

While India has established a structured framework for boosting services exports through policy initiatives, several challenges persist in developing a holistic and coherent services exports strategy.

- i) **Nature of services:** The inherent characteristics of services (intangibility, non-storability and the need for direct interaction between provider and consumer) have posed significant challenges for policymakers. These include difficulties in terms of standardizing or commodifying services, managing visas for cross-border movement of service providers and consumers, as well as addressing the sector's high dependence on human capital and technology.
- ii) **Dissimilar focus on services trade vis-a-vis merchandise trade:** India's trade policy has traditionally been overtly focused on goods trade. Reciprocal or equivalent measures for services trade in terms of incentives, infrastructure and institutional support are much weaker.
 - **Financial incentives:** Goods exporters continue to receive substantial, targeted support in the form of refunds in embedded taxes (on all goods exports), rebates on state and central taxes, levies (for example, on textiles and apparel), and production-linked incentive (PLI) schemes (PLI scheme for 14 sectors).
 - **Institutional support:** While goods have 14 active Export Promotion Councils (EPCs), there is only one overarching Services Export Promotion Council (SEPC) for the entire services sector. Similarly, there is a huge focus on technology and skills upgrading of MSMEs for manufacturing, while equivalent schemes are rarely designed for services MSMEs. The SEPC's performance has been limited in success in terms of export growth, membership expansion, market access and policy impact, as compared to its goods counterparts. Some major gaps include:
 - Low visibility among services exporters: many service providers are either unaware or do not engage with the SEPC as it lacks visibility and strong engagement with the exporter community.
 - Fragmented cooperation: the SEPC faces overlap with several ministries that often do not work together towards a unified goal of promoting India's services exports. The SEPC is also often not included in high-level trade negotiations, reducing its influence in key policy-making.
 - Limited resources: unlike its goods counterparts, the SEPC receives limited funding which in turn affects its ability to fund large-scale global campaigns.
- iii) **Absence of a services-centric institution:** There is no single authority or body allocated as a nodal point for services trade in India. While the Ministry of Commerce is responsible overall for international trade, services sectors are disaggregated and under the control of many ministries/agencies. Policy formulation is fragmented, with multiple ministries and agencies involved such as the Ministry of Commerce, Directorate General of Foreign Trade (DGFT), SEPC, India Trade Promotion Organisation (ITPO), Department for Promotion of Industry and Internal Trade (DPIIT), Department of Economic Affairs and the Ministry of Finance. State governments are also key stakeholders, as several services fall under the State List.

In addition, several service sectors have sectoral regulators such as in the case of banking, insurance, capital markets, telecommunications, entertainment and shipping. Given that services trade is broadly influenced by domestic regulations and policies which are formulated and implemented by the above-mentioned agencies – and unlike merchandise trade, which falls primarily under the DGFT – major coordination issues and differences in focus arise. Within the industry as well, there is no overarching and separate services coalition that can advocate and lobby holistically for services in critical policy-making.
- iv) **Lack of consistent data:** India's services trade data is still broad and not sector- or mode-specific. It is compiled by the RBI

rather than a dedicated trade authority such as the Directorate General for Commercial Intelligence and Statistics in the case of merchandise trade. The data also come with a time lag and do not include disaggregated figures at the bilateral and sector levels. This lack of timely and granular data impedes evidence-based policy-making and limits the ability of the SEPC and industry bodies to supply policy advocacy on market performance, barriers and trends. This compels industry bodies to conduct their own surveys to better understand market realities, which is expensive and potentially duplicative.

Key players

India's standing in international services trade is the outcome of the contributions of several key stakeholders.

Central government

The Government of India (GoI), led by the Ministry of Commerce, coordinates with other ministries and states to promote services exports through sector-specific initiatives, ensuring depth, outreach and regulatory support. A key gap is the absence of a single dedicated department or institution. Policy formulation is fragmented, with multiple ministries and agencies involved such as the Ministry of Commerce, DGFT, SEPC, ITPO and DPIIT, Department of Economic Affairs, the Ministry of Finance and the Ministry of External Affairs. State regional governments are also key stakeholders, as several services fall under the State List. This dispersion has limited a holistic approach to services trade policy, coordinated policy action and sectoral focus.

The central government has made significant contributions to the growth of Indian services exports. The major contributions include:

- i) **Policy framework and reforms:** While early trade policies prioritized goods, the 2000s marked a strategic pivot toward services, recognizing their growing contribution to GDP and employment. Key reforms were introduced in FTP to liberalize and support trade in services, creating a stable and enabling environment for exporters.

- ii) **Infrastructure and ecosystem:** Reforms such as the simplification of the GST, digitized customs procedures, and expanded e-governance have reduced compliance burdens and transaction costs. Further support has come through sector-specific schemes aimed at skilling, branding and capacity building in key areas such as IT, education, healthcare, tourism and financial services to enhance the global competitiveness of Indian firms. Additionally, SEZs have provided service exporters with dedicated zones offering fiscal incentives, plug-and-play facilities, streamlined procedures and enhanced the ease of doing business.

- iii) **Digital infrastructure:** Recognizing the critical role of digital connectivity, the government has prioritized investments in digital infrastructure, including data centres, high-speed broadband and nationwide fibre optic networks. These initiatives have significantly bolstered exports of digitally delivered services – such as Software as a Service (SaaS), fintech, edtech and healthtech platforms – leading to exponential growth.⁵

The Trade Connect ePlatform further enhances export facilitation by connecting Indian missions abroad with Department of Commerce officials, streamlining coordination and support for international trade. Additionally, the Open Network for Digital Commerce initiative aims to transform digital commerce, indirectly benefiting digitally delivered services exports by empowering small businesses.

- iv) **International commitments and trade agreements:** Since 2005, India has signed comprehensive trade agreements invariably covering services trade to obtain preferential market access, greater transparency in grant of work permits/visas and provisions for mutual recognition agreements for identified professional services. In parallel, India has recently included side letters alongside free trade agreements with Australia and the United Kingdom, aimed at exempting Indian workers from dual social security contributions.

- v) **Marketing and promotion:** The GoI has significantly expanded efforts to promote “Brand India” across the services sectors. Iconic campaigns such as “Incredible India” (tourism), “Heal in India” (healthcare), and “Study in India” (education) showcase India’s global service offerings. The ITPO leads global trade fairs and exhibitions under the Market Access Initiative, supporting participation from IT, fintech, healthcare and the creative sectors. Indian embassies now play a proactive role by supporting exporters with market intelligence, trade advisories and regulatory insights, in collaboration with EPCs.

State governments

Many states have launched tailored export policies offering financial incentives, infrastructure support and skills development for services sectors. For instance, Karnataka’s Export Policy (2002–2007) focused on IT and research and development (R&D) services, while Tamil Nadu’s 2021 Export Policy supports IT, tourism, healthcare and education services.⁶ These efforts aim to leverage local strengths and attract investment in high-growth sectors.

