

A STUDY ON GROWTH OF SERVICE SECTOR IN INDIA

Dr.S. Palani
Associate professor & Head,
Department of Economics
Mannar Thirumalai Naicker College, Madurai.

Abstract: Health and instruction administration area in India our wide scope of administration gives a start to finish answer for every one of our needs in the training part. The development of both the wellbeing and instruction division has made the progression of the administration area. Fisher and Colin Clark have isolated the economy into the essential area, auxiliary segment and tertiary part. Administration area exercises incorporate exchange, business, transport, correspondence, inn and eatery, banking and money, wellbeing and instruction, the travel industry, share showcase, film industry, protection, crystal gazing industry, and so on. India administration segment represents in excess of 50 percent of India's Gross Domestic Product (G.D.P). There is a critical change in the sectoral commitment of every part to India's GDP over some undefined time frame. The offer of different administrations and administration segment in percent and the execution of development rates of the administration area and GDP. In the times of the year 1950-51 to 2010-11.

Keyword: the growth of the service sector economy

INTRODUCTION:

As development advances human wants increment prompting the development of financial exercises. Typically, essential exercises, for example, chasing, creature farming, and horticulture developed. Later on, as science and mechanical improvement occurred which prompted the advancement of the modern area. The extension of both these parts made the progression of the administration division. Fisher (1935) and Colin Clark (1940) have separated the economy into the essential segment, optional area and tertiary segment. The essential part which covers unmistakable merchandise in farming, ranger service, angling, and chasing. The optional segment incorporates mining, fabricating and such exercises as gas, power and water supply including exercises with an unmistakable and item. The tertiary segment comprises of exchange and open administrations. Be that as it may, this is certifiably not an obvious division on monetary exercises as market analyst change the movement in the rundown and furthermore there is a covering of financial exercises. Later on, monetary exercises have been moved to start with one area then onto the next part. At present the essential part incorporates agribusiness, ranger service, creature and farming, and fisheries and so on., the optional division exercises fuse mining, fabricating, power, gas, water supply, development and so forth., the administration segment exercises incorporate exchange, trade, transport, correspondences, inn and eatery, banking and account, wellbeing and instruction, the travel industry, share showcase, film industry, protection, crystal gazing industry, notice industry, sports, lawful administration, distributing industry, broad communications, and so forth.,

The administration division otherwise called the tertiary segment of the economy is extending at a quicker rate. It is one of the three areas of the economy. "Delicate" some portion of the economy in the administration area incorporates all exercises which individuals offer their insight and time to improve efficiency, execution, potential, and supportability and furthermore known as an exhortation, experience, and exchange incorporate the administration part. Administration area includes of exercises starting from the creation of merchandise and administration until it compasses to the customer. Throughout the previous 30 years, there has been a generous move from the essential and optional segment to the administration part. Presently it has turned into the biggest division of the economy. Further, the administration part exercises can be gathered into:

1. Trade, hotel, and restaurants.
2. Transport, storage, and communication. Transport includes roads and railways, airways and inland and overseas, water transport.
3. Financial institutions, insurance, real estate and business services.
4. Community, social and personal services. Community services include government establishment and its departments and personal services such as health, and education, NGOs, etc.

Even though there is a thin margin in distinguishing between the private sector and public services because some services are being provided by both the sectors. We can classify the service sector activities coming under both sectors. Private services include trade, commerce, transport, communication, hotel and restaurant, tourism, insurance, cinema, advertisement, sports, health and education, level service and NGOs, etc. Government sector includes government establishment including the legislature, executive, judiciary, its various departments at central and state government and its autonomous bodies and local bodies.

OBJECTIVES: -

1. To analyze the service sector growth in India
2. To analyze the implemented of Health services
3. To an analyze the implemented of education services

REVIEW OF LITERATURE:

Deba Prasad Rath and Raj Rajesh(2006) Given the magnitude of services growth and its inter-linkages with other sectors of the economy, it is important to understand the impact of services sector on other macroeconomic variables. The present paper attempts to identify some of the critical issues in India's services-led growth and tests certain hypotheses that are currently in debate. These relate to (a) whether the robust growth of the services sector has added a dimension of stability to India's GDP growth; (b) whether there has been a growing complementarity between services and industrial sectors of the economy; (c) whether, like other commodity-producing sectors, the services sector also experienced 'jobless' growth; (d) whether the imposition of services tax has boosted the Indian Government's efforts at mobilizing more resources; and (e) whether high growth of the services sector in India had an inflationary impact on the economy.

