

Growth of Service Sector in Punjab

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Abstract: Indian economy as well as Punjab economy is moving from lower to higher stage of development and also shifting from simpler to more modern and complicated techniques of production. In economy three types of sectors are functioning such as primary sector, secondary sector and tertiary sector. India as well as Punjab tertiary sector growing more rapidly. It is growing at more than 10% growth rate. Moreover Punjab economy is agrarian economy. Most of the population of Punjab has engaged in agriculture. Population of Punjab is shifting from agriculture to secondary and tertiary sector. To transform the economy from stagnant to a vibrant one and making the service sector as engine of growth. The share of agriculture (Proper) in GSDP at constant prices has declined from 21.9% in 2004-05 to 12.84% in 2013-14(A). The share of primary sector which includes agriculture and livestock has come down from 32.67% in 2004-05 to 20.84% in 2013-14 (A). The share of secondary sector has increased from 24.74% in 2004-05 to 28.30% in 2013-14(A). The share of tertiary sector which comprises of services sector has increased from 42.59% in 2004-05 to 50.86% in 2013-14 (A). It is evident that the share of primary sector in GSDP is constantly decreasing while that of secondary as well as tertiary sector is increasing.

As the economy moves from lower to higher stage of development, there occurs a shift from simpler to more modern and complicated techniques of production. The excess growth of tertiary sector coupled with state-of-the-art technology has got its own implications, for the future development patterns of an economy. Overgrown tertiary sector has its effect on economic growth, employment and sustainability of the system. The share of tertiary sector in the gross domestic product has crossed the fifty percent level. Punjab, the state of northern India, has been a leader in Green Revolution for the last four decades. Punjab followed an agro-centric model of development that provided the higher income levels to the people of the State and the much required food security to the whole country. The emerging service sector in the economy is an outcome of new policy regime and legacy of the development model followed. To transform the economy from stagnant to a vibrant one and making the service sector as engine of growth, analysis of growth and tertiarization is need of the time. In this context, the paper is an attempt to analyze the structure, pattern and growth of Punjab economy with special reference to service sector.

Methodology and Data

Methodology and coverage database for the study is formed by secondary data sources. Aggregate national accounts data for the study of service sectors in India and Punjab have been obtained from websites of statistical organizations / offices of India and Punjab. Many research papers are studied. After studying the research paper it has been cleared that most of the advanced economies, the growth of the service producing sector is above national average. According to analysts rapid growth in the India economy since the early 1990s is primarily due to the rapid growth in service sector.

Objectives of Study

- To study the contribution of service sector in gross domestic product(GDP)
- Analysis the growth of service sector in India.
- Analysis the growth of service sector in Punjab region .
- To study the contribution of service sector in employment in Punjab state.

Service Sector in India

India's service sector contributed about 61 per cent to India's Gross domestic product, growing strongly at approximately 10 per cent per annum in 2015-16. A report launched at the second global exhibition on services. According to the report of confederation of Indian Industry (CII) India is currently the second fastest growing services economy in the world.

The Government has called for a renewed focus on the service sector which contributes approximate 60 per cent of the country's Gross Domestic product, 51 per cent of foreign direct investment and 28 per cent of employment. The government had earlier stated that almost 50 per cent of its current account deficit was met from exports in services currently India is placing eighth place amongst the top ten exporters of service in the world.

Gross value added (rupees in crore) at current price
Table-1

Sectors	2013-14	Share in %age	2014-15	Share in %age
Agriculture sector	1881152	17.95	1964606	17.01
Industry sector	3219942	30.73	3,466,996	30.02
Service sector	5376045	51.31	6,118,738	52.97

Sources: Statistics times

Above is showing that service sector is growing but agriculture and industry sector are decreasing contribution in gross value added. In 2013-14 service sectors share in GVA is 51.31 percent which reached at 52.97 per cent in 2014-15

Sector Wise Contribution of Service Sector in GDP of India
Table-2 (in percentage)

Years	Agriculture sector		Manufacturing Sector		Service sector	
	Current price	Base year 2004-05	Current price	Base year 2004-05	Current price	Base year 2004-05
2006-07	15.30	14.69	28.84	28.65	52.87	53.98
2007-08	15.63	14.29	29.03	28.74	52.71	54.45
2008-09	15.21	13.36	28.29	28.13	53.93	56.11
2009-10	15.20	12.35	27.76	28.27	54.50	57.09
2010-11	15.78	12.42	27.16	27.92	54.64	57.48
2011-12	15.50	12.26	27.22	28.22	54.91	57.42
2012-13	15.10	11.85	26.21	27.27	56.27	58.79
2013-14	15.79	11.87	24.77	26.13	57.03	59.93

Sources: Statistics times

Above table is showing the sector wise contribution in gross domestic product of India. Agriculture & allied, industry, and service sector are sharing 15.30, 28.84% and 52.87% respectively at current price and 14.69%, 28.65% and 53.98% respectively at base year 2004-05 in 2006-07. Share of agriculture and industry sector continuously declining. Agriculture & allied activities, industry and service sector are sharing 15.79%, 24.77%, and 57.03% at constant price and 11.87%, 26.13% and 57.03% at base year 2004-05 respectively in 2013-14. Share of service sector in gross domestic product (GDP) are continuously rapidly increasing at both current and base year price.