In parallel, many states are improving their single-window clearance systems⁷ and creating online platforms to reduce bureaucratic procedures for services exporters. For example, Andhra Pradesh and Gujarat consistently top ease of doing business rankings for facilitating service sector investors.

Export Promotion Councils

The SEPC, set up in 2006 by the Ministry of Commerce and Industry, promotes global business opportunities for India’s services sector. It acts as a bridge between government and industry, providing policy inputs, addressing challenges and offering market insights. It advises the government, facilitates incentives, provides market intelligence and promotes “Brand India” globally, supporting both emerging and established services exporters. In 2025, the SEPC partnered with the Internet and Mobile

Association of India to strengthen India’s digital services exports.

Beyond the SEPC, several product-focused EPCs also promote related services. The Electronics and Computer Software Export Promotion Council supports software and IT services exports, while the Pharmaceuticals Export Promotion Council promotes medical tourism. Similarly, the Telecom Equipment and Services Export Promotion Council facilitates the export of telecom services. Such EPCs, while set up by the Ministry of Commerce, have their own private sector-led management committees.

Industry bodies

While there is no separate services trade body covering all sectors, various apex industry bodies such as the CII, Federation of Indian Chambers of Commerce and Industry (FICCI), and the Associated Chambers of Commerce and Industry of India play a pivotal role in strengthening India’s services exports by acting as critical intermediaries between industry and policymakers. Some of these industry bodies are sector specific and some work for wide-ranging sectors. For instance, the National Association of Software and Service Companies (NASSCOM) is the specialized sectoral body for computer and related services.

These organizations engage in policy advocacy, lobby for favourable trade policies, and contribute sector-specific insights during trade agreement negotiations to ensure improved market access and reduced barriers. They also focus heavily on capacity building, offering training programmes, workshops and seminars on international standards, cross-cultural management and global best practices, especially targeting MSMEs to enhance their export readiness.

Private sector

The private sector is the primary driver of India’s services exports, with companies actively involved in cross-border trade and investment flows. Some of the key firms in our focus services subsectors are listed in Table 5.2.

Table 5.2: Top leading companies in India in select sectors

Sector	Companies
Computer and related services	TCS, Infosys, Wipro, HCLTech, Tech Mahindra
Media and entertainment services	DNEG, Prime Focus Technologies, Technicolor Creative Studios India, Red Chillies Entertainment (Red Chillies VFX), Reliance MediaWorks, Digikore Studios, Assemblage Entertainment, Prana Studios, Green Gold Animation, and DQ Entertainment

Sources: <https://www.globaldata.com/companies/top-companies-by-sector/technology-media-and-telecom/> and FICCI-EY, 2025; Ministry of Information and Broadcasting, Government of India; Post Production Institute, 2025.

Services exports promotion – policies and impact on services exports

India has proactively launched a suite of policy measures to enhance services exports. These initiatives aim to expand India's global market share and deepen its integration into global value chains.

Foreign Trade Policy

Foreign Trade Policy (FTP) serves as the overarching policy framework governing India's services trade. It seeks to accelerate exports, enhance ease of doing business, and promote sector-specific strategies, including digital and district-level trade promotion.⁸ Key FTP reforms relevant to services include:

- i) Historically, India's trade policy had placed limited emphasis on services exports. This was addressed during the early 2000s, following the success of the IT and software sector, with policies granting export incentives to encourage growth in exports.
- ii) The Served from India Scheme (SFIS) was introduced as part of FTP 2009–14, which provided exporters' incentives in the form of transferable duty credit certificates enabling them to pay various duties and taxes based on their foreign exchange earnings.
- iii) The SFIS was replaced by the Services Exports from India Scheme (SEIS) in FTP 2015–20. The eligible service categories under SEIS included all firms located in India that received incentives in the form of transferable Duty Credit Scrips, as a percentage of the net foreign

exchange earned from exporting those services during a financial year. These incentives were restricted to Modes 1 and 2⁹ of service delivery, recognizing their commercial significance. These Scrips could be used to pay basic customs duty and select other applicable duties for the import of inputs and other services. The primary beneficiaries were the hospitality and tourism sectors. SEIS was discontinued after 2020 without any suitable replacement, although no detailed impact analysis was conducted by the Department of Commerce. There was a significant shift from export incentives to remission of actual duties suffered by exporters during the FTP 2023.

- iv) FTP 2023 introduced a shift away from export incentives towards remission of actual duties incurred by exporters. It emphasizes export collaboration with key stakeholders, as well as greater trade facilitation through technology, automation and continuous process re-engineering. The policy introduced automatic permissions for eligible exporters, reducing processing time for authorizations under different schemes from seven to 30 days down to one day under the automatic route.
- v) The FTP also leverages Indian missions abroad to promote Mode 2 services, particularly in tourism, education and healthcare, through initiatives such as "Heal in India" and "Study in India".

FTP 2023 identifies e-commerce as a key area of focus and outlines several measures to enhance e-commerce exports from India:

- All FTP benefits that have been accorded to goods traders are now extended to e-commerce exporters.
- Departments of Commerce and Posts, along with the Central Board of Indirect Taxes and Customs will upgrade IT systems to support e-commerce exports.
- Special outreach and training activities for small e-commerce exporters to be organized with handholding support through industry and knowledge partners.
- Dak Ghar Niryat Kendras (Post Office Export Centres or hubs to facilitate e-commerce exports for MSMEs and artisans) shall be operationalized throughout the country to work in a hub-and-spoke model with Foreign Post Offices to facilitate cross-border e-commerce and to enable artisans, weavers, craftsmen and MSMEs in the hinterland and land-locked regions to reach international markets.
- Designated hubs with a warehousing facility will be notified, to help e-commerce aggregators with inventory management, easy stocking, customs clearance and returns processing.

Champion Services Sector Scheme (CSSS)

The CSSS, piloted by the Ministry of Commerce, provided funds nearing US\$ 602 million to the concerned administrative ministries for 12 identified “champion” sectors, including accounting services, finance services, audio-visual services, communication services, IT and IT-enabled services (ITeS), medical value travel, and tourism and hospitality services, with the objective of boosting global competitiveness. The action plans under the CSSS included the following:

- Address cross-cutting issues, including reforms of the regulatory framework, development of services standards regime, skills development (including foreign language capabilities), visa reforms, along with sector-specific measures.
- Focus on new initiatives to promote value addition in these services sectors.

- Focus on new initiatives to enhance exports of services, including attracting foreign consumers to come to India to utilize services.

However, the scheme suffered due to its fragmented and slow implementation, delays in approvals and release of funds, and weak monitoring, resulting in weak outcomes – based on limited data – for export volumes, job creation and foreign market penetration. Industry perception suggests that given the greater domestic focus of many of the implementing ministries, and execution and implementation challenges, the scheme’s desired impact on diversification of services exports was not as apparent as hoped.

