UNIT 8 : THE ROLE OF THE TERTIARY SECTOR IN THE INDIAN ECONOMY

UNIT STRUCTURE

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8.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- conceptualise the service sectors and point out its various components
- outline the importance of services sectors in Indian economy and discuss its changing role.
- describe the growing dimensions of various components of services sector.
- discuss the issues and challenges faced by services sector in India.
- put forward certain interventions required to addresses some challenges faced by the services sector in India and strengthen it for furthering its growth.

8.2 INTRODUCTION

If we carefully look at the growth trajectory of Indian economy, it is clear that India's present growth is service sector-led growth. Over the years, the share of services in Gross Domestic Product (GDP) of India has been rising

consistently whereas the share of agriculture is sharply declining and industrial growth rate has remained more or less stagnant. For instance, between 1950-51 and 2013-14 the share of Agriculture in GDP has declined from 53 percent to 13.9 percent whereas the share of services sector has increased from nearly 30 percent in 1950-51 to 59.9 percent in 2013-14. Services sector though started growing since 1980-81, this phenomenon has become more pronounced after 1990-91 i.e. after liberalisation, privatisation and globalisation. In fact, since 2000-01, services sector triggered the growth momentum of Indian economy. Almost all sectors under the umbrella of "Service Sector" viz. trade, hotels, transport & communication, financing, insurance, real estates, community, social and personal services registered considerable growth resulting in high growth performance in Indian economy. In this backdrop it is important to look into the significance and various dimensions of services sector in Indian economy. (Please refer to Figure 7.2 of Unit 7 for a recent scenario.)

8.3 THE SERVICE SECTOR

The service sector is the sector which provides services. In an economic sense, services are any functions or tasks that are performed for which there is a demand and hence a price determined in the relevant market. (Macmillan Dictionary of modern Economics). Services are also known as intangible goods. Services are consumed at the point of production and they are usually non-transferable. In the earlier time to few years back, the service sector was the less contributing sector to GDP of India and also the employment opportunity was low. This may be the reason behind the service sector is also name as tertiary sector (tertiary means in third place). In the traditional economy, there are mainly three sectors: primary sectors, secondary and tertiary sector in the economy. Primary sector includes the activities related to agriculture and allied services, secondary sector includes industrial activities and the tertiary sector includes the services provided by trade, hotels and restaurants; transport storage and communication; financing, insurance, real estate, and business services; community, social

and personal services (As classification provided by National Accounts).



LET US KNOW

- Services are any functions or tasks that are performed for which there is a demand and hence a price determined in the relevant market.
- Services are non-transferable. There is no'arbitrages', i.e. the services cannot be purchased and then resold at different price.
- In most developed countries, the service sector contributes the major portion of GDP and generates three times more employment than manufacturing sector.
- Main reasons behind the growth of services include rapid urbanization, the expansion of the public sector and increased demand for intermediate and final consumer services. Access to efficient services has become crucial for the productivity and competitiveness of the entire economy.



CHECK YOUR PROGRESS

Q 1: What is meant by Services sector?

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Q 2: What is meant by the primary sector in India?

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8.4 CHANGING ROLE OF THE TERTIARY SECTOR IN THE INDIAN ECONOMY

In early years, almost in all the developing countries including India, agriculture contributed major portion of GDP. But in recent few years, the picture has been changing as service sector contributes the major portion of GDP. Thus,the service sector has experienced a rapid shift in generating

both income and employment all over the world. In India, growth has been shifted from agriculture to service sector, not in traditional pattern i.e., from agriculture to industry and then industry to service sector. Thus, current growth of India is service led growth. This type of growth path can be termed as the services sector revolution. Recently, service sector has emerged as leading sector of India as it provides major contribution to India's GDP and second largest employment providing sector after agriculture sector.

The role of service sector has changed from lowest contributor to highest contributor to India's national income. This can be evaluated with the following discussion:

Contribution to GDP: In the early years, the share of service sector to Indian Gross Domestic Product was very negligible. But in recent years the share of services sector to GDP of India has been increasing. The share of tertiary sector to India's GDP has increased from almost one third of total GDP in 1950-51 to 57 percent in 2009-10. The following table shows this changing share of service sector in India's GDP.

