



# Service sector

Lecture 18



# Services

- A type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale . Services are one of the two key components of economics.



# Various types of Service



# Introduction

- Services sector is largest and fastest growing sector in the world economy.
- In case of Pakistan , the shares of services are increasing in all sectors of economy over the period.
- In fact, the growth rate of services sector is higher than the growth rate of agriculture and industrial sector.
- Services sector has strong linkages with other sectors of economy; it provides essential inputs to agriculture sector and manufacturing sector.
- Services sector accounts for 54% of GDP and little over one-third of total employment.

# Classification of services sector

- Services sector consists of four major sectors in Pakistan that is; distributive, producer, personal and social services.

Distributive service  
(transport, storage  
and communication)

Producer services  
( financial institution)

Personal services  
( entertainment and  
recreation service. )

Social services  
( public administration  
and defense. Social  
community private  
and services)



# Classification of service sector

- The distributive services mostly provide utility to the common public along with generating handsome profits for the traders. Distributive services include Electricity transport, Pipelines transport, Water transport, Road transport and telecommunications etc.
- Producer services mostly consist of financial services such as banks, insurance corporations, and financial solution providers. This sector provides services to the consumer and produces finances for the investors.
- Personal services sector provides very individual based services to the citizens such as Shelter, Recreational activities centers etc.
- Lastly, the social services sector covers the very basic needs of life such as medical and education facilities along with protection and defense of the public.

# Service sector activities

The service sector covers a wide array of activities :

- Services provided by the most sophisticated sectors like telecommunications and computer software.
- **Simple services** like those performed by the barber, the carpenter, and the plumber.
- **Highly capital-intensive** activities like civil aviation and shipping.
- **Employment-oriented** activities like tourism , real estate, and housing.
- **Infrastructure –related** activities like railways, roadways, and ports
- **Social sector** related activities like health and education.

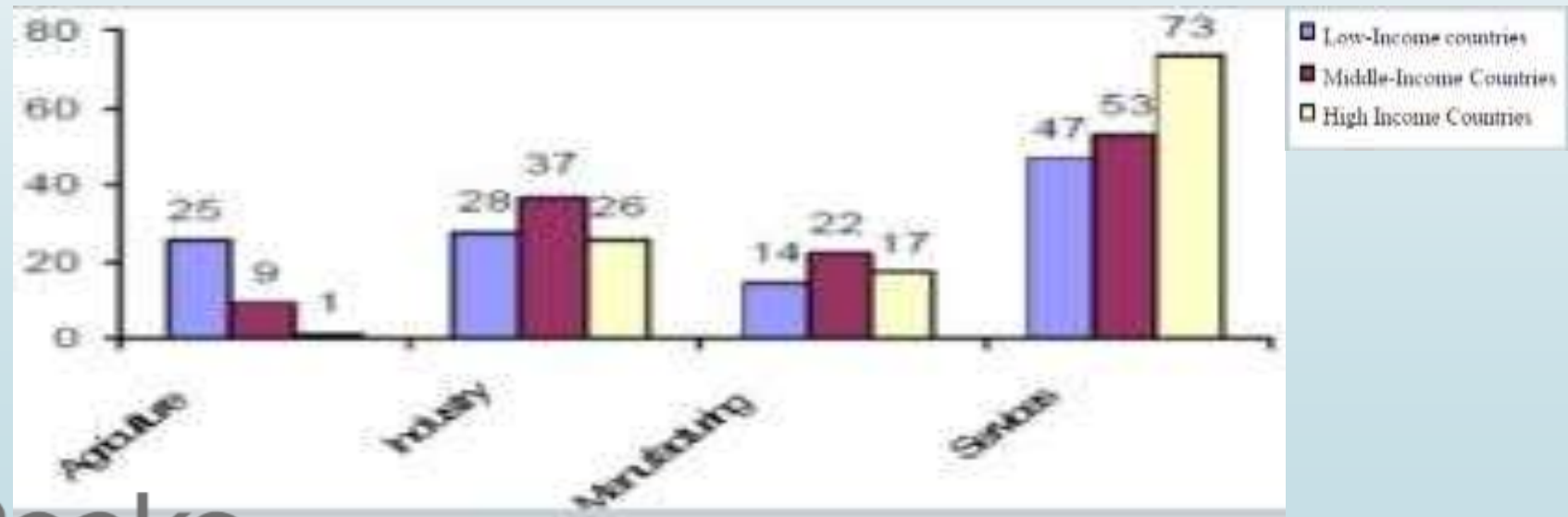
# Globalization in service sector

- The term globalization means international integration.
- Opening up of world trade, development of advanced means of communication , internationalization of financial markets, growing importance of MNC's , population migrations and more generally increased mobility of persons , goods, capital, data and ideas.
- The impact of globalization has been highly positive in almost all spheres of economic and social life and virtually very less negative effect.
- Service sector is the lifeline for social economic growth of a country.
- The real reason for the growth of service sector is due to increase in urbanization, privatization and more demand for intermediate and final consumer services. This is the direct result of globalization.



