The Contribution of the Service Sector to Economic Growth in India

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Abstract: *Service sector also known as tertiary sector is essential for economic growth in any economy including India. It has emerged as the biggest and fastest-growing sector in the global economy in the last two decades. This note makes a distinction between the share of a sector in national product and its contribution to growth in the static sense. Though the share of services sector in national product was less than that of agriculture till the first-half of 1980s, the contribution of services sector to growth, as defined in the note, has always been more than that of the other two sectors in India. Moreover, whereas the contribution of services sector to growth has been increasing throughout, that of the agricultural and the industrial sector has been decreasing, the former much more than the latter. Thus, in a static sense, Indian growth has always been services-led and, by the 2000s, services contributed two-thirds to aggregate growth.*
Key Words: *Service Sector, Structural change and Economic Growth.*

I. Introduction

Accelerating the pace of economic growth in India in 2000 caused an interest in characterizing the structure of this growth. In a comparative analysis of the growth phenomenon in India, it is usual to characterize growth in East and South East Asia and in China as being supported by the manufacturing sector, while growth in India is said to be driven by services. This remark distinguishes between the static and dynamic benefits of the industry to growth and explores the "characteristic of Indian growth", which is characteristic of India's static growth in a static sense.

In a static sense, the service sector in India appears to be a statistically significant sector based on its sustained high growth rate compared to the agricultural and industrial sectors and, consequently, its high share of domestic production. The correct statistical method of identifying a sector leader is not to identify the current share of the industry or its past relative growth that generated the current share, but taking into account the sector's contribution to aggregate growth. Contributing the service sector's contribution to growth based on sector growth and sector weight growth, identifying the growth-driven service driven by India. The study shows that, with the exception of the first few decades of India's first decade of planning, the service industry has always played a decisive role in India's growth.

In a more dynamic sense, on the contrary, the service sector can only be called the leading industry if it is more and more dominated; its own productivity will remain high and will generate positive externalities for other sectors of the economy. As long as there are structurally unemployed resources, the industry can continue to grow, but in a secular run, the industry can make a significant contribution to growth through productivity gains that not only increase the production of those resources in the sector, but also provide positive externalities to the sectors they provide inputs.

Objectives of the Study
The main objective of the paper is to analyze the role of tertiary sector in economic growth of Indian economy. In this context, the detailed list of objectives is as follows:
A. Growth of service sector in India and its share in GDP and its contribution to GDP growth.
B. Comparative growth of different sub sector of the service sector.
C. Share of service in employment.

Data and Coverage
Keeping in view the broad objectives of the paper, the secondary data have been used. Data have been obtained from various published and unpublished sources. Most of the published data has been drawn from various issues of Statistical Abstracts of India. The data used in the empirical exercise carried out in this study relates to estimates of Gross Domestic Product (GDP) at factor cost and at constant prices. The data

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pertains to the three broad sectors, that is, primary, secondary and tertiary and for the sub-sectors of the tertiary sector. The growth of various sub-sectors of the tertiary sector in India has been analyzed. We find that the growth of services in India has been broad-based, although it has been unusually rapid in modern services like communications, business services and financial services. In practice, services that are tradable internationally have grown fastest. The data have been analyzed with the help of percentages and compound annual rates of growth for various sector/ sub-sectors of the economy. We estimate the contribution of the services sector to aggregate output and growth using the sectoral GDP data. Data was available from 1950-51 to 2013-14. Seven-year moving averages were used on the original data to smoothen these as the contributions to growth computed on the original data were erratic. Wherever needed, appropriate price adjustment has been done.

