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Boom and Bust cycle of India's Services Sector and the Road ahead. Are the Prospects Optimistic?

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Abstract

The covid-19 pandemic disrupted many parameters of the Indian economy, and the mechanisms of social distancing and lockdowns have opened up new doors of opportunities. Given this pandemic, the paper focuses on why the services sector is extremely important to the Indian economy, and especially its role in the post-pandemic world. The services sector witnessed massive contraction during the first wave of the pandemic, wherein the services exports also plummeted, as global demand was weak, and due to restrictions on proximity. India is known to have a comparative advantage in the services sector and its exports, and mainly in digitally-enabled services which can provide a plethora of opportunities as the country starts opening up. The paper initially outlines the historical trends of the services sector, and later dives into the impact the covid19 pandemic has had on the economy, and how optimistic do the prospects look going forward.

Keywords: *pandemic, exports, services sector, prospects, technology.*

1.0 Introduction

The coronavirus is by far one of India's greatest challenges since independence, which has left scars on many sectors of the economy. Many businesses have indefinitely shut down, many are reluctant to reopen, given the ravaging uncertainty caused due to virulent strains, and waves of this deadly virus. Consumer spending significantly fell from 21 trillion rupees in January 2020 to about 14 trillion rupees in July 2020 in India according to the data published by Statista (Statista, 2020). Due to economic uncertainty banks are also worried about their financial position as due to lockdown the possibility of non-performing assets (NPAs) has also increased. In addition to economic uncertainty, India's healthcare sector has also witnessed an unprecedented crisis, and the second wave of the virus was completely disastrous. The nation was witnessing more than 3 lakh cases on a day-to-day basis.

This exogenous shock of covid19 caused the entire world to face contractions on many parts of their economy and had pushed the global growth to a negative 4.3% according to the International Monetary Fund (IMF) (IMF, 2020). This nature of outbreak has caused 'Deglobalization' causing countries to shut down their borders to curb the spread of the virus. (Veeramani & Anam, FIIB Business review - SAGE). The pandemic has caused both supply

and demand to fall drastically and as a result, we also saw some signs of inflation in March and April 2021.

International trade has been significantly afflicted, yet in recent times India has experienced a significant rise in its exports, mainly segments like engineering goods, pharmaceuticals, electronic goods have surged. But on the other hand, India's unemployment rate also rose due to the sudden second wave of the virus. This has further exacerbated the economic situation in the country. Services that require mobility and proximity have been restricted due to government rules, which is further exacerbating the businesses. The manufacturing sector's activity has also been slow due to persistent lockdowns, and mainly the damage to the services sector has been prodigious since most of the activity in the services sector happens through proximity. The task for industries like banking & insurance, schools, universities, travel & tourism, hospitality has been extremely challenging as they rely extensively on in-person interaction (Guzman, Prema, Sood, & Wilkes, 2020) Given the substantial impact of covid19 on the Indian economy, the paper outlines the importance of India's services sector in contributing to the growth of the economy. The impact on the services sector has been devastating since the lockdown caused the entire services sector to completely stop, mainly the sector which accounts for about 55% of India's Gross Domestic Product (GDP), i.e., services (India Brand Equity Foundation, 2021).

The paper starts with going back to the history of India's services sector and its growth trend over the years. Later, it delineates the importance of India's services sector and how it has been contributing to the Indian economy in the current times. Going further, it outlines how Covid19 affected the services sector in India and how it has impacted the Indian economy and people's lives. Finally, the paper ends with the prospects of India's services sector going forward and what role will they play in contributing to the growth of the Indian Economy.

2.0 Historical Background

India is known as one of the developing countries in the world, with a rich history and a strong democracy. Among the competition of industrial countries, India competes as the

fifth largest economy in the world. After the balance of payment crisis in 1991, India's leaders realized that the policy of protectionism and state-supported industrialization has hurt the export growth of India, making its exports uncompetitive in the global market (Pani, 2020). It was in 1991 when India liberalized its economy (new economic policy) i.e., opening its borders for a more service and market-oriented economy. Since then, India's economy has benefited immensely in various sectors, not to mention the balance of payment crisis due to which the new economic policy was prompted. The measures of reducing tariffs, eliminating the restriction on foreign investment, and allowing the private sector to compete globally resulted in significant growth in foreign direct investment (FDI), and the GDP. A source states that India's GDP grew at an average of 7% since 1991, up till 2016 (Macro Trends, 2021).

One of the sectors which benefited the most from the new economic policy was the services sector, such as, banking & finance, education, healthcare, travel and tourism, Information Technology services, etc. Among the many industries in the services sector, it is worth mentioning that India's information technology services and Banking & finance operations have experienced double-digit growth, due to the liberalization. Today, the Indian giants like Infosys, Reliance, TCS, and Wipro have made their mark on the global stage and are competing with other big corporations (Sharma, 2019). One of the ways India stands out among the other Asian economies is through its growth in the services sector. According to recent data, India's services sector accounts for nearly 55% of the total economy. The services sector in India has also been known for bringing in huge capital inflows, along with opportunities for large-scale employment. (India brand equity foundation (IBEF, 2021). A recent study shows that it employs about 28% of the Indian workforce. (Deloitte, 2017).

Since independence, the services sector has doubled in terms of GDP as more and more competition is being promoted. Some of the major industries that have contributed to India's services sector are hospitality (due to an increase in tourists) and restaurants (as some people believe India is a food-loving country) (Kumar & Nagrani, 2020). With the sheer size of the population and an increase in technology, the demand for telecommunication services has also increased. All in all, this has contributed extensively to the growth of the Indian

economy. Since the 1950s the growth in the services sector has been exponentially progressing. Below is the average growth in the services sector (decade by decade growth model) from 1950 to 2000.

