
INDUSTRIAL AND SERVICE SECTOR GROWTH IN INDIA- CHALLENGES AHEAD

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ABSTRACT

The main cause of slow industrial and services sector growth is the corruption caused because of reductions, controls, and licensing policy in India. For free economy it is essential to exercise deregulation, lower down the controls and make easy policy framework to function in Indian economy. The politicians should make business friendly environment and the economic policies to be framed on the basis of the potential of economy. Indian service sector is having more potential for growth as India is the 2nd largest country considering the educated labour force available. At the same time it is the 3rd largest market in the world. So India is getting the benefits of population or demographic dividend. The fast growing economy will certainly lead to the considerable service sector growth in the country. Hence it has become essential to the scholars I the research to study and point out newer areas for the development of service sector in India. Growth of the service sector will not; however be a miracle solution to the problem of sustainability. As the response to service sector from industrial and agriculture sector may not correspondingly increasing. The financial, real estate services should be properly motivated and brought under organized sector by the planed efforts of the government. This is essential to boost up services sector.

Key words: *Business friendly environment, economic reforms, FDI, Make in India, Human capital, Natural capital*

Introduction

The main cause of slow industrial and services sector growth is the corruption caused because of reductions, controls, and licensing policy in India. For free economy it is essential to exercise deregulation, lower down the controls and make easy policy framework to function in Indian economy. The politicians should make business friendly environment and the economic policies to be framed on the basis of the potential of economy. The poverty eradication is one of the reasons why should we concentrate on industrial and services sector growth in Indian economy. There should be employment generation through regular efforts of economic development of the nation. As per the 2013 U.N. Report 1/3rd of the world's poorest people live in India. Hence it has become essential to generate employment opportunities for the skilled as well as unskilled labour. Accordingly the industrial and service sector growth must be assured and should be on top priority list of the Government of India.

Globalization & Economic Reforms

The illegal and corrupt way is being followed in order to gain high amount of profits by minimum efforts. The problems like poverty, unemployment, inequality, exploitation are not properly tackled by the Indian economic policies. The economic

reforms in the present global scenario requires business friendly environment where unemployment, inequality and exploitation has no place. The Indian economic problems should be resolved with the help of the Indian solution. The country cannot follow blindly the western results and policies for the economic development of the nation. The system is essential to bring out solution in our own manner suited to our own environment. Economic reforms for the purpose of industrial and services sector growth should be adopted in a manner it can help the country to grow and prosper. The poverty eradication is possible only when the country can expand and extend the operational area of industrial and service sector to rural sector for the purpose of limiting the migration from rural to urban area for want of job. The economic reforms for the purpose of industrial and service sector growth should be selective, need based and suited to the existing economic arena of the country. Hence, industrial and service sector growth can be studied in depth for economic development.

Hindrances in Industrial and Service Sector Growth

1. No proper infrastructure facilities are available in India to promote the industrial and service sector growth. Accordingly Indian govt. has introduced Make in India programme for attracting FDI in this sector i.e. infrastructure.
2. The per capita income in India is not uniform in all the states of India. It is uneven and hence results in economic imbalances. The per capita growth creates demand to the products and services and accordingly it helps to develop industrial and service sector in the country.
3. The lack of monetary and fiscal discipline in the country adversely attacks the growth of industrial and services sector. The deliberate efforts are hence necessary for the better monetary and fiscal discipline.
4. The rupee/dollar relationship is adversely affecting Indian economy as the consistently fall in rupee value results in adverse balance payment, affecting industrial / services sector adversely.
5. The industrial and service sector should work for the upliftment of rural poor. So need based service sector and industrial sector is the need of the day. The rural India should be concentrated for economic development.
6. The new government is planning to attract the FDI in industrial and service sectors. It is necessary to probably channelize the flow of FDI and assure proper utilization of the funds received out of FDI.
7. Jobless growth of Indian economic sectors will result in unrest amongst the unemployed youth. And not only that various classes from the society will have unrest for economic reforms and growth they will not support the development if they are not able to gain out of industrial and service sector growth.
8. The agro sector should be properly concentrated and the agro based industries are to be established in the area of rural sector to provide better job opportunities to the rural youth and needy people.
9. The new economic policy of Make in India concept is attracting FDI in various sectors. Govt. of India has decided to provide 25 industrial and service sectors for

the implementation of make in India programme. This FDI in infrastructure and other service sector especially IT will boost employment opportunity in India.

10. The failure of economic policies so far has resulted in economic, social and political problems. The economic policies should be so framed to suit common men of the country. The labour and farmer specially along with the educated youth of the country.
11. India is a country whose majority of the people are dependent on agriculture. Of the total exports 13.1% comes from Agriculture. Agriculture income contributes 24.7% to the GDP. 58.4% of the total workforce is provided unemployment with the help of agriculture. However, the agriculture sector is not properly attained and hence it is essential to provide importance for agro based industries in rural India.

