



An Inquiry In To The Narration Of Service Sector In India

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ABSTRACT

Services sector has a crucial role to play in the process of economic growth. A major part of the inputs in the primary and the secondary sectors is provided by the services' sector. The development strategy in any economy has broadly two basic objectives namely, economic growth and generation of employment. The services sector, which is also known as the tertiary sector, provides the largest percentage of maximum contribution to the gross domestic product as compared to the other two sectors. The shift in the work force from the primary sector to the tertiary sector is greater than that of the primary and to the secondary sector. There is also a greater scope for labour absorption in the services' sector. Therefore, services' sector can be considered as the sector which is a high potentiality for both employment creation and for economic growth. The tertiary sector of an economy (also known as the service sector or the service industry) is one of the three main categories of the sectors of a developed economy, the other two sectors being the secondary sector (manufacturing), and the primary sector(extraction such as mining, agriculture and fishing). Services are defined in conventional economic literature as "intangible goods". According to some economists, the service sector tends to be wealth consuming, whereas manufacturing is wealth producing.. The tertiary sector of an economy involves the provision of Services to businesses as well as to final consumers. Services may involve transport, the distribution and the sale of goods from the producer to a consume might happen in wholesaling and retailing, or might involve the provision of rvice, such as in pest control or in entertainment. Goods may be transformed in process of providing a service, as it happens in the restaurant industry. However, the focus is on people interacting with people and serving customer rather than transforming the physical goods. Since the 1960s, there been 2 substantial shift from the other two namely the primary and the industrial to the tertiary sector in the industrialized countries

Keywords: Employment, primary sector, service sector, Manufacturing sector and Exports

Introduction

Services sector has a crucial role to play in the process of economic growth. A major part of the inputs in the primary and the secondary sectors is provided by the services' sector. The development strategy in any economy has broadly two basic objectives namely, economic growth and generation of employment. The services sector, which is also known as the tertiary sector, provides the largest percentage of maximum contribution to the gross domestic product as compared to the other two sectors. The shift in the work force from the primary sector to the tertiary sector is greater than that of the primary and to the secondary sector. There is also a greater scope for labour absorption in the services' sector. Therefore, services' sector can be considered as the sector which is a high potentiality for both employment creation and for economic growth. The tertiary sector of an economy (also known as the service sector or the service industry) is one of the three main categories of the sectors of a developed economy, the other two sectors being the secondary sector (manufacturing), and the primary sector(extraction such as mining, agriculture and fishing). Services are defined in conventional economic literature as "intangible goods". According to some economists, the service sector tends to be wealth

consuming, whereas manufacturing is wealth producing.. The tertiary sector of an economy involves the provision of Services to businesses as well as to final consumers. Services may involve transport, the distribution and the sale of goods from the producer to a consume might happen in wholesaling and retailing, or might involve the provision of rvice, such as in pest control or in entertainment. Goods may be transformed in process of providing a service, as it happens in the restaurant industry. However, the focus is on people interacting with people and serving customer rather than transforming the physical goods. Since the 1960s, there been 2 substantial shift from the other two namely the primary and the industrial to the tertiary sector in the industrialized countries. The services' seconsists of the "soft" parts of the economy such as insurance, government servictourism, banking, retailing and education. In soft sector employment. people much of their time to deploy knowledge assets, collaboration assets, and proceengagement to create productivity (effectiveness), performance improve potential (potential) and sustainability. Typically, the output of this time is cont(information), service, attention, advice, experiences, and/or discussion . Other examples of service sector employment include Retailing, Entertainment, News Media, Leisure Industry/ HotConsulting, Transport etc and the like.

Objectives of the study

1. To study the trend and growth of services sector in India during 2009-10 to 2022-23.
2. To analyze the structural changes of services sector in India during 2009-10 to 2022-23.
3. To give suggestions and policy of the study.

