

The Prospects of Tech in India's Service Industry

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Abstract

The service industry is the most important sector in the world economy and in India's GDP, which includes the majority of developing countries. Furthermore, over the previous decade, this sector has provided about two-thirds of all employment and value addition in almost all industrialised economies in India. In this article, we will look at all of the significant measures and steps done by the Indian government to modernise and improve our nation's service sectors. Among the three conventional industries (goods, manufacturing, and services), it is the fastest expanding. In this new context, service sectors that use a high level of IT-enabled tools and procedures are known for their cost effectiveness, greater efficiency, and customer-centric attitude, and they outperform those that do not. In line with worldwide trends and practises, IT developments in recent years have transformed India's service sector industries. They have begun to view information technology as a critical component in achieving strategic and operational objectives. Payroll systems, Tally software, online educations, live sessions, ATMs, mobile banking, electronic payments, internet banking, core banking, knowledge management systems, data warehousing and data mining, and CRM software have been heavily invested in by the majority of banks, colleges, universities, schools, and other service sector organisations. Many private sector and foreign banks used these modern technologies from the start of their operations, whereas public sector banks (PSBs) invested extensively in technology but slowly and gradually due to employee reluctance, delayed decision-making processes, and outdated technological systems. Similarly, when compared to government education institutes and universities, the majority of the private education sector has invested far more in IT and IT-related services. We have seen a significant shift in the pre- and post-COVID scenarios. During the pandemic, the gap between the public and private sectors in banks and education was completely eliminated, making way for a complete banking and education sector that fully embraced digital and online IT services to protect themselves and society from any long-term disaster in these service areas.

Keywords : *GDP, online education, mobile banking, IT, Service sectors, decision making etc.*

Introduction:

The Government of India established the Technology Information, Forecasting and Assessment Council (TIFAC) in New Delhi in 1988 with the purpose to review state-of-the-art technology and determine recommendations for future technical growth in critical socioeconomic sectors in India. TIFAC, an autonomous organisation under the auspices of the Department of Science and Technology (Govt. of India), plays an important role in the development and promotion of technology in India through its many programmes. One of these programmes focuses on service sectors and the role of IT in this industry. The 'tertiary sector' of the economy, services, includes a wide range of activities such as trading, banking and finance, infotainment, real estate, transportation, security, management, and technical advice, among others. Today, the services sector contributes more than 40-50 percent of India's total GDP. In India, the sector

currently employs about 20 million people. The TIFAC study on services included nine sub-sectors ranging from advertising to human resource development services, testing and certification, and government administration.

In India, harnessing information technology has resulted in improvements in:

- Customer service quality

- Product and service specialisation
- Fee-based services as a source of revenue;
- Geographic reach via communication networks and electronic delivery channels; and
- Well-equipped risk management practises
- Improved internal control systems and regulatory compliance
- Significant cost savings

In all of the aforementioned domains, IT plays a critical role in information processing, storage, and access in order to provide better services to consumers and the industry itself. These are the key causes compelling service sector businesses to abandon old decision-making tools and procedures in favour of new IT-enabled tools and models for a more efficient, effective, and viable corporate structure.

In other words, we have begun to see IT as a tool for increasing efficiency (producing more output than input) and effectiveness (achieving better results). It is especially true in the case of service sector industries, which have core qualities of interactivity and information intensity that are highly unpredictable and suitable with this technology. According to the survey, IT tools increase the intensity of productivity and profitability growth seen by enterprises in the service industries. Growth in services has also been found to be strongly related to the level of IT intensity in the service sector, particularly when this intensity is accompanied by organisational change.

Research Findings:

Manufacturing units made a significant contribution to the global economy, particularly during the first industrial revolution, which began around 1840. However, since the 1960s, the service sector industries have gained recognition and now contribute around 50% of India's GDP, according to the Economic Survey 2021-22, which was tabled in Parliament on 31st January by Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman, a day ahead of the Union Budget 2022-23. Construction, trade, hotels, transportation, restaurants, communication and storage, social and personal services, community, insurance, financing, business services, and real estate are all part of the industry.