Performance of the Service Sector

- ❖ The increase in urbanization has resulted in growth of service sector. There is a demand for intermediate and final consumer service. However, quality of service is the need of the day.
- ❖ Service sector today is the largest and fastest growing sector all over the world. This is contributing more to the global output and providing more employment to more people than any other sector.
- ❖ In advanced countries / economies the growth of primary and secondary sectors are directly dependent on the growth of services like Banking, insurance, trade, commerce, entertainment and so on.
- ❖ However the boom in service sector sometimes is jobless. So it is called as jobless growth. It is not proportionately accompanied with the sector's share in national employment.
- ❖ Hence it is always stated that service sector growth must be accompanied with industrial sector growth. The mere development of service sector cannot be sustainable growth.
- ❖ Indian presently is coming as global service hub to increase its economic strength and per capita income of the people in the country; this makes India strong in the service sector because of availability of skilled labour.
- ❖ IT, ITES, Telecom and ITES BPO/KPO revolution has boosted economy of India. Govt. has taken measures to promote IT business in India. Other sectors like telecom, retail hospitality, entertainment and financial sector are also showing consistent growth. Thus there are good opportunities for the growth of the services sector presently.

Employment Generation out of Service Sector

- ❖ The service sector produces intangible goods, some well known government, health and education. Some are communication, information and business services.
- ❖ Labour productivity in service sector does not grow as fast as it does in agriculture and industrial sector.
- ❖ As share of service sector increase in GDP the employment generation also increases. At the same time because of Technological development, the agriculture

produce is increasing by lowering down the employment in that particular sector. Service sector is growing sector in all countries. Service sector is contributing for almost 2/3rd of the world GDP.

- ❖ Service sector requires human capital than the Natural Capital. The educated workers are creating more and more demand in service sector. This is increasing the investment in the education. Because of very nature of service sector business it exercises less presence on the local, regional and global environment.
- ❖ The educated labour force is employed. In the service sector which could not be otherwise employed. But as health, education sector is developing fast the service sector is gathering some sort of momentum for economic growth.

Perspective ahead:

- ❖ As the income and per capita income of an individual is increasing agricultural sector is losing its prime importance. This was in fact resulted in the growth of industrial sector previously and after post industrialization it has given way to the growth of service sector. All growing economies are supposed to go through such transition period.
- ❖ The structural changes in consumer demand and in the consumer behavior service sector are supposed to gain more attraction.
- ❖ The growth of per capita income has created demand for education, health, communication, IT and such relative jobs. So we can observe relatively large inclination towards these sectors. India has the potentiality to become education centre and can attract the foreign students in Indian universities, thereby increasing the scope for earning foreign exchange. This will be utilized for growth of economy. At the same time efforts are but essential for making country as health, tourism destination.
- ❖ Growth of service sector will make development more sustainable. Most high income countries today are post industrializing becoming less reliant on industry where as low income countries are becoming the industrialization dominating countries. And hence we can observe the phenomenon of growth of service sector uniformly all over the world.
- ❖ Indian service sector is having more potential for growth as India is the 2nd largest country considering the educated labour force available. At the same time it is the 3rd largest market in the world. So India is getting the benefits of population or demographic dividend. The fast growing economy will certainly lead to the considerable service sector growth in the country. Hence it has become essential to the scholars in the research to study and point out newer areas for the development of service sector in India.

Conclusion

1. Growth of the service sector will not; however be a miracle solution to the problem of sustainability. As the response to service sector from industrial and agriculture sector may not correspondingly increasing.

2. The financial, real estate services should be properly motivated and brought under organized sector by the planned efforts of the government. This is essential to boost up services sector.
3. Service sector is important for country's sustainable development from the perspectives of the economic, social and environmental growth.
4. Presently service sector is replacing the industrial sector as the leading sector of the economy.
5. Rural and urban divide cannot be observed in the development of service sector business. Because all the regions are undergoing substantial change and the need of services sector is becoming universally required demand by the beneficiaries.
6. The new government policies to introduce FDI in majority of the services make service sector further strengthen by introducing concessions to IT sector. At the same time introduction of Private Universities is the welcome step to provide need based and skillful education.
7. The income from services sector in the total GDP is consistently increasing which helps the national economy to progress further. This is related to growth of economy in the desired direction.
8. Outsourcing from the foreign countries is helping India to set more opportunities of jobs, especially in service sector. All the world is pointing out to Indian economy for the labour force available for the all types of jobs (skilled as well as unskilled).
9. Thus the Growth of services sector will help the nation to progress further.

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