Hypothesis

H₀: There are no structural changes in India's services sector during 2009-10 to 2022-23.

H₁: There are structural changes in India's services sector during 2009-10 to 2022-23.

Period of the Study

The period of the study taken up for the analysis is a period of fourteen years, from the year 2009-10 to that of the year 2022-23. The main reason for choosing this period is to know about the impact of New Economic Policy on India's service sector.

Sources of Data

The present study used only the secondary data for analytical purpose. The data were collected from various sources such as the various issues of Monthly Statistics of Hand book of statistics on Indian Economy, and Economic survey.

Statistical tools used in this Study

Statistical tools had been used to analyze the collected data and to interpret the findings of the study. The following statistical tools had been used. Linear, Semi-log and the Chow test.

Table.1 Trade, Hotel, Transport and Communication services sector in India during 2009-10 to 2022-23

Year	Trade, Hotel, Transport and Communication (Rs in crores)	Index Number
2009-10	133080	100.00
2010-11	140487	105.57
2011-12	150500	113.09
2012-13	166131	124.84
2013-14	188167	141.39
2014-15	202935	152.49
2015-16	218822	164.43
2016-17	235757	177.15
2017-18	255807	192.22
2018-19	273256	205.33
2019-20	297831	223.80
2020-21	326968	245.69
2021-22	365559	274.69
2022-23	372870	280.18

Source: Hand Book of Statistics on Indian Economy, RBI, 2023.

Table 1 depicts that the value of the total trade, hotel transport and communication services sector which was of the order of Rs. 1,40,487 crores in the year 2010-11 had increased to Rs. 2,35,757 crores in the year 2016-17 and had further increased to the level of Rs 3,72,870 crores in 2022-23. The main reason behind this growth rate was due to the liberalization of the trade in services in the same way as those for the liberalization of trade

in goods which had increased the competition among the manufacturers to get the maximum shares in market, to lower the prices and for a wider choice, faster innovation, higher employment, and for greater FDI and technology transfer which had induced the increased growth rate in trade, transport and the communication sectors.

Table.2 Regression results for Trade, Hotel, Transport and Communication services sectors

Model	Year	a	b	t	R ²	Absolute Growth Rate	Compound Growth Rate
Linear	2009-10 to 2022-23	106562.3	19887.69	26.11	0.99	19887	-
Log-Linear	2009-10 to 2022-23	11.78	0.0831	52.74	0.99	-	8.31

Source: Calculated Value

Table 4.3 clearly shows that during the post-reform period, the value of slope coefficient had been 19,887.69 crores. This had disclosed the fact that on average total trade, hotel, transport and communication services had increased by Rs. 19,887.69 crores over the fourteen year period just after the structural changes had been adopted in India. The value of R² was found to be 0.99 which had shown that 99 percent of the variations in the value of the total services had been explained by independent variable. The estimate of 'b' was found to be statistically significant. The corresponding growth rate after the period of liberalization was 8.31 In the year 2021-22, the GDP growth was expected to be around 7.5 per cent. India's foreign exchange reserves had crossed \$100 billion. The current account deficit turned into one of the surplus over the last four year period of 2018-19 to 2021-22. This was achieved through non-debt creating flows, so that India's external debt had remained virtually remained static in nominal terms. The debt servicing and the debt of GDP fallen sharply.

In fact, India had started repaying its foreign debt much ahead of the schedule. India was fast becoming a production base and an export hub for diverse varieties of goods, from agricultural products to automobile components to high-end services. Indian firms had by now become a part of the global production chains – importing sub-assemblies, adding value to them and re-exporting them to a number of countries. Taking advantage of its pool of high-quality scientific talent, international corporations had established their large R&D centres in India. All these strengths had resulted in a greater integration of the Indian economy with the world economy. Trade had risen from the level of 21 per cent to the level of 33 per cent of India's GDP within a decade. India's strong economic growth had succeeded in lifting people above poverty levels; nevertheless the country still had a long way to go before it could eradicate poverty completely.

