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## Service Sector Scenario of Punjab and Haryana

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### Abstract

*Services sector plays a dominant role in Punjab and Haryana GSDP, as result shows that more the 50per cent GSDP is coming from services sector. The study is conducted from secondary data from 1980-81 to 2014-15. Furthermore, the main objective of study is to explore the sub-sectors of service sector which is playing the lead role in GSDP in both states. More over the contribution of sub-sectors as well growth has estimated, as noticed the trade, hotels and restaurants playing the lead role in GSDP in both states. With the growth rate of three sub sectors i.e., Transport, storage & communication, Trade, hotels and restaurants and Real estate, ownership of dwellings and business services of Haryana take over to Punjab. The ratio which was favorable for Punjab in 1980-81, transformed in favor of Haryana in 2004-05 indicating in term of money the Haryana crossed to Punjab.*

**Keyword: Service sector, growth rate, trend, sub-sectors, GSDP**

### Introduction

Earlier, agriculture plays an important role in gross domestic product (GDP) in India. Scenario has changed and servicesector emerged as the major contributor in gross domestic product. Afterthe year 2000, the growthof trade in services had grown at a faster rate compared to the growth of trade ingoods (MohdSaharSauian, 2011).Service sector is playing an important role in developing economy (Acharya, S. 2003; Berchert and Mattoo 2009; Bhagwati, Jagdish 1984; and Bosworth et. al. 2007). The Punjab and Haryana economy gross state domestic product (GSDP) is currently driven by service sector, the major share (more than 50 per cent)in GSDP is coming from this sector. The economy of country dependson three sector Primary, secondary and territory sectors and growth of the economy leads by three sectors. The service sector is one of the important sector which is leading the growth of economy and help to pull the agricultural disguised unemployed labor. This sector is divided in to sub sectors i.e.,Transport, storage & communication;Trade, hotels and restaurants; Banking & Insurance; Real estate, ownership of dwellings and business services; Public administration and other services.

In the present study, two states (Punjab and Haryana) have chosen to examine the importance of service sector and further sub sectors of the economy. Punjab and Haryana are generally known as agricultural developed states. The agricultural GDP share has declined in both states, nevertheless the major share of employment is contributed by this sector. It is pertinent to mention that the growth of two states is leading by tertiary sector. Currently this sector is a rich sector of the economy, its giving the rich GSDP, nevertheless, poor employment.Fifty years ago, the service sector accounted for about sixty percent of GDP of U.S and employment. Currently, the service sector's share of the U.S. economy has risen to roughly 80 percent (Douglas B. Cleveland). As per GDP the same percentage of employment is provided

in developed countries. In the developing country share of service sector although has increased, nonetheless, the population still depend upon agricultural sector. The objective of the study is to analyze the growth performance of service sector of Punjab and Haryana economy. Comparative performance of service sector between these two states has also been considered. Moreover, to identify the driver of service sector of GSDP which is playing vital role in the growth.

### Data and Methodology

The secondary data has been collected to estimate the result of services sector from the source of CSO from the period of 1980-81 to 2014-15. Furthermore, the whole period is divided from 1980-81 to 1990-91, 1990-91 to 2000-01 to 2010-11, 2010-11 to 2014-15. The service sector is divided in sub sectors i.e., Transport, storage & communication; Trade, hotels and restaurants; Banking & Insurance; Real estate, ownership of dwellings and business services; Public administration and other services. The share of various sub-sectors has been calculated on current prices of both states. To calculate the growth scenario of sub sectors of service sector the data has been used at constant prices of 2004-05. Moreover, the ratio (Punjab/Haryana) has been examined to the GSDP of both states. The statically abstract of both states have also sourced to estimates. There is ambiguity of data of Transport, storage & communication further divided in sub section of Haryana was available, nonetheless, the lack of availability of data of Punjab, therefore, this study unable to show the importance of sub sectors of Transport, storage & communication. The trend and growth rate has been estimated to describe the results in present study. Moreover, the compound growth rate was estimated with the following exponential model.

$$Y = ab^t$$

$$\text{Log } Y = \text{log } a + t \text{ log } b$$

$$\text{CGR} = (\text{Antilog } b - 1) \times 100$$

where,

t = time period in year

Y = GSDP agriculture & allied and sub sector of agricultural & allied

a & b = Regression parameters and

CGR = Compound growth rate.