Taxation reforms

The Goods and Services Tax (GST) regime, introduced in 2017 and revamped in 2025, subsumed multiple indirect taxes previously prevailing in India. Key provisions pertinent for exporters of services include:

- Exemption from GST charges on services exports.
- Refund of Input Tax Credit: exporters can claim a refund on input tax credit for goods and services used in services exports, thereby avoiding tax cascading and improving working capital efficiency.
- Digital compliance system: GST brought in a digital compliance system, thereby reducing paperwork and making the process faster and more transparent than earlier service tax regimes.
- Refunds on input services and capital goods: exporters of services such as IT, consulting and business process outsourcing (BPO) can claim refunds on input services and capital goods, reducing overall costs and increasing competitiveness.

While past schemes, such as SEIS, offered export incentives, industry feedback has consistently highlighted the need for greater predictability, broader coverage and streamlined processes. Industry stakeholders also emphasize that the actual impact of the evolving schemes will

depend on consistent implementation, adequate budgetary allocation, and a proactive stance in addressing non-tariff barriers.

FDI promotion and facilitation

FDI policy and promotion, while not directly linked to services exports, have contributed to accelerating services exports and upscaling the output and quality of several sectors through access to capital, technology, best practices and infrastructure (Srivastava, 2006). The services sector is the main recipient of FDI in India, particularly in key export-oriented sectors like computer software and hardware, telecom and trading, which has contributed significantly to growth in exports. Collaborations with global

services companies have also enabled OFDI (Mode 3 exports) in these sectors.

The telecom FDI policy critically contributed to the opening up of the telecom sector leading to much higher broadband and mobile phone penetration and speed of internet services, creating the required infrastructure for exports of IT and IT-related services. Table 5.3 outlines the major initiatives to promote FDI inflows in India that have positively impacted services exports.

It must be pointed out that a more focused FDI policy and promotion campaign on new and dynamic services export sectors would significantly help in attracting the best global services providers and partnerships.

Table 5.3: Initiatives to promote FDI inflows in India and their impact on services trade

Initiatives	Impact on services exports
Liberalizing FDI norms	100% FDI under the automatic route for key subsectors increased FDI in sectors such as retail, IT and telecom, boosting services exports by facilitating global partnerships. - Higher investor confidence, foreign ownership and scaling enhanced domestic competitiveness, as well as boosted investments, in start-ups and digital services.
Infrastructure development and services SEZs	- Services-centric SEZs offered tax incentives, single-window clearances, plug-and-play infrastructure and world class digital connectivity which played a crucial role in IT exports. - The Gujarat International Finance Tec-City is India's first International Financial Services Centre that attracts global FDI in asset management, fintech and offshore finance which could spur growth of fintech exports.
Ease of doing business reforms	- Online portals for simplified regulatory compliance streamline the reporting process and make it more efficient and transparent. - Foreign Investment Reporting and Management System portal – an online platform developed by RBI for managing and reporting foreign investment transactions in India where Indian companies and Limited Liability Partnerships can report FDI and related transactions. - National Single Window System – a digital platform to guide investors in identifying and applying for approvals according to their business requirements. - Foreign Investment Facilitation Portal – an online single point interface maintained by DPIIT for investors to facilitate FDI.
Promotions	- Campaigns like Make in India and Startup India, to boost India's image as a global investment hub and safe haven for innovation and entrepreneurship. - Invest India, is the National Investment Promotion and Facilitation Agency of the Government of India, set up in 2009 under DPIIT, which seeks to provide comprehensive end-to-end support to domestic and foreign investors interested in the investment lifecycle in India.
Harnessing the start-up culture	Startups in India are driving innovation, creating new markets and boosting economic activity, especially in Tier 2 and 3 cities. They are contributing significantly to sectors such as e-commerce, fintech, healthtech and edtech.

Source: Drawn up by the authors.

Skills development initiatives

India's efforts in skilling have played a significant enabling role in expanding and diversifying its services exports, particularly in IT, business process management, professional services and emerging technology-driven sectors. Some major initiatives which have helped boost India's services exports include the following:

- i) **Building human capital:** Large-scale investments in education and skills development, especially IT/ITeS, since the 1990s has helped create India's comparative advantage in these sectors (Chanda and Gupta, 2013; Sahoo and Dash, 2017). Institutions such as the Indian Institutes of Technology, Indian Institutes of Management and National Institutes of Information Technology (NIITs) have created a steady supply of technically skilled workers who could participate in export-oriented services, especially computer and related services. India's skilling policies increasingly emphasize digital literacy and English-language proficiency, crucial for remote service exports via digital platforms.
- ii) **Institutional support:** The Skill India Mission (2015) and the National Skill Development Corporation (NSDC) have sought to align training curricula with industry and global market needs, including in IT, healthcare, finance and tourism.¹⁰ The Pradhan Mantri Kaushal Vikas Yojana¹¹ trained over 13 million youths in skills relevant to both domestic and international markets. India International Skill Centres prepare workers
- for overseas employment, boosting Mode 4 services exports.
- iii) **Moving beyond IT:** Skilling has enabled growth in non-traditional services exports – such as education, healthcare and professional consulting – where domain-specific and soft skills are crucial. Digital skilling (AI, cybersecurity, data analytics) through initiatives such as FutureSkills Prime has supported India's move towards high-value, knowledge-intensive services exports.¹²
- iv) **Tapping into non-urban labour markets:** Skilling initiatives have moved beyond the metropolitan cities to train young people in Tier 2 and Tier 3 cities in India, broadening the geographic base of services exporters. This spatial spread enhances inclusive participation in export opportunities, especially among women and youth.
- v) **Sector skills councils:** The Media and Entertainment Skills Council (MESC), promoted by FICCI with financial support from NSDC, has organized special training programmes. Initiatives include regional language content development for global platforms such as Amazon Prime and Hotstar; training for international projects – especially in animation and VFX – and assists Indian studios in meeting international production standards, improving the outsourcing potential. MESC certifications and training programmes improve employability of Indian professionals abroad.

Computer and related services

The computer and related services sector, with estimated revenues of US\$ 254 billion at 3.8 per cent year on year growth in FY24, is one of India's key contributors to services exports and has cemented India as a global leader. This sector has

accounted for more than 7 per cent of aggregate output since 2012 and represented 10 per cent of GDP in 2025. It is projected to contribute more than a fifth of India's gross value added by 2029–30, according to the India Brand Equity

Foundation (IBEF).¹³ Computer services exports are majorly driven by India's prowess in software development, IT services and BPO.

According to WTO Stats India's computer services exports represented 14.7 per cent of its total exports and 32.1 per cent of its total services exports in 2024. According to NASSCOM, the total amount of tech exports from India are estimated at US\$ 200 billion for FY24, reflecting a growth of 3.3 per cent year on year. As per RBI's annual survey on computer software and ITeS services, exports of software services by Indian companies (excluding their sales through overseas commercial presence) increased by 18.4 per cent during FY23 to US\$ 185.5 billion. BPO services accounted for more than 84 per cent of exports of ITeS in the same year.