Table.3 CHOW TEST FOR TRADE, HOTEL, TRANSPORT AND COMMUNICATION SERVICES SECTORS

Steps	Values
First	S ₁ = 15258.95 R ² = 0.94
Second	S ₂ = 731.46 , S ₃ = 110.72 , S ₁ = 15990.41
Third	S ₅ = 16101.13
Fourth	F = 11.07

*at 5 % percent level, F_(20,18) = 3.55

The computed 'F' value was found to be greater than that of 'F' critical value and the null hypothesis was rejected. The Chow test seems to support that there had been a structural change in the performance of Trade, Hotel, Transport and Communications sector in India over the period 2009-10 to 2022-23. In other words, the regression results had shown that the intercept as well as the slope coefficient had remained the same over the study period.

Finance and Banking

The performance of the banking sector is considered as a proxy for the performance of the economy as a whole, due to the banks' wide spectrum of exposure among the various industries. Unfortunately, for India, the banking sector had historically functioned in the background of non-competitiveness, poor technology integration, high non performing assets and under grossly under productive manpower. Banking sector in India has had a wide mix, comprising of joint sector (scheduled and non-scheduled banks), nationalised sector (Reserve Bank of India, State Bank of India and all other nationalized Commercial banks and Post office savings bank), specialized corporate financial institutions sector (specific Industrial finance corporations and State finance corporations), Co-operative sector (Cooperative banks and Land development banks) and Foreign sector (foreign commercial banks and exchange banks). Keeping in mind the socio-economic goals of the country, banks had been under the strict control of the regulatory framework of the Reserve Bank of India. For

instance, during mid-1969, 14 major Indian commercial banks had been nationalised. One of the major criticisms against nationalisation of commercial banks was in respect of efficiency and the critics had been proved to be right nationalisation, the operational efficiency of the commercial banks have had deteriorated, thanks to the 'public-sector working' attitude of the banks' work force.

Since, their pay was not linked to their performance; there was no inducement for the banking staff to perform well. The poor performance had, deteriorated further due to the poor quality of work force planning which was closely linked to the selection of inefficient staff based on social reservations. In the earlier period, profitability was given only a place of secondary importance, since banks functioned in comfort in a controlled environment. However, today banks cannot thrive with government support only. They have to set their own goals of profitability along with their service approach and set targets and evolve strategies to achieve those goals. There is certainly a paradigm shift in the banking services in India in the recent years. At present profitability, capital restructuring and transparency are considered as important and very significant for the banks to function efficiently. In addition, banks in India have started realizing the need for them to become 'customer focused' which in its turn might lead to 'customer appreciation', which is imperative for their survival and growth.

Table.4 Finance, Insurance, Real Estate and Business services sector in India during 2009-10 to 2022-23

Year	Finance, Insurance, Real Estate and Business services (Rs in crores)	Index Number
2009-10	75027	100.00
2010-11	79430	105.87
2011-12	90084	120.07
2012-13	95085	126.73
2013-14	102847	137.08
2014-15	109995	146.61
2015-16	122784	163.65
2016-17	131892	175.79
2017-18	145863	194.41
2018-19	150907	201.14
2019-20	157746	210.14
2020-21	171463	228.54
2021-22	183718	244.87
2022-23	190278	253.61

Source: Hand Book of Statistics on Indian Economy, RBI, 2023.

In Table 4 depicts that the value of the total finance, insurance, real estate and the business services' sector which was Rs.79,430 crores in the year 1992-93 had increased to the level of Rs. 1,31,892crores in 1998-99 and had further increased to the level of Rs. 1,90,278 crores in the year 2004-05. This rate of growth could be considered as significant as the government had all along been holding the view that, despite the fiscal compression resulting from its effort to contain the fiscal deficit during a period when the tax to GDP ratio was falling, the economy had been placed on a new, "higher" growth path after liberalization. In its view, the stimulus to privatize "animation spirits" that the liberalization process had offered, had spurred private investment, which had more than adequately compensated for the sharp deceleration in the public capital formation after liberalization and the private investment was given a more important place and government was shedding down the responsibilities through its disinvestment approach.

