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A Genuinegleaming or Perspicacity of Service Sector

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ABSTRACT

As a hallmark of the adoption of New Economic Policy (NEP) 1991, there has been a spectacular zing in growth rate of service sector in Indian economy.Having 52% contribution towards GDP in 2014-15 made trampsto surface as one of the leading and fastest-growing sectors.It had fascinated momentous overseas venture flows, exports zone and providing far-reaching employment.India's services sector asylum multiplicity of undertakings such as trade, hotel and restaurants, transportation, storage and communication, financing, insurance, real estate, business services, community, social, personal and constructionservices. However it also has its own glitches as income per capita rises, agriculture loses its primacy. The management andmarketing systems in the services sector continue to suffer fromlack of adequate systemization.Furthermore, it faces productivity and quality issues, wherein highlighting on the growing critique of service industries as they are eroding the economic well-being of workers.All growingeconomies are likely to go through these juncturesand must rely on urbanization, privatization and more demand forintermediate and final consumer services.

Keywords: New Economic Policy,GDP (Gross Domestic Product),exports zones, systemization and economic well-being.

1. INTRODUCTION

Service sector is the salvation for the social economic growth of a country. For most realms around the world,services are the prevalentchunk.India is a member of the Commonwealth of Nations, the South Asian Association for Regional Cooperation (SAARC), G20, International Monetary Fund, World Bank, World Trade Organisation, Asian Infrastructure Investment Bank, the United Nations and the New Development BRICS Bank.In radical economies the growth in the primary and ancillarysectors are directly hooked onto service sector. According to the U.S. Census Bureau, the service sector primarily consists of truck transportation, messenger services and warehousing; information sector services; securities, commodities and other financial investment services; rental and leasing services; professional, scientific and technical services; administrative and support services; waste management and remediation; health care and social assistance; and arts, entertainment and recreation services.

2. SCHOLASTIC OBJECTIVES

1. To study about the emerging trends in the Service Sector.
2. To justify on the absurdityprovoked inService Sector.
3. To recommend on the challenges ofService Sector.
4. To evaluate on future analysis ofService Sector in India.

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3. METHODOLOGY

The study is based on Secondary Data. The data collection includes from:

1. The Bureau of Labor Statistics (BLS)
2. National Information Centre on Management (NICMAN)
3. Report on Service Sector Enterprises in Delhi
4. Directorate of Economics &Statistics
5. CRISIL
6. The Centre for Monitoring Indian Economy Pvt. Ltd
7. India Brand Equity Foundation (IBEF)

4. LIMITATIONS OF THE STUDY

1. The present study does not cover the extensive gamut of Service Sector due to the paucity of time and other restrictions.

2. Secondary data are used.

5. REVIEW OF LITERATURE

According to Baumol's model, the share of service sectoremployment is larger in high-income countries, and grows with rising income, becauseof the low productivity level of the service sector combined withits low productivity growth from a longitudinal perspective. In other words, Baumol explains the expansion of service employment in terms of a productivity differential, aconstant share of services in real output, and rising income (higher income in crosscountrystudies.

Prashanta Athma (2000), in his PhD research submitted at OsmaniaUniversity Hyderabad, "Performance of Public Sector Banks – A Case Studyof State Bank of Hyderabad, made an attempt to evaluate the performance ofPublic Sector Commercial Banks with special emphasis on State Bank ofHyderabad. The period of the study for evaluation of performance is from1980 to 1993-94, a little more than a decade. In this study, Athma outlined theGrowth and Progress of Commercial Banking in India and. analyzed thetrends in deposits, various components of profits of SBH, examined the trendsin Asset structure, evaluated the level of customer satisfaction and comparedthe performance of SBH with other PSBs, Associate Banks of SBI and SBI.Statistical techniques like Ratios, Percentages, Compound Annual rate ofgrowth and averages are computed for the purpose of meaningful comparisonand analysis. The major findings of this study are that since nationalization,the progress of banking in India has been very impressive. All three types ofDeposits have continuously grown during the study period, though the rate ofgrowth was highest in fixed deposits. A comparison of SBH performance inrespect of resource mobilization with other banks showed that the averagegrowth of deposits of SBH is higher than any other bank group. Profits of SBHshowed an increasing trend indicating a more than proportionate increase inspread than in burden. Finally, majority of the customers have given a verypositive opinion about the various statements relating to counter serviceoffered by SBH.