Strengths

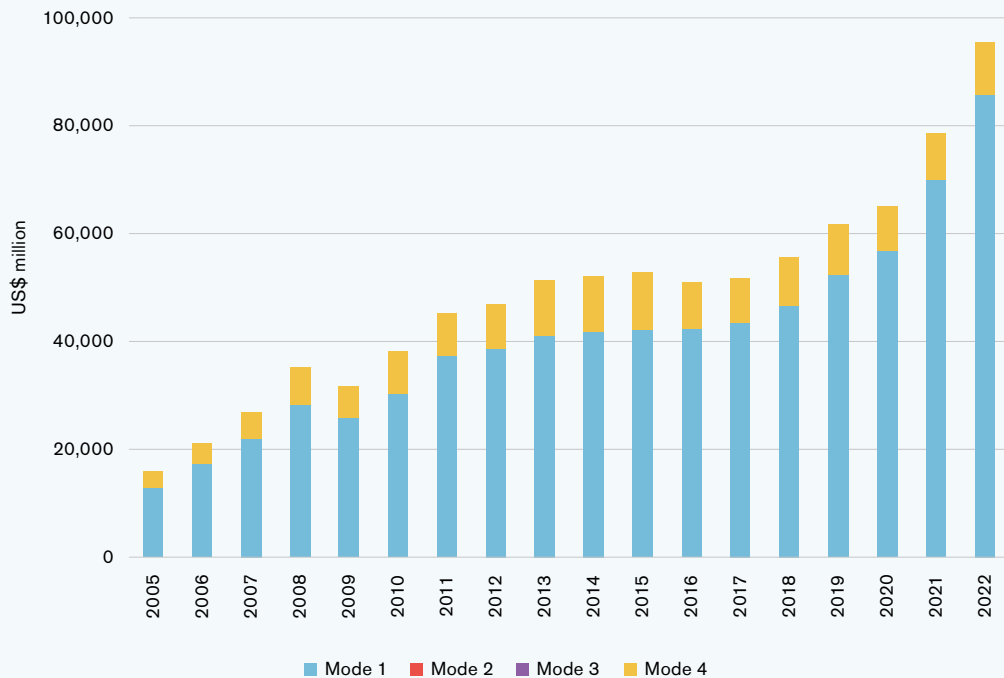
- i) **Talent pool:** India is home to a large pool of science, technology, engineering and mathematics (STEM) graduates with English proficiency, strong technical and domain expertise and soft skills to handle global clients seamlessly. Approximately 34 per cent of all graduates in India study in STEM fields.
- ii) **Cost competitiveness:** With lower operational and labour costs and high labour productivity per dollar spent (despite rising wages) compared to developed economies, Indian IT services continue to witness outsourcing models based on this cost arbitrage. According to the WTO's TisMOS dataset, computer and related services were exported primarily using Mode 1 and to a lesser extent through Modes 3 and 4 over the years, with Mode 1 being the dominant mode (almost 10 times Mode 4) (see Figure 5.6). Computer services are also a leading sector for India's Mode 4 exports.
- iii) **Mature industry ecosystem:** India has a robust and mature IT/ITeS ecosystem with major global firms such as TCS, Infosys and Wipro, and a strong base of small and medium-sized enterprises and startups. Indian companies have perfected the global delivery model, enabling 24/7 service delivery

through distributed teams spanning multiple time zones and strong onshore-offshore models that provide both proximity to clients and cost efficiencies. Customizable and scalable services across BPO, knowledge process outsourcing, software and consulting segments have seen strong performance by Indian companies.

The computer and related services industry has one of the most active and productive industry bodies, including NASSCOM and STPI, both of which support policy advocacy, training and global outreach. India can also boast a robust and expanding digital infrastructure, which forms the backbone of the sector.

- iv) **Innovation and digital transformation:** Indian IT firms have decades-long relationships with Fortune 500 companies and have consistently been recognized globally for high levels of process quality (e.g., Capability Maturity Model Integration Level 5 certification), project delivery reliability and data security. The economy is now marked by growing capabilities in AI, machine learning, the Internet of Things, cloud computing, blockchain and cybersecurity, according to NASSCOM.
- v) According to a study by SAP India and Dun & Bradstreet, Indian firms, particularly startups, are massively investing in R&D and innovation labs to move up the value chain. Stanford University has ranked India among the top four economies along with the United States, China and Republic of Korea in the Global and National AI vibrancy ranking based on 42 indicators. GitHub, which is a community of developers has ranked India at the top, with a global share of 24 per cent of all projects.
- vi) **Government policies and initiatives:** India's performance as a global leader in computer and related services exports has flourished due to policy support in developing the ecosystem, infrastructure, human capital and in reducing the compliance burden on services exporters. Some of the key initiatives are outlined here:

Figure 5.6: Computer services exports by modes of supply (2005–2022) in US\$ millions



Source: WTO, Global Services Trade Data Hub, dataset on Trade in Services by Mode of Supply: https://www.wto.org/english/res_e/statis_e/services_trade_data_hub_e.htm.

- Export promotion/import liberalization (1990s): Liberalized imports of computers, hardware and software tools that reduced the cost of importing capital goods and inputs for software firms, providing strategic access to modern tools and infrastructure to compete in software exports.
- Software Technology Park Scheme (1991 onwards): Lowered regulatory and infrastructure barriers and reduced set up and transaction costs for services exporters, facilitated easier access to duty free imported hardware and software, reliable electricity and telecom services, and permissions to serve overseas clients via telecom links.
- A conscious policy effort to promote the geographic spread to Tier 2 and 3 cities, facilitating cost arbitrage, and promoting more balanced growth.
- National Policy on Software Products (2019): Focuses on developing product-based start-ups and MSMEs (licensing, SaaS) to move services exports up the value chain. It also strengthens workforce skills, promotes domestic innovation, and encourages IP creation.
- India AI Mission (2024): Through the India Adaptation AI Innovation Centre, the mission aims to establish indigenous AI models aligned with global standards and supported by large-scale shared computational resources. This initiative aims to help firms build AI based products and services – such as AI-assisted analytics, cloud AI and SaaS – facilitating a shift from pure traditional service

exports (e.g., coding or BPO) towards higher value AI product and platform exports that could generate higher margins.

Most of these policies have been helpful in developing the ecosystem, infrastructure, human capital and reducing compliance burden to encourage computer and related services exports.

