
Service Sector's contribution to the State Economy A Study of Nagaland

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Abstract

This article focuses on the status of Service Sector and its contribution to the economy of the State of Nagaland, the objective and methodology used for the study, addresses the limitations/problems and offers suggestions and conclusions.

Keywords: Services, Gross State Domestic Product, Employment.

1. Introduction

Nagaland, the 16th State of the Indian Union was created on the 1st of December, 1963 out of the Naga Hills district of Assam and North Eastern Frontier Agency (NEFA) province. The State of Nagaland has been constitutionally provided with a unique and special protection under Article 371 (A) of the Indian Constitution to safeguard the culture, traditions and way of life of the Nagas. The State is bounded by Assam in the North, West by Myanmar, Arunachal Pradesh in the East and Manipur in the South and runs parallel to the bank of Brahmaputra. There are 11 districts namely- Dimapur, Kohima, Zunheboto, Mokokchung, Tuensang, Wokha, Mon, Kiphire, Longleng, Peren and Phek.

The population of the state is 19, 80,602 lakh as per 2011 census. The density of population in the state is 119 persons per sq. km with a sex ratio of 931:1000. The high literacy rate of the state provides significant scope and a positive indication for Service Sector growth which in turn will result not only in expanding the Service Sector but also will offer opportunities for socio-economic development.

The Service Sector comprises of several segments/services either formal or informal. In Nagaland, Service sector is composed of Transport, Storage and communication, railways, transport by other means, trade, hotels and restaurants, banking and insurance, real estate, ownership of

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dwelling and business service, public administration and other services. Through this paper a modest attempt has been made to study the scenario of Service Sector and its contribution to the State's Economy.

2. Objective of the Study

The primary objectives of this study are:-

1. To study the contribution of Service Sector to the State's GSDP & NSDP
2. To assess the impact of Service Sector growth on employment.
3. To identify the problems of Service Sector growth and suggest remedial measures.

3. Methodology

The present study is descriptive one and entirely based on Secondary data collected mainly from Statistical Handbook of Nagaland, Statistical outline of India, Tata Services Ltd, Economic Survey of India, and report of census of State Government Employees in Nagaland. A period of ten years has been considered for the purpose of the study.

Statistical methods used for this study includes graphs, bar diagram, percentages, trend analysis, and Average Compound Growth rate. The Data so collected have been classified and tabulated as per the requirement of the study in order to draw useful inferences and conclusions.

Status of Service Sector in Nagaland

Nagaland joined the National Planning process only from the Third Five Year Plan. During the last decade or so the State has done reasonably well in Services Sector. A look at the 11th Plan reveals that the economy has sustained a growth rate of 10.16% of the GSDP at constant prices from 2007-08 to 2011-12. The Service Sector or the Tertiary Sector recorded a growth of 9.37% within which the trade, hotels and restaurants grew at 18.71% indicating substantial growth of hospitality sector. Banking and Insurance grew at 9.30% and the real estate and dwelling have grown at 6.83%. The sectoral contribution to the state's GSDP & NSDP is shown in table 1.

Table 1: Sectoral contributions to the State's GSDP & NSDP

Year	Primary	Secondary	Tertiary	Total
	GSDP	GSDP	GSDP	GSDP
1999-00	28.13	13.33	58.53	100
2000-01	30.36	12.77	56.87	100
2001-02	31.35	13.14	55.51	100
2002-03	32.10	14.25	53.65	100
2003-04	31.54	14.01	54.45	100
2004-05	32.78	13.49	53.73	100
2005-06	32.64	14.29	53.07	100
2006-07	29.85	14.21	55.52	100
2007-08	27.24	14.69	58.05	100
2008-09	27.36	16.98	55.64	100
2009-10	26.37	18.16	55.46	100
2010-11	25.13	19.13	55.74	100
2011-12	23.90	20.13	55.96	100

Source: Statistical Handbook of Nagaland

*2009-2010- provisional estimate

*2010-2011- quick estimate

*2011-2012- advance estimate

From the above table, it is evident that both in terms of GSDP and NSDP, the industry sector has contributed the least to the economy followed by agriculture while the contribution of services sector is comparatively more the other sector. Agricultural sector contributed 28.13% to the GSDP in 1999-00 increased to 32.64% in 2005-06 and declined to 27.36% in 2008-09. In the industrial sector the trend showed slight variation in its contribution over the years to the GSDP. Its contribution was 13.33% in 1999-2000 and reached 15.41% in 2005-06, it was 16.43% in 2008-09. Services sector reveals that in 1999-2000 its contribution was 58.53%, declined to 53.07 in 2005-06 and in 2008-09 it was 55.64%.