Table 1 – Average growth of India’s sectors in its GDP- (Decade by Decade)

Sector	1950s	1960s	1970s	1980s	1990s	2000s
Agriculture	55.3	47.6	42.8	37.3	30.9	21.8
Industry	14.8	19.6	21.3	22.3	23.3	24.5
Services	29.8	32.8	35.9	40.3	45.7	53.7

Source – ADB Economics working paper series, NO. 352 (Mukherjee & Arpita, n.d.)

As the data from Table 1 indicates that the growth in the services sector has been commendable over the past few decades. The services sector has also been performing far better than the other industries in recent times. The growth has also been rapid even after the 2000s, i.e., nearly 9.2% in 2015-16. (Deloitte. , 2017).

The growth trend even after 2010 in the services sector has been magnificently impressive. Since the year 2010, the services sector has contributed to about 55.2% of the country’s Gross Value Added (GVA) of \$2038 billion in the year 2017-18, outperforming agriculture and manufacturing sectors. (Balasubramanyam, Virmani, & Swati, 2018)

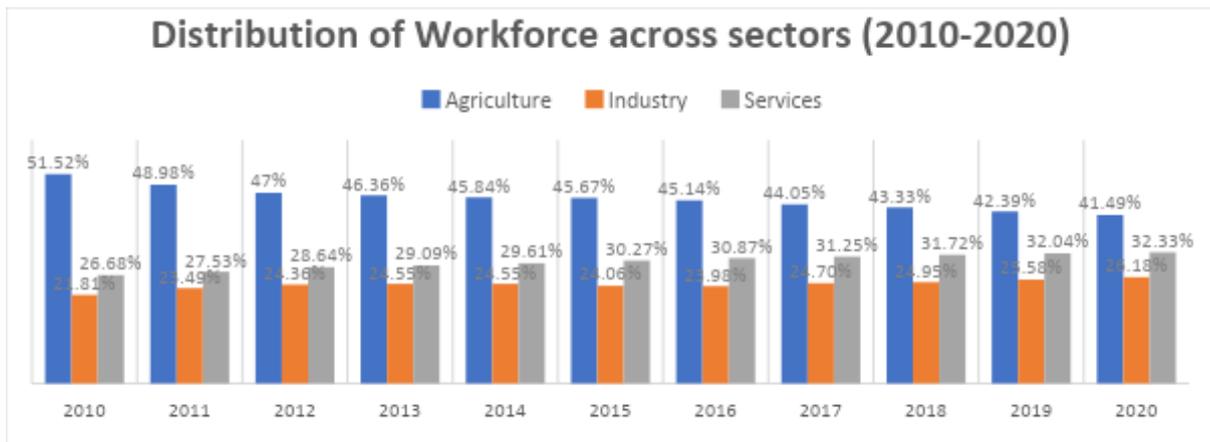
Table 2 – Sector-wise share to GVA.

	Agriculture	Manufacturing	Services	Total value added
2011-12	21.74	29.28	48.97	810,694,60
2012-13	20.94	28.76	50.83	920,269,20
2013-14	20.65	28.27	51.08	10,36,31,530
2014-15	19.64	28.21	52.24	11,48,17,940
2015-16	18.51	28.38	53.11	12,45,86,420
2016-17 (estimate)	18.11	28.22	53.68	13,66,99,140

Source – Munich Personal RePEc Archive (Munich Personal RePEc Archive , n.d.).

The above data signifies that even though both Agriculture and Manufacturing have not been impressive in recent years, yet the services sector has been quite impressive over time. It has also contributed immensely in terms of employment and has been growing ever since. Since the year 2012, the services sector has contributed to more than 50% of its share. Right now, in 2021 it accounts for slightly more than 55% of India's GDP and about 53.89% of India's total GVA of 179.15 lakh crore (Statistics Times, 2021).

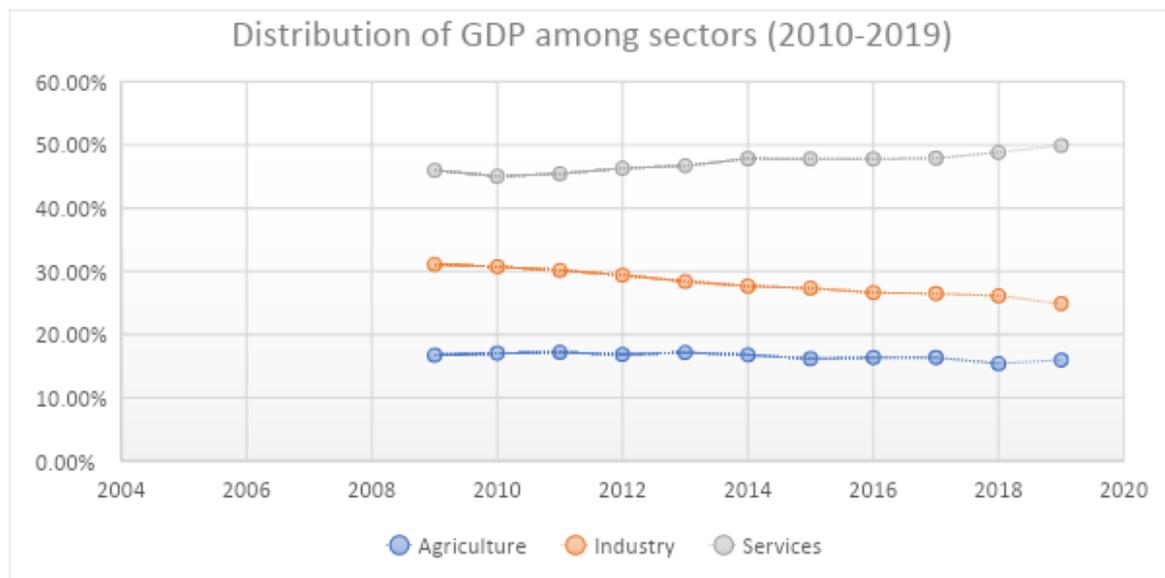
Chart 1 – Sector-wise employment share – (2010-2020).



