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Let noble thoughts come to us from every side
Rig Veda

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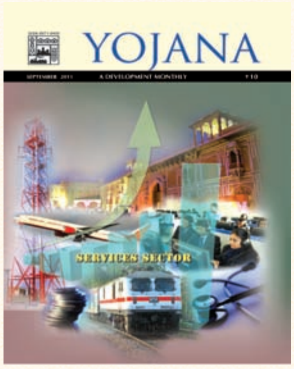
About the Issue



Services sector is the lifeline for the socio-economic growth of a country. It is today the largest and fastest growing sector globally contributing more to the global output and employing more people than any other sector. The real reason behind the growth of the services sector is due to the increase in urbanization, privatization and more demand for intermediate and final consumer services. Availability of quality services is vital for the well being of the economy.

In alignment with global trends, the Indian services sector has witnessed a major boom and is one of the major contributors to both employment and national income in recent times. Services sector in India today accounts for more than half of India's GDP. Services or the tertiary sector covers a wide gamut of activities like trading, transportation and communication, financial services, real estate, tourism, software industry, social and personal services etc. One of the key service industry in India would be health and education. They are vital to the country's economic stability. A robust healthcare system will help create a strong and diligent human capital who in turn can contribute productively to the nation's growth.

There has been a marked acceleration in services sector growth, especially in the post liberalization period. The contribution of this sector has been manifold. According to the Economic Survey 2010-11, services sector accounted for a 55.2 percent share in the GDP, growing by 10 percent annually, contributing to about a quarter of total employment, a high share in foreign direct investment inflows and over one-third of total exports, and recording a very fast export growth of 27.4 percent through the first half of 2010-11.

The ratcheting of the overall growth rate (compound annual growth rate ([CAGR]) of the Indian economy from 5.7 percent in the 1990s to 8.6 percent during 2004-05 to 2009-10 was to a large measure due to the acceleration of CAGR in the services sector from 7.5 percent in the 1990s to 10.3 per cent in 2004-05 to 2009-10. Services sector growth was faster than the 6.6 percent for the combined agriculture and industry sectors annual output growth during the same period. Although the primary sector viz. agriculture is the dominant employer followed by the services sector, the share of services has been increasing over the years while that of primary sector has been decreasing. During the period 1951-2009, while the average growth in GDP and services sector has been a little over two times, both agriculture and industry grew less than two-fold. Services sector growth has been around 10 percent since 2005-06. This is in contrast to the overall GDP growth which fell to 6.8 percent in 2008-09 from 9.3 percent in 2007-08. It can be said that the resilience of the services sector has contributed to the resilience of the Indian economy.

In the current issue of Yojana, we bring to you articles touching upon various aspects of this vast sector, the challenges ahead and the strategies that need to be adopted for further strengthening the sector to help achieve more inclusive and balanced growth. ❑

Services Sector and its Contribution to the Indian Economy

G Srinivasan

It is sobering to note that the services revolution in the country appears to be becoming more broad-based rather than being concentrated in only a few States

THE COUNTRY'S high growth path in the post-reform period since 1991 is mostly paved with the spectacular and consistently robust growth of its tertiary sector, i.e., services sector. This is particularly so as both the primary (agriculture) and the secondary (manufacturing) sectors' growth remained substantially subdued. That the services sector has emerged as an indisputably important component of the country's overall gross domestic product (GDP) is a testimony and recognition so much so that the Pre-Budget Economic Survey of the Ministry of Finance did set apart a separate chapter to chronicle the developments in this crucial sector for the first time. Rightly did the Survey contend that "having a separate chapter on services will be a catalyst for better and more regular data on this sector".

Be that as it may, it would be important to recount the role and share of this sector in the country's growth story. The share of services in India's GDP at factor cost (at current prices) rose rapidly from 30.5 percent in 1950-51 to 55.2 percent in 2009-10. If construction segment is also included, then the share increases to a lion's share of 63.4 percent in 2009-10. A caveat is in order here because RBI and international institutions like WTO included construction industry under services, although from a national accounts classification it is part of the secondary rather than the tertiary sector.

Central Statistical Organization (CSO) classification of the services

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sector consist of four broad categories viz., (i) trade, hotels and restaurants; (ii) transport, storage and communication; (iii) financing, insurance, real estate and business services and (iv) community, social and personal services. Among these, financial, insurance, real estate and business services and trade, hotels and restaurants remain by far the largest groups accounting for 16.7 percent and 16.3 percent respectively of the national GDP in 2009-10. The community, social and personal services category accounts for a 14.4 percent share, while transport, storage and communications accounts for a 7.8 percent share. Construction industry, which is a borderline services category, has a share of 8.2 percent.

It is being pointed out in official reports that the ratcheting up of the country's overall growth rate (compound annual growth rate-CAGR) from 5.7 percent in the 1990s to 8.6 percent during the period 2004-05 to 2009-10 was to a large extent due to the acceleration of the growth rate in the services sector from 7.5 percent in the 1990s to 10.3 percent in 2004-05 to 2009-10. The services sector growth was markedly faster than the 6.6 percent for the combined agriculture and industry sectors annual output growth during the same period. In 2009-10, services growth was 10.1 percent and in 2010-11 it was 9.6 percent (advance estimates). WTO's latest statistics show that services continued to be the most dynamic sector in India in recent years, expanding at an average annual rate of around or over 10 percent, thus exceeding GDP growth and exhibiting resilience to the negative repercussions and ramifications of the global crisis since 2008.

According to WTO, India is a net exporter of services. The services trade surplus as a percentage of GDP rose from $29.5 billion or 3.1 percent in 2006-07 to $54 billion or 4.7 percent in 2998-09 as software and information technology (IT) exports, as well as transportation, travel and business services grew considerably. After peaking in 2008-09, however, services exports from India declined, as were strongly buffeted by the global financial meltdown, while imports of services continued to rise. This led to a substantial reduction in the surplus to $35.7 billion or 2.8 percent of GDP in 2009-10. WTO reckons that the surplus for 2010-11 is also likely to be significantly lower than in 2008-09 with most affected by the global crisis being business services and communications, while exports of India's software services continued to grow. The Survey report contends that India with a services sector share of 52 percent in national GDP in 2009 and 55.2 percent in 2009-10 compares favourably even with the advanced nations in the top dozen countries with the highest overall GDP. China's share of services in its national GDP at 39.2 percent is relatively low, though it is ahead of India in absolute terms (as its overall GDP is more than three times that of India). In terms of services growth rate, China (10.5 percent) followed by India (8.9 percent) remain the two fastest growing economies in the top 12 countries. Interestingly when most of the top 12 countries logged negative growth in services in the global financial tsunami, only China (9.4 percent), India (6.8 percent) and Brazil (2.6 percent) recorded positive growth, attesting to the ascendancy and inherent resilience of this robust services sector in the scheme of things.

Official reports continue to state in no unmistakable terms that India is moving towards a services-led export growth even as the export-led growth era in the manufacturing sector for goods appears uncertain in recent years in the face of global slowdown and rising protectionist sentiments among India's traditional and non-traditional trading partners. The Survey report citing balance of payments data show that during 2004-05 to 2008-09, merchandise (goods) and services exports grew by 22.2 percent and 25.3 percent respectively. Services growth slowed in 2009-10 as a result of the global recession, but the decline was less pronounced than the slowdown in merchandise export growth and has recovered rapidly in the first half of 2010-11 with a growth of 27.4 percent. Some services contributed to this improved show. Software is one sector in which the country has compassed a remarkable global brand identity. Tourism and travel-related services and transport services are also major items in India's services. The potential and growing services include many professional services, infrastructure-related services and financial services.

Official reports that refer to the services sector rightly laid the stress on the vast and untapped potential of the tertiary sector, given the myriad activities in services. Hence underpinning this sector underscores the need for careful and differentiated strategies to the variegated components of the services sector as each segment has its own strengths to build on and weaknesses to overcome. Undoubtedly there is unanimity of view on the need for retaining the country's competitiveness in those services sectors where it has already distinguished such as information-technology and information technology enabled services (ITeS) and telecommunications. The next task is to make foray into some traditional realms such as tourism and shipping where other nations have already established themselves. But here more homework and ground work ought to be done in the form of fostering an enabling milieu for attracting tourists and providing facilities in the country's major and minor ports to accommodate sea-faring business on a seamless fashion.

The Survey report aptly identified the third task as that of making serious inroads into globally traded services in still nascent but niche areas for India such as financial services, health care, education, accountancy, legal and other business services where the country possesses a huge domestic market but has also displayed signs of making a dent in the global market. But this requires reciprocal movements on the part of India in opening up its own market, liberalizing Foreign Direct Investment (FDI) not only to improve the infrastructure but also to absorb the best practices universes that are so universally acclaimed. It is a sensitive domestic issue as most of the political parties do not see eye to eye on liberalization of services trade with the domestic stakeholders expressing unrelenting reservations over the entry of foreign service providers upsetting their domestic applecart and filching business from them. In order to overcome such apprehensions, the onus is on the authorities to set up strong institutional bodies in the form of regulatory agencies to take care of both domestic and international interests in case when market-distorting moves are made by either party.

It is also a small consolation that most of the States in India too are showing up higher share of services in the gross state domestic product (GSDP). States such as Delhi, Chandigarh, Kerala, Maharashtra, Bihar, Tamil Nadu and West Bengal have shares equal to or above all-India share of services in the GDP. The Survey report recounts how even small States such as Chhattisgarh and Rajasthan which have relatively low overall growth rates have begun piggy-backing on the sound performance of their services sectors to climb up the ladder of progress to catch up with the rest of India. It is sobering to note that the services revolution in the country appears to be becoming more broad-based rather than being concentrated in only a few States. If this trend gets pan-India and if all the major political parties sink their short-term gains to score political points, the services sector's unobtrusive revolution to change the profile of the Indian economy and to push it into higher growth trajectory would become a reality devoutly to be relished. ❑

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Foreign Direct Investment in the Services Sector

Anjan Roy

Attracting FDI and forging more effective international linkages are the key to this objective. If there are policy obstacles, efforts should be made to overcome these in other ways

THE IMPORTANCE of the services sector in India's economy does not need highlighting. The services sector accounts for over 55 percent of India's Gross Domestic Product. It growing by 10 percent annually, contributes about a quarter of total employment and over one-third of total exports and then is growing at a fast clip.

What, however, should be emphasised is how do we sustain high growth of the services economy. This is because, the continued growth of the services sector is predicated on certain reforms and these, unfortunately, have all run into controversies, political difficulties and look increasingly uncertain. No wonder, Prof Kaushik Basu, Chief Economic Advisor, has emphasised: "To tap the full potential of the services sector, policy reforms are needed". Among the various policy reforms, the single one that can contribute most to the further growth and maturing of India's services sector is making it easier for foreign direct investment in services. However, the issue has become intensely contested. Let us look a little into the details.

So far, the FDI window into services has been opened only slightly. Many areas of the services sector are altogether out of bounds for the foreign direct investor. But, despite severe restrictions, the services sector has attracted no less than 44 percent of the total FDI equity flows between April 2000 and December, 2010 in only four sectors, namely, financial and non-financial services, computer hardware and software, telecommunications and housing and real estate. If the construction sector is included, then the share of the services sector in the total equity flows will jump to 51 percent. Of these sectors, financial and non-financial companies have attracted the largest FDI equity flow

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with a share of 21percent. Larger FDI flows can radically improve some of India's critical services sectors and help overcoming the challenges that are before India's services economy today. The *Economic Survey* of 2010-11 has very clearly pointed out the challenges that are facing the services economy.

Three challenges

The first, and the biggest challenge, is to retain India's competitiveness in those sectors where it has already made a mark such as IT and ITeS and Telecommunications. The second challenge lies in making inroads in traditional services, such as, tourism and shipping where other countries have already established themselves. The third is to make India's presence felt in globally traded services in niche areas, such as, financial services, healthcare, education, accountancy and other business services. It should be noticed that greater integration with large global players through investment and international relationship building could help in overcoming these challenges and making India a services superpower. Indeed, the opportunities in this fast growing employment oriented sector are striking. But allowing greater FDI into these activities is fraught with policy restrictions.

In a paper published last year, Dr H A C Prasad and R Satish of Union Finance Ministry have listed domestic policy issues relating to foreign direct investment as a top priority. They have listed opening up retail trade to foreign direct investment, raising FDI cap in insurance and banking sector, FDI in railways as illustrative of policy amendments needed for attracting greater flow of FDI funds.

In case of retail trade, FDI is prohibited excepting in single brand retailing subject to a 51 percent cap. FDI in cash and carry wholesale trading is however permitted. During the period, April 2006 to March 2010, FDI inflows into retail amounted to just about 195 million dollars accounting for 0.21 percent of total FDI flows during the period. FDI in retail is permitted in Brazil, Indonesia, Argentina, Singapore, China and Thailand without any limit on equity participation. Permitting FDI in retail in a phased manner beginning with the metros and incentivising existing retailer to modernise could help the interests of consumers as well as farmers. FDI in retail can bring in latest technology and supply chain management into the country.

Allowing foreign retail brands into the country can be an astute move. Foreign investment in retail has been opposed by major political parties including the BJP on grounds that the move could result in widespread closure of small time shops. However, the fears are somewhat misplaced.

Indeed, entry of large organised retail chains could benefit the small time farmer to the unemployed youth in cities and towns. The government is reportedly working out a set of rules for operation of foreign retail chains. These will understandably include requirement of local procurement. According to some reports, the foreign retailers will be obliged to procure at least 30 percent of their wares locally. Professor Basu, Chief Economic Advisor has pointed out that procurement by large retail chains could in fact help export from the small scale sector. Besides, the large retailers could as well help in stabilising prices by going directly to the farmers for purchase of food, vegetables and other eatables, thereby cutting out tiers of middlemen. It is well known how the traders had jacked up the prices of onion during a temporary shortage of onions in the North Indian markets.

Equally controversial has been the proposal for raising FDI cap in the insurance sector from the current 26 percent to 49 percent. A bill allowing the limit on FDI equity is pending before Parliament since December 2008. It allows hike in equity stake and permits re-insurers to start business in the country. However, due to political opposition, the bill so far could not be passed. Hence, in view of the practical difficulty in raising the limit of FDI in the insurance sector as a whole, at least some sectors would be opened up like health insurance. This will enable India to export super speciality hospital services and promote health tourism into the country. Withdrawal of FDI restrictions on foreign re-insurance companies and allowing them to set up representative offices in India on reciprocal basis to operate through a network of branches and divisions should give India access to the global re-insurance businesses. These are niche areas where India has virtually no presence currently and link up with international firms and operators will open up new vistas to service providers.

In case of banking, there is scope for attracting large investments from abroad and the issue of changing the relevant laws have been discussed threadbare. Only no action has been initiated. Currently foreign investment of 74 percent is allowed. However, there is a 10 percent limit on voting rights in respect of banking companies. Admittedly in the light of global financial crisis, the issues relating to FDI in banking and further liberalising operations of foreign banks will have to be seen in the context of overall financial stability. Instead of instability, in one of the most spectacular bank failures, in the case of Icelandic banks, the government allowed their creditors to turn their dues into equities into these banks and thus rescued them. In India, the banks are sound but there is no doubt that export of financial services could be increased substantially through global linkages. In this context, the principal of reciprocity could also be applied to countries that have allowed Indian banks to expand.

