

Review Article

Service Sector Growth Perspective: Recapitulations and Reflections

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Abstract

The service sector has contributed to the overall growth and the aggregate TFPG in India but such growth configurations are not independent of certain developmental and inequality implications. It may have contributed to poverty reduction but the contribution of the industrial sector to poverty reduction could have been much faster had the industrial sector witnessed a steady growth with significant possibilities for employment generation. In fact, within the service sector the bimodal distribution in terms of income/expenditure is a popularly observed phenomenon. The vast size of the informal sector with meagre incomes and a high productivity segment with a significant rise in income over time are remarkable features of the post globalisation era. Rising wage inequality and the vast size of the informal sector are inter-connected issues. Thus, the rapid spread of the services sector, emerging much before the industrialisation process could be completed, poses concerns in relation to decent livelihood creation and poverty reduction. The high productivity segment within the services sector is relatively small in terms of employment share and is not geared to the absorption of the unskilled and semi-skilled work force. While service-led-growth (and the rapid TFP growth in market services) could result in prosperity and development of one section of the society and thus, could elevate the Indian image of being stuck in a phase of stagnation or sluggish progress, the larger issues of growing inequality have indeed become persistent and the mounting concerns of deprivation relating to land, housing, education and health have turned out to be assiduous for a vast section of the population.

Keywords

Service Sector, Industry, Employment, Poverty, TFPG

1. Concerns and Debates

The vast size of the service sector in terms of value added, particularly much before the industry could acquire such a position in the developing countries context, has invited a great deal of concern over time. The developing countries have deviated significantly from the historical experience of the present day developed nations, and the fear is that the high productivity segment is not a substitute for the industrial sector particularly from the point of view of the large-scale

absorption of the unskilled and semi-skilled labour. Baumol [3] suggested that this trend could lead to economic stagnation and the same view is reiterated by Rodrik [34], expressing concern for the premature deindustrialization that has been happening in many developing countries. ‘There is a great deal of quality difference in the share of the service sector in the economic growth that is taking place in the industrially developed countries and in the industrially developing coun-

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tries. In fact, the role of the service sector in economic development has always intrigued me and I wish some younger economist could take up the subject for a detailed study' urged Rao [31]. In the backdrop of these concerns the present study proposes to review different perspectives and offer an unambiguous understanding about the service sector growth in developing countries in general and India in particular.

Bhattacharya and Mitra [5, 6] noted that any major discrepancy between the service sector growth and the growth of the commodity-producing sector may lead to an inflationary situation and/or adverse balance of payment situation, imports exceeding the exports substantially. Much of the income increase that took place in the service sector originated from the increase in the earnings of those already engaged in the high-productivity segment of the service sector rather than new employment being created in the service sector and remuneration that the new employees would have received. Further, Mitra [25] argued that the effect of service sector income per capita on poverty was much smaller than what industrial income per capita could have had. In contrast, Ravallion and Datt [32, 33] noted that the changing composition of growth in favour of the tertiary sector has been important for poverty reduction in India, as it has generated employment and simultaneously enhanced real income. The effects of the sectoral growth on poverty are strongly linked to human development, they argued. The change in poverty was seen to be influenced by the rate of service sector growth both in the rural and the urban areas. However, a major limitation associated with this argument is that the service sector is characterised by a bimodal distribution of income. There exists a segment which represents high productivity activities and another, comprising a wide spectrum of low productivity activities with no entry barriers, low wages and no scope for upward mobility. Further, the secondary employment effects of the growth in income in the high productivity tertiary sector is rather low.

If scarce resources get diverted away from activities which have the potential to reduce poverty, the pace of development gets sluggish. As Binswanger, Khandker, and Rosenzweig [7] pointed out, government expenditures are usually endogenous and they often get directed to areas or activities characterised by higher levels of productivity. In that case the offshoot in the service sector eventually leads to lesser and lesser availability of resources for the backward areas and for those activities which may have a greater impact on poverty particularly through provisioning of education and basic health services for the poor. This concern was expressed by other authors too: for example, on the one hand India is lagging behind in terms of education and on the other, there are world class universities in the country, unravelling significant dualism.

