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Economic Effects on the Services Sector's Growth and Employment

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ABSTRACT
The service sector is India's biggest and fastest-growing industry, with the greatest worker productivity. However, employment has not kept pace with the sector's proportion of GDP, and it has failed to create the quantity or quality of jobs required. No strategy promotes inclusive development, and the sector's expansion is hampered by numerous, uncoordinated governing bodies. Many laws are out of date, and foreign direct investment is subject to limitations and obstacles. While India is in the top ten WTO members in terms of service exports and imports, its growth and exports are slower than those of the People's Republic of China, and its exports are competitive in just a few services and a few markets. The majority of India's poor lack access to essential services such as healthcare and education, and the country's infrastructure is aging, making service delivery expensive. Despite India's desire to be a knowledge center, there is no consistency in educational quality or standards, and formal education does not ensure employment. Policy steps for inclusive growth are recommended, as well as measures to improve India's global competitiveness in the services sector.

Keywords: Economic, Growth, Employment, Services Sector

1. INTRODUCTION
Historically, economic growth has been linked to changes in national economies' structure. Economic development is characterized by structural changes, which are also required for economic growth to continue. Structure economists like Kuznets, who have experimentally shown that changes in sectoral composition cause growth, have cast doubt on the neoclassical notion that sectoral composition is a minor by-product of growth. For both demand and supply reasons, this is the case. Though various economists place varying emphasis on different variables, the following is the general line of reasoning presented by pioneers such as Fisher and Clark, followed by some elaborations and changes by subsequent analysts: The income elasticity of demand for agricultural items is low; it is high for industrial commodities, especially manufacturing goods, and it is even greater for services.

As a consequence, as income rises, demand for agricultural items decreases while demand for industrial goods rises, and demand for services rises rapidly after reaching a reasonable level of income. As a result, variations in demand patterns influence the relative contributions of various sectors to the national output.

On the supply side, agriculture confronts a growth constraint and is susceptible to the early application of the law of diminishing returns since it is primarily reliant on a fixed source of production, namely land. On the other hand, industry, particularly manufacturing, provides a wide range of opportunities for capital and technological application, which may be supplemented virtually indefinitely with human labor. Industry growth may be hampered by a lack of labor, but this may be addressed by using labor-saving technology innovations. The same may be said for services, where technological application seems to have a far broader reach, as shown by decades of experience. The primary goal of this research is to determine the impact of economic reforms on growth and employment in the service sector, as well as the variables that contribute to low service sector employment.

The study looks at the Indian economy at both the national and sectoral levels. This research investigates the strength of the connection between growth and employment in the context of the Indian economy, after an empirical verification of the relationship's strength.

1.1 Service Sector
The tertiary sector, often known as the service sector, is the third of three traditional economic sectors. The secondary sector, which includes manufacturing and producing things, and the primary sector, which includes farming, mining, and fishing, are the other two. Instead of creating tangible goods, the service sector offers services. Retail, banking, hotels, real estate, education, health, social work, computer services, leisure, media, communications, energy, gas, and water supply are all examples of activities in the service sector.

The "knowledge economy" is a priority for many companies in this area. They must stay ahead of the competition by recognizing what their consumers want and being prepared to provide it promptly and inexpensively. Banks, which underwent significant changes in the late twentieth century, are an excellent illustration of this. Banks have decreased the number of people they need to employ and cut the cost of delivering banking services by using information and communication technologies. An automated teller machine, for example, may offer basic financial services in a variety of locations 24 hours a day, seven days a week. Previously, financial services could only be obtained through the bank during business hours. Many banks and building societies have merged to create considerably lower-cost companies with a larger client base. Gaining knowledge about their consumers and continuously coming up with new offerings for them is essential to this process.

2. THE STUDY'S OBJECTIVES
To objectively assess India's economic reforms, it is necessary to look at their effect on growth and employment, with a focus on the services sector. Trade liberalization in the services sector differs from trade liberalization in the goods sector. Because the former includes factor mobility, it is distinctive in its own right. When compared to other sectors, service sector growth is the least variable; the sector has a falling capital-output ratio, and service sector growth has a strong connection with other sectors' development.

