
A Study of Services Sector in India and Haryana –Post Economic Reform

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Abstract

Adam Smith, the father of Modern Economics has stated 'services are unproductive'. But time has changed and now services are playing major role in the economy. Services sector has emerged as the fastest growing sector of the economy. Services sector is called the tertiary sector. The new economic policy of 1991 was the turning point of the Indian economy. A lot of changes in the economy have been occurring due to the adoption of 'The New Economic Policy' especially, in the services sector. The current situation in India is that the growth rate of services has overtaken both agriculture and industry. Service sector has contributed 63percent in the GDP which is highest, as compared to agriculture and industry sector.

The present paper's focus is on the basic changes facing by role of services sector in India and Haryana economy. There are mainly three sectors in the economy which contribute maximum in the services sector in Haryana Economy. These are Primary, Secondary and

Tertiary. Services sector has been almost increased with the effect of IT revolution.

Introduction

The India Economic System was based on social democratic-based policies. It is the service sector which is the main source of national income. Therefore service sector contribute more than 50 per cent of the GDP. But it is the agricultural sector which employs more than 50 per cent of the population. In that sense, more number of people in India is supported by agriculture. Kuznets and Chenery suggested that economic development would be associated with a sharp decline in the proportion of GDP generated by the primary sector, counterbalanced by a significant increase in industry and by a more modest increase in services. Sectoral shares in employment were predicted to follow a similar pattern (Gordon and Gupta, 2004). India is the second highest populated country in the world. Service sector also known as tertiary sector is essential for

economic growth in any economy including India.

Haryana was a major contributor to the “Harit Kranti”, the green revolution and is a good blend of traditional and modern cultures. Agriculture is the main occupation of the people of the state. Rice, wheat, jowar, bajra, maize, barley, pulses, sugarcane, cottons, oil seeds and potato are the major crops of the Haryana. Haryana’s economy is largely dependent on agriculture. About 70 per cent people of the total population are engaged in farming. Wheat and rice are the major crops grown in the state. Haryana is self-sufficient in food production and second largest contribution to India’s central group of food grains.

Services can be divided into two classes:

Sector Wise Growth Rate:

- i) Those that require physical proximity of the user and provider;
- ii) And those that do not.

Services that require physical proximity can be further divided into three groups:

- i) Mobile provider and immobile users, e.g., transportation labour to a construction site;
- ii) Mobile user and immobile provider, e.g., a patient going to a hospital;
- iii) Mobile user and mobile provider, e.g., students and professors meeting in a university for lectures.

Services for which physical proximity is inessential, i.e., the long distance services, are on a rise due to technical progress, e.g., banking and insurance.

The objective of the present study is to analyse the patterns of growth in India and Haryana.

Table 1
Components of Gross Domestic Product at Current Prices (at factor cost)

(Rs.Crore)

| Year | Agriculture & Allied Activities | Mining & Quarrying | Manufacturing | Services | Total GDP |
|---------|---------------------------------|--------------------|-------------------|--------------------|------------------|
| 1998-99 | 420486 (26.02) | 35955 (2.22) | 250581 (15.51) | 909061 (56.25) | 1616083 (100) |
| 1999-00 | 446515 (24.99) | 41594 (2.33) | 264113 (14.78) | 1034304 (57.89) | 1786526 (100) |
| 2000-01 | 449565 (23.35) | 45706 (2.37) | 300392 (15.60) | 1129354 (58.67) | 1925017 (100) |

| | | | | | |
|---------|-------------------|------------------|-------------------|--------------------|------------------|
| 2001-02 | 486617 (23.20) | 47871 (2.28) | 315314 (15.03) | 1247924 (59.49) | 2097726 (100) |
| 2002-03 | 472060 (20.87) | 62742 (2.77) | 346029 (15.30) | 1380584 (61.05) | 2261415 (100) |
| 2003-04 | 532342 (20.97) | 63882 (2.52) | 388549 (15.31) | 1553397 (61.20) | 2538170 (100) |
| 2004-05 | 552422 (19.20) | 84776 (2.95) | 453603 (15.76) | 1786900 (62.09) | 2877701 (100) |
| 2005-06 | 625635 (19.06) | 94533 (2.88) | 519743 (15.83) | 2042474 (62.23) | 3282385 (100) |
| 2006-07 | 686044 (18.15) | 106024 (2.81) | 617648 (16.34) | 2369667 (62.70) | 3779383 (100) |
| 2007-08 | 782597 (18.11) | 117431 (2.72) | 705130 (16.32) | 2715734 (62.85) | 4320892 (100) |
| 2008-09 | 861753 (17.47) | 125414 (2.54) | 780405 (15.82) | 3165610 (64.17) | 4933182 (100) |

Source: Reserve Bank of India, Central Statistical Organisation and National Income Statistics.