The average compound growth rate during the study period (i.e.,) 1999-2000 to 2008-09

shows that the agricultural or primary sector was -0.28%, industry showed the growth rate of 2.4% and the Services Sector showed a negative growth trend of -4.98%. Thus the growth trend for primary and tertiary sector shows a negative growth whereas for industry it shows a positive growth trend.

The detail Sectoral contribution to the State's Economy during the period from 1999-2000 to 2008-2009 has been given in table 2, table 3 and table 4 respectively.

Primary or Agricultural Sector

Agriculture is the main occupation of the people in India as well in the state of Nagaland and as such majority of the people are engaged in this sector. The contribution of various sub sectors of primary or agricultural sector is given in table 2, Sub-sector's like agriculture's contribution to GSDP is the maximum, it was 84.5% in 1999-00 and reached 90.09% in 2004-05, and remained at 76.61% in 2008-09 and 75.80% in 2011-12. Sub sectors like forestry and logging showed that it was 12.4% in 1999-00 and 7.5% in 2004-05 and 21.13% in 2008-09 and 21.78% in 2011-12. Fishing too, was 2.8% in 1999-00, 1.3% in 2004-05 but started to rise in 2004-05 and 2005-06 and reached 1.78% in 2008-09 and 1.80 in 2011-12. Mining and quarrying showed a very minor variation, which may be due to very negligible proportion of the workforce and economy being invested in this sector. Even among the Primary sector, agriculture contributes the maximum and allied activities shows only a minimal amount.

Table 2: Agriculture or primary sector contribution to GSDP & NSDP (in percentage)

Year	Agriculture	Forestry & Logging	Fishing	Mining & Quarrying	
	GSDP	GSDP	GSDP	GSDP	GSDP
1999-00	84.5	12.4	2.8	0.06	100
2000-01	87.8	9.8	2.1	0.08	100
2001-02	89.3	8.5	1.8	0.1	100
2002-03	90.4	7.5	1.7	0.2	100
2003-04	90.7	7.8	1.1	0.2	100
2004-05	90.9	7.5	1.3	0.2	100
2005-06	89.5	8.8	1.4	0.2	100
2006-07	77.40	20.8	1.32	0.42	100
2007-08	76.38	21.77	1.36	0.47	100
2008-09	76.61	21.13	1.78	0.45	100
2009-10	76.04	21.66	1.77	0.52	100
2010-11	75.92	21.72	1.79	0.56	100
2011-12	75.80	21.78	1.80	0.61	100

Source: Statistical Handbook of Nagaland

Table 3: Industry or Secondary Sector contributions to GSDP & GSDP (in percentage)

Industry	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP
Manufacturing	14.1	12.5	11.7	10.9	11.4	11.4	11.1	13.47	13.97	10.38	9.88	8.94	8.08
a) Registered	2.4	2.2	2.5	2.4	2.6	2.4	2.4	3.64	3.30	2.21	1.98	1.80	1.64
b) Unregistered	11.7	10.3	9.2	8.5	8.8	9.0	8.7	9.83	10.66	8.17	7.90	7.14	6.44
Construction	74.8	77.1	78.4	79.8	78.0	77.9	78.3	77.21	75.73	80.25	81.62	82.92	83.61
Electricity, Water supply & Gas	11.01	10.3	9.7	9.1	10.4	10.5	10.4	9.30	10.29	10.37	0.98	9.42	0.08
Total	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Statistical Handbook of Nagaland