According to the Reserve Bank of India (RBI), the Indian banking system is adequately capitalised and well-regulated. The country's financial and economic conditions are significantly superior to those of any other country in the world. According to credit, market, and liquidity risk analyses, Indian banks are generally robust and have fared well during the global slump. The Indian banking industry has recently seen the introduction of novel banking concepts such as payments and small finance institutions. The RBI's new policies may go a long way towards assisting the domestic banking industry's reform. India's digital payments system has advanced the most among the 25 countries, with India's Immediate Payment Service (IMPS) ranking fifth in the Faster Payments Innovation Index (FPII).

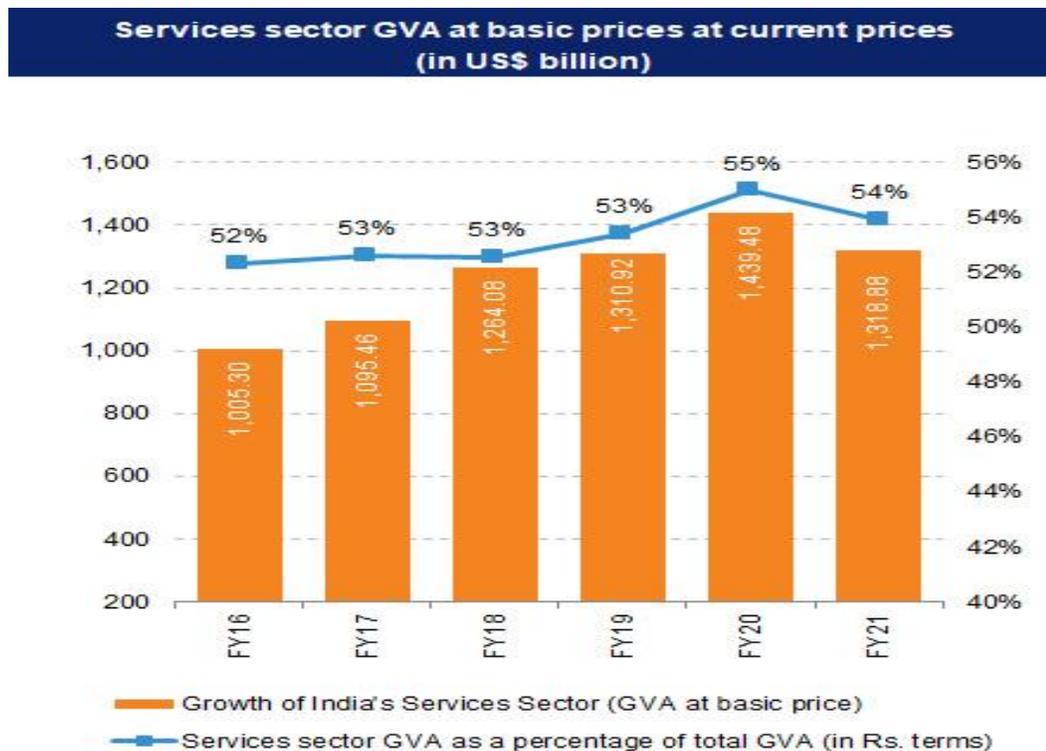
The Indian hospitality and tourist industry has emerged as a crucial engine of growth in India's services sector. Given the country's rich cultural and historical history, diversity in ecology, terrains, and natural beauty, tourism in India has considerable potential. Tourism, in addition to being a substantial source of foreign cash for the country, has the potential to generate a considerable number of jobs. In 2019, the tourism sector in

India created 4.2 crore jobs, accounting for 8.1% of total employment in the country. The figure is predicted to climb by 2% every year to 52.3 million by 2028. According to the World Trade and Tourism Council, India placed third out of 185 nations in terms of overall GDP contribution from travel and tourism in 2018. The World Economic Forum's Travel and Tourism Competitiveness Report 2019 ranked India 34th.