Table 8.1: Shares of Services sector to India's GDP (in percent)

Year	1950	1960	1970	1980	1990	2000	2010-11	2013-14	2014-15
Services sector	29.8	32.8	35.9	40.3	45.7	53.7	57.48	59.93	50.1

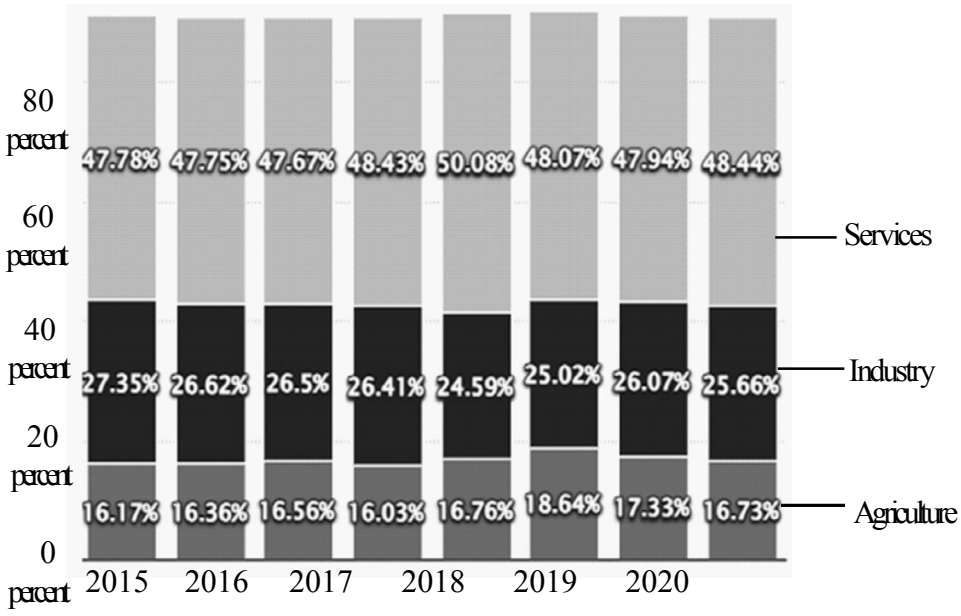
Source:

i) ADB Economics Working Paper Series No. 352: The Services Sector in India; June 2013.

ii) Planning Commission's Indian Economy Related Table 2; December 23, 2014.

Contributions of the three sectors to GDP in recent years. viz., 2015-16 to 2022-23 have been shown in Figure 8.1. The bottom part shows the contribution of the agriculture sector, the middel part shows the contribution of the industry sector and the top part shows that contribution of the service sector. Clearly, the contribution of the service sector has been the highest. The contribution of the industry sector has been higher than the agriculture sector.

Figure 8.1: Distribution of gross domestic product (GDP) across economic sectors from 2015-16 to 2022-23



Source: https://www.statista.com/statistics/271329/distribution-of-gross-domestic-product-gdp-across-economic-sectors-in-india/

Rapid growth of service sector: The higher Compound Annual Growth Rate (CAGR) attained by India in recent years can be taken as the result of expansion of services sector in India.

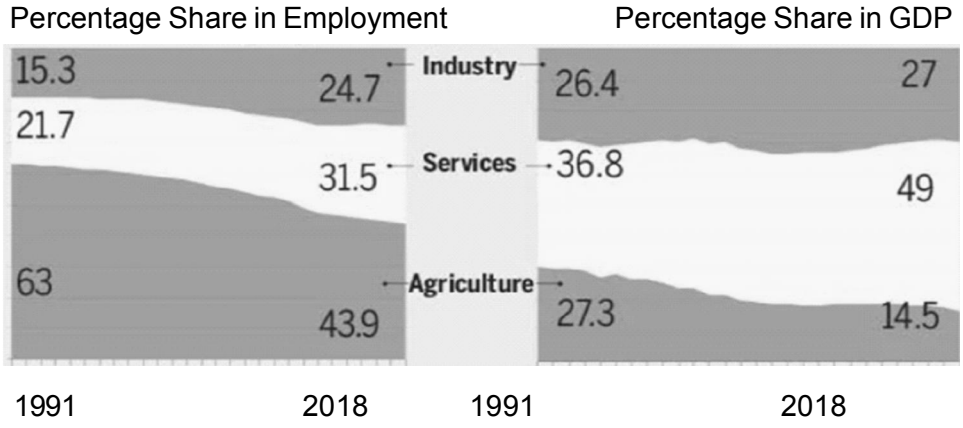
In recent years, the services sector has significantly contributed to Gross State Domestic Product of different states and UTs (Union Territories). Moreover, Tripura, Nagaland, West Bengal, Maharashtra, Bihar, Tamil Nadu, Kerala, Delhi and Chandigarh has recorded a higher share of 55.7 percent to GSDP than other remaining states and UTs. Thus, India has witnessed a horizontally higher share of services sector in GSDP.

