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A Study On The Growth And Performance Of Service Sector In Kerala-With Special Refeernce To Kollam.

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Abstract

This study attempts to review, the growth and performance of service sector in Kerala. The service sector usually covers a wide range activities from the most sophisticated information technology (IT) to simple services provided by the unorganized sector like the services of the plumber, mason, barber etc. National Accounts classification of the services sector incorporates trade, hotels, and restaurants; transport, storage and communication, financing, insurance, real estate, and business services; and community, social and personal services. In World Trade Organization (WTO) and Reserve Bank of India (RBI) classification, construction is also included in services sector.

The service sector has been a major and vital force steadily driving growth in the Indian economy for more than a decade. The economy has successfully navigated the turbulent years of the recent global economic crisis because of vitality of this sector in the domestic economy and its prominent role in India's economic interactions. In a country like India, having a huge size of population, services sector has its huge potential. Development of services sector can transform this burden of large size of manpower into an asset by its proper utilizations and thereby can generate a huge size of income for the nation as a whole. The increasing literacy level, computer literates, health condition, standard of living, better infrastructural facilities which are available in our state is the ultimate outcome of the growth of service sector. So the service sector have greater importance in the modern world.

INTRODUCTION

Services sector is composed of broad spectrum of service providing entities spread throughout the country. It is the key driver of India's economic growth and it's otherwise called Tertiary sector, which is the third of the three traditional economic sectors. The other two are the primary sector which covers areas such as farming, mining and fishing and secondary sector which covers manufacturing. But in the case of service sector it provides a service not an actual product that could be held in our hand.

India's service 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. The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributing significantly to exports as well as providing large-scale employment.

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In most of the low income economies agriculture is the predominant sector. As these economies progress, the share of the industrial sector in economic activities increases. The development of industries, in turn, promotes a wide range of activities in the service sector like banking and insurance, transportation, trade, communication, etc. The service sector consists of the parts of the economic activities where people offer their knowledge and time to improve productivity, performance, potential, and sustainability, which is termed as affective labour. The basic characteristic of this sector is the production of services instead of end products. Services (also known as "intangible goods") include attention, advice, access, experience, and discussion. The production of information has long been regarded as a service, but some economists now attribute it to a fourth sector, the quaternary sector.

Importance of service sector is well recognized everywhere. Tom Peters, a renowned author once said, “When you build a manufacturing plant, it starts depreciating on the day it opens. The well served customer, on the other hand, is an appreciating asset. Every small act on his or her part ups the odds for repeat business, add-on business and priceless word-of-month referral.” Among the three important sector (viz., agriculture and allied, secondary sector and services sector), contributing to the development of the economy of a country, the contribution of services sector is increasing steadily over the past few years.

In most of the 6 developed countries of the world, the services sector is contributing the major portion of its Gross Domestic Product and generates three times more employment than manufacturing sector. In most of the developing Countries, where agriculture and industry dominated the show in generating employment till a few years ago, but things started to change in recent period. In recent years, services sector experienced a rapid shift in its favour in generating both income and employment. Thus, it has been observed that the service sector has become a major player in almost all the countries of the world. In India, the importance of services sector has been increasing continuously decade after decade. With the continuous expansion of services sector, both in terms of volume and diversity, the importance of services sector has been increasing at a high speed.

On the basis of this observed development pattern of countries some economists like Fisher (1939), Clark (1940), Rostow (1960) and Kuznets (1971) have suggested that development is a three stage process. The dominance of the service sector in the growth process is associated with the third stage of development. However, in India the acceleration in growth in recent years has been due to the dynamism of the service sector while the contribution of industry has tended to be stagnant over the last three decades. Service sector now contributes almost 59 percent to India’s GDP and has contributed to more than 60 percent of the India’s growth during the period of the last decade and half. This has led to speculation whether India would chart out a unique growth path in which the country would leap from a predominantly agriculture to a directly service dominated economy by skipping the intermediate stage of rising share of industrial sector that was experienced by all the existing industrialized countries.

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OBJECTIVES OF THE STUDY

- ❖ To understand the growth of service sector in Kerala in the post reform period.
- ❖ To examine the proportion of population employed in service sector.
- ❖ To analyze the impact of growth of service sector on households.

SIGNIFICANCE OF THE STUDY

The service sector has grown at a fast rate during recent times and accounts for more than half of the GDP. Increasingly service sector businesses focus on what is now being called the “knowledge economy”. The service sector is an important part of the economy. The sub sectors of service sector like banking , hotel , IT , media , communication , electricity ,gas, water supply , education ,social work have close influence with the day to day life of common people .The employment opportunities provided by service sector performs both economic and social impact on the population. So the developments in the service sector in the form of adoption of modernization will reduce the burden of work .These kind of changes brought by the service sector leads to the improvement of human index value .The increasing investments will ensure more employment opportunities so the problem of unemployment will comes down quickly. There will be an income effect in the society. The purchasing capacity of the individual may improve with the income effect of service sector.