Review of Literature

Structural change and tertiary sector at the country level gives fairly a good idea of structural dynamics. These studies analyze the complex relationship between the services sector and economic growth. The growth in the service sector in India has been linked to the reforms of the 1990s. In the first 3 decades after independence in 1947, India was largely an agrarian economy. Reforms in the service sector were a part of the overall reform program which led to privatization, the removal of FDI restrictions, and streamlining of approval procedures among others. After the 1990s, the service sector grew. In this respect, India has been considered as an outlier among South Asia and other emerging countries (Ansari 1995). As the economy develops the share of primary sector contracts and the share of manufacturing expands, and only at a later stage, the share of services or tertiary sector activities expand. **Khera and Mathur (1998)** have analyzed the place of the tertiary sector in Indian Economy and in some developing countries in Asia. The main objective of this paper is to examine the relative place of tertiary or the service producing sector as compared with the goods producing sectors. The paper is divided into two sections. Section I deals with the Indian economy whereas section II makes a comparative study of the relative importance of the tertiary sector in the economies of come developing countries of Asia. The secondary data used for the purpose are taken from the various annual issues of the National Accounts Statistics (NAS). This paper is confined to the analysis of income generation, capital formation and employment generation indicators in order to understand the place of the tertiary sector in the economy. The degree of the service sector expansion is faster in India whereas the industrial expansion is faster in China. **Hussin and Ching (2013)** conducted a study on The Contribution of Economic Sectors to Economic Growth: The Cases of Malaysia and China. Malaysia and China have recently achieved spectacular economic growth where GDP per capita growth rapidly in both countries. Thus, this study examines the contribution of economic sectors to economic growth in Malaysia and China by using time series data from year 1978 until 2007. In this study three economic sectors have been analyzed, which are agricultural sector, manufacturing sector and service sector. Augmented Dickey Fuller (ADF) unit root test is used in this study and it showed that the time series data are stationary at the first differences. **Kirn (2013)** analyzes the growth and change in the service sector from spatial perspective. This study examines the spatial structure of the U.S. service sector and change in that structure from 1958 to 1977. It is based on an analysis of service employment and total employment change for a sample of U.S. SMSAs and nonmetropolitan areas. Most of the change in service structure that took place during the study period has focused in business and professional services and in finance, insurance, and real estate. Study results suggest that regional development policies that foster service growth could benefit not only large SMSAs but many smaller places as well. The objective of study was to examine pre-1970 and post-1970 patterns, in order to gain insight into interrelationships between the location of services and the shift in population growth patterns that occurred around 1970. The findings also provide support for the hypothesis that services play a significant role in the process of regional economic growth. The results of this study indicate that local economic development policies should not be focused exclusively on manufacturing, as is often the case. Such policies should also encourage service sector development, particularly in business, professional, and financial services and in some cases in tourist oriented services. **Banga (2005)** conducted a study on Role of Service in Growth Process: A Survey. The rapidly rising share of services in production and employment in most economies has evoked interest in the issue of de-industrialization and the emerging service economy. One of the important issues of interest is the role played by the service sector in the growth process of developing countries. The issue has assumed even greater importance in view of increasing international transactions in services and the growing liberalization of services in developing countries. On one hand, a forceful case is made of the services becoming the major driving force of economic growth, on the other hand, some have argued that decline in manufacturing and the corresponding shift to services is unsupportable in the long run as services depend critically on manufacturing for their demand. This paper have theoretically argued and empirically estimated the link between performance of service sector and growth of the economy. In this context, one of the conceptual issues that have been discussed in the literature is the role played by services in the growth process. It has been argued that as economic growth proceeds service sector grows. But along with

the growth of service sector, growth in manufacturing sector also takes place and the two-way spillover effect induces growth in the economy. There therefore exists a causal relationship between economic growth and growth in the service sector. In the context of rising share of services in total output and employment in the global economy, the paper undertakes a selective review of studies with respect to some of the conceptual issues regarding the role of services in the growth process of developing countries. The paper identifies the factors that lead to higher use of services in the growth process of developing countries, viz. higher income elasticity of demand for services, structural changes and trade liberalization along with other reforms and improved technology. **Eichengreen and Gupta (2010)** conducted a study on The Service Sector as India's Road to Economic Growth. This paper, analyze the determinants of growth in the services sector and assess the employment-generating capacity of services in India. Study finds that there is an increasingly similar mix of skilled unskilled labor in the services and manufacturing sectors. This paper use National Accounts Statistics (NAS) and cross-country data from the World Development Indicators and EUKLEMS to address these issues. And estimate the relative importance of final consumption, intermediate consumption and exports as sources of demand for services. Study finds that the growth of services in India has been broad-based, although it has been unusually rapid in modern services like communications, business services and financial services. In practice, services that are tradable internationally have grown fastest. Sustaining economic growth and rising living standards, thus, will benefit from shifting labour out of agriculture into modern services as well as manufacturing and not just into the latter. To the extent that the expansion of both sectors continues to be constrained by the availability of skilled labour simply underscores the importance for India to continue to invest in labour skills. **Garg and Walia (2013)** has conducted a study on An Analysis of Services Sector in Indian economy. The study confirms that service sector along with its sub-sectors has achieved tremendous growth over the year in Indian economy. Besides, their contributions in GDP, employment and exports are also rising considerably. To maintain and accelerate the growth & contributions of this sector & to develop it as a true engine of economic growth, there is logic & rationale of complementary investments in physical infrastructure as well as in human capital. This paper makes an analysis of Indian services sector through examining its growth and contributions in the economy. The study confirms that services sector have grown at the significant rate in comparison to other sectors. Its growth rate is found to be higher than growth of overall GDP.