Employment generation of services sector: In India, though the primary sector contributes highest employment since ancient time till date, the percentage increase in the employment generation is highest in the service sector. The growth of the employment generation in the primary sector has declined from 64.75 percent in 1993-94 to 53.2 percent in 2009-2010.

According to statistics provided by the NSSO in 2009-10, on the basis of usually working persons in the primary and subsidiary statuses, for

every 1000 people employed in rural areas ,679 are employed in the agriculture sector, 241 are employed in the services sector including construction and only 80 persons employed in industrial sector in India. While in the urban areas of India, among each 1000 people, only 75 people are employed in agriculture sector, 683 employed in the service sector and 242 employed in the industrial sector. Figure 8.2 provides the scenario the different sectors of the economy has contributed towards providing employment and also formation of GDP in two time periods, viz., 1991 and 2018. As we know, in 1991, the Indian economy just adopted the economic reform measures. The changing scenario is quite visible. While the contribution of the industry sector towards formation of GDP has remained the same, but it's shares in employment has increased from 15.3 to 24.7 percentage. You can notice the changes of the other two sectors as well.

Figure 8.2: Share in Employment vs GDP in India (1991 vs 2018)



Source: Percentage Share of Employment vs GDP - 1991 - 2018 : r/IndiaSpeaks (reddit.com)



ACTIVITY 8.1

Based on data presented in Figure 8.2, what changes you notice in the contributions made by the three sectors of the economy towards providing employment and GDP in India in 1991 vis-a-vis 2018? Explain.

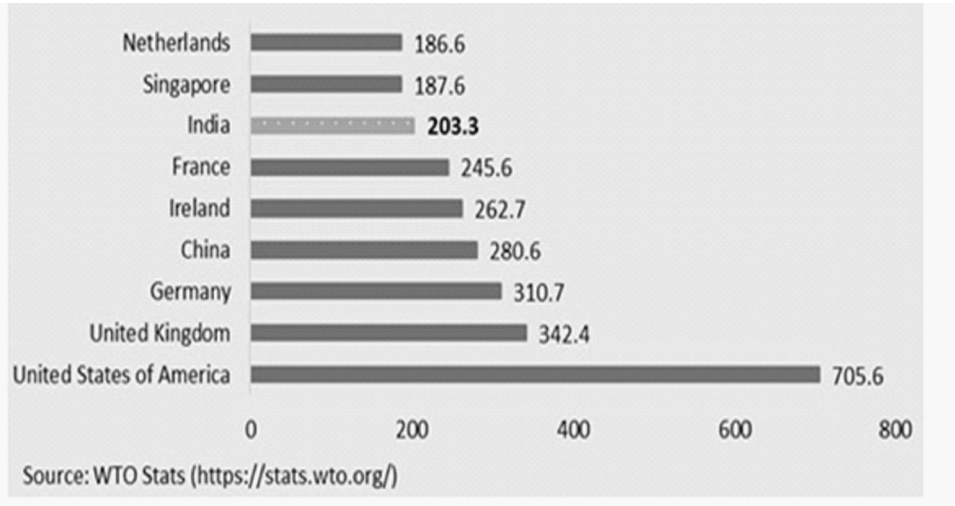
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Contribution of India's service sector towards trade: The service sector plays an important role in India's trade. The share of services exports in the world export has been increasing from 0.6 percent in 1990 to 3.3 percent in 2011. Thus, in recent years, India is moving towards a service led export growth. The merchandised and services export of India has grown from 22.2 percent in 2004-05 to 25.3 percent in 2008-09. Services growth slowed down in 2008-09 as a consequence of global Financial Crisis, but it recovered rapidly in 2010-11. According to the data provided by RBI, the India's services export grew at a CAGR (Cumulative Annual Growth Rate) of 20.6 percent during the period of 2004-05 to 2010-11. India is ranked seventh among the world's major exporters of services, trailing only the United States, the United Kingdom, Germany, China, Ireland, and France (see Figure 8.3).