Belli (2001) discussed the consequences of adverse selection on the functioning of insurance market. To isolate the effects of adverse selection from the confounding factors they considered a

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benchmark situation with no moral hazard and perfectly competitive market. They suggested that the government can intervene in the health insurance regulation. They also suggested that regulation of the private insurance market by imposition of a standard contract or by restricting premium rates, on the other hand, can exacerbate the problem of adverse selection and lead to chronic market instability. In general, their analysis has shown that there may be a price to pay in terms of inefficient coverage by enhancing competition among health insurers as a means to achieve greater patient‘s choice and better control over providers.

Singh R (2003), in his paper Profitability management in banks underderegulate environment, IBA bulletin, No25, has analyzed profitabilitymanagement of banks under the deregulated environment with some financialparameters of the major four bank groups i.e. public sector banks, old privatesector banks, new private sector banks and foreign banks, profitability hasdeclined in the deregulated environment. He emphasized to make the bankingsector competitive in the deregulated environment. They should prefer oninterestincome sources.

Alamelu and Chidambaram emphasized the profiti1bility aspect incommercial banks. In this paper, the scholar analyzed and compared theperformance of public and private sector bank on profitability angle. It wasfound that all the private sector banks have been registered both high profitsand high rate of growth. Better customer service, technology, innovativeproducts, good marketing strategies, proper monitoring of advances, regionalorientation are some of factors responsible for the success of private sectorbanks in India.

The study of Ramanadhamhighlighted the problems encountered by transportundertakings in the formative years. Moreover, M.O. Mathew emphasized theefficiency of the transport industry as a whole and the public utility industry in particular.He opined that transport being regulated by the Governmental policies in many ways, ofwhich some have a direct impact on the evolution of size. Khan.R.R. presented a kaleidoscope of transport network and transportmanagement system in India. Besides, continuing with systems approach, a model wasframed for a comprehensive transport system and transport planning. He provides ananalytical study of several vital areas along with the benchmark data for transportmanagement.

UNRESOLVED ISSUES OF SERVICE SECTOR

However service growth has long remainednotorious, yet issues in service sector are more likely to befall. They are as follows:

- Conflictingnature of services to manufacturesdue to poor infrastructure including rural and in urban areas.
- Thegrounds of contribution in service sector are 57% of GDP but provide less than 25% of employment opportunities.
- Theliaison between services and economy is unbalanced as etiquettes are the core component but they fail to comply towards this segment.
- The ‘tradability of services' anddearth of export promotion councilsencumbers the market access and hampers further growth.
- Unfair rivalry is highly seen and patronage of primary and secondary sector is also necessarybut this is practically not shadowed.

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- Quality significance and reduction in cost is to be focused.
- India has the biggest potential towards tourism. Foreigntourists often get harassed in the hands of babuls, officialdom, hawkers and conmen.

CHALLENGES OF SERVICE SECTOR

1. The Indian services sector has attracted the highest amount of FDI equity inflows in the period April 2000-May 2015, amounting to about US$ 43.35 billion which is about 16.8 per cent of the total foreign inflows, according to the Department of Industrial Policy and Promotion (DIPP).
2. The services sector contributed US$ 783 billion to the 2014-15 GDP (at constant prices) growing at CAGR of 9 per cent, faster than the overall GDP CAGR of 6.2 per cent in the past four years.
3. The sub-sector comprising financial services, real estate and professional services contributed US$ 305.8 billion or 20.5 per cent to the GDP.
4. The third-largest sub-segment comprising trade, repair services, hotels and restaurants contributed nearly equal or US$ 187.9 billion or 12.5 per cent to the GDP, while growingthe fastest at 11.7 per cent CAGR over the period 2011-12 to 2014-15.
5. The Government of India recognizes the importance of promoting growth in services sectors and provides several incentives in wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others.
6. The Central Government is considering a two-rate structure for the goods and service tax(GST), under which key services will be taxed at a lower rate compared to the standard rate, which will help to minimize the impact on consumers due to increase in service tax.
7. By December 2016, the Government of India plans to take mobile network to nearly 10 per cent of Indian villages that are still unconnected.
8. The Government of India has proposed provide tax benefits for transactions made electronically through credit/debit cards, mobile wallets, net banking and other means, as part of broader strategy to reduce use of cash and thereby constrain the parallel economy operating outside legitimate financial system**.**
9. The Reserve Bank of India (RBI) has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and has also allowed white label ATMs to tie up with any commercial bank for cash supply.