As India is travelling a novel path in economic growth by making services as the engine of growth, and bypassing industry, careful strategy are needed for consolidating, strengthening and furthering the growth. Further the study advocated that the growth of Services sector must be in tandem with Primary and Secondary sector for the comprehensive economic development of the economy.

Model and Methodology
The dominance of a sector is generally captured by the contribution of the sector to the national output. The fact that the services sector has more than 50 per cent weight in national product does not however qualify the growth to be identified as services-led, not even in the static sense that is emphasized here. Aggregate growth rate can be expressed as the weighted average of sectoral growth rates with proportion of output produced in the individual sectors as weights:
$$gy = wa.ga + wm.gm + ws.gs$$

It follows that the sectoral contribution of the ith sector to growth can be written as
$$(wi.gi / gy)$$
In the above expression wi is the output share of the ith sector, gi is the growth rate of the ith sector and gy is the aggregate growth rate. It follows that the contribution of a sector to growth is high either if the growth rate of the sector is high or if the share of the sector in national output is high. A high sectoral growth rate will, of course, produce a high sectoral share over time and a fast growing sector will ultimately contribute doubly to the aggregate growth in the economy, i.e., both because it is growing at a high rate and because it has become an important component of the total. As we see below, this is what has happened in the context of the services sector in India. It must be noted that, in the above measure, when the gi in the numerator increases, gy in the denominator also increases, but by less than the increase in gi, since wi is less than unity.

Estimate Service Sector Benefits using Indian Data
We estimate the contribution of the services sector to aggregate output and growth using sectoral GDP data from 1950-51 to 2013-14. Seven-year moving averages have been used on the original data to match these levels, as the growth contributions calculated from the original data had unbalanced. The refined data is summarized in the tables. Table 5.1 shows the annual sectoral composition, sectoral growth rates and sectoral contribution to growth for smoothened data for the years 1953-54 to 2010-11. The share of services has always

prevailed in the industry, and since the late 1960s it has made wider absolute range in percentage points. The share of industry, however, is increasing and outstripping the declining share of agriculture at the end of our period in 2010-11. The data show that GDP from the primary sector fell from 54.47 percent in 1954 to 26.14 percent in 2000 then fell sharply to 16.11 percent in 2011. This was partly offset by an increase in the secondary sector's share of 15.45 percent in 1954 to around 25.56 percent in 2011. The figures in the table show that the share of the tertiary sector in GDP rose rapidly from 30.08 percent in 1954 to 57.53 percent in 2011. The seven-year moving average of industrial growth rates was the highest among the three sectors in 1967-68. From 1968 to 1969 to the early 1980s, the rate of service growth was generally the highest, although there have been some years of industrial growth. The rate of service growth outstripped industry growth from 1979-80 and remains the highest. Therefore, from 1982 to 83, when the output was the highest, the service sector was dominated by two other sectors both in terms of share and growth.

The last three columns of Table 1, the contribution of the service sector to growth has always dominated the contribution of the other two sectors. Given that the industry's contribution to growth is the product of its share and its own growth rate, and since the share and growth rate of the service sector has peaked from 1982 to 83, it appears that the contribution of services to growth will be the highest in the period after 1982-83. Even in the past years, although the share and growth of the service sector was not the highest, the figures were high enough to make the product the highest of the three sectors.

