

3. Reports on India's Services Sector – Reports

NITI Aayog released two reports titled India's Service Sector – Insights from GVA trends and state-level dynamics and India's Service Sector – Insights from employment trends and state-level dynamics

Services Sector in India's Growth Model

The services sector remains the largest contributor to India's Gross Value Added (GVA), accounting for ~55% of national output. India's growth trajectory is moving from being a services-export powerhouse to a services-driven domestic economy, strengthening internal consumption and value-chain linkages. The sector acts as the primary driver of innovation, urbanization, and productivity, complementing manufacturing and agriculture.

Key Findings of GVA Trends

The services sector contributes more than half of India's GVA, making it the core pillar of national economic growth. India's economic structure is evolving into a services-dominant model, moving beyond traditional export-led IT services to broad-based domestic services expansion.

High-growth subsectors powering value creation include –

1. IT-BPM & Global Capability Centres (GCCs)
2. Financial services & fintech
3. Real estate & business services
4. Logistics & supply chain management
5. Healthcare services & wellness
6. Education and Ed-Tech

Regional concentration remains strong – Southern & Western states such as Karnataka, Maharashtra, Tamil Nadu, Telangana, Gujarat contribute over 60% of services GVA. Delhi and Karnataka exhibit the highest per-capita services GVA, indicating robust tertiary economic diversification.

Structural Duality – Modern services (IT-BPM, finance, R&D) are high-productivity and globally competitive but create limited direct employment. Traditional services (retail, hospitality, personal services) remain labour-intensive but informal and low-productivity, reflecting structural heterogeneity.

Key Findings of Employment Trends

Despite contributing ~55% to GVA, services employ only around one-third of India's workforce, highlighting a growth-employment disconnect. The sector created ~40 million jobs in the last six years, with employment elasticity of 0.63, second only to the construction sector.

Gender Dimensions

Female labour force participation in services fell from 25.2% (2017-18) to 20.1% (2023-24).

Wage disparity –

1. Rural women earn less than 50% of male wages
2. In urban areas, women earn ~84% of male wages

Better wage parity is seen in ICT, healthcare, education, where skill and formal employment structures support inclusion.

Key Challenges in India's Services Sector

Regional Imbalances – High-value modern services are concentrated in southern & western states, creating spatial inequality.

Infrastructure Bottlenecks – Tier-2 & Tier-3 cities lack world-class logistics, transport, power reliability, and digital infrastructure.

Skill Gaps – Lack of industry-ready talent, digital proficiency, and soft skills, especially outside urban centres.

Informality – Majority of service workers remain unorganized, with limited social security and formal contracts.

Gender Inequality – Declining female participation and persistent wage gaps signal gendered labour-

market exclusion.

Urban-Rural Service Divide – Urban clusters dominate premium services, while rural services remain consumption-driven and low-value.

Policy Roadmap Proposed

Formalisation & Social Protection – Extend legal and social protection frameworks to gig workers, informal MSMEs, platform workers, self-employed. Digital & Skill Development – Focus on rural youth and women through tech-enabled skilling and career pathways.

Green & New-Age Skills – Develop workforce capabilities in –

1. Sustainability and climate finance
2. AI, cloud computing, cybersecurity
3. Clean energy & circular economy services

Balanced Regional Growth – Promote service-led urban hubs in Tier-2/3 cities via –

1. Digital infra
2. Startup ecosystems
3. Quality education & healthcare
4. Urban mobility planning

Concluding Remarks

India's services sector is central to the Viksit Bharat @ 2047 vision, serving as the engine of high-skill growth, social mobility, and global competitiveness. Strengthening digital infrastructure, innovation ecosystems, and skilled human capital will position India as a trusted global services leader. Equitable service-sector expansion, with a focus on inclusion, skilling, and regional balance, is critical to ensuring that growth is broad-based, job-rich, and socially transformative.

Source – <https://www.newsonair.gov.in/niti-aayog-releases-two-reports-on-indias-services-sector-in-new-delhi/>