Figure 8.3: Service exports of Top 10 countries in 2020 (in Billion



It's important to note that, although ranking seventh, India is among the top three nations in terms of average annual growth rate (8.5 percent) between 2005 and 2020, trailing only Singapore (9.7 percent) and Ireland (9.9 percent). In 2020, India accounted for 16.5 percent of Asia's service exports.

Contribution towards human development: Services sector has provided ample scope for human development as it renders many important and valuable services like education facilities, health services, IT and ITeS, tourisms, skill development etc.These services are responsible for the development of the economy through providing empowerment, ensuring high quality of living and formation of human capital. Thus, the services

sector contributes towards human development.

Role in infrastructure development and communication services: The developing countries like India are not infrastructurally compact. Therefore, infrastructural development plays a major role in development of such economies. Transportation, communication facilities are major infrastructural facilities. The contribution of transport, storage and communication services to India's GDP at factor cost is 7.1 percent in 2011-12. Thus, the role of services sector towards infrastructure development via communication services and transportation services in developing countries is very significant.

Role in growth of IT and ITeS: The recent era has witnessed a sharp rise in IT and IT enabled services (ITeS) in India. IT and ITeS sector have introduced India as an image of young and resilient global power.IT and ITeS industry has four major parts as IT services, Business Process Outsourcing (BPO), engineering services and Research and Development (R&D). Among these four components, Indian ITeS and BPO have proved its superiority, sustained cost advantage and fundamentally powered value propositions in the global market. The IT and ITeS industry have established as a full-fledged industry in India. As per the data provided by NASSOCOM, IT and BPO sector (excluding hardware) s' revenue is US $95.2 billion in 2012-13. These sectors have also generated direct employment and indirect employment of nearly 2.8 billion and 8.9 billion respectively in 2012-13.

Role in development of social services: The growth of service sector also generates, expands and develops some social services like sports, cultural services etc. the role of sports in the creation of human capital is very important as it provides physical fitness, uniqueness, bonding (both community and international bonding) etc. Now-a-days, the sports are important for national identity and togetherness. Cultural services includeentertainments, recreational activities, radio and television broadcasting and other cultural services like art, spiritual believes, customs etc. For promoting and preserving all forms of art and culture, the Government of India allocated a total of Rs. 3555 crores in the Eleventh Plan. The cultural services emerged as not only a component of growth and job creation but

also as a vehicle of cultural identity. In 2010, India exported creative services worth of US $ 4 billion at a CAGR of 26 percent. Moreover, the services sector plays an important role in promoting some social services beneficial to the society.

Supports to other sectors: The service sector provide supports to agricultural and industrial sectors through financial services, transport services, software services, communication services, services related to storage facility and distribution etc. Without the interlinkages, cooperation and support among the various sectors, no economy can grow.



CHECK YOUR PROGRESS

Q 3: Which sector of the Indian Economy contributes the most?

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Q 4: What is the difference between the share of service sector to the India's GDP from 1951 to 2014-15?

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8.5 THE RECENT GROWTH OF THE IT AND OTHER SERVICE SECTORS

- **Tourism including Hotels and Restaurants:** Indian tourism is ranked 11th in the Asia Pacific region and 62nd in the world. According to the travel and Tourism Competitiveness report of 2009 by the 'World Economic Forum', India had been ranked 14th for best tourist destination and for its natural resources, 24th for its cultural resources. In India, tourism is the largest industry. Its share to India's GDP is 6.23 percent. It is an employment generating sector as it proves a lot of services like hotelling, tourist transportation cabs, hospitality services etc. It generates nearly 8.78 percent of the total employment opportunities of India. In 2008, the revenue generated through the tourism was about US$275.5

billion. The tourism sector is substantial and vibrant in nature. It is one the most profitable business in India. it is considered as the growth as well as export growth engine in India. This sector witnessed significant growth in recent years.The CAGR of foreign tourist arrivals (FTA) was 7.2 percent in 2006. In the same year, the CAGR of foreign exchange earnings (FEE) was 14.1 percent. The FTAs in 2009 and 2010 were 5.17 million and 5.78 million respectively. The growth of FTAs was 11.8 percentin the year 2010 and it was comparatively much higher than the world's growth of 6.5 percent. The FEEs of Indian tourism were Rs. 64889 and Rs. 54960 inn 2009 and 2010 respectively.