METHODOLOGY

This study consists of both primary and secondary data from different sources. Primary data is collected from the 50 families in Kollam Corporation through a semi structured questionnaire. Secondary data is collected from the Department of Economics and Statistics, Kerala Economic Review of various years published by Government of Kerala, journals and various internet sites.

GROWTH AND PERFORMANCE OF SERVICE SECTOR IN KERALA

Kerala has the thirteen largest economy in India. Service industry dominates the Kerala economy. Kerala's per capita GDP in 2013-14 is Rs. 103820. Kerala's low GDP and productivity figures juxtaposed with higher development figures than in most Indian states is often dubbed the "Kerala Phenomenon" or the "Kerala Model" of development by economists, political scientists, and sociologists. This phenomenon arises mainly from Kerala's land reforms, social upliftment of entire communities and reforms introduced by the communist party which held the state for a long period of time.

Some describes Kerala's economy as a "democratic socialist welfare state". Some, such as Financial Express, use the term "Money Order Economy". Kerala's economic progress is above the

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national average, but relatively few major corporations and manufacturing plants are headquartered in Kerala. Estimates of the 2013 Tendulkar Committee Report on poverty suggest that percentages of population below poverty line in rural and urban Kerala are 9.14% and 4.97%. Kerala holds second rank in the Investment Climate Index followed by Karnataka, as per a policy research working paper by the World Bank. The state stands second due to its world-class infrastructure and well-trained human resource pool. Kerala's traditional industries include handloom, cashew, coir and handicrafts.

As of July 2016, Kerala had 29 SEZs with formal approval and 25 notified SEZs. A cyber-park, spread over a 68-acre campus, is being developed in Kozhikode. Kerala has been promoting knowledge-based industries such as IT/ITeS, computer hardware and biotechnology. It is the first state having a technology park with CMMI level 4 quality certification and a world-class IT campus in Thiruvananthapuram. The following are some of the major initiatives taken by the government to promote Kerala as an investment destination:

- The Kerala government has decided to propose the tax reduction from 14.5 per cent to 5 per cent for attracting investments across Automated Robotic Car Parking System, during 2016-17.
- As per budget 2016-17, the state government is planning to inaugurate 650 thousand square feet space in Kochi smart city, for providing employment to around 90,000 unemployed youth of Kerala.
- Under the National Mission on Food Processing (NMFP) scheme, 23 projects were sanctioned during 2015-16, by the state government. Moreover, a total of 2 projects each were sanctioned under the Mega Food Parks scheme, Food Testing Laboratory Scheme as well as Research & Development Scheme, during 2015-16.
- Under the 12th Five Year Plan from 2012 to 2017, the state Government approved an investment of US$ 364.9 million for development of port infrastructure facilities for handling cargo and passenger transport.
- The National Coir Research & Management Institute (NCRMI), a state government organization, is following up on a potential deal with Saudi Aramco for a new technology that can help cultivate crops in saline and arid conditions.
- As per Budget 2015-16, Government announced plans to invest US$ 3.3 million for the expansion of the rubber industry in Kerala. The government is also offering an exemption on taxes, which is applicable on the purchase of rubber in the state.
- The State Tourism Department is developing eco-friendly, rural tourism packages in Kumarakom, Wayanad, Kovalam and Muziris heritage circuit.

According to the review, the service sector continues to dominate the Kerala economy which is heavily depended on overseas remittance. Segments such as transport, communication, trade, hotels, banking and insurance, and real estate have performed well. In highly-literate Kerala, which is on a fast track towards urbanization, unemployment and mental illness is much above the national average. The state has undergone the highest level of urbanization in its history during 2001-2011 with a percent increase of 83.82 over the previous decade. Kerala was positioned in the 19th rank in the level of

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urbanization among Indian states as per the 2001 Census. But as per date of census 2011, Kerala was ranked 9th. Generally, increase in the rate of urban population is the result of over concentration of population in the existing cities especially in metropolitan cities. But in Kerala, the main reason for the growth of urban population is the increase in the number of urban areas and also urbanization of the peripheral areas of the existing major urban centers.

Although the state has been registering a high growth rate for quite some times now, it records the highest unemployment rate. Unemployment in Kerala is found to be over three times the all India average. In Kerala, unemployment rate is much higher among females as compared to males despite remarkable women empowerment and poverty alleviation initiatives.