New areas for FDI

As mentioned already, vast areas of services economy are beyond FDI. One such area is railways. Indian railway system is government run and private investment in core railway functions is not permitted. This has though not created a railway system which is ideally suited for a fast growing economy. Earlier, Rakesh Mohan Committee on infrastructure had recommended throwing up the entire railway sector open to private investment. The finance ministry paper (2010) suggests allowing 26 percent foreign investment in railways which can help overcome the current drought in investment in the railways. Liberalisation and opening up to FDI can help in modernising the railway system which is badly needed at present. Additionally, international linkages can allow Indian railways to tap niche areas like exporting railway services.

Another area of transport Industry, namely shipping services could attract FDI and take India to the status of a major maritime nation. Here, while there are no policy issues regarding FDI cap, domestic tax and rigid regulations like manning norms in India work as deterrents to the foreign investor. India's shipping tonnage is inadequate, accounting for a meagre 1.17 percent of global registration. Because of virtually stagnant growth in the fleet, the share of Indian vessels in carriage of India's overseas trade has dropped from 40 percent in late 1980s to just about 9.5 percent in 2008-09. Indian shipping is currently subjected to 12 direct and indirect taxes. The tax structure on Indian shipping needs to be rationalised at the earliest so as to make investment in shipping services worthwhile.

It is one of the challenges before India's services sector to broad base exports of services. India can make forays into globally traded services such as accountancy, legal services, healthcare and education services. The legal system in India, USA and UK are all rooted in British common law and this enables Indian lawyers to deal with legal businesses without much additional training. Preparing and reviewing legal documents, drawing up contracts and vetting these are some of the areas where India can be a very cost efficient outsourcing location. Already, 'legal process outsourcing (LPO)' has emerged as a new area. Unfortunately, there are laws strictly forbidding foreign law firms to enter the Indian law business space. As a result, Indian law firms also face similar disabilities in the UK or US markets. Mutual recognition of law degrees and access to each other's lawyers could open up this market for Indian law firms. In the same manner, healthcare and educational sectors could flourish through international linkages.

Non-equity modes

The services sector is so wide and varied that it is difficult sometimes to talk about it being a homogenous group like the manufacturing sector. The problems of the services sector are unique and not often of the generic kind either. In many cases it is difficult to clearly differentiate activities between services and goods. Additionally, there are problems associated with databases on the services sector as well but we are seeing improvements in the database. Hence, policy formulation for the services sector also becomes a difficult issue. There are areas where policy steps will have to be cautious about allowing FDI for further globalisation. In this context, new modes of forging links between firms are emerging and these models can be fruitfully examined for India's services sector.

The 2008 global financial crisis gave a jolt to Foreign Direct Investment. FDI has not, so far, recovered to pre-crisis levels. "The reason is not financing constraints but perceived risks and regulatory uncertainties in a fragile world economy", according to Mr Ban Ki Moon, secretary general of the United Nations. What has been observed is that increasingly transnational corporations (TNCs) are using a broadening array of production and investment models for forging new links such as contract manufacturing, service outsourcing, franchising and licensing. These have been described as "non-equity modes of international production and development". Non-equity modes (NEMs) could be the option for overcoming policy constraints where political difficulties are holding up such reforms. Thus, even without the broad reforms, which should allow direct equity investment, the NEM route can help achieve similar results. The NEM can allow India to address the challenges before India's services sector and allow it to retain competitiveness, foray into new niche markets, reinforce traditional areas and raise India's profile as a services destination. Let us look into the details.

Non-equity modes of international production (including services) allow transnational companies (TNCs) to enter a middle ground. Engagement between two cross border entities could be through foreign direct investment, on one side, which gives complete control, and trade, which has no control. NEMs offer a trade-off between the advantages and costs of externalisation.[3] "The choice is thus, no longer, through ownership (FDI) or no control (trade) but between a range of modes in which control is exercised in various configurations and in various degrees", states World Investment Report, *WIR*, *2011*. It may be thought that NEMs are particularly suited for IT and ITES service outsourcing. The report acknowledges that Indian firms have been particularly active in this space among developing countries while just about five companies from the developed countries are the major players globally. But in a wide spectrum, including hotels and tourism and financial services as well, NEMs have been useful. Historically, hotel chains have favoured franchising as a mode of expansion rather than direct ownership. They also show a stronger preference for management contracts, particularly for luxury and upscale hotels.

Preference for franchising is seen to be rising, going by sales value of franchised enterprises. Worldwide sales of franchised enterprises reached 2.5 trillion dollars, of which the value of cross border franchising was around 330-350 billion dollars (*WIR*, *2011*, pg. 138). But despite franchising, growth of domestic companies have not been affected, for example, in Brazil, foreign franchisees sales represent only 10 percent of the total, all top ten chains being domestic franchises. Similarly, NEM related licensing has grown steadily, registering a steady 10 percent an average annual growth.

The reason that NEMs are becoming a preferred mode in the services sector is because of investment restrictions in this area. On a survey of a number of investment related reservations in investment policies, it has been found that "the services sector is much more affected by foreign ownerships limitations, compared to manufacturing or primary sectors (*WIR*, *2011*, pg. 108)". Maybe, we should encourage the NEM modes for breaking ice in sectors which are caught up in policy log-jams.

Conclusion

Unless the service sector growth quickens, India cannot attain the professed double-digit growth target. The varied problems and challenges of the service sector will have to be resolved in this context. Attracting FDI and forging more effective international linkages are the key to this objective. If there are policy obstacles, efforts should be made to overcome these in other ways. This is important. ❑

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Growth Trends in Services Sector

M Saravanan
B Chandrasekaran

Any calibrated step in this direction would be helpful in catapulting Indian economy to next level in terms of growth and standard of living

GLOBAL ECONOMY is still in doldrums as many battered developed countries are still worried about a double-dip possibility. The sub-prime crisis that first hit the U.S economy spread globally to weaken many developed and emerging economies. Among nations that were less affected, India looks prominent, thanks to its highly resilient domestic economy characterized by high saving and investment rates and a dynamic service sector. Even in 2008-09 when the world financial system was stumbling in the aftermath of the global financial crisis, India's Gross Domestic Product (GDP) growth was relatively lower at 6.8 percent, propped up by service sector that grew at 10.1 percent, contributing 56.4 percent of the country's GDP. In the same year, service sector's subcomponents, "finance, insurance, real estate and business services" and "community and personal services" expanded 12.5 percent and 12.7 percent respectively. According to the Prime Minister's Economic Advisory Council (EAC), the growth rate of service sector in the last few years (2007-2011) has been a robust 10 percent.

Structural Changes

Among major economies, India is the fastest growing economies in the world after China. However, one aspect of economic growth that sets India apart is the way in which the structural changes have taken place. General economic growth theories and history support the hypothesis that when an economy develops, it transforms from being an agrarian into an industrial economy and continues to get industrialized till it reaches a stage of development when its share of industry sector declines and its share of services increases. According to Dr C.Rangarajan "the pattern of economic development of today's developed countries has followed a common pattern. Initially, the share of agriculture

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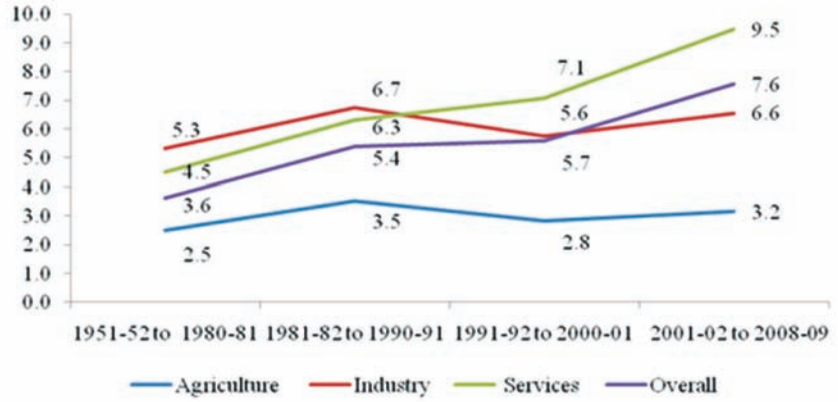
Figure 1: Sectoral Growth Rate (%)- All India



Source: computed from RBI data based on Constant Prices (1999-2000)

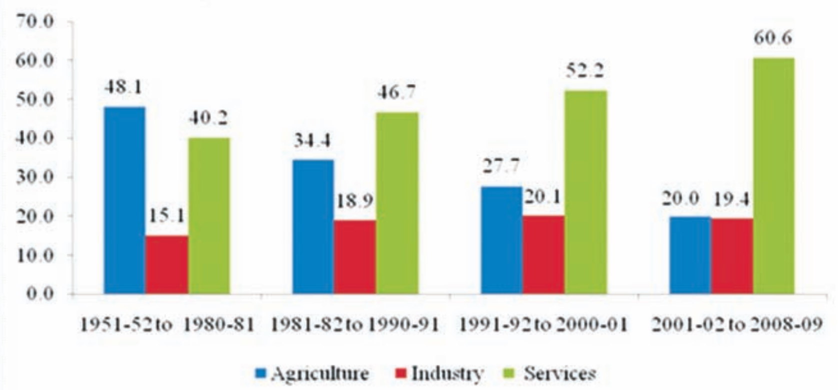
in total output declines, while that of industry registers an increase. Historically this process has lasted for considerably long period. However, eventually the share of services increases with the share of industry declining. Thus typically the process of economic development is marked by three distinct phases: an initial phase of the dominance of agriculture, an intermediate phase dominated by industry and a final phase dominated by services. The timing of the different phases of structural change and the duration of such changes have, however, been different across different countries."

India, however, has defied this usual course of growth, unlike China that relatively banks heavily on industries, by transforming or rather leapfrogging from an agriculture based economy to a services-led economy. India's average GDP growth rate for the period 1951-1981, 1982-91, 1992-2001 and 2002-2009 was 3.6 percent, 5.4 percent, 5.7 percent and 7.6 percent respectively. In the first three decades after independence India managed to achieve an average annual growth of just 3.5 percent, which is famously called as "Hindu Rate of Growth". During 1951-2009, while the average growth in GDP and service sector has been a little over two-times, both agriculture and industry grew less than two-fold (See Figure 1). Acceleration in growth was witnessed after economic reforms were introduced, though loosely, beginning from the 1980s.

Interesting is the unique path treaded by India. As shown in Figure 2, the average share of agriculture in GDP has decreased from 48.1 percent during 1951-81 to 20 percent during 2001-09. The contribution of industry has increased modestly from 15.1 percent to 19.4 percent in the same period. Possible reason for slow growth in industry could be issues relating to the land, labour, electricity and regulatory structure. Interestingly, it is the services sector that has contributed heavily at a faster rate and in fact the services sector has outgrown the overall growth except in 1994, in the post-reform period beginning 1991. The share of services in GDP has shot up from 40.2 percent to 60.6 percent in the same period. If China follows an industry-led exports growth, India may become services-led exports growth.

Contrary to the popular belief that reforms have resulted in the below-par performance of the agriculture, sharp decline in the share of agriculture sector to GDP began from 1951-91 itself. However, the trend in industry is unclear with marginal overall increase. As for the service sector, its share in GDP has shown consistent and substantial increase from an average 40.2 percent between 1951-52 and 1980-81 to 60.6 percent between 2001-02 and 2008-09.

Figure 2: Sectoral Share in GDP (in %)-All India



Source: computed from RBI data based on Constant Prices (1999-2000)

Trends in Service Sector

While the structural change is interesting, the sectoral employment change that co-occured is more interesting and slightly worrisome. Though the share of agriculture to GDP has come down drastically, it still remains the largest employer. The share of agriculture in total employment has come down from 68.6 percent in 1983 to 56.4 percent in 2004-05. Industry has shown a modest increase in the total employment from 13.8 percent to 18.8 percent in the same period, which is only plausible considering the increase in its share in the total GDP. However, the service sector, which now contributes a lion's share of over 60 percent to GDP, has employed only 24.8 percent in 2004-05, up from 17.6 percent in 1983, reflecting an increase of 7.2 percent. One reason for slow growth in employment creation in the services sector could be a drastic increase in productivity in the sector triggered by dynamic changes in the science and technology. Another reason is the drop in employment elasticity of growth from 0.40 to 0.15 during 1993-94 to 1999-2000, indicating a period of jobless growth. Fortunately, the employment elasticity increased thereafter to 0.51 in 2004-05. Interestingly, there are some studies done in India suggesting that the service sector growth has been labour intensive and in certain segments more so than manufacturing sector. However, as the nature of employment generated would vary across different sub-sectors, a generalized conclusion may not be in order.

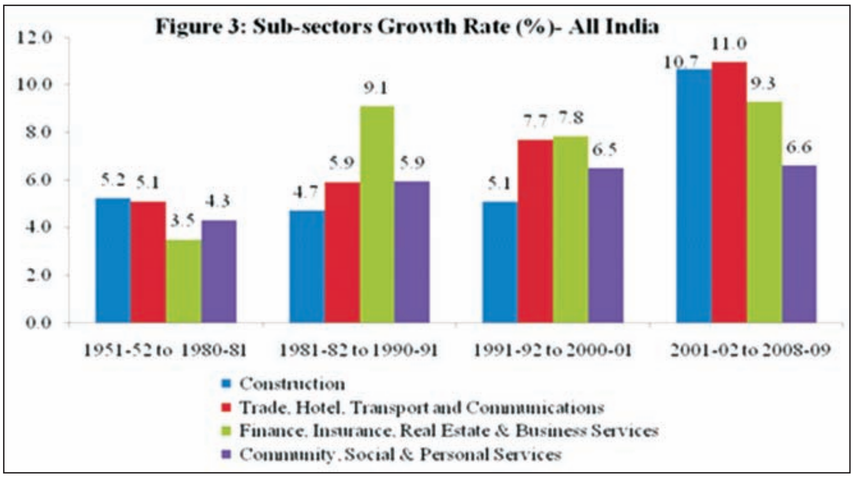
The importance of services sector could be gauged from the fact that services contribute over 64 percent to the world GDP. In terms of contribution of services to overall GDP, India compares well with even the developed nations. Indian service sector's contribution of 52 percent (excluding construction) in 2009 is higher than China's 39.2 percent. For the same period, it was 76.5 for the U.S., 71 for Japan, 66.63 for Germany and Italy and 65.5 for Canada. India is the 12th largest service exporter in the world, compared to 5th rank of China. Even in 2008-09 when the merchandise export sector was severely hit by the global recession, services exports grew by 12.5 percent.

Foreign direct investment (FDI) has also helped the growth of services sector in India. Though services sector was modest in attracting the attention of foreign investors even after reforms in 1991, the scenario changed dramatically after 2000, when services attracted 27 percent of the total foreign direct investment. This change could be attributed to the tremendous growth of sub sectors like information and communication technology, insurance, financial services etc.