The goals of this research are to look at the effect of economic reforms on the service sector in terms of growth and employment, as well as to look at the changing structure of service sector employment in India overtime at a disaggregated level. Changes in the nature, pattern, and trends in service sector employment will be examined; key drivers and challenges in the path of converting GDP growth into employment regarding the service sector will be identified, and a strategy for the future course of action will be developed after examining the impact of economic reforms on growth and employment will be developed.

Although the empirical literature continues to expand apace, the general message may be summed in the following assertions, which emphasize the disparity between India's and industrialized nations' experiences in terms of development in services sector employment.

With this in mind, attempts have been undertaken to research the effect, growth, and development of India's services industry. The following are the stated goals of the present study:

- Conduct research on the service sector's impact on the Indian economy.
- Examine the economic policies and practices of the services sector.
- Investigating the Growth and Development of the Service Sector

3. REVIEW LITERATURE

According to Gaurav Nayyar (2014), the tremendous development of India's services industry shows fast advances achieved by educated professionals. Others view it as the growth of a last-resort employer. Given this diversity, the purpose of this study is to examine the kind of jobs that are being generated in various service subsectors in comparison to the industrial sector. Educational criteria and quality, the latter of which includes pay, job stability, and social safety, are defined as part of the nature of work. We discovered the following using several econometric models to analyses household survey data from India in the years 2005-06 and 2010-11. To begin, service sub-sectors are either 'good' or 'bad' employers in general. Second, service industries with low educational requirements have poor overall job quality and vice versa. Furthermore, it seems that employment growth is concentrated in sub-sectors with low educational requirements and poor job quality.

Seema and Pal (2013); this report assesses the services sector's performance, prospects, and challenges in the Indian economy. It's encouraging to see India referred to as the world's service center. Because of IT and ITES, India's conventional image has shifted from that of beggars, snake charmers, and cyber-coolies to that of knowledge workers. India has already seen the telecommunications and ITES-BPO revolution. The Indian government has adopted a variety of sector-specific initiatives to encourage IT and ITES, as well as other emerging industries such as telecommunications, organized retail, hospitality, entertainment, and financial services. As a result, futurists are optimistic about the sector's bright future and strong success. Incredible India in terms of tourism, but Opportunity India in terms of economic growth.

Ramakrishna (2015), apart from service sector development, finds that industry, agriculture, and the 1990s open policies all contributed to India's economic growth, but the service sector seems to contribute more. Income elasticity of demand, open policies and development in service sectors such as communications, business, banking, insurance, and trade services seem to be the drivers of service sector growth in India.

Upendra T (2011) the National Accounts Statistics offer detailed information on macroeconomic indicators that may be used to assess an economy's performance. The service sector, as opposed to the primary and secondary sectors, has emerged as the major engine of economic development in both developed and developing nations during the past two decades. Some analysts believe the service sector's production is overstated, resulting in such a high growth rate.

Ritu Mehta and H.S. Sandhu (2012), this research, conducted by examines how women have grown more prominent in today's society. With self-assurance and demonstrated skill, she navigates every area of activity. Despite many obstacles in her path to hierarchical positions, her excursions into the male monopoly of executive roles in management affairs have yielded considerable results.

According to Kandampully (2013), the service sector would be critical to India's economic development. However, he said that when people's income levels rise, they will be able to purchase more services and will spend that money on high-quality services such as education, health care, and tourism. On the other hand, as people's income levels rise and their lifestyles change, small-scale entrepreneurs may step in to satisfy this need for more and more services, while the service industry will offer more job possibilities than the manufacturing sector. Furthermore, the service sector accounts for 80% of all job openings in the United States, with customer attention, dependability, and consistency of services being the three most important criteria for service entrepreneurs to succeed.