However, Thorbecke and Hong-Sang [37] argued that both agriculture and some components of the service sector are more pro-poor than the usually skill-intensive manufacturing because of which Indonesia could reduce poverty rapidly. Besides, as Panchamukhi, Nambiar & Metha, [29] empha-

sised, the government's increasing role in the context of promoting economic growth, generating employment and introducing various schemes for poverty reduction, huge expansionary measures in the areas of defence and other activities relating to public administration, the urban middle class' inclination towards wholesale trade and distribution, and more importantly, the demonstration effects which create patterns of demand quite similar to those of high-income countries need to be acknowledged to offer a justification for the rapid expansion of the service sector much before the manufacturing sector could actually attain a high level. In many countries with low per capita consumption the elasticity of service consumption with respect to income or total consumption is much higher than unity (Sabolo, [35] which rationalises further the expansion of the service sector in response to a strong demand base. Several of the subsectors falling within the domain of the service sector, such as transport, communication and banking are instrumental to the overall economic growth because of their significant contribution as suggested by Gemmel [17]. Subsectors like information technology (IT) and business process outsourcing services (BPOS) have played a remarkable role in enhancing economic growth particularly after the economic reforms were initiated, as noted in the study by World Bank [39].

2. Service Sector as an Engine of Growth

In order to assess the impact of the sectoral growth on the overall economic growth Mitra and Schmid [26] used Kaldor's framework. Like several other authors they noted that the service sector contributes to the growth of the secondary sector. The positive impact of the financial sector development on the overall the growth of the whole economy has been an empirically well-documented example. It is, therefore, expected that the service sector is complementary to the growth of the secondary sector, especially the manufacturing. Evidence is indicative of the fact that the rate of growth in agriculture, banking and other services and wholesale and retail trade stimulated the registered manufacturing growth rate. Transport related activities, banking and trading are crucial for the expansion of the manufacturing sector. Whether we measure the variables in terms of relative share or the growth rate the relationship is overwhelmingly evident. It is indeed important to note that that these services and utilities like electricity constitute significant parts of the infrastructure base, which facilitate production and growth in the manufacturing sector.

The role of economic growth in reducing poverty has been challenged extensively, e.g. the best reference is the hypothesis of immiserisation of growth (Adelmann and Morris [1], Bhagwati and Srinivasan [4, 22]). However, in spite of all these criticisms there is a broad consensus among development economists that economic growth is a necessary condition for poverty reduction. This is of course not the same as saying that it is a sufficient condition, but it is hard to find a

country that reduced poverty substantially without economic growth. Mitra and Schmid [26] showed that on average, states with higher shares of the service sector unravelled a lower incidence of poverty, which was also noted by other authors such as Bruno, Ravallion & Squire [8], Chen, Datt & Ravallion [9], Datt & Ravallion [11, 12]. However, when they controlled for the variables like the level of urbanisation, population growth and human development, the coefficient turned out to be statistically insignificant though the sign remained still positive. The relationship between human development and poverty is highly overriding which outweighs the inverse relationship between the service sector and the incidence of poverty. Also, states with higher levels of urbanisation were associated with lower incidence of poverty. The possible explanation is that the states with higher levels of urbanisation experience rapid growth of non-agricultural activities which give rise to significant agglomeration economies.

The service sector in most of the regressions, as Mitra and Schmid [26] observed, played an important role in reducing poverty. States with an increase in the share of manufacturing also correspond to higher levels of HCRs. More robust results could be noted if the dependent variable was changed from the incidence of poverty to the change in the incidence of poverty. The banking services growth rate showed an effect on the change in poverty, which was strong and negative. Banking was also seen to be instrumental in the context of the growth of other sectors. So the effect of banking on poverty can be envisaged indirectly if not directly. The beneficial effect of trade on poverty reduction was also noted evidently by Mitra and Schmid [26]¹.

These poverty regressions had some drawbacks: particularly the problem of multicollinearity seems to be present. The growth rates in various sub-sectors within the service sector are strongly correlated. The factor analysis was therefore pursued to overcome the problem of multicollinearity. Both rural and urban unemployment rates were seen to be strongly associated as they corresponded to the highest factor loadings in factor 1. Besides they were inversely associated with the growth rate in manufacturing value added, electricity, trade and other services. On the other hand in factor 2, urbanisation and the growth in value added from transport, storage and communication were seen to have a (desirable) negative effect on poverty and total fertility rate.

The signs of the development indicators were as per expectation. The signs of the factor loadings of poverty, fertility rate and unemployment were the same, and those of life expectancy and labour force participation rate entered with the opposite signs. Further it was noted that the growth rates in all the sub-sectors of the service sector had beneficial effects on the development indicators.