IMPACT OF SERVICE SECTOR ON HOUSEHOLDS -AN ANALYSIS

In this section, an attempt is made to find out the impact of service sector on households by analyzing the number of users of internet due to the development of IT, number of users of ATM due to the development of Banking Sector and number of users of mobile phones due to the development of Telecom. Accordingly data are interpreted using adequate and appropriate variables. Economic status, education, employment category, employment classification of service sectors, number of users of Internet, ATM, and mobile phones was analyzed from the survey. Benefits enjoyed from the service sector by households are also analyzing. Here for the purpose of analysis the entire data is classified in to 3 parts-Family details, Employment and income status, Impact of service sector on households

PART A - FAMILY DETAILS

Size of the family

Number of family members	Number of Family	Percentage
3	9	17%
4	29	57%
5	6	12%
6	5	10%
7	1	2%
8	1	2%
Total	50	100

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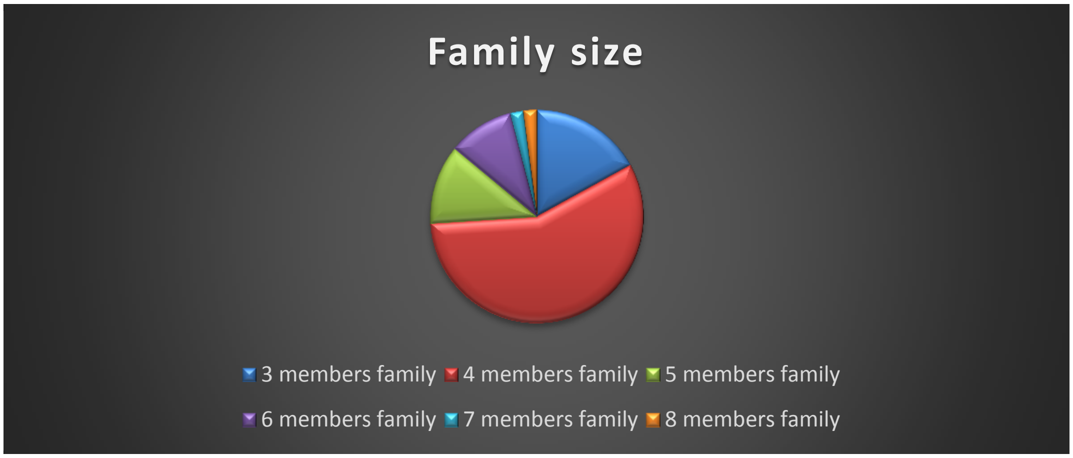
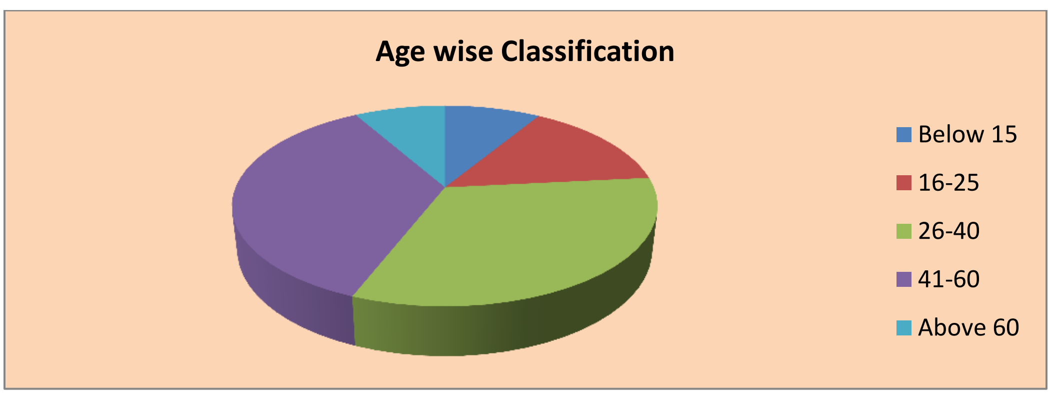


Age wise classification

Age of the member	Number of persons	Percentage
Below 15	19	9%
16-25	32	15%
26-40	71	33%
41-60	78	36%
Above 60	18	8%
Total	218	100



Gender wise classification

The following table depicts the gender of the family members .Total number of members from 50 families are 218 members