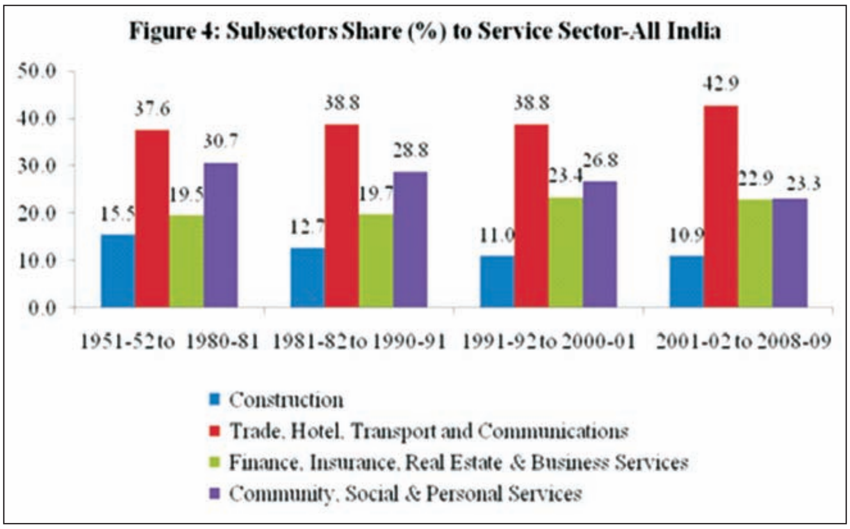
Intra-Sectoral Trend

The service sector comprises four main categories: (a) trade, hotels and restaurants; (b) transport, storage and communication; (c) financing, insurance, real estate and business services; and (d) community, social and personal services. These subsectors have undergone rapid changes over time.

The growth of the Indian services sector has been broad-based, as shown in Figures 3 and 4. Of all the subsectors, communication has recorded double-digit annual growth since 1992 consistently at about 20 percent rates annually in the 2000s. Some services like software have been particularly important in generating more income and employment, besides creating a remarkable global brand identity. The two fast-growing broad services categories in the last three decades are: a) financing, insurance, real estate and business services; and b) transport, storage,



Source: computed from RBI data based on Constant Prices (1999-2000)



Source: computed from RBI data based on Constant Prices (1999-2000)

and communication. However in the current decade, the average growth in construction has also been substantial at 10.7 percent. In comparison, the growth rate of community, social services has been gradual and marginal. In terms of contribution to the overall service sector, trade, hotel, transport and communication subsector has historically contributed more than one-third, with its average contribution rising to over 42 percent during 2001-09. While the contribution of construction and community subsectors have come down from 1951-52 to 2008-09, finance, insurance subsector has slightly improved its contribution.

Conclusion

As India is travelling a novel path in economic growth by making services as the engine of growth, and bypassing industry, careful strategies are needed for consolidating, strengthening and furthering the growth. Challenges ahead would include measures to retain the prevalent competitive advantages and enriching it further; tapping hitherto unexplored yet high potential areas like tourism; diversifying in services exports like education, health care, legal services etc. Policy changes effected in the areas like FDI limits, tariff rates, subsidy, trade etc. from 1991 has provided the requisite succor to the sector. Any calibrated step in this direction would be helpful in catapulting Indian economy to the next level in terms of growth and standard of living. ❑

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PPP Model for Rural Roads

The PMGSY (Pradhan Mantri Gram Sadak Yojana) will be modelled on the lines of the National Highway Development Programme, where private developers are roped in to design, fund and maintain the project. A high-level committee on transport sector of the Planning Commission for the 12th Five Year Plan (2012-2017) has given its nod to adopt the PPP model.

As toll collection is difficult in rural areas, the government is considering annuity-based schemes to attract private parties to invest in the rural road projects. In annuity-based schemes, private developers are allowed to design, finance, build and maintain the roads in a model where the government has to pay them on an annualised basis after the completion of the project. In rural roads, the government is also proposing to fix the concession period for maintaining the project to 15-20 years.

There is also suggestion that rural roads for a specific area will be offered to a private partner by combining several adjoining rural roads into one contract package of Rs 100 crore to Rs 150 crore. Generally rural road contracts are small which is around less than Rs 2 crore for one stretch. The Planning Commission will constitute a sub-committee on rural roads to finalise details of the PPP model. The PPP model will be taken up only during the 12th plan period.

In the current financial year (2011-12), the government has allotted Rs 20,000 crore for the construction of rural roads.

Services Sector : Can It Be The Engine of Inclusive Growth?

Akhilesh Kumar

Indian policy makers need to develop a prudent service sector specific policy and an intra-service sector specific policy as this could be a key to poverty reduction, inclusive growth and overall development

SERVICES SECTOR is the engine of growth–is the newly coined growth slogan which has gained enough momentum in present day globalised world. And, like other economies, India is nowhere behind in harnessing this sector. Services sector has a great contribution in Indian growth miracle of 8-9 percent in the last one decade.

Indian Growth Story

Post-Independence, the growth of the Indian economy was circumscribed by traditional sector. The primary sector especially, agriculture had overwhelming contribution in India's GDP i.e. more than 50 percent of GDP. During, 1991 when the New Economic Policy was unleashed, a new growth story got a big push. And, consequently, India underwent a structural transformation in the form of 'Services–led growth'.

According to Economic Survey 2010-11, the services sector growth was significantly faster than 6.6 percent for the combined agriculture and industry sector during 2004-05 to 2009-10 as shown in fig. 1. It is clear that India's services GDP growth has been continuously above overall growth pulling up later since 1997-98.

Comparative Analysis among sectors

The data comparison among primary, secondary and tertiary sector is a pointer (from fig 2 & 3) to the fact that undoubtedly, the primary sector led growth has turned into 'services sector–led growth'. As per fig 2, the share of services sector in GDP was 54 percent in 2008.While primary sector was just 17 percent but this turn around in Indian Economy has not been even as far as population dependence is concerned. As fig. 3. suggests only 25 percent of population depends on tertiary sector (GDP share 54 percent) while 60 percent still depend on primary sector (GDP share 17 percent). This reverse

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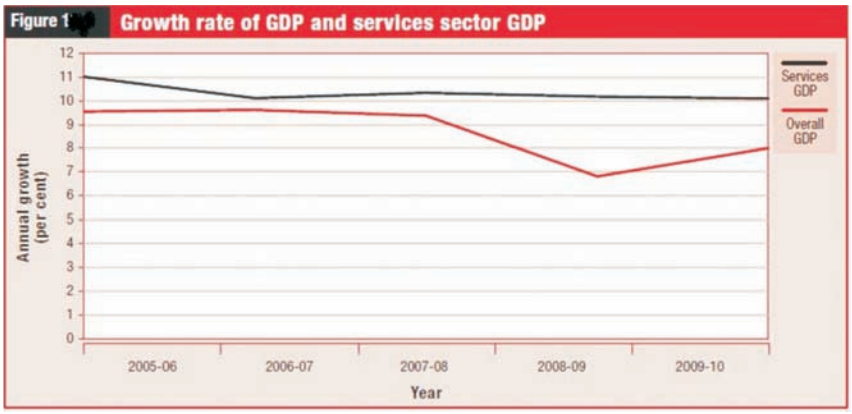
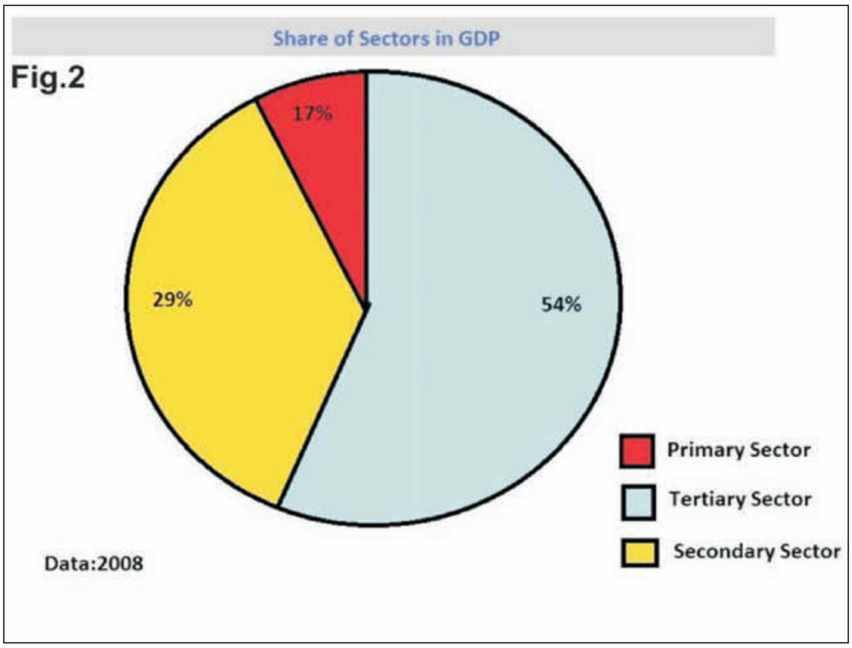
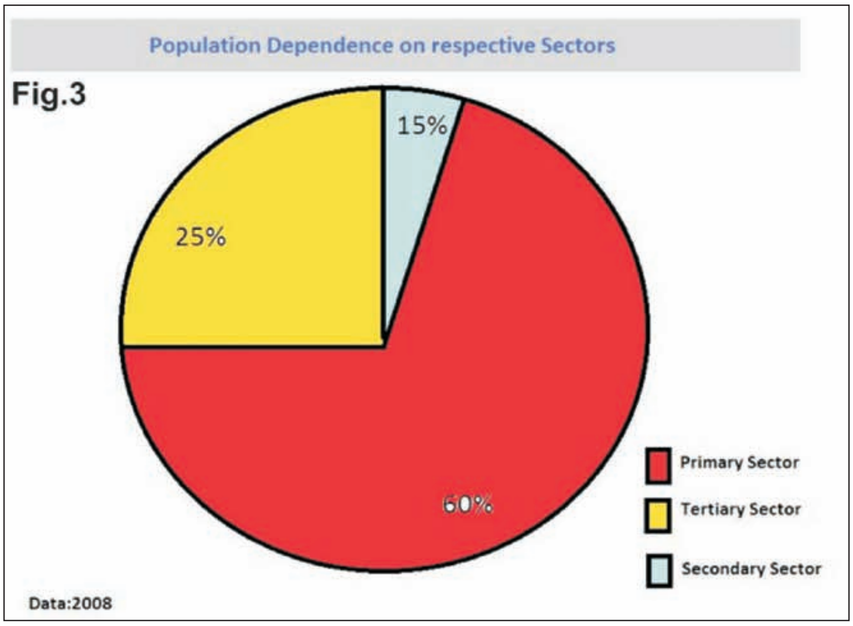


Source : Central Statistics Office (CSO)





trend in terms of contribution of different sectors and their labour absorbing capacity indicates the existence of non-inclusivity in Indian Economy.

The data analysis surfaces this fact that the 'real structural transformation' i.e. inclusivity is still elusive.

Now the question arises how do we explain the services sector becoming an engine of growth in India? Barry Eichengreen and Poonam Gupta in a recent paper "The Service Sector India's Road to Economic Growth" attempt an explanation. This paper contends that much of services growth since 1990 represents catching up with international norms for the share of services in GDP after a long year of repression.

Undoubtedly, this paper's explanation can be corroborated from increasing trade openness, following norms of World Trade Organisation (WTO) etc. that liberated the service sector to claim its due share. Here, pertinent question that follows is; can the services sector absorb Indian surplus labour force in the presence of emerging opportunities ?

Emerging Opportunities in Services Sector

Services sector is heterogeneous and wide. For simplification, this sector can be categorised into three –

- Traditional services - Includes tourism and hospitality sector eg. hotel restaurant etc. retail trade and wholesale trade service storage, transport etc.
- Modern services - Includes business services, software, IT, IT enabled Services, telecommunication, banking etc.

- Hybrid of traditional and modern services includes Education, Health etc.

The outlook of traditional service sector is full of optimism and opportunities to India in the form of tourism industry. India, being located in sub-tropical zone, is a geographically diversified country. Although, agriculture is still the mainstay of Indian economy, but the growth of this has not been even across the country. The Green Revolution of 1966-67 benefited only some parts of India. Considering this, states like Rajasthan, Uttarakhand etc. though not agriculturally prosperous, but they are tourists' hub. On account of globalization millions of foreigners visit India. So, tourism sector being labour intensive, can be harnessed in such states and consequently labour force could be absorbed. No doubt growth in hotel and hospitality sector requires 'soft skills' but through policy measures such skills can be enhanced in short period. Thus, this sector could be a model for such states in lessening the burden on primary sector and there by promote balanced regional development.

Similarly, retail trade and wholesale trade also generate employment in the economy. And Foreign Direct Investment (FDI) in multi-brand retail can be step-ahead measure in deepening of retail trade services in Indian Economy.

On the other hand, modern service sector is relatively skill –intensive. Especially, IT, ITeS, Software Services require high level of skills. In the last one decade export services sector like ITeS, telecommunication etc, have been registering high growth on account of General Agreement on Trade in Services (GATS) of WTO and opening up of global trade in services. Despite this optimism, it is argued that this skill-intensive services sector has driven out substantial rural labour force because of lack of high level skill.

However, Polgreen (2009) showed that how modern services sector jobs are now migrating from India's urban centres to its small towns and rural villages, creating employment for semi-skilled workers. By one estimate, 20 data entry and call centres have been set-up in small towns and villages in recent years. In addition to this there is growing evidence of parents spending substantial sums on opportunities for children with only high school education on the acquisition of English language, computer utilization and other basic skills that might enable them to take better advantage of opening in the service sector.

Therefore, this emerging trend and opportunities in service sector can be utilized in deriving further productivity gain and employment in Indian Economy and simultaneously it can accommodate burgeoning Indian labour force. And this could be a cornerstone for Indian Economy in its quest for "Inclusive Growth".

This analysis, also leaves one important policy prescription that as services sector grows, more and more labour force would be accommodated. This offers an opportunity to Government's fiscal policy to tap the growing tax revenue potential through services tax. The growth of this sector will broaden the service tax base and consequently, collected tax revenue can further be re-channeled for social development.

Challenges

The opportunities in this sector is surrounded by certain challenges for India as well.

- The foremost challenge is the collection of reliable data to harness the growth potentiality of this sector. Although, for the first time a separate chapter on 'Services Sector' has been added in Economic Survey 2010-11 a lot needs to be done.
- Secondly, Skill Enhancement of Human Resource as both traditional and modern services require differentiated Skills and National Skill Development Scheme initiated by XIth Five Year Plan is a welcome step in this direction.
- Investment in social infrastructure like health and medicine, education etc. Investment in elementary education and secondary education is necessary to utilize the 'Indian Demographic Dividend and others, like opening up of quality ITI's, Hotel Management Institute etc.