4. METHODOLOGY

Economic Surveys, Statistical Abstract of India, RBI Bulletins, Agricultural Statistics At a Glance, NCEAR, Online Data, Newspapers, Articles, and other published sources were used to gather secondary data from 2006 to 2016.

4.1 The Services Sector's Growth and Development

While India stands out among emerging nations for its fast-growing service industry, critics question the quality and durability of this growth, as well as its consequences for economic progress. We demonstrate that, although the sector's development has been exceptionally fast, it began 10 years ago at very low levels, which is consistent with critics' viewpoints. The fact that the proportion of services has now simply converged to the worldwide norm raises concerns about whether it will continue to expand at its current rate. The growth of contemporary services including business services, communication, and transportation, banking, as well as the application of modern information technology to more traditional services such as retail and wholesale trade, transportation and storage, public administration, and defense, will determine whether service-sector output and employment continue to grow faster than international norms. The second factor has a greater impact on production than on employment.

The situation of India's services industry is complicated, with disparities in growth across various kinds of services and locations. The increasing significance of the services sector in the Indian economy cannot be overstated from a global viewpoint. The fast expansion of skill-intensive services in the information technology and professional service sectors, which are primarily geared toward the external market, has accounted for the majority of the sector's production increase in recent years. Not all services, however, have grown with the same vigor. IT and IT-enabled services have been the standout performers, whereas other services that are critical inputs to the national economy's operation (such as agricultural and industrial assistance) have not progressed as quickly as anticipated.

5. DATA ANALYSIS

5.1 Comparison on a Global Scale

According to data from the United Nations National Accounts Statistics, India rose from 14th place in 2006 to 7th place in 2016 among the world's 15 largest economies in terms of overall GDP. China (9.8%) had the highest increase in the share of services in Gross Value Added (GVA) among these top 15 economies from 2006 to 2016, followed by India (7.1%) and Spain (3.2%), (7.0 pp). India had the greatest growth rate of service GVA (at constant prices) in 2016, at 7.8%, followed by China at 7.4%. According to ILO estimates, the services sector employed more than two-thirds of the top 15 countries in 2016, with India and China accounting for the smallest share at 30.6 percent. During the period from 2006 to 2016, China had the highest increase in the share of service employment (10.2%), while India had a 5.2% increase (Figure 1).