Gender	Number	Percentage
Male	101	46%
Female	117	54%

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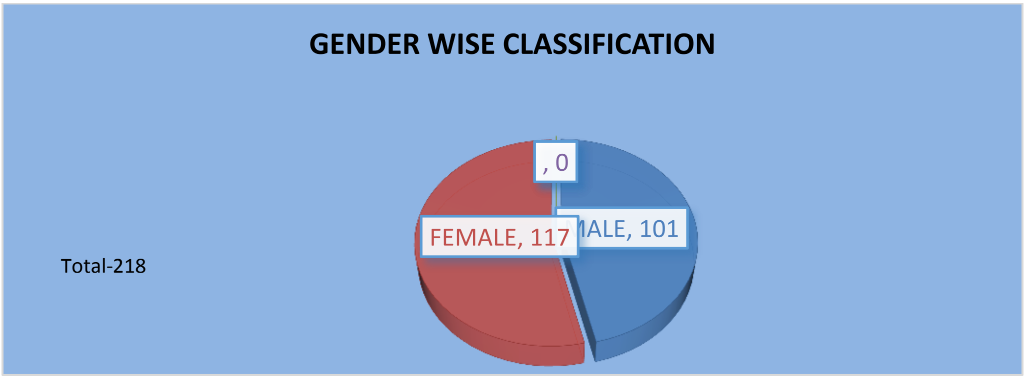
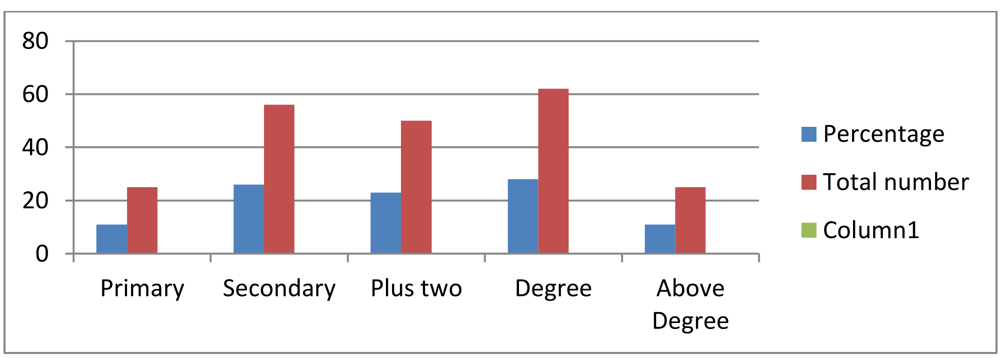
Total	218	100



Educational Qualification of family Members

Educational Qualification	Total number	Percentage
Primary	25	11%
Secondary	56	26%
Plus Two	50	23%
Degree	62	28%
Above Degree	25	11%
Total	218	100



PART B –EMPLOYMENT AND INCOME STATUS OF FAMILY

Employment status of family members

Category	Number of persons	Percentage
Employed	112	52%

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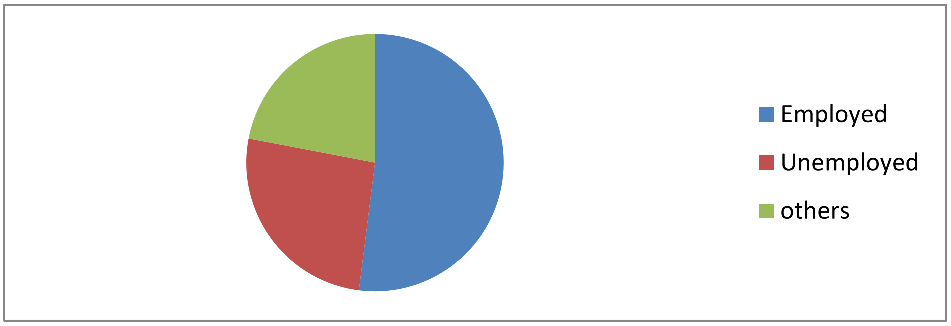
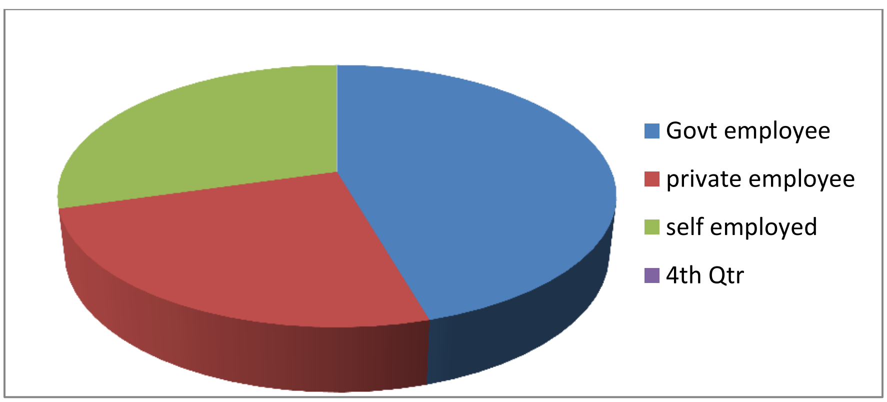
Unemployed	58	26%
Others	48	22%
Total	218	100



Type of Employment

Type of Employment	Total number	Percentage
Govt. employee	51	46%
Private firm employee	28	25%
Self employed	33	30%



