Introduction

The service sector is also known as the tertiary sector. The service sector provides the basic facilities to the primary and secondary sectors. The primary and secondary sectors produce tangible goods like food grains, fruits, vegetables, oil, consumer and capital manufactured goods. The service sector provides the basic facilities that are necessary to produce to reach into the hands who need them.

Service sector is defined as intangible goods like transport, communication, banking, insurance, retail trade, real estate, finance, health, education, and government. The service sector has a very important role to play in the country’s economic development, this sector is highly disorganised, because of the absence of a well-organized system for maintaining regular and proper statistical record for the sector because it is dominated by a large number of unorganised units.

Services are crucial for the economies of both the developed and developing countries. An efficient service infrastructure is a prerequisite for the economic performance of country. The Indian economy has turned around after 2002-03, clocking a growth rate of 8.7 percent per annum; making it the world’s second largest growing economy after China. A dominant, but apparently intriguing aspect of India’s recent growth performance has been the high and steady contribution of the services sector, which grows at a rate of 9.0 percent per annum during six years since 2001-02. It has increased to 19.2% in 2011-12 The growth trend of the services sector increased from 6.7 percent in 1983-93 to 8.2 percent in 1993-2003. It has increased to 19.2% in 2011-12. Since 2004-05, the growth rate of services sector is at 10.0 per cent, while the general growth rate of the economy has increased to 9.0 percent in 2005-06 and 9.4 percent in 2006-07. It has increased to 19.2% in 2011-12 Within the services sector, it is communications that has witnessed the largest increase in its growth rate, which jumped from 5.8 percent per year in the decade of the 1980s, to 20.4 percent per year between 1992-93 and 2006-07.

The share of the services in India’s GDP has increased from 39.6 percent in 1993 to 54.1 percent in 2005-06 and 54.9 percent in 2006-07, has increased to 62.8% during 2011-12 whereas the share of the manufacturing sector has remained static around 24.5 percent from 1991-92 to 1999-2000 and that of the agricultural sector coming down to 21.7 percent in 2005-06 from 34.9 percent in 1990-91. Within the services sector, trade constitutes the largest segment with about
28.0 percent share in the total value added in the services sector followed by other services (14.5 percent).

In the National Accounts the services sector includes: a) trade, hotels & restaurants; b) transport, storage & communication; c) banking & insurance; d) real estate, ownership of dwellings & business services; e) public administration & defense and f) other services- including education, medical & health, religious & other community services, legal services, recreational & entertainment etc. Under each of these categories there are very many sub-categories. Again, amongst each of these categories/ sub-categories there are units operating in all the three institutional sectors: public and private corporate sectors (together constituting the organized sector) and the private unorganized sector. But, recognizably, a large part of the economic activities in the services sector is carried out in the unorganized segments of the economy.

In almost all the cases the Gross Value Added (GVA) estimates are prepared separately for the public sector, private corporate sector and private unorganized sector. The estimates for the public sector are based on the budget documents and the annual accounts of the different enterprises. For the private corporate sector the estimates are based on the company finances studies conducted by the Reserve Bank of India on sample basis. For the unorganized part of the private sector the estimates are prepared Electronic copy for the benchmark year by using the income approach, i.e. by multiplying the GVA per worker with the workforce. Making use of relevant physical and price indicators carry the benchmark estimates forward. The workforce estimates are prepared separately for rural and urban areas by making use of population census data and employment and unemployment surveys (EUSs) of the National Sample Survey Organization (NSSO). The estimates of workforce for the unorganized parts of various services are obtained as residual after subtracting the estimates of the workforce of the public and private corporate sector from the corresponding estimates of the entire sector.

One of the important issues of the services sector in India is the unavailability and reliability of database. Unfortunately, while the importance of the services is growing, statistical data and other relevant information of the services are abysmally low. Even where data are available, they are not qualitative and suffer from differences related to definition, method of collection, suitability for pricing and construction of indices. Services cover a very heterogeneous basket in terms of nature, character, and mode of organization and ownership structure. There are problems relating to the methodology employed on the contribution of the private sector,
especially the unorganized part of the private sector. The quality of the database is thus
admittedly weak in respect of: (a) the private corporate sector and (b) the unorganized part of
each of the services sector activities.
In the National Accounts Statistics, constant prices for services are calculated and many-a-times
proxies like gross domestic product (GDP) deflators are used. In the absence of necessary
published data for pricing services, these estimates provide only a rough indication of the price
movements of services. In the case of inflation also, services are not accounted. While the
wholesale price index (WPI), by definition, does not include services, only medical care,
education & recreation and transport & communication with only 15.61 percent weight are
included under miscellaneous group in the consumer price index for industrial workers.
As per the central statistical organisation (CSO) data for 2005, the share of the services sector in
total Net Domestic Product (NDP) has increased from 43 percent in 1993-94 to 52.3 percent in
2002-03. Similarly, the share of the unorganized sector in total NDP has fallen from 52.9 percent
in 1993-94 to 46.9 percent in 2002-03 although the perception is that the vast expansion in
labour force gets absorbed in the unorganized segment.
This service mainly consists of exported information technology (IT) and IT enabled services,
whose value is reported in foreign exchange, as they are almost entirely export-oriented
activities. Value added in this sector is arrived at by subtracting the rupee value of intermediate
inputs from the value of the exports. Since these services are mostly labour intensive, with
limited imported intermediate inputs, value added per worker shows the dollar value of the
labour services. There are problems with the use of physical indicators for estimation of
workforce for future years. For some services the growth rates of employment between
employment-unemployment survey (EUS) 1993-94 and EUS 1999-2000 are used to get the
workforce estimates for different years. If the estimates are not reliable, the growth rates also
cannot be reliable.
Another issue regarding the services sector is that the boundary between manufacturing and
services by considering the services embodied in manufactured products or what they call
manufacturing services production and suggests an empirical approximation based on the unit
level data from the 56th round of the National Sample Survey of unorganised manufacturing
enterprises. Since different services sectors have their own special characteristics, there is a need
for a nodal department or division, preferably in the Department of Economic Affairs, Ministry
of Finance which can look into all aspects related to services, while the individual departments dealing with some services or some aspects of services can continue their usual work as is being done by them at present.