Table 1: Sectoral Shares, Growth Rates and Growth Contributions in India for 1950-51 to 2013-14 (7-Year Moving Average)

Year	Share in Output			Growth Rate				Contribution to Growth		
	PRI	SEC	TER	PRI	SEC	TER	GDP	PRI	SEC	TER
1954	54.47	15.45	30.08	-	-	-	-	-	-	-
1955	53.94	15.77	30.29	2.15	5.35	3.85	3.16	36.59	26.62	36.79
1956	53.62	16.06	30.32	3.32	5.85	4.04	3.94	45.13	23.82	31.05
1957	53.04	16.51	30.45	2.70	6.69	4.40	3.83	36.94	28.49	34.56
1958	52.35	17.03	30.62	2.76	7.44	4.60	4.12	35.07	30.75	34.18
1959	51.55	17.57	30.88	2.35	7.21	4.89	3.93	30.59	31.99	37.43
1960	50.75	18.03	31.22	2.19	6. 52	4.92	3.81	29.03	30.85	40.12
1961	49.79	18.59	31.62	1.80	7.00	5.13	3.78	23.46	31.07	42.47
1962	49.13	19.13	31.74	3.64	8.07	5.49	5.02	35.44	30.59	33.97
1963	47.88	19.86	32,26	0.74	7.28	5.11	3.38	10.27	41.92	47.80
1964	46.70	20.53	32.77	0.67	6.73	4.82	3.22	9.58	42.28	48.14
1965	45.91	20.98	33.11	1.69	5.68	4.54	3.44	22.35	34.33	43.31
1966	45.14	21.41	33.45	1.62	5.47	4.45	3.36	21.57	34.54	43.90
1967	44.61	21.78	33.61	2.75	5.76	4.42	3.95	30.93	31.63	37.45
1968	44.37	21.92	33.73	3.36	4.52	4.33	3.94	37.83	25.12	37.06
1969	43.85	22.08	31.07	1.83	3.86	4.05	3.02	26.44	28.09	45.47
1970	43.50	22.19	34.31	2.48	3.86	4.02	3.31	32.55	25.84	41.61
1971	43.46	22.13	34.41	3.58	3.35	4.01	3.68	42.31	20.16	37.53
1972	42.98	22.18	34.84	1.63	3.00	4.05	2.76	25.23	23.96	50.81
1973	42.86	22.07	35.07	3.49	3.28	4.42	3.76	39.75	19.24	41.01
1974	42.31	22.19	35.50	1.73	3.62	4.35	3.07	23.77	26.08	50.15
1975	41.80	22.41	35.79	2.30	4.54	4.37	3.53	27.14	28.72	44.15
1976	41.30	22.66	36.04	2.85	5.27	4.84	4.11	28.60	29.02	42.38
1977	40.61	22.84	36.55	1.45	3.97	4.62	3.17	18.49	28.48	53.03
1978	40.07	23.00	36.93	2.35	4.47	4.79	3.73	25.19	27.50	47.31
1979	39.65	23.22	37.13	3.25	5.34	4.93	4.35	29.56	28.45	41.99
1980	38.93	23.41	37.66	1.68	4.42	5.09	3.56	18.14	28.70	53.16
1981	38.66	23.39	37.95	3.77	4.42	5.25	4.51	32.51	23.06	44.44
1982	38.16	23.4	38.44	2.72	4.09	5.43	4.07	25.43	23.44	51.13
1983	37.60	23.34	39.06	2.45	3.72	5.66	3.98	23.03	21.70	55.27
1984	37.25	23.3	39.45	4.09	4.86	6.18	5.06	30.10	22.37	47.54
1985	36.38	23.36	40.26	2.30	5.05	6.88	4.75	17.48	24.65	57.87
1986	35.86	23.34	40.80	3.91	5.30	6.81	5.42	25.88	22.83	51.29
1987	35.23	23.47	41.30	3.98	6.44	7.13	5.84	23.93	25.80	50.27
1988	34.52	23.64	41.84	3.41	6.28	6.94	5.54	21.15	26.68	52.17
1989	33.81	23.71	42.48	2.87	5.38	6.64	5.04	19.15	25.18	55.67
1990	33.31	23.72	42.97	3.63	5.21	6.37	5.17	23.33	23.85	52.82
1991	32.86	23.73	43.41	3.92	5.38	6.41	5.34	24.09	23.87	52.04
1992	32.56	23.79	43.65	4.73	5.95	6.32	5.71	26.95	24.77	48.28
1993	31.70	24.06	44.24	2.74	6.72	6.89	5.51	15.70	29.22	55.08
1994	31.10	24.28	44.62	3.80	6.78	6.78	5.84	20.19	28.12	51.68
1995	30.30	24.33	45.37	2.88	5.82	7.34	5.58	15.53	25.20	59.27
1996	29.62	24.36	46.02	3.89	6.41	7.82	6.28	18.28	24.77	56.95