Household Annual Income

Annual Income	Number of persons	Percentage
Below 1 lakh	6	12%
1-5 lakhs	34	68%
5-10 lakh	5	10%
10-20 lakh	2	4%
Above 20 lakh	3	6%

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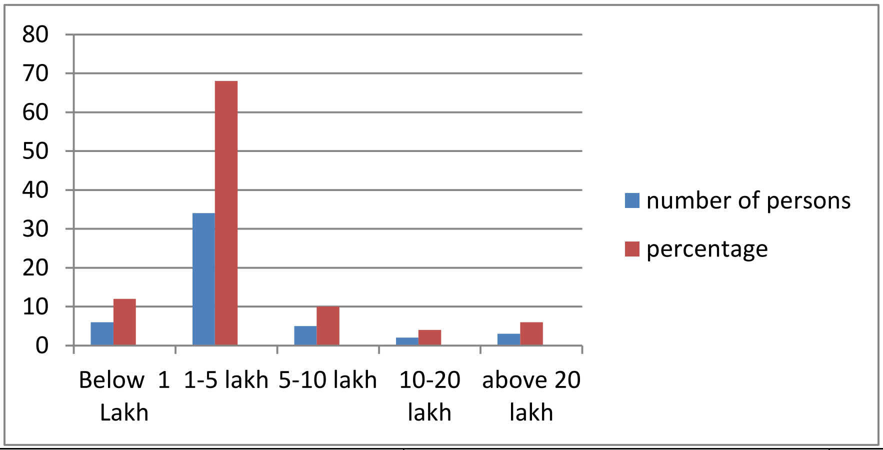
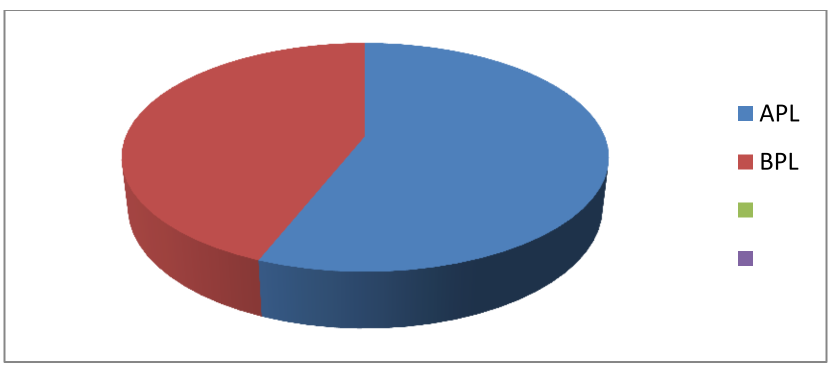
Total	50	100



Economic Status of household

Economic position	Total number	Percentage
APL	**28**	**56%**
BPL	**22**	**44%**
Total	**50**	**100**



Sectorial wise Employment

Occupational Sector	Total number	Percentage
Primary or Agriculture sector	7	6%
Secondary or Industrial Sector	21	19%
Territory or Service sector	84	75%

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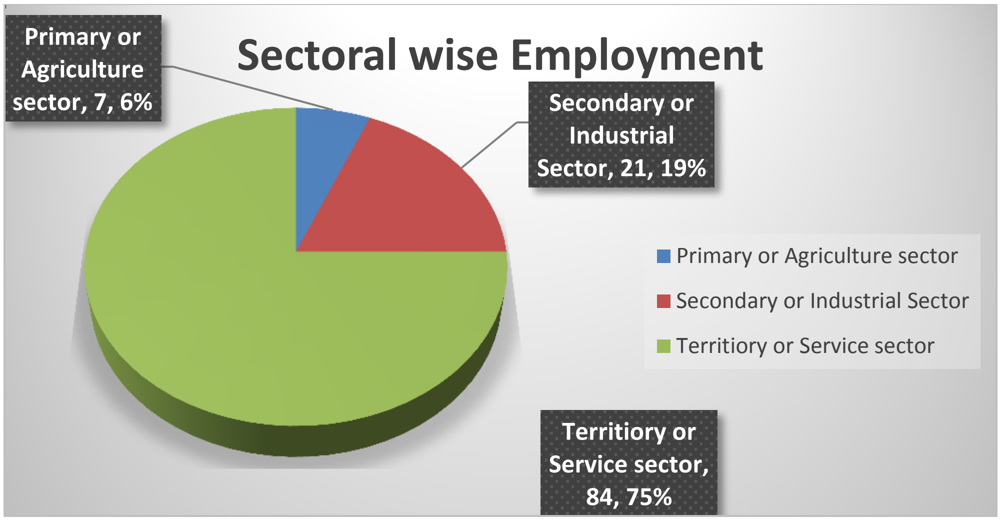
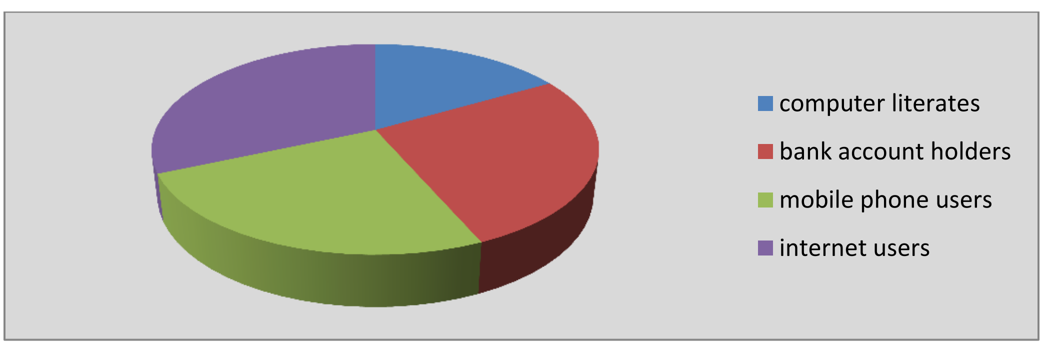