Priya lashmi Dr.Sandeep Kumar Service sector is the lifeline for the social economic growth of a country. It is today the largest and fastest growing sector globally contributing more to the global output and employing more people than any other sector. Services sectors have become more important in recent years as advances in technology have permitted new means of providing services across borders. 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. This study investigates to growth, contribution and development of the services sector in the Indian economy. Further, this study discusses to economic policy and impact of the services sector.

Dr. M. Suvakkin*1, Dr. G. Gnanasekaran2(2014)The Services sector is the essential one for accelerating the growth process in the economy as it helps agriculture and industry. Broadly defined the services sector includes all economic activities whose output is not a physical product. This sector encompasses trade, hotels, restaurants, transport, storage, communication, finance, insurance, real estate, business services, community, social and personal services. India's share of agriculture and allied sectors in GDP has been consistently declining. From 2012-13 and 2013-14 the share of agriculture and allied sector in GDP is constant, the industry decreased to 1.2 percent and services increased to 1.1 percent respectively. The share of services has been consistently rising. The service sector is the fastest growing sector in India, contributing significantly to GDP, GDP growth, trade, and FDI inflows. However, the increase in employment in services has not been commensurate to share of the sector in the GDP.

Harini K.V * Indira M(2014)** The services industry is one of the largest and fastest-growing sectors in the global market. Its contribution to the Indian economy is particularly significant, with regard to employment potential and impact on national income. This sector covers a wide range of activities, such as transportation, communication, tourism, trading, finances,

real estate, and health, among others. India's service sector contributes to about 60 percent of the country's Gross Domestic Product (GDP), 35 percent of employment, a quarter of the total trade, and over half of the foreign investment inflows. The service industry provides massive business prospects to investors. Without the sector's capacity to generate revenue, it would be difficult for the Indian economy to acquire a healthy place it currently enjoys on the global platform.

METHODOLOGY: -

The study is based on secondary sources obtained from the economic survey Government of India. Information about specific parameters outlined in the objectives was collected for the period between 1950-51 and 2010-11. The detailed information was collected from economic survey 2011-12 and a data sheet was proposed. Performance of Health and Education has been used to analyze the performance of Health and Education.

Role of Service Sector in Economic Development:

In any country economic development depends on the growth and evolution of the three sectors of the economy. However, in recent years the service sector growing at a very faster rate in the developing countries and is contributing a major share in terms of output, income, and employment. Even the productivity per worker is becoming higher in the service sector when compared to the agriculture and industrial sectors. Already the service sector is dominant in the developed countries. If the agriculture sector is stagnant, new service activities are emerging and adding to the service sector making the economy to grow. Hence the service sector is playing a major role in the economic development of any country.

The importance of the services sector can be gauged by its contributions to different aspects of the economy. The business includes both domestic trade as well as foreign trade. Trade as a service sector activity facilitates the exchange of the goods and services between producers and consumers. Domestic trade refers to the exchange of goods and services within the country. Which provides income and employment to the people who have engaged in these activities. Foreign trade plays a major role in the development of the country. Imports of machinery and equipment which cannot be produced in the initial stages at home are essential. Such imports which either help to create new capacity in some lines of production or enlarge capacity in the other lines of production are called developmental imports. The imports which are made in order to make full use of the productive capacity are called maintenance imports.

Finance as a service sector activity plays an important role in undertaking any economic activities. Finance refers to funds of monetary resources required by individual, business houses and the government. People need funds to meet their current requirement or day to day of expenses for buying capital goods. A business house requires funds for paying wages and salaries, for buying raw materials, for purchasing new machinery or replacing an old one, etc. The government needs funds to provide various services to its subject. Finance institutions provide funds to various groups of people for a variety of activities. In this process, the service sector activities provide income and employment to the people of a country.

In the previous days, this sector is responsible for distributing the output of the primary and secondary sectors for the intermediate and final consumption and also for the providing a variety of services to producers as well as consumers. Trade, transport and storage activities ensure distribution of goods and services where and when needed by consumers. Business and financial services facilitate mobilization of resources and their development in the activities of different sector of the economy.

