

Examrace

Services Sector Key Problems Economics YouTube Lecture Handouts

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- **Infrastructural constraint:** Inadequate transport and communication facilities have affected the growth of the sector. Service sector require Hi-tech technology and for that they need reliable power supply, well connected roads, provision for uniform access of financial services etc. are needed. These problems still exist and affects the quality of services.
- **Lesser job creation:** the sector contributes close to 60 % to GDP but employs only 27 % of the workforce. This has led to rise in unemployment rate and aided Jobless growth. Also, those services which have registered High growth rate have low share in GDP. (Business services) Thus, the Growth pattern in the service sector has not been uniform across all services in India.
- **Bottleneck in Financial sector:** Unavailability of Financial services in rural areas, and lesser availability in semi-urban areas affected the penetration of service sectors. Also, the bond market is not well developed and this affects fundraising.
- **High competition (BPO/KPO) :** Countries in Europe and North America provide stiff competition. There is a need to improve the quality and to reduce their operational costs.
- **Promotion and Marketing:** Although marketing related to India's tourism has been increasing, still online marketing/branding remains limited which affected the growth rate. Tourist information centers are poorly managed and are not trained properly, which makes it difficult for domestic and foreign tourists to access information with ease.
- **Skill Deficit:** There is shortage of trained individuals for the tourism and hospitality sector and the costs are high which makes it a key challenge to give visitors a world-class experience. Thus, Limited number of trained guides, and the limited local awareness acts as constraints on the sector's growth.
- **Entry/exit Issue:** Despite the introduction of an e-visa facility, visa on arrival visitors still face difficulties as sometimes the officials, airlines etc. are unaware about countries

providing such facility. This makes a bad impression and further waste time of the traveler.

- **Low Broadband Penetration:** In India, the broadband penetration is around 7 - 8 % . This affects the revenue base of the company as significant initial fixed costs are associated with broadband. And with low customer base, they face losses. So, Company's don't extend such facilities in backward and rural areas.
- **Lack of Telecom Infrastructure in Semi-rural and Rural areas:** Service providers have to incur huge initial fixed cost to enter Tier-2,3 cities and rural areas. Also, fluctuations in International prices of equipment further increase the costs.

MCQs

Q 1 Which of the following sector does not comes under the service sector in India?

- A. Real estate
- B. Transport
- C. Restaurants & hotels
- D. Manufacturing of electronic television.

Answer: D

Q 2 Consider the following statements regarding Service sector

1. The contribution of telecom sector in GDP is 60 % and to employment is 30 % . 2. In India, the broadband penetration is lowest, at 7 % .

Which of the above statements is/are correct?

- A) 2 only
- B) 1 Only
- C) Both 1 and 2
- D) Neither 1 nor 2

Answer: A

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