PART C –IMPACT OF SERVICE SECTOR ON HOUSEHOLDS

Impact of service sector on households

Category	Total number of users	Percentage
Number of computer literates	121	56%
Number of bank account holders	196	90%
Number of Mobile phone users	183	84%
Number of internet users	106	49%



Purpose of using Internet

Totally there are 121 computer literates and 106 persons are using internet .We know that the purpose of using internet will be vary with different persons .Mainly there are 4 purposes like online banking , entertainment, official or job purposes and academic purposes

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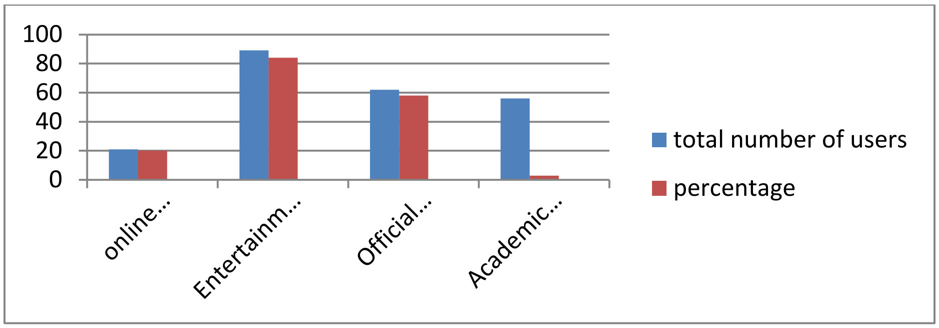
Purpose of using Internet	Total number of users	Percentage
Online banking	21	20%
Entertainment	89	84%
Official purposes	62	58%
Academic purposes	56	53%



Type of Bank Account

Type of Bank Account	Total number	Percentage
Savings account	36	18%
Current account	145	74%
Fixed deposit account	15	8%
Total	196	100

Type of Bank Transactions

Type of Bank Transactions	Total number of users	Percentage
Transactions through ATM	143	73%
Transactions through direct visit	76	39%
Transactions through other means	35	18%

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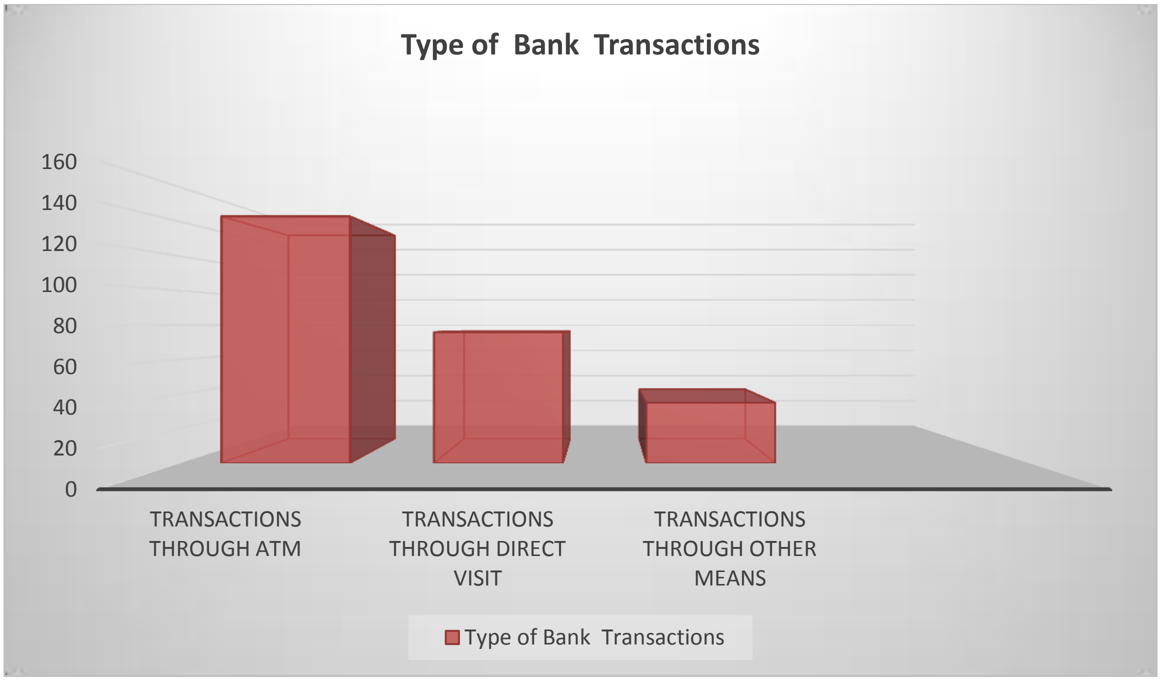

