- **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 % in 2006-07. In 2011-12, it was 6.2% only. Similarly, the Indian telecom sector has shown a rapid growth during the last few years. This sector is going through many reforms and initiatives introduced by the department of telecommunications. India's position is second in respect of telecommunication network. In 2015-16, India has crossed the landmark of 1 billion telephone subscribers and in the year 2017, this number is increased to 1195 million. Please note that we have already discussed about Transport and Communication services in Unit 3 in block 1. As such, we shall avoid any detail discussion on these two areas here. However, for you benefit, you are advised to keep updated on the recent scenario of these two sectors.

- **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% share in India's overall GVA (Gross Value Added) in 2015-16. The growth of this sector has been reducing from 7.5% in 2013-14 to 4.5% in 2015-16. The reason behind may be the ownership and dwelling segment having a share of 6.8% in overall GVA decreasing 7.1% in 2013-14 to 3.2% 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.

- **IT-BPM Services:** The IT-BPM (Information Technology- Business Process Management) is an important emerging sector in India. In 2016,

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% to 13.9% whereas the share of services sector has increased from nearly 30% in 1950-51 to 59.9% 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 "ServicesSector" 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.

10.3. 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 purchasedand 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.
- In Services sector, India world rank is 8thand GDP is $1500 billion. Contribution of Agriculture sector in Indian economy is much higher than world's average (6.4%). Contribution of Industry and Services sector is lower than world's average 30% for Industry sector and 63% for Services 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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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%. 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% 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% in 2006. In the same year, the CAGR of foreign exchange earnings (FEE) was 14.1%. The FTAs in 2009 and 2010 were 5.17 million and 5.78 million respectively. The growth of FTAs was 11.8%in the year 2010 and it was comparatively much higher than the world's growth of 6.5%. 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% 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% at $16.75 billion.

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 has allocated a total of Rs. 3555 crores in the Eleventh Plan. The cultural services have emerged as not only a component of growth and job creation but also as a vehicle of cultural identity. In 2010, India have exported creative services worth of US $ 4 billion at a CAGR of 26%. 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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10.5. 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

10.4. 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% in 2009-10. The following table shows this changing share of services sector India's GDP.

Table 10.1: Shares of Services sector to India's GDP (in %)

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.

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.

Horizontally higher share of services in GSDP (Gross State Domestic Product: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% 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% in 1993-94 to 53.2% 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.

Contribution to India's services 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% in 1990 to 3.3% 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% in 2004-05 to 25.3% 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% during the period of 2004-05 to 2010-11. CAGR of financial services were higher with the rate

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% 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