### Results and Discussion

As estimates explored the importance of Trade hotel and restaurants which was contributing the 42.46 percent share in 1980-81 in Punjab and likewise situation observed in Haryana, followed by real estate, ownership of dwellings and business services; public administration and transport, storage & communication. The share of trade, hotels and restaurants has drastically declined from 42.46 per cent to 22.84 in Punjab during 1980-81 to 2014-15 (Table 1). Banking & insurance sector share has improved from 7.46 per cent to 14.93 per cent in Punjab. As investigated that transport, storage & communication has also able to improve their share in tertiary sector in Punjab. The share of other services has jumped in Punjab. On the other hand, in Haryana as found that the share of real estate, ownership of dwellings and business services has increased from 13.87 to 22.46 per cent during 1980-81 to 2014-15, an important finding is that the share of this sector was very low in 1990-91 furthermore this sub-sector grew with development of some districts like Gurugram, Rohtak, Bhiwani etc., of Haryana. During the last decade, industrial units grew at faster rate in various

parts of Haryana, consequently the real estate, ownership of dwellings and business services grow at faster rate. The share of banking and insurance was stagnant, hovering around 6.5 per cent in Haryana.

**Table 1: Decadal changing Composition of Territory Sector in Punjab and Haryana**

Year	(Per cent)					
	1980-81	1990-91	1991-92	2000-01	2010-11	2014-15
	Punjab					
Transport, storage & communication	8.44	11.26	10.85	11.82	12.4	11.59
Trade, hotels and restaurants	42.46	43.16	44.95	32.9	27.6	22.84
Banking & Insurance	7.46	10.46	10.85	12.55	11.69	14.93
Real estate, ownership of dwellings and business services	15.24	7.87	7.33	10.22	13.06	11.78
Public administration	9.22	11.1	10.49	13.81	10.8	11.08
Other services	17.18	16.15	15.53	18.71	24.45	27.77
	Haryana					
Transport, storage & communication	12.58	15.57	16.92	18.53	16.45	16.28
Trade, hotels and restaurants	43.47	43.6	43.95	38.68	40.34	36.47
Banking & Insurance	6.44	7.44	7.94	9.56	6.87	6.64
Real estate, ownership of dwellings and business services	13.87	8.09	7.61	12.07	18.23	22.46
Public administration	8.41	9.87	8.9	7.27	4.99	4.25
Other services	15.24	15.43	14.68	13.89	13.12	13.89

Source: Author's estimation based on CSO data

The share of other services (Activities of membership organizations; Repair of computers and personal and household goods; Other personal service activities and Activities of households as employers; undifferentiated goods- and services producing activities of households for own use etc.) of territory sector has declined from 15.24 per cent to 13.89 while this sector able to improve the share in Punjab. As examined the public-sector contribution declined from 8.41 per cent to 4.25 per cent in Haryana. In the whole story of Haryana, we found that the sub sector trade, hotels and restaurants is playing the lead role in gross state domestic product (GSDP). Story of Punjab is little bit different as the major share is still contributed by Trade, hotels and restaurants, nevertheless, the other services are also recognized as a leader. Approximately similar share of sub sector has been examined except transport, storage & communication in Punjab.

**Table 2: Share of Service Sector in GSDP of Punjab and Haryana at selected time.**

State	(Per cent)					
	1980-81	1990-91	1991-92	2000-01	2010-11	2014-15
<b>Punjab</b>	30.86	32.18	31.97	35.42	43.34	49.76
<b>Haryana</b>	26.77	31.08	32.10	39.75	50.01	55.08

Source: Author's estimation based on CSO data

In 1980-81 the major share of GSDP came from agricultural sector and the GSDP was driven by this sector. Over the period this driver has transformed and service sector take a lead role in GSDP. In Punjab economy, the share of agriculture was dominant up to 2000-01

afterwards the lead role taken by service sector. The share of service has increased from 30.6 per cent to roughly 50 per cent in Punjab GSDP. The share of services sector in gross state domestic product of Haryana was less compared to Punjab during the 1980-81 and 1990-91. At the end year of the study, the contrary results have estimated means that the share of service sector has increased compared to Punjab. Even in 1990-91 the share of service sector was higher of Haryana afterwardsthe continuously improved the share of this sector has verified more than fifty per cent crossed in 2014-15.

