



SERVICE SECTOR: Accelerating Growth & Creating Employment

iCSI

Empowering India for Service Industry

NEWSLETTER

BRIEF OVERVIEW

The services sector is a vital cog in the wheel of the Indian economy. The sector, accounting for 65 per cent of the gross domestic product (GDP), grew 5 per cent in the FY13.

The Indian service industry has emerged as one of the largest and fastest-growing sectors on the global landscape and hence has made substantial contribution towards global output and employment. Growing at faster pace as compared to agriculture and manufacturing sectors, Indian service segment comprises of wide range of activities, such as trading, transportation & communication, financial, real estate and business services, as well as community, social and personal services.

Key Statistics

The HSBC Market services Purchasing Managers' Index (PMI), which gauges business activity

from a survey of over 400 companies ranging from banks to hospitals, stood at 47.9 points in July 2013.

Indian service sector enjoyed foreign direct investment (FDI) inflows amounting to US\$ 547 million during April-May 2013-14, according to the recent statistics released by the Department of Industrial Policy and Promotion (DIPP).

Services Sector, including real estate and insurance, grew by 9.1 per cent in January-March quarter of 2013. The segment grew by 8.6 per cent in 2012-13. Community social and personal services expanded by 4 per cent in the fourth quarter of FY13 while they grew by 6.6 per cent in 2012-13. Trade, hotels, transport and communications segment grew at 6.2 per cent in the January-March quarter this year as against 5.1 per

cent in the same period a year ago. The sector grew at 6.4 per cent in 2012-13.

Investments/ Developments

In order to facilitate easier urgent travels to the UK, the UK Home Office has launched the same-day visa service in South India. The 'super priority' service, which has already been initiated in Delhi and Mumbai, is available to customers who apply for a six-months to a two-year multiple entry visit visa (excluding student visitors) who have previously travelled to the UK, the US, Australia, New Zealand, Canada or a Schengen country within the last five years. It is also available to visa applicants sponsored by companies which are members of the Business Express Program.

In another bid to make things easier for passengers, Indian Railway Catering and Tourism

Corporation (IRCTC) has launched a pilot project of ticket booking through non-internet based mobile phones with effect from 1st July 2013. If the pilot goes well, the new development will enable people using non-internet based mobile phones to easily access Railway ticketing services through SMS/IVRS/USSD. The facility is user-friendly, secure and also eco-friendly, as no print-out is required.

Tata Communication's 100 per cent subsidiary i.e Tata Communications Payment Solutions (TCPS) has launched India's first white label ATM (WLA) at Chandrapada, a tier-V town near Mumbai. The WLA has been branded 'Indicash' by the company. TCPS already operates about 27, 000 ATMs for 37 banks in India.

E-commerce and internet are one of the fastest growing service sub-segments in the Indian economy. Finding the Indian e-commerce space lucrative enough, Amazon, the world's largest online retail company, has entered the market with a promise of ensuring low prices for users and a better platform for sellers. India is the tenth market where Amazon has come up with a country-specific retail Web site.

While Amazon.in will introduce categories like mobile phones and cameras in its online store eventually, it has made available

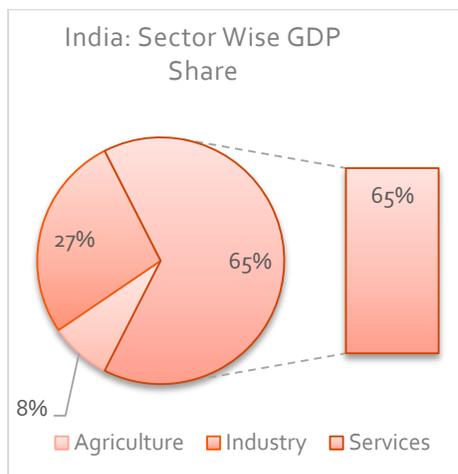
books, movies and TV shows for sale to its users.

State-Wise comparison of GDP

A comparison of the share of services in the gross state domestic product (GSDP) of different states and union territories (UTs) in 2011-12 shows that the services sector is the dominant sector in most states of India. States and UTs such as Chandigarh, Delhi, Kerala, Mizoram, West Bengal, Tamil Nadu, Maharashtra, Nagaland, and Karnataka have higher than all-India shares.

Chandigarh tops the list with a share of 85 percent followed by Delhi with 81.8 per cent. Other than Arunachal Pradesh (33.8 per cent), Chhattisgarh (36.7 per cent), and Sikkim (37.0 per cent), the share of services in the GSDP in all other states is more than 40 per cent.