1997	28.73	24.36	46.91	3.47	6.69	8.79	6.72	14.77	24.14	61.09
1998	27.82	24.44	47.74	3.01	6.72	8.25	6.37	13.05	25.59	61.36
1999	27.01	24.35	48.64	3.12	5.79	8.21	6.21	13.50	22.59	63.91
2000	26.14	24.26	49.60	2.26	5.31	7.75	5.67	10.32	22.51	67.17
2001	25.27	24.22	50.53	2.31	5.53	7.81	5.18	9.96	22.82	67.22
2002	24.43	24.49	51.08	2.60	6.55	7.77	6.17	10.23	25.84	63.93
2003	23.47	24.48	52.05	2.49	7.53	8.26	6.68	8.69	27.40	63.91
2004	22.53	24.84	52.63	2.77	8.61	8.19	7.02	8.82	30.24	60.94
2005	21.65	25.16	53.19	3.53	9.14	8.91	7.76	9.79	29.47	60.74
2006	20.63	25.43	53.94	2.77	8.98	9.35	7.83	7.23	28.91	63.85
2007	19.72	25.63	54.65	3.56	9.25	9.82	8.39	8.32	28.09	63.59
2008	18.85	25.77	55.38	3.74	9.09	9.98	8.52	8.22	27.32	64.46
2009	17.90	25.91	56.19	4.16	8.99	9.51	10.91	8.85	27.67	63.48
2010	17.45	25.85	56.70	3.59	7.24	8.91	5.05	8.30	24.79	66.91
2011	16.91	25.56	57.53	3.53	5.66	8.42	6.85	8.67	21.01	70.33

Source: Central Statistical Organization (CSO) - 31.05.2014

Table 2, shows the industry composition of output in India for every decade from the 1950s to 2000, although the number of years on average in the first decade is of course less than ten years. The dominance of industrial services is not the latest phenomenon for the Indian economy, but has been in operation since the early 1950s. The sectoral shares in Gross Domestic Product (GDP) are indicative of the fact that the tertiary sector has emerged as a dominant sector of the economy with more than half a share of GDP. The emerging structure of the Indian economy is characterized by tertiary sector led growth with continuously shrinking share of primary sector and nearly stagnant share of secondary sector.

Table 2: Decadal Sectoral Composition of Output in India (Percentage of GDP)

Decade	Primary Sector	Secondary Sector	Tertiary Sector	GDP
1950s	54.47	15.45	30.08	100.00
1960s	49.79	18.59	31.62	100.00
1970s	43.46	22.13	34.42	100.00
1980s	38.66	23.39	37.95	100.00
1990s	32.86	23.73	43.40	100.00
2000s	25.27	24.20	50.53	100.00

Source: Calculated

Table 3 shows the growth rates of each industry for each decade from the 1950s to 2000, although the average of the first ten years is, of course, less than ten years. The growth rate of the primary sector in the 1990s is slightly higher than in the sixties and seventies; the tertiary sector witnessed a steady increase in its growth rate in successive years.

Table 3: Decadal Sectoral Growth Rates in India (Percent)

Decade	Primary Sector	Secondary Sector	Tertiary Sector	GDP
1950s	2.58	6.51	4.43	3.79
1960s	1.87	5.10	4.10	3.26
1970s	2.07	3.78	4.13	3.20
1980s	2.93	4.62	5.78	4.47
1990s	2.98	5.60	6.78	5.37
2000s	2.91	7.51	8.03	6.80

Source: Calculated

Tables 4 provide sectoral contribution to growth for every decade from the 1950s to the 1920s; of course, the number of years on average in the first decade is less than ten years. In 2000, services accounted for 61.39 percent growth in the static sense and the secondary sector 27.47 percent, while the primary sector contribution to total growth was 11.14 percent. The table shows that contributions to growth in the primary sector and the secondary sector are declining as a trend, while the services sector is steadily increasing.

