



Regional Imbalance of The Service Industry in Maharashtra

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ABSTRACT

This study paper discusses regional imbalance and policy perspectives of services sector in Maharashtra State of India. The country adopted the special program targeted to accelerate development of service activities after liberalization and privatization since year 1991. Between 2009-2010 and 2015-2016, estimates from the state sample of the National Sample Survey for Maharashtra show that the proportion of workers dependent in agriculture and allied activities declined by 16 percentage points (from 60 per cent to 44 per cent) the proportion of workers in the industry remained around 16 per cent and that in services increased from 24 per cent to 40 per cent. Assuming the continuation of a similar trend, one can say that in 2016-17 more than 50 per cent of the workers and their families depend on service industry. In Maharashtra service industry flourished full flange mainly where industrial development is good and having more population density like and adjacent districts Thane, Nasik, Pune, Satara, Sangali & Kolhapur. In rest of Maharashtra; service industry took shape only at district head quarters. However, still there is much potential to be studied and involved in dimension of ongoing reforms for regional balance.

KEYWORDS

Gross State Domestic Product, Regional Imbalance, Service Industry, Sectorial Development

1. INTRODUCTION:

Over recent decades many advanced countries have experienced continuous increase of services sector share in their economies (D'Agostino, Serafini, Warmedinger, 2006). Studies demonstrate that various factors contribute to the change of economy structure from "industry-dominated to a services-dominated employment structure". Last decades made clear growing strategies to promote and strengthen services sector in many developing economies.

Economic literature suggests different theories explaining growth of employment in service sector. According to Baumol (1967), keeping relative productivity differential between industry and service sectors determines shift of larger portion of increasing workforce to service activities. Fuchs (1980) concludes that a considerable proportion of the increase in service sector is conditioned by increase of labor market participation. The study of service sector is however still underexplored enough. "Despite the recent advances, services are still inadequately studied by researchers, underestimated by politicians and insufficiently exploited by many entrepreneurs. The traditional perception of services as unproductive still persists in the common mind of the present society" (Maroto-Sanchez, 2007, p.6).

The service sector development contributes overall economic development and sustain employment and economic growth. This sector covers broad range of services - banking, insurance, construction, telecommunications, tourism, transportation, etc. Considering this, the rapid development of the services sector of Maharashtra was determined by Government as one of the major priorities and important objectives of economic reform in recent years; the services sector was accepted as an important factor in promoting employment, income growth and the improved livelihoods of the population (IMF, 2008). A special program has been adopted for taking practical steps in this dimension, creating a number of incentives and preferences in the services sector (IMF, 2008).

The Government program was focused on creating and sustaining conditions for further intensive development of service industry, increase of this sector share in economy, employment and population income increase as well as domestic consumer market saturation with various modern quality services.

As analysis of service industry status and development in our country in comparison with the developed foreign countries shows the difference between levels of volumes of rendered services and types of services is small and trends to be developed.

2. SIGNIFICANCE OF SERVICE INDUSTRY:

This situation can be seen in growth rates of paid services being rendered to the population in the state; as Maharashtra is third-most urbanized state with urban population of 45% of whole population. As a result of consolidated measures, the service industry share in gross domestic product increased from ₹ 2,386,720 million in the year 2000 to ₹ 3,759,150 million in the year 2005 and ₹ 90,13,300 million in 2011. (Maharashtra economy soars 2005) Maharashtra had a Per Capita Income of \$ 1,660, far ahead of national average of \$ 1,219. Maharashtra's GDP Per Capita crossed the US\$ 2,000 threshold for the first time in 2011 making it one of the richest states in India.

Maharashtra is the second largest exporter of software with annual exports of ₹ 18 000 cr. and accounts for more than 30 per cent of the country's software exports, with over 1,200 software units based in the state. (www.ibef.org)

"Producing services tends to require relatively less natural capital and more human capital than producing agricultural or industrial goods. As a result demand has grown for more educated workers, prompting countries to invest more in education - an overall benefit to their people" (Soubotina, 2000). Starting advantage to promote fast development of services sector was the availability of good level of basic education and workforce. Moreover the State Government progressively has developing reforms in education sector that gave opportunity to further strengthening of structure and quality of education.

3. THE SHARE OF SERVICE SECTOR IN MAHARASHTRA GSDP:**Table 1: Growth rate of Maharashtra GSDP and All India GDP (1980-81 to 2003-04) of service Industry:**

		Annual Average			Linear Trend			Kinked Exp	
	(Row) Year Span (Column) Sector	1980-81 to 1992- 93	1993-94 to 2003- 04	1980-81 to 2003-04	1980-81 to 1992- 93	1993-94 to 2003- 04	1980-81 to 2003-04	1980-81 to 1992- 93	1993-94 to 2003-04
Maharashtra	GSDP	6.32	5.75	6.04	6.09	4.81	6.28	6.75	5.59
	Agriculture	5.15	1.56	3.43	3.53	1.26	3.63	4.48	2.39
	Industry	5.88	4.65	2.29	6.24	2.92	5.60	6.90	3.70
	Service	7.95	7.99	7.97	7.36	7.07	7.87	7.94	7.77
All India	GDP	5.23	6.19	5.69	5.23	5.82	5.55	5.31	5.91
	Agriculture	3.31	2.93	3.13	3.03	2.33	2.99	3.25	2.60
	Industry	6.21	6.36	6.28	6.34	5.74	6.13	6.38	5.78
	Service	6.45	8.07	7.22	6.50	7.81	7.02	6.48	7.80