Current challenges

While India has experienced a global success story in the export growth of computer and related services since the 1990s, there are a few specific challenges that India currently faces and aims to address with evolving policies:

- i) **Overdependence on the US and EU markets:** While Indian computer services are exported to over 100 economies, the key markets continue to be Australia, Europe, the Middle East, the United Kingdom and the United States. As the developed world grapples with trade and national security-related issues, India needs to diversify its export markets and increase its penetration in emerging markets in Africa and Latin America.
- ii) **Regulatory and data concerns:** Lack of a comprehensive data protection law creates uncertainty for global clients concerned with data privacy and compliance (e.g., General Data Protection Regulation in Europe). Additionally, India has experienced several high-profile data breaches and inadequate cybersecurity preparedness among smaller firms. This raises reputational risks and concerns among international clients regarding the outsourcing of sensitive work.

- iii) **High attrition and talent mobility:** The IT industry faces high attrition rates, especially in BPO and mid-level IT roles. This leads to project continuity issues, higher training costs and reduced client satisfaction. The average attrition rate in the Indian IT sector was around 25 per cent in 2024, according to Wisemonk.¹⁴ Hiring rates have also fallen due to the global slowdown in Western economies. Companies frequently complain about “moonlighting” issues and salary pressures, particularly in high-demand areas and Tier 1 cities where the cost of living is increasing.

While India has a large IT workforce, there is a shortage of talent skilled in cutting-edge areas such as AI, blockchain, cybersecurity and quantum computing. The pace of reskilling and upskilling in Tier 2 and Tier 3 cities is slower compared to industry needs.

- iv) **Role of AI:** AI is fundamentally altering outsourcing and BPO activities and transforming traditional operations/business models by automating repetitive tasks such as data entry and customer service. For instance, the shift from traditional 9-to-5 services to 24/7 operations, supported by AI-driven chatbots, has reduced the necessity for outsourcing certain services. With Generative AI, a significant percentage of the code writing for specific application programming interfaces will become possible, reducing the need for software developers but creating new demand for skills in training AI.

Box 5.2 summarizes the best practices for promotion of computer and related services exports.

Media and entertainment services

The M&E industry is a broad sector that combines creative arts with technology and business to deliver content through multiple channels such as film and television, music, print media, digital media, performing arts and AVGC. It is one of the fastest-growing sectors in India and holds

potential to become a global hub. The sector has been experiencing robust growth driven by technology, innovation and rising digital consumption, and is now the world's ninth-largest market. By 2024, the industry reached US\$ 29.4 billion (INR 2.5 trillion), contributing 0.73 per cent

Box 5.2: Best practices in export promotion – computer and related services

SEZs and STPIs

- SEZs have more liberal economic laws and STPIs provide infrastructure, single-window clearance and duty-free import benefits for registered software export units.
- SEZs and STPIs have attracted significant investment and boosted exports by offering tax holidays, duty exemptions and other incentives to developers and units.

100 per cent FDI liberalization in computer and related services

- Computer and related services have enjoyed 100 per cent FDI under the automatic route, which has helped attract significant FDI inflows into the sector.

Parallel development of telecom infrastructure and establishment of regulatory body – Telecom Regulatory Authority of India

- Telecom sector opened up to boost private investments for broadband and

mobile penetration, rendering access and affordability to consumers and businesses.

- Regulatory authority enabled creation of level playing field and promotion of healthy competition.

Skilling ecosystem

- The course curriculum right from school imparts skills for developing software-related skills such as coding and testing.
- Specialized institutions like engineering colleges and NIITs help develop the expertise in programming languages, problem-solving, adaptability and communication, which are essential for handling complex projects and meeting client demands.

Industry best practices

- Dedicated industry body i.e., NASSCOM, helped the private sector grow.
- The private sector has developed and established global standards in delivery models, quality standards, certifications and cybersecurity standards.

Source: Drawn up by authors.

to the country's GDP. It is expected to expand at 7 per cent CAGR to reach approximately US\$ 36.1 billion by 2027 (see Table 5.4).

Experiential segments, such as online gaming, filmed entertainment, live events and out-of-home media accounted for 48 per cent of the overall growth of the sector. Advertising and enhanced connectivity continue to fuel the rapid growth of the sector. The country's extensive millennial and Gen Z population (exceeding 910 million) combined with one of the lowest data costs in the world, are further accelerating growth. Currently, India boasts 800 million broadband subscriptions,

550 million smartphone users and 780 million internet users, who spend nearly 82 per cent of their time online on entertainment and media apps, according to PricewaterhouseCoopers.¹⁵

Over The Top (OTT) revenues have increased fourfold since 2019, and the market is expected to double by 2028. India's competitive OTT market comprises around 57 platforms. In 2023, it recorded 101 million video subscriptions, growing at a CAGR of 10.8 per cent, and projected to reach 169 million by 2028. More OTT operators are now offering regional language content to cater to the country's linguistic diversity.

Table 5.4: Growth of Indian multimedia and entertainment sector (2019–2024)
(Indian Rupee billion)

Segment	2019	2022	2023	2024	2026E	CAGR (2023-2026)
Television	787	709	696	732	766	3.20%
Digital media	308	571	654	839	955	13.50%
Print	296	250	260	260	288	3.40%
Online gaming	65	181	220	583	388	20.70%
Filmed entertainment	191	172	197	118	238	6.50%
Animation and VFX	95	107	114	103	185	17.50%
Live events	83	73	88	100	143	17.60%
Out of home media	39	37	42	59	54	9.30%
Music	15	22	24	53	78	14.70%
Radio	31	21	23	25	27	6.60%
Total	1,910	2,144	2,317	2,872	3,081	10%
Growth		21%	8%	24%		

Source: Ernst & Young 2024 Report, PwC 2025 Report and IBEF.

India accounts for around 1 per cent of the share of the global online gaming and e-sports market, despite having the second-largest number of gamers globally, according to Ernst & Young. Over the last three years, the Indian gaming sector has witnessed the emergence of three gaming unicorns alongside the presence of 1,400 startups, including 500 gaming studios operating in the online gaming segment. Between 2019 and 2024, the Indian gaming market raised nearly US\$ 2.77 billion (INR 255 billion) from domestic and global investors, according to the IBEF.¹⁶

According to UNCTADstat, India's total M&E (including AVGC) exports have increased from US\$ 2.36 billion in FY 2019 to US\$ 5.06 billion in FY 2024, reflecting a CAGR of 15 per cent and exhibiting the significant potential of the sector (see Figure 5.7).