By and large the service sector, both in terms of its share in

the gross state domestic product and the growth rate, has been associated with reduction in poverty. The transport subsector within the service sector - particularly in terms of its percentage share - had a poverty reducing role. Banking too was seen to be associated with a decline in poverty, inter-temporarily. These activities within the service sector have a dual role in terms of augmenting the economic growth and reducing poverty, from which we may infer that the concomitant growth in employment took place.

From panel data both industry and service showed favourable impact on poverty. However, industry's impact on poverty was greater: even when the organised industry could not absorb labour on a large scale, ancillary effects could be strong enough to provide livelihood opportunities. Elasticity of poverty with respect to manufacturing income per capita vis-a-vis service income per capita, again suggests that industry-led-growth could have been more beneficial, as brought out by Mitra and Schmid [26].

On the whole, Mitra and Schmid [26] could perceive the importance of the service sector both for the educated and the uneducated job seekers at the place of destination. For the educated participants in the labour market, the service sector could offer high productivity jobs. For the unskilled and semi-skilled job seekers the service sector provides an easy entry as the barriers in terms of the requirements of financial resources or skill was rather low. As per Udall [38] the service sector was largely a manifestation of marginal and residual type activities which could absorb labour on a large scale like a sponge but with low levels of productivity. As the labour supplies exceeded the labour demand significantly and the competition among the job seekers was heavy, the wage rate persisted at a miserably low level. Mitra [24], on the other hand, noted a distribution pattern of income within the service sector which was bimodal in nature, conforming to the fact that the job seekers comprised both educated and uneducated individuals. The rising wage inequality in the Indian context can be rationalised in terms of the vast supplies of labour being absorbed in the segment comprising low productivity services while the highly skilled workers are able to target quality jobs with pay-packages comparable at the international level. The increasing wage inequality in the Indian context needs to be interpreted as proliferation of low productivity service oriented activities in the absence of industrialisation of work force.

The recent literature also suggests that the less skilled job marker aspirants are targeting the service sector as employment possibilities in the manufacturing sector have almost disappeared, specifically in the large and metropolitan cities. Several factors such as strict location regulations applicable to manufacturing enterprises, mechanisation and digitalization processes followed in the production path which tend to displace labour, and industrial stagnancy have motivated labour to seek jobs in the service sector. The urban informal sector is seen to comprise a wide spectrum of service oriented activities with a relatively small size of the unorganised manufac-

¹ The findings are cited from an earlier co-authored work of the author: Mitra and Schmid [26].

turing. Many of these activities offer meagre earnings either because the level of productivity is low or there is an excess supply of labour. However, workers prefer them because the open unemployment is not affordable for many. The entry barriers are almost absent and the operating cost is also nominal. Even for the less educated and unskilled workers opportunities within the service sector exist to help them escape high intensity of poverty; hence, the so-called marginal and residual type low productivity activities also operate as a sector of relief from the long spells of unemployment. Thus, the low productivity segment with the services sector has gained momentum though the high productivity segment is still less employment intensive.

Eichengreen and Gupta [15] noted that the positive association between the share of the service sector in the aggregate output and per capita income is striking. And this evidence comes from countries both with relatively low per capita and high per capita incomes. In the first set of countries traditional services play a significant role while in the second set of countries modern services offered the lead². Even in several countries with low per capita income the second wave, i.e., the growth of modern services has been emerging after 1990. Especially the democracies and the countries which opened up to trade, and the countries which have been close to global financial centres have witnessed significant modernisation in the service sector. In India, however, employment expansion followed more rapidly in sub-sectors where requirements in terms of educational attainments were low and the quality of jobs was low too, as suggested by Nayyar [28]. Notwithstanding a high income elasticity of demand for services, increased input usage of services by other sectors and the significant role of the supply side factors such as economic reforms and technological advances, the employment growth in the Indian service sector has been seen to be modest, as pointed out by Gordon and Gupta [21]. Despite the fact that the service sector in terms of value added has been the largest and fastest growing sector in India, employment growth in the service sector could not match up with the share of the sector in gross domestic product. Thus it has not produced a large number of jobs or quality jobs which the economy needed urgently, as pointed out by Mukherjee [27]. As Ghose [18] also subscribed, India's services sector is overdeveloped in relation to its industrial sector and the share of services in employment is exceptionally low in relation to the share in GDP. Ramaswamy and Agrawal [30] did not find any acceleration in the service-sector employment growth relative to manufacturing in the urban areas of India though the share of the young males had increased in terms of regular employment in the manufacturing and service sectors both. But the irony was that duality prevailed in the service sector in terms of informality versus formality, aggravating the phenomenon of wage inequality drastically. Real wages increased rapidly for those with more skills and several subsectors within the

service sector became relatively more skill demanding in comparison to the manufacturing.

