

MBA- III semester, Specialisation- Marketing Management, Paper - Service Marketing, Paper code- MC 02, TOPIC- ROLE OF SERVICES IN ECONOMY-

INTRODUCTION.

ROLE OF SERVICES IN ECONOMY-INTRODUCTION

the international scenario showing the contribution of services sector, as against agriculture and industry, to the GDP of various countries across the globe, has been described. This section also covers Service sector liberalization, role of WTO and the share of services sector in the world trade. The next section of this unit details the Indian scenario and the growth in specific sectors like, tourism, financial services, telecom services, health services and information technology.

Services are extensively used by people day to day in all aspects of life. From education to entertainment, finance to fast food, travel to telephone, advertisement to amusement parks, market research to maintenance services, and retailing to recreation and so on. Today services are increasingly being used by corporate as well as household sector. The explosive growth in this sector started in the 20th century, especially after the end of World War **II**. Due to large scale destruction during the war lot of economic activities, had to be carried out to bring the war tom economies back to strength. This resulted in a number of new projects fuelling the demand for financial services.

Today households as well as firms are demanding more services as well as services of increasing quality and sophistication. There are number of reasons for this growth in service sector. In addition to these factors, globalization has resulted in growth of service sector as well. Globalization of economies has led to an increased demand for communication, travel and information services. This has been fuelled by the rapid changes brought by new information technology, Globalization has also made increased and new demands on legal and other professional services. Also, increased specialization has led to greater reliance on specialist service providers at international level e.g., advertising and market research.

In US economy, the fastest growing segment is services. The economies of other developed countries are also dominated by services. This trend of growing dominance of services has been so strong that some people term it as the Second Industrial Revolution.

At times it is argued that growth in services is at the expense of manufacturing sector of the economy. However, it is not true. In fact, services and manufacturing are positively linked to each other. Michael Porter in his book, 'The Competitive Advantage of Nations' identified three distinct links between manufacturing and services as explained below:

- i) **Buyer/ supplier relationship:** Many service industries have come into existence through the de-integration of service activities by manufacturing firms. **An** automobile manufacturer may outsource number of service activities like transportation, warehousing, marketing research, legal services, education and training of its employees, information processing etc. Service industries depend a lot on manufacturing firms for a significant share of their sales.

- ii) Services tied to the sale of manufactured goods: Sale of a wide variety of manufactured goods creates demand for associated services. The sale of consumer durables requires ongoing need for servicing, sale of computers leads to demand for training services and after sales services, exports of any manufactured goods would require sale of insurance, financial services and transportation services.
- iii) **Manufactured goods tied to the sale of services:** The sale of certain services leads to demand for manufactured goods, for example sale of engineering or management consulting from a nation can lead to demand for equipment and other associated manufactured goods from that nation. Also, provision of a service requires a lot of manufactured goods.

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