



Critical Review On Growth Of Service Sectors In Indian Context

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ABSTRACT:

Presently, both the Indian economy and the global economy's largest sector is the service industry. The fastest-growing sector is this one as well. It is often referred to as the service industry or the service sector. The weaker aspects of the economy are found in the service sector. It consists of a variety of activities where people donate their time and knowledge to raise potential, performance, productivity, and sustainability. The creation of services rather than finished goods is the fundamental characteristic of this industry. Services include consideration, counsel, wisdom, and conversation. Retail, banking, hotels, real estate, education, health, social work, transportation, computer services, recreation, media, communication, electricity, gasoline, and water supply are all considered to be part of the service industry. In this article, critical review on growth of service sectors in Indian context have been discussed.

Keywords: Growth, Service, Sector, India.

INTRODUCTION:

Under the aegis of the service sector, numerous things are included. Among these are activities related to tourism, leisure, and recreation, as well as retail and the sale of commodities to the general public. The service industry has seen significant change over the last six years, and as a result, it now stands alone as the nation's productive sector. Also, this industry has a significant impact on foreign exchange and significantly advances the nation's economy today. Anything that expands undergoes structural change. Similar to this, a developing economy also alters the ratios and relationships between its fundamental sectors such as agriculture, industry, and services as well as between other sectors rural and urban, public and private, and export- and domestic-oriented.

Comparing the contribution of each of the three major economic sectors—agriculture, industry, and services to the overall national output and employment can reveal how the economy is structured. Although agriculture is the most significant sector in a developing economy, as per capita income rises, agriculture loses importance, giving way to the growth of the industrial sector and then the service sector. Industrialization and post industrialization, sometimes known as deindustrialization, are these two successive

movements. These phases are likely to be experienced by all developing nations, and they can be attributed to structural changes in consumer demand as well as the relative labor productivity of the three main economic sectors.

REVIEW OF LITERATURE RELATED TO GROWTH OF SERVICE SECTORS IN INDIA:

According to Muhammed Aqib and Jamil Ahmad (2019), India's service sector has become the largest and fastest-growing industry in the country. As it makes a considerable contribution to the expansion of the GDP, employment, commerce, and investment, it has evolved into the lifeblood of a nation's socioeconomic development. After agriculture, the services industry is the second largest employer in the nation's economy and in several areas. This research uses secondary data sources to assess the performance and contribution of the services sector to the Indian economy. The secondary data were gathered from a variety of published sources, including books, publications, websites, journals, and more. The study's goals are to investigate the important connection between various industries' growth rates in India. The study also covers the effects of the services sector's economic policies. The study will also make an effort to explore issues with the performance of the Assam tea tourism industry and the arrival of foreign and Indian tourists in the state, as well as fix any weaknesses through the use of some reliable and useful corrective measures. [1]

According to Sanjeev Kumar Singh (2019), the service sector is a global industry that is expanding quickly. Recent years have seen an increase in its importance as new methods of service delivery around the globe have been made possible by contemporary technology. As it makes a large contribution to GDP growth, employment, commerce, and investment, it has emerged as the lifeblood of a nation's social and economic development. The Indian economy has reached a stage of development and growth where the service sector dominates. The service industry, which is driving growth and market share in India, is a key driver of the country's economic expansion. A developing nation like India, with a sizable and youthful population, needs the service industry to generate quality employment. India needs private investments in vital infrastructure services like telecommunications, energy, and transportation. Transport, trade, commerce, communication, restaurant and hotel operations, banking and finance, health and education, tourism, the stock market, the film industry, insurance, etc. are all examples of service sector operations. The service sector of the Indian economy is examined in the current study. This essay also analyzes the growth and contributions of the Indian services sector to GDP and the national economy. [2]

According to Bhupendra Singh Hada and Ashish Suri (2019), services are actions or functions that are carried out by a group or an individual, and the cost is determined by the level of demand if the service in question is offered in the relevant market. Some people refer to services as intangible goods. Consumption solely occurs at the industrial site. The majority

of the time, services are non-transferable, which means they cannot be transferred or acquired for a different price. In an economy, the allocation of resources is greatly influenced by the service sector. Not only is the service sector the largest in the world, but it also accounts for a sizable share of GDP. Comparatively speaking, it creates three times as many jobs as the manufacturing industry. Around 56.1% of the GDP of nations like India was contributed by the service sector in 2015–16. Moreover, software services exported from India account for more than 50% of all service exports. Based on this rapid expansion of the service sector, India's growth rate in the ensuing fifteen years will exceed 60%. India is now the second-fastest-growing service-providing nation in the world, right behind China. The focus of the current study is on the potential and capabilities of the service sector in contributing to the nation's economic expansion during the past few decades. The major goal of this study is to determine whether the expansion of the Indian service sector and the expansion of the economy as measured by growth in the GDP, per capita income, and foreign investment are related. [3]