Conclusion

It is evident that by and large the emerging Services sector is not only "the engine of growth"but it can bring about "inclusive growth" in India as well for which our XIth Five year plan had laid down its foundation. The Indian policy makers need to develop a prudent service sector specific policy and an intra-service sector specific policy as this could be a key to poverty reduction, inclusive growth and overall development. This could unleash a new slogan i.e. "Services sector–the engine of inclusive growth". ❑

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High Yield Gram Variety

The prominent features of the variety that makes it market acceptable and highly popular among the farmers and the seed sellers are stability in performance in terms of yield

BALASAHIB PATIL (39) has developed a high yield dual poded gram variety, which is more stable under both irrigated and rainfed conditions and has better fodder yield than the locally popular varieties.

Hasur, his native village is a medium sized one with a population of about 2800 people primarily engaged in agriculture. Various crops grown here are sugarcane, tomato, wheat, banana and gram. The village has underground sewage system since 1960 and has even won a state award for cleanliness. In 1966, his village got an irrigation system, which pumped water from nearby river and delivered water to the farms using cooperative pipelines.

Balasahib is jolly natured and was naughty as a child, not much interested in studies. Swimming was his passion and his favourite past time was hanging out in groups with friends. Since childhood, the only thing he was interested in was agriculture. He started going to the fields only at the age of 15 years. He discontinued his studies after ninth to pursue his dream of being a good agriculturist. Around the same time, his brother started a ricepuffing mill, which meant he had to allot most part of his time in agriculture rather than studies.

Genesis

In 1991-92, he went to Dharwad University along with his brother and got a chance to observe the breeding program of gram there. Observing the scientists there making crosses to develop new variety, he became curious about the procedure and upon his return he started making various crosses using 110 flowers (male and female each).

Pods were obtained in only 12 cross combinations and out of these one combination yielded dual pods/axil. This was in the year 1993. He selected that plant and continued to multiply and observe the same for a few years. He gave it to farmers for trial (30-40 acres). In 1997, when the characters got stablised, he named the variety ‘Sushil Laxmi’ after his mother (Sushila) and the Goddess of his villages’ name (Laxmi). The same year he started a company named “Sushil Laxmi Hybrid Seeds Pvt. Ltd.”

While he was busy selecting and multiplying plants for developing his double pod variety, he had to continuously face ridicule from the villagers. In 1995, he took a sample plant in a saline water bottle and brought it to ICAR, Delhi. On the way, he went to seek blessings from his religious guru, Acharya Nityanandji. His guru called a press conference and invited journalists. The Navbharat Times published a good news item on his innovation. He was later given an appreciation award by the Transport Minister, Government of India.

Later in 1996 he went to Delhi and showed his variety to the Minister of Agriculture who waived the fee (Rs. 15,000) for variety testing from AICRP (All India Coordinated Research Project). Based on the encouraging results, he started selling his variety commercially in 1997-98.

He claims that he developed many varieties of gram, primarily by selection process. His father wanted him to work on the sugarcane plantation, which was a cash crop while he wanted to do research on the gram. He was given little over two acres of land for his gram crop. Since he did not have much land he lost all his developed varieties and could not preserve them. He took land on lease basis, cultivated gram on it, and bought it back by paying twenty percent more. The area under his gram cultivation is now more than 300 acres.

Innovation

He selected plants having features, viz., dual pods/ axil, bushy growth and dual seeds/pod obtained by crossing Annegari and Phule G 12 and then practised rigorous recurrent selection for a period of eight years for stabilizing the characters.

The prominent features of the variety that makes it market acceptable and highly popular among the farmers and the seed sellers are stability in performance in terms of yield (14-15 quintal/acre under irrigated and 9-10 quintal/ acre under rainfed conditions), appearance of dual pods/axil to the extent of 60 percent, bushy growth habit, higher harvest index (28 - 30 gram/100 grains) and better forage yield.

The preference in the market for the harvest of ‘Sushil Laxmi' is quite good as the grain is bold, uniform and also the colour of the grain is uniform and attractive. The produce gets easily sold in the market and fetches good price ranging from Rs. 1500 - 2000/ quintal.

The potential and worth of the variety can also be gauged from the fact that with very little effort on marketing it, it has registered a sale of about 600 quintals (year 2005) of seeds and advanced orders worth 1900 quintals (year 2006) have been already received. The variety is reported to be highly popular among the farmers across the states of Maharashtra, Karnataka and Madhya Pradesh.

Apart from gram, he has been able to buy fifteen acres of land for his own cultivation on which he grows sugarcane. Seeing the success of his son now, his father is a happy man but Balasaheb laments the fact that if his father had given him some land earlier he would have been able to save many of his gram varieties.

Currently he is trying to experiment on bittergourd, lady's finger and wheat. He claims to have developed a new variety of wheat by crossing Dharwad University variety DWR162 and a Rajasthan Variety Raj1555. The trials for the same are still going on. ❑

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SERVICES SECTOR

PERSPECTIVE

Education in Indian Economy : An Overview

Subhash Sharma

In order to become a prosperous global economy within first five ranks, India has to qualitatively strengthen her education, especially higher and technical education

EDUCATION, AS Swami Vivekanand had remarked long back, is 'the manifestation of perfection already in the child '. Children's young minds are not clean slates (*'tabula rasa'*) on which teachers are to write their knowledge, attitudes, wishes, biases and values. When a child enters a school's classroom, his social milieu also accompanies him/her. Primary socialisation in the family and neighbourhood has already taken place, and thereby certain basic letters, terms, behaviour and values are already inculcated in him. Obviously the child knows something and desires to know more and more about his surroundings and environment. The individual goals of education are cognitive (knowledge), affective (values) and skill formation while the collective goals are employability, socio-economic development, better quality of life, peace and social harmony, well-informed citizens' participation in governance, national character and prosperity. For any productive activity, labour and entrepreneurship are as much required as land, capital and organisation. Labour is mainly of two types – manual and mental - though both are complementary to each other. However, one can do manual labour without specific skills but mental labour (skilled jobs) requires specific skills and training. Hence for getting skilled and semi- skilled jobs, one is to be educated and trained in a particular area and direction of knowledge.

Primary Education: India joined the club of developed/developing countries with compulsory education on 1st April, 2010 when Right of Children to Free and Compulsory Education Act (2009) became effective though Article 21A was inserted in Indian constitution through 86th Amendment in 2002. Thus all children of 6-14 years are to get

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free education up to 8th standard (elementary education) and at the same time through Article 51A (K) it is the fundamental duty of all parents and guardians to send their children to schools. It also provides for better teacher-pupil ratio, opening of more schools, more buildings, more classrooms, toilets, trained teachers, improvement in curriculum and library / lab and, on the other hand, it prohibits a) physical punishment and mental harassment, b) screening procedures for admission, c) capitation fees, d) private tuition by teachers, and e) running of schools without recognition.

Under Sarva Shiksha Abhiyan (Education for all) following progress have been made in India :

- 99 percent of rural population has a primary school within one Km- 3,66,559 schools were opened till September, 2010;
- Gross Enrolment Ratio (GER) at primary level (5th) increased from 96.3 in 2001-2 to 114.37 in 2008-09;
- GER at upper primary level (8th) increased from 60.2 in 2001-2 to 76.23 in 2008-09;
- Gender Parity Index (GPI) improved from 0.3 in 2001-2 to 1.00 in 2008-09 at primary level;
- GPI improved from 0.77 in 2001-2 to 0.96 in 2008-09 at upper primary level;
- Drop out rate at primary level reduced from 39 percent in 2001-2 to 25 percent in 2008-09;
- Dropout rate for girls declined by 17 percent during 2001-2 - 2008-09;
- In 2008-09 pupil – teacher ratio at national level was 44:1 for primary level and 34:1 for upper primary level – by December 2010 in total 11.13 lakh teachers were recruited;
- 29.72 lakh children with special needs were identified and 24.59 lakh such children (83 percent of the identified) were enrolled in school by September, 2010.
- Since inception 2,81,943 new school buildings and 12,77,072 additional classrooms were approved; out of these 2,54,935 school buildings and 11,66,868 additional classrooms were constructed by 2010-11.
- 1,90,961 drinking water facilities and 3,47,857 toilets were constructed by 2010-11.
- All children upto 8th standard are provided free textbooks in 2010-11 (by December) 9.93 crore children were given free text books in the entire country.

Regarding quality improvement focus has been given to different aspects like child-friendly environment, inclusiveness, responsive to children with special needs, social and gender-equity. Further to upgrade the skills of teachers, in-service training for 20 days for all teachers, 6 days' condensed courses for untrained teachers already employed, and induction training for 30 days for newly trained recruits are provided. In 2010-11, 39.5 lakh teachers were approved for training under SSA in order to improve teaching – learning transactions, especially focusing on activity – based learning, child-centred learning and minimum level of learning. By December, 2010, 6637 Block Resource Centres and 69,989 Cluster Resource Centres were set up in the country to provide decentralised academic support, training and supervision. Monthly meeting of teachers are organised at CRCs for peer sharing and reflective discussion. Further more than one lakh untrained teachers were trained under distance mode. In Madhya Pradesh, in collaboration with universities, Operation Quality programme has been launched. Based on National Curriculum Framework (2005), fourteen States have revised their curriculum and 7 States have made textbooks more activity–based, child-friendly and sensitive to gender and marginal groups. In addition, upto Rs.50 lakh is available to each district for computer–aided learning in schools and 1.99 lakh teachers were trained under it. NCERT has been engaged in learning achievement surveys and its findings (2nd round) were as follows (Table 1):

Table 1: Learning Achievement Survey (Round II)

Class	Language	Maths	Science	Social science
III.	67.8	61.9	-	-
V	60.3	48.5	52.2	-
VIII	56.5	42.6	42.7	47.9

Though there was improvement from round I but still it is not satisfactory. An NGO, Pratham, had found that in most of states 50 percent of the students of fifth standard could not do simple reading, writing and arithmetic (3 Rs). That is, though there is quantitative achievement in terms of access (90 percent plus), minimum level of learning (quality) is not achieved in elementary education (that is the base for secondary and higher education).

National University of Educational Planning and Administration has developed educational development index (EDI) as shown in (Table 2):

Table 3 shows EDI value and ranking of primary and upper primary levels in different States:

Table 2 : Educational Development Index (2009-10)	
Component	**Indicators**
1. Access	a) % of habitation not served b) availability of schools per 1000 child population. c) ratio of primary to upper primary schools/sections
2. Infrastructure	a) schools with student-classroom ratio above 40 b) schools with drinking water facility c) schools with girls' toilet d) schools with common toilets
3. Teachers	a) % of schools with female teachers (in schools with 2 or more teachers) b) schools with pupil – teacher ratio above 40 c) % of schools with less than 2 teachers (primary schools) d) % of schools with below 3 teachers (upper primary schools)
4. Outcomes	a) teachers without professional qualification b) gross enrolment ratio – overall c) participation of SC children : percentage SC population (2001) - % SC enrolment d) participation of ST children : % ST population (2001) - % ST enrolment e) Gender Parity Index in enrolment f) Repetition rate g) Dropout rate h) Ratio of Exit Class over class I enrolment (primary stage) i) transition rate from primary to upper primary level (for upper primary level) j) % of appeared children securing 60% or more

From above it is clear that as per EDI (2009-10) the performance of States/UTs like Puduchery, Lakhshdweep, Kerala, Tamilnadu and Andman & Nicobar Islands is the best at primary level and at upper primary level the performance of States/UTs like Puducherry, Lakshdweep, Kerala, Andaman & Nicobar Islands, and Chandigarh is the best. On the other hand, at primary level worst performers are Arunachal Pradesh, Jharkhand, Meghalaya, Bihar and Assam, and at upper primary level the worst performers are Bihar, Jhakhand, Meghalaya, Assam and U.P.

Secondary Education: But universalisation of merely elementary education is not sufficient because minimum schooling period is for twelve years. Hence for achieving universalisation of secondary education Rashtriya Madhyamik Shiksha Abhiyan (RMSY) was started in 2009-10 in order to achieve an enrolment rate of 75 percent (from 52.26 percent in 2005-06) within five years by providing a secondary school within a reasonable distance. Second, its objective is to improve the quality of secondary education. Third, it also strives to remove gender, socio-economic and disability barriers. Finally, it will ensure universal access to secondary education by 2017 (end of 12th five year plan) and to achieve universal retention by 2020. It has following major targets :-

a) additional enrolment of more than 32 lakh students by 2011-12.
b) strengthening of about 44,000 existing secondary schools;
c) opening of about 11,000 new secondary schools;
d) appointment of additional teachers to improve pupil-teacher ratio (30:1);

Table 3 EDI Value and Rankings of Primary & Upper Primary Levels (2009-10)					
S/No	State/UT	Primary Level		Upper Primary level	
		value	rank	value	Rank
1.	Puduchery	0.736	1	0.891	1
2.	Lakshdweep	0.704	2	0.887	2
3	Kerala	0.700	3	0.844	3
4.	Tamilnadu	0.677	4	0.811	6
5.	A & N Islands	0.663	5	0.829	4
6.	Punjab	0.656	6	0.803	7
7.	Chandigarh	0.665	7	0.814	5
8.	Delhi	0.651	8	0.790	8
9.	Daman – Diu	0.621	9	0.782	10
10.	Sikkim	0.608	10	0.748	14
11.	Goa	0.602	11	0.783	9
12.	Haryana	0.590	12	0.770	11
13.	Gujrat	0.584	13	0.730	18
14.	Maharashtra	0.576	14	0.750	13
15.	Karnataka	0.569	15	0.743	15
16.	Himachal Pradesh	0.567	16	0.741	16
17.	Andhra Pradesh	0.561	17	0.762	12
18.	Nagaland	0.549	18	0.699	20
19.	Mizoram	0.544	19	0.738	17
20.	Uttarakhand	0.538	20	0.636	21
21.	U.P	0.534	.21	0.511	31
22.	Dadra & Nagar Haveli	0.493	22	0.710	19
23.	Orissa	0.468	23	0.524	30
24.	West Bengal	0.467	24	0.540	29
25.	Rajasthan	0.458	25	0.629	22
26.	Chhattisgarh	0.439	26	0.558	27
27.	M.P.	0.433	27	0.540	28
28.	Tripura	0.415	28	0.567	26
29.	Manipur	0.411	29	0.627	23
30.	J&K	0.404	30	0.621	24
31.	Assam	0.386	31	0.503	32
32.	Bihar	0.375	32	0.466	35
33.	Meghalaya	0.365	33	0.501	33
34.	Jharkhand	0.363	34	0.500	34
35.	Arunachal Pradesh	0.328	35	0.620	25

e) construction of more than 80,000 additional classrooms.

f) quality to be improved while ensuring equity – focus on science, math and English education, in- service training of teachers, science labs, ICT enabled education, curriculum and teaching – learning reforms.

g) social equity will be ensured through special focus on micro planning, preference to Ashram schools in upgradation, preference to areas with concentration of SC/ST/Minority for opening of schools, special enrolment drive for weaker sections, more female teachers, and separate toilet for girls.