Service Sector Contribution to GDP 2012-13



Major Players in India

ITDC Hotels

Income as on 31st March 2013 is 441 crore.

Thomas Cook India Private Limited

Total Revenue as per year end December 2012 is 3864 million.

Air India

The revenue of Air India is 3,332 crore in July-September 2013.

DLF Limited

Total Revenue as on 30 Sep 2013 is 19,561,000.

HDFC Bank

Net Revenues (net interest income plus other income) were at 6,098.9 crores for the quarter ended March 31, 2013.

Life Insurance Corporation of India (LIC)

Income as on 31st march 2013 is 14,624,562.

Apollo Hospitals

Income as on 31st March 2013 is 33,178 million.

Future Group

Total Revenue of 9,800 crore.

Bharti Airtel

Gross Revenue as year ended 31st March 2013 is 803,112 million.

HCL Technologies

Consolidated Revenues as on 30th Sep 2013 is US \$4.8 billion.

ZEE Entertainment Enterprises Limited

Market Capital 24,500.25 Crore.

Container Corporation of India

Market Capital of 14134.65 Crore.



Service Industry Bulletin

IT- Sector News

TCS top IT service provider in Europe, Middle East:

Global software major Tata Consulting Services (TCS) has been ranked number one IT service provider for the manufacturing

industry in Europe, Middle East and Africa (EMEA) by leading analyst firm International Data Corporation (IDC). The study we conducted revealed that TCS has demonstrated an ability to deliver a range of services to European manufacturing enterprises, as also confirmed by its key clients," IDC head for manufacturing insights Pierfrancesco Manenti said in a statement here .

Online Retail Sector News

Two dozen top executives at Myntra to be millionaires post Flipkart deal:

Nearly two dozen top executives at fashion portal Myntra are those cheering the loudest as the country's largest online retailer Flipkart completes a long awaited acquisition of their company. The buyout, the biggest ecommerce acquisition in the country so far, with Myntra being valued at \$370 million (Rs2,200 crore), will mean pay dirt for several employees who own slices of the company.

Myntra's founders Mukesh Bansal and Ashutosh Lawania, who are together estimated to own about a fifth of the company, will see their holding valued at over ₹430 crore. However, it is not just the top executives who will benefit. Almost all the 500-600 employees in core functions like technology and marketing, apart from the call center and delivery staff, have received stock options.

Telecom Sector News

TRAI seeks public views on relaxing service quality norms:

Telecom regulator TRAI has sought public opinion on relaxing fixed line and mobile phone service quality norms on issues like fault repair, false billing, response from customer care and other consumer grievances. Telecom Regulatory Authority of India (TRAI) can impose a penalty up to ₹ 10 lakh per violation if a telecom operator fails to meet quality of service (QoS) standards laid down by it for fixed lines and mobile phones.

Media/Entertainment Sector

Brazil honors 100 years of Indian cinema with a stamp:

Brazil has come out with a unique way to pay tribute to the 100 years of Indian cinema by releasing two postage stamps which are designed by an Indian graphic designer.

The stamp was released in Brasilia on May 5 to mark a nation-wide film festival dedicated to contemporary Indian cinema. The stamp has been designed by Indian Ambassador to Brazil, Ashok Tomar along with the curators and directors of the festival, Anand Jyothi and Carina Bini Palackapilly.

Banking Sector News

All new ATMs to be installed by banks from July 2014 to provide audible instructions, Braille keypads: RBI All new ATMs to be installed by commercial banks from July 2014 onwards would provide audible instructions and Braille keypads to customers, RBI said today.

The RBI's directive today came on its prior advice to banks in 2009 to make bank branches and ATMs accessible to people with disabilities and make at least one-third of the new ATMs installed as talking ATMs with Braille keypads. "It is, therefore, reiterated that banks should make all new ATMs installed from July 1, 2014.

implementing IT are able to provide better services and thereby able to improve their businesses manifold. In earlier days IT has enormously been used in manufacturing sector regarding product designing and development, product modification etc. Now-a-days the importance of IT has been strongly felt and applied in the services sector.

Application of IT in Hospitals

The hospital management is taking place with the application of IT. Starting from the reception by recording a patient's name, the IT has been used everywhere in a hospital.

Latest hardware and software can be used and the latest computer languages and packages have to be taught to the students.

Application of IT in Share Trading

Gone are the days when stock brokers use to shout at the trading hall of a stock exchange quoting their price. Now-a-days with the help of computer terminal and internet connection, purchasing and selling of share takes place everywhere. The volume of the shares traded and the turnover has got consistently improved because of the online share trading.