According to Priyanka Tariyal (2016), the study uses input-output analysis to assess the sectoral linkages of the service sector of the Indian economy. The input-output table of 130 sectors for the years 2007–2008 (released in 2012) created by CSO, which has been condensed to 20 sectors for analysis purposes, serves as the study's data source. Backward, forward, and multiplier links for the service sector have been identified through input-output analysis. In order to identify the important subsectors within the service sector, backward and forward connections are both used. The study's findings support the importance of the service sector for the growth of the economy and identify transportation, business services, as well as restaurants and hotels, as important subsectors of the service sector. [4]

According to Jaspreet Kaur (2016), India's service sector is expanding at a compound annual growth rate of 9%, slightly behind China's 10.9 percent over the eleven years from 2001 to 2012. It strongly affects GDP, GDP growth, investment, and economic expansion. The reasons for the service sector's rapid growth and its contribution to economic development are discussed in this study. [5]

According to Manish Sood (2015), a nation's social and economic development depends heavily on its service sector. With greater contributions to employment and national income, it has emerged as the Indian economy's largest and fastest-growing sector. In terms of employment, the services sector ranks second only to agriculture in both the national economy and most states. Several economic metrics, such as the sector's share in national and state GDP, employment, imports and exports, etc., are used to assess the performance and contribution of the services sector to the Indian economy. The time period covered by the current study is 21 years, or from 1992–1993 to 2012–2013. The study is further divided

into two time periods: period I, or the early post-liberalization period, runs from 1992–1993; period II, or the lateral post-liberalization period, runs from 2003–2004 to 2012–2013. With the use of several statistical approaches, including mean, standard deviation, compound annual growth rate (CAGR), skewness, range, coefficient of variation, and student t test, the secondary data has been evaluated. The important determinants that have an impact on the expansion of the services industry in India have also been identified using the autoregressive integrated moving average (ARIMA) model, which has also been applied utilizing pertinent econometric methodologies. Another area where early consolidation of disparate initiatives is required is the services sector's data issues. The economy can experience exponential growth if these problems in different subsectors are addressed through improved, integrated methods. The services industry in India is like an unknown sea, full of potential and brand-new difficulties. The service sector has seen a quick transition as a result of economic liberalization. India has been experiencing this transition from an agriculture-based economy to a knowledge-based economy over time. All of this demonstrates how services have the power to both spur economic growth and improve people's quality of life. They have the potential to significantly boost the economy's job opportunities and per capita income. Without them, the Indian economy would not have grown to be powerful and dominant on the global stage. [6]

According to Thangamani (2015), the services sector, particularly Indian information technology (IT) and information technology-enabled services (ITeS), make up the majority of the Indian economy, accounting for around 59 percent of GNP. The sector has not only improved India's reputation internationally but also fueled economic growth by reviving the higher education sector (especially in engineering and computer science). Around 10 million Indians were employed by the sector, which greatly aided in the socioeconomic change of the nation. In addition, Indian businesses across all other industries heavily rely on IT and ITeS service providers to streamline and optimize their business processes. The Indian manufacturing industry spends the most on IT, followed by the chemical, automotive, and consumer goods sectors. In order to expand their businesses in the current economic climate, Indian firms are turning to technology. The study examines the development and performance of India's service sector, particularly IT and ITeS. [7]

Government organizations categorize industries into four industrial sectors, which, according to Lawly Das and Rajesh Raut (2014), are agriculture (including forestry, fisheries, poultry, and other related industries), mining, manufacturing, and services. It can also be divided into three sectors: the primary sector, which includes agriculture, forestry, fishing, and mining; the secondary sector, which includes manufacturing; and the tertiary sector (services). The service industry was not regarded as being as significant as other industries until recently. However, this perception of the service industry has significantly evolved, particularly since the 1980s, when it became clear that services make up a sizable and

important portion of contemporary economies, both industrial and post-industrial. "Intangible" items are produced by the service industry. Some are well-known and already in existence, such as government, health, and education, while others, such as communications and information technology, are very new. In comparison to the production of agricultural or industrial goods, the production of services typically requires more human capital and less natural capital. Due to the increased need for educated professionals, nations have increased their educational spending, benefiting their populations as a whole. Another advantage of the expanding service industry is the reduced demand on local, regional, and global environments due to the use of fewer natural resources. Governments in the early economies largely failed to address the rising need for services, which is why the service sector was underdeveloped. To accommodate the escalating demands of the newly developing private sectors, the service industries have expanded quickly with the transition to market economies. A portion of the educated labor force can be employed in these economies thanks to the growth of the service sector. So, in addition to ongoing government funding for healthcare and education, the expansion of services can aid nations in maintaining the pool of human capital that will be essential to their future. [8]