Under RMSA, during 11th plan 75 percent cost is being borne by central government and 25 percent by state government but in 12th Plan it will be 50:50 between Centre and States. Further at plus two level (12th) centrally sponsored scheme of vocationalisation of secondary education provides for "diversification of educational opportunities so as to enhance individual employability, reduce the mismatch between demand and supply of skilled manpower." Vocationalisation started in 1988 but was revised in 1992-93 providing for financial assistance to States for different activities. This scheme created infrastructures of 21,000 sections in 9,619 schools and created a capacity of 10 lakh students at +2 level. Since its inception a grant of Rs.765 crore was released. Further Government of India started a central sponsored scheme, namely national means-cum-merit scholarship for economically weaker but meritorious students to prevent their drop out at class 8th and to continue secondary education but their parental income should not exceed Rs. 1,50,000/-. During 2009-10, 24,536 students (Rs.6000 per head in a year) in 28 states/UTs were benefited under this but could not achieve the target of one lakh. In addition GOI started incentives for SC/ST girls and all girls passing from Kasturba Gandhi Balika Vidyalayas for secondary education in 2008-09 wherein Rs. 3000/- is deposited as fixed which the girls are entitled to withdraw along with interest after passing 10th examination and attaining of 18 years of age. In 2008-09 Rs.122.87 crores was sanctioned to 4.09 lakh girls in 25 states/UTs and in 2009-10 Rs.63.17 crore was sanctioned to 2.10 lakh girls.

Higher Education: Tertiary (higher) education is the highest level comprising of undergraduate, postgraduate and research. On 31st December, 2010 there were 42 central universities, 130 institutions deemed to be universities, 261 State universities, 73 private universities, 33 institutions of national importance, and 5 institutions established under State Acts – thus 544 institutions in total. In addition, there are 31324 degree colleges. The enrolment of women in higher education increased from 10 percent on eve of Independence to 41.6 percent in 2010-11. Women enrolment as percentage of total enrolment is highest in Goa (59 percent) and lowest in Bihar (30 percent). But in absolute number of women enrolment U.P tops the list with 8.4 lakh, followed by Maharashtra with 7.8 lakh and Andhra Pradesh with 6.1 lakh. UGC provides Indira Gandhi scholarship of Rs.2000/- P.M. for 20 months to single girl students – the total number of such scholarship is 1200 in a year. In 2009-10, 1538 girls were benefited under this.

In universities and colleges there are Equal Opportunity Cells for ensuring effective implementation of policies/ programmes for weaker sections. At present 128 such cells are working in different universities. Further orientation programmes and refresher courses for teachers are organized to exchange experiences and ideas and keep updated with the latest trends. 66 Academic staff colleges are running in different universities. During 2010-11, 277 orientation programmes, 814 refresher courses and 259 short-term courses were organised. Further there is provision for teaching and research in innovative areas on 100 percent financial assistance basis (upto Rs.60 lakh), faculty improvement programme to pursue higher studies and present papers in seminars (restricted to 20 percent of permanent teachers), bilateral exchange programme between India and foreign countries (in 2010-11 cultural and educational exchange programme held with

44 countries), National Eligibility Test for lectureship and junior research fellowships (for 5 years to ensure minimum standard for 77 subjects (1200 fellowships for humanities and 2000 fellowships for sciences in a year), enhancing faculty resources of university by taking cooperation of outsiders (public undertakings, business corporations, NRIs working with academics, research and business oranisations), internal quality assurance cells for ensuring excellence (seed money of Rs. 5 lakhs is given to each university and Rs. 3 lakhs to a college), promotion of Indian higher education abroad (in terms of fairs), research projects to teachers (up to Rs.12 lakh for sciences and Rs. 10 lakh for humanities/social science for major projects and Rs. 2 lakh for minor projects -1029 science research projects and 707 social science/humanities projects sanctioned in 2010-11), research awards to teachers up to 45 years with full salary and Rs.4 lakh for sciences and Rs.2.5 lakh for humanities/social sciences, and for value addition to higher education area studies programme (46 centres in 2010-11) with assistance of Rs.15 lakh, Centres for Studies in Social Exclusion and Inclusive Policy (35 universities selected) and Centres for Study of Social Thinkers/Leaders have also been launched by UGC. However Indian higher education has not achieved world class quality in both education and research. In 2009-10 through Central Universities Act (2009), 16 new central universities were established.

Technical Education: In addition to higher education, there are several technical educational institutions playing vital role in human resource development 'by creating skilled manpower, enhancing industrial productivity and improving the quality of life'. These are 15 IITs (with an intake of 8000 students), 11 IIMs, 5 Indian Institutes of Science Education and Research, 30 NITs, 1 Indian Institute of Science, 41 IIITs, 4 National Institutes of Technical Teachers' Training & Research, and 9 others – in total 79 central technical institutions. Further 20 IITs are proposed in 11th Five Year Plan. Further All India Council of Technical Education has approved 6,533 degree level and 2,214 diploma level technical institutions with intake capacity of 13.57 lakh and 5.73 lakh students respectively (Table 4) :

Drawbacks: Due to vast expansion of higher and technical education over the years, India has the third largest technical manpower in the world after US and China. But following drawbacks are notable in higher and technical education in India :-

a) UGC has over- regulated and restricted the autonomy of universities in India; further it has ignored and not provided adequate funds to state universities which

Table 4 : Number and Intake of Approved Technical Institutions (2010-11)

S/No	Programme	Degree level		Diploma level	
1.	Engineering & Technology	268	10,50,604	1860	5,50,654
2.	Architecture	94	3201	-	-
3.	MCA	1032	70512	-	-
4.	Pharmacy	944	60718	292	18365
5.	Applied Arts/Crafts	10	575	2	380
6.	MBA	1418	1,32,190	-	-
7.	PGDM	280	36082	-	-
8.	Hotel Management	69	3585	60	3500
	Total	**6533**	**13,57,467**	**2214**	**5,72,899**

Source : GOI, MHRD

are in large number but due to paucity of fund are not flourishing, about one lakh students go to foreign countries for quality higher education every year and this leads to drain of huge amount because often per head expenditure on one student is 25 lakh rupees in a year. Thus at least Rs. 500 crore is drained from India every year in this regard. Further about 80 percent of such students prefer to work in western countries. Surprisingly many Indian students also go to China for technical education (especially engineering and medicine). In 2006, lakhs of students from various developing countries (especially China and India) contributed $ 18000 million to US economy and $ 8000 million to Australian economy.

b) Not a single Indian university (including IIT and IIM) gets rank in top 100 universities in the world (as per Times Higher Education ranking) whereas some universities from Japan, China, Singapore, Korea etc. find their ranks there.

c) After liberalisation, in 1991, there have been mushrooming growth of private universities and colleges in India without maintaining higher academic standard and transparency in administration. They are charging very high capitation fee/ donation as well as other charges illegally and unethically. And even then enrolment in public and private sector higher education is only 13 percent whereas it is 50 percent in developed countries and in some developed countries like US above 80 percent; China has 23 percent enrolment rate.

d) Many engineers and management postgraduates are not capable of handling the expected tasks. Hence they are not employable or to be adjusted to lower jobs. As per Mckinsey report 75 percent of graduate engineers in India are too poorly educated to function effectively in the economy without additional on-the–job training. Thus their productivity is low. Further though Indian economy is growing faster at 8-9 percent annually than earlier at 3-4 percent, yet sufficient jobs have not been created resulting into 'jobless growth' whereas China is growing much faster as well as creating sufficient jobs.

National Knowledge Commission has diagnosed ten ailments of higher education:

i) outdated curricula have not kept pace with the times;

ii) learning places premium on memory rather than understanding;

iii) the milieu is not conducive to anything beyond class;

iv) academic calendar is no longer sacrosanct for classes or examinations;

v) the infrastructure is on the verge of collapse;

vi) the boundaries between disciplines have become 'dividing walls';

vii) the importance of research has eroded;

viii) decline in volume of research (frequency of publication) and quality of research;

ix) little accountability – no rewards for performance and no penalties for non – performance;

x) governance structure not responsive to changing times and circumstances that the system is readily subverted by vested interests.

In India, it is a contradictory situation that the products of academics (supply) do not match with the demands of three sectors of economy – agricultures, services and industries. Most of traditional industries, especially textiles, jute and sugar, have collapsed in India. Agro-industries have also not prospered. At present service (tertiary) sector is growing very fast and contributing to the extent of 50 percent of the Gross Domestic Product (GDP). About 20 lakh Indians are working in the Gulf and maximum number of skilled labour is from Kerala as nurses, teachers and technicians, while unskilled labourers are from Bihar, U.P. etc. Paucity of fund is also one of the reasons for the poor quality of higher and technical education in India. D.S. Kothari Commission had recommended that 6 percent of GDP should be spent on education (all sectors) but only about 3 percent of GDP is spent here on education at present and about 1 percent on higher education. UNESCO has observed that India has the lowest public expenditure on education per student in the world.

Policy Implications: For better contribution of education to the Indian economy in general, and service sector in particular, following steps need to be taken by the Union, State and local governments at the earliest:

First, public expenditure on education, (with special focus on technical education) should be enhanced to 6 percent of GDP so that both central and state educational institutions are provided adequate fund for various academic and infrastructural facilities. Higher education should get 1.5 percent of GDP.

Second, still access is less than desirable, hence a massive drive is to be launched; drop outs should be removed through mass awareness campaigns, making curricula more student-friendly, providing facilities like labs, libraries, toilets, classrooms etc. adequately.

Third, there should be a paradigm shift from literature type education to productive, job–oriented education as per requirement in public and private sectors after secondary education. This will provide assured employment to skilled and semi-skilled manpower, and secondly industry, agriculture and services sectors would get required manpower, and finally unnecessary burden on higher education (especially in humanities/social sciences) would be eased. There should be regular interface of industry and service sectors with educational institutions. Like Germany, there should be sandwitch pattern of education and employment – after studying for sometime one needs to join factories and again to join academics. Gandhian motto of 'earning while learning' may be popularised.

Fourth, individual rate of return from secondary education is usually less (in terms of employment) than social rate of return (in terms of collective consciousness, basic citizens' rights and duties). On the other hand, from higher education individual rate of return is more than social rate of return because a graduate/post graduate gives top priority to his / her job and tends to be highly mobile and migrate to urban areas, metros or foreign countries for individual gains. Therefore quality education at all stages (primary, secondary and tertiary) should be ensured, because if the foundation (schooling) remains weak, superstructure of higher education can not sustain for long. Moreover, 25 percent of teachers positions being vacant should be filled in a transparent manner at the earliest. Dr. Manmohan Singh, Prime Minister of India rightly remarked in 2007 : "In almost half of the districts in the country, higher education enrolments are abysmally low, almost 2/3rd of our universities and 90 percent of our colleges are rated as below average on quality parameters…… there are complaints of favouritism and corruption".

Fifth, the argument that all foreign universities should be freely allowed to open campuses in India does not hold good. In 2010 Tri Valley University (US) was detected as a fake University where thousands of students were illegally studying and many Indian students were arrested. Similarly in 2011 in the University of Northern Virginia 2400 foreign students were enrolled against the legally permitted strength of 50 foreign students. About 90 percent of such students were from India. Thus craze for the west is dangerous. Therefore, there should be limited and careful entry of only selected world class universities who would care for the socio-cultural values of India and would not charge very high education fees. Further world class scholars should be invited by Indian universities frequently for exchange of new ideas and experiences with teachers and students. On the other hand, Indian Universities should be capable of attracting foreign students in engineering, medicine and management as well as opening of their campuses abroad. This will result in huge capital–formation necessary for the growing Indian economy.

Sixth, though the literacy rate in India increased from 65 percent in 2001 to 74 percent in 2011, there still remains a wide gender gap – 82.14 percent of males and 65.46 percent of females are literate. That is, women are lagging behind males by 16.5 percent points. Though women's literacy growth during 2001-11 was higher than men's, yet this gender gap is to be bridged at the earliest. Kerala tops the list with highest literacy rate (93 percent) and Bihar is at the bottom with 63.8 percent. Further for adults, literacy should be made more functional and meaningful by focusing on productive skills and life skills, rights and duties, government schemes, clean environment, health, sanitation, values, peace and social harmony, and empowerment of the weaker sections including women. Literacy drives should be aimed against child labour through team efforts of educational administrations, labour officers, district administration, NGOs and teachers to cover 26 percent illiterate Indians. Towards this end, GOI has launched Sakshar Bharat Mission for Female Literacy.

Finally, the bitter truth is that 90 percent of India's workforce is in unorganized sector (comprising mainly agriculture and service sector) where jobs are casual, insecure, with less salary, more work, unhealthy working conditions, drudgery, no leisure, no insurance, no provident fund etc. Further due to liberalisation, privatisation and globalisation, many labour laws/provisions, restricting employers from firing, have been relaxed or repealed, therefore there are new trends of casualisation and contractualisation of labour (hiring and firing) and feminisation of poverty (as women- headed households have suffered most). But for this new economic reforms is more responsible than the education because the motto of these economic reforms is that 'privatisation is the panacea of all ills'. Even the Public–Private-Partnership (PPP) model has been implemented only where it suits the private sector which does not venture in remote North-East region or naxal – affected areas. Still 80 percent of schools are in public sector in India, mostly in rural areas where private schools are rare.

A notable fact is that the policies of liberalisation, privatisation and globalisation became a part of higher academics curricula as well as training module for working civil servants in Union and State governments.

Many private schools, colleges and universities do not give adequate salary (at par with government) to teachers and staff and most of them are untrained (55 percent) and there is no inservice training. Needless to say that GOI's Tandon Committee (on higher education) found that 44 deemed universities did not fulfill eligibility norms and were running as family fiefdoms but government's decision to cancel these was challenged in Supreme court. Similarly UGC found 39 fake institutions operating in the country.

We may conclude that in order to become a prosperous global economy within first five ranks, India has to qualitatively strengthen her education, especially higher and technical education; that is, at as the catalyst for bringing about visible economic change with more skilled jobs with higher earnings leading to a prosperous society. We need job-led growth and for this the thrust should be on quality and vocational / technical education. ❑

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NORTH EAST DIARY

CENTRAL SECTOR PLAN SCHEME

The Union Cabinet has approved the proposal of Ministry of Development of North Eastern Region for introduction of a new Central Sector Plan Scheme titled "Non-Lapsable Central Pool of Resources – Central – (NLCPR–Central)".

The purpose of this proposal is to make funds available for projects which are critical to the development of the north eastern region and are in accordance with national priorities. The scheme as it is envisaged, will address this issue and projects having the potential for extensive social and economic impact on the region will be taken up under the scheme.

The Central Pool of Resources for development of North Eastern Region was created in 1998 which makes it mandatory for Central Ministries / Departments, excepting some specifically exempted ones, to earmark 10 percent of their budgetary resources less allocation for EAPs and local or event specific schemes/projects for programmes in the North Eastern States. The unspent portion of the earmarked outlays accrued, at the end of the financial year, to the Pool from which the expenditure of Ministry of DoNER under the plan scheme of Non-Lapsable Pool of Resources (NLCPR) is being debited annually. Currently, the balances stand at Rs.9217.32 crore. ❑

RAILWAY PROJECT IN NORTH EAST

India is embarking on a major infrastructure drive in Arunachal Pradesh, with plans for three railway lines in the border state, including one to connect the strategic Tawang plateau with Assam. This includes three "strategic railway lines" that have been proposed: Missamari (Assam) to Tawang, North Lakhimpur (Assam)-Along (Arunachal)-Silapathar (Assam), and Murkongselek (Assam)-Pasighat (Arunachal)-Rupai (Assam).

