



THE CONTRIBUTION OF SERVICE SECTOR IN THE GROWTH OF THE INDIAN ECONOMY

Dr Venkatachalapathi H S

*Assistant Professor, Dept. of Economics, GFGC Hosakote, Bangalore Rural Dist,
Karnataka- 562114*

ABSTRACT

Service sector in India is also called as tertiary sector, where major contribution of income (y) in India is obtained from the service sector or tertiary sector, during the time of Independence, the major contributor of GDP (Gross Domestic Product) was from primary sector or agriculture, but later on the structural composition of Indian service sector increased due to increase in services like “banking and finance, transportation, hospitality, insurance and many services there was more dependence on service sector for income contribution. In June 2021, India's exports increased by 48.34% to US\$ 32.5 billion, marking the seventh consecutive month of growth. The Indian services sector was the largest recipient of FDI inflows worth US\$ 88.95 billion between April 2000 and June 2021. The services category ranked 1st in “FDI” (Foreign Direct Investment) as per data released by the Department for Promotion of Industry and Internal Trade. The research paper explains the change of dependence of Income contribution from primary sector to service sector or tertiary sector

KEY WORDS: *GDP, Service sector as a back bone of the Indian Economy, Economic and business growth.*

➤ INTRODUCTION

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment, has contributed significantly to export and has provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

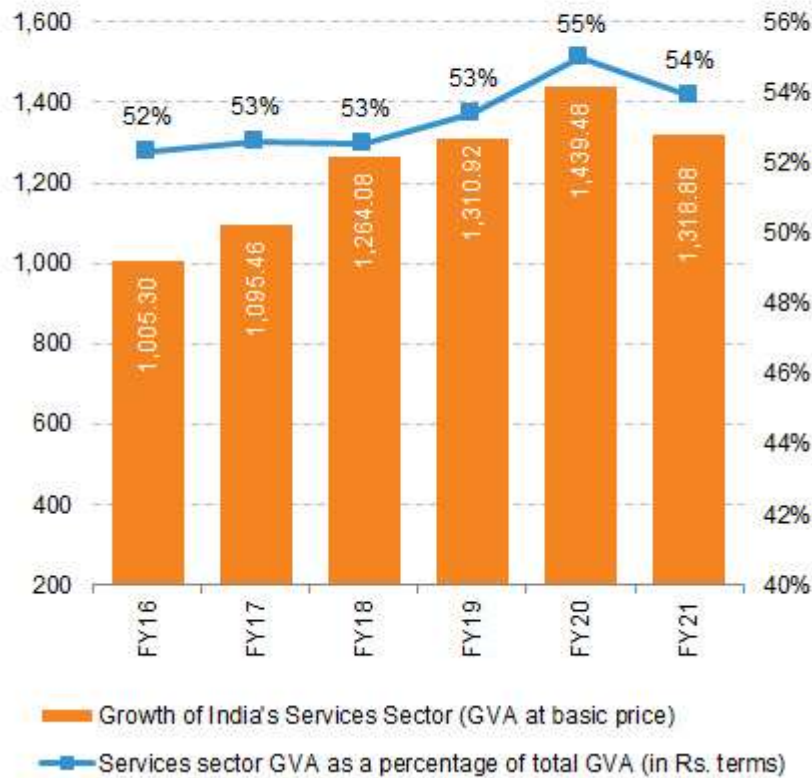
➤ MARKET SIZE OF INDIA (with contribution of service sector)

The services sector of India remains the engine of growth for India's economy and contributed 53% to India's Gross Value Added at current prices in FY22 (until January 2022). India's services sector GVA increased at a CAGR of 11.43% to Rs. 101.47 trillion (US\$ 1,439.48 billion) in FY20, from Rs. 68.81

trillion (US\$ 1,005.30 billion) in FY16. Between FY16 and FY20, financial, real estate and professional services augmented at a CAGR of 11.68% (in Rs. terms), while trade, hotels, transport, communication and services related to broadcasting rose at a CAGR of 10.98% (in Rs. terms).

Services exports comprise a major part of the total export from India. According to the RBI, between April-September 2021, India's service exports stood at US\$ 117.6 billion, whereas imports stood at US\$ 65.20 billion. In February 2022, the Purchasing Managers' Index stood at 51.8, compared with 51.5 recorded in January 2022. The India Services Business Activity Index/ Nikkei/IHS Market Services Purchasing Managers' Index stood at 55.2 in September 2021, compared with 56.7 in August 2021. In February 2022, the Purchasing Managers' Index stood at 51.8, compared with 51.5 recorded in January 2022.

