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The Role of Women in Global Development

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Service Sector in Indian Economy: Role and Performance

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The service sector is also called tertiary sector. It is an important part of the economy. The service sector provides services rather than the production of physical goods. Activities in the service sector include retail trade, banks, hotels, education, health, social work, computer services, entertainment, media, communication, electricity, gas and water supply. The service sector is playing important role in Indian economy. Service sector in India achieved considerable growth during recent times.

The main objectives of the study are to evaluate the role and performance of service sector in Indian economy. Accordingly the paper is divided in two parts. In the first part role of service sector in Indian economy is discussed and the second part deals with the performance of service sector in Indian economy. This study depends on secondary data.

I. Role of Service Sector in Indian Economy:

The role of the service sector in Indian economy which accounts for 55 per cent of gross value added is crucial. In recent years, the service sector has been dominating the three sectors of the economy. The role of the service sector in the Indian economy can be explained as follows.

1. To reduce the burden of population on agriculture:

In India, the proportion of the population dependent on agriculture is very large. Due to the additional burden of population on agriculture, agricultural productivity is low. Employment is increasing in the service sector, helping to reduce the burden of population on the agriculture.

2. Share in National Income:

The service sector contributes large extent to India's gross national income and is growing steadily. The share of the service sector in the national income was 30.3 percent in 1950-51. It increased to 50.0 percent in 2000-01, and 59 percent in 2011-12. India's share of the service sector in the gross national product was 61.5 percent in 2016. Thus, the service sector is playing an important role in the country by contributing hugely to the national income.

3. Support to Industrialization:

Development of industries depends on the performance and improvement of transport, communication, electricity, banking etc. in the country. The transportation system helps to transport labour, raw materials and finished goods as per requirements. Communication helps to expand the market for industrial goods. Electricity and banking services help to grow businesses in remote sectors. The service sector in India is performing an important role in the industrial development of the country by providing adequate supply of transport, communication, electricity, banking services required for industrial development.

4. Help to development of the agricultural sector:

Development of the agricultural sector requires transport, communication, storage, financing, electricity supply, banking services, etc. Such facilities have increased due to expansion of service sector in India. The service sector in India is playing an important role in the development of the agricultural sector by providing transportation, storage, financing, electricity supply, banking services, which is essential for agriculture.

5. Increase in Employment:

Economic Reform Program has been implemented in India since 1991. The emphasis is on liberalization, privatization and globalization. Due to this, multinational companies are coming to the country and foreign investment is increasing. Therefore, the service sector is expanding. A large number of jobs are available in education, health, information technology, etc. in the country. The employment share of service sector in the country is large. India's service sector accounted for 31 percent the total employment in 2018.

6. Help to eliminate regional imbalances:

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2008-09	10.00
2009-10	10.50
2010-11	9.30
2011-12	8.90

Source: Government of India, India 2013, p.525.

Growth rates of gross domestic product in services in India are given in Table 1. It shows that the annual average growth rate in pre-reforms period i.e. during 1950-51 to 1991-92 is less than 5. However, the growth rate in the later period is consistently higher and it has increased steadily by 2007-08. Although it has fluctuated during 2007-08 to 2011-12, it is between 8.9 and 10.5 percent. At current prices, GDP growth rate for year 2018-19 is 11.20 percent. GVA growth rate of Services sector is 12.76 percent.

2. Share in Gross National Product:

The service sector is contributing significantly to the gross national product of India. Table 2 shows how the share of services in the gross national product of India changed during 1950-51 to 2011-12.

Table 2: Share of services in the gross national product of India

Year		Share of Service Sector in Gross National Product (Per cent)	
1950-51	1960-61	30.3	30.8
1970-71	1980-81	33.8	
1990-91	2000-01	38.0	
2010-11	2011-12	42.7	
		50.4	
		57.7	
		59.0	

Source: Government of India, Economic Survey 2011-12, P-8

The data given in Table 2 shows that the share of service sector in the gross national product of India has increased steadily during the period from 1950-51 to 2011-12. The share of the service sector in the India's gross national product was 30.3 percent in 1950-51 and 59.0 percent in 2011-12. The share of the service sector in the India's gross national product was 61.5 percent in 2016. During the planning period, the share of service sector in India's gross national product has more than doubled.

3. Gross Value Added by India's Services Sector:

India's gross value added in the service sector has increased at a rate of 8.5 per cent in 2017-18. However, as per the provisional estimate gross value added in the service sector has increased by 7.5 percent in 2018-19. The growth rate in terms of gross value added of services has decreased during the period of 2016-17 to 2019-20. There is a fluctuating trend in all types of services in during the period of 2016-17 to 2019-20.

4. Trade in Services Sector:

Share of services in total export of India was 37 per cent in 2007 and 37 per cent in 2017. India's share in the exports of world trade services (that is, all services except government services) was 2.7 percent in 2007 and 3.5 percent in 2017. India was the eighth highest in the world in terms of trade services exports in 2017. The compound annual growth rate (CAGR) of India's exports of merchant services was 7.3 percent in 2010-18 and in the world it was 5.2 percent.

In India's total services exports in 2007 and 2017, sub-sector Computers and Information and Communication Technology are the major contributors. Then there is the order of the sub-sector professional services. The sub-sector business services are the largest contributor to India's total service imports in 2007. Then there is the order of the sub-sector transport and travel. The sub-sector business services are the largest contributor to India's total service imports in 2017. Then there is the order of the sub-sector travel and transportation.

India ranks eighth among the world's top ten exporting countries in terms of trade services exports in 2017. In terms of trade services imports, India ranks tenth in the top ten importer countries in the world in 2017. India's share of commercial services exports in world was 3.5 percent in 2017. India's share in commercial services imports in world was 3.0 in 2017.

5. Contribution to employment:

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