



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## ROLE OF SERVICE SECTOR IN INDIAN ECONOMY

**Naib Singh**

Associate Professor of Commerce

Govt. P.G. College, Ambala Cantt. (Haryana)

**Sohan Lal**

Assistant Professor of Commerce

Govt. College Saraswati Nagar, Mustafabad (Haryana)

**Lucky Verma**

Assistant Professor of Commerce

Govt. P.G. College, Ambala Cantt. (Haryana)

**Vaishali Rani**

Assistant Professor of Commerce

Pt. CLS Govt. College, Sec-14, Karnal (Haryana)

**Gurvinder Singh**

Associate Professor of English

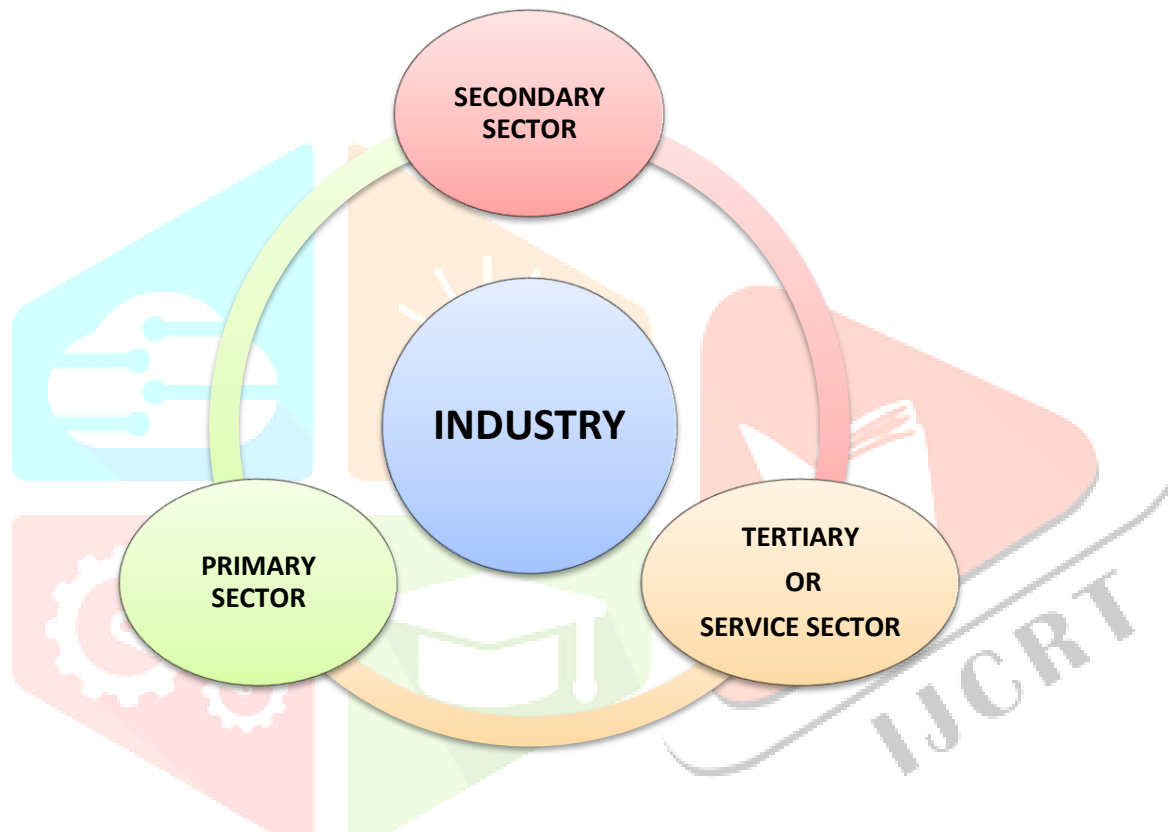
Govt. P.G. College, Ambala Cantt. (Haryana)

### Abstract

Industrial sector includes all those activities that are performed to convert the raw material into finished products. Industrial sector can be classified into three main categories namely primary sector, secondary sector and tertiary or service sector. The service sector provides the various services to the public. Banking, Education, Finance, Communication Health, Insurance, Transport, Real Estate and Hotel industry etc. comes under this sector. Service sector of India is providing job opportunities to engineers, teachers, actors, bankers, doctors and other specialists. India has emerged as the fastest growing nation in the trade of services at global level. This sector is growing very fast in the modern era of online business. Development of information technology has made this sector more imperative. Nowadays business people are using the social platforms for the promotion of their business. Hence, we can say that this industrial sector is the boon for economy of India.

