Unit-4 Trends and Performence in Services

Growth of Service Sector:

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 service 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 - The services sector is a key driver of India's economic growth. The sector contributed 55.39% to India's Gross Value Added at current price in FY20. GVA at basic prices at current prices in the second quarter of 2020-21 is estimated at Rs. 42.80 lakh crore (US $ 580.80 billion), against Rs. 44.66 lakh crore (US $ 633.57 billion) in the second quarter of 2019-20, showing a contraction of 4.2%. According to RBI, in January 2021, service exports stood at US $ 17.07 billion while imports stood at US $ 10.09 billion.

Nikkei India Services Purchasing Managers' Index (PMI) increased to 55.3 in February 2021 from 52.8 in January 2021.

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

* The services category in India attracted cumulative foreign direct investment (FDI) worth US $ 85.86 billion between April 2000 and December 2020. The services category ranked 1st in FDI inflow as per data released by the Department for Promotion of Industry and Internal Trade (DPIIT).
* In December 2020, a cohort of six health-tech start-ups - Aarogya AI, BrainSight AI, Fluid AI, InMed Prognostics, Wellthy Therapeutics, and Onward Assist - have been selected 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 teleconsulta-
-tions. The telemedicine market in India is expected to increase at a CAGR of 31% from 2020 to 2025.
* In August 2020, Japan committed - Rs. 35 billion (US $ 476.11 million) under the Official Development Assistance for the health sector to fight the COVID-19 crisis in India and improve resilience of India's health systems against infectious diseases.
* In September 2020, LinkedIn and NSDC collaborated to accelerate digital skills training for the Indian youth.
* In September 2020, NASSCOM, FutureSkills and Microsoft collaborated to launch a nationwide AI skilling initiative to train 1 million students in AI by 2021.
* In September 2020, Byju's acquires 3D virtual lab startup LabIn App to strengthen its edtech presence.
* In October 2020, Bharti Airtel entered cloud commu-
-nications market with the launch of business-centric 'Airtel IQ'.
* In June 2020, Jio Platforms Ltd. sold 22.38% stake worth Rs. 1.04 trillion (US $ 14.75 billion) to ten global investors in a span of eight weeks under sepera-
-te deals, involving Facebook, Silver Lake, Vista, General Atlantic, Mubadala, Abu Dhabi Investment Authority (ADIA), TPG Capital and L. Catterton. This is the largest continuous fundraise by any company in the world.
* In December 2020, Gamma Skills Automation Training introduced a unique robotics and automation career launch programme for engineers, an 'Industry 4.0 Hands-on Skill Learning Centre' located at IMT Manesar, Gurgoan 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.

Government Initiatives - The government of India recognises the importance of promoting growth in services sector and provides several incentives accross 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 -

* Under Union Budget 2021-22, the government allocated Rs. 7,000 crore (US $ 963.97 million) to the BharatNet programme to boost digital connectivity across India.

* FDI limit for insurance companies has been raised from 49% to 74% and 100% for insurance intermediates.

* On January 15, 2021, the third phase of Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched in 600 districts with 300+ skill courses. Spearheaded by the Ministry of Skill Development and Entrepreneurship, the third phase will focus on new-age and COVID-related skills. PMKVY 3.0 aims to train eight lakh candidates.

* In January 2021, the Department of Telecom, Government of India, signed an MOU with the Ministry of Communications, Government of Japan, to strengthen cooperation in the areas of 5G technologies, telecom security and submarine optical fibre cable system.

* On November 4, 2020 the Union Cabinat, chaired by the Prime Minister, Mr. Narendra Modi approved to sign a memorandum of understanding (MoU) between the Ministry of Communication and Information Technology and the Department of Digital, Culture, Media and

Sports (DCMS) of United Kingdom government to cooperate in the field of telecommunications/information and communication technologies (ICTs).

* In October 2020, the government announced that it may infuse Rs. 200 billion (US $ 2.72 billion) in public sector banks through recapitalisation of bonds.
* In the next five years, the Ministry of Electronics and Information Technology is working to increase the contribution of the digital economy to 20% of GDP. The government is working to build cloud-based infrastructure for collaborative networks that can be used for the creation of innovative solutions by AI entrepreneurs and stratups.
* On Independence Day 2020, Prime Minister Mr. Narendra Modi announced the National Digital Health Mission (NDHM) to provide a unique health ID to every Indian and revolutionise the healthcare industry by making it easily accessible to everyone in the country. The policy draft is under 'public consultation' until September 21, 2020.
* In September 2020, the government of Tamil Nadu announced a new electronics and hardware manufacturing policy aligned with the old policy to US $100 billion by 2025. Under the policy, it aims to meet the requirement for increamental human resources by upskilling and training >100,000 people by 2024.
* Government of India has launched the National Broadband Mission with an aim to provide Broadband access to all villages by 2022.

Road ahead - By 2023, healthcare industry is expected to reach US $ 132 billion. India's digital economy is estimated to reach US $ 1 trillion by 2025. By end of 2023, India's IT and business services sector is expected to reach US $ 14.3 billion with 8% growth.

The implementation of the Goods and Services Tax (GST) has created a common national market and reduced the overall tax burden on goods. It is expected to reduce costs in the long run on account of availability of GST input credit, which will result in the reduction in prices of services.

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 ~~its~~ is contributing a major share in terms of output, income and employment. Even the productivity per worker is becoming higher in service sector when compared to agriculture and industrial sectors. Already the service sector is dominant in the developed countries. If agriculture sector is stagnant, new service activities are emerging and adding to the service sector making the economy to grow. Hence service sector is playing a major role in economic development of any country.

The importance of the services sector can be gauged by its contribution to different aspects of the economy.

Business include both domestic trade as well as foreign trade. Trade as a service sector activities facilitates the exchange of the goods and services between producers and consumers. Domestic trade refers to the exchange of goods and services in within the country. Which provides income and employment to the people who have engaged in this activities. Foreign trade policy plays a major role in the development of the country. Imports of machinary and equipment which can not be produced in the initial stages at home are essential. Such imports which are made in order to make a 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 needs funds to meeting 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. Government needs funds to provide various services to its subject. Finance institutions provides funds to various group of people for 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 the necessary for developing most of the services sector activities.

Service Sector in India:

Today, in India service sector accounts more than 50 percent of India's Grass Domestic Product (GDP). There is a significant change in sectoral contribution of each sector to India's GDP over a period of time. In 1950-51 the primary sector was contributing about 5? percent to the Indian GDP. It is followed by the secondary sector with 13.6 percent and tertiary sector with 29.9 percent. During ~~2007~~ 1990-91 the share of agriculture sector in India GDP was 34 percent. It was followed by 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 industrial sector increased to 29 percent * to 53 percent. During 2008-09 the share of primary sector was 15.7 percent, the share of 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.

* and that of tertiary sector increased

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

India stands one of the leading economy because its growth has been led by the service sector. Its 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 is 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 ~~India~~ services following trade in liberalization policies and other reforms of 1990s induced this growth.

The trade liberalization is responsible for the development of finance, transport communication and other services sector activity including in service hotel and restaurant. Along with the increase in demand for health and education also led to expansion of these sector.

The services sector in future providing about the 70 percent of the new job opportunities in the country 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 65.7 percent share in GDP its growing by 10 percent annually, contributing to the total employment, a high share in foreign direct investment and one-third of total exports and recording very fast at 32.4 percent in export growth of the first half of 2018-19. Some services, such as infrastructure include the roads, railways, civil aviation, financial services and social services. The social services including the health are education play a major role in enhancing the contribution of service sector to its Indian economy.