



IMPACT OF ADVANCES IN INFORMATION AND TECHNOLOGY ON THE GROWTH OF SERVICES SECTOR IN INDIA

Amrita Shergill

Assistant Professor, Dept of Economics,
Panjab University, Chandigarh.

ABSTRACT

In recent years Services Sector has emerged as the largest sector of the Indian economy, it is today considered as the engine of growth. Information and technology has significantly impacted the growth of this sector. This paper brings out the impact of information and technology on the growth of services sector by studying its various subsectors.

Keywords : Services sector, Technology , Banking , Health .

Introduction

In recent years the Services sector has attracted considerable attention of researchers in India, mainly because of its emergence as the largest sector of the economy. In the developed countries also, the Services sector became focus of research once it emerged as the largest sector in these economies after the second world war. The nomenclature 'Services sector' that is now widely used seems to have been popularized by Kuznets¹ for what was earlier known as 'tertiary production'. The genesis of the term tertiary production can be traced back to Adam Smith.² But the hypothesis of tertiary production as the third stage, primary and secondary being the first two in that order, in the economic evolution of societies was initially formulated by A.G.B. Fisher.³ It was further developed and popularized by Colin Clark.⁴ Of course, this sequence of structural change accompanying economic growth is now widely accepted by economists. It will be useful to make clear the distinction between 'services and 'goods' as products, before stating the Fisher-Clark hypothesis on the growth of Services sector.

DISSCUSION & RESULTS

Today Services sector accounts for more than 60 percent of domestic product and employment in all the developed countries and even more than 70 percent of the domestic product and employment in some rich countries like the United States of America (U.S.A.). The latest information on the share of Services sector in gross domestic product and employment in selected developed countries is presented in table 1.1.

TABLE-1.1**SERVICES SECTOR IN SELECTED DEVELOPED COUNTRIES**

	Services sector in domestic Product (2008)
U.S.A	77
France	77
U.K.	76
Belgium	75
Germany	69
Japan	68
Austria	63

Source: *World Development Indicators, 2010*

The data given in this table clearly show how big and important the Services sector is in the developed countries today. In a number of these countries the share of Services sector in gross domestic product and employment has risen beyond 70 percent.

The salient features of growth of Services sector in developed countries are briefly enumerated:

1. As a country grows richer (i.e. per capita income grows), the share of Services sector in domestic product and employment increases faster than that of manufacturing sector and at a certain level of prosperity, Services sector becomes the largest sector of the economy.
2. With rising levels of prosperity, the share of Services Sector in domestic product and employment passes the 50 percent mark and thereafter Services sector becomes bigger than even the two other sectors combined. The share of Services Sector in domestic product and employment continues to rise even at higher levels of per capita income, though at a slower rate.¹¹
3. No marked disproportion is seen in the Services sector shares in gross domestic product and employment in the developed countries; these broadly correspond to each other.

4. As an economy prospers, different sub-sectors of the Services Sector grow at different rates. Some older services even decline in importance and new services emerge with technological progress and change in the structure of production and tastes of consumers.
5. Labour productivity grows at a slower rate in the Services sector compared to the Manufacturing sector; mainly because of relatively slower technological progress and limited possibilities of large scale production in the Services sector.

Growth of services sector in india

In recent years a new dimension has been added to the Fisher-Clark hypothesis of faster growth of Services sector with rising levels of prosperity. In many developing countries Services sector has emerged as the largest sector of the economy (in terms of percent share in domestic product) at relatively low levels of industrial development and per capita income. This is clearly illustrated by the data on Services sector in some selected developing countries given in table 1.2 below.

TABLE-1.2

SHARE OF SERVICES SECTOR IN GROSS DOMESTIC PRODUCT DEVELOPING COUNTRIES

Country	Percent Share of Services in GDP	Country	Percent Share of Services in GDP
South Africa	66	India	53
Brazil	65	Pakistan	53
Rep. Of Korea	60	Bangladesh	52
Mexico	59	Malaysia	42
Argentina	57	Indonesia	37

Source: World Development Indicators, 2010

It may be noted that in some developing countries like Argentina, Brazil etc. the share of Services sector in gross domestic product has risen almost to the levels of developed countries. Even in relatively poorer countries like India, Bangladesh and Pakistan the share of Services sector in gross domestic product is now approaching 50 percent.