FUTURE PROSPECTS OF SERVICE SECTOR

The Economy of India is the 7thlargest in the world by nominal GDP and the third-largest by purchasing power parity (PPP).The longstandingprogression of the Indian economy is judiciouslyoptimistic due to its young population, analogous low dependency ratio, healthy savings and investment pattern, and increasing integration into the global economy. The focus of the future prospects of Indian Service sector is presented in a data form:

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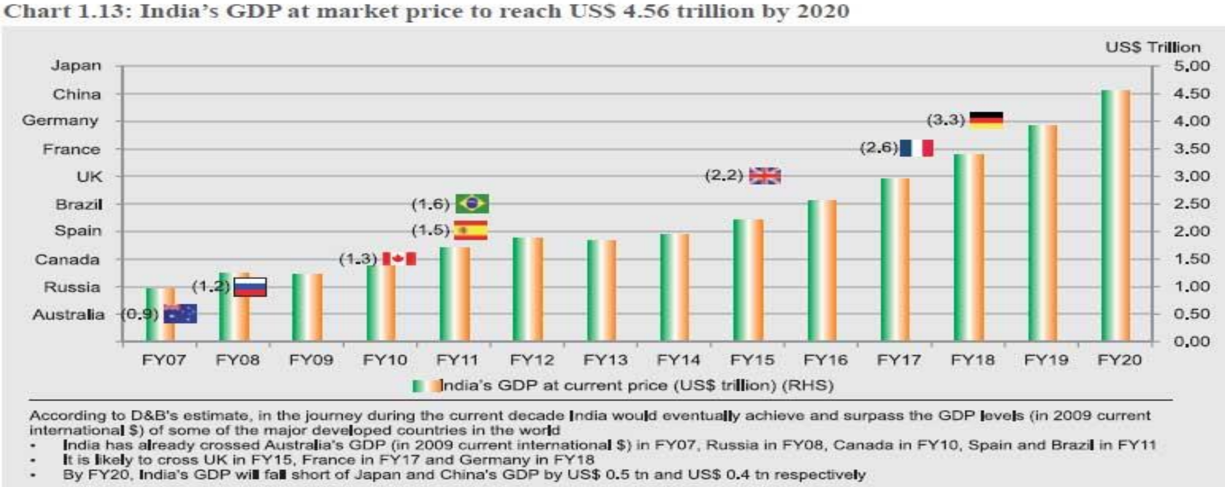
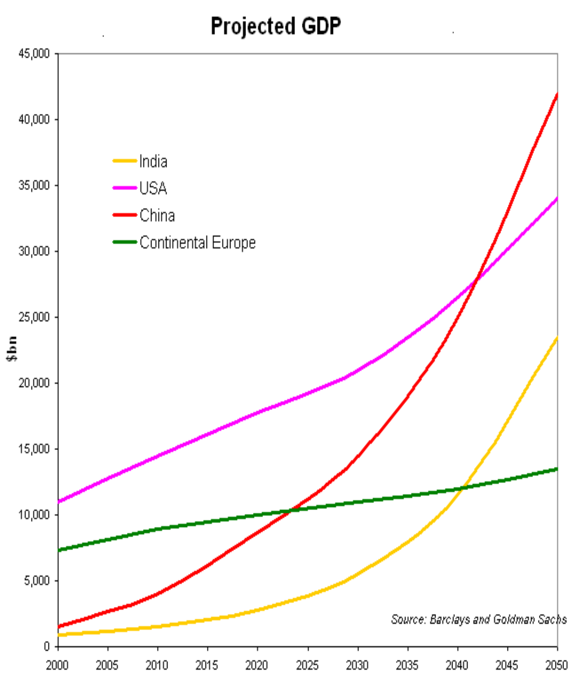
Chart 1.13: India's GDP at market price to reach US$ 4.56 trillion by 2020