Nagaland being a terrain and hilly area, its industrial sector is not well-developed and only few of the people are engaged or employed in this sector. The table reveals that in 1999-00, the manufacturing sector both registered and unregistered contributed 14.1% to the GSDP decreased to 11.4% in 2003-04 and remained the same in 2004-05 but declined to 11.1% in 2005-06 and 10.38% in 2008-09 and 8.08% in 2011-12. Construction was the main contributor of the industrial sector to the GSDP of the state's economy. In 1999-00 it contributed 74.8% but increased to 79.8% in 2003-04 and showed a decline in 2003-04 to 2004-05 but rose to 78.3% in 2005-06 and 79.13% in 2008-09 and 83.61% in 2011-12. Electricity, Water Supply and Gas showed only a small proportion of the total percentage contribution of the secondary sector. In 1999-00, it was 11.01%, 9.1% in 2002-03, increased to 10.4% & 10.5% in 2003-04 and 2000-05 respectively, it remained at 10.4% in 2005-06 and 10.47% in 2008-09 and 0.08% in 2011-12. The Industry or Secondary Sector is contributing the least to the GSDP & NSDP of the state.

Tertiary Sector or Service Sector

Table 4 clearly indicates that the Service Sector or the Tertiary Sector is the highest contributor to the GSDP & NSDP of the economy. The various sub-sectors like the transport, storage and communication contributed 27.4% in 1999-00 to 29.7% in 2000-01, decreased to 28.6% to 25.7% in 2005-06 and it was 14.63% in 2008-09 and 12.96% in 2011-12. Trade, hotels and restaurants was 8.8% in 1999-00 and slowly increased to 9.7% in 2002-03 but was 8.8% in 2005-06 and 7.03% in 2008-09 and 8.82% in 2011 -12. Banking and insurance's contribution was minimal among the Services Sector or the Tertiary Sector. But this was the only sub-sector under tertiary sector to have registered a continuous increase in its contribution to the GSDP & NSDP of the state. Its contribution which was 1.8% in 1999-00 increased to 2.4% in 2002-03 to 2.7% in 2005-06 and 2.88% in 2008-09 and 3.04% in 2011-12. Real Estate, Ownership of Dwellings and Business Services was 18.7% in 1999-00, 17.9% in 2001-02, to 22.7% in 2004-05, 22.4% in 2005-06 and 36.36% in 2008-09 and 34.64% in 2011-12. Public administration which was 26.6% in 1999-00 declined to 24.0% in 2004-05, increased to 25.7% in 2005-06 and 23.72% in 2008-09 and 2.69% in 2011-12. Other services were 16.4% in 1999-00, 15.8% in 2003-04, 14.4% in 2005-06 and 15.35% in 2008-09 and 0.13% in 2011-12. Thus showing a fluctuating trend of growth over the study period.

Table 4: Services or Tertiary Sector contribution in % to GSDP & NSDP

Industry	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP	GSDP
1. Transport, Storage & Communication	27.4	29.7	28.6	28.4	28.0	26.8	25.7	18.05	18.27	14.63	1.41	13.59	12.96
a) Railways	0.1	0.09	0.09	0.1	0.1	0.1	0.1	0.11	0.13	0.10	0.01	0.12	0.001
b) Transport by Others Mean	26.6	29.06	27.7	27.5	27.1	25.8	24.5	13.82	12.95	11.70	1.09	10.33	9.69
c) Storage	0.02	0.01	0.01	0.01	0.04	0.03	0.04	0.02	0.02	0.02	0.002	0.03	0.0002
d) Communication	0.6	0.5	0.7	0.7	0.8	0.9	1.01	4.09	5.15	2.79	0.29	3.10	3.26
2. Trade, Hotels & Restaurants	8.8	9.1	9.6	9.7	9.2	9.02	8.8	5.86	6.36	7.03	0.77	8.28	8.82
3. Banking & Insurance	1.8	2.3	2.4	2.4	2.6	2.5	2.7	3.08	3.13	2.88	0.30	3.03	3.04
4. Real Estate, Ownership of Dwellings & Business Services	18.7	18.7	17.9	18.2	20.9	22.7	22.4	37.02	38.36	36.36	35.86	35.26	34.64
5. Public Administration	26.6	25.4	25.1	25.3	24.0	24.0	25.7	20.72	19.02	23.72	24.51	25.73	2.69
6. Other Services	16.4	14.4	16.1	15.8	15.1	14.7	14.4	15.24	14.83	15.35	1.47	14.07	0.13
7. Total	100	100	100	100	100	100	100	100	100	100	100	100	100