Source – Statista (Economy & Politics)

As the above chart illustrates, the growth in employment, via the services sector, has been growing on a year-on-year basis. Even though the agriculture sector holds the highest growth in terms of employment share, yet it is the services sector that contributes towards most of India's GDP and the employment growth, which has been rising. Chart 2 below illustrates the share of Agriculture, Industry, and Services to India's GDP. In terms of employment, the services sector trend has been growing since 2010. From 26.68% in 2010 to about 32.33% in 2020. The trend will keep accelerating going forward, as the role of services and its importance has been growing in recent times.

Chart 2 – Distribution of GDP across sectors.



Source – Statista (Economy & Politics)

The contribution by the services sector has been exemplary over time. In 2019, it accounted for more than 50% of India's GDP. Among the services sector, the Information Technology (IT) industry is known to contribute the most. In the fiscal year 2016/2017, it contributed to about 8% alone of India's GDP. (Statista, 2021). Hence, Chart 1 and Chart 2 evidently exemplify that even though the agriculture sector has the largest employment share in India's GDP, the services sector is no less compared to it, as the growth in the services sector has been rising over time, and especially after the pandemic, it will rise further. (Given the massive use of IT services, and technology in general, due to remote working).

3.0 Export Contribution of Services Sector

Apart from employment creation, and its share to GDP, the services sector has also contributed in terms of FDI inflows, growth of human development, growth of IT and Information Technology Enabled Services (ITeS) industry, and international trade. The services sector is known to be one of the significant economic sectors of India and mainly includes industries like healthcare, hospitality, education, banking & insurance, administration, travel & tourism, transport & logistic services, etc. About 38% of India's exports are mainly services exports. (Business World, 2021).

India's services exports from the period of 2014-2018 have experienced a trade surplus for nearly four consecutive years. The exports are mainly destined to some of the developed countries such as the United States of America, the United Kingdom, and Japan. From 2019 the trend has marginally gone down due to a slowdown in the economy, although the prospects look bright, post-covid. Chart 3 below illustrates the performance of the services sector export growth from the period of 2014-2018.

Chart 3- India's export growth (2014-2018)



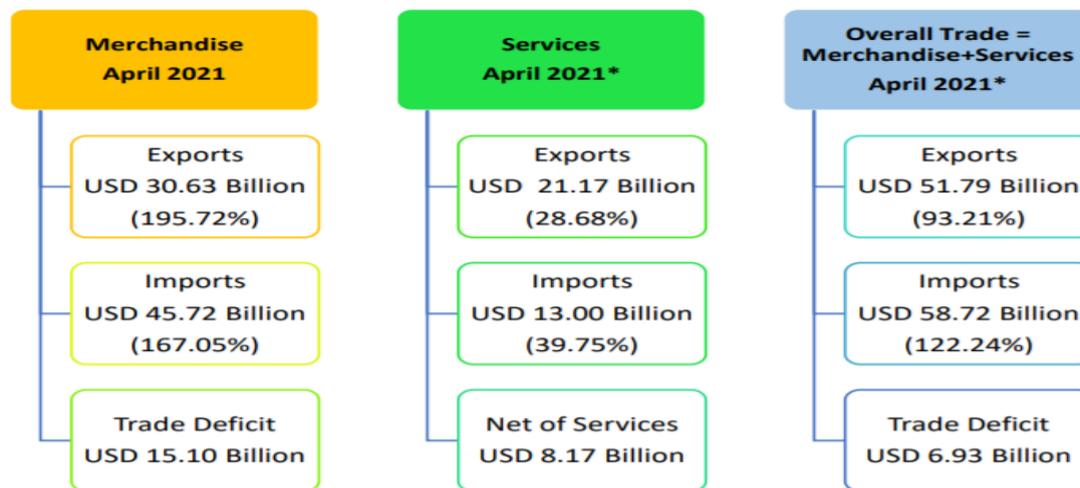
Source – Trade Promotion Council of India (TPCI) (Trade Promotional Council of India, 2018)

As Chart 3 highlights, there has been a growth from the US \$157.20 billion to the US \$205.11 billion in 2018. Some of the other sectors such as business services had also shown significant growth, nearly US \$ 48.46 billion to about US \$64.93 billion in 2018.

Recently in May 2021, India witnessed a 6.44% growth in the services sector due to global demand rebounding. The services exports reached about 21.17 billion, this was not just because of global demand recovering, but rather also because the lockdown measures in India had been relaxed and the manufacturing activity had started picking up until the strong second wave of the virus started aggravating the economy. We could see a rise in unemployment which was about 11.75% on 14th June (as per the moving average of Centre

for Monitoring Indian Economy – (CMIE) data). (CMIE, 2021).

Chart 4 – Growth in India’s exports (April 2021)



Source – Government of India – Ministry of Commerce & Industry (Government of India (Ministry of Commerce & Industry, 2021).

The above data signifies the contribution of services sector exports which rose immediately as soon as the global demand was revived. In the previous year, exports had drastically fallen due to the sudden nationwide lockdown causing a complete shutdown of economic activity. This growth in exports was signalled as a key parameter in terms of strengthening employment in the current scenario of persistent economic contraction.