Table 4: Decadal Sectoral Contributions in India (Percentage per year)

Decade	Primary Sector	Secondary Sector	Tertiary Sector	Of GDP
1950s	37.51	26.86	35.63	100
1960s	29.34	29.85	40.82	100
1970	28.45	26.49	45.06	100
1980s	25.70	24.53	49.77	100
1990s	18.66	25.30	56.04	100
2000s	11.14	27.47	61.39	100

Source: Calculated

Intra-sectoral Trends

Table 5 shows annual sectoral growth shares and sectoral contribution to the growth of subsectors in the services sector in India for smoothened data for the years 1953-54 to 2010-11. It is clear that in 1954 the share of trade, hotels, transport and communications in the entire service sector was 38.24 percent, and in 1990 it increased to 41.51 percent and further to 46.22 percent in 2011. The percentage of financial, Real estate, and business services fell from 27.80 percent in 1954 to 26.93 percent in 1990 and also recorded a modest increase to 31.38 percent in 2011. Similarly, the percentage of community, social and personal services in the service sector was a relatively high i.e. of 33.96 percent in 1954 and further declines and in 2011 remains 22.40 percent. Following the economic reforms of the 1990s, the share of all services subsectors has grown to GDP. The share of finance, insurance, real estate and business services, trade, hotels and transport services in the service sector has increased overall, while community, social and personal services are declining. The most significant factors in the growth of services in this period are high growth in finance, insurance, real estate and business services. The 7-year moving average rate of business growth, Hotels, Transport and Communications, which reached 6.16 percent in 1961, grew to 9.96 percent in 2004, while in 2011 the growth rate decreased to 7.22 percent. During the sixties, Revenue from community, social and personal services grew by 4.85 percent per year, while in 2011 the growth rate rose to 7.01 percent per year. The tertiary sector witnessed a steady increase in its growth rate in successive years. The growth of the services sector in 2011 was mainly affected by the subsector "Financing, Insurance, Real Estate and Business Services". The last three columns of Table 5, the subsectors of the services sector to growth in India, showed smoothed data for the years 1953-54 to 2010-11. The share of finance, insurance, real estate and business services, trade, hotels and transport services in the service sector has increased overall, while community, social and personal services are declining.

Table5: Sectoral Stocks, Growth Rates and Growth Contributions Subsectors of the Service Sector in India 1953-54 to 2010-11 (7-year moving average)

YEARS	Share in Output			Growth rate				Contribution to growth		
	Business, Hotels, Transport and Communication	Financing, Insurance, Real Estat and Business Services	Social, and Personal services	Business, Hotels, Transport and Communications	Financing, Insurance, Real Estat and Business Services	Social, and Personal services	Tertiary Sector	Business, Hotels, Transport and Communications	Financing, Insurance, Real Estat and Business Services	Social, and Personal Services
1954	38.24	27.80	33.96	-	-	-	-	-	-	-
1955	38.63	27.57	33.80	4.91	3.00	3.35	3.85	49.18	21.48	29.34
1956	39.06	27.31	33.62	5.19	3.07	3.51	4.04	50.12	20.70	29.18
1957	39.55	26.98	33.47	5.59	3.04	3.82	4.30	51.31	19.04	29.66
1958	40.15	26.57	33.27	6.31	3.09	4.09	4.70	53.72	17.44	28.84
1959	40.73	26.17	33.10	6.32	3.21	4.25	4.80	53.40	17.44	29.16
1960	41.20	25.72	30.07	6.13	3.13	4.85	4.92	51.17	16.33	32,50
1961	41.61	25.28	33.11	6.16	3.32	5.26	5.13	49.84	16.31	33.85
1962	42.09	24.74	33.17	6.61	3.17	5.57	5.40	51.39	14.49	34.12
1963	42.43	24.29	33.28	5.96	3.19	5.47	5.11	49.35	15.12	35.53
1964	42.66	23.85	33.49	5.37	2.89	5.46	4.80	47.66	14.31	38.02
1965	42.78	23.49	33.73	4.84	2.96	5.27	4.54	45.58	15.32	39.10
1966	42.85	23.19	33.97	4.60	3.09	5.20	4.45	44.26	16.09	39.65
1967	42.91	22.92	34.17	4.58	3.22	5.04	4.42	44.43	16.69	38.88
1968	42.92	22.71	34.37	4.34	3.39	4.94	4.33	43.01	17.79	39.20
1969	42.78	22.65	34.57	3.71	3.76	4.67	4.05	39.18	21.00	39.83
1970	42.65	22.62	34.74	3.70	3.87	4.52	4.02	39.25	21.72	39.03
1971	42.61	22.59	34.80	3.91	3.90	4.21	4.01	41.57	21.95	36.49

