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.

10.10 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% in 2014-15.

10.12 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?

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% and 8.1% respectively in 2016-17. The domestic market including hardware and excluding e-commerce is growing at 8.5% to reach US$38 billion and excluding hardware and e-commerce is growing at 10.4% to reach US$ 24 billion.

India's software exports were growing robustly at 27 to 38 % 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% 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% in 2000-01. In 2008-09, it was8.2% and in 2011-12, it was 8.2%. The construction service includes construction of bridges, roads, buildings, bridges, dams etc. the growth of it decelerated from 5% in 2015-16 to 1.7% 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

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

10.9 FURTHER READING

1) Dhar, P.K. (2018). *Indian Economy: Its Growing Dimension.* New Delhi: Kalyani Publishers.

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% 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.

10.8 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.

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.

10.6 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.

10.7 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