Classification of Service Sector Employment

Number	Classification of Service Sector	Total number of employees	Percentage
1	Banks	9	11%
2	Hotel	12	14%
3	Real estate	2	2%
4	Education	7	8%
5	Health	6	7%
6	Computer services	4	5%
7	Foreign workers	14	17%
8	Media & communication	4	5%
9	Electricity & Gas	3	4%
10	Construction	23	27%
	Total	84	100

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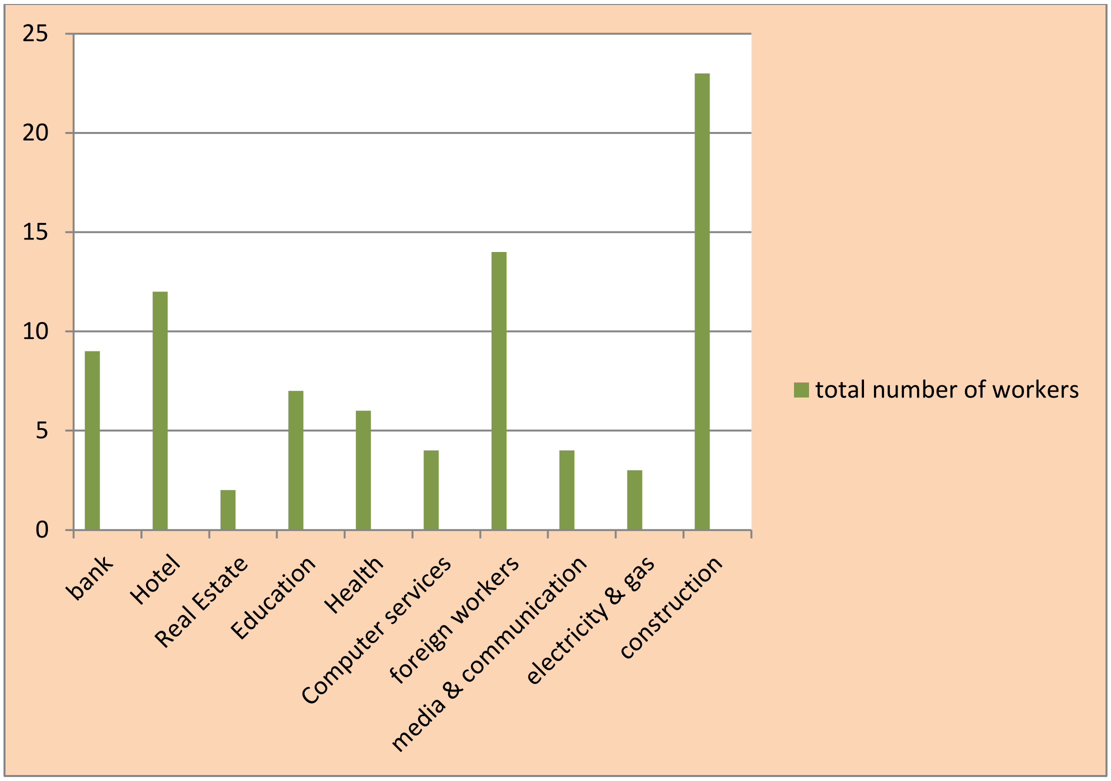

