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## **GRT** CONTRIBUTION OF SERVICE SECTOR IN THE ECONOMIC DEVELOPMENT OF MAHARASHTRA

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### **Abstract:-Overview of Indian Service Sector -**

India's services sector expanded quickly with double-digit growth in the second half of the 2000s. As the Euro-zone crisis has worsened, growth has slowed, though the sector is still growing at a much higher rate than the other two sectors of the economy. The services sector covers a wide array of activities ranging from services provided by the most sophisticated sectors like telecommunications, satellite mapping, and computer software to simple services like performed by the barber, the carpenter, and the plumber; highly capital-intensive activities like civil aviation and shipping to employment-oriented activities like tourism, real estate, and housing; infrastructure-related activities like railways, roadways, and ports to social sector related activities like health and education. Thus, there is no one-size-fits-all definition of services resulting in some overlapping and some borderline inclusions.

**Keywords:** Economic Development, telecommunications, satellite mapping.

### **INTRODUCTION**

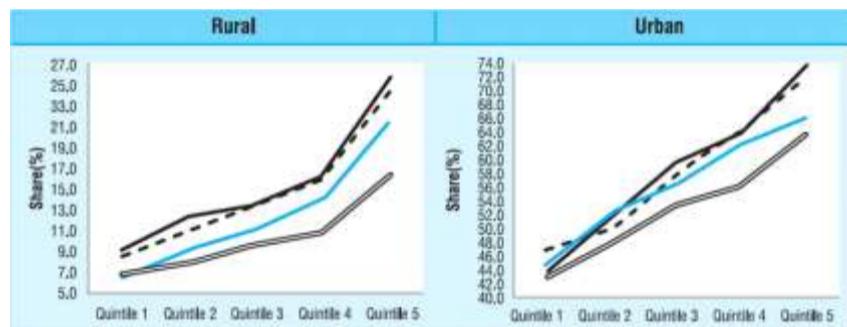
The National Accounts classification of the services sector incorporates trade, hotels, and restaurants; transport, storage, and communication; financing, insurance, real estate, and business services; and community, social, and personal services. In the World Trade Organization (WTO) list of services and the Reserve Bank of India (RBI) a classification, construction is also included. A comparison of the share of services in the gross state domestic product (GSDP) of different states and union territories (UTs) in 2011-12 shows that the services sector is the dominant sector in most states of India. States and UTs such as Chandigarh, Delhi, Kerala, Mizoram, West Bengal, Tamil Nadu, Maharashtra, Nagaland, and Karnataka have higher than all-India shares. Chandigarh tops the list with a share of 85 per cent followed by Delhi with 81.8 per cent. Other than Arunachal Pradesh (33.8 per cent), Chhattisgarh (36.7 per cent), and Sikkim (37.0 per cent), the share of services in the GSDP in all other states is more than 40 per cent. In 2011-12, in tune with the general moderation in overall services growth, services growth rates in many states also moderated.

But some states continued to register high growth rates with the highest being in Himachal Pradesh at 17.3 per cent followed by Bihar at 16.6 per cent. Among UTs with high services share in GSDP, Delhi with 11.5 per cent growth tops the list. While the services revolution in India is becoming more broad-based, with even the hitherto backward states piggy-backing on the good performance of this sector, the initial momentum seems to have slowed down for some north-eastern states like Arunachal Pradesh, Mizoram, and Nagaland after the advantage of base effect is over.

**Pravin Pundlik Rajguru, "CONTRIBUTION OF SERVICE SECTOR IN THE ECONOMIC DEVELOPMENT OF MAHARASHTRA", Golden Research Thoughts | Volume 4 | Issue 5 | Nov 2014 | Online & Print**

#### • Contribution Of Service Sector In The Economic Development Of Maharashtra

##### Tertiary Sector Employment Share in Different Households



Source : D. Mazumdar, S. Sarkar and B.S. Mehta, 'Inequality in India', part of IHD Research Programme on Globalisation and Labour funded by ICSSR. (forthcoming).

Note : APCE : Average per capita expenditure; UPS : Usual principal status.

The Economic Surveys 2010-11 and 2011-12 have highlighted various challenges that need to be addressed to develop this sector. Some of the challenges still remain as hindrances to the growth of this sector. One of them is the multiple taxes on hospitality- and tourism-related activities which make the tourism product expensive in the form of high hotel rates and high fares; another is the luxury tax which is imposed by state governments leading to high tariffs and low occupancy in hotels. Luxury tax on hotels in some states is very high and varies from 5 per cent to 12.5 per cent and in some cases it is applicable on printed room rates whereas the actual hotel rates offered to guests are much lower. Tourism infrastructure is another area which needs immediate attention where there is plenty of scope for public private partnerships (PPP). User fees could be levied if monuments or tourist sites are developed by the private sector or through PPP. Thus significant opportunities still remain relatively untapped and for faster, sustainable, and more inclusive growth, as envisaged in the Twelfth Five Year Plan, the tourism sector holds a lot of promise.