State Wise Comparison of Service Sectors

The service sector is dominant sector in most of the states of India with the share of more than 40 per cent in the gross state domestic product (GSDP) in 2013-14 except for Arunachal Pradesh and Sikkim. Chandigarh is at the top with a share of 88.4 per cent followed by Delhi with 87.7 per cent. The major services in most of the states with high share are trade, hotels, and restaurants followed by real estate, ownership of dwellings and business services. Banking and insurance has an important share only in a few states/ union territories (UT) like Delhi, Maharashtra, and Chandigarh. In 2013-14, Bihar had the highest services growth of

17.3 per cent and Uttarakhand the lowest of 5.5 per cent. Bihar has been consistently showing double-digit growth in services sector in the last five years due to high growth in trade, hotels and restaurants

Sector Wise Share in Employment
Sector Wise Employment Trends (Ups)
Absolute Number

TABLE-3 (in millions)

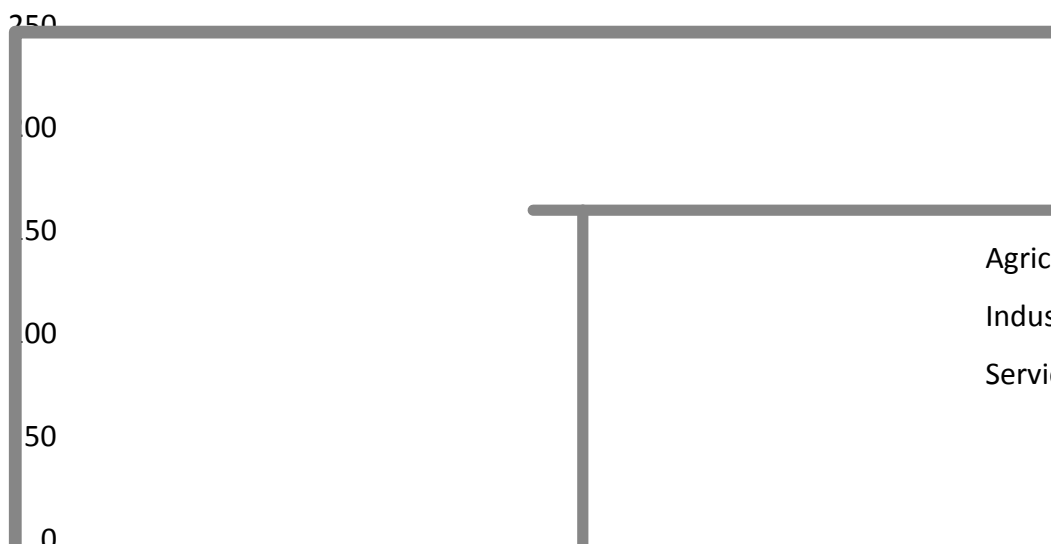
Years	Agriculture sector	Industry sector	Service sector
1993-94	204.3	53.5	76.6
1999-00	214.7	61.7	90.6
2004-05	226.8	81.0	108.0
2009-10	220.5	93.1	113.7
2011-12	204.4	106.1	123.9

Sources: Statistics times

According to the census of 2011 approximately 58 % population of India depends upon agriculture. Pattern of the sectoral share of employment has changed over the two decades with the share of agriculture falling and of industry and service sector rising steadily. But after 70 years still our population depends upon agriculture. Agriculture has largest share in contributing employment in India

Sector Wise Employment Trends

FIGURE-1 (In Millions)



Sources: Statistics times

Service sector's share in contributing employment is rising but it is not up to the mark as expected. But India's service sector has high share in income. If we compare with China it has low share both in employment and income.

Service Sector in Punjab

Service sector is rapidly growing sector in Punjab which is growing at 10 per cent (app.) growth rate. There are many service sector like transport, Banking, insurance, tourism, healthcare, etc. The industry and service sectors held out hope for the state, with likely growth rate of 2.04 per cent and 9.58 per cent, respectively in 2014-15. (survey 2014-15). GSDP from the tertiary sector which comprises trade, transport, banking & insurance and public administration, among others, is expected to increase to Rs 94,770 crore in 2014-15, at growth rate of 9.58 per cent over the last financial year.