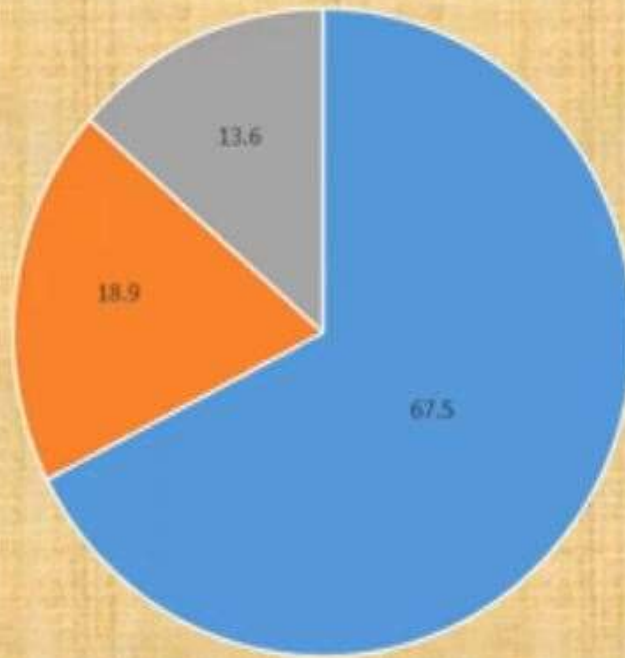
# Global perspective of services sector

- Services represent the fastest growing sector of the global economy and account 69% of global employment and nearly 20% of global trade.
- The value of services in world exports has increased by 41.7% whereas the value of goods has increased just by 35.5% .



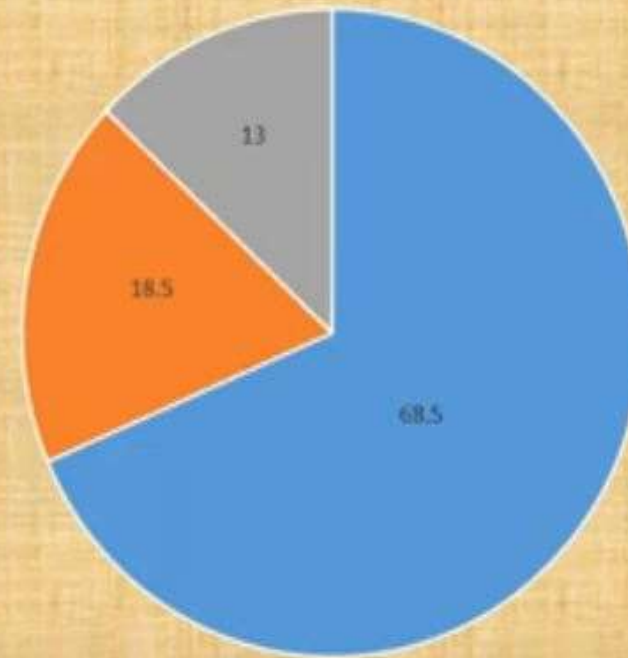
## Different Sector's Contribution in GDP of Pakistan from 2017-2019

Share in GDP(2017-18)



■ Services ■ Agriculture ■ Industrial ■

Share in GDP(2018-19)



■ Services ■ Agriculture ■ Industrial ■

# Problems

Services sector though growing at an immense rate but it still has to face many hurdles and obstacles.

- Lack of government support at all levels is a major constraint for this sector.
- Most of the bureaucracy is ill-educated or incompetent to deal with the challenges of the modern day.
- The government has imposed heavy taxes on this sector, which is severely hampering the growth of this sector. Recent taxes on telecommunication sector in Pakistan are one glaring example of the growing governmental taxes on the services sector.
- Less participation of private sector is another major constraint.
- There is no major focus on this area and is a big blow to our regional competitiveness in the international market.
- Lack of skilled labor, lack of technology up-gradation and less focus on human capital development are some areas that need to be focused.

# suggestions and solutions

- The government should try to involve private companies in this sector through the public-private partnership model, which can do wonders if given opportunity.
- Apart from involving them, there should be some incentives from the government for those who perform well . Lack of such incentives is another setback.
- The government needs to support this sector by providing tax-free zones .
- The posting of competent people who can understand the problems of service sector will be a major boost for this sector.
- Public-private partnership can prove to be very helpful in this sector
- . The government should build institutes for the skill development of employees related to this sector. Research and development should be encouraged and funds should be allocated on the government level.
- Technology up-gradation should be started at an earliest and internet facility should be provided to all the areas of the country. The auction of 3G and 4G is a major step towards achieving this goal.
- Foreign investors should be attracted from across the globe by providing different incentives like tax concessions etc.



Thank  
You