Note: Figures in Parentheses are Percentage.

Table 1 shows the component of Gross Domestic Product at Current prices. The share of agriculture and allied activities has declined steadily during the period 1999-2000 to 2008-09. Component of GDP of this sector recorded as 52.56 per cent in 1950-51 and 17.47 per cent in 2008-09. When we see the data of mining and quarrying, it has to be noted that it's share has been increasing from 0.78 per cent in 1950-51 to 2.54 per cent in 2008-09. The relative size of

manufacturing sector has increased from 10.93 per cent in 1950-51 to 15.87 per cent in 2008-09. Table 1 further show that the share of services sector has improved from 35.74 per cent in 1950-51 to 64.17 per cent in 2008-09. Services sector has been almost increased with the effect of IT revolution.

From the above table; we can conclude that the share of agriculture and allied activities steadily declined during the period 1999-2000 to

2008-09. Mining and Quarrying, Manufacturing has been fluctuating for this period, while services sector has been continuously improving during the same period.

Table 2 shows the component of Gross Domestic Product of Haryana at Current prices (at factor cost). The share of agriculture and allied activities has declined steadily during the period 1999-2000 to 2009-10. Component of GDP of this sector recorded as 31.73 per cent in 1999-2000 and 20.96 per cent in 2009-10. The poor performance of agriculture in the past decades or so is partly due to the emergence of technology fatigue in the intensely irrigated crop production regions. The process of planned economic development in India began with the launching of first five year plan. At that time the country was faced with severe food shortage a mounting inflation. The plan accorded pride of

place to programmer for agriculture and community development.

When we see the data of mining and quarrying, it has to be noted that it's share has been increasing from 0.31 per cent in 1999-2000 to 0.38 per cent in 2001-02, but after this period it started declining and come down to 0.21 per cent in 2004-05, thereafter it started increasing and become 0.34 per cent in 2005-06, and declining from 0.22 per cent in 2009-10.

The manufacturing sector has decreased from 20.27 per cent in 1999-2000 to 15.83 per cent in 2009-10. During this period, it decreased from 20.73 per cent in 1999-2000 to 19.97 per cent in 2000-01, but after this period it started increase and come down to 20.91 per cent in 2004-05, thereafter it started decline and became to 15.83 in 2009-10.

Table 2

Gross Domestic Product of Haryana at Factor Cost by Industry of Origin (at Current Prices) (Rs. Lacs)

| Year | Agriculture & Allied Activities | Mining & Quarrying | Manufacturing | Services | Total GDP |
|---------|---------------------------------|--------------------|--------------------|--------------------|------------------|
| 1999-00 | 1630210 (31.73) | 15749 (0.31) | 1041139 (20.27) | 2450392 (47.70) | 5137490 (100) |
| 2000-01 | 1755592 (30.17) | 19035 (0.33) | 1162027 (19.97) | 2881681 (49.53) | 5818335 (100) |
| 2001-02 | 1786736 (27.28) | 24627 (0.38) | 1329942 (20.30) | 3409218 (52.04) | 6550523 (100) |

| | | | | | |
|---------|--------------------|-----------------|--------------------|---------------------|-------------------|
| 2002-03 | 1833007 (25.27) | 17512 (0.24) | 1497911 (20.65) | 3904361 (53.83) | 7252791 (100) |
| 2003-04 | 2055501 (24.81) | 19487 (0.24) | 1695053 (20.46) | 4516135 (54.50) | 8286176 (100) |
| 2004-05 | 2145020 (22.93) | 19464 (0.21) | 1956437 (20.91) | 5235225 (55.95) | 9356146 (100) |
| 2005-06 | 2202672 (20.70) | 35813 (0.34) | 2207507 (20.75) | 6193345 (58.21) | 10639337 (100) |
| 2006-07 | 2817764 (21.64) | 37489 (0.29) | 2524555 (19.38) | 7643802 (58.69) | 13023610 (100) |
| 2007-08 | 3373540 (21.87) | 40281 (0.26) | 2835772 (18.39) | 9173460 (59.48) | 15423053 (100) |
| 2008-09 | 3954679 (21.66) | 42383 (0.23) | 3095142 (16.95) | 11166556 (61.16) | 18258760 (100) |
| 2009-10 | 4390490 (20.96) | 45054 (0.22) | 3316544 (15.83) | 13198867 (63.00) | 20950955 (100) |

Source: "Economic Surveys of Haryana", Department of Economic & Statistical Analysis, Haryana, Government of Haryana.

Note: Figures in parentheses are percentages.