Sector – Wise Share in Gross State Domestic Product (GSDP)

As per the quick estimate of 2012-13, the GSDP of the state is estimated to be Rs. 297734 crore at current price showing an increase of 11.67 percent over 2011-12(p). In 2013-14 it has to be raised to Rs.334714 crore at current prices (2004-05) showing an increase of 12.42 per cent. As per estimates of GSDP at constant prices, GSDP for 2012-13 is Rs. 280823 crore showing an increase of 5.32 per cent over the provisional estimates of 2011-12. It increased to Rs. 298581 crore in 2013-14. As per the quick estimate of 2014-15 the GSDP of the State is estimated to be Rs.368011 crore at current prices showing an increase of 9.95% over 2013-14(P). As per the Advance estimates of 2015-16, It is expected to rise to Rs.408815 crore at current price showing an increase of 11.09%. As per estimates of GSDP at constant (2011-12) prices. GSDP for 2014-15 is Rs.313276 crore showing an increase of 4.92% over the provisional estimates of 2013-14. It is expected to increase to Rs.331940 crore as per the advance estimates in 2015-16 reflecting an increase of 5.96% (Table-4)

GSDP at Current and Constant Price (2011-12)

Table-4

Years	At current price (Rs. crore)	Growth rate (%)	Constant price (2004-05)prices	Growth rate (%)
2011-12(P)	256374	13.34	266628	6.52
2012-13(p)	297734	11.67	280823	5.32
2013-14(p)	334714	12.42	298581	6.32
2014-15(Q)	368011	9.95	313276	4.92
2015-16(A)	408815	11.09	331940	5.96

Sources: statistics abstract of Punjab

Sector Wise Gsva and Growth Rate at Constant Price (2011-12)

Table-5 (Growth Rate In %Age & Gsva in Crore)

Sectors	2012-13 Crore	2012-13 %age	2013-14 (p) crore	2013-14 (p) %age	2014-15 (Q) crore	2014-15 (R) %age	2015-16 (A) crore	2015-16 (A)%age
Agriculture and allied	78888	0.87	81811	3.71	79033	(-)3.40	83159	5.22
Manufacturing sector	65876	2.23	68293	3.67	70748	3.59	72969	3.14
Tertiary sector	120637	8.56	129006	6.94	140536	8.94	149381	6.29
Total	265401	4.58	279110	5.17	290317	4.02	305509	5.23

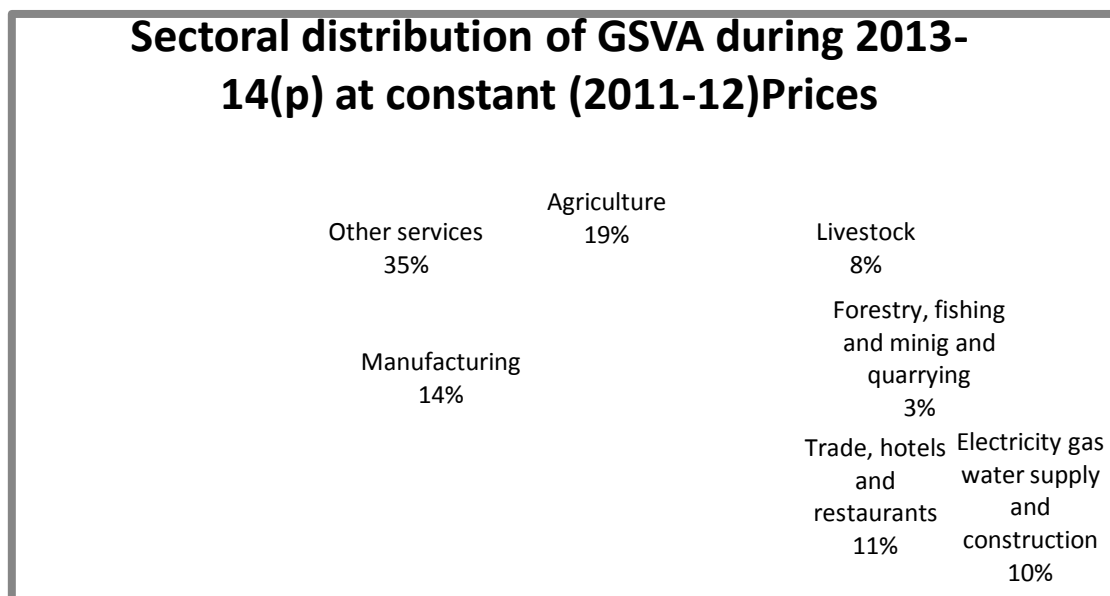
Sources: statistics abstract of Punjab

At constant price 2012-13 the GSVA from primary sector, which comprises mainly of agriculture and livestock activities has increased from Rs. 78888 crore to Rs.81811 crore in 2013-14 (table-4). During 2014-15(Q) the primary sector registered a growth rate of (-)3.40% as compared to 3.71% in 2013-14. According to advance estimates, it is expected to Rs.83159 crore in 2015-16 showing a growth rate of 5.22 percent.