Source: www.india start.com

Table 1 shows growth rates in Maharashtra's GSDP by service sectors with Agriculture & Industry sectors for two sub-periods, 1980-81 to 1992-93 and 1993-94 to 2003-04 along with corresponding national level growth rates. Several conclusions can be drawn from this Table about Maharashtra's overall growth process in relation to that of Indian averages:

- Aggregate income as reflected by real GSDP in Maharashtra grew at a slower rate during 1993-2003 compared to the earlier period 1980-1992. All the three methods of growth rate estimation lead to this conclusion demonstrating its robustness. Maharashtra's economy is in sharp contrast to all indications of acceleration in aggregate income at the national level.
- Like the rest of India, Maharashtra too experienced a slowdown in both agriculture and industry in the post-liberalization period. Statistical tests indicate that the slowdown in the industrial sector was significant for Maharashtra.
- While the service sector growth in the post-1992 period shows significant acceleration at the all-India level over the earlier period, it was not higher for Maharashtra by either the linear trend or the kinked exponential method, though annual averages of the growth rates do indicate a higher rate for the service sector in Maharashtra.

4. CHALLENGES OF SERVICE INDUSTRY IN MAHARASHTRA:

The activities like transport, trade and catering services are developing very fast in all regions. However, other services, important for innovative economic growth and competitiveness of state economy, also should take a dynamic path development. Rural areas stay far behind in development of service activities and this remains of the main challenges in boosting the overall service sector in the country. There are substantial differences in the level and quality of public services across regions of the state. It should be noted that the share of services provided to rural populations, despite growth, is still at a fairly low level. Therefore, one of the priority areas of the service sector growth policy is a significant improvement of service of the rural population. State Government seeks to provide favorable environment using special tax and credit incentives to entrepreneurs operating in rural areas.

Another important challenge is keeping disproportion between demand and supply in qualified and innovative workforce needed for advanced service activities like telecommunications, engineering, insurance. International development experience shows that "... service industries have fallen behind in systematically nurturing human resources for the industries (through, for instance, secondary and tertiary education) and in developing curriculums for that purpose" (METI, 2007, p.11). From this approach, the improving of links among professional and higher education, in one side, and service businesses is considerably needed.

As in many other states, in Maharashtra the service-sector comprises wide range of activities. Therefore, the strategy of accelerated development of service sector requires adequate prioritizing and targeting policy. The government should further make improvements in this area. Grouping sector branches that are most income and growth generating, that while their growth could deliver synergy effect on other growth areas of overall economy. "The results show that the contribution of communications, business services, and financial services has in fact risen to the point where it contributes more to growth of GDP than manufacturing" (Eichengreen, B., Gupta, P., 2011, p.7)

Information technologies open new opportunities for new service activities. Faster developing of communication and information services require further improving of local public management, decreasing bureaucracy and regulation costs for small and medium businesses. Undoubtedly, continuous reforms made during last two decades provided starting shift in developing service branches such as banking, insurance, tourism, IT, etc.

However, nowadays the focus should be made on finer tuning and coordination of inter-sectoral measures. Understanding linkages among different service sector segments becomes crucial for policy planning and coordination. Modern market has increased innovation factor to keep balanced growth and development for a state. Then, the education and science institutions should stimulate and get deeper involved into innovative teaching and research environment.

The challenges regarding renewal of priorities and targets in service sector of Maharashtra is as follows:

- Further improvement of legislation facilitating modern service development, competitive environment in service industry;
- Service industry development on base of new service classification worked out in accordance with international practice and service accounting methodology perfection;
- Priority development and strengthening of material technical base of service enterprises in rural area, and first of all, in the sphere of agricultural production provision, water supply, machinery parks, veterinary services, residential housing and repair, public facilities;
- Development of traditional and new prospective sectors of service industry including banking, financial, insurance, legal, consulting, leasing, etc.;
- Widening tourism, formation of tourist services network all over the state;
- Increasing competitiveness level of state enterprises services in international market and export services increase (at State and regional level);
- Training and retraining personnel for service industry (at State and regional level).

5. CONCLUSION:

Level of service industry development in the Maharashtra state is very important for increase of material and cultural level and population living standard. Service industry development will allow save material, labor and financial resources, facilitate people spare time increase, improve creative sense of their work, reduce irrational expenses during spare time, and make life more comfortable for all social population layers. For service industry of the Maharashtra under market conditions the strategic objective is a provision of stable development of this branch without decrease of level of quality of services rendered to population. Creation of new service business entities and keeping the existing ones is very important because the competitive environment will be created at the service market. To create affective market economy and well deserved inclusion in the world economy, the state needs to have large-scale service industry with developed transport, communication, trade, finance-credit and insurance sector, complex of business services, education and public health sphere meeting modern requirements in all regions.

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