Service sector activities generally require relatively less capital investment than activities in other sectors. But a majority of these activities also require relatively less space for operations service sector is a knowledge-intensive sector and substantial HRD inputs are necessary for developing most of the services sector activities.

Service Sector in India:

Today, in India service sector accounts for more than 50 percent of India's Gross Domestic Product (GDP). There is a significant change in the sectoral contribution of each sector to India's GDP over a period of time. In 1950-51 the primary sector was contributing about 56.5 percent to the Indian GDP. It is followed by the secondary sector with 13.6 percent and the tertiary sector with 29.9 percent. During 1990-91 the share of agriculture sector in India GDP was 34 percent. It was followed by the

secondary sector with 23.2 percent and tertiary sector with 42.8 percent. During 2007 the contribution of primary sector came down to 18 percent, and the industrial sector increased to 29 percent sector to 53 percent (Misra and Puri, 2009). During 2008-09 the share of the primary sector was 15.7 percent, the share of the secondary sector was 28 percent and the share of service sector was 56.4 percent (GOI, 2010) which highlights the fact that the share of tertiary sector is raising constantly over a period of time.

The segment of the economy that provides services to its consumers is the tertiary sector. This includes a wide range of businesses and also including financial institutions, schools, transports, and restaurants. And also known of the tertiary sector or service industry/sector.

India stands as one of the leading economies because its growth has been led by the Service sector. It's a larger part of the Indian economy both in terms of employment potential and its contribution to national income.

Demand and supply factors have led to this growth. In the demand side, high growth of services in the economy was mostly due to the factors such as the increasing input usage of services by other sectors. In the supply side is the increased trade in services following trade in liberalization policies and other reforms of the 1990s induced this growth. The trade liberalization is responsible for the development of finance, transport communication and other service sector activity including in-service hotel and restaurant. Along with this the increase in demand for health and education also led to the expansion of this sector. The services sector in future providing about the 70 percent of the new job opportunities in the economy as the share agriculture in total employment already falling, in the coming years, the share of services would increase. The Indian economy has contributed to the services sector of about 55.2 per cent share in G.D.P its growing by 10 per cent annually, contributing to the total employment, a high share in foreign direct investment and one-third of total exports and recording very fast at 27.4 per cent in export growth of the first half of 2010-11. While the latest available data has been taken from national and international sources.

Some services, such as infrastructure include the roads, railways, civil aviation, financial services, and social services. The social services including health and education play a major role in enhancing the contribution of the service sector to its Indian economy. In India, the contribution of the service sector to the Indian G.D.P (Gross Domestic Product) is classified into three heads. In the first head Trade, Hotels, Transport, and Communication. In the second head Financing, Insurance, Real estate, and Business services. In the third head, Other services along with Public Administration and defense and Health and Education sectors have been incorporated.

Health Service Sector in India:

Health is defined as a state of complete physical, mental and social wellbeing and just not the nonexistence of disease or ailment. The health service sector is a primary human right and has been accorded due to importance by constitution through Article 21. In Article 21 stresses upon the state government to safeguard the health and nutritional wellbeing of the people, the central government also plays an active role in the sector.

The Indian Health sector consists of:

Medical care providers like physicians, specialist clinics, nursing homes, hospitals.

Diagnostic service centers and pathology laboratories Medical equipment manufactures

Contract research organization (C.R.Os) pharmaceutical manufactures etc.,

The education service sector in India:

Our wide range of services provides an end-to-end solution to all our needs in the education sector. The education sector in India is poised at a crucial stage in its growth. India's demographic advantage of having a large population of youth, coupled with low gross enrolment ratios, presents a huge opportunity to education sector players.

At the same time, the growth of the Indian economy and the upward movement of income levels is boosting spending on education. Which already accounts for the second-highest share wallet for the middle-class households.

Government support for the education sector has also seen a boost, with substantial reforms and increased financial outlays being announced and implemented.

RESULTS AND DISCUSSION**Performance of the Service sector in India:**

The growth of service sector in India has been evaluated in terms of the percentage share to the G.D.P. The following sections deal with these issues in detail.