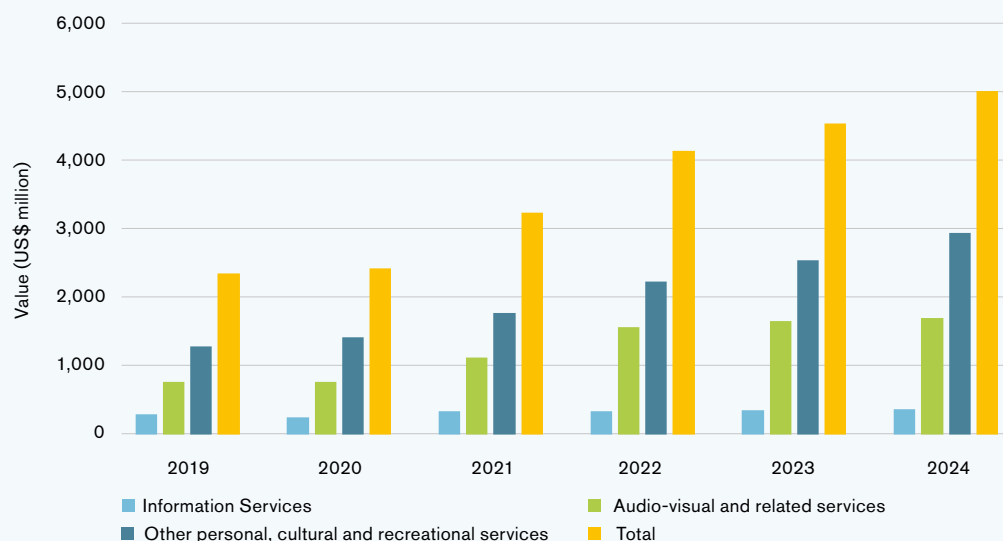
Strengths

The major strengths of this sector in contributing to India's services exports include:

- i) **Long years of experience and global demand for Indian content:** India remains the largest producer of films globally, with around 2,000 films releasing annually across 20 languages. Indian content now reaches audiences in over 100 economies on platforms such as Netflix and JioHotstar, driving exports exceeding US\$ 462.47 million in 2023–24. Indian movies, TV series, web-series, animated movies and games continue to be well-received globally.

Indian companies have built a strong reputation for delivering high-quality animation, restoration and other services.

Figure 5.7: Export trends of the media, entertainment and animation, visual effects, gaming and comics sector (in US\$ million)



Source: UNCTADstat.

Note: "Total" represents the sum of export values for information, audiovisual and related, and other personal, cultural and recreational services combined.

The domestic VFX industry has undergone a significant transformation, shifting from basic post-production tasks to delivering high-end VFX work for global international projects. With surging global demand for 2D/3D animation, VFX, mobile and console gaming and virtual reality (VR) content, India is well-positioned to cater to these diverse market segments.

India is also emerging as a preferred media outsourcing hub. Cloud-driven applications and digital advertising shifts are prompting traditional players to reinvent business models leading to increased mergers and strategic partnerships across the M&E value chain.

- ii) **Cost advantage:** According to the SEPC, the cost of providing audio-visual and related services from India is almost one-fifth that of its Western counterparts, thereby making it an attractive sourcing

destination for international clients. India is already a preferred destination for global film production, visual effects for Hollywood, and game design and development. India's international clients include DreamWorks, Electronic Arts, Marvel, Netflix, Ubisoft and Warner Bros. This significant cost arbitrage positions India to become a global outsourcing hub for post-production, as well as editing, animation movies, gaming assets and e-learning content.

- iii) **Talent pool:** As of 2024, India accounted for more than 100 visual effects studios and over 400 game development firms that employed a large pool of animators, game designers, VFX specialists and storytellers. Leading animation schools, such as Whistling Woods, National Institute of Design, and Maya Academy of Advanced Creativity continue to produce world-class talent. Smaller cities like Bhopal

- are emerging as new talent hubs, contributing to the growth of original Indian intellectual property such as “Purple Turtle”, which has gained global recognition.
- iv) **Strong digital infrastructure:** India’s robust IT and technological infrastructure is the backbone of this sector. Widespread broadband connectivity, cloud infrastructure and data centres enable high-speed content delivery, while the largely digital nature of these services ensures that exports remain low-cost and borderless.
- v) **Advent of AI:** The rapid growth and adoption of AI have revolutionized the way content is created and consumed. AI-driven innovations help reduce costs and shorten production timelines, expanding accessibility to sectors such as education, healthcare and defence. According to Ernst & Young estimates, AI is expected to provide a US\$ 5.2 billion boost to the Indian M&E sector by 2027. Many major Indian M&E companies are already using AI to drive efficiencies – it has the potential to impact all segments across the value chain (including content creation, VFX, localization and dubbing, and personalized content recommendations), thereby boosting India’s export potential.
- vi) **International collaborations:** Many global studios (e.g., Disney, DreamWorks, Netflix) already outsource VFX and post-production to India. Foreign investments are flowing into domestic industry leaders such as Prime Focus and Red Chillies. With major studios such as Framestore, Industrial Light & Magic, and Netflix-owned Scanline VFX establishing a presence in India, the sector has seen rapid growth. Investments, technology, technical expertise and global standards are also associated with these international players.
- Indian companies are also pursuing strategic overseas acquisitions, including in France, Ireland, and Spain, leveraging cost efficiency and creative expertise. Additionally, countries like the Philippines, renowned for their creative talent, represent potential partners for future collaboration.
- vii) **Government policies and initiatives:** Policy initiatives in this sector are evolving and will take some time to bring the desired results. Some major initiatives are the following:
- IP-related policies: Revisions to IP-related regulations including the National Intellectual Property Rights Policy (2016),¹⁷ and the Cinematograph (Certification) Rules (2024),¹⁸ intend to address concerns related to ambiguity in regulations regarding online gaming, OTT content, and digital rights, censorship, piracy and copyrights, licensing and royalty collection etc.
 - Co-production agreements: India currently has co-production treaties with 17 economies and the government offers a 40 per cent tax rebate to foreign film productions shot in the country. Yet key markets such as the United States and major European nations are missing, and the French co-production treaty only covers films, whereas international television production offers higher market demand.
 - National AVGC Export Policy (proposed): a National AVGC-XR Mission will focus on exports, skilling and IP creation, create Indian AVGC showcases at international events (e.g., the Annecy International Animation Film Festival and SIGGRAPH in the United States) and establish AVGC Centres of Excellence across India to serve as export hubs.
 - State policies: states including Karnataka, Telangana and Maharashtra have established policies including production subsidies, export incentives and infrastructure support for AVGC units serving overseas clients; several new AVGC incubators to be launched to support IP aimed at international markets.
- ## Current challenges
- A series of key policy changes desired by the industry for enhancing exports and attracting more investments include the following:
- i) **Addressing the weakness in storytelling:** While India has excelled technically in servicing global clients, it lags behind in creating compelling narratives, apart from in the movie industry. The industry’s growth will depend on

its ability to adapt, innovate and create stories that resonate with global audiences.

- ii) **Financial incentives for exports:** M&E services need stronger financial and tax incentives (such as those in Canada and France) especially for smaller firms to participate in the AI revolution and compete against other Asian players such as China, Malaysia and Singapore. At present, there is a perception that current tax and incentive systems favour IT and manufacturing, not content creators for audio-visual and related services.