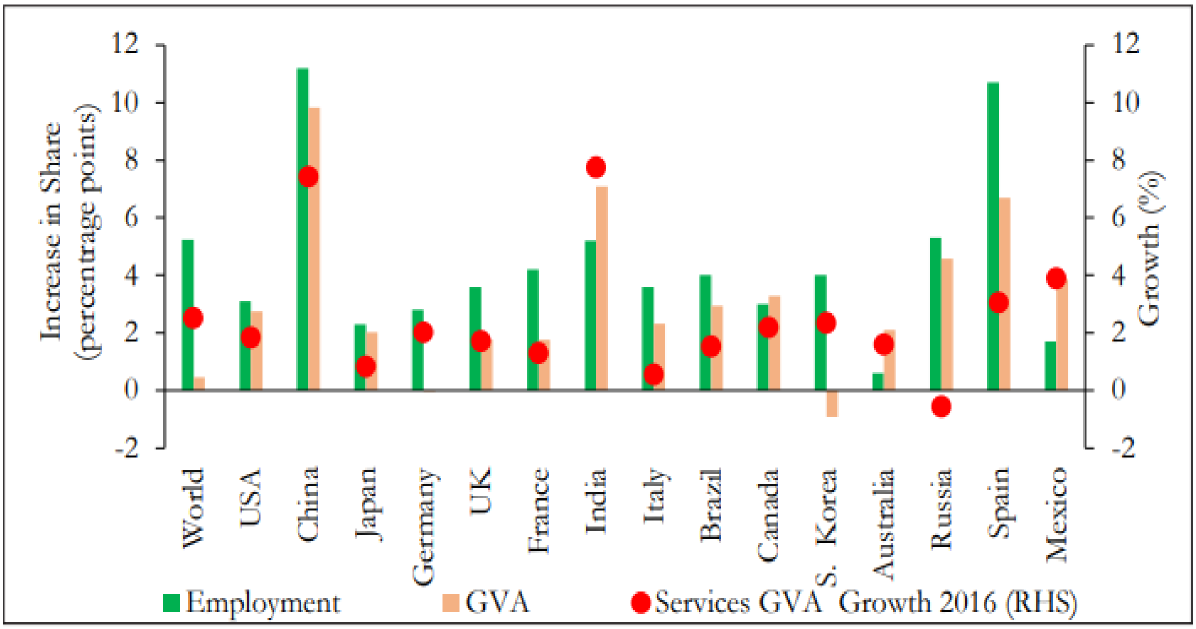

Figure 1: From 2006 to 2016, the Share of Services in Employment and GVA increased
(Source: For GVA, the UN National Accounts Statistics database and World Bank database for employment)

Services export growth in both the world and India, which had fallen to negative territory in 2015 after a six-year hiatus beginning in 2009, rebounded in 2016. According to the latest World Trade Organization (WTO) statistics for the first half of 2017, global services export growth was 4.3% (average of Q1 and Q2), with India leading the pack at 9.9 percent, while Russia had the greatest growth rate at 18.4 percent. China's economy grew at a rate of 0.2 percent. (See Illustration 2)

Following a boom in foreign investment in 2015, worldwide FDI flows dropped by 2% in 2016, to the US $1.75 trillion, according to the World Investment Report 2017 released by UN Conference on Trade and Development. In 2017, global FDI flows are expected to rise by approximately 5%. Although a significant portion of this pertains to affiliates of the primary sector and manufacturing multinational enterprises (MNEs) that conduct services-like activities and come under the services category as a default, the services sector accounted for two-thirds of worldwide FDI stock in 2015. Services accounted for 58.2 percent of the total value of announced greenfield projects in 2016, an increase from 54.1% the previous year.

5.2 The Service Sector in India

Gross Capital Formation and Gross Value Added (GVA)

According to the Central Statistics Office's (CSO) provisional estimates (PE) of real gross value added (GVA) for 2016-17, services sector growth (i.e. GVA at constant (2011-12) basic prices) decelerated to 7.7% from 9.7% in the previous two years, owing to deceleration in growth in two services categories: trade, hotels, transportation, communication, and services (5.7 percent). However, owing to the execution of the 7th Pay Commission's recommendations, the growth rate of the Public Administration and Other Services category has accelerated to 11.3 percent from 6.9% the previous year. The services sector's share of total gross capital formation (GCF) has risen steadily over the past four years, from 53.3 percent in 2011-12 to 60.3 percent in 2015-16, at current prices. However, compared to 2014-15, the growth rate of services GCF at constant prices (2011-12) has almost halved to 7.6% in 2015-16, owing to a negative increase of-2.4 percent in GCF of real estate, ownership of homes, and professional services. However, the rise of the service GCF continues to outpace that of the overall GCF (Table 1).

Table 1: India's Service Sector's Market Share and Growth (GVA at basic price)