The per capita income of Haryana was crossed to Punjab in 2000-01. GSDP data has collected to estimate the ratio of sub-sectors of two states. The service sector ratio was higher of Punjab up to 2004-05 subsequently the Haryana abled to catch the similar ratio and finally crossed to Punjab in the year of 2006-07. The lower than one value is indicating that the total GSDP of service sector of Haryana is higher. This table (3) is providing the whole story, how the per capita income is higher and drove from various sub-sectors. The trade, hotels and restaurants; Real estate, ownership of dwellings and business services and Transport, storage & communication is played the dominant role in Haryana overall GSDP and per capita income. As examined that Transport, storage & communication Haryana GSDP cross to Punjab in 1985-96, moreover in 2010-11 the ratio was very less for Punjab of this sector, just 50 per cent of Haryana in year of 2014-15. As per estimated that Punjab left behind in transport sector it is needed to think how this sector can revive.

**Table 3: Ratio of different Sub-Sectors Punjab/Haryana**

Year	1980-81	1990-91	1991-92	2000-01	2010-11	2014-15
<b>Transport, storage &amp; communication</b>	1.15	1.04	0.89	0.68	0.57	0.52
<b>Trade, hotels and restaurants</b>	1.67	1.42	1.42	0.91	0.51	0.45
<b>Banking &amp; Insurance</b>	1.98	2.02	1.9	1.4	1.28	1.63
<b>Real estate, ownership of dwellings and business services</b>	1.88	1.4	1.34	0.91	0.54	0.38
<b>Public administration</b>	1.87	1.61	1.64	2.03	1.63	1.89
<b>Other services</b>	1.93	1.5	1.47	1.44	1.4	1.45
<b>Service Sector</b>	1.48	1.38	1.4	1.17	0.87	0.8

Source: Author's estimation based on CSO data

Haryana Transport, storage & communication sub sector was also receiving the higher GSDP from 2000-01 and reached at dominant stage in 2014-15 the ratio is 0.45 per cent meaning that less than the half GSDP of Punjab compared to Haryana. In Haryana the transport, storage & communication sector is backing to Trade, hotels and restaurants. Banking & insurance sub sector GSDP Punjab was also able to make its place, even in 2014-15 much better picture has examined. In 2000-01 real estate, ownership of dwellings and business services GSDP overtake to Punjab, surprisingly the value 0.38 is indicating very poor GSDP of Punjab. The public administration and other services ratio is calculated which shows the favorable trend for Punjab. Three sub sectors namely Transport, storage & communication, Trade, hotels and restaurants and Real estate, ownership of dwellings and business services played a dominant role and helps Haryana to cross the GSDP of Service sector to Punjab

Growth of service sector has been estimated around 6.11 for Punjab and 9.19 for Haryana during 1980-81 to 2014-15. The performance of Haryana is much healthier compared Punjab. The growth of sub-sectors transport, storage & communication both states were satisfactory. The poor growth has been investigated Trade, hotels and restaurants for Punjab while the similar sub sectors perform healthier growth in Haryana, even during 2000-01 to 2010-11 grew with 13.41 per cent and growth rate of Punjab was recorded only of 4.52 per