Another factor that is quite impressive about the services sector is that it contributes immensely towards the growth of human development, and mainly IT-enabled services. Given the massive use of technology due to remote working, the IT industry has experienced stellar growth. An estimate indicates that the IT industry grew by about 2.3%, despite the pandemic and weaker economic situation. The IT industry’s revenue grew to \$194 billion this year (2021) from &190 billion in 2020. Not only has the IT industry been resilient in the pandemic, but rather it has also been of great support to the citizens amid lockdowns and remote working. It has also played a crucial role in contributing to the growth of the Indian economy, and going forward will be crucial in bringing the economy back to pre-pandemic levels. (Rao, 2021). Further, the IT and ITes industry is known to have four major

components, i.e., IT services, Business process outsourcing, (BPO), (Business process outsourcing essentially means to delegate business-related activities to external providers or third-party vendors), engineering services, and research & development.

4.0 Impact of Covid-19 on the Services Sector

The virus which spread across 196 countries and impacted the global economy caused a global contraction of 4.9 (IMF, 2020). The lockdown in India was particularly stringent and as the numbers state, there was a contraction of 23.9% in the April – June quarter of 2020. This brought a severe contraction in the services sector, right from its prosperous days of high growth, to a decline of 16% in its activity (a clear cycle of boom and bust in the sector). These measures diabolically hit economic activity as the economy was completely shut to curb the spread of the virus. The Covid19 pandemic impacted everyone's life. The coronavirus pandemic isn't a virus that only impacted the poor, but even the wealthy weren't immune to this infectious disease. The paper argues ahead how the virus impacted some of the major industries that come under the services sector in India, and how it impacted the Indian Economy. Before that it is important to analyze the impact of the first wave on each of the three sectors, being – Services, Manufacturing, and Agriculture.

Table 3 – Impact of sectoral services

Time Period	Indian GDP% growth	Services GDP% growth	Manufacturing GDP% growth	Agriculture GDP% growth
The first wave	-7.30%	Contracted by 16%	Contraction of 7.2%	Growth of 3.4%
% Contribution to overall GDP	Nil	55%	17.40%	17.80%
Expected impact of the second wave	8.2% to 9.3% (according to some rating agencies)	Significantly lower than the first wave	Lower than the first wave	Higher than the first wave

Source – Financial Express (Kumar, 2021).

Given the biggest share of the services sector (55%), the impact on this sector had to undoubtedly stay on a higher side. Many industries under the services sector involve proximity such as school/college lectures, restaurants, the recreational sector, etc. As the paper progresses, it will get into the detailed analysis of it.

Firstly, the paper will analyze the impact on services export via the four modes. These four modes define which sector activity is affected the most, and then later the paper will get into the sector-wise impact.

4.1 Impact on services exports

The General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO) classifies four modes of service sectors. The four modes are mainly known as, Mode 1 – Cross-border, Mode 2 – Consumption abroad, Mode 3 – Commercial Presence, Mode 4 – Movement of Natural Persons.

1. Mode 1- When country A receives services through other countries in terms of telecommunication of postal services. Example – Consultancy and market research reports, architectural drawings, distance training, etc.
2. Mode 2- Nationals of country A moving abroad for education, tourism, medical conditions, etc.
3. Mode 3 - When the services are provided by a service supplier of country A through commercial presence in the other country. Example – Banks, Hotels, Construction companies, etc.
4. Mode 4 – When a national of country A provides services in other countries as an independent supplier. Example – Consultancy firm, hospital, construction company, etc.

From the above explanation, it can be estimated that the services in all the sectors have been impacted due to the pandemic, but particularly the services under Mode 2 and Mode 4. The services under Mode 2 and Mode 4 generally involve physical human movement or proximity among people. (Veeramani & Anam, FIIB Business review - SAGE). For example, under Mode 2, students travel abroad for higher studies. They couldn't travel easily or rather

had to face several impediments or costs due to quarantine rules, or due to heavy caseloads and hence, they couldn't take the risk of travelling. A similar case can be talked about for Mode 4. Consultants or construction workers couldn't travel swiftly due to travel restrictions. Most of the services exports in India happen through Mode 1 and Mode 3, through telecommunication, postal infrastructure, and digital networks. Although firms under Mode 1 have a comparative advantage amid the pandemic as the demand for digital networks has risen due to social distancing. To some extent, one could argue that the services under Mode 3 may have been affected for some time, due to the temporary closure of businesses. However, some estimates show that about 60% of the world's services export take place through Mode 3, i.e., Commercial presence (Veeramani & Anam, FIIB Business review - SAGE). Hence, the economies that mainly depend on Mode 3 exports have faced several implications as hotels, construction companies, and banks have faced tremendous financial and operational constraints due to lockdown measures.

In India, though most of the services export happen through Mode 1, i.e., cross-border trade or rather digital networks. An estimate shows that about 60% of India's services exports take place through Mode 1 (Veeramani & Anam, 2021). Even though the impact on the services exports hasn't been huge, yet many industries under the services sector have faced tremendous impediments due to the pandemic. Some of the sectors are education, restaurants and hotels, travel & tourism, e-commerce, and recreation sectors.