	GVA(per cent)			GCF(per cent)	
	2014-15	2015-16	2016-17@	2014-15	2015-16
Total Services	**51.8(9.7)**	**52.9(9.7)**	**53.8(7.7)**	**59.8(14.0)**	**60.3(7.6)**
Trade, repair, hotels and restaurants	11.4(9.2)	11.4(11.2)	18.4(7.8)*	9.4(57.6)	10.1(16.1)
Trade & repair services	10.4(9.4)	10.4(10.9)	NA	8.4(51.4)	8.7(11.3)
Hotels & restaurants	1.0(6.3)	1.0(14.4)	NA	1.0(140.1)	1.5(56.8)
Transport, storage, communication & services related to broadcasting	6.8(8.8)	7.0(9.3)	NA	6.1(-28.1)	6.4(9.9)
Railways	0.8(9.4)	0.8(7.0)	NA	1.7(43.1)	1.9(14.7)
Road transport	3.2(6.5)	3.2(6.7)	NA	2.0(43.1)	2.0(5.5)
Air transport	0.1(14.0)	0.2(16.8)	NA	0.2(21.6)	0.0(-92.3)
Financial services	5.7(9.0)	5.8(6.8)	21.1(5.7)^	1.6(67.4)	1.8(16.8)
Real estate, ownership of dwelling & professional services	14.8(12.1)	15.3(12.5)	NA	28.8(18.9)	26.7(-2.4)
Public Administration and defence & Others	13.0(8.1)	13.4(6.9)	14.2(11.3)	13.8(9.1)	15.4(20.2)
Construction	8.6(4.7)	8.1(5.0)	7.6(1.7)	5.5(25.0)	5.0(-2.4)
Total Services (plus Construction)	**60.4(8.9)**	**61.0(9.1)**	**61.4(6.9)**	**65.3(14.9)**	**65.3(6.7)**
TOTAL GVA/GCF at basic prices	**100.0(7.2)**	**100.0(7.9)**	**100.0(6.6)**	**100.0(7.5)**	**100.0(6.2)**
GDP market Prices (Constant Prices) Y-o-Y	**(7.5)**	**(8.0)**	**(7.1)**		

(Source: Computed from CSO data)

5.3 Comparing Services by State

Only 10 states/UTs have data for 2016-17, and 23 states/UTs have data for 2015-16, out of the 32 states and union territories (UTs) for which CSO has published data for the new base 2011-12 series. Except for Arunachal Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh, Uttarakhand, and Sikkim, the services industry is the most prominent sector in these 32 states/UTs, accounting for more than half of GSVA in 16 states and UTs and more than 40% in all states. Trade, hotels, and restaurants are the most important services in the majority of states, followed by real estate, homeownership, and business services. Chandigarh has the highest proportion of service GSVA at 88.4 percent, while Jharkhand has the highest service GSVA growth rate at 16.4 percent, out of the 23 states and UTs for which data is available for 2015-16. (Figure 2).

