



GROWTH OF SERVICE SECTOR IN INDIA

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Abstract

Service sector has emerged as the most extensive and fastest-growing sector in India. It has become the lifeline for a country's socio-economic growth as it contributes significantly to GDP growth, employment, trade, and investment. In an economy the service sector plays a vital role in the resource allocation process. The service industry is not only the World's largest industry, but also contributes major portion in GDP. This present paper attempts to evaluate the services sector growth and role to the Indian economy using secondary data sources.

Keywords: Service sector, Economic Growth, GDP

Introduction

Service sector is the lifeline for the socio-economic growth of a country. It is the largest and fastest-growing sector, contributes more to global output, and provides more people employment than any other sector. The service sector is also known as the tertiary sector. The service sector in India is contributing more than half of India's Gross Domestic Product. The service sector provides the basic facilities for the primary and secondary sectors. The primary and secondary sectors produce tangible goods like food grains, vegetables, fruits, oil, consumer, and capital manufactured goods. The service sector affords the basic facilities essential to produce to reach into the hands who need them. The service sector includes banking, insurance, communication, transportation, telecommunication, trade, storage, travel and tourism, courier services, consultancy services, and legal services—information and Communication Technology (ICT) advertising agency, media, marketing retail, etc. The service sector has played a significant

role in the country's economic development. This sector is highly disordered because of the absence of a well-organized system to maintain a regular and proper statistical record for the sector because many unorganized units dominate it. India's services sector has always served the country's economy well and currently accounting for about 60 percent of the gross domestic product (GDP).

Objectives of the Study

1. To study the growth in Indian service sector.
2. To study the reasons for its fast development of Service sector
3. To study the role of service sector in the economic development.

Methodology

The paper is mainly based on the secondary data. The secondary data were collected from various published sources like books, journal, reports, etc.

The following growing activities can be considered to form part of the service sector:

1. Trade
2. Hotels and restaurants
3. Transport including tourist assistance activities as well as activities of travel agencies and tour operator.
4. Storage and communication
5. Banking and Insurance
6. Real estate and ownership of dwellings
7. Business services including accounting; software development; data processing services; business and management consultancy; architectural, engineering and other technical consultancy; advertisement and other business services.
8. Public administration and defense
9. Other services including education, medical and health, religious and other community services
10. Personal services and activities of extra- territorial organization and bodies.

Components of Gross Domestic Product at Constant Prices (2004-05)

(Rs. Billion)

Sr. No.	Year	Agriculture and allied activities	Percentage of total GDP	Industry	Percentage of total GDP	Services	Percentage of total GDP	Total GDP
1	2010-11	7178.14	14.59	9986.29	20.30	32020.88	65.10	49185.31
2	2011-12	7538.31	14.37	10654.96	20.30	34282.29	65.33	52475.56
3	2012-13	7650.44	13.79	11133.19	20.06	36691.06	66.14	55474.69
4	2013-14	8076.61	13.71	11605.22	19.70	39219.74	66.58	58901.57
5	2014-15	8061.26	12.71	12601.19	19.88	42720.54	67.40	63382.99
6	2015-16	8116.81	11.83	13887.27	20.24	46592.59	67.92	68596.67

Source: RBI, Handbook of Statistics on Indian Economy, 2015-16

The components of Gross Domestic product at constant prices (2004-05) (at factor cost) shows that the share of agriculture and allied activities has declined steadily during the period 2010-11 to 2015-16. The contribution to GDP of this sector was recorded as 65.10 per cent in 2010-11 where its contribution to total GDP is almost 50 per cent. The share of agriculture and allied activities continues to declines and in 2010-11 it was 14.59 per cent of the total GDP. In 2015-16 its share has declined to 11.83 per cent.

The share of industry in the total GDP was very low and it was only 20.30 per cent in 2010-11. But slowly its share has decreased to 20.30 per cent in 2010-11 and further to 20.24 in 2015-16.

In case of service sector the figures show that its contribution to total GDP was rising trend with continuously increasing share. It went to 65.10 per cent 2010-11 and then to 67.92 in 2015-16. In 2010-11 to 2015-16 the contribution of service sector was more than 50 per cent in the total GDP.

It can be concluded from the above table that the share of agriculture and allied activities has declined during the period 2010-11 to 2015-16. Whereas, the share of industry has shown a slightly decreasing trend. While the share of service sector has the major contribution to the GDP and has shown a continuously increasing trend over the years.

Reasons for its fast development of Service sector

Following are the reasons of fast development of this sector :-

- A. The necessity for basic services like hospitals, educational institutions, post and telegraph services, police stations, courts, transportation and banking services have increased with increase in population.
- B. The development in agriculture and industrial sector has increased the need of services such as transportation, storage and trade.
- C. As per income of the people increased the demand for services like tourism, retailing, catering and elite education also increased.
- D. With increase in income people have started travelling long distances for getting education and for job etc. This results in increase in the need of fast transportation. So this increased the services of transportation and communication sector.
- E. Growing service sector is a sign of increasing standard of living. It enable the consumers to enjoy more with leisure based services such as restaurants, tourism and sports etc.
- F. Another factor behind development of service sector is increase in productivity of labour. Due to better technology and improved labour productivity there is a increase in output of manufacturing goods and agriculture with less labour.

Role of Service Sector in the Economic Development

It can be said that in the development process of a nation, the service sector plays vital role because of its special characteristics:

1. Increases the productivity of both labor and capital in the economy by facilitating an efficient delivery of services.
2. Establishes strong linkages with the rest of the economy and provides essential service inputs to the other sectors of the economy.
3. The proportion of total work force engaged in the service sector has been continuously increasing.
4. The increasing contribution of service sector in the economy leads to development and growth of the nations.

Conclusion

All service sectors participated in this boom, growth was fastest in communications, banking, hotels and restaurants, community services, trade and business services. One of the reasons for the sudden growth in the services sector in India in the nineties was the liberalization in the regulatory framework
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that gave rise to innovation and higher exports from the services sector. The growth in output in the sector in recent times has mostly come from the rapid development of skill intensive services in the information technology and professional service segments, mostly oriented toward the external market. India is distinct for the rapid growth of its service sector such as high-tech information technology, communications and business services. Services sector has emerged as the most rapid growth sector in the Indian economy.

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