4.1.1 The Education Sector

As soon as the pandemic was announced by the World Health Organization (WHO), the schools and colleges/universities in India were immediately shut down by the Indian Government. Exams were indefinitely postponed, and eventually, some were cancelled while some happened online. This is a great trajectory for the nation. Today (while writing this paper) it's almost been more than a year that the Schools and Universities haven't started. The medium of online learning has been costing a fortune to many poorer families, as well as the productivity among students to study and learn has also fallen drastically. Online learning always brings freedom to students. They can attend online lectures at their own will since

many would get the recording for the same, while some would often procrastinate to attend the lectures, rather than be active in learning. Although many universities have adapted to the new technological tools to deliver the best type of learning to their students, while some are yet left too inept on such tools. A survey shows that almost 34% of students strongly disagree with the fact that they were satisfied and were able to attend the online lectures similar to the way they did pre-covid (Kumar & Nagrani, 2020). Further, the Annual Status for Education Report (ASER) states that almost 38.2% of children did not have the access to mobile phones to attend online classes, while only 11% got access to mobile phones amid online classes. (Annual Status of Education Report (Rural) 2020, 2021). Although by now (being into this pandemic for more than a year) many students have adapted to the new technology in attending classes and presenting their projects, yet in a developing country like India, it is extremely difficult for many households to be able to afford this kind of education to their children. The first reason being, the internet. The digital classes demand internet services that are difficult for many households to provide to their children. Second, in many parts of rural and urban areas, many households do not have electricity, hence this is again a barrier (Kumar A., The Education Sector, 2020). An impoverished population will find it difficult to provide them access to good internet services and other technologies, which end up hurting the education of students.

There were also reports stating that students committed suicides for not being able to attend lectures digitally, and even due to mental instability (Balachandran, Alagarsamy, & Mehroliya, 2020). Eventually, this would lead to the middle and the rich class getting better off while leaving the poorer class behind, causing greater inequality. Many economists have been arguing to reopen the schools and the Universities so that students can get access to the best education. This argument has been taking place mainly in the west, that especially the students in the primary classes can get their basics right.

In a poorer country like India, when amid the recession, jobs are lost and incomes fall, it becomes very difficult for the households to send their kids to schools (private schools) as the fees in private schools are exorbitantly high, and hence the role of the public sector schools will become important in the post-covid world. Here, we can estimate that the

number of enrolments in schools going forward will fall, due to substantial job losses and lower incomes. Also, amid this pandemic, the curriculum of the courses will have to be updated and compressed to fit in students' interests (Kumar A., The Education Sector, 2020). Many scientific courses that require laboratory access are being cancelled due to social distancing rules. It is a no-brainer that online classes deprive some sections of the population, and especially those among the impoverished class of society. So far amid this Covid19 world, a report states that almost more than six million children are out of school in India. This is likely to further impact their career and cause poverty to rise (Chaturvedi/IPA, 2020). In a nutshell, we can estimate that the education sector has hitherto seen a decline, and going forward the prospects will be weak given the massive economic contraction. But we need to severely look into resolving the education sector, as it has an important hand on the future of this country.

For the new model of education, we need to improve on our resources to provide education in every household in the country. We need to start rethinking the definition of the 'right to education' which will help us address the issues of connectivity and access to education and information to all. Additionally, hiring good teaching and non-teaching faculties (that are equipped with the right skills and have hands-on skills with new technology) will play an important role in reviving the education sector. We will also have to provide free and open sources of technologies available to students and teachers so that in the future all the students and teaching/non-teaching faculties are prepared for any kind of pandemic/crisis. We need to revive the education sector as quickly as possible, as it is the solution to any crisis in the future.

4.1.2 The Hospitality Sector

The impact on the hospitality sector has by far been the greatest. Travel restrictions owing to lockdowns and curfews have impacted the activity of the hospitality industry. Today (in July 2021) as the lockdowns are opening up throughout the nation, and the economic activity has also started picking up, the hotels are being used as quarantine zones for many travellers and international students travelling abroad for higher studies. This has led to some

pent-up demand, yet the activity is low. While we don't have accurate data for the number of people employed in total under the hospitality industry, we do have an approximate figure of the number of people employed in restaurants. Around 1.42 crores of people are employed in the restaurant businesses and many get employed on a daily basis (Kumar & Nagrani, 2020). On the other hand, the data shows that around 38 million people lost jobs in the hospitality sector amid the stringent lockdown. The hospitality sector comprises about 12.75% of the country's workforce. Around 9 million jobs (six times the population of Goa) in the travel & tourism sector have lost employment in India. (Chaitanya Mallapur, 2020).

For over a year now, the activity of travel & tourism has stayed tepid. Around December 2020 we saw the tourism industry activity picking up to an extent as people started travelling, and mainly we could also see celebrities posting pictures of visiting the Maldives, etc. But the second wave of Covid19 didn't fail to add fuel to the fire. The second wave again caused travel restrictions and the travel, as well as the restaurant industry, had to shut, as their activity happens through proximity. This has not only impacted the industry workers or hoteliers or the restaurants, but rather even the consumers. A survey estimates that about 72% of respondents are unwilling to visit restaurants anytime soon as a precautionary measure against the virus (Kumar & Nagrani, 2020). Further, the travel & tourism industry activity going forward will be weak as many countries that are facing multiple waves, and various mutants will close their borders for international travel, or even some states in the country in some cases.

An important survey done by the Jones Lang LaSalle (JLL) gives us incredible data on the impact of Covid19 on the hospitality sector. (JLL, 2020). They estimate that around 60% of the hospitality operators believe that it will take somewhere between 13 to 24 months for their portfolio to bounce back to pre-covid levels. Further 53% of the leading hotel operators have shut down around 83% of their inventories amid nationwide lockdowns. Finally, they estimate that around 53% of their respondents believe that most of the activity in the hospitality sector will be witnessed in the big cities. Even though today these hotels and restaurants are allowed to function partially, the former is being allowed to work as a

quarantine zone and the latter simply being allowed for home delivery. This is not only impacting the hotels and the restaurants but even the government, as they will experience a decline in tax.

While it's no lie that going forward the activity will stay uncertain, amid the multiple waves and variants. Hence, the hospitality industry will take some time to recover and mainly come back to its pre-pandemic growth levels. In conclusion, the activities in the hospitality industry have been severely affected as people are unwilling to travel and spend time in restaurants. Unless the vaccinations don't speed up, everything for the industry will remain uncertain.