Table 3 point out the component of Gross Domestic Product at constant prices. The share of agriculture and allied activities has gone 55.28 per cent in GDP in 1950-51 to 16.95 per cent in 2008-09. It contributed 55.28 per cent of GDP in 1950-51; it shares however improved to 55.93 per cent in 1953-54, and further declined to 16.95 per cent in 2008-09. The share of mining and quarrying has shown a steady increase from 1.42 per cent of GDP in 1950-51 to 1.92 per cent in 2008-09. The share of manufacturing in GDP increased from 8.92 per cent in 1950-51 to 14.61 per cent in 2008-09. It may also be noted that manufacturing industries are grouped under registered and unregistered. The share of manufacturing doubled during the period. The share of services sector which includes electricity, gas & water supply, construction, trade, hotels transport & communication, financing, insurance, real estate& business services, community, social & personal services improved from 34.38 per cent in 1950-51 to 66.52 per cent in 2008-09. Its share of GDP 53.36 per cent in 1996-97,

thereafter it vastly improve and 66.52 per cent in 2008-09.

Table 4 point out the component of Gross Domestic Product of Haryana at constant prices. The share of primary sector which include agriculture and allied activities has gone 31.73 per cent in GDPH in 1999-2000 to 18.67 per cent in 2009-10. The share of mining and quarrying has shown a increase from 0.31 per cent of GDPH in 1999-2000 to 0.36 per cent in 2001-02. During this period, it continued fluctuating from 0.23 per cent in 2002-03 to 0.37 per cent in 2006-07, but after this it started decline and come down to 0.26 per cent in 2009-10. The share of manufacturing in GDPH declined from 20.27 per cent in 1999-2000 to 117.33 per cent in 2009-10. IT may also be noted that manufacturing industries are grouped under registered and unregistered. The share of services sector improved from 49.38 per cent in 1999-2000 to 63.74 per cent in 2009-10. Services sector has been almost increased with the effect of IT revolution.

Table 3
Components of Gross Domestic Product at Constant Prices (at factor cost)
(Rs.Crore)

| Year | Agriculture & Allied Activities | Mining & Quarrying | Manufacturing | Services | Total GDP |
|-----------|---------------------------------|--------------------|-------------------|--------------------|------------------|
| 1999-2000 | 446515 (24.99) | 41594 (2.33) | 264113 (14.78) | 1034304 (57.89) | 1786526 (100) |
| 2000-01 | 445403 (23.89) | 42589 (2.28) | 284571 (15.26) | 1091738 (58.56) | 1864301 (100) |
| 2001-02 | 473249 (23.99) | 43335 (2.20) | 291803 (14.79) | 1164219 (59.02) | 1972606 (100) |
| 2002-03 | 438966 (21.43) | 47168 (2.30) | 311685 (15.22) | 1250467 (61.05) | 2048286 (100) |
| 2003-04 | 482676 (21.72) | 48626 (2.19) | 332363 (14.95) | 1359093 (61.14) | 2222758 (100) |
| 2004-05 | 482910 (20.22) | 52591 (2.20) | 361115 (15.12) | 1492152 (62.47) | 2388768 (100) |
| 2005-06 | 511114 (19.54) | 55164 (2.11) | 393842 (15.05) | 1655981 (63.30) | 2616101 (100) |
| 2006-07 | 531315 (18.51) | 60038 (2.09) | 440193 (15.33) | 1839572 (64.07) | 2871118 (100) |
| 2007-08 | 557122 (17.80) | 61999 (1.98) | 476303 (15.22) | 2034293 (65.00) | 3129717 (100) |
| 2008-09 | 566045 (16.95) | 64244 (1.92) | 487739 (14.61) | 2221347 (66.52) | 3339375 (100) |

Source: Reserve Bank of India, Central Statistical Organisation and National Income Statistics.

Note: Figures in Parentheses are Percentages.

Table 4
Gross Domestic Product of Haryana at Factor Cost by Industry of Origin (at Constant Prices)
(Rs. Lacs)

| Year | Agriculture & Allied Activities | Mining & Quarrying | Manufacturing | Services | Total GDP |
|-----------|---------------------------------|--------------------|--------------------|--------------------|-------------------|
| 1999-2000 | 1630210 (31.73) | 15749 (0.31) | 1041139 (20.27) | 2450392 (47.70) | 5137490 (100) |
| 2000-01 | 1686897 (30.36) | 17991 (0.32) | 1107737 (19.94) | 2743900 (49.38) | 5556525 (100) |
| 2001-02 | 1684618 (28.12) | 21757 (0.36) | 1168317 (19.50) | 3115973 (52.01) | 5990665 (100) |
| 2002-03 | 1665590 (26.10) | 14839 (0.23) | 1255975 (19.68) | 3445137 (53.99) | 6381541 (100) |
| 2003-04 | 1794382 (25.59) | 16664 (0.24) | 1366017 (19.48) | 3833653 (54.68) | 7010716 (100) |
| 2004-05 | 1854922 (24.40) | 17005 (0.22) | 1481499 (19.49) | 4247758 (55.88) | 7601184 (100) |
| 2005-06 | 1823786 (21.86) | 30554 (0.37) | 1609617 (19.29) | 4879594 (58.48) | 8343551 (100) |
| 2006-07 | 2087694 (22.15) | 28683 (0.30) | 1765819 (18.73) | 5544644 (58.82) | 9426840 (100) |
| 2007-08 | 2108010 (20.42) | 28793 (0.28) | 1916388 (18.56) | 6271218 (60.74) | 10324409 (100) |
| 2008-09 | 2181180 (19.58) | 30241 (0.27) | 1965282 (17.64) | 6965310 (62.51) | 11142013 (100) |
| 2009-10 | 2248424 (18.67) | 31075 (0.26) | 2086188 (17.33) | 7675027 (63.74) | 12040714 (100) |