## Introductory View

Industrial sector includes all those activities that are performed to convert the raw material into finished products. These activities generate utility through manufacturing or processing the raw material. Hence, industry produces goods and services for intermediate and ultimate usage which can be divided into consumer, capital and intermediate goods. Industrial sector can be classified into three main categories as follows:



Services are the various facilities that are provided by the industry to people. In service, no physical goods are delivered to customers. Services are offered in the form of intangible products.

According to **Philip Kotler and Paul N. Bloom**, “Service is any activity or benefit that one party can offer to another, which is basically intangible and does not result in the ownership of anything.”

The service sector provides the various services to the public. Banking, Education, Finance, Communication Health, Insurance, Transport, Real Estate and Hotel industry etc. comes under this sector. The growth of service sector is necessary in the modern global perspective. Hence, services are the intangible products which extend the benefit to the consumer except any ownership of that product. Services sector provides utility in form of benefit, relief, accessibility, entertainment, health, education and awareness etc.

## Objectives of the Study

This paper is based on the descriptive pattern. First of all introduction of the industry and service sector has been given. Middle segment of the study is related to the present scenario of this sector in the country. Concluding part includes the final observations of the authors after studying the various aspects of this industrial sector.

## Overview of the Industry

Indian service sector has emerged tremendously after independence. This sector contributes in the economy more than the primary and secondary sectors. The growth story of this sector has been depicted in the following points:

- ❖ **Employment Creator:** Service sector of India is providing job opportunities to engineers, teachers, actors, bankers, doctors and other specialists. In 2010-11, this sector was providing employment to 27.53 per cent population which has increased up to 32.33 per cent in 2019-20.
- ❖ **Contribution in Gross Domestic Product (GDP):** This sector play important role in increasing the GDP of the country. In the year 2019-20, the contribution of this sector to the GDP of India has increased to 55.39 per cent.
- ❖ **Hub of Expertise:** This sector is producing a large number of experts in the area of information technology, software development, communication, consultancy and banking sector. A number of service providers in India are increasing day by day. Various government and private sector organisations have establish the commendable share in the domestic and global service market. Following are the top performing Indian multinational corporations in the service sector:
  - (i). Reliance Industries
  - (ii). The Housing Development Finance Corporation Limited (HDFC) Bank
  - (iii). ICICI Bank
  - (iv). Tata Consultancy Services
  - (v). Larsen & Toubro
  - (vi). State Bank of India (SBI)
  - (vii). National Thermal Power Corporation Limited (NTPC)
  - (viii). Kotak Mahindra bank
  - (ix). Axix Bank
- ❖ **Infrastructural Development:** The service sector of our country is the fastest growing sector in the world. Various service providers are establishing their business segments in many important areas like communication, transportation, entertainment, medical, education, banking and logistics. All these areas are increasing the infrastructure in the country which will create more opportunities for the economic development.

- ❖ **Exports:** Indian service sector is contributing the export sector by providing its diversified services in various sectors like travel, transportation, insurance, software, finance and communication. . This sector accounts for about 38 per cent of the total exports from the country. As per the report of WTO, India has become the 8th largest service provider in case of commercial services exports.
- ❖ **Foreign Direct Investment (FDI):** Foreign direct investment is necessary for the economic development. Information and broadcasting, air transport, telecommunications, consultancy services, hotel and tourism sectors have attracted the FDI in the significant manner.

India has emerged as the fastest growing nation in the trade of services at global level. Following are the major points that indicate that the Indian service sector has emerged as the major hub of services at global level:

- **Largest Service Provider:** According to WTO, India has become the 8<sup>th</sup> largest commercial service provider in case of commercial services exports.
- **Contribution of IT Sector:** IT services of India account for 55 per cent of the total exports.
- **Flourishing Offshore Market:** Indian offshore IT sector comprises 63 per cent share of global market.
- **Exports:** According to RBI, in August 2020, Indian exports from service sector stood at Rs. 71662.62 crore.
- **Outsourcing Market:** Indian outsourcing services has emerged tremendously in recent years. Indian market has become a preferred outsourcing destination for the multinational corporations.
- **Consultancy Services:** Indian consultancy services have attained a significant place at global level. Indian consultants are providing best know-how at global level in the area of IT sector, finance sector, banking sector and software development. **Tata Consultancy Services Limited (TCS)**, a leading Indian multinational consultancy company is providing its services at 149 locations across 46 countries.

## Conclusion

Service sector is the very important sector of Indian economy. It is the largest and fastest industrial sector of the country. This sector contributes over 55 per cent to Gross Domestic Product of India. This industry provides the various services to the public. This sector includes mainly banking, education, finance, communication health, insurance, transport, legal advice, real estate and hotel industry, tourism industry. The growth of service sector is necessary in the modern global perspective. This sector is growing very fast in the modern era of online business. Development of information technology has made this sector more imperative. Nowadays business people are using the social platforms for the promotion of their business. Hence, we can say that this industrial sector is the boon for the economy of India.

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