Impact of advances in technology on the growth of services sector

In India the Services sector has been growing quite fast since independence and has now emerged (in terms of share in gross domestic product) as the biggest sector of the economy. According to the Economic Survey 2011-2012 Services Sector comprises 59% of the total GDP followed by Secondary Sector at 25% and Primary sector at 16%. This early or premature, as some call it, emergence of Services sector as the largest sector of the economy is now attracting considerable attention of researchers in India. One of the most important factors that contributed to the growth of Services Sector is advent of computers or the what we call information and technology. Impact of information and technology on the growth of services sector comes out clearly if consider its various subsectors separately.

Impact of Technology on the Banking sector

Computers are getting more sophisticated. They have given banks a potential they could only dream about and have given bank customers high expectations. The changes that new technologies have brought to banking are enormous in their impact on officers, employees, and customers of bank. Advances in technology are allowing for delivery of banking products and services more conveniently and effectively than ever before - thus creating new bases of competition. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. The bank gains a vital competitive advantage by having a direct marketing and accountable customer service environment and new, streamlined business processes. Consistent management and decision support systems provide the bank that competitive edge to forge ahead in the banking marketplace.

Major applications: The advantages accruing from computerization are three-directional - to the customer, to the bank and to the employee.

For the customer: Banks are aware of customer's need for new services and plan to make them available. IT has increased the level of competition and forced them to integrate the new technologies in order to satisfy their customers. They have already developed and implemented a certain number of solutions among them:

Self-inquiry facility: Facility for logging into specified self-inquiry terminals at the branch to inquire and view the transactions in the account.

Remote banking: Remote terminals at the customer site connected to the respective branch through a modem, enabling the customer to make inquiries regarding his accounts, on-line, without having to move from his office.

Anytime banking: Anywhere banking: Installation of ATMs which offer non-stop cash withdrawal, remittances and inquiry facilities. Networking of computerized branches inter-city and intra-city, will permit customers of these branches, when interconnected, to transact from any of these branches.

Telebanking: A 24-hour service through which inquiries regarding balances and transactions in the account can be made over the phone.

Electronic Banking: This enables the bank to provide corporate or high value customers with a Graphical User Interface (GUI) software on a PC, to inquire about their financial transactions and accounts, cash transfers, cheque book issue and inquiry on rates without visiting the bank. Moreover, LC text and details on bills can be sent by the customer, and the bank can download the same. The technology used to provide this service is called electronic data interchange (EDI). It is used to transmit business transactions in computer-readable form between organizations and individuals in a standard format.

As information is centralized and updates are available simultaneously at all places, single-window service becomes possible, leading to effective reduction in waiting time.

For the bank: During the last decade, banks applied IT to a wide range of back and front office tasks in addition to a great number of new products. The major advantages for the bank to implement IT are:

Availability of a wide range of inquiry facilities, assisting the bank in business development and follow-up. Immediate replies to customer queries without reference to ledger-keeper as terminals are provided to Managers and Chief Managers. Automatic and prompt carrying out of standing instructions on due date and generation of reports. Generation of various MIS reports and periodical returns on due dates. Fast and up-to-date information transfer enabling speedier decisions, by interconnecting computerized branches and controlling offices.

For the employees. IT has increased their productivity through the followings:

Accurate computing of cumbersome and time-consuming jobs such as balancing and interest calculations on due dates. Automatic printing of covering schedules, deposit receipts, pass book / pass sheet, freeing the staff from performing these time-consuming jobs, and enabling them to give more attention to the needs of the customer. Signature retrieval facility, assisting in verification of transactions, sitting at their own terminal. Avoidance of duplication of entries due to existence of single-point data entry.

A search of the banking literature reveals that banks are moving rapidly to take advantage of recent and new customer service and cost reduction opportunities that new technologies offer.

Impact of information and technology on the insurance sector

On the lines of Banking Sector, Insurance Sector has also gained immensely from the technological advances. Large scale database management and information sharing leads to massive cost reductions which in turn lead to increase in profit margins. Post liberalization the government regulation of this sector considerably decreased leading to further expansion of this sector.

Impact of information and technology on the Health Care and Education sector.

One of the key service industries in India is Healthcare and Education. These two subsectors are vital for the country's economic stability. A robust healthcare and education system helps to create a strong and diligent human capital who in turn can contribute productively to the nations growth .Health tourism and E-learning would not have possible without all the current advances in computers.

IT industry has also impacted other sectors substantially like Media and Entertainment which seen tremendous growth in recent years. In the Retail industry also the prominence of chain stores, self-service and e shopping have changed the dynamics of retailing.

CONCLUSION

It can thus conclude by saying that there is subsector of the services sector which has not benefitted from the advances in information and technology. As result services sector is today is the fastest growing sector contributing to output and employment more than any other sector of the economy. The thrust of policy should be on digitalization so further growth of services sector can be facilitated.

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