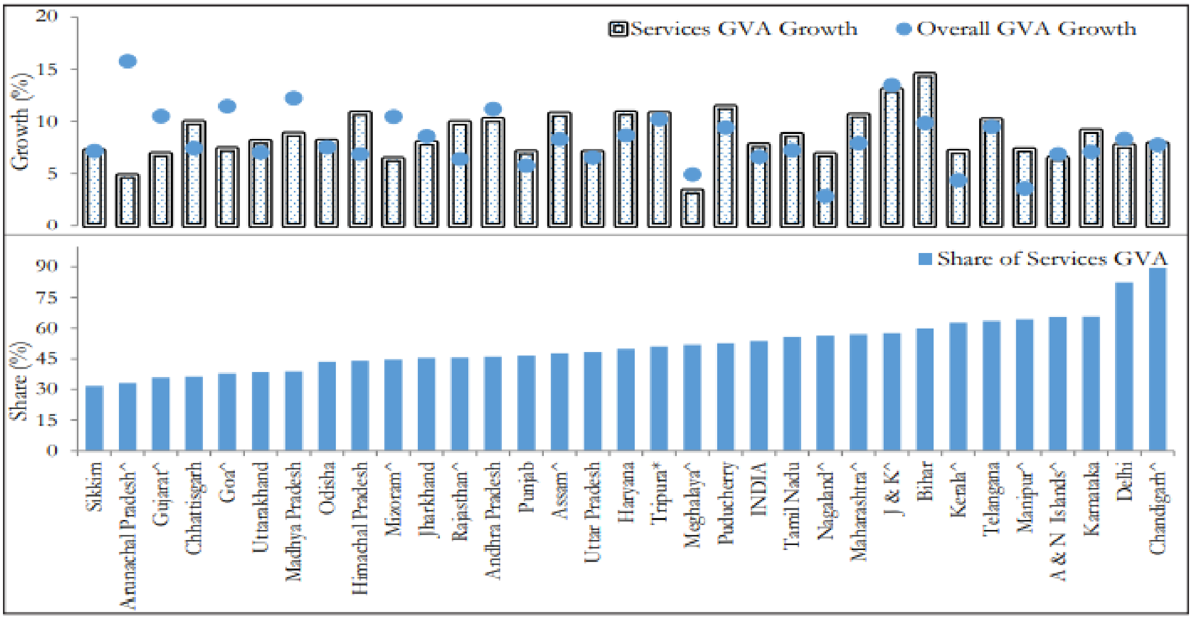

Figure 2: **Service Market Share and Growth in States (2016-17)**
(Source: Computed from CSO data)

5.4 Foreign Direct Investment (FDI) in India's Services Sector

The combined FDI share of the top 10 service sectors, such as financial and non-financial services, falling under the Department of Industrial Policy & Promotion (DIPPservices)'s sector definition; telecommunications; trading; computer hardware & software; construction; hotel & tourism; hospital & diagnostic centers; consultancy services From April 2000 to March 2017, these services accounted for 55.3 percent of total FDI equity inflows, and 60.7 percent of total FDI equity inflows in 2016-17. When the shares of five other services or service-related sectors, such as retail trading, agricultural services, education, ports, and air transport, are included, the total share of FDI equity inflows to the services sector for the preceding two periods rises to 57.4 percent and 62.4 percent, respectively. In 2014-15 and 2015-16, there was a substantial increase in FDI equity inflows in general (27.3 percent and 29.3 percent, respectively) and to the services sector in particular (27.3 percent and 29.3 percent) (67.3 percent and 64.3 percent for top 15 services).

However, FDI equity inflows increased at a slower rate in 2016-17, increasing by 8.7% to the US $43.5 billion, while FDI equity inflows to the services sector (top 15 services) decreased by 1.5 percent to the US $27.2 billion. The government has implemented several reforms in the last three years to ensure that India remains an increasingly attractive investment destination. The decline in service FDI equity inflows is mainly attributable to contractions in computer software and hardware, trade, building, and tourism, and hotels. The extent of changes may be gauged by the fact that 21 industries, including services activities, and 87 areas of FDI policy, have undergone reforms over this period. Construction development, broadcasting, retail trade, air transport, insurance, and pensions all had their FDI policies drastically revised. Furthermore, initiatives such as the introduction of composite caps in the FDI policy, allowing 100% FDI in retail trading of food products with the unqualified condition that such food products be manufactured and/or produced in India, 100% FDI under the automatic route for any financial sector activity regulated by any financial sector regulator and above a certain threshold, most importantly, the recent legislation abolishing the Foreign Exchange Control Board the Board for Investment Promotion (FIPB).

Table 2: Foreign Direct Investment (FDI) Equity Inflows to the Services Sector

		Value (in US$ million)	Percentage to Total (%)	Growth Rate (%)	
Sr	Sector	2016-17	2016-17	2015-16	2016-17
1	Services Sector*	8684	20.0	55.1	26.0
2	Computer Software & Hardware	3652	8.4	157.2	-38.2
3	Construction #	1966	4.5	182.0	-57.5
4	Trading	2338	5.4	41.0	-39.2
5	Hotels & Tourism	916	2.1	71.5	-31.3
6	Telecommunications	5564	12.8	-54.3	320.1
7	Information & Broadcasting	1517	3.5	295.9	50.3
8	Hospital & Diagnostic Centres	747	1.7	30.7	0.7
9	Consultancy Services	261	0.6	13.0	-49.5
10	Sea Transport	735	1.7	28.8	71.2
	Top 10 service categories (1-10)	**26380**	**60.7**	**62.4**	**-0.9**
	Top 15 Services	**27151**	**62.4**	**64.3**	**-1.5**
	Total FDI Inflows	**43478**	**100.0**	**29.3**	**8.7**