4.1.3 The E-commerce Industry

Although the pandemic has now changed the way people buy, yet many e-commerce companies have suffered enormous losses in India. Amazon's global business recorded a \$398 million loss due to the lockdown in India. This has mainly occurred due to lower demand for discretionary items. Many state governments had refrained from the delivery of non-essential items to avoid proximity between the customers and delivery agents (BusinessToday, 2020). As soon as the lockdowns were lifted, the e-commerce industry started reviving expeditiously as people changed the medium of their consumption. A survey estimates that around 48% of respondents are using online shopping, and 43% of the respondents have changed their way of buying, i.e., preferring online shopping. As far as the impact on the products is concerned, it has been disparate. There has been an exponential rise for some goods (mainly Covid19 precautionary items and work from home equipment). (Bhatti, Basit, Akram, & Khan, 2020) show that the overall sale of the e-commerce industry has increased due to social distancing, and other restrictions.

Hence, one can estimate that the overall impact on the e-commerce industry has not been huge, and we will see growth prospects going forward as people become more cautious about health, and as the virus is still raging the usage of e-commerce websites will keep rising.

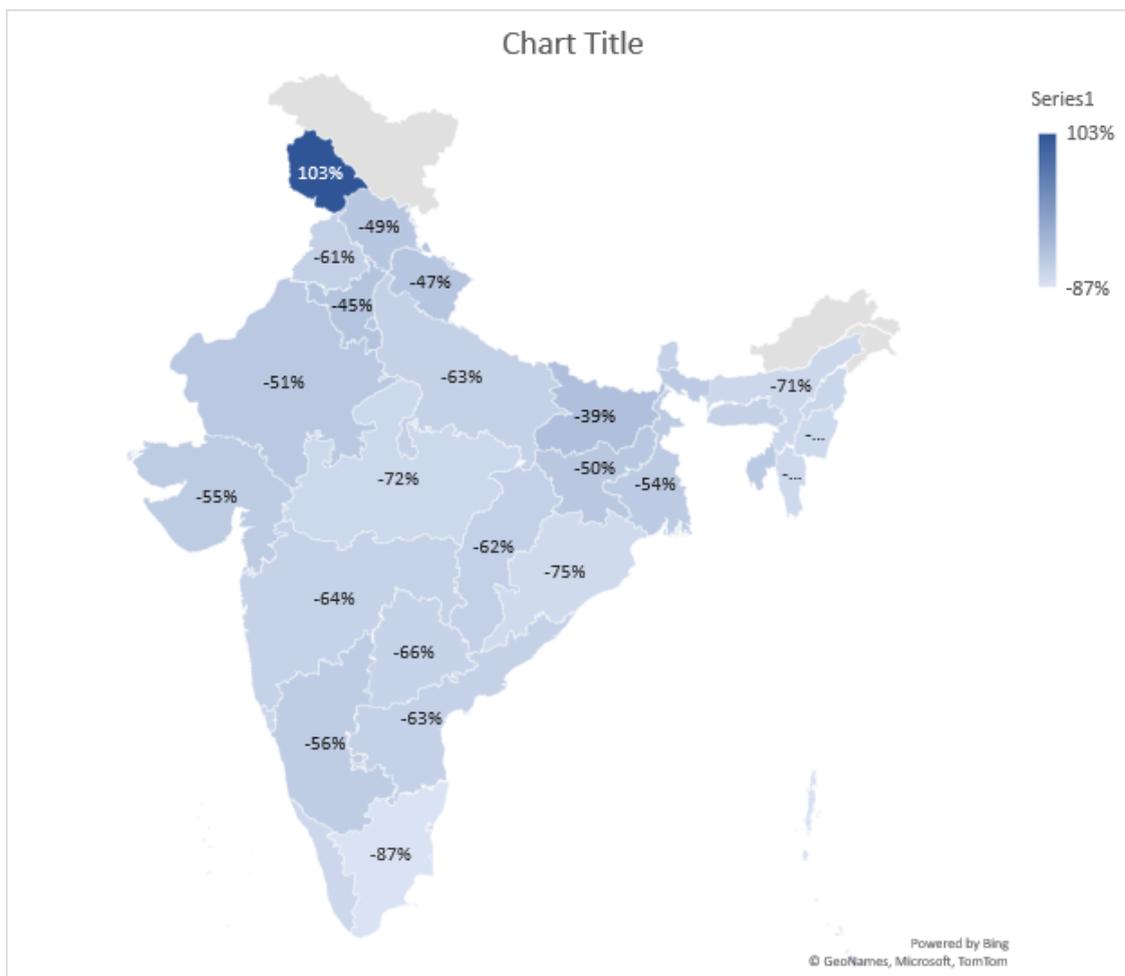
4.1.4 The Recreation Industry

The recreation sector includes gaming zones, theatres, and other entertainment activities, (also included travel & tourism in some cases to convey the message from the data). Most of these activities in India are based out in Malls, as they demand a huge space. But due to the lockdown measures, the malls in the country were completely shut down as malls tend to overcrowding on a daily basis causing proximity among visitors. Most of the activities under the recreation industry have been moved towards Over the Top (OTT) platforms and online games available easily via smartphones/laptops/desktops. The demand for digital entertainment platforms such as Netflix, Amazon Prime, etc saw a significant surge in its subscription in 2020. Netflix recorded 15.8 million paid subscriptions during the first quarter of 2020, and its global trade revenues reached 182.9 million (Veeramani & Anam, FIIB Business review - SAGE). Many online games also gained significant importance amid the lockdown period, as a substitute for other gaming activities. Moreover, the data shows that recreational mobility across India saw the deepest decline in 2020, with the state Tamil Nadu being on the topmost with a decrease of 87% as of September 2020. Below is the detailed chart of other states that witnessed similar declines.

