

Main Sectors of Indian Economy: Services

Meaning of Service Sector

The service sector includes activities which help in the development of the primary and secondary sectors. These activities do not produce a good on its own but serve as an aid for the production process. Transport, banking, communication, storage and trade are a few examples of service sector activities. It also includes essential services which may not directly help in the production of goods. Examples: Teachers, doctors, lawyers

Services can be broadly divided into productive services and consumer services. Productive service refers to the activities which serve as an aid in production processes. Examples: Trading, transport, communication, financial and banking services. Consumer services are the essential services which may not directly help in the production of goods. Examples: Education and health services, domestic servant services

It can also be divided into economic services and social services. Economic services directly contribute to the system of production and distribution of goods. These services help the economic system internally. Examples: Trade, transport, communication, banking and power. Social services indirectly support the economic system. These services help the economic system externally. Examples: Health and education



Importance of the Service Sector in India

The importance of the service sector in Indian economy can be judged from the following facts:

- In a developing country like India, the government has to undertake the provision of various services such as health facilities, providing education, credit at cheap rates, police stations and municipal corporations, which are essential for the overall growth of the people and the country.
- In the last few decades, the development of the primary and secondary sectors has resulted in the rise of several services which are required for the smooth functioning of these sectors such as banking, transport and insurance.
- As our country witnessed economic development in the last few decades, there has been a rise in the income of the people. Rise in income has resulted in the demand for various services such as private hospitals, schools and professional training institutes.
- The information technology and communication sector has seen a tremendous growth in the last twenty years. This has resulted in the growing importance of the service sector in India.
- It has shown phenomenal growth from 24.5% in 1950–51 to 56.5% in 2012–13 and contributes 56.5% share to the country's National Income.
- It employs about 28% of the labour force, and the share of the service sector in employment has increased to 28% in 2007–08.
- It directly supports the primary and secondary sectors of the economy because the adequate infrastructural service is a precondition of rapid economic development.

- Rural development essentially focuses on action for the development of areas which are lagging in the overall development of the village economy. Key areas in rural development through the service sector:
 - Development of human resources such as education, health and skill development
 - Development of the productive resources with technology
 - Infrastructural development such as transport facilities, electricity, marketing and research
- Hence, rural development is impossible without the service sector in rural areas.

Interdependence among Various Sectors

Interdependence between Agricultural and Service Sectors

- The agricultural sector supplies food products to the urban people working in the various service sector activities. Similarly, the service sector provides various services such as trading, banking and other financial services to the agricultural sector.
- The agricultural sector depends on the service sector for education, health and social services. The service sector depends on the agricultural sector for the supply of unskilled and skilled workers to work in trading activities.

Interdependence between Industrial and Service Sectors

- The industrial sector performs manufacturing activities with the help of the service sector. It requires transport services for the movement of raw materials from the agricultural sector to the places of production. It also depends on the service sector for educational and health services to improve the skills and efficiency of the person working in a factory.
- The service sector depends on the industrial sector for manufactured products such as computers, printers and electricity. Also, people in the service sector purchase consumer products such as television for entertainment and cloth for stitching dresses which are produced in the industrial sector.

Service Sectors in India

Trade, Hotels and Restaurants

Trade is classified as internal or international or foreign trade. Internal trade refers to the purchase and sale of goods and services within the boundaries of a country, whereas international trade refers to the import and export of goods and services from one country to another.

The development of industry took place because trade developed. Development of trade is important because it serves as a source of employment to many people. Trade is useful as it acts as a link between producers and consumers. Today, there is electronic trading or e-trading, i.e. buying and selling through the Internet.



The share of trade, hotels and the restaurant industry in the gross domestic product (GDP) has been growing progressively over the years and has increased from 8% in 1950–51 to 16% in 2003–04. Thus, the trade sector plays an important role in economic development.

Transport, Storage and Communication

Transport refers to movement from one place to another. Roadways, railways, waterways and airways are the four important modes of transport. The importance of transport is as follows:

- Transport helps in broadening the market for agricultural and industrial goods.
- It enables the movement of goods and services which not only helps internal trade but also supports international trade.
- It helps to promote the tourism industry which in turn helps to earn foreign exchange.
- It has generated many employment opportunities in recent years.

The storage sector includes storage and cold storage facilities in both private and public sectors. The communication sector includes postal and telecommunication services which are provided by both public and private sectors in India. These services contribute about 9% to the country's GDP.



Banking Insurance, Real Estate and Business Services

Banking services are provided by various banking organisations such as the Reserve Bank of India and public sector commercial banks. The real estate service and business services are mainly provided by the private sector enterprises in India. These services contribute 16% to the country's GDP.

Community, Social and Personal Services

Provisions of safe drinking water, sanitation, health and education are the community and social services provided by the public sector organisations for the welfare of people. Personal services are the services of lawyers, engineers, doctors and chartered accountants. These services contribute about 14% to the country's GDP.