(Source: According to the Department of Industrial Policy and Promotion's data (DIPP))

6. IMPORTANCE OF INDIA

Unemployment is a problem. For a growing nation like India, economic growth is critical since "the goal of India's development policy since independence has been to create a socialist structure of society via Self-sufficiency, social justice, and poverty reduction are the foundations of economic progress. The mixed economy mechanism, which enables the public and private sectors to coexist, was to be used to achieve these objectives within a democratic political framework. Professor Mahalanobis proposed an industrialization plan that emphasized the growth of heavy industries and envisioned the public sector having a dominant role in the economy during the Second Five Year Plan (Nehru-Mahalanobis Plan)." The goals of industrial policy were to increase growth rates, self-reliance, and an effective policy to reduce foreign interference, as well as to lay a strong foundation for the development of indigenous capacity, encouraging small-scale industry, achieving balanced regional development, preventing economic power concentration, reducing income inequalities, and exercising state control over the economy. The first three plans' industrialization approach believed that once the development process was established, institutional reforms would guarantee that the advantages of prosperity would trickle down to the poor. As a consequence, the government focused on improving development and reducing poverty, rather than launching a distinct strategy for job creation, since poverty alleviation and job creation were seen as natural byproducts of the economic process. However, since agricultural development remained constrained owing to perverse institutional circumstances, questions were raised about the efficacy of the trickle-down hypothesis.

With high tariffs, quotas, and other trade obstacles, India's economy has been one of the most protected in the world. The Indian economy was characterized by restricted entry and a domestically heavy licensing raj, public sector domination leading to crowding out, poor per-capita income, and low savings and investment rates until the mid-2005s. The regulatory landscape began to shift when a few preliminary moves to liberalize the regulatory system were made.

Economic reforms have been implemented in global economies during the past fifty years at various times, and their effect on growth and employment is a hot subject among economists, social scientists, and other multidisciplinary disciplines. In India, the contribution of the service industry has increased dramatically during the past two decades. In 2006, the service sector contributed 53.8 percent of GDP, while in 2016, it contributed 53.66 percent of GDP.

Some economists have significant concerns about its long-term viability, while others believe it is a consequence of the industrial sector. Others, on the other hand, are calling for further study on the topic of net invisibility. This dissertation looks at many elements of economic reforms, as well as their effect on the service sector's development and employment. The study subject was chosen to provide for the potential of obtaining findings that may assist policymakers to formulate suitable policies by providing information about the nature of service sector development and its connection with employment.

6.1 The Economy of the Services Sector in India

During the past several years, India has made significant progress toward economic liberalization, devising methods for achieving fast economic growth. In terms of its economic goal, India has managed to attain a 6% annual growth rate. During these years, there has been a significant rise in middle-class income, and the middle-class population is projected to be about 200 million. All efforts are focused, in particular, on this number. In the twenty-first century, this group will have a high need for service. With rising educational levels, which the Indian government provides for free and compulsory schooling till the age of 14, demand for educational services will rise. With the rise in population and knowledge of the advantages of pursuing education, primary schools, secondary and upper secondary schools, junior degree institutions, and junior colleges are all in high demand. As the number of students grows, so does the need for tutoring, private lessons, and other such services. With the development of technical institutions even at the district level, the need for properly trained technicians has increased. With the growing quantity of commerce and business carried out by the road, there is a significant need for transportation services, which helps a variety of vehicle manufacturers, whose cash registers are beginning to overflow. The car industry benefits from large segments of the population that value owning their automobiles. Banking services are critical for the public sector and the national industrial sector to fulfill their financial obligations. Electricity services assist society, industry, and other organizations. For the well-being of society, sufficient hospital services are required. Personal care services are necessary for an individual's development of potential to present a good image and have a flawless personality. Hospitality services (hotels, for example) develop methods to provide comfort and pleasure to the business class via their services. The tourism business is a promising one that has oriented itself toward allowing visitors to spend their vacations in locations of their choosing, away from the monotony of city life. In this regard, the entertainment sector plays a critical role.