Application of IT in Banking

Tremendous improvement has taken place in the Indian banking



Technology & Service Industry

Information Technology (IT) revolution takes places everywhere. Organisations

Application of IT in Educational Institutions

The Government of India has come out with a statement stating that Information Technology (IT) is India's Tomorrow. Hence the educational institutions have to use IT for teaching the children.

sector because of the IT revolution. All the private and foreign banks have gone for 100 percent computerization. At a rapid fast, the government owned nationalized banks are also improving their number of computerized branches.

Application of IT in Advertising Agencies

'Creativity' is the slogan chanted in Ad Agencies. Creativity involves doing things differently. Things can be done differently with the help of IT. The Ad Agencies use lot of software for creating advertisements. Lot of animations and graphics can be done using IT tools.

Application of IT in Indian Railways

The Indian Railways has the proud of being the 'largest employer'. The application of IT, has provided various benefits for the Indian Railways and its passengers. With the issue of computerized railway tickets, the errors have been minimized. A passenger can also book the train ticket at his convenient place, as the online reservation system has been introduced.

Application of IT in other services sector

Now-a-days the reservation for film shows take place through online ticket booking. The cinema theatres in order to avoid queues and unnecessary rush follow the system of online ticket booking so that through internet anyone can book tickets at their convenient places. In order to reduce the queue, computerization takes place in petrol bunks also. The leading libraries are also computerized these days. Application of IT tools provides various benefits for the libraries

and readers. The books available in the libraries and those on circulation can easily be found. The issue and return date can easily be identified and other information related to the library can also easily be sought. IT also paves way for online shopping. Websites like Amazon.com: Online Shopping for Electronics, Apparel, Computers, Books, DVDs & more, fabmart.com etc. provide online shopping facilities.



Government Initiatives & Policies

Government Initiatives

Enterprise solutions provider SAP has launched three new applications in order to help Government bodies enhance their delivery mechanism. The three new applications -- Rakshak, TracOHealth and The 'Milk Co-operative' Experience, which have been conceived and executed by

SAP Labs India, will facilitate better responsiveness, and improved preparedness, prevention, safety and security results in real-time basis. The applications are also aimed at reducing the difference between rural and urban platforms.

The Indian Government has also taken many policy initiatives to liberalise the FDI policy for the services sector. These include

liberalising the policy on foreign investment for companies operating in the broadcasting sector, like increasing the foreign investment limit from 49 per cent to 74 per cent in teleports (setting up up-linking HUBs/teleports) and direct to home (DTH) and cable networks, and permitting foreign investment of

up to 74 per cent in mobile TV. Foreign airlines have also been permitted to make investment up to 49 per cent in scheduled and non-scheduled air transport services.

A meeting of senior cabinet ministers chaired by Prime Minister Manmohan Singh has decided to hike FDI limit in the insurance sector to 49 per cent from the existing 26 per cent. The move is expected to ripe benefits soon, in terms of more foreign investments into the country.

Foreign Investment Policy in Service Sector

India welcomes investors in IT sector. Government of India is striving to bring greater transparency in policies and procedures to provide an investor friendly platform.

Government of India facilitates Foreign Direct Investment (FDI) and investment from Non-Resident Indians (NRIs) including Overseas Corporate Bodies (OCBs), predominantly owned by them to complement and supplement domestic investment. Foreign technology induction is allowed under the automatic route from foreign/NRI investor without prior approval in most of the sectors including the services sector. encouraged both through FDI and through foreign technology collaboration agreement. Foreign Direct Investment upto 100% is



decade the sector has been pulling up the growth of Indian economy with great stability. The share of services in India's GDP at factor cost (at current prices) increased from 33.3% (1950-1951) to 68% in 2013-14. With 25.1%, trade, hotels and restaurants are the largest contributors to GDP among the various sub sectors. This I followed by financing, insurance, real estate and business services with 19 % share. Community, social, and personal services with 17 % share stand in the third place. This is followed by social communication and personal services at third place with 14.3% share.

A comparison of the services performance of the top 15 countries for the 11 year period from 2001 to 2011 shows that the increase in share of services in GDP is the highest for India with 8.1 percentage points. Among the top 15 countries with highest overall GDP in 2011, India ranks 9th and 10th in overall GDP and services GDP respectively. China's highest services compound annual growth rate (CAGR) of 11.1 per cent was accompanied by marginal change

in its share of services for this period, India's very high CAGR (9.2 per cent) which was second highest was also accompanied by the highest change in its share. This is also a reflection of the domination of the industrial sector along with services in China in its growth, while India's growth has been powered mainly by the services sector.