1972	42.66	22.44	34.89	4.20	3.37	4.32	4.05	44.17	18.64	37.20
1973	42.88	22.30	34.82	4.94	3.73	4.18	4.40	48.09	18.87	33.04
1974	43.07	22.29	34.64	4.80	4.34	3.80	4.35	47.53	22.24	30.23
1975	43.37	22.31	34.32	5.10	4.45	3.42	4.37	50.55	22.68	26.77
1976	43.84	22.30	33.86	5.97	4.80	3.43	4.84	53.99	22.07	23.94
1977	44.10	22.23	33.67	5.24	4.27	4.06	4.62	49.96	20.50	29.55
1978	44.37	22.08	33.55	5.43	4.11	4.40	4.79	50.27	18.93	30.80
1979	44.60	22.16	33.25	5.47	5.28	3.99	4.93	49.45	23.70	26.85
1980	44.59	22.30	33.10	5.08	5.79	4.64	5.09	44.46	25.36	30.18
1981	44.55	22.51	32.94	5.15	6.23	4.72	5.25	43.72	26.69	29.59
1982	44.33	22.76	32.91	4.91	6.60	5.32	5.43	40.10	27.66	32.25
1983	44.07	23.07	32.86	5.03	7.10	5.51	5.66	39.11	28.94	31.95
1984	43.86	23.51	32.62	5.90	8.43	5.64	6.40	40.38	30.93	28.69
1985	43.54	24.03	32.44	5.80	8.92	5.98	6.59	38.21	32.45	29.34
1986	43.12	24.55	32.32	5.79	9.15	6.43	6.81	36.60	32.94	30.46
1987	42.71	25.15	32,14	6.10	9.71	6.54	7.13	36.44	34.17	29.39
1988	42.36	25.64	32,00	6.05	9.05	6.47	6.94	36.86	33.36	29.78
1989	41.93	26.34	31.74	5.56	9.53	5.76	6.64	34.96	37.62	27.42
1990	41.51	26.93	31.57	5.31	8.75	5.80	6.37	34.46	36.87	28.66
1991	41.15	27.58	31.27	5.49	9.01	5.39	6.41	35.15	38.64	26.22
1992	41.13	28.08	30.78	6.28	8.24	4.67	6.32	40.76	36.53	22.71
1993	41.51	28.33	30.16	8.12	8.07	4.94	7.13	47.16	31.98	20.86
1994	41.84	28.47	29.69	7.61	7.30	5.11	6.77	46.99	30.64	22.37
1995	42.06	28.70	29.25	7.87	8.18	5.74	7.32	45.14	31.99	22.88
1996	42.31	28.71	28.98	8.44	7.84	6.80	7.78	45.84	28.88	25.28
1997	42.50	28.77	28.72	9.26	9.02	7.81	8.77	44.86	29.57	25.57
1998	42.79	28.65	28.55	8.97	7.78	7.59	8.23	46.62	27.06	26.33
1999	43.04	28.58	28.38	8.82	7.91	7.53	8.19	46.3	27.60	26.08
2000	43.18	28.62	28.20	7.95	7.77	6.90	7.60	45.13	29.26	25.61
2001	43.59	28.55	27.86	8.83	7.50	6.51	7.80	49.33	27.43	23.24
2002	44.13	28.37	27.50	9.09	7.10	6.38	7.77	51.55	25.90	22.55
2003	44.74	28.29	26.96	9.78	7.98	6.14	8.26	52.79	27.24	19.97
2004	45.47	28.38	26.15	9.96	8.52	4.93	8.19	54.99	29.36	15.65
2005	46.13	28.59	25.28	10.49	9.71	5.29	8.91	54.07	31.01	14.92
2006	46.45	28.89	24.65	10.10	10.52	6.65	9.35	50.07	32.43	17.49
2007	46.66	29.12	24.21	10.33	10.69	7.87	9.82	48.99	31.64	19.37
2008	46.92	29.41	23.67	10.60	11.08	7.49	9.98	49.72	32.56	17.72
2009	46.93	29.93	23.14	9.51	11.44	7.10	9.51	46.84	35.92	17.24
2010	46.74	30.57	22.69	8.47	11.24	6.79	8.91	44.32	38.43	17.25
2011	46.22	31.38	22.40	7.22	11.30	7.01	8.42	39.46	41.97	18.58