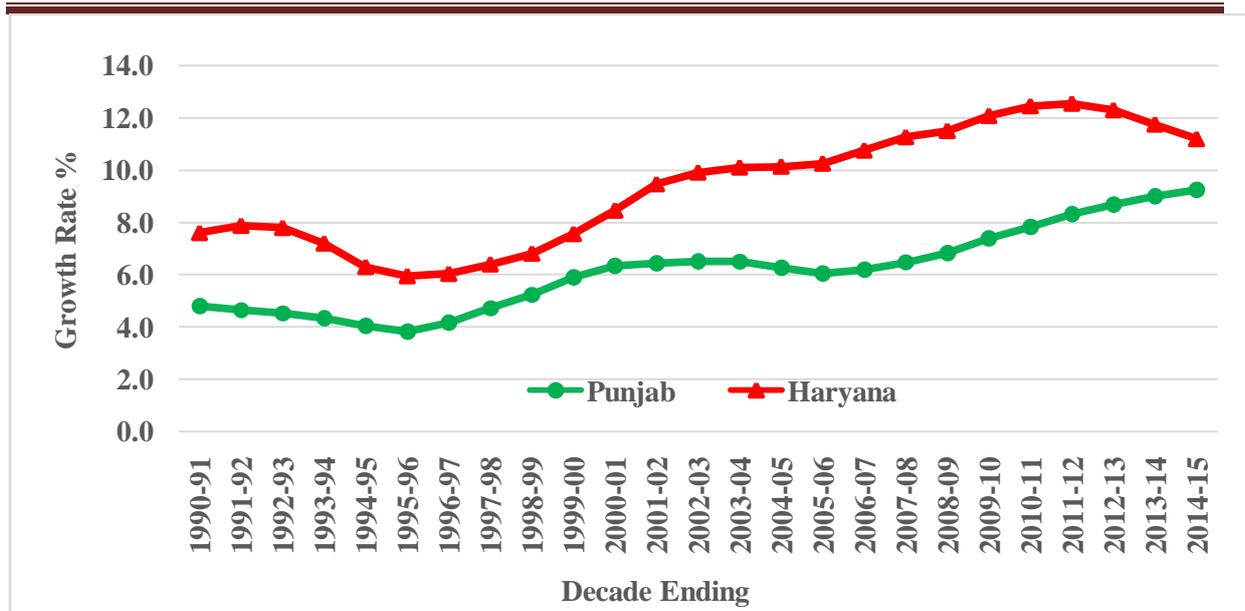
cent. The banking & insurance sub sector growth of both states were almost similar in different phase of study, hovered around 12 to 15 per cent. Although the share of this sector was less in Haryana GSDP, nonetheless, the satisfactory growth has been estimated.

**Table 4: Decadal sub-sector growth rate of service sector in Punjab and Haryana (At 2004-05 price)**

Year	(Per cent)				
	1998-81 to 1990-91	1990-91 to 2000-01	2000-01 to 2010-11	2010-11 to 2014-15	1980-81 to 2014-15
<b>Punjab</b>					
<b>Transport, storage &amp; communication</b>	7.40	10.70	11.25	6.77	9.91
<b>Trade, hotels and restaurants</b>	3.00	4.97	4.52	6.99	4.25
<b>Banking &amp; Insurance</b>	12.17	11.43	14.17	17.86	11.63
<b>Real estate, ownership of dwellings and business services</b>	2.61	2.24	3.84	4.01	2.63
<b>Public administration</b>	7.62	6.32	7.58	7.80	7.13
<b>Other services</b>	2.49	3.09	6.31	9.67	4.01
<b>Service Total</b>	4.70	5.96	7.60	9.43	6.11
<b>Haryana</b>					
<b>Transport, storage &amp; communication</b>	8.12	7.83	12.95	9.48	10.10
<b>Trade, hotels and restaurants</b>	8.04	8.95	13.41	6.22	10.11
<b>Banking &amp; Insurance</b>	12.74	12.93	15.87	10.55	12.74
<b>Real estate, ownership of dwellings and business services</b>	4.58	4.09	8.10	15.89	5.65
<b>Public administration</b>	9.13	6.58	7.92	6.03	6.51
<b>Other services</b>	5.23	5.57	9.23	10.99	6.47
<b>Service Total</b>	7.71	8.00	12.15	9.43	9.19