Of the railway lines that have been proposed, the Tawang line is the most significant, considering the strategic importance of the area which is also a major Indian military base. At present, the only access is via road which frequently closes down in bad weather, or helicopters which again do not operate in adverse weather conditions.

The Defence Ministry has said that the survey for the Tawang line has been sanctioned and is due to commence shortly. For the Along line, the survey has already been completed and forwarded to the railway board while the Pasighat line has been endorsed by the Planning Commission and Rs 165 crore has been allotted. Sufficient funds have been assured especially for the three strategic rail projects in the North-East.

While the government has also accorded top priority to construction of new roads along the North-East border, it is now building infrastructure including permanent defences along the border. Almost 50 percent work on the 73 road projects along the China border has been completed. ❑

Healthcare: A Key Sector in the Service Industry

Papori Baruah

There arises a need for an integrated approach entrusting a greater role of the private sector, community based institutions and public-private partnerships in addressing healthcare needs in India

THE SERVICE industry has emerged as the largest and fastest-growing sectors in the world economy, making higher contributions to the global output and employment. It is a large and most dynamic part of the Indian economy both in terms of employment potential and contribution to national income. The contribution of the services sector to the Indian economy has been manifold with a 55.2 percent share in gross domestic product (GDP) in 2009-2010, growing by 10 percent annually, contributing to about a quarter of total employment. It covers a wide range of activities, such as trading, transportation and communication, financial, real estate and business services, as well as community, social and personal services.

Amongst these health is one of the largest, most important and most challenging sector that holds a key to the country's overall progress. A strong and well-defined healthcare sector helps to build a healthy nation and productive workforce.

Healthcare

The term "healthcare system" refers to a country's system of delivering services for the diagnosis, treatment and prevention of disease and for the promotion of physical and mental well-being. Of particular interest to a healthcare system is how medical care is organized, financed, and delivered. The organization of care refers to such issues as who gives care (for example, primary care physicians, specialist physicians, nurses, and alternative practitioners) and whether they are practicing as individuals, in small groups, in large groups, or in massive corporate organizations. The financing of care involves who pays for medical services (for example, government, self-pay, private insurance company etc.)

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and how much money is spent on medical care. The delivery of care refers to how and where medical services are provided (for example, in hospitals, doctors' offices, or various types of outpatient clinics; and in rural, urban, or suburban locations).

Need for health service

India's population today stands at 1.21 billion and increasing at 1.8 percent annual rate. By 2030 India's population is expected to surpass China as the world's most populous nation. India traditionally has been a rural, agrarian economy. Nearly three quarters of the population still live in rural areas. An estimated 37 percent of India's population is living Below Poverty Line (Tendulkar Committee Report). Thus there arises a huge need for efficient healthcare system which can deliver quality and is cost effective. With the rising population this need too will rise. At the same time there is an immense need to provide free healthcare to the poor and much of the rural population who cannot afford this care and would go unattended otherwise.

Health sector in India

The Indian healthcare sector constitutes of the following:

- Medical care providers: physicians, specialist clinics, nursing homes and hospitals;
- Diagnostic service centres and pathology laboratories;
- Medical equipment manufacturers;
- Contract research organizations (CRO's), pharmaceutical manufacturers;
- Third party support service providers (catering, laundry).

Health sector is one of India's largest sectors in terms of revenue and employment and the sector is expanding rapidly. During the 1990's, Indian healthcare grew at a compounded annual rate of 16 percent. Today the value of this sector is contributing to 5.2 percent of GDP. By 2012, Indian healthcare sector is projected to grow to nearly $40 billion.

Health sector in India is the responsibility of the state, local and also the central government. But in terms of service delivery it is more concerned with the state. The centre is responsible for health services in union territories without a legislature and is also responsible for developing and monitoring national standards and regulations, linking the states with funding agencies, and sponsoring numerous schemes for implementation by state governments. Both the centre and the state have a joint responsibility for programmes listed under the concurrent list. About three-fourth of the expenditure on public health is incurred by the state or local governments and the remaining one-fourth of the total expenditure is spent by the central government. The government (state, local or central) provides publicly financed and managed curative and preventive health services from primary to tertiary level, throughout the country and free of cost to the consumer. These account for about 18 percent of the overall health spending and 0.9 percent of the GDP. However, a fee-levying private sector that plays a dominant role in the provision of individual curative care through ambulatory services accounts for about 82 percent of the overall health expenditure and 4.2 percent of the GDP. Indian private healthcare sector emerged as the fastest growing service sector in the country. With medical tourism emerging as one of the hottest sector in India, Indian private sector is also making huge investments in the healthcare sector. Indian healthcare sector is producing large opportunities for the overseas investments.

There has been a significant development in the health sector in India in the recent years. The central government in association with the states is initiating various programmes and projects to improve efficiency in the allocation and use of health resources through policy and institutional development.

Growth in the health sector

The health services sector's sales was expected to grow by a healthy 25.6 percent in 2010-11 and 19.8 percent in 2011-12 driven by a healthy rise in sales. The sector's PAT increased by a whopping 107.1 percent in the quarter ending September 2010-11 on account of a faster rise in income vis-a-vis expenses. According to a report, India's healthcare sector is projected to grow at 23 percent annually to become a $77-billion industry by 2012 driven by various catalysts such as increasing population, rising income levels, changing demographics and illness profile.

Healthcare services sector includes firms that are dependent upon and provide corollary services to hospitals, and is currently approximated at $1 billion. According to Yes Bank and Assocham, diagnostics would add $2.5 billion to the healthcare industry by 2012. A mounting number of public and private healthcare facilities are expected to push demand for the industry, accounting for another $6.7 billion in this period. With a rising demand for affordable quality healthcare, the penetration of health insurance is poised to experience an exponential growth to emerge as a $3-billion industry in the next three years. India has ample opportunities in healthcare because of skilled doctors, nurses and technical staff

Available facilities/government initiatives

The Union Ministry of Health and Family Welfare (MoHFW) is responsible for implementation of national programmes, sponsored schemes and technical assistance relating to the Indian healthcare industry. The task is taken up by the Department of Health, Department of Family and Welfare and Department of AYUSH. The Plan allocations to Department of Health and Family Welfare stepped up in 2011-12 by 20 percent which is Rs.26,760 crore.

The important National Programmes are National Rural Health Mission, National Health Policy-2002, National Vector Borne Disease Control Programme (NVBDCP), National Filaria Control Programme, National Leprosy Eradication Programme, Revised National TB Control Programme, National Programme for Control of Blindness, National Iodine Deficiency Disorders Control Programme, National Mental Health Programme, National Aids Control Programme, National Cancer Control Programme, Universal Immunization Programme, National Programme for Prevention and Control of Deafness, Pilot Programme on Prevention and Control of Diabetes, CVD and Stroke, National Tobacco Control Programme.

The Rashtriya Swasthya Bima Yojana has emerged as an effective instrument for providing a basic health cover to poor and marginal workers. It is now being extended to MGNREGA beneficiaries, beedi workers and others. In 2011-12, it is proposed to further extend this scheme to cover unorganized sector workers in hazardous mining and associated industries like slate and slate pencil, dolomite, mica and asbestos etc.

The government is encouraging foreign/private investment in the healthcare sector. It has defined and enforced minimum quality standards for healthcare facilities. It had tried to stimulate the growth of private, social and community insurance. The National Health Policy, 2002, makes it clear that government policy supports medical tourism. The policy encourages the supply of services to the patients of foreign origin on payment. The rendering of such services on payment in foreign exchange is treated as ‘deemed exports’ and is made eligible for all fiscal incentives extended to export earnings. A new category of visa “Medical Visa” (‘M’-Visa) has been introduced that can be given for a specific purpose to foreign tourists coming into India. Indian corporate hospitals are getting certified by international accreditation schemes so that they can project themselves as providers of quality healthcare. The government has some measures to promote one of its most important segment “Medical Device Market”. The conditions for exporting to India have significantly improved since the economic reforms started in the middle of the nineties. Import license requirements have been cancelled, majority owned subsidiaries are possible, and dividends can be paid out abroad. There is a reduction in import duty and custom duties on medical equipment. To further make India a competitive player in the medical equipment manufacturing space, the government encouraged setting up of Special Economic Zones (SEZs).

Outcome

India has achieved impressive demographic transition owing to the decline of crude birth rate, crude death rate, total fertility rate and infant mortality rate. NRHM was launched in April 2005 for strengthening the system of healthcare in the country especially in the rural areas and 18 high focused states through provision of physical infrastructure, human resources, equipment, emergency transport, drugs, diagnostics and other support. It covers all programmes in the health sector except HIV/AIDS, Mental Health and cancer. It focuses on constitution of community institutions at health facility level and engaged community workers called ASHA (Accredited Social Health Activists) in every village. Further NRHM allowed states to innovate and promote flexible financing to allow local decision making. After 2005 there has been a decline in infant mortality rate, maternal mortality rate, mortality due to malaria, Kala azar, Filaria/microfilaria, Dengue. Increased number of cataract operations had been carried out in the rural hospitals, leprosy prevalence rate has been reduced, higher institutional deliveries, higher cure rate for Tuberculosis etc had been recorded. Mobile Medical Units under NRHM are working to provide diagnostic and outpatient care closer to villages in remote areas. States have used NRHM funds to provide a variety of emergency transport systems and ambulances to improve timely Medical attention to the people. NRHM has added doctors and paramedics on a considerable number for caring patients. It has also earmarked resources for drugs and diagnostics.

At the same time investments in the private sector has increased and several speciality and super-speciality private hospitals and healthcare providers have come up. But still a great need for quality healthcare is felt not only in rural areas but in many cities other than metro cities across India as most of the big private hospitals are yet to expand geographically. Further there is an increase in the growth of lifestyle diseases which have to be tackled appropriately.

The health sector in India presents a mixed picture. Despite continuous improvements in health indicators, progress is slow and has not matched the impressive gains in economic growth during the past decade. Inadequate access to effective and good quality health services for a large proportion of the population largely accounts for the slow improvement in health outcomes. Large numbers of patients still go unattended.

Industry trends

Certain trends in the healthcare sector have been observed that can lead to productive results if adequately acted upon. These are:

- Transition towards a more sustainable Public-Private Partnership (PPP) model seeking partnerships of NGOs, technology providers for assisting in clinical services, specialized private hospitals for providing specialized care, organized physician practice groups for providing services at subsidized rates to people below the poverty line.
- Emergence of single speciality delivery models in India is signalling a transition towards maturity of the industry with increased complexity of business and better consumer affordability. They are expected to deliver cost efficiency due to higher volumes, higher quality care due to greater specialization, easily attractable human resource, increased consumer satisfaction, competitive pricing and increased choice for the consumer.
- Growing importance of improved Diagnostic Centres in India, currently constituting 4 percent of the overall healthcare delivery market is poised to grow at a CAGR of 20 percent and touch rupees 54,000 crore by 2020, clearly indicate the potential that lies in this segment of healthcare business. Diagnostic test results impact more than 70 percent of healthcare decisions and thus form an essential element in the delivery of healthcare services.
- Development of Low-cost/ Low capital-intensive healthcare delivery models that will not only ensure viability of the project, but also expand the healthcare providers' reach in different geographies and consumer segments.
- Offering umbrella of services: Healthcare service till the other day offered in-patient services within the limits of a certain geographical area. However, given the pace with which healthcare is evolving, organized healthcare providers are now diversifying from their core hospital business to include functions such as retail pharmacies, clinics, insurance and other services in order to achieve economies of scale and offering a broad spectrum of services across the value chain in the most cost-effective manner.
- The increasing awareness of benefits of traditional medicines based on Ayurveda, Unani, Homeopathy etc. has created an increase in demand for these which necessitates exploring the possibilities of bringing together traditional and modern medicine.
- Embracing technology to reduce cost by adopting innovative methods.
- Shift towards optimizing operations by appropriate workforce management, quality management, planning and control, sound clinical processes and outcome performance.

- Renewed focus on patient safety and comfort.
- Growth in alternative care settings: Healthcare design space has undergone a tremendous transformation stage and the emergence of ambulatory care services has revolutionized the way healthcare facilities are programmed and configured.
- Investing on training and development of workforce and recruitment of professional people. Private sector hospitals are also making an effort to develop a learning culture in their organizations.

Opportunities

Health sector today is presenting several opportunities before us. Some of them are discussed below.

Medical tourism : Medical tourism in India has good prospects as it provides world class services at a cheaper price in various segments as compared to similar services given by several developed countries.

Telemedicine is an area that can drive Indian healthcare sector. It can help meet the current deficit of doctors and technical staff.

Training and education: India is facing shortage of trained medial professional. These professional includes doctors, nurses, technicians and healthcare administrators. There is huge opportunity for domestic and international players in the healthcare training and education sector.

Medical equipment market: There is huge demand for modern medical equipments in the industry to match with the growth of healthcare sector and the increasing demand for delivering quick and quality services.

Medical textiles: Increasing awareness of clean environment that consists of clean surroundings and clean medical textiles (bed sheets, patients dress etc.) leading to an upsurge of medical textile industry.

Growth in health insurance sector: In India per capita expense on health is very low. People hugely depend upon the subsidized government health services. So, there is huge opportunity for health insurance provider in this sector.

The other market drivers for the health sector in India are increasing health awareness; increased affordability for a section of population to opt for quality healthcare, shift to lifestyle related diseases; increasing government expenditure on healthcare sector; tendency towards corporatization of the healthcare sector, interest of the private players both within and outside the country in investing in this sector etc.

Challenges ahead

Amidst all the growth, the sector is also suffering from internal as well as external challenges, the major ones being rising technology and manpower costs, providing affordable treatment, creating requisite infrastructure, using appropriate technology and providing medical facilities available in rural and remote areas. It is also necessary for the private sector to streamline the business processes and devise cost-effective health care designs to provide affordable treatment to patients. The growth of population and the appearance of diseases in newer forms in India have made the job in this sector tougher.

However, the corresponding growth in health infrastructure is yet to match the basic healthcare facilities in many other countries. According to a 2008 report by Ernst and Young, India has 0.7 beds per thousand as against a world average of 2.6, which provides a huge untapped potential for healthcare providers. Industry insiders estimate this number to be at 1.5 beds per thousand currently. We need excess 1million beds to achieve the ratio of 1.85 per thousand by 2012.

Conclusion

Despite the size and the reach of the public healthcare sector system and growing investment by the private players, the country scores unsatisfactorily on most generally accepted health indicators. India’s healthcare sector needs to improve considerably in terms of availability and quality of its physical infrastructure, human resources and services so as to fulfill the growing demand and to compare favourably with international standards. Rural health sector need to be strengthened and managed efficiently, and here lies the real challenge. Rather than a centralized approach specific needs of the local area could be considered and addressed. There arises a need for an integrated approach entrusting a greater role of the private sector, community based institutions and Public-Private Partnerships in addressing healthcare needs in India. ❑

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Women in Panchayats, a partnership that works

Aloka Kujur

With the strengthening of the Panchayati Raj institution by the Indian Constitution this could bring in a new influence in the processes of governance which will be the harbinger of change on the ground

IN THE tribal society of Jharkhand, women have always held a pride of place. The heinous treatment, discriminatory trends that dog many parts of our country, especially in rural areas are not part of the mind-set, the cultural, social ethos of these communities. Traditionally, women have always been aware, vocal and pro-active in many areas of family and community life. What would be interesting is to overlay this traditional role to the processes of Panchayati Raj that are being strengthened in this state which has seen a long hiatus in the working of democracy at the grassroots. Elections to Panchayats were held after 32 long years.