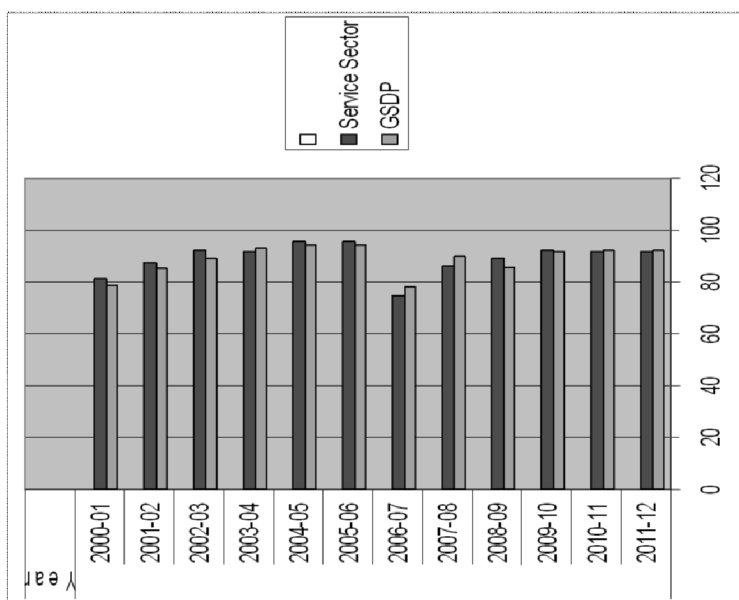
Source: Statistical Handbook of Nagaland

Table 5: Service Sector growth and GSDP GSDP and Service Sector in percentage over the previous year (Based on 1999-00 series) in lakhs

Year	GSDP	Service Sector	GSDP % over the previous year(increase)	Service Sector % over the previous year (increase)
1999-00	279956	163874	-	-
2000-01	355181	201992	78.82	81.12
2001-02	416597	231242	85.25	87.35
2002-03	468400	251285	88.94	92.02
2003-04	503976	274399	92.94	91.57
2004-05	534642	287259	94.26	95.52
2005-06	566689	300742	94.34	95.51
2006-07	725665	402951	78.09	74.63
2007-08	807495	468793	89.86	85.95
2008-09	943607	525065	85.57	89.28
2009-10	1027288	569812	91.85	92.14
2010-11	1112100	619866	92.37	91.92
2011-12	1206453	675178	92.17	91.81

Source: Statistical Handbook of Nagaland

Exhibit 1:



Bar diagram of growth of Service Sector and GSDP over the previous year

The bar diagram and table 5 shows the percentage increase in the overall GSDP and Service Sector increase over the previous years. The increase in the Service sector in percentage has been more than the increase in the overall GSDP whole through out the period of study except in 2003-04. The increase in Service Sector is indicative of the growing importance of the sector and how this sector can have an impressive influence on the growth of the economy.

Service Sector growth and employment

In the Tertiary Sector, the main concern remains the exploding numbers of educated youths. It is estimated that out of 19.80 lakh population, 8-10 lakhs are in the employable age. But on the onehand, employment in the Government sector for all is not possible. On the otherhand, there are not many industries. The job seekers on the Live Registry of the Employment Exchange shows that out of 63,924 persons registered, only one third are below Matric and two third or over 40,000 are educated above Matric and having a Post-Graduate and Degree in Technical and Diploma Holders (As per the Draft Annual Plan 2012-13).

Though, agriculture continues to be the main occupation of the people. However, of late there has been a notable decline in the proportion of working population dependant on cultivation as a source of livelihood. Further, with the advancement of education the number of job seekers is consistently increasing. During the past 10 years or so, there has been considerable shift; particularly among the educated unemployed recorded in the Live Register of employment exchange as shown in table 6.