The surge in the service sector share in value added is explained in terms of other factors too. In the case of manufacturing productivity improved with the growth of the economy, and the benefit of such productivity growth could be passed on to the users. However, in the case of the service sector such a phenomenon did not happen. For example, subsectors like education and health have been a consistent beneficiary of the price adjustment which helped the service sector's share in the total value added to increase steadily, as suggested by Datta [13, 14]. Also there are factors which compel poorer households to spend more on services: for example, as the government withdraws the provision of essential services to the poor, they are compelled to substitute private for public services, and this is often seen to be occurring at the cost of food and nutrition, as urged by Basu and Das [2].

As Talreja and Dasgupta [36] point out, with the growing importance of Information and Communication Technology (ICT) service sector is believed to have developed a growth dynamism similar to manufacturing. However, using the concept of inter-sectoral linkages and time series analysis the study reveals that services have been much less integrated in India's production structure than manufacturing. Service sector could not even generate the indirect employment spill-overs through sectoral linkages, compared with manufacturing. Final demand has encouraged the growth of the service sector, and therefore it is not strongly dependent on the rest of the economy from the point of view of production. In other words, services required as input to the growth of the other sectors have been growing slower compared to the growth of services being driven by the final demand. Though the service sector growth stimulated manufacturing growth, from the demand-side it is neither sustainable nor desirable going forward. Godar and Mitra [19] reinforced the fact that the impact of manufacturing on service sector is much more than the influence of the service sector on manufacturing. Dasgupta and Singh [10] urged that in the low- and middle-income developing countries, at the prevailing level of per capita income the income elasticity of demand for manufactures will continue to be high. Therefore, it is important for countries like India to learn to use ICT more extensively for modernizing services as well as manufacturing.

3. Productivity Growth

Since the economic reforms the service sector has been the driver of economic growth in India, the fact which is endorsed by the share of service sector in total value added increasing from 41 percent in 1990 to 53 percent in 2018. The service sector growth at 7.5 percent per annum during the period 1993-2018 has been convoyed by a heave in TFPG (total factor productivity growth) in several sub-sectors falling within the domain of the service sector and their contributions to the TFPG of the aggregate service sector, as estimated by

² The findings are cited from an earlier work of the author: Mitra [23].

Goldar, Das and Dutta [20]. Some of the sub-sectors which conformed to this pattern are transport and storage followed by financial services. A relatively high contribution was made by public administration to the aggregate TFP growth of non-market services. While analysing the factors which impacted upon the TFP growth in the service sector, the authors identified the role of manufacturing TFP to be important. Significant spillage effects seemed to have occurred from manufacturing TFP growth to the service sector. Besides, there was a spill-over from developed countries to India, which contributed to the surge in the service sector.

Decomposing the post-1980 increase in the aggregate economic growth rate into its various sources Goldar and Mitra, [19] observed that the increase in the growth rate of total input reasoned only about one-fourth of the increase in the growth rate of output of the economy. Rather total factor productivity growth (TFPG) contributed to the rest of the growth³. The aggregate TFPG's contribution to output growth was analysed further and the role played by the three major sectors were identified. The service sector TFP growth rose and it contributed significantly to the hike in the TFP growth which was witnessed at the economy-wide level in the years after 1980. In fact, the acceleration in India's economic growth after the 1980s is primarily due to the growth in the service sector TFP. Nearly 40 percentage point increase of the additional growth rate of the 2.4 per cent is attributable to faster TFPG in services. Given the fact that TFP growth in the service sector could explain a significant chunk of the growth acceleration story in India, it was thought that a detailed subsector based study of productivity performance within the service sector was imperative.

Total factor productivity indices were constructed based on the assumption of a two-input Cobb-Douglas production function in the face of constant returns to scale. This implies that the factor shares were assumed to be constant and they were equal to the coefficients of labour and capital. The authors followed the approach which was initiated by other studies. Due to unavailability of time series data on factor income shares, the Cobb-Douglas production function had to be assumed. Though the quality of labour was considered by the other studies as an input in the production function, Goldar and Mitra [19] were not able to introduce the quality aspect while estimating the TFPG. A marked increase was noted in the growth rate of TFP in the service sector and four sub-sectors within it. TFPG in the service sector rose from 1.3 per cent per annum in the years before 1980 to 3.0 per cent in the period after 1980. These figures bore similarity to the figures reported in other studies, though there were some differences in the TFP estimate for the years prior to 1980. Those minor differences were possibly because of the weights of the share of factor income. The increase of 2 percentage points per annum in the TFPG in services was primarily due to

the increase in the TFPG in the trade, hotels and restaurants, public administration and other community, social and personal services.

