



In the previous chapters, you read about two important productive activities – agriculture and industries in India. Service activities constitutes the other major sector. What is a service activity? What is the nature of service activities in India? How are they important for the country and what are the challenges that we face? In this chapter, we will try to answer these questions.

What is a service activity?

1. Sarojini is a doctor working in a hospital. She goes around the wards, examines patients, prescribes medicines and monitors their progress. What exactly does Dr. Sarojini produce? In terms of commodities – nothing. But in terms of services, she is helping the patients to recover and to achieve good health.
2. Soundarya sells groceries. This shop has been set up in the front portion of her house. She opens the shop after sending her children to school and manages it till late night. Her husband helps her in buying all the grocery items from wholesale shops in the town. As a trader, she is providing a service or doing the work of providing the products to the consumers.
3. Ramesh works as an accountant in a company. He has to check accounts, verify payments and receipts, and ensure that the accounts tally with the bills. Writing and maintaining accounts is a service or work that all business organisations require.
4. Sampath has a mini-van. Every morning he goes to the fish market. Many women buy fish from the fish market and use Sampath's mini-van to travel to their locality. He collects payments for transporting fish from the market to different places.

All four – Sarojini, Soundarya, Ramesh and Sampath are engaged in service activities. You will find that their activities are different from farmers, agricultural labourers or industrial workers. (Refer to Venkatapuram, Class VI or paper mill and industrial workers, Class VII).

They are not producing something tangible like paddy or cloth. They are, however, doing work that people and businesses require in the form of specialised services. Service here refers to the nature of work done. This is in contrast to or different from producing a good. 'Service' in this context of work doesn't mean something that is done free of cost or out of love and devotion. All the above mentioned people earn money through this work. This is their livelihood.

Service activities are crucial and required for agriculture and industrial activities as well. What would happen to paddy and vegetables if bullock carts, trucks and buses were not there to provide transport? How can one build buildings if there are no railways to transport cement bags from factories to sales outlets located in towns and cities? Even after these goods reach the market, there should be a group of people who buy them and either sells directly to consumers or to other producers such as rice mills, oil mills etc. This means that trading activity also constitutes a major segment of service activities.

Working people engaged in service activities do not produce a commodity, like these in agriculture or in industry. They do special kind of activities that help agriculture and industry and also provide a lot of other services that people require. Another example is the banking and finance related service activities required by people and business organisations. You had read about this in Class VIII chapter “Money and Banking”. Similarly, there are telecom, internet and all other types of communication service providers

There are eight categories of service activities given below. Some details are filled in, others have been left blank. Fill in the blank ones after discussing with your teacher.

1. **Education:** Institutions – schools, colleges, universities, technical institutions. This means people working in these institutions such as teachers, administrative staff and their activities.
2. **Health and Medical Services**
3. **Trade:** A variety of buying and selling activities, both wholesale and retail, that we see around us.
4. **Public Administration:** Public services under village and town panchayats, state and central governments come under this category. Examples: people who work in police stations, workers of various government departments such as village administrative officers, revenue inspectors, tahsildars, Collectors, those who work in all kinds of courts, assistants, clerks, accountants, typists, peons, drivers etc.
5. **Defence:** Activities and people involved in the armed forces like army, navy and air force.
6. **Financial activities:** Banks and
7. **Personal Services:** Workers who do domestic work, laundry, cleaning, provide services like dyeing, hair dressing, beauty parlours, tailoring shops, photo and video studios.

8. Activities such as : People working in entertainment and information technology industry – production of films, TV serials. Those working in media, newspapers, television channels and advertisement agencies are also included in services.

Importance of the service sector and some challenges

In developing countries like India, developmental initiatives involve setting up of many establishments. This includes expansion of infrastructure facilities and other services. Refer to the two employment charts in the previous chapter. Service activities constitute about one-fourth of all the jobs people do in India. How are service jobs expanding? One possible reason could be due to improvement in the general well being of the people. When people earn better incomes, the way they spend their income also undergoes changes. They tend to spend more on service-oriented activities such as education, entertainment, eating out and tourism. Let's examine some of the factors responsible for increase in the importance of service sector the recent year.

Changes in technology and exports of services

The continuously changing technology is one of the major driving forces in the service sector. Since the early 1990s, there has been a tremendous change in the communication technology about which you have studied in Class VIII. Business Processes Outsourcing (BPO) has brought in new kinds of employment opportunities for many young people. BPOs employ people located in India but they provide services to people located across the globe using telecommunication links. Many Information Technology companies established in metropolitan cities employ highly skilled engineers that provide specialised software services to companies all over the world. They get projects from these companies abroad.