##### Scenario of Maharashtra -

Maharashtra occupies the western and central part of the country and has a long coastline nearly 720 kilometers along the Arabian Sea. The Sahyadri mountain ranges provide a physical backbone to the State on the west, while the Satpuda hills along the north and Bhamragad- Chiroli-Gaikhuri ranges on the east serve as its natural borders. The State is surrounded by Gujarat to the north west, Madhya Pradesh to the north, Chattisgarh to the east, Andhra Pradesh to the south east, Karnataka to the south and Goa to the south west.

Maharashtra is the second largest state in India both in terms of population and geographical area (3.08 lakh sq. km.). The State has a population of 11.24 crore (Census 2011) which is 9.3 per cent of the total population of India. The State is highly urbanized with 45.2 per cent people residing in urban areas. Mumbai, the capital of Maharashtra and the financial capital of India, houses the headquarters of most of the major corporate & financial institutions. India's main stock exchanges & capital market and commodity exchanges are located in Mumbai.

The gross state domestic product (GSDP) at current prices for 2011-12 is estimated at 11, 99,548 crore and contributes about 14.4 per cent of the GDP. The GSDP has been growing at a rapid pace over the last few years. Presently industrial and services sector both together contribute about 87.1 per cent of the State's income. The agriculture & allied activities sector contributes 12.9 per cent to the State's income.

#### • Contribution Of Service Sector In The Economic Development Of Maharashtra

##### State Income

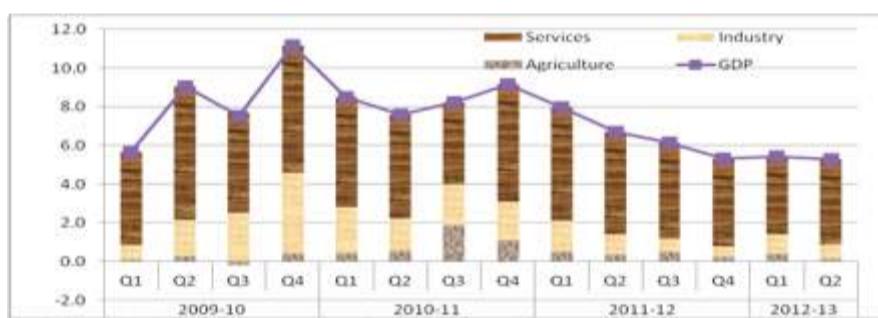
(At current prices) (As per 2004-05 series)							
State Income (₹ Crore)	2,249	5,780	19,377	68,861	2,43,584	9,34,376 <sup>**</sup>	10,82,751 <sup>*</sup>
Agriculture & allied activities (₹ Crore)	585	1,078	3,756	12,326	32,711	1,19,747 <sup>**</sup>	1,39,888 <sup>*</sup>
Industry Sector (₹ Crore)	553	1,732	6,224	22,554	64,942	2,47,150 <sup>**</sup>	2,80,352 <sup>*</sup>
Service Sector (₹ Crore)	1,111	2,969	9,397	33,981	145,931	5,67,480 <sup>**</sup>	6,62,511 <sup>*</sup>
Per capita State income (₹)	576	1,168	3,112	8,811	28,540	83,395 <sup>**</sup>	95,339 <sup>*</sup>

At the end of March, 2012 the total road length maintained by PWD and ZP (excluding local bodies) was 2.43 lakh km. About 99 per cent villages were connected by all-weather roads or fair weather roads and 291 villages did not have road connectivity.

##### Growth and Investment

The growth rate of the Indian economy (measured in terms of GDP at factor cost at 2004-05 prices) was 5.4 per cent in the first half (H1) of year 2012-13 as against 7.3 per cent in the corresponding time period of the previous year. The growth for the full year of 2011-12 was 6.5 per cent vis-à-vis the growth rate of 8.4 per cent achieved in each of the previous two years i.e. 2009-10 and 2010-11. The slowdown has been all pervasive and almost all the sectors have been affected. The growth rate has been 2.1 per cent for agriculture and allied sectors, 3.2 per cent for industry sector and 7.0 per cent for the services sector in the first half of 2012-13. The growth rates were 3.4 per cent, 4.7 per cent and 9.5 per cent, for agriculture, industry and services, respectively in H1 of 2011-12. The growth of GDP in the first and second quarters of 2012-13 was 5.5 per cent and 5.3 per cent respectively (Table 1.1).