Health tourism is another important sub group under tourism in India. India has the scope of exploring this service in upcoming years. The India is a better destination for health tourism for cost-effective health care services, skilled and experienced health care experts and professionals, better hospitality of paramedical staffs, strong IT sector etc. Now-a-days, India's traditional systems of health care systems such as Ayurveda, Yoga, Siddha, Naturopathy, spirituality are appreciated and adopted by foreigners.

Though India's tourism is an emerging ad fast growing service sector in India, but has faced the ill-impact of slowdown of Indian Economy. The FTAs grew a mere 2.12 percent in the first half of calendar year 2019 which was the lowest for the comparable period in the last four years. The FTAs is 6.08 million during the period January to July, 2019. This is marginally increase as the FTA s during Jan -July, 2018 was nearly 5.96 million. The FEEs also showed a marginal increase to Rs. 1,16,872 during Jan-July, 2019 from Rs. 1,12,481 crores during Jan-July, 2018. In dollar terms, this marginal increase reported a negative growth of 2 percent at $16.75 billion.

- **Services related to Transportation and Communication:** Transportation is one of the major services in India. The share of Transportation (including railway services) in GDP at factor cost was 6.6 percent in 2006-07. In 2011-12, it was 6.2 percent only. As per the Economic Survey, 2021, the logistics industry accounts for 13-14 percent of the country's GDP. The industry’s contribution to the economy is mainly

due to the efficient movement of goods, which helps reduce costs and increase productivity.

With 1.181 billion cellular and wireline subscribers as in September 2023, India's telecom sector is the second largest in the world. India has an overall tele-density of 84.76 percent, of which 58.05 percent is the tele-density of the mainly unexplored rural market and 133.54 percent is the tele-density of the urban market. With 40.62 percent of internet users residing in rural areas, the overall number of internet customers by the end of March 2023 was 881.25 million (narrowband + broadband). (Source: https://www.investindia.gov.in/sector/telecom)

- **Real Estate and Housing Services:** Real estate is one of the major components of services sector in India. Real estate sector deals with housing services. This sector provides many job opportunities and solve the problem of unemployment to some extent. The jobs offered by this sector are construction workers, builders, architects, engineers, interior decorators, plumber, painters, carpenters, property consultant etc. thus, this sector is considered as a employment intensive sector in India. Again, this sector is dealing with the income generating activities as housing can act as asset and it has significant leveraging effect in order to support and supplement other means of income generation.

  Real estate sector includes ownership and dwelling accounted for 7.6 percent share in India's overall GVA (Gross Value Added) in 2015-16. The growth of this sector has been reducing from 7.5 percent in 2013-14 to 4.5 percent in 2015-16. The reason behind may be the ownership and dwelling segment having a share of 6.8 percent in overall GVA decreasing 7.1 percent in 2013-14 to 3.2 percent in 2015-16. The residential sales are also reduced to a five-year low about 2,45,000 units in 2016 across eight cities in India.

  According to a recent report (The Economic Times, 28th Dec, 2023), housing sales in the top 7 cities in India (including New Delhi, Mumbai, Bengaluru, Pune, Hyderabad, Chennai, Kolkata) have created a new peak in 2023, breaching the previous high of 2022 with 4,76,530 units getting sold in 2023 against 3,64,870 units in 2022 rising by 31 percent.