Table.5 Regression results for Trade, Hotel, Transport and Communication services sectors

Model	Year	a	b	t	R ²	Absolute Growth Rate	Compound Growth Ratew
Linear	2009-10 to 2022-23	67531.30	9386.6	44.90	0.99	9386	-
Log-Linear	2009-10 to 2022-23	11.25	0.073	34.34	0.99	-	7.5

Source: Calculated Value

Table 5 had clearly disclosed the fact that during the post-reform period the value of the slope coefficient was 9386.6 crores. This had disclosed that on an average the value of the total services had increased by a sum of Rs. 9386.6 crores per year on an average over the fourteen year period just after the structural changes had been adopted in India. The value of R square was found to be 0.99 which had shown that 99 percent of the variations in the value of total of the services had been explained by the independent variable. The estimate of 'b' was found to be statistically significant. The corresponding growth rate after liberalization was found to be 7.30. The reason for the rapid growth was due to the effects of the process of liberalization.

Despite the government's claim of having substantially reduced the fiscal deficit, it is well known that after making the necessary adjustments for changes in the defies and for the upward revisions of GDP figures, the deficit had ruled high over most of the year of the decade. It is only in recent years that the deficit had been reduced, with the hope that private investment would help to spur economic growth. In practice the reduction in the expenditures that the deficit control had entailed has adversely affected the investment and consequently growth.

The reduction in the deficit had been all the more damaging from the point of view of the dampening of the fiscal stimulus, because of the fall in the tax to GDP ratio. That fall was due to the sharp liberalization-induced reduction in customs duty collections, in the wake of substantial cuts in the import tariff rates. It was also due to the massive reduction in the direct and indirect tax revenues as a result of tax concessions provided to the private sector, as part of an effort to spur private investment.

Table.6 CHOW TEST FOR TRADE, HOTEL, TRANSPORT AND COMMUNICATION SERVICES SECTORS

Steps	Values
First	$S_1 = 2814.96$ $R^2 = 0.96$
Second	$S_2 = 161.23$, $S_3 = 128.37$, $S_4 = 2976.19$
Third	$S_5 = 6185.49$
Fourth	F = 22.86

*at 5 % percent level, $F_{(20,18)} = 3.55$

The computed 'F' value was found to be greater than that of 'F' critical value and the null hypothesis is rejected. The Chow test seems to support the view that there had been structural change in the performance of the Finance, Insurance, Real Estate and Business services sector in India over the period 2009-10 to 2022-23. In other words, the regression results had shown that the intercept as well as the slope coefficient had remained the same over the study period.

Table.7 Public administration, Defense and other services sector in India during 2009-10 to 2022-23

Year	Public administration, Defense and other services (Rs in crores)	Index Number
2009-10	86536	100.00
2010-11	90494	104.57
2011-12	93632	108.20
2012-13	96674	111.72
2013-14	104298	120.53
2014-15	110843	128.09
2015-16	123817	143.08
2016-17	136658	157.92
2017-18	153379	177.24
2018-19	161382	186.49
2019-20	169537	195.91
2020-21	176141	203.31
2021-22	186419	215.23
2022-23	187392	216.53

Source: Hand Book of Statistics on Indian Economy, RBI, 2023.