The Recreation sector also includes travel & tourism, and hence in some cases the data also includes the impact on travel & tourism altogether.

Chart 5 – Change in Recreation Mobility across the Indian States – The chart is a pictorial illustration of the geographical outlook of India and justifies the contraction of recreational activity across Indian states. The chart represents (with values on each state) the data of some of the major states. The detailed information regarding this can be retrieved from the ‘Statista’ (source website). Data was published in February 2021 by the source (Statista) and is subject to change at the time of reading.

Chart 5 – Change in Recreation Mobility across States in India



Source – Statista (Life) (Statista Research Department, 2021).

Before the Covid-19 pandemic, the tourism sector was one of the most dynamic sectors in the Asia Pacific region (Helble, 2020). Fast forward to the pandemic, it caused extreme contraction across India which has been severe as the data shows. Apart from Jammu & Kashmir, no other state witnessed a positive growth in its recreational activity in 2020. Some of the majorly affected states were Tamil Nadu, Andaman & Nicobar Island (known as an Indian Union territory), Mizoram, Odisha, Madhya Pradesh, etc which were essentially around a negative 70% and above. The restrictions stressed out the business activity, and will now take some time to bounce back to its pre-pandemic growth levels. Going forward the prospects for the recreational centres/activity (including tourism) will stay tepid as the vaccination campaign for the 1.4 billion population will take some time to boost consumer

sentiment. The only way forward to strengthen the recreation sector is to open up the economy completely, which can happen merely through vaccinations.

4.1.5 The Real Estate Sector

Even the Real estate sector has been severely impacted due to the covid19 restrictions in the country. The pandemic has caused people to save more rather than spend more (Mishra, 2021). As the real estate sector is known as a big-ticket investment, the future economic uncertainty is putting more pressure on the real estate sector's recovery. Unlike many other sectors, the demand under the real estate sector in India has always been commendable, but it is the exorbitant costs underlying the purchasing price that discourages the buyers from investing in the real estate sector, such as taxes (Mishra, 2021). Moreover, the Covid19 pandemic caused many construction projects to temporarily stop and many labourers in the country migrated to other villages causing labour supply to fall. Entering 2021 the real estate sector did show some optimistic signs of recovery, however, the second wave of covid19 was completely uncertain and sparked enormous fears unlike the first wave (spent mainly in lockdown) (Chauhan, 2021).

Additionally, the work from home routine has also exacerbated the real estate sectors, as many offices are closed and the growth of leasing office spaces has also drastically fallen. As per the reports of Cushman and Wakefield, the net leasing of offices fell to around 35 lakh square feet in January – March 2021 from 70 lakh square feet in the year 2020 (Chauhan, 2021). Going forward many companies have allowed the work from home concept for an indefinite period due to multiple waves and mutants being witnessed. This will further decline the prospects of the real estate sector as not only the leasing of offices will decline, but even the demand for apartments will not spring up soon. Due to the widespread virus, many buyers would be reluctant in visiting the property places (site visits as popularly known). This lower demand will cause a further decline in housing prices, which will create many opportunities for buyers in the post-covid world. On the other hand, even the banks have lowered the interest rates on housing loans, but with the economic uncertainty, it is still a mystery whether buyers will take loans for buying properties.

The real estate sector, mainly in major cities such as Delhi, Mumbai, Bengaluru, etc have witnessed a severe drop in property registrations recently, partly because of the heavy caseloads in these cities causing buyers not to move out, and partly because of economic uncertainty, such as job losses. In conclusion, many property developers will delay their projects going forward, and also because they might expect lower sales momentum due to the Covid-19 pandemic.

With the fear of contracting the virus, many developers will have to find new ways to sell the flats and apartments, mainly through the use of web applications. The sales of flats and apartments will partly depend on how well the economy is picking up, and will partly depend on the employment scenario.

4.1.6 The Healthcare Industry

With over 3 lakh cases per day in the second wave of the coronavirus, the healthcare industry faced an unprecedented situation. We could see voracious lines of people waiting to get admitted to the hospitals, a shortage of hospital beds and resources, and a shortage of oxygen. Despite the measures of lockdowns and curfews, the number of cases were still exponentially rising, which prompted people to wear double masks as a precaution against the virus. Even the shortage of N95 masks was a concern. We could see many countries coming in to support India by providing N95 masks, oxygen support, and other healthcare resources. A large population and a lack of resources imposed various challenges to the healthcare industry in terms of time and preparedness to deal with the exponential rise in covid19 cases (Shukla, Pradhan, & Malik, 2021). Additionally, according to the study of Federation of Indian Chambers of Commerce & Industry- Ernst and Young(FICCI-EY), the impact of Covid19 also resulted in a 70-80% decline in Outpatient department treatment (OPD) and around 70% fall in revenue due to the fear of contracting the virus. This has also resulted in the number of small clinics shutting down. (Ernst & Young, 2021).

Many private hospitals on the other hand were capitalizing on the situation in the country. Since the demand for hospital beds and medical services rose drastically, many private hospitals charged the patients an arm and a leg. Private hospitals were demanding lakhs of

rupees as a down payment before admitting the patient (Kumar A., Weakness of Healthcare and Related Infrastructure, 2020). Additionally, due to restrictions on foreign travel, many hospitals that were thriving on patients coming from abroad also suffered losses. Hence, overall, not only the private hospitals, but even the public sector hospitals faced a difficult situation.