According to an Ernst & Young 2024 report, FDI in M&E remains lower than its potential, given the uncertainty in key growth sectors like gaming (pertaining to retrospective taxation) and relatively lesser incentives provided to the AVGC and content production industries in comparison to other economies.

A global expansion fund and better access to international venture capital could help Indian studios expand globally. Policy interventions should include incentives for AI startups in the AVGC industry, partnerships with global AI labs, and specialized talent-skilling programmes.

- iii) **Shortage of skilled talent:** At present, the curriculum in schools and universities does not sufficiently support advanced skillsets in quality programming, graphic designing, augmented reality/VR, game engines, scriptwriting and soft skills like storyboarding, narrative design, global aesthetics and cultural localization. These shortages have hindered growth, leading industry representatives to urge the government to introduce specialized courses, particularly in Northeast India, where there is untapped potential. There is also a need to attract international professionals from major development hubs such as London, Berlin and San Francisco.
- iv) **Global branding:** India needs to advertise and market its domestic content for global audiences. This content can be targeted not only at the Indian diaspora abroad but also at global audiences, as Indian epics and folklore, such as Amar Chitra Katha, Ramayana and Mahabharata hold the potential for inspiring globally recognized IP products.

Box 5.3 summarizes the best practices for promotion of media and entertainment services exports.

Box 5.3: Best practices in export promotion – media and entertainment services

Global collaboration

- Entering international co-productions for shared IP development and joint access to incentives and markets.
- Establishing long-term service contracts with global OTT players, gaming companies and advertising agencies.

Skilling and training

- National Centre of Excellence for AVGC-XR set up following the AVGC Task Force announcement in Budget 2022–23.

- Centre of Excellence in AI for Education being developed to promote tech-driven content creation.

Sector-specific export strategies

- Financial incentives including production subsidies.
- Government support for plug-and-play studios, incubation centres and incentives for exporters.
- Global branding, assistance for participation in fairs and shows.

Lessons from India

Based on this study, there are key lessons to be learnt from India's experience. These are summarized as follows:

i) **Recognize the uniqueness of services export promotion**

Given the peculiarities of services trade and the complex and heterogeneous nature of different services sectors, blind duplication of merchandise export promotion becomes unfeasible and ineffective. Specific services export promotion measures with sectoral tweaks are essential. India's experience is mixed thus far, with no exclusive focus on services promotion initially, except for computer services which has targeted schemes such as the IT SEZs and STPIs as well as government-backed skilling initiatives. India has designed standalone schemes for services like SFIS, SEIS and "Champion sectors" but has met with limited success largely due to implementation and coordination challenges.

ii) **Sequenced and progressive liberalization with sector-specific reforms**

Beginning in the 1990s, India's FDI policy framework has played a pivotal role in fostering the expansion and growth of its services sector. India broadly followed a "Negative List" approach to investment liberalization wherein 100 per cent of FDI on automatic route was permitted if not explicitly stated otherwise. India also consciously made the choice of simultaneously setting up semi-independent regulatory authorities in liberalized sectors (telecom, insurance, capital markets etc).

Empirical studies in this area provide similar findings on how policy shifts in services sectors helped generate direct and spillover benefits. These were achieved by: increasing FDI flows into services (financial and non-financial services, telecom, computer software and hardware) that coincided with strong growth in India's services exports (Saleena, 2013; Singh and Siddiqui, 2024); reducing barriers to cross-border data flows (Gordon and Gupta, 2005); improving

firm-level productivity and export propensity of Indian firms (Arnold et al., 2016); and enabling market access for foreign firms combined with facilitative regulatory reforms (domestic deregulation, telecom liberalization) that proved to be key policy levers in accelerating services exports (Hoekman and Mattoo, 2011).

India's calibrated liberalization – opening sectors gradually while strengthening domestic regulatory capacity – prevented the adverse effects associated with sudden liberalization in developing economies and ensured sustainability of service-led growth (Panagariya, 2008). Sequenced liberalization allowed firms to scale quickly and meet global standards, showing that sector-specific reforms can be more effective than broad, untargeted measures.

iii) **Balancing openness with domestic capacity building**

India's experience shows that while openness to foreign participation is crucial, parallel efforts to strengthen domestic institutions, skills development and regulatory oversight are crucial to ensure that benefits are broad-based and sustainable. Eichengreen and Gupta (2013) have explained how India's second wave of service-sector growth was sustained precisely because of this complementary focus on skills development and institutional support, which allowed firms to move into higher value-added segments such as consulting, R&D and financial analytics.

India's emergence as the world's GCC hub driving innovation, IP creation and digital transformation across industries by leveraging the country's talent pool, is an example of this calibrated sequencing. Indian GCCs are currently at the forefront of developing AI models, engineering global cloud platforms and enhancing cybersecurity, thereby significantly upgrading their position in the global value chain. Due to recent tariff policies and visa restrictions by the United States in 2025 for India, Indian GCCs are expected to grow at a faster rate and handle a broader range of services including operations, finance and advanced R&D, according to Reuters.¹⁹

iv) Human capital development is essential for the services sector

The country's emphasis on technical and managerial education, coupled with the availability of a large English-speaking workforce, has enabled firms to seize global outsourcing opportunities (Chanda, 2002; Mattoo and Mishra, 2009).

Unlike primary goods or low-tech manufacturing, most tradable services – IT, finance, consulting, healthcare, design, R&D – are knowledge- and skill-intensive. Export competitiveness in these areas depends more on the quality of workers' education and training than on natural resources or cheapness of labour (Dash, Sahoo and Chanda, 2025; Contractor and Mudambi, 2008).

Skilled professionals not only provide direct services but also generate spillovers into entrepreneurship, startups and innovation ecosystems, which sustain export growth beyond cost advantages. India's skilled labour force has been pivotal in building the country's reputation in international markets and attracting long-term clients. This highlights that trade policy needs to be complemented by investment in education and skills training.

v) Complementary infrastructure reforms are critical

Improvements in telecommunications, internet connectivity and urban infrastructure enabled the growth of services exports in India (Sahoo and Dash, 2017). The rise of IT services exports was also enabled by the establishment of software technology parks (Nath and Liu, 2017; Eichengreen and Gupta, 2013). Strategic investment in digital infrastructure reduced transaction costs, supported remote delivery, and allowed firms to connect seamlessly with global clients, thereby highlighting the importance of services-enabling infrastructure as part of trade strategy.

vi) Diversification will be key to sustained growth

India's services basket as well as its destination market profile is relatively concentrated and that has increased its vulnerability to external shocks (Mukherjee, 2013). The export base remains

heavily reliant on computer-related services and other business services, with limited presence in other high-potential sectors such as media and entertainment services, healthcare, logistics, legal and education.

Similarly, India's services exports remain overly dependent on developed markets such as the United States, the United Kingdom, and the European Union. While these destinations have provided scale and stability, they also expose India to concentration risks. Diversifying services exports towards underexplored regions such as Africa, Latin America, the Middle East and Southeast Asia would allow India to tap into new sources of demand and reduce external susceptibilities.