Table 6: Number of applicants on the live register of employment exchanges as on 31st Dec'99-11

Year	Male	Female	Total	Female: Male
2001	29035	8511	37546	23:77
2002	26177	8864	35041	25:75
2003	31090	11674	42764	27:73
2004	NA	NA	NA	NA
2005	31321	12848	44169	29:71
2006	32978	12249	45227	27:73
2007	33337	12926	46263	28:72
2008	36743	13311	50054	27:73
2009	33826	20219	54045	37:63
2010	39173	22584	61757	37:63

Source: Statistical Handbook of Nagaland

From the above table 6 it can be seen that the increase is more in case of male than the female in the Live Register of Employment Exchange. As discussed in the preceding pages the percentage contribution of the Services Sector to the GSDP and NSDP is the highest in the economy with respect to primary and secondary sector. But the increased number of unemployment is indicative of its inability to absorb the growing labour force in this Sector. The female: male ratio indicates that in 2001 it was 23:77, female ratio increased from 27:73 in 2003 to 29:71 in 2005, the gap between female and male ratio in 2009 & 2010 stood at 37:63 indicating the rise of female job seekers. Adding to the numbers of job seekers in the live Registry, the numbers who are in schools and colleges viz, 4, 11,392 in schools and 29,622 in colleges, the total comes to about 5lakhs young people who will soon be seeking jobs. This is almost 25% of the present population of Nagaland.

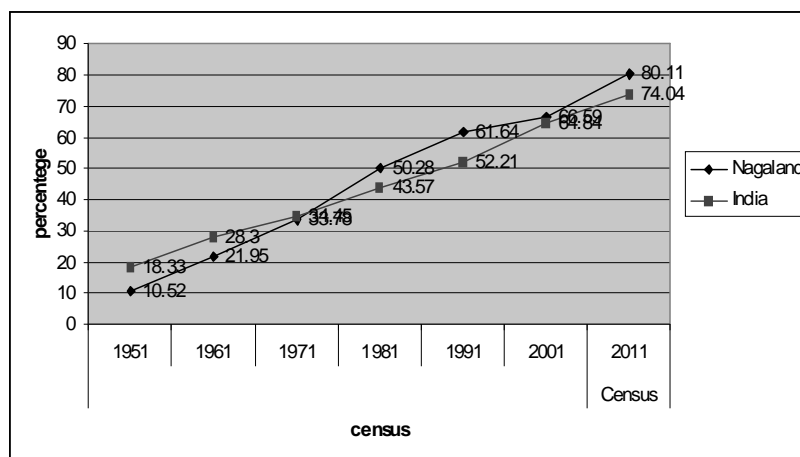
Table 7: Nagaland literacy rate & India's literacy rate from 1951-2011 censuses

Year	Literacy rates (in percent) Nagaland	Literacy rates (in percent) India
1951	10.52	18.33
1961	21.95	28.30
1971	33.78	34.45
1981	50.28	43.57
1991	61.64	52.21
2001	66.59	64.84
2011	80.11	74.04

Source: Economic Survey 2010-11

As evident from table 7 and the line graph in exhibit 2, the literacy rate in Nagaland has shown a tremendous increase over the years. A comparative analysis between the all India level and state of Nagaland reveals that according to census 1951 the percentage of literacy in Nagaland was only 10.52% whereas at the Centre i.e. India it was 18.33, till 1971 census the State remained below the Centre's percentage but from 1981 census it was 50.28% and at the National Level it was 43.57% and it maintained its trend and remained higher than at the all India Level. In 2011 census, the percentage was 80.11% and 74.04 % respectively .The State literacy level at present is 80.11% which is higher than the National level indicating a positive contribution to Service Sector in the State of Nagaland.

Exhibit 2



Source: Economic Survey 2010-11

Percentage of Govt. Employees of the total population of the state

The percentage of total population of the state as shown in table 8 indicates that the number of employment provided by the Government Service sector is only about 4.19 % in 2007 which indicates a very small percentage of the population being employed in this sector while the contribution made by it to the GSDP is 53.07% during 2005-06.

Table 8: Percentage of Govt. Employees of the total population of the state

Year	Total Government Employees	Percentage of the total population of the State
2000	73373	6.04
2001	73291	3.68
2002	73097	3.67
2003	73483	3.69
2004	74340	3.73
2005	77652	3.90
2006	82334	4.14
2007	83398	4.19
2008	86535	4.36
2009	87541	4.41

Source: A Report on Census of State Government Employees in Nagaland: Government of Nagaland

The total number of Government employees as on 31.03.2000 reported by the various departments was 73373. The total strength of the employees decreased from 73373 in 2000 to 73291 in 2001 which further declined to 73097 in 2002. The year 2005 experienced a significant increase to 77652 and reached 87541 in 2009. In 2009 the percentage of government employees was 4.41% of the total population of the State. It is observed that the Service Sector is not able to absorb the growing increase of job seekers. The main employment sector in Nagaland is the Government Service Sector except some few private institutes and entrepreneurs.