At constant price(2011-12), the GSVA from the secondary sector which covers the manufacturing, construction and electricity sectors has increased from Rs.68293 crore in 2013-14(p) to Rs. 70748 crore during 2014-15(Q) registering a growth rate of 3.59% as compared to 3.67% in 2013-14(p). According to advance estimates, it is expected to rise to Rs. 149381 crore in 2015-16 showing a growth rate of 3.14%

GSVA of tertiary sector Which comprises of trade, transport, banking and insurance and public administration etc. increased from Rs. 129006 crore in 2013-14(P) to Rs. 140536 crore during 2014-15(Q) registering a growth rate of 8.94% as compared to 6.94% in 2013-14. According to advanced estimate it is expected to increase to Rs. 149381 crore in 2015-16 showing a growth rate of 6.29%.(Table-5)

Figure-2



The share of agriculture (Proper) in GSDP at constant prices has declined from 21.9% in 2004-05 to 12.84% in 2013-14(A). The share of primary sector which includes agriculture and livestock has come down from 32.67% in 2004-05 to 20.84% in 2013-14 (A). The share of secondary sector has increased from 24.74% in 2004-05 to 28.30% in 2013-14(A). The share of tertiary sector which comprises of services sector has increased from 42.59% in 2004-05 to 50.86% in 2013-14 (A). It is evident that the share of primary sector in GSDP is constantly decreasing while that of secondary as well as tertiary sector is increasing.

Banking sector in Punjab

Table 6.1 shows the figures regarding the number of branches of different types of banks existing in Punjab over a period of time from the year 1990 to the year 2011. In the year 1990, there were 2133 branches of commercial banks in Punjab. The figure almost doubled itself in a time span of 20 years. In the year 2011, the number of branches of commercial banks in Punjab was 4231. Out of 4231 branches of commercial banks, 4206 branches were that of scheduled commercial banks and remaining were non-scheduled commercial banks. Non-scheduled commercial banks were almost non-existent till the year 2000. Foreign banks have also made their entry on the Indian banking scene. There were 8 branches of foreign banks in India at the end of the year 2011. The number of branches of foreign banks was 3 in the year 1990 and only 1 in the year 2000

Banking Development in Punjab- Number of Offices as On 31st December, 2011

Table 6

Types of Banks	1990	2000	2010	2011
Indian Commercial Banks	2133	2581	3823	4231
(a) Indian Scheduled Banks	2132	2581	3806	4206
(b) Indian Non Scheduled Banks	1	0	17	25
Foreign Banks	3	1	8	8
Cooperative Banks	661	826	804	804
Post office saving Banks	3828	3952	3853	3849

All types of Banks	6625	7364	8488	13123
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Source: Statistical Abstract of Punjab

There is not much change in the number of branches of Post Office Saving Banks over the years. Rather the number of branches of post office saving banks has slightly decreased over the years. As far as the number of branches of Cooperative Banks is concerned, there is an increase in the number of branches of cooperative banks (804 branches in the year 2011) as compared to the figure of the year 1990 (661 branches in the year 1990), but since the year 2000 onwards, there has been a slight decrease in the number of branches of cooperative banks. In the year 2000, the number of branches of cooperative banks was 826 and it came down to 804 in the year 2010 & 2011.

Conclusion

Hence to sum up, we can say, over emphasis on agriculture and because of the social turmoil, required pre conditions for tertiary sector revolution could not be created. State has lagged behind in the transition to service economy. There is an ample scope to improve the economic growth via tertiary sector growth, provided the proper human resource planning and integration of tertiary sector with commodity sector is done. Following are some suggestions which are require for service sector.

- i. A massive and sustained investment in human resource development is need of the time. The education, health and economic opportunities system need to revamp thoroughly.
- ii. Economic infrastructure, especially related to transportation need to be upgraded. In this regard, because of paucity of resources with the state, public private participation needs to be explored.
- iii. Special packages, in the form of technology parks and economics zones need to be perceived to attract the corporate investment.
- iv. Being an active border state and food bowl of the country, some special union budget allocations for improving the investment base are required.
- v. Agriculture and industrial sector also must be promoted so that all around development may be possible

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