**Services sector GVA at basic prices at current prices
(in US\$ billion)**



Some of the developments in the services sector in the recent past are as follows:

- In April 2021, the Ministry of Education (MoE) and University Grants Commission (UGC) started a series of online interactions with stakeholders to streamline forms and processes to reduce compliance burden in the higher education sector, as a follow-up to the government's focus on ease of doing business to enable ease of living for stakeholders.
- By October 2021, the Health Ministry's eSanjeevani telemedicine service, crossed 14 million (1.4 crore) teleconsultations since its launch, enabling patient-to-doctor consultations, from the confines of their home, and doctor-to-doctor consultations.
- In April 2021, Elon Musk's SpaceX has started accepting pre-orders for the beta version of its Starlink satellite internet service in India for a fully refundable deposit of US\$ 99. Currently, the Department of Telecommunications (DoT) is screening the move and more developments will be unveiled soon.
- In December 2020, a cohort of six health-tech start-ups—AarogyaAI, BrainSightAI, Fluid AI, InMed Prognostics, Wellthy Therapeutics, and Onward Assist—have been selected by the India Edison Accelerator, fueled by GE Healthcare. India Edison

Accelerator, the company's first start-up partnership programme focused on Indian mentors, creates strategic partners to co-develop healthcare solutions.

The Indian healthcare industry is expected to shift digitally enabled remote consultations via teleconsultation. The telemedicine market in India is expected to increase at a CAGR of 31% from 2020 to 2025.

In December 2020, Gamma Skills Automation Training introduced a unique robotics & automation career launch programme for engineers, an 'Industry 4.0 Hands-on Skill Learning Centre' located at IMT Manesar, Gurgaon in Haryana.

In December 2020, the 'IGNITE' programme was initiated by Siemens, BMZ and MSDE to encourage high-quality training and technical education. 'IGNITE' aims to develop highly trained technicians, with an emphasis on getting them ready for the industry and future, based on the German Dual Vocational Educational Training (DVET) model. By 2024, this programme aims to upskill ~40,000 employees..

In October 2020, Bharti Airtel entered cloud communications market with the launch of business-centric 'Airtel IQ'.

➤ GOVERNMENT INITIATIVES IN THE GROWTH OF SERVICE SECTOR



The Government of India recognises the importance of promoting growth in services sector and provides several incentives across a wide variety of sectors like health care, tourism, education, engineering, communications, transportation, information technology, banking, finance and management among others.

The Government of India has adopted few initiatives in the recent past, some of these are as follows:

- In October 2021, Prime Minister, Mr. Narendra Modi, approved the establishment of 157 new medical colleges to boost accessibility of affordable health treatments among citizens.
- In October 2021, the government launched a production linked incentive (PLI) scheme to boost manufacturing of telecom and networking products in India. The scheme is expected to attract an investment of ~Rs. 3,345 crore (US\$ 446.22 million) over the next four years and generate additional employment for >40,000 individuals.
- In October 2021, the government launched phase-II of the Mahatma Gandhi National Fellowship to empower students and boost skill development.
- In October 2021, the PM Ayushman Bharat Health Infrastructure Mission was launched by the government, to strengthen the critical healthcare network across India in the next four to five years.

➤ NEED OF THE STUDY

- In the first-half of 2021, private equity investments in India stood at US\$ 11.82 billion, as compared with US\$ 5.43 billion in the same period last year.
- In August 2021, the Department of Telecommunications (DoT) issued a letter of intent (LoI) to One Web (backed by Bharati Group) for satellite communication services licence.
- In July 2021, Tata Teleservices collaborated with Zoom Video Communications to offer bundled communication services.

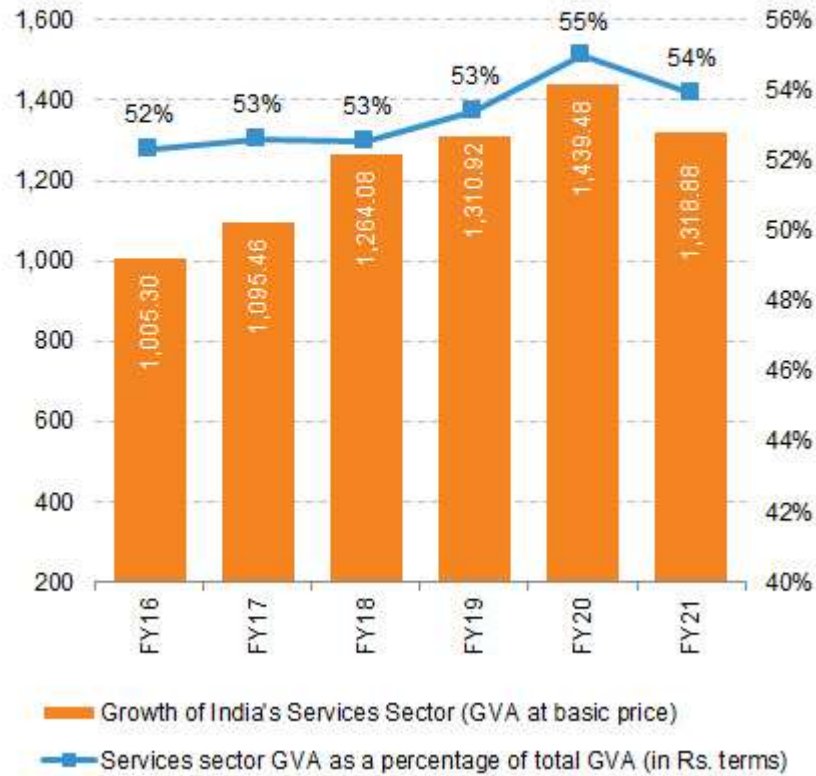
➤ OBJECTIVES

- The service or tertiary sector is the third piece of a three-part economy. The first economic sector, the primary sector, covers the farming, mining, and agricultural business activities in the economy.
- The secondary sector covers manufacturing and business activities that facilitate the production of tangible goods from the raw materials produced by the primary sector.
- The service sector, though classified as the third economic sector, is responsible for the largest portion of the global economy's business activity.