**Fig. 1. Point contribution of three sectors to GDP Growth**



**Sectoral growth rates at constant (2004-2005) prices**

SECTORS	2009	2010	2011	2012	2013	2014
i) Trade, Hotels & Restaurants, Transport, Storage & Communication	11.0	5.8	6.8	12.3	7.0	5.2
ii) Finance, Insurance, Real Estate & Business Services	10.0	10.2	9.8	10.1	11.7	8.6
iii) Community & Personal Services	7.2	9.8	8.8	4.3	6.0	6.8
<b>GSDP/GDP</b>	<b>10.2</b>	<b>7.1</b>	<b>7.1</b>	<b>9.3</b>	<b>6.2</b>	<b>5.0</b>

• Contribution Of Service Sector In The Economic Development Of Maharashtra

Source : CSO, GoI and DES, Maharashtra

GSDP for 2011-12 is 14.4 per cent of GDP at current prices. Agriculture and allied activities sector of State is 10.2 per cent of national level GDP of Agriculture and allied activities sector. Industry and Services sectors of the State are 15.1 per cent and 15.3 per cent of respective sectors of GDP. Sector wise GSDP / NSDP is given in Annexure 3.1 to 3.4 and sector wise GDP / NDP is given in below table.

**GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME AT FACTOR COST AT CURRENT PRICES(2011-12)**

Railways	29,162	37,429	43,608	47,478	55,571	55,680	60,476
Transport by other means & Storage	1,71,975	2,26,909	2,57,120	2,92,540	3,29,337	3,91,964	4,59,501
Communication	49,280	58,694	66,069	75,430	86,483	80,099	75,471
Trade, Hotels & Restaurants	4,77,303	6,75,347	7,83,247	8,95,397	10,10,232	12,46,965	15,07,110
Banking & Insurance	1,71,098	2,17,196	2,51,195	2,98,931	3,31,793	4,10,407	4,79,680
Real estate, Ownership of dwellings, B.S. & L.S.	2,66,076	3,69,399	4,40,269	5,46,438	6,33,144	7,55,494	9,04,801
Public Administration	1,74,638	2,06,081	2,34,992	3,06,653	4,03,641	4,43,762	5,05,753
Other services	2,36,723	2,99,040	3,38,798	3,97,242	4,79,392	5,72,350	6,61,767
<b>Tertiary Sector/ Services</b>	<b>15,76,255</b>	<b>20,90,095</b>	<b>24,15,298</b>	<b>28,60,109</b>	<b>33,29,593</b>	<b>39,56,721</b>	<b>46,54,559</b>
<b>(Sub-Total - 13 to 20)</b>	<b>(53.0)</b>	<b>(52.9)</b>	<b>(52.7)</b>	<b>(53.9)</b>	<b>(54.5)</b>	<b>(54.4)</b>	<b>(55.7)</b>

Source - Central Statistical Office, New Delhi.

**Sector wise FYP and annual plan**

(In crore)

Sectors	Antici-pated expenditure* 2011-12	XI FYP		% to total plan expenditure	XII FYP Approved outlay	2012-13	
		Approved outlay	Anticipated expenditure *			Approved outlay	Share in outlay (%)
Agriculture and Allied Services	2,867	9,508	9,771	7.0	21,917	3,258	7.2
Rural Development	1,351	6,596	5,173	3.7	9,089	1,504	3.3
Special Area Programmes	147	1,034	775	0.6	1,141	183	0.4
Irrigation and Flood Control	6,779	33,516	34,776	24.8	47,990	7,614	16.9
Power Development	2,180	11,621	9,446	6.7	20,695	3,063	6.8
Industry and Minerals	245	893	957	0.7	2,174	353	0.8
Transport and Communications	4,346	18,366	16,048	11.4	33,855	5,575	12.4
Science, Technology & Environment	19	121	55	0.0	169	24	0.1
General Economic Services	679	3,100	2,491	1.8	3,351	732	1.6
Social & Community Services	17,942	69,497	57,392	40.9	1,19,700	20,406	45.4
General Services	1,078	3,655	2,773	2.0	10,989	1,777	4.0
Other Programme	75	3,217	651	0.4	3,930	511	1.1
<b>Total</b>	<b>37,708</b>	<b>1,61,124</b>	<b>1,40,308</b>	<b>100.0</b>	<b>2,75,000</b>	<b>45,000</b>	<b>100.0</b>

### **CONCLUSION-**

This paper reflects that the services sector faces a number of barriers, which makes it difficult for the sector to reach its full potential and contribute to inclusive growth. Specifically, a lack of policy, which takes into account the heterogeneity of the sector and its evolution and integration, multiple governing bodies, and lack of coordination among them, lack of regulation in some sectors and over regulation in the others, are adversely affecting the growth of this sector. It highlights reform measures that will enable the services sector to not only to grow at a fast pace but also create quality employment and attract investment. It is important for a developing country like India with a large and young population to generate quality employment and move up the value chain. It can only attract FDI and private investment with a stable, transparent, non-discriminatory and competitive policy environment. If the reforms are implemented it will not only enhance the productivity and efficiency of the services sector but will also lead to overall growth of the economy through backward and forward linkages. It will enhance India's global competitiveness and trade in services.

Services sector is the fastest growing sector in Maharashtra and also India, contributing significantly to GDP, GDP growth, trade and FDI inflows. The sector is projected to be on a high growth trajectory in the next five years. However, the increase in employment in services has not been commensurate to share of the sector in the GDP.

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