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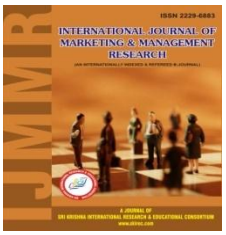

SERVICE SECTOR – A PILLAR OF INDIAN ECONOMY

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ABSTRACT

India's growth performance over the past decade has been the strength of its services sector. The emergence of services as the most dynamic sector of the Indian economy has in many ways been a revolution. This paper considers the recent growth of India's services sector. The high growth of services output in the 1990s was mostly due to the rapid expansion of communication, banking, business services (including the IT sector) and community services. While factors such as a high income elasticity of demand for services, increasing input usage of services by other sectors, and rising exports, were important in boosting services growth in the 1990s, supply side factors including reforms and technological advances also played significant roles. Going forward, the growth potential of Indian services exports is well known, but the paper also finds considerable scope for growth in the Indian service economy provided that deregulation continues. In addition, the paper shows that service sectors contribution to GDP growth in India and problems of service sector in India.

KEYWORDS: *Indian Economy, Gross Domestic Product, Services and Service Sector.*