- **IT-BPM Services:** The IT-BPM (Information Technology- Business Process Management) is an important emerging sector in India. In 2016, global IT-BPM market including hardware was US$ 2.2 trillion and excluding hardware US$ 1.2 trillion.The Indian IT-BPM industry is a global powerhouse and its impact on India and world is unprecedented. India pioneered the offshoring model and is today seen as the partner of choice for technology and business solution. This sector recorded a six- fold growth in terms of revenue during the last decade. It is also an employment intensive - sector and it provides more than 3.9 million jobs to the people. It is also an employment supporting sector as it creates employment in other sectors like transportation, hotels, restaurants, infrastructure, security etc. Indian IT-BPM industry comprises over 16000 firms ranging from multibillion-dollar firms to start -ups, many Multi-National Companies (MNCs) including over 4,750 start-ups making India the world's 3rd largest start-up ecosystem. The start-up ecosystem comprises firms catering to mature verticals (e- commerce, aggregators), emerging verticals (fintech, edutech, healthtech etc) and technology specialists around cloud, Internet of Things (IoT), Machine learning, artificial intelligence, robotics, 3D printing etc. US is the major market of India for IT-BPM services followed by UK, Europe (excluding UK) and Asia. As per NASSCOM's estimates, India's total revenue (export and domestic) of the IT-BPM sector including and excluding hardware is expected to touch US$ 154 billion and US$ 140 billion with growths of 7.8 percent and 8.1 percent respectively in 2016-17. The domestic market including hardware and excluding e-commerce is growing at 8.5 percent to reach US$38 billion and excluding hardware and e-commerce is growing at 10.4 percent to reach US$ 24 billion.

  India's software exports were growing robustly at 27 to 38 percent from 2002-03 to 2007-08. But this growth is slowed down in recent years. As per RBI's data, the software exports fell by 0.7 percent to US$ 73.7 billion compared to US 74.2 billion in 2015-16.

- **Construction Services:** The construction service is one of the most important and emerging sectors in India. this sector is gaining importance

over the years as it is considered as an important indicator of growth and development. It creates a lot of investment opportunities and accelerates the production capacity of an economy. The share of it to the India's GDP at factor cost was 6 percent in 2000-01. In 2008-09, it was 8.2 percent and in 2011-12, it was 8.2 percent. The construction service includes construction of bridges, roads, buildings, bridges, dams etc. the growth of it decelerated from 5 percent in 2015-16 to 1.7 percent in 2016-17. This sector was given the industry status in 2000. The government takes many steps to promote this industry. As a result of these steps, more private ownership of Build- Operator -Transfer (BOT), Build- Operate -Own -Transfer (BOOT) and Build-Operate-Lease-Transfer (BOLT) projects have been taken up in this sector.

- **Banking Services:** Within the services sector financing, insurance, real estate and business sectors are most dynamic sector in the economy in recent years. The role of banks especially in developing country is important, crucial as well as critical for overall development of the economy of the country. Indian banking system is very vibrant and has a wide scale of operation. It consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1562 urban cooperatives banks and 94384 rural cooperative banks. Banking sector is one of the fastest growing sectors in the country. This is evident from the fact that total banking sector assets including public and private sector banks have increased at compound annual growth rate (CAGR) of 6 percent to US $2.3 trillion during 2013-14. The surge in credit provided by the banking sector at large has contributed a lot to the high growth of performance of Indian economy during the period 2003-2008. During this period, total credit grew at around 20 percent year to year basis which however plummeted to 15 percent in 2014 basically due to world financial crisis in 2008-1. Since 2014, credit growth has been slow and went down to around 7 percent on an average in 2016-17.

  While discussing the banking sector special mention must be made to the public sector banking in India. PSB was ushered into in India when State Bank of India came into being in 1955. After that, in 1969, 14 major

private banks were nationalised. Again in 1980, other 6 private banks were nationalised. In the beginning there were 8000 branches of banks with total deposits of Rs. 5000 crores, but now, there are 90,000 bank branches with total deposit of Rs. 85,00,000 crores in India, while credit extended by the public sector banks have gone up to Rs. 60,00,000 crores.

8.6 MAJOR ISSUES FACED BY THE SERVICE SECTOR

- Wage inequality is one of the major challenges in services sector. the skilled and efficient workers in the services sector get higher wages as compared to the other sectors of the economy. But low skilled workers have faced disadvantage as low income.
- The different sub sectors of services sectors are impacted differently by the demonetisation. The tourism sector is not much affected by the demonetisation.Bank credit by commercial Banks also increased after demonetisation. There is fall in property registration in post-demonetisation. But there was not much change in property prices. It has positively impacted upon the sub-sectors like IT industry, insurance sectors etc. thus, the impact of demonetisation on services sector is mixed and temporary in nature.
- The Goods and Services Tax (GST) launched on July 1, 2017 in India. It has significant impact on the growth of services sector in India. The reason is that it affects the valuation of the service categories, their operations in each state through multiple returns filing, and stringent tax compliance. There are some of the major challenges faced by the services sector under GST like multiple tax slabs (5 percent, 12 percent, 18 percent and 28 percent), multiple registration of place of business, filing multiple return (filing returns three times in a month) etc.GST has helped the services sector in many ways like avoiding confusion as pre-GST, both Central and State Govt. had the right to collect the tax which was leading to confusion in finding out to whom the tax is to be paid for services like software, works contract etc. resulting in disputes between