International Trade in Services

Global trade in services has more or less mirrored the trend in merchandise trade, and, by corollary, international demand. World exports of services have shown consistent rise in the 2000s decade with a healthy average annual growth of around 9.5 per cent, except in 2001 and 2009— periods of global slowdown and economic crisis. After having increased by 13 per cent in 2008 (as per WTO data), world exports of services fell sharply with negative growth of 12 per cent in 2009, only to bounce back in 2010 with 9 per cent growth. In 2010 the value of services exports was US\$3,695 billion, slightly below

The Booming Service Sector: Indian Perspective

India's services sector has emerged as a prominent sector in terms of its contribution to national and state incomes, trade flows, FDI inflows and employment. For more than a

the 2008 pre-crisis peak of US\$3,842 billion and in 2012 it has increased to US\$4,425.8 billion. While world trade in services is dominated by the developed countries, emerging economies like China and India are now playing an increasing role. India is the most dynamic exporter of services and ranked seventh in the world in both exports and imports of services in 2010.



Service Industry:

A Career Prospect

Countries by tertiary output at PPP in 2014 (Billions in USD)

United States	13,918
European Union	12,211
China	6,581
India	3,586
Japan	3,539
Germany	2,303
United Kingdom	1,970
France	1,855
Brazil	1,706
Russia	1,533
Italy	1,358
Mexico	1,152
Canada	1,108
South Korea	1,021
Spain	1,009
Turkey	778
Australia	715
Taiwan	668
Indonesia	541
Poland	536

The Indian service industry has emerged as one of the largest and fastest-growing sectors on the global landscape and hence has made substantial contribution towards global output and employment. Growing at faster pace as compared to agriculture and manufacturing sectors, Indian service segment comprises of wide range of activities, such as trading, transportation and communication, financial, real estate and business services, as well as community, social and personal services.

'Services' represent a heterogeneous group of activities and has now become a prominent sector in the economies of most developed and developing countries, in terms of its contribution to national income, trade flows and foreign direct investment. The case of India is also not very different, although the recent euphoria is created by increasing tradability caused by

the changing nature of services, invention of technology, and opportunities opened by General Agreement on Trade in Services. The service sector in India is characterized by the asymmetrical relationship between income and employment generation. The increasing share of services in GDP and stagnant employment generated (24%) from the sector can have grave implications for the country where unemployment continues to be a major problem. The reasons for the asymmetrical relationship in income and employment generation, is embedded in the pattern of service sector growth experienced in the country.

The observed dominance of services ahead of industry with the decline of agriculture has given rise to apprehension as to whether the sequence of the growth process would be reversed in the future particularly when the industry is yet to achieve adequate growth. Such apprehension seems to have gained a ground in the absence of pervasiveness of services in the country's employment. Moreover in a three-sector economy consisting of

agriculture, services and industry, demand for services is a function of the outputs generated by producing sectors of agriculture and industry. So, without the growth of agriculture and industry, this sector alone cannot sustain its growth for the long run due to the high backward and forward linkages of agricultural and industrial sector. The gap between income of agriculture and services will also keep on increasing unless growth is accompanied by an increase in employment share of services. The fast-growing sub-sectors, such as, IT have already revealed differentials in earnings, with a few jobs in high-tech activities with very high salaries and benefits, on the one hand, a large mass of low earning jobs in the informal sector on the other. This pattern is attributed to the poor performance of the industrial sector Further, it is found that growth pattern in the service sector has not been uniform across all services in India. Some services have grown fast in terms of their share in GDP and also in terms of their share in trade and FDI (e.g., software and telecommunications services)

Depending on one's qualification one can find jobs in various subsectors of service industry like in hospitality sector as Management Trainee, Customer Relations Executive, Marketing / Sales Executive, Kitchen Management / House Keeping Management, Catering Officer or Chefs in Hotels, Flight Kitchens,

Cruises, Fast Food Chains and allied industry. You can also find jobs as cabin crew in National and International Airlines, as Executives in Tourism Development Corporations and Resort properties or as faculty in Hotel Management Institutes or Food Craft institutes. Moreover the option of being a self-employed entrepreneur also remains open.

Job Prospects

Lots of lucrative and interesting openings are there for hotel management graduates in various fields like:

- Hotel & Restaurant management
- Airline Catering and Cabin Services
- Club management
- Cruise Ship Hotel Management
- Hospital administration and catering
- Hotel and Tourism Associations
- Forest Lodges
- Guest Houses
- Institutional Management (supervising canteens in college, schools, in factories, company guest houses etc.)