Source: "Economic Surveys of Haryana", Department of Economic & Statistical Analysis, Haryana, Government of Haryana.

Note: Figures in parentheses are percentages.

Table 5
Sector Wise Rate of Growth 2004 to 2014

(In %)

| Year | Primary Sector | | Secondary Sector | | Tertiary Sector | |
|---------|----------------|-------|------------------|-------|-----------------|-------|
| | Haryana | India | Haryana | India | Haryana | India |
| 2004-05 | 3.37 | -0.05 | 10.69 | 10.34 | 9.81 | 9.14 |
| 2005-06 | -1.81 | 5.14 | 8.49 | 9.72 | 15.51 | 10.91 |
| 2006-07 | 14.15 | 4.16 | 9.22 | 12.17 | 11.32 | 10.06 |
| 2007-08 | -0.06 | 5.80 | 6.59 | 9.67 | 13.62 | 10.27 |
| 2008-09 | 7.21 | 0.09 | 3.50 | 4.44 | 11.57 | 9.98 |
| 2009-10 | -1.45 | 0.81 | 11.14 | 9.16 | 17.00 | 10.50 |
| 2010-11 | 5.22 | 8.60 | 5.60 | 7.55 | 9.15 | 9.67 |
| 2011-12 | 7.86 | 5.02 | 4.88 | 7.81 | 9.82 | 6.57 |
| 2012-13 | -0.58 | 1.42 | 4.43 | 0.96 | 7.94 | 6.96 |
| 2013-14 | 3.06 | 4.71 | 4.43 | 0.35 | 9.39 | 6.78 |

Source: Department of Economic & Statistical Analysis, Haryana.

The trends in the three sectors of Haryana's economy the annual sectoral rates of growth for 2004-5 to 2013-14 have been compared to the all India rates in Table 5. The Agriculture & Allied sector has registered a negative growth during 2005-06 to 2012-13 in Haryana whereas the growth rate in this sector has remained positive during the corresponding years at the all India level. Further, on an average the rate of growth of this sector in

Haryana has remained higher than the national average and the rate of growth has shown sharp fluctuations that are not plain in the national data. These adverse trends indicate increasing fundamental weaknesses in the primary sector in Haryana in the past decade. This also indicates a relative slowing down of the development in rural Haryana. 1.10 The manufacturing sector in Haryana has shown a rate of growth lower than the national average in six of the ten years under

reference on the other hand the growth in the services sector in Haryana has been impressive in the past decade registering higher growth than the national average in each year. It is however worth mentioning that this growth in the services sector is localized and broadly confined to the areas surrounding the National Capital. Thus, issues of regional disparity in growth have remained largely unaddressed.

During the period of 11th Five Years Plan, the Services Sector grew at the average annual growth rate of 12.2 percent. This growth rate of Service Sector was significantly faster than the average annual growth recorded for combined Agriculture and Industry Sectors during this period. The growth of Service Sector GSDP has been continuously above the overall growth during this period. It has also been more stable than the growth of other two Sectors. The above trend of faster and comparatively stable growth of Service Sector as compared to other two Sectors also remained on the same path during the period of first four years of 12th Five Years Plan (2012-17).

Conclusion: The services sector has been India's and Haryana's most dynamic sector in recent years, with telecommunications and information technology registering rapid growth. The constraints in the industrial and

agriculture sectors and the natural advantage of India in services made it possible to have services led growth of the economy. Services sector growth can also complement growth in manufacturing sector as there are many sectors which exists between services and manufacturing growth. The average rate of growth of agriculture and allied sector in Haryana has remained higher than the national average. Haryana's growth rate has remained higher than the all India GDP growth rate in all decades except for the period 1990-91 to 1999-2000. This percentage decline in the primary sector has accompanied an impressive jump in percentage share of the tertiary sector in the GSDP of Haryana.

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