Central and State Governments. However, the major difficulty is registration of Place of Business as agents will have to register in all states that they operate in and file in each of them in the GST regime. There are also issues of GST network, as, in the GST network, not more than 100 branches of Bank can register. In the case of Healthcare Services, while there are no taxes on health care services, the input tax credits are not available for the very reason that healthcare services are exempt from GST.

- There are also some early results of GST affecting services with 24 states abolishing check posts while others are in the process, resulting in reduction in transportation cost, fuel use and fall in congestion. There has also been better tax compliance with 71 lakh central and state taxpayers having migrated to the Goods and Services Tax (GST) system and 15 lakhs new tax payers having been registered.
- In case of construction of Greenfield Airports, there are many factors that affect the construction such as acquisition of land, availability of mandatory clearances, financial closure etc by the individual operators.
- There are many challenges faced by the tourism sector in India. the FTAs decline in the first half of 2019. The main reason behind this are as follows:
  - Brexit in the US.
  - Recession fears in large parts of Europe and the US.
  - Heightened tensions between India and Pakistan.
  - Shutdown of Pakistan air space for India-bound flights led to an increase in travel time and air fare.
  - High Visa charges.
  - Strong competition from tourist destinations such as Sri Lanka, Thailand, Malaysia, Vietnam etc.
- One of the main issues of the services sector is that the majority of services are operate under unorganised sector. thus, the actual estimation is not easy. Again, as the majority of jobs are confined to the unorganised sector, there is no job security, no uniform salary and wages etc.

- It is costlier for start-ups in the services sector in India as majority of labour force in India are not properly skilled.
- In India, the operating costs of a shipping company are high. Thus, high taxes are to be paid in India than overseas and therefore foreign shipping companies do not prefer to flag their ships in India.
- There is an issue of terms of shipment with a majority of India's bulk imports being done on C&F/CIF basis despite the policy of imports on FoB basis and the Indian companies not even getting the benefit of ROFR in these trades with the result that the share of Indian flag vessels in India's bulk imports is limited.

8.7 SUGGESTIVE POLICY MEASURES

Some of the policy suggestions to improve the performance of the tourism, real estate and banking sectorsinclude the following:

- **Tourism:** There is need to make India Tourism friendly and Tourist safe Country. There is an urgent need to create a special Tourist Protection force besides maintaining cleanliness hygiene and ambience of acceptable standards. Good Tourism Infrastructure including beautifying riversides passing the middle of cities, providing accommodation for tourists by increasing the number of hotel rooms and improving infrastructure in important tourist sites by privatization of some areas of infrastructure. There is also a need for further improvement in E-Visas and Immigration procedures. India is presently emerged as medical hub with lots of sophistication compared to many developing countries. Therefore, there is another area for promoting Medical Tourism by facilitating imports for hospitals providing medical tourism and providing a package of services for medical tourists including state of the art medical facilities, ambulance services at airports, airlifting of medical tourists to hospitals by helicopters and fast track clearance of medical visas, immigration and other formalities.
- **Real Estate Services:** As we all know that Housing and Infrastructure sectors are very important as they have direct impact on social and economic development generating varied employment opportunities

ranging from unskilled, semi-skilled and skilled labourers to professionals and experts. Some of the issues and challenges affecting growth in real estate and housing sector include the delay in approvals of permits; high land registration costs including stamp duty; rising debt levels and NPAs; lack of skilled workforce; need to implement the single -window clearance for construction permits in all states on top priority; higher risk provisioning assigned to real estate sector by the RBI and dwindling profits in the real estate sector; GST Issues, like all components of construction except bricks being charged at the highest slab of 28 percent GST which needs a relook; delay in payment for Government projects; funding problems for land acquisition; and need for new financing instruments including expanding the Secondary Market and considering the feasibility of Covered Bonds. In this context there is an urgent need to revitalise this sector on priority basis so that India can arrest unemployment to a great extent.

