



## **GROWING IMPORTANCE OF SERVICE SECTOR IN INDIA**

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### **ABSTRACT**

*Primary, secondary and tertiary sectors have the prime importance in economy as they generate and add to national income. Presently the tertiary sector is progressing rapidly and obviously its importance in the national economy is accentuated. This tertiary sector is the service sector which comprises of services like Insurance, Banking, Transportation, communication, information, technology, culinary business, education, health, food industry, computer, software etc. and the growth of service sector is supposed to be the prime indication of developing economy.*

**KEYWORDS:** *Transportation, communication, information, technology, culinary business.*

### **INTRODUCTION**

This sector enjoys the remarkable importance today because its share in the gross national yield is on remarkable increase. In the year 1950-51 the share of tertiary sector in gross national income was 27.5% which shouted up to 64.4% in the year 2011-12. In 2016-17 the direct foreign investment in this sector was 60.7%. In 2014-15 and 2015-16 respectively, 67.3% and 64.3% foreign investment came to 15 service sectors considering the increasing direct foreign investment in service sector, it could be stated that the importance of service sector in Indian economy is enhancing.

### **OBJECTIVES OF THE STUDY**

- 1) To assess progress of Telecommunication services in India.
- 2) To assess progress of Education services in India.
- 3) To assess progress of Health services in India.
- 4) To assess progress of Insurance services in India.
- 5) To assess progress of banking services in India.

### **METHODOLOGY USED FOR STUDY**

The present study of Growing Importance of Service Sector in India is totally based on secondary data. Information is sought through internet, magazines, news papers, reference books etc. The collected information is classified, tabulated and analyzed with mathematical and statistical methods. Accurate statistics and figures are used where necessary.

### **HYPOTHESIS**

The service sector in India is progressing fast and its importance in Indian Economy is accentuated.

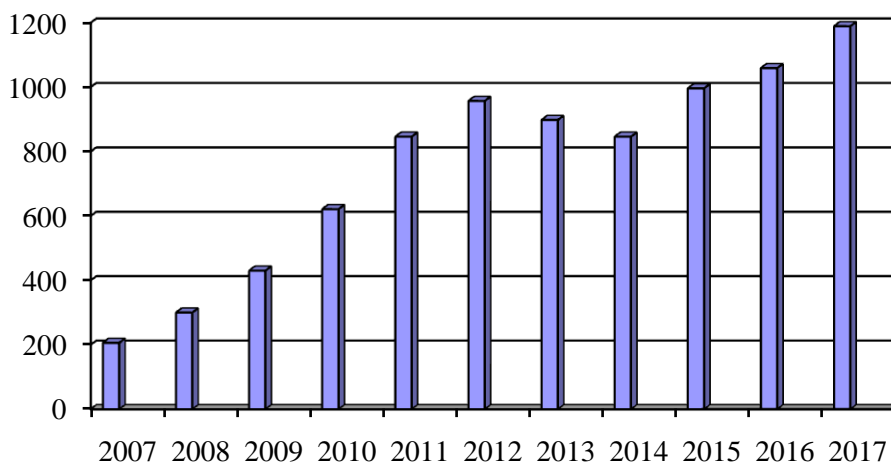


**INDIAN TELECOMMUNICATION SERVICES**

For a living human being it is necessary to have blood circulation through blood Vessels similarly for information transfer it is utmost essential to have communication services such as radio, television, mobile and telephone, postal and newspaper services.

Indian Telecommunication services have achieved reputation at the international level and hold second international rank. Also India stands third in the world in the use of internet. Because of governments open policy and availability telephone connections at minimum charges it has been possible to achieve this stupendous success. Telecommunication services are widely spread in India because of the improvement in the services and linking of social development schemes to telephone. At present there is enormous growth in the number of telephone connection holders. The growth in the number of telephone connection holders is denoted in the bar diagram given below:

**Figure No.1**  
**Growth in the Telephone Connection Holders**  
**(Numbers in million)**



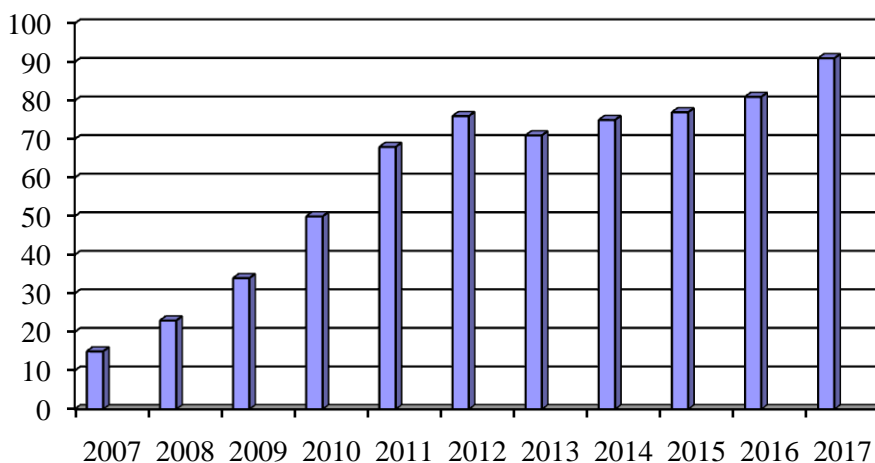
Source: Telephone Regulatory Authority of India

The above chart makes it very clear that in India the number of telephone beneficiaries is constantly shooting up. In 2007 206 million people had landline telephone connections. Afterwards for the next five consecutive years i.e. in 2008, 2009, 2010, 2011 & 2012 the number of telephone beneficiaries boosted as 300, 430, 621, 846, 951 millions respectively. In spite of the reduction up to 898 and 846 million connections in the year 2013 and 2014 respectively, since 2015 the number of landline telephone beneficiaries is on increase. It is 996, 1059 and 1189 million in 2015, 2016 and 2017 respectively.

**INCREASE IN THE NUMBER OF MOBILE PHONE USERS**

In India the number of mobile phone users is also on increase. The bar diagram given below explains the statistics of the percentage of people who use mobile phones.

**Figure No.2**  
**Increase in the number of mobile phone users (Percentage)**



Source: Telecom Regulator Authority of India

The above figure clearly indicates that since 2007 to 17 the number of mobile phone users for communication is on increase. In 2007 only 15% people made use of mobile phones. Later on in the consecutive years i.e. in 2008, 2009, 2010, 2011 and 2012 the number of mobile phone beneficiaries shouted up as 23%, 34%, 50%, 68% and 76% respectively. In 2013 71% people used mobile phones. The number went on increasing as 75%, 77%, 81% and 91% in the year 2014, 2015, 2016 and 2017. In short the above given statistics focuses on increasing number of mobile phone beneficiaries in India.

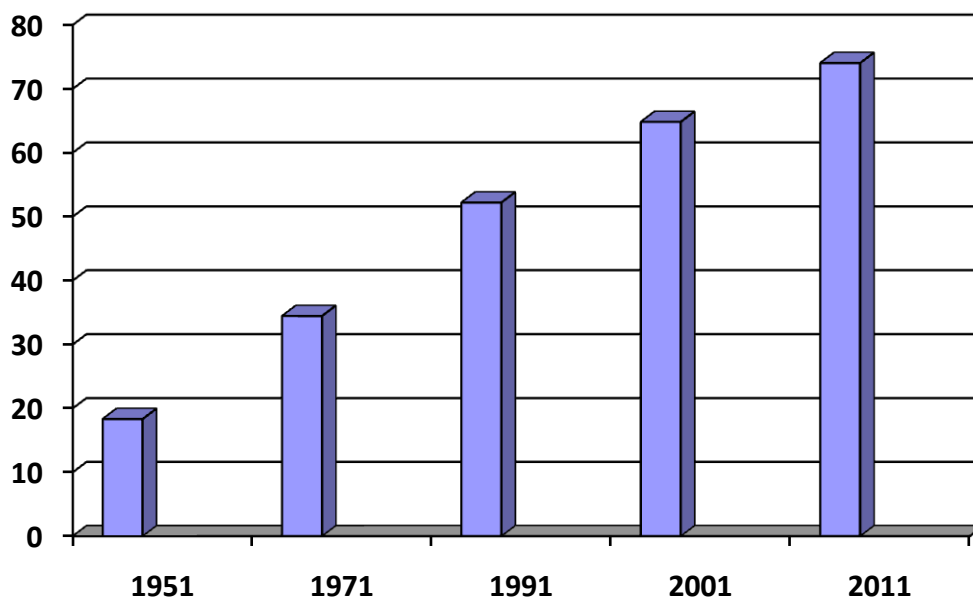
In the present scenario, in the field of telecommunication India stand second in the World. It is because of the progressive and liberal policies of the government. The demand of various devices and appliances related to telecommunication is also on increase. It is speculated that in coming five years, near about 4 million direct and indirect employment opportunities will be created in this field. It is also expected that in 2020 the valuation of mobile phone industry would be 217.30 million dollars. In the present year 3 million direct and 2 million indirect job opportunities are expected in this industry. In 2017 India uses 3.9 G.B. data per smart phone and it will be accentuated up to 18 GB per smart phone up to 2023.