According to Latha C. M. and V. Shanmugam (2014), the health and education service sector in India offers a comprehensive solution to all of our demands in the field of education. The definition of health includes all aspects of one's physical, mental, and social welfare, not only the absence of illness or sickness. The development of the service industry has been facilitated by the expansion of the health and education sectors. The economy has been classified into three sectors: primary, secondary, and tertiary, according to Fisher and Colin Clark. Trade, commerce, transportation, communication, hotel and restaurant operations, banking and finance, health and education, tourism, the stock market, the film industry, insurance, astrological business, etc. are all examples of service sector operations. Almost 50% of the gross domestic product (GDP) in India is produced by the service sector. Over time, each sector's sectoral contribution to India's GDP has changed significantly. The percentage share of other services in the sector of services as well as the GDP and service sector growth rates changed between the years 1950–1951 and 2010–2011. [9]

In addition to the expansion of the service sector, G. Ramakrishna (2010) noted that industry, agriculture, and the open policies of the 1990s also had a favorable impact on India's economic growth; however, the service sector seems to contribute the most. The rise in other sectors, including communications, business, banking, insurance, and trade services, as well as open policies and income elasticity of demand, appear to be the origins of the service sector's expansion in India. [10]

ADVANTAGES:

- There is no need to accumulate an inventory reserve that needs to be kept in a warehouse in the service sector. Because the product being sold is knowledge and competence, all that is required to provide the services is the right equipment; a warehouse full of inventory is not required.
- Starting a firm in the service industry is relatively simple compared to other business categories. Because starting a firm in the service sector really just needs a license, a phone, and someone with the necessary qualifications. This not only makes getting started much simpler but also incredibly economical.
- Working in the service industry allows for flexibility in working hours, which in turn gives one the chance to develop their education and skill sets and complete other vital chores when they otherwise might not be able to.
- In contrast to product-based businesses, service-sector businesses are far more simply and swiftly able to adapt to changes in client needs.
- The service industry helps to keep jobs and generate income during economic downturns when consumers are reducing their spending and just purchasing essential necessities. This is because service sector specialists are constantly in demand.

IMPACTS:

India has developed tactics for achieving rapid economic development and, over the past few years, has made significant progress towards economic liberalization. There will be an increase in demand for educational services as a result of the rising standards in education, which is offered in India free of charge and is mandated until the age of 14 by the Indian government. Due to the growing population and increased knowledge of the advantages of education, there is a greater demand for primary schools, secondary and higher secondary schools, and junior colleges. The need for tuition, private coaching sessions, etc. is rising along with the number of pupils. The demand for the services of professionals has increased along with the construction of technical institutes. With more commerce and business being conducted on the road, demand for transportation services has grown significantly, which has been advantageous for many automakers as well. [11]

In order to address the public's financial needs, banking services are crucial. The society, industry, and other sectors profit from the electric services. The health of society depends on adequate healthcare services. Personal care services are also necessary for people to build a perfect personality and a healthy self-image. Through their services, hospitality providers (hotels and restaurants) provide their patrons with comfort and enjoyment. The tourism sector is also making preparations to ensure that travelers enjoy their vacations in the locations of their choice and get away from the routine of cities. The entertainment sector contributes significantly to this goal as well. All of these services provided to the general public merely indicate that they have limitless potential, and it is up to us to investigate these possibilities and take advantage of them. [12]

SIGNIFICANCE:

- The current financial year's expected Gross Value Added (GVA) for the services sector, at current exchange rates, is 96.54 lakh crore Indian rupees, or 53.89% of the country's overall GVA of 179.15 lakh crore Indian rupees. holds the largest proportion of the nation's net national product as a result.
- The development of an industry in a nation is directly impacted by the service sector, which offers a variety of amenities like transportation, banking, power, maintenance, and communication to support the distribution of manufactured goods. For instance, transportation systems help get workers, raw materials, and completed items to their final destinations. Communication networks are necessary to create a market for a product and for industries to thrive. Also, the service sector is essential for getting market input, quick delivery, and the flexibility to adapt items.
- With a GDP of 2.59 trillion USD in 2017, India has overtaken France as the sixth-largest economy, moving France down to seventh place and allowing India's service sector to expand.
- Service industries support the growth of agricultural products by offering network facilities, such as assisting in the transportation of raw materials and finished commodities from one location to another.
- The service sector aids in giving workers the needed technical education and training, as well as supplying them with quality medical facilities. Moreover, the service industry supports an organized network of communication and transportation networks, which aid in enhancing worker mobility and information. As a result, productivity rises.
- The service industry has contributed to enhancing the country's human development index by offering better services in the areas of banking, insurance, communication, and transportation, as well as in the fields of education and health (HDI).
- This industry offers a range of services to meet the demands of both primary and secondary industries, assisting in the provision of a market for both finished goods and raw materials or semi-finished goods for both, i.e., industries and agriculture.
- India's trade in services increased significantly as a result of the nation being internationally competitive in the IT sector, which multiplied exports and increased India's trade surplus. By creating more well-paying jobs and reallocating workers to a high-productivity industry, service exports have aided in the development of inclusive economic processes.
- A well-planned network of communication and transportation made it feasible for every little town and village to be connected, thanks to the service industry. Also, the expansion of banking, medical, and educational facilities in numerous underdeveloped regions of the country has contributed to the elimination of regional imbalances and inequities across the entire country.

GROWTH OF SERVICE SECTOR WITH SPECIAL FOCUS TO ECONOMIC DEVELOPMENT:

The expansion and change of the three economic sectors are essential to the economic development of every nation. Yet, in recent years, the service sector has expanded very quickly in developing nations, where it now accounts for a significant portion of output, income, and employment. When compared to the agricultural and industrial sectors, even productivity per worker is rising in the service industry. In industrialized nations, the service sector already dominates. If the agricultural sector is sluggish, new service industries are sprouting up and boosting the economy's service sector. As a result, the success of any nation's economy depends greatly on the service industry. [13] The contributions the services sector makes to various facets of the economy can be used to determine how important it is. Trade on both the domestic and international levels is included in business. Trade, a service sector activity, makes it easier for producers and consumers to trade goods and services. The exchange of commodities and services within a nation is referred to as domestic trade. This gives the individuals who have engaged in these activities' money and employment. A key factor in the development of the nation is foreign trade. Equipment and machinery that cannot initially be produced domestically must be imported. Developmental imports are those that either help build new capacity in some production lines or increase capacity in other production lines. Maintenance imports are those that are made in order to fully utilize the producing capability. In order to carry out any economic activity, finance as a service sector activity is crucial. The term "finance" refers to the funds of monetary resources needed by people, businesses, and governments. Individuals require money to address their immediate requirements or daily expenses, such as purchasing capital goods. A firm needs money to pay employees' wages and salaries, buy raw materials, buy new machinery, and replace outdated equipment, among other things. To offer its constituents a variety of services, the government needs money. Many groups of individuals receive funding from financial institutions for a range of activities. The citizens of a nation receive income and jobs as a result of this process from service sector operations. [14] In the past, this sector was in charge of distributing the output of the primary and secondary sectors for consumption in the intermediate and final stages, as well as offering a range of services to both producers and consumers. Activities related to trade, transportation, and storage guarantee that consumers will receive goods and services when and where they need them. The growth of resources and their mobilization for use in various economic activities are made possible by business and financial services. Activities in the service industry often demand less capital investment than those in other sectors. Nevertheless, the majority of these tasks likewise require relatively little operational space. The service sector is a knowledge-intensive industry, and developing the majority of its activities requires significant HRD inputs. [15]

CONCLUSION:

The service sector in India generates the most jobs of any industry. So, it has the potential for rapid expansion and the ability to create jobs that are incredibly productive, which generates income. The Skill India program intends to give 40 crore individuals market-relevant skills in order to solve the problem of employment generation. This will mostly be accomplished through accepting and sponsoring private sector initiatives in skill development programs. Similar to this, the Make in India program seeks to strengthen the nation's manufacturing industry, which will have a multiplier effect and increase the service sector's portfolio. In these conditions, the Startup India initiative, by providing support to innovative businesses, is a crucial enabler for both the manufacturing and service sectors in India. As a result, we may conclude that the service industry will have a significant impact on how the nation develops over the next few years. The services industry in India is like an unknown sea, full of potential and brand-new difficulties. The service sector has seen a quick transition as a result of economic liberalization. India has been experiencing this transition from an agriculture-based economy to a knowledge-based economy over time. All of this demonstrates how services have the power to both spur economic growth and improve people's quality of life. They have the potential to significantly boost the economy's job opportunities and per capita income. Without them, the Indian economy would not have grown to be powerful and dominant on the global stage.

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