- **Banking sector:** As noted above India's banking sector is one of the vibrant sectors in the umbrella of services sector. The major issue with the banking sector today is the growing volume of Non-performing Assets (NPAs) known as bad loans and inefficiency in bank management especially with the PSBs. In order to strengthen the banking sector, a slew a measures have been taken recently of which the prominent one is the merger of the banks. However, there are two sides of opinion about this mega bank merger policy. If you are interested, you can browse through the Net or read leading financial newspapers to learn about the different debates into it.



8.8 LET US SUM UP

- The service sector is the sector which provides services. In an economic sense, services are any functions or tasks that are performed for which there is a demand and hence a price determined in the relevant market. Services are consumed at the point of production and they are usually non-transferable.
- In the traditional economy, there are mainly three sectors: primary

sectors, secondary and tertiary sector in the economy. Primary sector includes the activities related to agriculture and allied services, secondary sector includes industrial activities and the tertiary sector includes the services provided by trade, hotels and restaurants; transport storage and communication; financing, insurance, real estate, and business services; community, social and personal services.

- Over the years, the share of services in Gross Domestic Product (GDP) of India has been rising consistently whereas the share of agriculture is sharply declining and industrial growth rate has remained more or less stagnant. For instance, between 1950-51 and 2013-14 the share of Agriculture in GDP has declined from 53 percent to 13.9 percent whereas the share of services sector has increased from nearly 30 percent in 1950-51 to 59.9 percent in 2013-14.
- Recently, service sector has emerged as leading sector of India as it provides major contribution to India's GDP and second largest employment providing sector after agriculture sector.
- There are many challenges faced by the service sector of India. These are: the majority of services are operating under unorganised sector, wage inequality, high cost for start ups in the service industry, impact of GST and demonetisation, impact of international relations and issues etc.
- Some concerted steps should be taken by the Government of India for upgradation of services sector of India. There are some other services like Super Specialty healthcare, Satellite Mapping, Professional services etc where India has high potential to grow and India has the necessary competence to provide them cost efficiently. The health tourism can be good choice where India has a lot of potentials.



8.9 FURTHER READING

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2) Mukherjee, D. (2019). *Indian Economy Since Independence.* Kolkata: New Central Book Agency (p) Ltd.

3) Kapila, U. (2016). *Indian Economy Since Independence.* New Delhi: Academic Foundation
4) Malayala Manoroma. (2018). *Manorama yearbook 2018.*
5) Pratiyogita Darpan, Extra Issue on General Studies Indian Economy 2019.



8.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The service sector is the sector which provides services.

Ans to Q No 2: Primary sector includes the activities related to agriculture and allied services.

Ans to Q No 3: Recently, service sector has emerged as leading sector of India as it provides major contribution to India's GDP and second largest employment providing sector after agriculture sector.

Ans to Q No 4: The share of tertiary sector to India's GDP has increased from almost one third of total GDP in 1950-51 to 50.1 percent in 2014-15.



8.11 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1: What is service sector? Give examples.

Q 2: What is arbitrage? Is arbitrage possible with services?

Q 3: What is the recent share of service sector to India's GDP?

Q 4: Discuss the recent growth of various sub sectors of service sector in India.

Q 5: What are the major challenges faced by the Indian service sector? Explain.

Long Questions (Answer each question in about 300-500 words)

Q 1: Compare the share of three sectors of India from the time of Independence to till date.

Q 2: Discuss the major challenges in the tourism sector in India?

Q 3: Discuss certain measures betterment of tourism sector in India?

Q 4: Do you think that there is any potential for health tourism in India? If yes, explain.

Q 5: Discuss about the IT-BPM industry in India.

Q 6: Are you aware of the changes that have taken place in the Indian service sector due to the GST?

Q 7: What is the impact of demonetisation on service sector in India? Discuss briefly.

Q 8: What do you suggest for the improvement of Indian service sector?

Q 9: Explain the role of banking sector in the growth of services sector in India?

Q 10: State three cases for and against merger of Public Sector Banks in India?

Q 11: Explain the significance of tourism sector in the overall growth of services sector in India? Suggest a few policies for improvement of tourism sector in India.

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