The entertainment industry creates jobs in various print and electronic media firms, films, cable television channels etc. It is common to find internet cafes and public telephone



Fig. 8.1: Call Centre

booths in most of the cities and towns. The advertising industry has also created new job opportunities. Many new activities have emerged in banking and insurance sectors. All these are possible now due to change in technology.

Modern service industries such as IT, financial, legal and accounting services require modern technologies and skilled labour. Growth of employment opportunities in these sectors, especially for rural youth, will depend on public investment in education and rural infrastructure.

There are many 'call centers' in big cities. If a resident of London wants information about her bank deposits or her hospital records, she may get it from such a 'call center' located in India.

I am working as a specialised software engineer for the last 3 years. My company has 120 employees on its pay roll and has a sales figure of about Rs.50 crores. Four friends started this company together seven years ago. Many of our colleagues regularly go abroad for providing various support services and consultancy. I'm paid a good salary but also expected to work very long hours.

New forms of organisation : Outsourcing

Due to changes in technology and stiff competition in the industrial sector, many industries have diverted a major section of their activities to service sector. They don't engage in these activities themselves but get it done from 'outside'. For example, until a few years ago, if any company employed security staff, they used to recruit people and pay their salaries from the company's pay-roll. Now-a-days, in order to reduce the cost and avoid paying additionally for health, pension and provident fund benefits to workers, a large number of industries outsource security services to security agencies. Many manufacturing companies also outsource research and development, accounting, legal services, customer service, public relations etc.

Employment in low income service sector

Closure of many industries, particularly textiles and other industries, has forced workers of these factories to work as small vendors, watchmen and other low income service professions. This shift has created unemployment in the urban areas. People from rural areas come to work in the city but there are not enough employment opportunities in urban areas. So, they either go back to agriculture sector or land up in many unskilled low earning employment opportunities in services.

I am an autorickshaw driver. I came to Warangal more than 10 years ago. I ply the autorickshaw during the day and stay on the roadside at night. Every evening, I have to pay rent to the owner. My earnings from cycle rickshaw are not regular. On some days, I earn Rs.250 and on other days, I get hardly 100-150 rupees. These days, there's more competition and the number of cycle rickshaws in this area is increasing.



- The following table shows the number of workers (in lakhs) employed in different service activities in large enterprises in 1991 and 2010. Read the table carefully and answer the questions that follow.

Service sector activities	Government jobs		Private jobs	
	1991	2010	1991	2010
Wholesale and retail trade	1.5	1.7	3.0	5.1
Transport, storage and communications	30.3	25.3	0.5	1.7
Finance, insurance, real estate etc.	11.9	14.1	2.5	15.5
Community, social and personal services	92.3	90.5	14.9	21.4

- Which service activity gave maximum employment in 2010?
- Has the number of government jobs increased or decreased over the years? What kind of jobs has government generated the most during this period?
- What kind of jobs were people able to get in the private service activities?
- Are there any differences between jobs provided by the government and private employers? Discuss.

Stress in jobs in Information Technology

Many young people dream of becoming a software engineer these days. Although these service jobs bring a lot of income to families but at the same time, bring stress in the work place due to monotony, short deadlines, night shifts and so on. Read the following statement of an IT professional.



My lifestyle has improved due to IT. In college, I had just two trousers and two shirts. Now, I have many shirts. I buy good quality clothes and I don't have to think about how much I spend. So definitely, working in the software industry has added comfort to my life. Earlier, there were a lot of financial problems in the family— my brothers and sisters were not able to study properly due to this, and I am very

happy that I have been able to solve this problem. But it is a stressful and mechanical life; there is no social life. In my hometown, people were always there around me—neighbours and relatives. There was always someone to go and talk to but here, it's difficult to make friends.

Desired service today

In recent times, there has been some debate about expansion of service activities that we need to understand. Read the two case studies and answer the questions that follow.

Case Study 1: Foreign Direct Investment in Retail Sector

According to India's new FDI Policy of 2012, foreign companies can now set up retail shops to sell goods in India. While a few people are supporting this new policy, many others are arguing against this policy. Those who are critical about it argue that the small farmers and producers may initially find it attractive to sell their produce directly to the large foreign supermarkets but these foreign investor companies will sooner or later misuse their power to buy this produce in large quantities and compel the farmers to sell them at very low prices. About 20-40% of agricultural goods are wasted due to lack of proper storage facilities. This is not a small quantity which can be neglected when it comes to improving the living conditions of farmers. This wastage can be minimized only if the government establishes state of the art storage facilities which only MNCs have today. The idea that supermarkets will minimize the wastage of farm produce through investment in storage facilities is not persuasive on two counts: the alleged wastage of farm produce is exaggerated, and the big retailers have, in fact, not invested as much as they were expected to do in storage facilities. Moreover there will be loss of jobs in traditional, smaller retail. FDI will drive out smaller retailers, resulting in the concentration of market power in the hands of a few.