**EDUCATION SERVICES IN INDIA**

In the year 2015, the percentage of 0 to 14 age group in the total population was 28.10% and education department has the opportunity of giving better education to these children. At present there are 1.5 million schools in India which provide education to 260 million students. In 2015 there were 48116 colleges that provided higher education to 34.2 million youths. Indian government aspires to increase the percentage of the beneficiaries of higher education up to 30% and for that there is provision of substantial investment. Education services expect 144 billion dollar investment in the year 2020 in comparison to previous 97.8 billion dollar investment in 2016.

In India we have one of the biggest higher education systems with 762 universities, and we have second largest percentage of enrollment of students to higher education. In the year the gross enrollment to higher education was 24.5% where as government aims at 30% enrollment up to the year 2020. In 2014 the literacy rate in India was 74.04%. The chart given below shows the comparative literacy rate in India.

**Figure No.3**  
**Literacy Rate in India [percentage]**



Source : Indian Census 2011

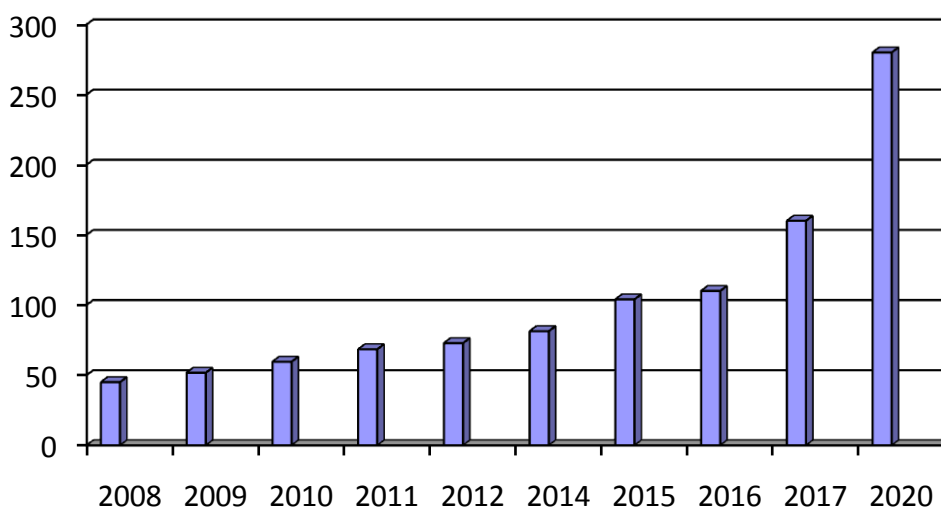
The above chart makes it clear that literacy rate in India is an increase and it is the great achievement of Indian education system. As per the 2001 census gross literacy rate was 64.83% and there is substantial raise in it in the following years. In 2016 it reached it 75% and undoubtedly there must be increase in it at the present time.

Objective of Indian education services is to secure position in the first five ranks in the World and boost research in rural and development sector by making provision of 140 billion dollars provision for it. The education services aim at transparency and cultivation of innovative perspective in education system. The system aspires to attain 50% gross enrollment to higher education. It is desired that at least 20 Indian universities should be listed among the 200 best universities in the World and one among the four graduates in the World should be India. Education services in India aspire to establish India as a provider of highly educated and skilled human resources to the World.

**INDIAN HEALTH SERVICES**

Indian Health services play a vital role in creating job opportunities and wealth. Health services comprise of hospitals, medical instruments and applies and medical tourism. In rural and urban areas medical services are provided by both public and private sectors and obviously number of health centers is on increase. As per the government’s study of comparative expenses on health services in Asian and Southern countries it is noticed that in comparison to the medical expenses in U.S.A. and West Europe, in India it is cheaper as the cost of an operation in India is 1/10 of that is USA and West Europe. The chart given below shows the inclination of health services in India.