Share of service sector in GDP (in per cent) At Constant 2004-2005 Prices Rs Crore

| Year | Service Sector | G.D.P | Per cent (%) |
|-----------|----------------|---------|--------------|
| 1950-1951 | 82591 | 279618 | 29.5 |
| 1960—1961 | 123872 | 410279 | 39.1 |
| 1970-1971 | 196158 | 589787 | 33.2 |
| 1980-1981 | 300613 | 798506 | 37.6 |
| 1990-1991 | 573465 | 1347889 | 42.5 |
| 2000-2001 | 1179976 | 2342774 | 50.3 |
| 2010-2011 | 2818125 | 4885954 | 57.6 |

Source: GOI, 2012 Economic Survey .

During 1950-51 the contribution of service sector to G.D.P was 29.5 per cent. In 1960-61 it was 39.1 per cent its increasing the per cent. In 1970-71 it was 33.2 per cent this period decreasing the per cent. In 1980-81 it was 37.6 per cent. In 1990-91 contribution of service sector to G.D.P was 42.5 per cent this period share of per cent increasing. 2000-2001 this period also increases the 50.3 per cent. During 2010-11 the share of service sector to G.D.P was 57.6 per cent over a period of time between 1950-2011 the contribution service sector has doubled.

Share of Other Services and G.D.P (in per cent)

| Year | Other Service | G.D.P | Per cent (%) |
|------------|---------------|--------|--------------|
| 1950-1951 | 28474 | 279618 | 10.1 |
| 1960--1961 | 40741 | 410279 | 9.9 |
| 1970-1971 | 68218 | 589787 | 11.5 |
| 1980-1981 | 101666 | 798506 | 12.7 |

| | | | |
|-----------|--------|---------|------|
| 1990-1991 | 180564 | 1347889 | 13.3 |
| 2000-2001 | 343963 | 2342774 | 14.6 |
| 2010-2011 | 637675 | 4885954 | 13 |

Source: GOI, 2012 Economic Survey.

During 1950-51 the contribution of other services and G.D.P was 10.1 per cent. In 1960-61 it was 9.9 per cent this period decreasing the per cent. In 1970-71 it was share of per cent 11.5 per cent. In 1980-81 it was 12.7 per cent. In 1990-91 it was 13.3 per cent, 2000-01 it was 14.6 per cent. 2010-11 the share of other service to G.D.P was 13 per cent. Over a period of time between 1950-2011 the contribution of other services is little bit increasing.

Share of Other Services and Service Sector (in per cent)

| Year | Other Service | Service Sector | Per cent (%) |
|-----------|---------------|----------------|--------------|
| 1950-1951 | 28474 | 82591 | 34.4 |
| 1960—1961 | 40741 | 123872 | 32.8 |
| 1970-1971 | 68218 | 196158 | 34.7 |
| 1980-1981 | 101666 | 300613 | 33.8 |
| 1990-1991 | 180564 | 573465 | 31.4 |
| 2000-2001 | 343963 | 1179976 | 29.1 |
| 2010-2011 | 637675 | 2818125 | 22.8 |

Source: GOI, 2012 Economic Survey.

During 1950-51 the contribution of other services and service sector was 34.4 per cent. In 1960-61 it was 32.8 per cent. In 1970-71 it was share of per cent 34.7. In 1980-81 it was 33.8 per cent. In 1990-91 it was 31.4 per cent, 2000-01 it was 29.1 per cent. During 2010-11 the share of other service to service sector was 22.8 per cent. Over a period of time between 1950-2011 the contribution of other services to service sector has been decreasing.

Performance of Growth Rates of Service Sector and G.D.P:

In the coming section an attempt has been made to discuss the growth rate of service sector and G.D.P. The simple growth rate has been calculating for each decade.

Percentage Growth Rate of Service Sector and G.D.P in India:

| Year | Service Sector | Per cent | G.D.P | Per cent |
|-----------|----------------|----------|--------|----------|
| 1950-1951 | 82591 | — | 279618 | — |
| 1960—1961 | 123872 | 49.9 | 410279 | 46.7 |
| 1970-1971 | 196158 | 58.3 | 589787 | 43.7 |
| 1980-1981 | 300613 | 53.2 | 798506 | 35.3 |
| 1990-1991 | 573465 | 90.7 | 134788 | 68.8 |
| 2000-2001 | 1179976 | 105.7 | 234277 | 73.8 |
| 2010-2011 | 2818125 | 138.8 | 488595 | 108.5 |

Source: GOI, 2012 Economic Survey.