The healthcare system in India will have to attract more resources, and better infrastructure going forward. Doing this, a plethora of poorer citizens will benefit from this strategy, as many private hospitals charge exorbitant prices to admit.

5.0 Prospects of Service Sector

The pandemic has halted a plethora of activities, and many industries have found new ways to operate in this pandemic. For example, there has been a huge change in the Indian education industry. Schools and Universities have moved towards online education, where the use of e-content, online assessment, and video conferencing applications have helped them flourish. International conferences have moved from physical presence to online presence. Many video conferencing applications have flourished in these times, especially the US-based video conferencing platform 'Zoom' has become a sensation within months, with its market value reaching \$59 billion (Veeramani & Anam, FIIB Business review - SAGE). Further, even the health & fitness industry has changed. According to the World Economic Forum's website, there has been a 46% increase in health & fitness related apps, amid the quarter 1 and quarter 3 of 2020, with India's growth being the highest, i.e., around 156% among other countries (Ang, 2020). Apart from these, many industries have now changed the way they have been operating amid the pandemic. So, now the question is what are the prospects for the services sector going forward (post-covid). Quite possibly, the growth in the services sector will rebound immediately once the pandemic situation in the country is sound, (with the expectations that no more waves of the virus will occur). The digitally-enabled services such as video conferencing applications, e-learning applications, and other online applications growth will accelerate going forward. Since the pandemic is encouraging many activities to take place online, via websites/apps, and many physical shops will also advertise and sell their products through websites, and apps.

The Education Industry will move towards a more hybrid model of learning, where some lectures and classes would be encouraged to take place online, while some will take place in the classroom. During bad/inclement weather or any uncertain situation, instead of cancelling lectures, these lectures could easily take place through online video conferencing apps.

OTT platforms will also accelerate, many have found these services convenient as one can simply sit at the comfort of their home and watch their favourite movies. Even the producers will now think about releasing their new projects (films) on the OTT platforms majorly.

The E-Commerce Industry will also see a growth in their industry, as many shoppers have moved their preferences towards online shopping as the pandemic has caused many buyers to shop online. Additionally, many e-commerce companies give exorbitant discounts via credit card payments and vouchers, and hence it is also cost-effective for shoppers.

Exports of services will also keep accelerating, as India is known for low-cost raw materials supply and as a result, the exports of certain goods will keep growing. As Chatterjee & Subramanian write, 'India still enjoys large export opportunities, especially in labour-intensive sectors such as clothing and footwear.' (Chatterjee & Subramanian, 2020) Additionally, in the post-pandemic world, India will see a surplus of labourers, and hence this could be an opportunity for India to produce goods at lower costs, ultimately attracting demand from the rest of the world.

The IT Industry will possibly see the highest growth in its industry, as the pandemic has encouraged many activities to happen online, and hence the demand for software management, online services, business process outsourcing and software development will see a rapid increase in its usage. Further, the data shows that the IT industry is slated to witness an 8% growth, with the expectation of reaching US\$ 14.3 billion by the end of 2023 (India brand equity foundation (IBEF, 2021).

Telecommunication Services is another industry where the growth aligns closely with the growth of the IT industry. As the demand for IT-related services springs up, eventually even the demand for internet services will also increase. Hence, the telecommunication sector will also have ample opportunities in the post-covid world.

Hospitality Industry's growth will partly depend on how expeditiously tourism is picking up, and will partly depend on consumer sentiment, which can be strengthened by rapid vaccinations, which should also be a key towards the growth of the Indian Economy.

While the Healthcare Industry did face a difficult situation, yet the prospects for the healthcare industry are bright. By 2023 India's healthcare sector is anticipated to reach US\$ 132 billion (India Brand Equity Foundation (IBEF), 2021) and hence it is likely that in the post-pandemic world, we will see more investment in the healthcare industry in terms of skilled doctors, better infrastructure, and more resources.

6.0 Conclusory Remarks

It is quite evident that the world, and India in particular will see a new normal. As discussed throughout the paper, many industries under the services sector will adapt to new technologies and new ways of functioning in the domestic as well as international market. Despite a huge impact on Indian Services (around 16%), the services sector will immediately revive as the economy starts opening up. The demand for IT-related services will exponentially grow, and it will play a huge role in contributing to the growth of the Indian economy. Services exports will also keep rising as the global demand has revived due to many industrial countries coming out of the grim condition and also due to rapid vaccinations. The exports of services will play a huge role in bringing the Indian economy back to pre-pandemic levels, as domestic demand and investment will stay tepid due to massive economic contraction in the country.

Not only industries, but every citizen in the country has suffered due to the pandemic. Right from children who are indefinitely stuck to the online mode of learning, many unskilled labourers have become redundant with no work available, employees are facing pay cuts, big industries are experiencing a slump in sales, and overall inequality has risen.

In the post-pandemic world, the services sector will undoubtedly boom. We will see enormous job opportunities in the sector, the demand for skilled people with the knowledge of information technology will be in massive demand in all the sectors. The hybrid model of operating will be preferred, as many industries will still desire to take precautions for their employees in the post-pandemic world.

As the economy has partially started opening up, many jobs even in the hospitality sector are on the brink of reviving. The world's largest networking platform 'LinkedIn' is now flooded with job openings in Hotels, Restaurants, Event planning, etc. This is an optimistic sign not only for the unemployed citizens but even for the economy, as in the long run, the domestic demand will play a key role in the economic recovery.

While the prospects for the services sector are bright, with digitally enabled services supporting the growth. However, the caveat is clear that we will have to keep an eye on multiple waves and mutants of the virus. The new Delta variant also has the potential to derail the health of the economy and aggravate people's lives. The Delta variant has started spreading slowly in some countries, and India will have to be prudent about the variant.

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