**Figure No.4**  
**Ascending Inclination of Health Services**  
**(In billion dollars)**



Note: F = year (approximately)  
 CAGR – Gross rate of Increase  
 Source: Frost and Sullivan, LSI Financial Services, Deloitte

It makes clear from the above bar diagram that 2008 onwards the expenses on Indian health services are continually on increase. 45 billion dollars were spent on health services in 2008, in 2009, 2010, 2011, 2012 & 2014 respectively 51.7, 59.5, 68.4, 72.8 & 81.3 billion dollars were spent. This rate of increase is quite marginal but in 2015, 2016 and 2017 rate of increase in health services expenditure is noteworthy. It is speculated that in 2020, nearly 280 billion dollars would be the same expenditure. From April 2017 to 2018 the medical tourism expenditure is increased from 3 billion dollars to 6 billion dollars.

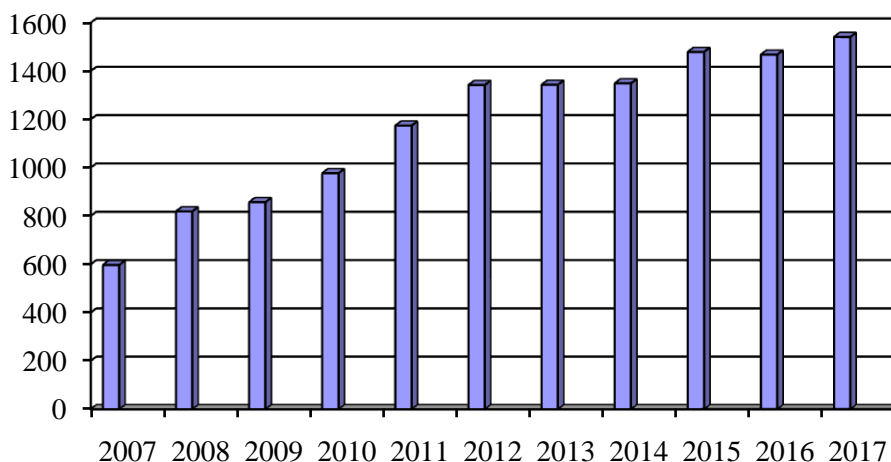
Indian Hospitals and Health Centers have attracted direct foreign investment. It is announced by DIPP (Industrial Policy and Promotion Department) that from April 2000 to December 2017 direct investment of 4.99 billion dollars is invested in Indian health services. As per the announcement of Health and Family Welfare Ministry Indian and Cuba signed a treaty to increase co-operation in health and medicine field and Dr. Rajan Pal invested 3900 Cr. For creation of hospital and development of entrepreneurs in the health services.

**DEVELOPMENT OF BANKING SERVICES**

Banking has vital position in the Indian economy. At present the banking sector consists of 27 public sector banks, 26 private sector banks, 46 foreign bank, 56 rural divisional banks, 1574 urban cooperative banks and 93913 rural cooperative banks, in addition to many cooperative credit societies. The financial year 2016-17 has recorded 12.03% hike in the bank deposits due to remarkable increase in savings. Under Prime minister’s Jan Dhan Yojana (PMJDY), on 9<sup>th</sup> November 2016 255.1 million saving accounts were opened and 6971.68 million dollar increase in the deposits is recorded.

The below given bar diagram shows the details of the deposits collected in the banking sector.

**Figure No.5**  
**Increase in the Bank Deposits**  
**(Figures in billion Dollars) (AGR – 10.08%)**



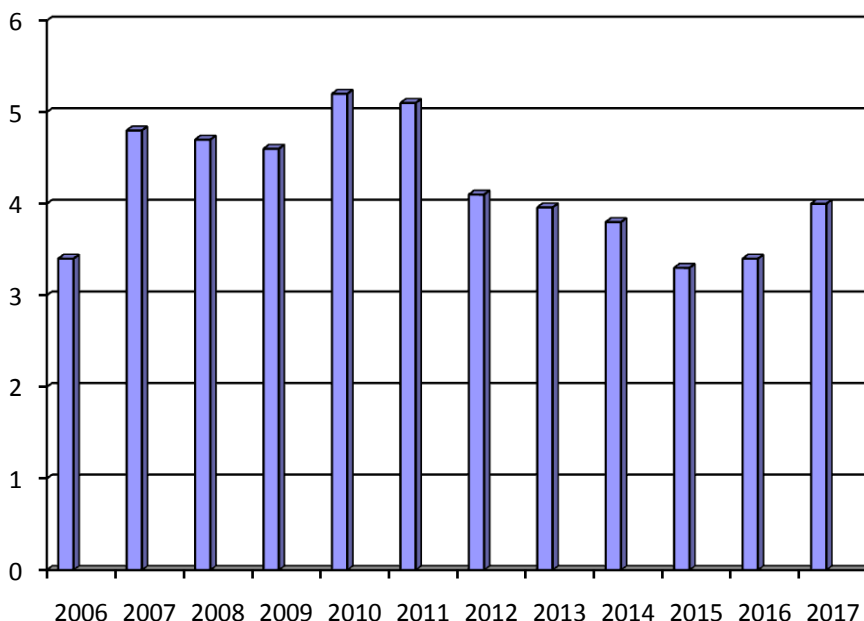
Source : Reserve Bank of India  
 CAGR – Cumulative Annual Growth Rate