Table 9: Growth of Employees during 2000-2009

Year	Total Govt employees	No of Employees(Increase or Decrease)	Percentage over the preceding year
2000	73373	-	-
2001	73291	-82	-0.1
2002	73097	-194	-0.26
2003	73483	386	+0.52
2004	74340	857	+1.16
2005	77652	3312	+4.45
2006	82334	4682	+5.7
2007	83398	1064	+1.3
2008	86535	3137	+3.76
2009	87541	1006	+1.16

Source: A Report on census of State Employees in Nagaland (Directorate of Economics & Statistics)

Table 9 shows the number of total employees of the government during 2000 to 2009. Percentage increase over the previous year in 2001 showed a decrease, in 2006 there was an increase to +5.7 and it was + 1.16 in 2009. The growth of employees over the study period shows that Services Sector growth has minimal impact in absorbing the growing labour force of the State.

Problems

Service sector growth has been impressive during the recent past. Its contribution to the State GSDP is very significant. However, this sector suffers from certain limitations or problems.

1. It is observed that Service Sector is the major contributor to the State's economy but a minimal absorber of the employment/labour force. The growth of Service Sector is not commensurate with employment generation. Considering the size of Service sector, it provided comparatively lower employment opportunities.

2. Service related industries in the State is not well developed thus adding to an increase in the number of educated unemployment. On the contrary, agriculture with half of the Service Sector's contribution to the State GSDP accounts for larger share of employment. Poor industrial infrastructure in the State can be attributed to the increased dominance of Service Sector as against agriculture and industries.
3. Another problem emanating from the growth of Services sector is the increased dependence on the initiation of the Government sector and lack of initiatives of private individuals and entrepreneurs in the areas of Service Sector. One of the striking features of Service Sector growth in Nagaland has been the Public services controlled and managed by the Government. Private services failed to make any significant headway in the State.
4. The lopsided growth in the various sub sectors within the Service sector is yet another limitation. Real estate, ownership of Dwellings and Business Services has maximum growth. While and minimal incase of Storage, railways, communication etc recorded lower growth. This lopsided growth is turned into balanced growth; it could a crucial contributor to the economy of the State which so far could not be achieved.
5. The impact of Globalization on any economy is directly related to Service Sector growth. In Nagaland, the increase dominance of service sector is independent of Globalization. The Service sector enjoys added advantage because of the underdeveloped nature of Agriculture and absence of large and medium size industries in the State. Therefore development due to globalization is yet to make firm root in Nagaland.

4. Suggestions and conclusions

Service related industries can play an active role in absorbing a large number of labour forces of the State. In a state like Nagaland with lesser scope for big industrial development emphasis can be laid on Service Oriented development. Private individuals and entrepreneurs can play a crucial role. Service sector can contribute significantly to the economy by serving as a base for other sectors. Since development in Service Sector would significantly increase agriculture and industry related activities like IT, trade, roads, transport and communication etc Most developed economies have over two third of their contribution to the GSDP coming from Services. Thus in Nagaland where around half of its contribution to GSDP comes Services has further scope for developing this sector furthermore. Globalization can have a tremendous impact on the Service sector and further employment growth in the service sector.

There is clearly a positive relationship between the level of Service sector development and GSDP of the State hence efforts should be made by both public and private sectors as well as the policy makers of the State for developing this sector.. Foreign direct investment can be encouraged so as to increase the growth in Service Sector and service related activities.

The findings suggests that is considerable scope for rapid growth in Services Sector and the relatively jobless nature of growth in Nagaland's Services sector emphasizes the need for development of agriculture and industry as well. Development in the Service Sector serves this purpose as it has both forward and backward linkages. Therefore a balanced growth in all the sectors can be encouraged.

Thus, it is evident that the growth of Service sector will help in the growth of Agriculture and Industries and thereby can contribute to the overall improvement of the economy. It is only a matter of proper policy and approach that would guide the development pattern based on Service Sector growth. The comparative advantage of Service Sector in the State of Nagaland is a blessing in disguise because all round development strategy can evolve out of this sector.

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