It is in the election results that a convergence became clear, between the role of women, evolved over generations with a more direct opportunity to influence and impact governance at the local level. Some 27,000 women are being elected at various levels in the three-tier Panchayati Raj.

Of course, women in local governance is not a Jharkhand-specific phenomenon. It is part of an evolution of Panchayati Raj over the ages, given a fillip by several national leaders and social activists and given concrete form through the 73rd Amendment of the Constitution. Participation of women, which has been growing in all fields of activity, was felt to be imperative at the level of the most basic unit of governance, our panchayats. Their perspectives on many aspects of allocation of resources, of priorities of social issues for are seen to be invaluable for a more holistic and harmonious development. The reservation of 33 percent seats for women in local governance began in the early 90's was a step to concretise this intent.

What the recently concluded elections have shown is that women across Jharkhand are poised to play a role which would help them hone their skills and capabilities in participatory democracy, to make development processes more expansive, more inclusive. The policy flowing out of the 73rd Amendment, followed by steps taken by the state government to reserve 50 percent of seats in Panchayati Raj for women has served to concretise this role. It has in a sense given women a position of strength, recognition and a legal endorsement of their position to participate in governance.

These are the underlying processes that have marked the lives of women like Salma Besra, *up-mukhiya* of Baisila village of Sohda of Eastern Singhbhoom who was elected unopposed. She is educated till Class X11 and from a young age was driven by a social mission. She says, "I wanted to get involved with social work after my education because I have seen the poverty of the man standing on the lowest step of society's ladder."

The point for this young woman came soon after her father's death. It was a fork in the road and she decided to discontinue her studies to plunge in to work as a social activist. She began by fulfilling what she saw as a gap in knowledge and awareness amongst people related to their welfare, entitlements for their betterment. She moved about the village talking to people what she had learnt or understood. About the importance of education, of healthcare, the need for good roads and how they could benefit from a slew of existing government schemes. Yet she realised that there was something missing. Despite her efforts, villagers remained unmoved in terms of taking action to garner their entitlements, to take steps on their own and the village development. Nor was she, as a leader able to take steps which could demonstrate the good that such steps would bring, to actualise the fruits of development, in their lives and that of the entire village. This was a point of revelation for young Salma, who saw the immense potential of power within the governance system to make that change. This coincided with an opportunity to stand for elections which Salma decided to contest.

She won and a new stream of consciousness, both personal and public began for this young woman. She was elected ward member and later as *up-mukhiya*. For Salma, from the beginning, the access to power was to better the lives of people who she represented. She says with a new-found authority, "Now, I am in a position where I can make decisions. I can prepare development programmes for villages and also suggest new policies." She adds, "Now I am able to do many more things for my village." Somewhere, she believes, it is her education that has shaped, her expanding vision for society. She uses her clout within society to proclaim the importance of education for all.

It is clear that women like Salma have benefitted from the move to bring women's participation in local governance, centre-stage. But in a sense, she along with all the others who have now entered what was once the hallowed precincts of authority represent an aspiration from the ground of more representative, holistic, responsive governance. In this tribal dominated society, in the social, economic and political system that has evolved over time, the role of women has always been significant. With the strengthening of the Panchayati Raj institution by the Indian Constitution and the adherence to its letter and spirit by the state government, this could bring in a new influence in the processes of governance which will be the harbinger of change on the ground.

Jharkhand can look forward to a phase in which its women whose capabilities and talents within the traditional society will be called forth to play a much wider, more significant role as elected representatives. Within this system of governance, they would be able to contribute much to development at the grassroots.

Charkha Features
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Telecom Sector–Changing Lives

R C Rajamani

The Telecom Sector is directly contributing more than 1.5 percent to the GDP of the country and has a multiplier effect on growth because of connecting the people and business around it

TELECOM IS perhaps the fastest growing service sector industry in India with its impact felt throughout the country. The relevant official data provides proof of this statement.

Telecommunications network grew by over 40 percent during 2010 with addition of 216.13 million connections. Telephone connections stood at 742.13 million on October 31, 2010 as against 526 million on the same day previous year. Of these 706.70 million are wireless connections. With this, Indian Telecom Network is now the largest wireless network in the world. The current addition of more than 17 million connections per month puts the telecom sector on a strong footing. The target of 600 million connections by the end of Eleventh Five year plan had been achieved in February 2010 itself.

Developments in telecommunication have changed the lives of millions of people during the last decade as never before. Telecom connects people across the length and breadth of the country irrespective of income bracket and it provides immense benefit to all in the society. It contributes significantly to India's GDP and particularly benefits the poor people in the country. The mobile phone has revolutionized Indian economy, in that it has become more inclusive in terms of enabling greater participation of the poorer sections of society. People can now transact their business in a more economical manner saving expenditure on incremental cost involved in physical movement. Now, they do not have to move from place to place in order to do business. And expanding broadband base will only improve the scenario.

No doubt, telecom industry is seen as a prime mover of the modern economy. The presence of a world-class telecommunications

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infrastructure is today the key to rapid economic and social development of any country.

The contribution of Indian telecom sector to the growth of India's economy is immense. It is directly contributing more than 1.5 percent GDP of the country, has a multiplier effect on growth because of connecting the people and business around it. Studies have found that every one percent increase in teledensity, there is a three percent jump in the growth of Gross Domestic Product (GDP). Therefore, its importance to the rapidly growing economy of India can hardly be over emphasized.

The teledensity which was 2.32 percent in March 1999 increased to 12.7 percent in March 2006 and 52.74 percent in March 2010 and further to 62.51percent in October 2010. Thus there has been continuous improvement in the overall teledensity of the country. The rural teledensity which was above 1.21 percent in March 2002 has increased to 24.31 percent in March 2010 and further to 29.25 in October 2010. The urban teledensity has increased from 66.39 in March 2008 to 119.45 percent in March 2010 and stands at 140.06 percent at the end of October 2010.

Mobile communication already accounts for about half of all telephone connections. From only 54.6 million telephone subscribers in 2003, the number increased to 621.28 million at the end of March 2010 and further to 742.13 million at the end of October 2010 showing an addition of 120.85 million during the period from March 2010 to October 2010. Wireless telephone connections have contributed to this growth as the number of wireless connections rose from 3.57 million in March 2001 to 13.29 million in 2003, 101.86 million in March 2006, 584.32 million in March 2010 and 706.70 million at the end of October, 2010.

The liberalization efforts of the Government are evident in the growing share of the private sector. The private sector is now playing an important role in the expansion of telecom sector. The share of private sector in total telephone connections is now 84.42 percent as per the latest statistics available for October, 2010 as against a meagre 5 percent in 1999.

The rural Telephone connections have gone up from 3.6 million in 1999 to 12.3 million in March 2004 and further to 200.77 million in March 2010. Their share in the total telephones has constantly increased from around 14 percent in 2005 to 32.75 percent at the end of October 2010. The rural subscribers have grown to 243.04 million at the end of October 2010. The wireless connections have contributed substantially to total rural telephone connections; it stands at 233.95 million in October 2010. During 2010-11, the growth rate of rural telephones was 21.05 percent as against 18.69 percent of urban telephones. The private sector has contributed to the growth of rural telephones as it provided about 84.27 percent of rural telephones during October 2010.

The government is now looking forward to achieving the target of 1 billion by the end of 2015. Rural telephony continues to be the thrust area of the government. It is recognized that provision of affordable telecom services in rural areas enhances the ability of people to participate in market economy, which, in turn improves their productivity and contributes to their earnings. In view of the present growth, 40 percent rural teledensity is expected by 2014.

As a result of various government measures the broadband subscribers grew from 0.18 million in 2005 to 8.8 million as on March 31, 2010 and about 10.34 million, at the end of the October, 2010. Internet subscribers grew from 9.2 million during QE June 2007 to 17.96 million during QE September 2010.

Indian telecom industry manufactures a complete range of telecom equipment using state of the art technology. During the last five years several renowned global telecom companies have set up their manufacturing base in India. The production of telecom equipment in value terms is expected to increase from Rs.4,88,000 million during 2008-09 to Rs.5,35,000 million in 2010-2011. Exports increased from INR 4,020 million in 2002-03 to INR 1,35,000 million in 2009-10 accounting for 26 percent of the total equipment produced in the country and it is expected to increase to Rs 1,50,000 million in 2010-11.

Entry of the private firms has resulted in unprecedented growth in telecom sector. Greater participation of foreign investor has also helped in growth of the sector. Today, telecom is the third major sector attracting FDI inflows. At present 74 percent to 100 percent FDI is permitted for various telecom services. This investment has helped telecom sector to grow. The total FDI equity inflows in telecom amounted to US$ 1057 million during just six months in 2010-11 (April-September).

Newer access technology like BWA and 3G would completely transform the character of internet/broadband scenario in India. BWA will overcome the key hindrance of Right of Way (ROW) in India, while 3G has the potential to make the mobile phone, a ubiquitous device for accessing the internet.

The Indian telecom Industry is the 2nd largest wireless market in the world with a total wireless subscriber base of 435 million at present, it is targeted to reach 771 million by 2013. In addition to this, we have nearly 37.66 million landline subscribers. India has one of the cheapest cell phone rates in the world.

India’s telecom equipment manufacturing sector is also set to become one of the largest globally by 2010. The government is working on many more initiatives to further improve the telecom sector. These new initiatives include bringing inclusive connectivity to both rural and urban India.

Employment opportunities in the telecom sector are immense. Engineering graduates in Electronics and Communication stand a good chance to make it to the major telecom companies in the country. The technical work in a telecom firm mainly revolves around erection and maintenance of the switch or the equipment and transmission of signals.

The number of opportunities in the area of soft jobs in the telecom industry is far more than hardware engineering. Sales and marketing, customer care, call centres, billing and collection, advertisement and so on are some of the other areas where telecom offers good chances for graduates with training in respective areas.

As the telecom sector is expected to constitute 15 percent of India's GDP in few years, it needs focus attention and support of government through various financial measures, say private sector players.

According to an FICCI-KPMG report the broadband sector is expected to log tremendous growth in the future as over 65-crore potential customers are waiting to be tapped. Rural India, the report states, is the key target market likely to drive the next round of growth for telecom companies, particularly for voice based services.

While the last 5 years have been transformational for Indian telecom industry, the next few years look even more exciting.

However, it must be said in conclusion that the last couple of years have been a bit tough for the telecom sector, not in terms of growth, but due to dip in its credibility in view of scams. Hopefully, this unwanted phase is only temporary and the telecom sector will continue to grow by leaps and bounds and contribute to India's targeted double digit economic growth. ❑

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Impressive growth by the Telecom Sector

According to a survey the total revenue of the Indian telecom sector grew by 7 per cent to Rs 2,83,207 crore for the Financial year 2010-11. During the previous fiscal the total revenue of the sector stood at Rs 2,64,669 crore.

Revenue from various services in the Indian telecom industry grew to Rs 166,168 crore, up 14.9 per cent, in 2010-11 fiscal as against Rs 1,44,600 crore in the previous financial year. The growth was purely driven by growth in subscriber base for various services.

Various telecom services counted in the survey include cellular, fixed line, National Long Distance (NLD), International Long Distance (ILD), broadband and VSAT services.

Maximum revenue in the service segment of the industry came from cellular services market which grew by 16.6 per cent to Rs 102,230 crore in the Financial year 2011 from Rs 87,680 crore in the previous fiscal.

DO YOU KNOW?

NUCLEAR POWER PROGRAMME OF INDIA

What is India's 3-Phase Nuclear Power Programme?

In view of the limited fossil fuel availability with in the country, the relevance of Nuclear Power in meeting the short and long term needs of our energy was recognised right at the initial stage. From the very beginning, as a long term strategy, the Nuclear Power Programme formulated by Dr. Homi Bhabha embarked on the three stage nuclear power programme, linking the fuel cycle of Pressurised Heavy Water Reactor (PHWR) and Fast Breeder Reactor (FBR) for judicious utilisation of our limited reserves of Uranium and vast Thorium reserves. The emphasis of the programme was self-reliance and thorium utilisation as a long term objective. The PHWR was chosen due to extensive research and development facilities covering diverse areas for supporting technology absorption.

What are the three stages of our Nuclear Power Programme?

Stage-I : envisages, construction of Natural Uranium, Heavy Water Moderated and Cooled Pressurised Heavy Water Reactors (PHWRs). Spent fuel from these reactors is reprocessed to obtain Plutonium.

Stage-II : envisages, construction of Fast Breeder Reactors (FBRs) fuelled by Plutonium produced in stage-I. These reactors would also breed U-233 from Thorium. **Stage-III** : would comprise power reactors using U-233 / Thorium as fuel.

What are India's available energy resources?

Identified Energy Reserves			
Coal		186	billion tonnes
Lignite		5,060	million tonnes
Crude Oil		728	million tonnes
Natural Gas		686	billion Cu-m
Uranium		78,000	tonnes
Thorium		3,63,000	tonnes
Hydro		84,000	MW at 60 % PLF
Renewables	Biomass	6000	MWe
	Wind, Solar etc.	20,000	MWe

How is environment surrounding Nuclear Plant monitored?

This is done by the Environmental Survey Laboratory (ESL) set up well before starting the operation of the plant. The ESL collects data on forest, flora and fauna, marine products, food and air etc., to set up base level data on their quality prior to commencement of the operation of the plant. Samples are drawn and regularly analysed to ascertain the status on a continuous basis. The ESL functions independent of plant authorities and the data collected is checked by the regulatory authorities for control purposes

Can a Chernobyl type accident take place in Indian Nuclear Power Plants?

Nuclear power has a very good safety record for a period spanning more than three decades. The Three Mile Island (TMI) accident in March, 1979 and the Chernobyl accident in April, 1986, have raised apprehensions in the minds of the public all over the world. In the case of TMI, no radiation injury had occurred to any member of the public. In fact all the safety systems had worked as designed and no radioactivity was released to the atmosphere. At Chernobyl, thirty-one people died and they were all plant personnel. However, it must be recognised that the Chernobyl accident occurred due to the negligence of operators who violated the safety procedures. Besides, the Chernobyl reactor is a totally different type. It employed Graphite as a moderator. Graphite is a form of carbon and its combustible property contributed to explosion in the reactor core. Such a sequence of events in the Nuclear plants is not possible and explosion in the core is ruled out as it is cooled and moderated by heavy water. Adequate safety features in the plant are provided to ensure its safe operation. Paramount importance is given in setting up of nuclear power installations, to the safety of operating staff, public and environment. Safety experts and regulatory personnel are associated at all commissioning and operation of nuclear power plants. Thus Chernobyl type accident is ruled out in Indian Nuclear Power Plants. ❑

Growth of IT and ITeS Sector

Vijay Thakur

For the year 2011, it is expected to give employment to nearly 2.5 million professionals directly and another 8.3 million people indirectly

TILL THREE decades ago, Indian economy was considered as a rural and agriculture based economy. It was a distant dream at that time to think that India would move from the agro-based economy to a world class knowledge based economy. One of the main reason of India becoming a leading knowledge based economy, is its strong IT (Information Technology) and ITeS (IT enabled Services) sector.