Indian Services Industry Report, November, 2021

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment, has contributed significantly to export and has provided large-scale employment. India's services sector covers a wide variety of activities such as *trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.*

Market Size of Services Sector in India



54% of the total GVA in FY21 came from the services sector. From Rs. 68.81 trillion (US\$ 1,005.30 billion) in FY16 to Rs. 101.47 trillion (US\$ 1,439.48 billion) in FY20, India's services sector GVA expanded at a CAGR of 11.43%. Trade, hotels, transportation, communication, and services connected to broadcasting increased at a CAGR of 10.98% (in Rs. terms) between FY16 and FY20, whereas financial, real estate, and professional services increased at a CAGR of 11.68% (in Rs. terms).

By 2025, it is anticipated that India's market for IT and business services will be worth US\$19.93 billion. A significant portion of India's total exports are services. Between April 2021 and September 2021, India's

service exports were US\$ 114.58 billion, while service imports totaled US\$ 65.08 billion, according to the RBI.

The Nikkei/IHS Markit Services Purchasing Managers' Index/India Services Business Activity Index in October 2021 was 58.4, up from 55.2 in September 2021.

The Nikkei/IHS Markit Services Purchasing Managers' Index for India's Services Sector was 55.2 in September 2021 compared to 56.7 in August 2021.

Recent Industry developments:

The following is a list of some of the recent developments that have taken place in the services sector:

- In October 2021, India's service exports reached US\$ 20.86 billion, a rise of 23.52% year over year, while the country's service imports totaled US\$ 12.71 billion.
- The Indian services sector was the greatest receiver of foreign direct investment (FDI) worth US\$ 88.95 billion between April 2000 and June 2021. | India's exports climbed by 48.34% to US\$ 32.5 billion in June 2021, marking the seventh consecutive month of growth. According to data that was made public by the Department for the Promotion of Industry and Internal Trade (DPIIT), the services sector achieved the highest level of foreign direct investment (FDI) inflow.
- By October 2021, the Health Ministry's e-Sanjeevani telemedicine programme had surpassed 14 million (1.4 crore) tele-consultations since its introduction. This made it possible for patients to visit with physicians while remaining in the comfort of their own homes, and it also allowed physicians to consult with one another.

Governmental Programmes:

The Indian government understands the significance of encouraging the growth of the services sector and offers a number of incentives in a wide range of industries, including banking, finance, management, engineering, tourism, education, and the health care industry.

Recently, the Indian government has taken a few initiatives, some of which are listed below:

- To increase residents' access to affordable medical care, Prime Minister Mr. Narendra Modi approved the creation of 157 new medical colleges in October 2021.
- To increase the production of telecom and networking goods in India, the government introduced the PLI scheme in October 2021. nearly the following four years, the programme is anticipated to attract investment of Rs. 3,345 crore (US\$ 446.22 million) and create new jobs for nearly 40,000 people.
- To empower students and advance skill development, the government introduced phase-II of the Mahatma Gandhi National Fellowship in October 2021.

- In order to improve India's vital healthcare infrastructure in the upcoming four to five years, the government launched the PM Ayushman Bharat Health Infrastructure Mission in October 2021.
- India and the UK participated in the 11th Economic and Financial Dialogue (EFD) in September 2021 to talk about the prospects for FTAs (Free Trade Agreements) in services.
- As of November 5, 2021, credit to non-food companies was valued at Rs. 110.86 trillion (\$1.49 trillion).
- To improve the nation's healthcare infrastructure, the Indian government plans to launch a credit incentive programme worth Rs. 50,000 crore (\$6.8 billion). Through the plan, businesses will have access to financing to increase hospital capacity or purchase medical equipment, with the government serving as a guarantee.
- Australia and India announced their partnership in cyber-enabled essential technologies in June 2021, underlining the need to strengthen critical information security infrastructure including 5G telecom networks.
- The government provided the BharatNet plan with Rs. 7,000 crore (\$963.97 million) under the Union Budget 2021–22 in order to increase digital connectivity throughout India.
- The FDI cap for insurance businesses has increased from 49% to 74%, and for insurance intermediaries, it has increased to 100%.
- The Ministry of Commerce and Industry reported that India got US\$ 81.72 billion in FDI in May 2021, the highest amount during FY 2020–21.
- Through non-interest bearing bonds, the central government invested Rs. 14,500 crore (\$1.99 billion) in March 2021 in the Central Bank of India, Indian Overseas Bank, Bank of India, and UCO Bank.
- The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) third phase, which includes more than 300 skill courses, was introduced on January 15, 2021. The third phase, which is being spearheaded by the Ministry of Skill Development and Entrepreneurship, will concentrate on modern and COVID-related abilities. To train eight lakh candidates, PMKVY 3.0 is intended.
- To increase collaboration in the fields of 5G technologies, telecom security, and submarine optical fibre cable systems, the Department of Telecom, Government of India, and the Ministry of Communications, Government of Japan, signed a Memorandum of Understanding in January 2021.
- On November 4, 2020, the Union Cabinet, which is presided over by Prime Minister Mr. Narendra Modi, gave its approval for the Ministry of Communication and Information Technology and the Department of Digital, Culture, Media, and Sports (DCMS) of the United Kingdom Government to sign a Memorandum of Understanding (MoU) to collaborate in the area of telecommunications and information and communication technologies (ICTs).