Source: Calculated

Tables 6 provide a sectoral composition of subsector outputs of the service sector in India for each decade from the 1950s to 2000, although, of course, the number of years on average in the first decade is less than ten years. Following the economic reforms of the 1990s, the share of all services subsectors has grown to GDP. The share of finance, insurance, real estate and business services, trade, hotels and transport services in the service sector has increased overall, while community, social and personal services are declining.

Table 6: Secondary Sectoral Composition of Production Subsectors Industry Services in India - the 1950s and 2000s

(Percentage of GDP)

Decade	Business, Hotels, Transport and Communications	Financing, Insurance, Real Estate and Business Services	Social, and Personal Services	GDP of the Tertiary Sector
1950s	38.24	27.80	33.96	100.00
1960s	41.61	25.28	33.11	100.00
1970	42.61	22.59	34.80	100.00
1980s	44.55	22.51	32.94	100.00
1990s	41.15	27.58	31.27	100.00
2000s	43.59	28.55	27.86	100.00

Table 7 Give sectoral growth rates to the sub-sectors of the service sector for each of the decades from 1950 to 2000, although, of course, the number of years averaged over the first decade is less than ten years. The most significant factors in the growth of services in this period are high growth in finance, insurance, real estate and business services. The tertiary sector witnessed a steady increase in its growth rate in successive years.

Table 7: Growth Rate Sectoral Growth Subsectors of the Service Sector in India between 1950 and 2000
(Percentage per year)

Decade	Business, Hotels, Transport and Communications	Financing, Insurance, Real Estate and Business Services	Social, and Personal Services	Tertiary Sector
1950s	5.74	3.09	3.98	4.43
1960s	4.36	2.95	4.60	4.10
1970s	4.61	4.00	3.62	4.13
1980s	5.03	7.69	5.33	5.78
1990's	7.30	7.18	5.69	6.78
2000s	8.79	8.78	5.84	8.03

 Source: Calculated

Tables 8 provide a sectoral contribution to growth for every decade from the 1950s to 2000, although, of course, the number of years on average in the first decade is less than ten years. The share of finance, insurance, real estate and business services, trade, hotels and transport services in the service sector has increased overall, while community, social and personal services are declining.

Table 8: Decadal Sectoral Contributions in India - the 1950s and 2000s
(Percentage per year)

Decade	Business, Hotels, Transport and Communications	Financing, Insurance, Real Estate and Business Services	Social, and Personal Services	GDP of the Tertiary Sector
1950s	49.84	19.51	30.65	100
1960s	44.42	18.26	37.32	100
1970s	47.60	21.91	30.49	100
1980s	39.13	30.22	30.65	100
1990s	44.42	29.29	26.29	100
2000s	48.11	31.46	20.43	100

Source: Calculated

II.   Conclusions

Even in the past years, although the share and growth of the sector was not the highest, the figures were high enough to make the product the highest of the three sectors. However, two points can be made. First, in the above-mentioned sense, Indian growth has always been driven by services - it is not a recent phenomenon. Secondly, as stated in the introduction, it is a static interpretation of the term "service-led growth". A more dynamic interpretation, in which externalities based on service output to other sectors of the economy lead to accelerating growth in these sectors, requires further elaboration. The dominance of industrial services is not the latest phenomenon for the Indian economy, but has been in operation since the early 1950s. The growth rate of the primary sector in the 1990s is slightly higher than in the sixties and seventies; the tertiary sector witnessed a steady increase in its growth rate in successive years. The table above shows that contributions to growth in the primary sector and the secondary sector are declining as a trend, while the services sector is steadily increasing. In 2000, services accounted for 61.39 percent growth in the static sense and the secondary sector 27.47 percent, while the primary sector contribution to total growth was 11.14 percent. The growth of the services sector in 2011 was mainly affected by the subsector "Financing, Insurance, Real Estate and Business Services". The share of finance, insurance, real estate and business services, trade, hotels and transport services in the service sector has increased overall, while community, social and personal services are declining.

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