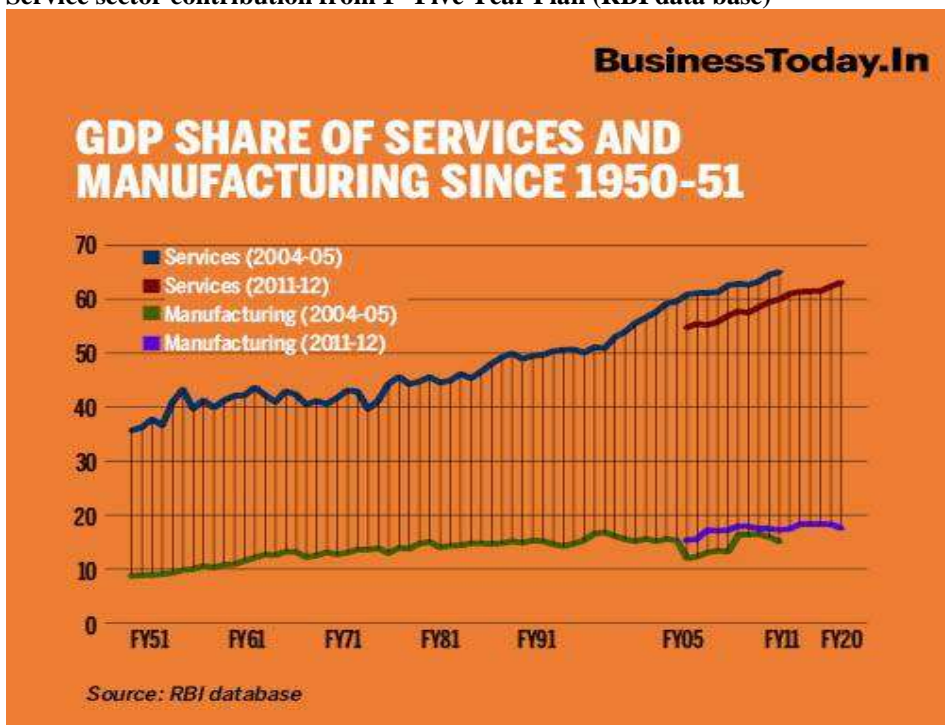


➤ DATA AND STATISTICS

**Services sector GVA at basic prices at current prices
(in US\$ billion)**



➤ Service sector contribution from 1st Five Year Plan (RBI data base)





➤ **FINDINGS**

- The service sector is the third sector of the economy, after raw materials production and manufacturing.
- The service sector includes a wide variety of tangible and intangible services from office cleaning to rock concerts to brain surgery.
- The service sector is the largest sector of the global economy in terms of value-added and is especially important in more advanced economies.

➤ ***Understanding the service Sector***

The service sector, also known as the tertiary sector, is the third tier in the three-sector economy. Instead of product production, this sector produces services maintenance and repairs, training, or consulting. Examples of service sector jobs include housekeeping, tours, nursing, and teaching. By contrast, individuals employed in the industrial or manufacturing sectors produce tangible goods, such as cars, clothes, or equipment.

Among the countries that place heavy emphasis on the service sector, the United States, the United Kingdom, Australia, and China rank among the top. In the United States, the Institute for Supply Management (ISM) produces a monthly index that details the general state of business activity in the service sector. This index is regarded as a metric for the overall economic health of the country because approximately two-thirds of U.S. economic activity occurs in the service sector.

➤ ***The role of technology in the service industry***

Technology, specifically information technology systems, is shaping the way businesses in the service sector operate. Businesses in this sector are rapidly placing more focus on what is becoming known as the knowledge economy, or the ability to surpass competitors by understanding what target customers want and need, and operate in a way that meets those wants and needs quickly with minimal cost. In nearly all industries within the sector, businesses adopt new technology to bolster production, increase speed and efficiency, and cut down on the number of employees required for operation. This cuts down on costs and improves incoming revenue streams.

➤ **SCOPE OF THE STUDY**

Presently we can conclude that Service sector can be said as the backbone of the Indian economy, and creates lot of Income and employment opportunities in India and encourage self employment opportunities, in various fields of service sector.

➤ **REFERENCE**

1. <https://www.ibef.org/industry/services>
2. <http://www.globaljurix.com/blog/role-of-service-sectors-in-the-growth-of-indian-economy>
3. <https://www.google.co.in/search?q=the+contribution+of+service+sector+in+the+growth+of+the+indian+economy+from+independence>
4. <https://www.investopedia.com/terms/s/service-sector.asp>
5. Centre for monitoring Indian economy (CMIE), Bombay.
6. NCERT – Macro Economics