The CUSUM and CUSUM-squared tests were pursued to identify structural break, if any, in the TFP series corresponding to the service sector. This is done by regressing the logarithm of the TFP index on time. Around 1975 some indications of a break in the TFPG series can be identified. Around 2000 another break tends to emerge, which is possibly because of the data issue leading to incomparability: as the base year in the National Accounts Statistics shifted from 1993-94 to 1999-00, certain changes were made accordingly.

The TFPG in the service sector in different years over the period 1960-61 to 2006-07 and the aggregate GDP growth rate show a close association between the two: the correlation coefficient turned out to be around 0.51. This is in conformity with the finding (as stated earlier) that an acceleration in TFPG in the service sector is the most important factor that contributed to the quickening of the economic growth in the years after 1980 in India. Productivity increases in the service sector may have also contributed to the increase in productivity in other sectors as well. Besides, the growth in many other subsectors of the economy benefitted from the lowering of the costs of services.

Goldar, Das and Dutta [20] further showed that the service sector contributed around half of India's economic growth. During 1993-2018 the average growth rate of the Indian economy was 6.44 percent, and out of that 3.55 percent came from the service sector. Within services, the impact of market services (2.43 percentage points) was comparatively grander. TFP growth rates for individual sub-sectors within the service sector for the three sub-periods and the entire period, 1993-2018 varied widely: it ranged from 6.8 percent per annum in post and telecommunication (the highest during 1993-2002) to around -1.9 percent per annum in 'trade' (the lowest) for the period, 2008-2018. Among market services transport and storage appeared to be the maximum sponsor to aggregate TFP growth trailed by financial services during 1993-2018. On the other hand, among non-market services, public administration made a comparatively greater contribution to the collective TFP growth.

On the whole, the authors observed that service sector grew at 7.5 percent per annum over 1993-2018 and the growth rate improved over different sub-periods until 2007-08 when the financial crisis ensued. The disheartening part was that within the service sector, market services like business services, post and telecommunication, and financial services scored a much faster rate of growth than the non-market services, e.g., health and social work; education and public administration.

Wide heterogeneity in TFP across sub-sectors was observed by Goldar, Das and Dutta [20]: the growth rate differed from -2.4 percent to 6.8 percent per annum across sub-sectors. High rates of TFP growth was observed in public administration. A marked negative TFP growth was experienced by business services. Based on Domar weights transport and

³ The findings are cited from an earlier co-authored work of the author: Goldar and Mitra [19].

storage turned out to be the greatest contributor among market services and next to that was financial services. In relation to the non-market services, public administration made a comparatively greater contribution. Investment in infrastructure is considered to be one of the most crucial factors that promoted the TFP growth in both market and non-market services. On the other hand, an increase in import penetration affected adversely the TFP growth in market services. The TFP story also unfolds the effect of the demand deficiency phenomenon. On the whole, Goldar, Das and Dutta (2023) made a significant contribution to the literature on service sector growth, sub-sectoral decomposition and TFP decomposition.

4. Welfare Gains

The paper by Fan, Peter and Zilibotti [16] proposes a new methodology to structurally estimate productivity growth in sub-sectors of the service sector, overcoming the difficulties associated with measuring quality improvements. In their conceptualisation the expansion of the service sector due to income effects is seen as a consequence and also, as a cause due to productivity growth, while both income effects and productivity growth are parts of the development process. The authors noted that in the Indian context productivity growth in non-tradable consumer services which include retail trade, restaurants, residential real estate, was an important factor that resulted in structural transformation. Besides, it contributed to the rising living standards that occurred over the period, 1987-2011. The welfare gains however, favoured the high-income urban residents compared to the rural population.

Interpreting urbanisation and structural change as the drivers of transformation the authors focused on nontraded services or consumer services. Employment in such services increased dramatically in recent decades, accounting for one-third of aggregate employment in India. In an attempt to quantify the welfare effects of productivity growth the authors constructed a multi-sector spatial equilibrium model. Such models can account for the fact that people with heterogeneous income live in different regions and their consumption baskets of goods and services tend to differ significantly. The model has been estimated using both micro and macro data. It is interesting to note that the estimation retrieves (a) the spatial, (b) sectoral, and (c) time variation of productivity which is indeed consistent with the conditions of equilibrium as suggested by the theory [16].