All of these services have prompted management scientists, professionals, and socioeconomic thinkers to examine and comprehend that the most important aspect of providing consumer services is that they have limitless potentialities, which we must explore and exploit in light of changing social, cultural, and economic conditions. When technology advances and changes, professional requirements must adapt as well. These need managerial expertise, which can only be achieved by enhancing human skills.

6.2 Growth in the Future

Even though India's economic growth slowed to 6.9% in 2012, it is expected to expand at 7.3 percent in 2013, which is higher than the 6% average predicted growth rate for emerging and developing countries. 11[th] The number of individuals living in poverty has decreased in the last decade, while GDP and per capita incomes have increased. According to McKinsey & Company (2007), assuming the Indian economy develops at 7.3 percent between 2005 and 2025, 583 million Indians would be in the middle class by 2025, which is equal to Australia's present population. In 2025, the middle class will account for 59 percent of overall spending, up from approximately 5% in 2005. With rising wages, literacy rates have risen as well, and are projected to continue to rise. 12 In addition, with 54 percent of the population under the age of 25, India has one of the world's youngest populations. 13 All of this is causing a shift in consumer behavior, with more demand for discretionary services such as education, private healthcare, personal care, and hotels and restaurants. The Indian market is vast and untapped, and the majority of services have been made available to international investors. India is attempting to establish itself as a knowledge-based center, and the government is encouraging service exports. All of these elements will contribute to the service sector's future development.

According to the Indian government's predictions, the industry will expand rapidly. In the 12th Five Year Plan (2012–2017), the Planning Commission projects that the economy will expand at a pace of 9.5 percent, with the service sector growing at a rate of 10%. Certain services, such as commerce, hotels and restaurants, transportation, storage, communications, finance, insurance, and real estate, are anticipated to expand faster than the industry as a whole, while others, such as community, social, and personal services, are likely to develop more slowly.

7. CONCLUSION

Since certain service sector companies, according to Capital Line statistics, are more sensitive to foreign commerce, In employment-intensive service industries, trade with emerging nations may offer better possibilities for development. Second, several services in which India have a competitive advantage over other nations must be supported in their growth so that international and local demand does not clash. The health sector, for example, can be expanded significantly to meet the demand potential for such services in both developing and developed countries. Price disparities between India and industrialized nations may draw a large amount of international demand for health services. However, even to satisfy domestic demand, supplies are often in short supply.

The development of India's services industry, which was remarkably robust even during the global financial crisis, has slowed in recent years. However, certain sectors of the market have experienced an uptick in recent months. The sector is doing well. This is mirrored in India's Nikkei Services PMI, which increased to 53.1 in June 2017. Strong since October 2016, bolstered by a surge in new business inflows.

We attempted to assess the effect of international trade on employment in these units due to double-digit employment growth, implying the possibility of close links between growth and employment. International trade, on the other hand, does not appear to be a significant determinant of employment, implying that trade liberalization did not have a significant impact on employment growth. However, it seems that this has significant policy consequences. The problem is figuring out how to make the service work. More financial institution reforms may encourage foreign savings, which could lead to job growth because the management of such savings will be labor-intensive. Investment of such resources in productive activities will result in the creation of new jobs. To integrate with the rest of the world, India's backward areas require massive infrastructure investment. Business services, which have been India's competitive edge, may grow further to generate large-scale job possibilities. Foreign investment may then spread to various semi-urban regions, rather than concentrating in a few million-plus cities. Rural youth will be able to take advantage of these new possibilities thanks to skill up-grading and human capital creation and international commerce in services will become both pro-growth and employment-intensive. The results may also be used to reinforce and improve local demand, allowing economic growth and employment to increase even when foreign commerce does not play a significant role. This may lead to more equal income distribution. The development of India's services industry, which was remarkably robust even during the global financial crisis, has slowed in recent years. However, certain sectors of the market have experienced an uptick in recent months.

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