The above table reveals some trends. It is clear that the growth rates have been fluctuated in the study period for all the service sector and G.D.P

In the first decades of development between 1950-51 and 1960-61 the growth rate of G.D.P was 46.7 per cent and service sector growth rate was 49.9 per cent. In the second decades of during 1960-61 and 1970- 71 the growth rate of G.D.P was 43.7 per cent and service sector growth rate was 58.3 per cent. In the third decades between 1970-71 and 1980-81 the growth rate of G.D.P was 35.3 and service sector growth rate was 53.2 per cent. In the fourth decades between 1980-81 and 1990-91 the growth rate of G.D.P was 68.8 per cent and service sector growth rate was 90.7 per cent. In the fifth decades 1990-91 and 2000-2001 the growth rate of G.D.P was 73.8 per cent and service sector growth rate was 105.7 per cent. In the last decades during 2000-2001 and 2010-2011 the growth rate of G.D.P was 108.5 per cent and service sector growth rate was 138.5 per cent in the same period.

Percentage Growth Rate of Other Services and G.D.P in India:

| Year | Other Service | Per cent | G.D.P | Per cent |
|-----------|---------------|----------|---------|----------|
| 1950-1951 | 28474 | — | 279618 | — |
| 1960—1961 | 40741 | 43 | 410279 | 46.7 |
| 1970-1971 | 68218 | 67.4 | 589787 | 43.7 |
| 1980-1981 | 101666 | 49 | 798506 | 35.3 |
| 1990-1991 | 180564 | 77.6 | 1347889 | 68.8 |
| 2000-2001 | 343963 | 90.4 | 2342774 | 73.8 |
| 2010-2011 | 637675 | 85.3 | 4885954 | 108.5 |

Source: GOI, 2012 Economic Survey.

The above table reveals some trends. It is clear that the growth rates have been fluctuated in the study period for all the other services and G.D.P

In the first decades of development between 1950-51 and 1960-61 the growth rate of G.D.P was 46.7 per cent and another services growth rate was 43 per cent. In the second decades of during 1960-61 and 1970- 71 the growth rate of G.D.P was 43.7 per cent and another services growth rate was 67.4 per cent. In the third decades between 1970-71 and 1980-81 the growth rate of G.D.P was 35.3 and another services growth rate was 49 per cent. In the fourth decades between 1980-81 and 1990-91 the growth rate of G.D.P was 68.8 per cent and another services growth rate was 77.6 per cent. In the fifth decades 1990-91 and 2000-2001

the growth rate of G.D.P was 73.8 per cent and another services growth rate was 90.4 per cent. In the last decades during 2000-2001 and 2010-2011 the growth rate of G.D.P was 108.5 per cent and another services growth rate was 85.3 per cent in the same period.

Conclusion

As development advances human wants increment prompting the development of training exercises. The development of both wellbeing and training areas have made the headway of administration part. The administration area can be ganged by its commitment to various part of the economy. In the decade time frame between 2000-01 and 2010-11. Was exceptionally expanded in compare 1950-51 to 2000-01. This period administration part and different administrations have been expanded.

REFERENCE

- [1]. Colin Clark: "The Conditions of Economic Progress", Macmillan, London, 1940.
- [2]. Economic Survey 2011-12
- [3]. Economic Agricultural Statistics at a Glance 2010, Directorate of Economics and Statistics, Ministry of Agricultural, Government of India.
- [4]. Fisher G.B. Alan "The Clash of Progress and Security ", Macmillan, London, 1935.
- [5]. Deba Prasad Rath and Raj Rajesh *The Journal of Income and Wealth*, Volume 28, No.1,
- [6]. Priya lashmi Dr. Sandeep Kumar Priya lashmi et al *Int.J.Buss.Mgt.Eco.Res.*, Vol 3(5),2012,627-632 www.ijbmer.com | ISSN: 2229-6247
- [7]. Dr. M. Suvakkin*1, Dr. G. Gnanasekaran2ISSN: 2249-7196 *IJMRR*/March 2015/ Volume 5/Issue 3/Article No-2/145-150 Dr. M. Suvakkin et al./ *International Journal of Management Research & Review*.