The approach followed in the analysis is as per the development accounting literature, i.e., the productivity distribution is retrieved from the data which is conditional on a set of restrictions that the theory imposes instead of attempting to offer a theory that would identify its determinants.

The model is estimated to infer that the welfare effects can be heterogeneous. The source of heterogeneity arises from the fact that the process of structural change can be different in different localities. Though in general the living conditions

improved in India in response to economic growth, the sources of welfare gains have been different across the rural and urban areas. Poverty declined in the rural areas mainly due to agricultural productivity growth. On the other hand, in the urban areas, the availability of better and cheaper goods and the increasing supply of local services benefitted particularly the urban middle class. Thus, the welfare effects of service sector productivity growth which were unequal, could be identified by this study.

The two important building blocks in the study are as follows: (i) non-homothetic preferences, and (ii) it is assumed that agricultural and industrial goods are traded across different regions and the consumer services are available locally. Luxuries comprise service-intensive products and the urban residents are the main recipients of service-led growth and they benefitted the most from this. The assumption of non-homothetic preferences is instrumental in the context of estimation procedure. An identification problem was noted in relation to the estimation of productivity in consumer services. Employment increase in the consumer services available locally may originate from local demand which would mean that income growth may arise from other sectors along with preferences that are non-homothetic. Alternately employment increase may stem from supply forces which would mean that the productivity of the consumer services available locally are changing, i.e., implying service-led growth. It is important to identify the relative importance of demand side and supply side (i.e., productivity) forces because this has implications on the income elasticity of the demand for products which are service-intensive. On the whole, the study is innovative and covers a wide range of interesting issues, being able to address the phenomenon of exacerbating inequality at various levels.

5. Conclusion

On the whole, we are able to observe that the service sector has contributed to the overall growth and the aggregate TFPG but such growth configurations are not independent of certain developmental and inequality implications. It may have contributed to poverty reduction but the contribution of the industrial sector to poverty reduction could have been much faster had the industrial sector witnessed a steady growth with significant possibilities for employment generation. The role of service sector in reducing poverty in fact gets subdued as we consider urbanisation and human development indicators. Within the service sector as we look at the growth rates and the TFP decomposition at the sub-sectoral levels the market services emerged as prominent donors while the non-market services lagged behind. These features have serious implications in terms of rising inequality observed at the economy-wide level. The benefits of growth being concentrated in a few hands with lesser percolation effects accruing to the vast section of the society is related to the services led growth phenomenon and the TFP episode as unravelled by the sub-sectoral disintegration. In fact, within the service sector

the bimodal distribution in terms of income/expenditure is a popularly observed phenomenon. The vast size of the informal sector with meagre incomes and a high productivity segment with a significant rise in income over time are remarkable features of the post globalisation era.

Rising wage inequality and the vast size of the informal sector are inter-connected issues. The lack of industrialisation of work force has resulted in a residual absorption of labour into low productivity activities with meagre earnings, falling within the domain of the informal services sector. The high productivity segment within the services sector, on the other hand, is both capital and skill intensive. Those employed in this segment are able to enjoy the benefits of both technological advancements and human capital formation manifested in terms of higher productivity and wages. Thus, the rapid spread of the services sector, emerging much before the industrialisation process could be completed, poses concerns in relation to decent livelihood creation and poverty reduction. The high productivity segment within the services sector is relatively small in terms of employment share and is not geared to the absorption of the unskilled and semi-skilled work force.

Hence, as we visit the growth story of the Indian economy with its ramification in terms of rising inequality, we do perceive the dominant role the service sector has played over the years. While service-led-growth (and the rapid TFP growth in market services) could result in prosperity and development of one section of the society and thus, could elevate the Indian image of being stuck in a phase of stagnation or sluggish progress, the larger issues of growing inequality have indeed become persistent and the mounting concerns of deprivation relating to land, housing, education and health have turned out to be assiduous for a vast section of the population. The dualism of rapid growth and the improved living standards for some in the face of an enormously large part of the work force being trapped in low productivity activities with limited opportunities for upward mobility are hard realities.

Abbreviations

TFPG Total Factor Productivity Growth

Author Contributions

Arup Mitra is the sole author. The author read and approved the final manuscript.

Conflicts of Interest

The author declares no conflicts of interest.

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