This bar diagram makes it clear that banking sector in India is remarkably successful in attracting deposits. In 2007 the value of the deposits was 597 billion dollars which raised to 819, 857 and 977 billion dollars respectively in 2008, 2009 and 2010. In 2011 and 2012 banking sector was successful in attracting 1174 and 1343 billion dollars deposits respectively. In 2017 the deposits reached the height of 1541 billion dollars worth. Years after years the banking sector is successful in collecting increasing amount of deposits which has accelerated Indian economy.

**INDIAN INSURANCE SERVICES**

The Indian insurance sector consists of 57 insurance companies that work with the motto ‘Welfare of the Insurer.’ Out of them 24 are life insurance companies & 33 are non life insurance companies. Life Insurance Corporation is the biggest company functioning in public sector. Out of 33 non life insurance companies 6 function in public sector and 5 functions in private sector and they are related to health issues, personal accident insurance and travel insurance. Some of them are Apollo Munich Health Insurance Comp. Ltd. Max Bupa health Insurance Comp. Ltd. Religare Health insurance Comp. Ltd. and Sigma Titike health insurance comp. Ltd. In addition to them two prominent companies such as Indian Export Credit Assurance Company works for credit insurance and Agriculture Insurance Company Ltd. works for crop insurance. In the financial year 2016 percentage of insurer holders was 3.4%, 2017 central budged declared to increase this range up to 30% to 40% under Prime minister’s crop Insurance scheme.

**Figure No.6**  
**Expansion of Insurance in India**



Source : Insurance Regulatory and Development Authority (IRDA)

From the above bar diagram it is clear that scope of insurance in India is on increase. In 2006 percentage of insures was 3.40% in 2007 it became 4.80%. In spite of the drop up to 4.70% and 4.60% in 2008 and 2009 respectively, there was rise up to 5.20% in the number of insurers in 2010. Again there was a drop in 2011, 2012, 2013, 2014 and 2015 up to 5.10%, 4.10%, 3.96%, 3.86% and 3.30% respectively and witnessed hike up to 3.40% and 4.00% in 2016 and 2017. In short, it is clear that from 2006 to 2017 there are many ups and downs in the number of insurance holders.

**CONCLUSIONS**

The tertiary sector is progressing with leaps and bounds and its importance in the Indian economy is constantly on increase. The share of service sector in gross national was 27.5% in 1950-51 which shouted up to 64.4% in 2011-12. India has 2<sup>nd</sup> and 3<sup>rd</sup> rank in the World in the field of telecommunication and use of internet respectively. In 2007 the number of telephone connection holders was 206 million which grew up to 1189 million in 2017. In the same years the percentage of mobile phone users is 15% and 91% respectively. In the year 2015 there were 15 million schools, 48116 colleges and 762 universities in India and because of that India has succeeded in achieving 75% literacy rate in 2016 which was just 63% in 2001. Considering the increasing importance of health services India is investing substantially in them. In 2008 45 billion dollars were spent on health services which will be augmented up to 280 billion dollars in 2020. As per the declaration of Indian Health and Family Welfare ministry, India and Cuba have signed a treaty for the cooperation in the field of health and medicine. Under Prime minister’s Jan Dhan Yojana, after 9<sup>th</sup> November 2016 the bank deposits increased up to 6971.68 billion dollars and 255 million saving accounts were opened. The amount of deposits was 597 billion dollars in 2007 which increased up to 1541 billion dollars in 2017. In Insurance sector there are life insurance companies and 33 are non life insurance companies. LIC is the biggest insurance company in the public sector. In nutshell, from the above information it is clear, that the importance of service sector is prominently augmenting in Indian economy.

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