The supporters argue that there will be gainers and losers from FDI in retail, but the overall gains will outweigh the losses. Moreover, in the course of time, the losers too will benefit. They argue that large and medium sized farmers will initially benefit the most, while the small farmers or landless labourers will be the losers. However, the purchases by the big supermarkets will increase the demand for agricultural products, which in turn will increase the agricultural output ... which in turn may increase the demand for labour. This will increase agricultural wages in the long run.

You may recall what you read in class VI about how paddy wholesale traders earn their profit from farmers by lending money and taking their produce in return at lower prices than those prevailing in the markets. The foreign retailer may also enter into an interlinked contract with farmers, and at a lower interest rate than charged by the moneylenders. This too is not a desirable state of affairs for the farmer, but a lesser evil: MNCs can purchase more of the produce due to better

- What do you think? Can the government do something to address this issue?

storage facilities and this will be more beneficial to farmers than what they have to put up with moneylenders.

Case Study 2: India faces an acute shortage of skilled human resources in the health sector, says a recent report

India faces an acute shortage of over 64 lakh skilled service professionals in the health sector with Uttar Pradesh alone accounting for a shortfall of 10 lakh allied healthcare professionals, according to a study. The density of doctors in India in 2011 was six for a population of 10,000, while that of nurses and midwives was 13 per 10,000 persons. India has a doctor to population ratio of 0.5: 1000 in comparison to 0.3 in Thailand, 0.4 in Sri Lanka, 1.6 in China, 5.4 in the U.K., and 5.5 in the U.S.

There is also a gap of 20 lakh dental assistance-related technologists, 18 lakh rehabilitation-related workforce, 9 lakh miscellaneous health workers and 9 lakh surgery and anaesthesia-related professionals. There is also a shortage of around 2.4 lakh medical technologists, 2 lakh surgical and intervention technology-related health professionals, 1.3 lakh ophthalmology-related workers, 62,000 medical laboratory professionals.

The shortfall of different medical professionals has resulted in the uneven distribution of all cadres of health workers, medical and nursing colleges, nursing and ANM (Auxiliary Nurse and Midwife) schools, and allied health institutions across the States with wide disparity in the quality of education. The uneven distribution of professional colleges and schools has also led to an imbalance both in the production capacity and in the quality of education and training, leading to poor health outcomes. By empowering allied health professionals or paramedics, as they are known at present, they can be the leaders of change, playing critical role in improving the reach of health services to underserved areas.

- What is your opinion about foreign companies setting up retail shops in India? How do you think can they generate employment in India?
- Talk to some retail shop owners in your neighbourhood. Discuss their opinions on foreign retailing shops in your class.
- Prepare a table with two columns and list out the advantages and disadvantages of allowing foreign retail stores in India.
- Why is it necessary to establish more medical institutions in India?
- Who, in your opinion, should set up new medical institutions – private sector or government? Why?

To sum up, in this chapter, we have looked at the importance of service activities and how they contribute to economic development of the country. India is required to shift people from agriculture to industry and service jobs. This means the sufficient number of jobs will have to be generated. More and more factories should be established and infrastructure such as roads, hospitals, educational institutions are to be set up. We need more good quality roads and other transport facilities, storage facilities, credit facilities. Many industrial activities are now dependent on the service activities to face the competition. New economic policies in India are also giving emphasis to expansion of service activities.

Keywords

1. Call centers
2. Service activities
3. Outsourcing
4. Information Technology
5. Economic development
6. Retail trade

Improve your learning



1. What is meant by the term 'service activities' ?
2. List five service activities and give your reasons for why they can not be considered as either agricultural or industrial activities.
3. How can service activities help in the overall development of a country?
4. How are agricultural and industrial activities related to services?
5. 'The growth of service sector is sustainable and can make India a rich country'. Do you agree with this statement? Elaborate.
6. Why are service sector activities becoming important?
7. Service activities cannot expand beyond a level without agriculture and industries. Explain.
8. How can service sector reduce educated unemployment in India?
9. Is there any migration of labourers from your area? Find out the reasons for the migration.
10. Read the 9th paragraph of this chapter 'Working People engaged' and answer the following:
What are the service activities required for agriculture and industries?
11. Observe the map given on page 104. Locate the software technology parks of our country in the outline map of India.

Project

Talk to any seven working people and identify in which sector they are employed in. Write a brief note or design a poster about their work. What relationship do you see between their employment and place of residence?

Sl. No.	Name of the person	Nature of work done	Agriculture/ Industry/ Services
1			
2			
3			
4			
5			
6			
7			

Explain your reason for the classification.

