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Impact of changes in Service Sector in India in shaping the future of Business & Society

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Abstract

The government agencies group industries into four industrial sectors - agriculture (including forestry, fishing, poultry, etc.), mining, manufacturing and services. It can also be classified into three sectors i.e. the primary sector (agriculture, forestry, fishing and mining), the secondary sector (manufacturing) and the tertiary sector (services).

Until recently, the service sector was not considered as important as other sectors. However, this view of the service sector changed considerably, particularly in the 1980s, when it was realised that services consist of a large and significant component of modern economies - both industrial and post- industrial.

The service sector produces “intangible” goods. Some are well known and already existing viz. government, health, education and some are quite recent viz. communications, information technology, etc. Production of services tends to require relatively less **natural capital** and more **human capital** in comparison to agricultural or industrial goods. As a result, the demand has grown for more educated workers prompting countries to invest more in education bestowing an overall benefit to their people. Another benefit of the growing service sector is that by employing fewer **natural resources**, it puts less pressure on the local, regional and global

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environment.

In the early economies, the service sector was primarily underdeveloped because governments failed to respond to the growing demand for services. However with the shift to market economies, the service sectors have grown rapidly to meet the rising needs of the emerging private sectors. Growth of services is particularly important because it allows these economies to employ a share of the educated **labour force**. So, in addition to continued public support for health and education, growth of services can help countries preserve the stock of human capital that will be crucial to their development.

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Keywords:Natural Capital, Human Capital, Natural Resources, Labour Force

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1. Introduction to Service Sector

Everything that grows also changes its structure. Similarly, a growing economy also changes the proportions and interrelations among its basic sectors— **agriculture, industry,** and **services** and between other sectors— rural and urban, public and private, domestic- and export-oriented.

The structure of an economy can be seen by comparing its share between the three main sectors—agriculture, industry, and services in the country's total output and employment. Though agriculture is a developing economy's most important sector, but as the per capita income rises, agriculture loses its prominance giving way to the rise in the industrial sector and subsequently to the service sector. These two consecutive shifts are called **industrialization** and **post industrialization** (or "deindustrialization"). All growing economies are likely to go through these stages, which can be explained by structural changes in consumer demand and in the relative labour productivity of the three main economic sectors.

2. Industrialization

With the increase in people's income, their demand for food, the main product of agriculture reaches its natural limit, and they begin to demand relatively more industrial goods. As a result industrial output takes over a larger share of GDP than agriculture and employment in industry becomes predominant.

3. Post Industrialization

As incomes continue to rise, people's need becomes less "material" and they begin to demand more services especially in health, education, entertainment, and many other areas. This makes services more expensive relative to agricultural and industrial goods, further increasing the share of services in GDP. The lower