Note: GDP figures are at MP Current Prices; GDP figures from FY14 are D&B forecasts; Figures in parenthesis are GDP (current $ price) in 2009 of respective countries
Source: CSO, World Development Indicator and D&B India



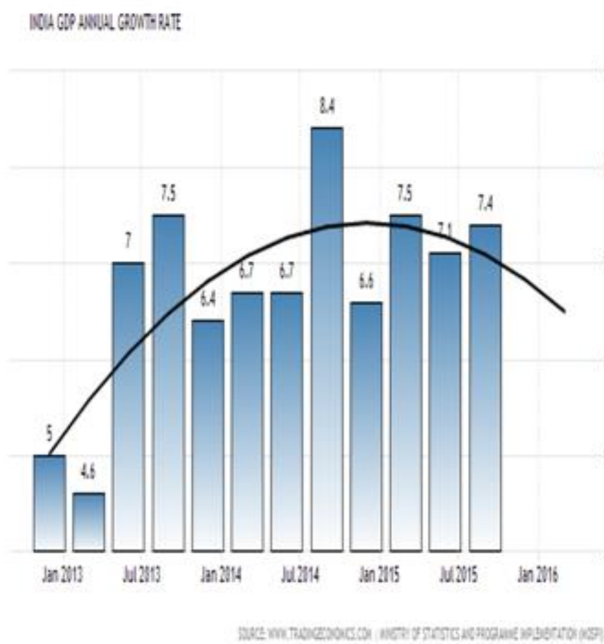
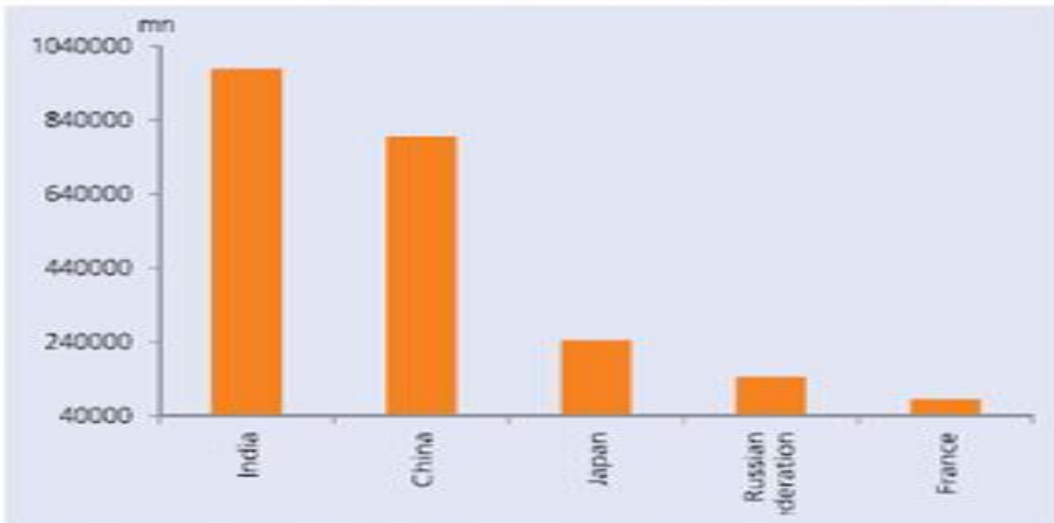


Chart 2.11: Railways, passengers carried (mn passengers - km) - 2012



Source: World development indicator-2014, World Bank

7. CONCLUSION

Services sector evolution is administered by national and global aspects. It has the premier laboryield, and it is anticipated to linger to grow at a faster pace. India is among the top 10 WTOmembers in service exports and imports. India doesnot have a strategy that can lead to comprehensive growth whichlacks in coordination and unfavorably affect the growth of the sector. In many types of services,the regulations are outdated, and there are FDI restrictions and regulatory barriers and literally fail to compete in the global market arena. There are eclecticdeviationsin regard to healthcare and education. Infrastructure is scrawny, there is no uniformity inthe quality and standards of education, and formal education does not guarantee employability.

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