- Catering departments of railways, banks, armed forces, shipping companies etc.
- Hotel and catering institutes
- Self-employment

Industry Employment Trends

Industry	Job Postings
Retail	402,356
Construction	144,243
Education	185,377
Financial Services and Banking	228,336
Healthcare	639,970
Hospitality	229,923
Transportation	209,245
Information Technology	296,029
Manufacturing	141,091
Media	49,937
Real Estate	31,831



Service Industry:

The Road Ahead

Service Sector is the lifeline for the social economic growth of a country. India is one of the fast growing economies in the World. According to the International Monetary Fund (IMF), in 2010, India's gross domestic product (GDP) grew at 10.6% compared to 10.4% for China, an average growth rate of 9.7% in developing countries within Asia and 7.5% average growth rate in emerging and developing economies. Although growth rate slowdown substantially in 2011 to 7.2%, it was still higher than the average growth rate of emerging economies (6.2%). Services sector has been a major contributor to India's GDP and growth (Bhattacharya and Mitra 1990. India's trade in services have increased overtime and services accounts for the largest share in India's foreign direct investment (FDI) inflows and outflows.

In alignment with the global trends, Indian service sector has witnessed a major boom and is one of the major contributors to both employment and national income in recent times. The activities under the preview of the service sector are quite diverse. Trading, transportation and communication, financial, real estate and business services, community, social and personal

services come within the scope of the service industry.

Today the IT industry and ITE'S industry are the dominant industry in the service sector. Being knowledge based industry; India has been able to leverage the global markets, because of the huge pool of engineering talent available and the proficiency in English language among the middle class.

McKinsey & Company (2007) forecast that if the Indian economy grows at the rate of 7.3% between 2005 and 2025, then by 2025, 583 million Indians will be in the middle class, which is equivalent to the current population of Australia. The share of middle class in the total population will increase from around 5% in 2005 to 41% in 2025. They will account for 59% of the country's total consumption by 2025. With increase in income, there has also been an increase in the literacy rate, which is expected to increase further. Moreover, India has one of the youngest populations in the world - with 54% of Indians below 25 years of age. All this is leading to a change in the consumption pattern with an increase in demand for discretionary services like education, private health, personal care and hotels and restaurants. The Indian market is large and unsaturated and majority of services has been opened up for foreign investment. India wants to develop as a

knowledge-based hub and the government is promoting exports of services. All these factors will drive the future growth of services in India.

Indian government projection show that services sector will continue to grow at a fast pace. The Planning Commission estimates that the economy will grow at 9.5% in the 12th Five Year Plan (2012-2017). The services sector is projected to grow at the rate of 10% during 2012-2017.

Certain services like trade, hotels and restaurants and transport, storage and communications and financing, insurance, real estate are expected to grow faster than overall services growth while others like community social and person services may grow at a slower pace.

Future of Services Sub Sector

The services industry comprises of various industry sub-segments which are poised to mark immense growth in the years to come. Industry body CII projects the growth rate for Indian insurance industry in 2013-14 at around 5 per cent. It also projects that 60 per cent of non-life insurance companies would record an average growth of more than 10 per cent. Increasing the FDI limit from 26 per cent to 49 per cent in the sector is being viewed as a major factor to push the insurance density in India. Also, Life Insurance Council, the industry body of life insurers in India, projects a compound annual

growth rate (CAGR) of 12–15 per cent over the next few years for the segment, with India’s insurable population projected to touch 750 million by FY 2020.

Furthermore, Indian banking system has majorly underwent revamp and modernization over a last few years. The new infrastructure adopted by the banking system is mainly comprised of information technology (IT) products and services.

The country’s banking industry would be the World’s third largest in asset size by 2025, as per a report by the Boston Consulting

Group (BCG) India, prepared in collaboration with a leading industry organization and Indian Banks Associations (IBA).

Indian banking and securities companies will spend around US\$ 422 billion on IT products and services in 2013. That will imply a 13 per cent rise from ₹37,300 crore (US\$ 5.72 billion) spent in 2012. IT services is the largest overall spending category at ₹13,200 crore (US\$ 2.02 billion) in 2013. This ensures that IT service providers lay a strong focus on the financial services sector, according to a study by research and analyst firm Gartner.

India is today one of the leading destinations for high-end diagnostic services, with significant capital investment for advanced diagnostic facilities. Also, modern Indian medical service consumers are more conscious with regard to their healthcare upkeep. “India is not just a great emerging power, in medicine it is a well-established leader, and we have a lot to learn from this success,” according to Mr. Alexander Kadakin, Russian Ambassador to India.