- As part of the BharatNet project, Hughes Communications India was chosen by the government in October 2020 to install satellite broadband in 5,000 village panchayats in border and naxal-affected states and island territories by March 2021.
- The government indicated in September 2020 that it may inject Rs. 200 billion (\$2.72 billion) through bond recapitalization in public sector banks.
- The Ministry of Electronics and Information Technology is trying to raise the share of the digital economy in the GDP to 20% over the next five years. The government is constructing cloud-based collaborative network infrastructure so that startups and AI entrepreneurs can use it to develop novel solutions.
- The National Digital Health Mission (NDHM), which the Prime Minister Mr. Narendra Modi unveiled on Independence Day 2020, aims to give each Indian an individual health ID and modernise the healthcare sector by making it widely accessible. 'Public comment' on the draught policy is ongoing until September 21, 2020.
- The state's electronics output is expected to reach US\$ 100 billion by 2025, according to a new electronics and hardware manufacturing programme released by the Tamil Nadu government in September 2020. According to the policy, it seeks to upskill and train >100,000 people by 2024 in order to address the need for incremental human resources.
- The National Broadband Mission was established by the Indian government with the goal of bringing broadband service to every community by 2022.

On the Road Ahead

The global healthcare sector is projected to be worth \$372 billion by the year 2025. By the year 2025, it is anticipated that India's digital economy will be worth one trillion dollars. The information technology and business services sector in India is projected to reach US\$ 14.3 billion by the end of 2023, with an annual growth rate of 8%. As a result of the adoption of the Goods and Services Tax (GST), a common national market has been established, and the overall tax burden on goods has been decreased. It is anticipated that, in the long run, expenses will be reduced as a result of the availability of GST input credit, which would ultimately result in a drop in the pricing of services. By the year 2030, it is anticipated that India's software service business will be worth one trillion dollars.

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Note: Conversion rate used for October 2021 is Rs. 1 = US\$ 0.013 **References:** Media Reports, Press Releases, DPIIT publication, Press Information Bureau **Note:** *- Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech Testing and Analysis, Other

Conclusion:

Not only is the services sector the most important contributor to India's GDP, but it has also been a major driver of foreign direct investment, an important source of revenue for the country's economy, and a key employer of the country's population. The term "services sector" can refer to a broad range of industries and activities in India, including retail, hospitality (hotels and restaurants), logistics (transport, storage, and communication), banking and insurance, property management, business services, community, social, and personal services, and construction-related services. It contributes more than half of India's GDP, which is higher than the primary and secondary sectors of the economy combined. In addition to that, its worker productivity is the highest in the world. Involvement of information technology has consequently ensured timely and growing success in decision making, achievement of a positive outcome of decision making, use of stored data and information, simpler access to reports, the possibility of feedback from decision-makers, and the research of potential consequences of available decisions. Therefore, information technology is utilised across the board in the business world as an essential component in the decision-making process. Group discussions, brainstorming, the Delphi method, cost-benefit analysis, and marginal analysis are just few of the many methods that can be utilised in the decision-making process. The major contribution made to the ongoing expansion of the information technology (IT) and information technology-enabled services (ITeS) industry in India is assisting the economy of the country in achieving higher growth in a number of different areas, including the gross domestic product (GDP) share, employment, exports, and others.

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