Findings

Major findings of this study are the following

1. The size of the family is different to one another .There were 3 member to 8 member family. Even though the majority of families are nuclear families in this survey there are 2 joint families .This study reveals that the 29 families are 4 number family only 2 families have 7 and 8 members. This size of the family will influence the total standard of living along with proportion of dependent population. In nuclear family there is high possibility of enjoying all facilities even though they earned limited income.
2. Age wise classification of the members will reflects the proportion of working age population. There are totally 218 members among them 78 are in between the age of 41-60. This includes the working class. The real beneficiaries of the growth of service sector is lies in this category like using bank accounts, mobile phones and internet. The second highest population is in the category of 25-40. Below 15 and above 60 age category is considered as the dependent population.
3. Gender wise Classification shows that sex ratio. Kerala have highest sex ratio compared to other states .According to 2011 census Kerala's sex ratio was 1058 females for 1000 males. Likewise here also the number of females are greater than the males.117 out of 218 are females and the rest are males.
4. According to the educational qualification of the members I found that only 25 among 218 have primary level education and the rest have more than SSLC .62 persons are graduate and 25 are post graduate. So the fact behind this result is that the education is a sub sector of service sector .The

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growth of education sector reflects in the increasing educational qualification of the people. Which shows a direct impact of the development of service sector on households.

5. Employment status of the family members shows that the 112 among 218 are employed and unemployed are 58 remaining 48 includes retired employees and students. Majority of the population are employed. Here the unemployed category includes educated or qualified persons.
6. As a result of the majority employed members, the income level of 44 families are above one lakh annually. 10 family earned more than 10 lakh in a year .They are higher income category .3 Families have above 20 lakhs per year .But majority have the income level in between 1-5 lakh. The very low number of persons having below one lakh annual income shows that only low amount of people still doesn't have progress. In the case of remaining 44 families the economic growth took place due to the growth in service sector
7. The economic status of the families can be analyzed from the APL and BPL classification .28 families out of 50 families are APL sections. 22 are BPL category .So majority of the families have higher economic status. We will reach a conclusion that the increasing number of APL category shows that their economic progress due to the development of service sector
8. Sectorial wise employment shows three sectors and the how many persons are working in each sectors. In the total 112 employees 84 persons are working in service sector, 21 in secondary sector and only 7 in primary sector. This also shows the declining trend of employment in primary sector and the increasing trend of employment in service sector

9. The employment may again classified in to government sector, private sector and self-employed. These 3 categories will comes under service sector .51 persons in this study have government job. So their income level will be higher than others
10. In this study the impact of service sector is mainly concentrated in the 3 sectors-the first one number of users of internet due to the development of IT, number of users of ATM due to the development of Banking sector, number of users of mobile phones due to the development of Telecom.106 persons among 121 computer literates are using internet.143 bank account holders are using ATM among 196 total bank account holders .183 persons are using mobile phones within 218 total members.
11. The purpose of using Internet gave the picture that 89 persons using internet for entertainment purpose which means the majority.62 persons are using for official purposes relating to their employment. 56 persons using internet for academic purpose.
12. Total bank account holders are 196.Yet the type of account they have is different .145 persons have current account, following 36 persons with savings account and15 have fixed deposits.
13. Bank account transactions can be carried out through different means like ATM, direct visit, and transactions through other means like cheque or demand draft. Highest number of people using ATM that is 143. Secondly through direct visit 76 persons.
14. From this table we can understand that the fact is total employment in service sector can again classified in to sub sectors. Mainly there are 10 sub sectors and highest number of 23 in 84 are working in construction followed by 14 as foreign workers, 12 hotel employees.

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15. In this study there are no minority communities with very low income earning capacity
16. The impact of the service sector can be traced from the majority of APL categories with more than 1 lakh annually.

Suggestions

It is revealed from the study that the service sector in Kerala have several problems. These can be solved through government policies.

- The major problem faced by service sector in Kerala is the lack of Infrastructure. By adopting public expenditure policy these can be solved.
- Expansion of Akshaya centers in order to ensure equal treatment of government programes for the public.
- Adoption of Public Private Partnership investments (PPP).
- Attracting policies of foreign investment in service sector.
- Market extension of service products from the part of government.
- Expansion activities in the field of banking, hotel, education combining with the day to day activities of the people.
- Increasing employment opportunities through investment
- Giving awareness programes relating to the modern changes in banking transactions

- Adopting better educational programes
- Giving awareness programes relating to E-banking
- Adopting better fiscal and monitory policies
- Avoiding corruption and illegal activities through strict rules
- Formation of the policy implementation team for service sector
- Creating awareness programes of latest government service sector oriented facilities through self-help groups and kudumbashrees.
- Essential steps should be taken for enlarging our foreign trade relations

Conclusion

Growth and performance of service sector in Kerala have direct impact on the households. It is act like a successful weapon in improving the economic and social well-being of the state. By adopting appropriate measures the growth and performance of service sector will improve. The proportion of population employed in service sector is comparatively higher than other sectors, so the influence on income and employment of service sector is higher. Effective use of service sector developments in day to day life bring higher standard of living along with economic progress.

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