During the past decade, the IT and ITeS sector has become one of the most significant growth catalysts for Indian economy. Take any sector, it has made direct or indirect impact on almost all sectors. Rather it has also played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services.

Contribution to Country's growth:

The ratio of an industry's output to the Gross Domestic Product (GDP) of a country is an important indicator of the impact of that industry on the country's economy. Nearly two decades ago, the contribution of IT and ITeS industry to GDP was almost negligible. In late nineties it touched 1 percent of the total GDP. And today it is around 6.4 percent-almost six times increase in country's GDP. The sector continues to be on a constant high growth path and the revenues have grown over fifteen times from the financial year 1998 to financial year 2009.

The immense contribution of the sector has also made a major impact on the country's foreign

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exchange earnings, contribution to exchequer and employment generation. Besides contributing to the country's growth through direct channels, it has also played a key role in driving the growth of other sectors including real estate, telecom, and retail sector, by creating demand for the output generated by these sectors.

According to a study conducted by NASSCOM, IT and BPO employees spent almost RS 76,000 in various areas which indirectly helped the country's growth.

During the past one decade, the IT-BPO sector is at the forefront of investment activity and has played a key role in bringing the attention of Private Equity and Venture Capital (PE/VC) investors to India as an investment destination. The ROI (Return on Investment) in IT-BPO sector has further made a positive impact on the perception of the international investor community.

Domestic IT and ITeS Sector

So far the general impression is that IT and ITeS industry mainly caters to USA and Euro countries and has little contribution from the domestic industry. However, in the past one decade the trend is changing and domestic industry is also emerging as a major consumer of IT and ITeS sector. The IT-BPO sector is growing at around 16 percent annually.

The revenue from domestic IT and ITeS is expected to grow at Rs 501 billion in financial year 2011. Even IT experts admit that domestic IT sector is also the fastest growing segment and is driven by localized strategies designed by service providers. Besides private players, government sector would also become a key catalyst for increased IT adoption—through sector reforms that encourage IT acceptance, National E-Governance programmes, and the Unique Identification Development Authority of India (UIDAI) programme that creates large scale IT infrastructure and promotes corporate participation.

Export, employment, and revenue generation

Export comprises two third of the revenue generated from India IT and BPO industry. The IT and BPO export has grown faster than total Indian export during the past five years and account for the 14 percent of the total export. According to a rough estimate export from IT and BPO sector is more than the combined value of exports from traditional export sector—gems and jewellery and textiles. For the fiscal year 2011, export revenue is expected to cross USD 59 billion.

The steady growth in this sector has further created large number of employment not only of IT professionals, but also of those who are indirectly assisting the sector. The employment provided by the sector has increased more than eight times during the past decade. For the year 2011, it is expected to give employment to nearly 2.5 million professional directly and another 8.3 million people indirectly.

Presently the sector has made impressive impact in tier 1 cities, however, due to price competitiveness and spread of broadband, the sector is now moving to tier II and tier III cities. The expert in the industry are even trying to explore the advantage of operating centres in rural areas. Some players have even started their small units in rural areas though on an experimental basis.

IT-BPO sector is also making a significant contribution to the tax collection of the Government of India. It contributes almost Rs 15,000 crore in direct taxes. This all is when the industry receives benefits in terms of lower effective tax rates and tax holidays for select units.

History of IT sector in India

How India reached the number one position in IT sector is no one day's job. The roadmap to build the country's large scientific workforce was prepared by Prime Minister, Mr Jawaharlal Nehru and the then Union Education Minister, Mr Maulana Abdul Kalam Azad. Mr Azad built IITs modeled after the Massachusetts Institute of Technology. It is their vision that India today produces nearly 5,00,000 engineers every year.

The first IT service industry was born in Mumbai in 1967 with the establishment of Tata Group in partnership with Burroughs. The first software export zone (SEEPZ) was set up in Mumbai in 1973, and till eighties more than 80 percent of country's export was confined to SEEPZ. In 1975 the National Informatics Centre was constituted followed by Computer Maintenance Company (CMC). In mid eighties, the Rajiv Gandhi Government created three wide-area computer networking schemes: INDONET—intend to serve the IBM mainframes in India, NICNET (The network for India's National Informatic centre), and academic research oriented Education and Research network (ERNET).

In 1991, the Department of Electronics broke this impasse, and created a corporation called Software Technology Parks of India (STPI). These parks provided satellite links to companies working in STPIs and this was the beginning of the exponential growth of Indian IT sector.

Future

The Indian IT and ITeS sector suffered slightly during the two year recession period. It was the time when the worldwide GDP had declined by 0.6 percent. But immediately after the recession was over, global GDP grew by 5 percent. Worldwide IT spending was benefited from the accelerated recovery in emerging markets. The growth has generated more demand for IT and ITeS sector. NASSCOM in a study observes that the year 2011 will see a major surge in the use of private and public cloud and mobile computing on a variety of devices and through a range of new applications.

NASSCOM further says that worldwide IT services is expected to grow by about 3.5 percent in 2011, 4.5 percent in 2012. Worldwide packaged software revenue is estimated to reach USD 297 Billion in 2011 with a year to year growth of 5 percent, led by emerging regions, such as Asia Pacific and Latin American Countries.

And since India is one of the main leading player in this sector, it is the one which would be most benefitted out of it. However, to retain its number one position globally, the IT-ITeS industry has to invest in training its employees and aiding the expansion of talent pool. Presently Indian IT-ITeS companies spend nearly Rs 6,450 crore on training their employees—45 percent of which is spent on training it toward skill development of new recruits. At first glance the investment seems impressive, but going by the fact that Indian industry is growing at 22 percent annually and need around five lakh professionals annually the investment needs to be increased. ❑

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Indian Tourism Sector : A Growth Story

Sandip Das

Thus there is a greater need to incentivize the sector for sustaining overall economic growth along with creation of jobs

JAMES CARRY, a young German in his late 30s had been travelling through India for the last one month to understand and experience the country's vibrant and varied cultures and see historic places. Curry has heard a lot about forts of Rajasthan, backwaters of Kerala and beaches of Goa. But Curry on his second visit this time, is travelling to Buddhist sites in Bihar, Uttar Pradesh and Orissa which usually does not figure prominently for a foreign tourist visiting India.

After visiting Shanti Stupa (peace tower) located near Bhubaneswar also a key place part of the Buddhist circuit, Carry is now planning to travel to Gaya, Sarnath and Ladakh over the next few weeks to understand the influence of Buddhism on Indian culture. However, his only worry is lack of basic infrastructure such as hotels, connectivity both air and road and availability of guides at these places.

James Carry's experience shows uneven growth of tourism infrastructure in the country while the foreign tourists arrival into the country continue to rise notwithstanding many economies in Europe and other developed countries which are going through the recessionary pressure.

According to the latest tourism ministry data, the number of foreign tourist visits during the year 2010 was 17.9 million as compared to 14.4 million in 2009. This shows an impressive jump of more than 24 percent in comparison to 2009. While the foreigners visiting India declined marginally in 2009 in comparison to previous year.

Despite this impressive performance last year, only ten states count about more than

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90 percent of the total foreign tourist visiting the country. Maharashtra (5.1 million), Tamil Nadu (2.8 m), Delhi (1.9 m), Uttar Pradesh (1.7 m), Rajasthan (1.3m), West Bengal (1.2 m), Kerala (0.66 m), Bihar (0.64 m), Himachal Pradesh (0.45 m) and Goa (0.44 m) were the key states where foreign tourist headed for. This figure shows that we have a huge unexplored tourism potential to be developed and marketed to the world.

Jump in Forex earnings

According to the Economic Survey 2010–11, even the foreign exchange earnings from the tourism sector has been steadily rising during the last few years despite infrastructure and connectivity problems. The country's net foreign exchange earnings from the tourism sector has jumped to $ 14,193 million (estimated Rs 63, 855 crore) during 2010-11 from $ 10,729 million (Rs 48,240 crore) during 2007-08, a hefty jump of more than 32 percent.

Even the share of the hotels and restaurant sector in the overall economy increased from 1.46 percent in 2004-05 to 1.69 percent in 2007-08, and then decreased to 1.53 percent and 1.4 percent in 2008–09 and 2009-10 respectively. The compounded annual growth rate in the GDP contributed by the hotels and restaurants sector was 8.5 percent in 2004–05 to 2009–10.

There was, however, decline in growth (-3.41 percent) in 2008–09 over the year 2007– 08, which is mainly attributed to adverse global economic conditions because of recessionary trend in many of the developed economies, while in 2009-10, the sector registered a growth of 2.2 percent.

Tourism also plays an important role in the country's foreign exchange earnings, as its share in India's export of services accounted for 13 percent of the total export of services in 2009-10.

Rise in domestic tourism

The one silver lining amidst this global economic uncertainty, domestic tourism has played an important role in overall tourism development of the country. Like the foreign tourist arrival, domestic tourist visits had witnessed a jump of 0.7 percent in 2010 in comparison to previous year. The number of domestic tourist visits to the states during the year 2010 was 740 million as compared to 669 million in 2009 and 563 million in 2008.

Here also the contribution of top ten states was about 85.5 percent to the total number of domestic tourist visits during 2010. The percentage shares of top 5 states were Andhra Pradesh (21.0 percent), Uttar Pradesh (19.6 percent), Tamil Nadu (15.1 percent), Maharashtra (6.5 percent) and Karnataka (5.2 percent).

"Though Orissa has a vast bouquet of tourist products, the state's actual tourist arrivals pale into insignificance compared to our neighbouring state Andhra Pradesh," J K Mohanty, president, Hotel & Restaurant Association of Orissa said.

He attributes lack of an international airport, want of adequate publicity, inordinate delay in allotment of land for hotels and consequential sluggishness in expansion of hotel rooms topped with an unbearable delay in finalization of the proposed tourism policy which has virtually dwarfed the growth of the tourism sector in a state which has places like Shanti Stupa of huge global importance.

Gap in demand and supply of hotel rooms

Several national studies have identified the demand-supply gap in hotel rooms in the country. Some estimates projects a gap of 1.5 lakh rooms, out of which one lakh rooms are in the budget segment.

Despite several incentives to promote tourism in India, the sector needs more impetus to fully exploit its potential. Various fiscal incentives have been announced by the government for the hospitality sector such as the five-year tax holiday for two, three, and four star category hotels.

The latest Economic Survey has commented 'at 11.5 percent, the share of travel in India's exports of commercial services in 2008 is relatively lower than that of many other exporters of services like USA, EU and China'.

Meanwhile, with the hotel industry reeling under the impact of heavy taxes, the tourism ministry has urged the Finance Minister to waive five percent service tax on hotel rooms.

This follows representations made by the hotel industry from various states like Uttarakhand, Kerala and Goa where the state governments also levy luxury and other taxes adding to the woes of the hoteliers.

For the all round development of the sector, the tourism minister proposed an enhanced outlay of about Rs 22,000 crore under the 12th plan to implement new programmes. He has asked for rationalisation of taxes in tourism sector and extension of visa on arrival facility to more countries to draw more foreigners to India.

Visa on arrival

Along with the continuation of promotional efforts under the 'Incredible India' campaign, the Government has introduced the Visa-on-Arrival scheme for tourists from five countries, Singapore, Finland, New Zealand, Luxembourg, and Japan on a pilot basis with effect from 1 January 2010. During January–December 2010, a total of 6549 visas were issued under the scheme. The scheme has now been extended to the nationals of Cambodia, Vietnam, Laos, Philippines, Myanmar and Indonesia from January 2011.

Since tourism does not fall under a single heading in the National Accounts Statistics, its contribution is usually estimated. In 2007-08, the contribution of tourism to the country's GDP and to total jobs (direct and indirect) in the country was estimated at 5.92 percent, and 9.24 percent respectively. In absolute numbers, the total number of tourism jobs in the country jumped from 38.6 million in 2002-03 to to 49.8 million in 2007-08.

According to the UN World Tourism Organization, tourism provides 6 percent to 7 percent of the world's total jobs directly and millions more indirectly through the multiplier effect in this sector. Thus there is a greater need to incentivize the sector for sustaining overall economic growth along with creation of jobs. ❑

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J&K WINDOW

SPECIAL SCHOLARSHIP SCHEME

The Cabinet Committee on Economic Affairs approved a Special Scholarship Scheme for Jammu & Kashmir to encourage the youth of J&K to pursue higher studies outside their State. The total cost of the scheme will be Rs.1200 crore of which Rs.88 crore will be incurred in the current financial year.

It is proposed to provide 5000 fresh scholarships every year over the next five years. Of these 4500 scholarships will be for general degree courses, 250 for engineering and 250 for medical studies. Every scholar will get upto Rs.30,000 per annum for tuition fees for general degree courses, upto Rs.1.25 lakh per annum for engineering course and upto Rs.3 lakh per annum for medical studies. In addition to these, hostel fees and incidentals will also be given for all categories of courses upto a ceiling of Rs. one lakh per annum.

Only those students belonging to the State of Jammu & Kashmir, who pass the Class XII or equivalent exam from the J&K Board and pursue general degree courses, engineering, medical studies and other professional courses in Government colleges/ institute/ other reputed institutes, located outside the State of Jammu & Kashmir would be eligible for scholarship under this scheme. The income ceiling will be Rs.4.5 lakh per annum. ❑

TUNNELS TO BOOST TOURISM

In the next five years, one can hope to travel to Srinagar by road even during harsh winter or at the height of monsoon, and that too at a high speed. The feat will be realized, thanks to Asia's longest all-weather two twin tunnels being built on the NH-1 A, which connects Jammu with Srinagar. The tunnels will reduce the distance between the two towns by almost 51km, lessening the travel time by at least five hours.

The tunnels will not only make the journey less risky, but will also help boost tourism in the border state that saw a revival of the industry this year after a long gap. The stretch is also of immense strategic importance.

The tunnels are being constructed by the National Highways Authority India (NHAI) at two points — Quazigund to Banihal and Chenani to Nishri, which are part of the widening of the Jammu-Srinagar highway project. Two parallel 8.5km tunnels between Quazigund to Banihal are being built at 1,790m above the sea level. This will be the first project in India, where each tunnel will be dedicated for only one-way traffic.

Though each of the tubes will have a 7-m carriageway, which is adequate for two lanes, traffic will be allowed only on one lane. The other lane will be set aside for emergency. The two tubes will be inter-connected at a distance of every 500m.

The tunnels will have modern amenities, including provision to make emergency calls and a state-of-the-art ventilation system. Oxygen will be released into the tunnels, and there will be facility for release of the polluted air. Since the tunnels will provide uniform gradient, the average speed of vehicles would be about 50-60kmph. Dedicated tubes will also make the travel smoother. ❑