Source: Author's estimation based on CSO data

As important to mention that Real estate, ownership of dwellings and business services sector growth was 2.61 per cent in the initial decade 1980-81 to 1990-91 (Table 4) which has improved between 2000-01 and 2010-11, and 4.01 per cent per annum, growth observed during 2010-11 to 2014-15, the overall scenarios was 2.63 per cent. On the contrary, Haryana takes lead in this sector which grew with growth rate of 5.65 per cent while the 2010-11 to 2014-15 the miracle growth estimated approximately 15.89 per cent, previous decade (2000-01 to 2010-1) the fruitful growth has identified of 8.10 per cent. Public administration grew at the rate around 7.00 per cent in both states. In other services, Haryana took a lead in growth in each decade. It is pertinent to mention that each sub sector growth rate of Haryana is much better. In the decade of 2010-11 the service sector grew with 12.15 per cent growth rate while 7.60 per cent has been investigated for Punjab. The same growth rate has estimated during 2014-15 of services sector of both states.



**Figure 1: Decade ending trends of growth rate of Service sectors in Punjab and Haryana at 2004-05 prices**

It is very interesting to mention that continue decade wise growth rate is estimated with base year 1980-81 at 2004-05 prices. The figure (1) is showing the growth trend from 1980-81 to 1990-91, 1981-82 to 1991-92 and continue method has applied and found that growth rate decelerated for Punjab, which start from roughly 4.50 percent in decade ending 1990-91 and declining up to less than 4.0 percent in decade ending 1995-96 in Punjab. The growth rate of Haryana also dipped at same period from 8.0 per cent to 6.0 per cent. Afterward the growth of both states has improved and backing of previous year push the growth of next year. There is gap identified in both states that growth rate is favorable measured for the Haryana. There is need to improve the three sub- sector which left behind from Haryana.

**Table 5: Per Capita Income Punjab VS Haryana (Rs) at Constant Price 2011-12**

Years	(Rs/ Per capita)					
	1980-81	1990-91	2000-01	2002-03	2010-11	2014-15
<b>Punjab</b>	32019	44663	56947	56879	82703	96638
<b>Haryana</b>	28188	41734	52558	57562	100527	124092

Source: Author’s estimation based on CSO data

Result of the service sector progress of Haryana has been recorded on per capita income also, what has to underlined that per capita income overtake to Punjab in 2002-03. In the initial year the per income was just of Rs. 28188 of Haryana and at 2011-12 prices. The per capita income has jumped from Rs.57562 to Rs.100527 during 2002-03 to 2010-11 in Haryana, whereas in Punjab has increased only 45 per cent. It was major a contribution of the service sector which help to overtake to one of developed state of Punjab of India. With growth of services sector, Haryana able to stand at respectable position. For the implication is to improve the lagging sub-sector of the services sector of Punjab

**Conclusion and policy suggestion**

Agricultural, Industry and service sector are interconnected to each other and playing a complementary role. In the present paper, we revealed the importance of service sector. Furthermore, this sector is divided in sub sector to analysis the share in GSDP. For the

estimation the Transport, storage & communication, Trade, hotels and restaurants, Banking & Insurance, Real estate, ownership of dwellings and business services, Public administration and other services has been considered. As observed that the growth of service sector is drive by sub-sector of trade, hotels and restaurants, the maximum share has been estimated in both states. As important note is real estate, ownership of dwellings and business services also able to improve the share in Haryana while the share of banking and insurance and other services have hiked in Punjab in 2014-15. The share of three sectors played an important role in Haryana economy which help to lead in service sector. The service sector growth was healthier of Haryana compared to Punjab during 1980-81 to 2014-15. Service sector share in GSDP has increased from 30 per cent 50 per cent Punjab and 26 per cent 55 per cent Haryana during 2014-15. It is suggested that Punjab needs to develop the three sectors namely Transport, storage & communication, Trade, hotels and restaurants and Real estate, ownership of dwellings and business services which left behind from Haryana. As well as the growth of each sector has to match to catch the service sector ratio which has lost by Punjab. One of the important suggestion is to increase the share of employment in services sector. The equal GSDP share with employment could help in balanced economy in sense of earning of agricultural employer could match with non-agricultural employer as well as reduced the over burden on agricultural sector.

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