Tapping into Tier 2 and Tier 3 cities as export hubs has played a key role in accelerating exports by decentralizing growth, unlocking regional talent, and making India's export base more inclusive, especially for computer and related services and now GCCs. A similar approach is now being pursued for media and entertainment exports by creating infrastructure, incubators and incentives for services firms in non-metropolitan regions.

vii) Dedicated institutional support for services is essential

Unlike goods, services are often intangible, heterogeneous and delivered through multiple modes. Coordinating policies across these modes requires a unified strategic vision that individual ministries or state governments have struggled to provide in India. As the institutional ecosystem supporting exports in India is fragmented, with multiple ministries and regulatory bodies implementing skilling, trade promotion, investment facilitation and digital infrastructure development (sometimes in silos), this frequently results in divergent focal points, duplication of efforts and conflicting regulations.

Coordination gaps between central and state institutions have resulted in inefficient resource utilization and implementation delays. While Invest India, NASSCOM and the SEPC play important roles, the absence of a unified apex authority for services has hampered cohesive policy design and execution. Similarly, India lacks an overarching

services industry coalition covering all sectors, unlike leading service-exporting economies. Furthermore, a mindset change recognizing and acting in unison on a holistic services trade policy is critical.

Setting up a National Services Trade Council to coordinate across ministries, regulators and states will bring coherence to fragmented services trade policy and ensure faster, unified decision-making, including developing a holistic services trade policy. Further institutional support in the form of unified services trade data and intelligence system to track mode-wise exports, emerging market opportunities, and performance across sectors would massively reduce the cost of data procurement and help evidence-based policy-making.

viii) Services-centric financial support

Services exports are better served through performance linked or outcome-oriented incentives rather than the input-centric approach used for merchandise exports. A paradigm shift occurred in the last FTP consisting of export collaboration with key stakeholders and greater enablement of the ecosystem through technology, automation and continuous process-reengineering. Direct export subsidies

tend to be less efficient compared to initiatives such as assistance for IP creation and protection, regulatory harmonization and public-private partnerships in skills and retraining.

ix) Adaptation to technological developments

Rapid technological developments – necessitating changes in business models, modes of services delivery, and the emergence of new services – are intrinsic to services trade. These challenges have been brought into sharper focus owing to shocks such as COVID-19, restrictions on cross-border movements, and disruptive technologies such as AI. As a result, export promotion efforts need to be more dynamic and adaptable. Additionally, the widespread prevalence of cross-border or digital delivery across services sectors necessitates the introduction of domestic laws including on data protection, consumer protection, cybersecurity and electronic authentication of documents. India needs to accelerate the adoption of these regulations to provide a supportive ecosystem for data transfer and storage. A dedicated e-commerce export policy, involving creation of e-commerce hubs through logistics support, capacity building and PPPs, could also facilitate services exports.

Endnotes

- 1 Indian cities are classified into Tiers (1, 2, and 3) based on population size, economic development, and infrastructure quality. Tier 1 includes major metropolitan hubs with high infrastructure (e.g., Delhi, Mumbai), Tier 2 consists of rapidly developing urban areas (e.g., Jaipur, Pune), and Tier 3 refers to smaller, emerging cities.
- 2 See <https://www.sphericalinsights.com/reports/india-digitally-delivered-services-market#:~:text=India%20Digitally%20Delivered%20Services%20Market%20Insights%20Forecasts%20to%202033,currentl%20sold%20from%20its%20borders.>
- 3 See <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2131716#:~:text=The%20services%20sector%20emerged%20as,billion%20in%20the%20previous%20year.>
- 4 See https://rbi.org.in/Scripts/Data_Overseas_Investment.aspx.
- 5 See <https://government.economictimes.indiatimes.com/news/economy/digital-infra-investment-policy-support-help-services-exports-touch-usd-34-31-billion-in-oct/116764745>.
- 6 See <https://www.outlookindia.com/business/full-text-of-the-exim-policy-2002-2007-news-215046>; https://www.indembassybern.gov.in/docs/1633931953Tamil%20Nadu%20Export%20Promotion%20Strategy_Sep%202021_compressed.pdf
- 7 Single-window clearance systems by state governments are digital, integrated and time-bound online portals that allow businesses and investors to submit applications for multiple approvals, licences and permissions from various departments in one place. These platforms replace multiple, separate applications with a single interface, increasing efficiency, reducing paperwork and improving the ease of doing business.
- 8 See <https://ibef.org/economy/trade-and-external-sector>.
- 9 GATS modes define four methods of supplying services in international trade under the World Trade Organization (WTO). They

classify how services cross borders based on the location of the supplier and consumer: Mode 1: Cross-border supply (digital services), Mode 2: Consumption abroad (tourism), Mode 3: Commercial presence (foreign branches), and Mode 4: Movement of natural persons (temporary consultants).

- 10 See <https://skillindiamission.in/>.
- 11 The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is a flagship skill development initiative of the Government of India, providing free vocational training to young people to make them employable. Run by the Ministry of Skill Development and Entrepreneurship (MSDE), the scheme teaches industry-relevant skills (such as IT, healthcare, retail) to youth across the country.
- 12 See <https://www.futureskillsprime.in/>.
- 13 The India Brand Equity Foundation is a trust established by the Department of Commerce, Ministry of Commerce and Industry, and the Government of India, to promote the "Made in India" brand globally by raising international awareness of Indian products and services.
- 14 See <https://www.elliottscotth.com/hr-insights/hr-insights-and-trends/attrition-rate-a-rising-concern-in-india/#:~:text=The%20IT%20sector%20is%20dealing,also%20experienced%20high%20attrition%20rates.>
- 15 See <https://www.pwc.in/india-entertainment-media-outlook-2024-28.html>.
- 16 India Brand Equity Foundation (IBEF), Media and Entertainment, [https://www.ibef.org/industry/entertainment-presentation#:~:text=*In%20February%202024%2C%20the%20Union,years%20\(2019%2D2024\).](https://www.ibef.org/industry/entertainment-presentation#:~:text=*In%20February%202024%2C%20the%20Union,years%20(2019%2D2024).)
- 17 See [https://www.dpiit.gov.in/ministry/about-us/details/Title=National-Intellectual-Property-Rights-\(IPR\)-Policy-ITMwETMtQWa](https://www.dpiit.gov.in/ministry/about-us/details/Title=National-Intellectual-Property-Rights-(IPR)-Policy-ITMwETMtQWa).
- 18 See <https://mib.gov.in/sites/default/files/2024-12/final-cinematograph-certification-rules-14032024-1accessible.pdf>.
- 19 See <https://www.firstpost.com/world/us-firms-to-shift-more-work-to-india-expand-gccs-after-trumps-h-1b-crackdown-13938185.html>.

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