Table 7 depicts that the value of the total Public Administration, Defense and Other services' sector which was Rs. 90,494 crores in the year 2010-11 had increased to the extent of Rs. 1, 36, 658crores in 2016-17 and had further increased to the level of Rs. 1, 87,392 Crores in 2022-23 .The reason for the gradual growth in the public administration sector is due to the systematic plans carried out by the government through the several five year plans. Due to the financial crisis of 1991, the economic growth rate had deteriorated and yet another reason for the growth of public expenditure was due to the recommendations of the Fifth Pay Commission for the government employees. The problem was analysed by the policy makers and the government had encouraged the emergence of the services sectors as the major contributor to the process of economic development, and the liberalization of services had become the crucial issue in international negotiations on services. The liberalization of services had necessitated some short and medium term adjustment costs. To reap the benefits of liberalization and to deal with the problems that it might create in the short and in the medium term periods liberalization of services was sought to be accompanied by domestic reforms and participation by private sector investment and a good coordination among private entrepreneurs to achieve the objectives of the Government towards economic progress.

Table.8 Regression results for Public administration, Defense and other services sectors

Model	Year	a	b	t	R ²	Absolute Growth Rate	Compound Growth Rate
Linear	2009-10 to 2022-23	72760.92	9283.23	22.50	0.98	9283	-
Log-Linear	2009-10 to 2022-23	11.31	0.06	21.14	0.97	-	6.9

Source: Calculated Value

Table 8 had shown that during the pre-reform period, the value of slope coefficient was 3735.6 crores. This had disclosed that on an average the value of the total services has increased by Rs. 3735.6 crores annually during the ten years period just before structural changes had been adopted in India. The value of R square was found to be 0.98 which had shown that 98 percent of the variations in the value of the total of the services had been explained by the independent variable. The estimate of 'b' was found to be statistically significant. The corresponding growth rate before liberalization was found to be 5.9. If the amount of expenditure increased in general and if there was an increase in the capital expenditure in particular which were viewed as the panacea for the slowdown, there were two implicit judgments the movement had arrived at. First, that the current deceleration in growth was the result of slackness in demand in the economy. Second, that this had to be corrected with public expenditure, including capital expenditures, with the latter expected to spur more of private investment. This implied that the government too had looked at government investment as "crowding in" rather than "crowding out" or displacing private investment. These perceptions were in complete divergence with the views advanced by the advocates of reform who have held that there was a direct link between "reform" and growth in as much as the former spurs private investment, and that public investment tends to "crowd out" private investment and should be curbed, and that a sustaining growth required a sustained liberalization process. With trade having been almost wholly liberalized, with domestic regulations having been virtually wiped out, with privatization being pushed through even at rock-bottom prices for public assets and with the fiscal deficit being controlled to a far greater degree than earlier, there was very little more that the government could do on the liberalization front. If growth still tended to slacken, the problem must lie with the neo-liberal reform process itself.

Table.6 CHOW TEST FOR TRADE, HOTEL, TRANSPORT AND COMMUNICATION SERVICES SECTORS

Steps	Values
I	$S_1 = 3805.34$ $R^2 = 0.98$
II	$S_2 = 51.77$, $S_3 = 480.75$, $S_4 = 4286.09$
III	$S_5 = 4337.76$
IV	F = 11.13

*at 5 % percent level, $F_{(20,18)} = 3.55$

The computed 'F' value was found to be greater than 'F' critical value and the null hypothesis is rejected. The Chow test seemed to support the view that there had been a structural change in performance of the Public Administration, Defence and the Other services sector in India over the period from 1980-81 to 2004-05. In other words, the regression results had shown that the intercept as well as the slope coefficient remained the same over the study period.

Conclusion

The government of India was concentrating its attention mainly pay commission, on minimum wages act 189 and employees welfare fund scheme like provident fund, pensions, health scheme and the like. So the work force participation in the government jobs was greater as compared to that of the private jobs. After the introduction of economic reforms many multinational companies had entered into our economy which had led to greater competition, lower prices, and wider choice, faster innovation, higher employment, and greater FDI and technology transfer and were ready to pay heavily to skilled and efficient work force, which made many technically qualified people to enter in to corporate world where the people get lump sum salary with no job security or pension in the retirement period.

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