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AN EXPLORATORY STUDY ON THE SKILL DEVELOPMENT PARADOX AND EMPLOYABILITY IN INDIA DUE TO DEPLETING MANUFACTURING SECTOR

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Introduction

The Generated Opportunities so far in the services sector, with around 52 per cent contribution to the Gross Domestic Product (GDP) in 2014-15, has made rapid strides in the past decade and a half to emerge as the largest and one of the fastest-growing sectors of the economy. The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as **trade, hotel and restaurants, transport, storage** and **communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction**. The Market Size of the services sector contributed US$ 783 billion to the 2014-15 GDP (at constant prices) growing at Compound Annual Growth Rate (CAGR) of **9 per cent**, faster than the overall GDP CAGR of **6.2 per cent** in the past four years.

Out of overall services sector, the sub-sector comprising financial services, real estate and professional services contributed **US$ 305.8 billion or 20.5 per cent to the GDP**. The sub-sector of community, social and personal services contributed US$ 188.2 billion or 12.6 per cent to the GDP. The third-largest sub-segment comprising trade, repair services, hotels and restaurants contributed nearly equal or US$ 187.9 billion or 12.5 per cent to the GDP, while growing the fastest at 11.7 per cent CAGR over the period 2011-12 to 2014-15. The Investments of the Indian services sector has attracted the highest amount of FDI equity inflows in the period April 2000-September 2015, amounting to about US$ 45.38 billion which is about 17 per cent of the total foreign inflows, according to the Department of Industrial Policy and Promotion (DIPP). Some of the developments and major investments by companies in the services sector in the recent past are motivating like the Credit Analysis and Research (CARE Ratings) has signed Memorandum of Understanding (MoU) with Japan Credit Rating Agency, Ltd (JCR) to collaborate with each other as strategic business partners. The Shuttl, an Indian bus aggregator platform headquartered in Gurgaon, has raised US$ 20 million in Series A funding from Lightspeed, Sequoia India and Times Internet Ltd. The Indian logistics platform Rivigo has raised US$ 30 million in debt and equity in Series B financing round, led by SAIF Partners. The firm aims to use the raised funds to achieve its target of scaling 10 times in the next 12 months. The Fairfax India will look to acquire controlling stake in collateral management and weather advisory firm National Collateral Management Services (NCML) where the deal size could be $150-180 million. Some of the Government Initiatives growth in services sectors and provides several incentives in wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management, among others. The Government of India has adopted a few initiatives in the recent past. Some of these are as follows: The Central Government is considering a two-rate structure for the goods and service tax(GST), under which key services will be taxed at a lower rate compared to the standard rate, which will help to minimize the impact on consumers due to increase in service tax. By December 2016, the Government of India plans to take mobile network to nearly 10 per cent of Indian villages that are still unconnected.

The Government of India has proposed provide tax benefits for transactions made electronically through credit/debit cards, mobile wallets, net banking and other means, as part of broader strategy to reduce use of cash and thereby constrain the parallel economy operating outside legitimate financial system. The Reserve Bank of India (RBI) has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and has also allowed white label ATMs to tie up with any commercial bank for cash supply. The Immediate Future; Services sector growth is governed by both domestic and global factors. The sector is expected to perform well in FY16. Some improvement in global growth and recovery in industrial growth will drive the services sector to grow 7.4 per cent in FY16 (FY15: 7.3 per cent) as per Mr Dilip Chenoy, MD and CEO of National Skill Development Corporation. The Indian facilities management market is expected to grow at 17 per cent CAGR between 2015 and 2020 and surpass the $19 billion mark supported by booming real estate, retail, and hospitality sectors. The performance of trade, hotels and restaurants, and transport, storage and communication sectors are expected to improve in FY16. Loss of growth momentum in commodity-producing sectors had adversely impacted transport and storage sectors over the past two years. The financing, insurance, real estate, and business services sectors are also expected to continue their good run in FY16. The growth performance of the community, social and personal services sector is directly linked with government expenditure and we believe that the government will remain committed to fiscal consolidation in FY16.

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The definition of skill development is fast changing. Under the industrial requirements, skills are supposed to be in consistent updation; so, there is a need for re-ordering the priorities and shifting from the one-dimensional model, which has wrongly viewed economic progresses only by statistical growth. Industry and governments must think seriously, why their well carved out plans are not working? The failures to live on the promises are pathetic and unsustainable; at any cost, the outlays on the skill development initiatives and their outcomes have to be proximate. Unless this is realised, the exuberance on principled structures would not be meaningful. In simpler terms, the poor and the underprivileged have to be protected and involved under the new growth agenda. For that, the livelihood programmes have to be better democratized. The so called Service Sector which is contributing to more the 54% of the job market and the major contributor in terms of GDP is in the downward turn. The 12th Five Year Plan (FYP) has highlighted skill-building as an imperative need to reap India's so-called demographic dividend. Indian universities and professional institutions churn out hordes of degree and diploma holders, most of them are unemployable because they lack the skills manufacturing and services industries look for. The globalised world demands skilled manpower to convert growth opportunities into jobs and stable incomes. With millions of new job-seekers entering the job market every year, skill development has become one of India's urgent priorities. The bulk of employment is still being created through agriculture, which is subject to seasonal fluctuations. Even skill-based manufacturing sector is sensitive to these seasonal changes as the processing of agricultural products majorly determines its overall production cycle. It's true that India has comparative advantage in terms of having a younger workforce than China and all OECD countries, but the drive to scale-up high on these is missing. The world will witness unprecedented shortage of skilled workforce in coming years, but it's unlikely that with the existing policy framework on skill development, India will be able to tap this chance.

The **11th FYP's recommendations** on the matter led to a three-tier structure: the PM's National Council, **National Skill Development Coordination Board (NSDCB)** and the National Skill Development Corporation (NSDC). The NSDCB has spelt out policy advice, and direction in the form of "core principles" and has given a vision to create **500 million skilled people by 2022 through skill systems** (which must have high degree of inclusiveness); it has taken upon itself the task of coordinating the skill development efforts of a large number of central ministries/departments and states. The NSDC has geared itself for preparing comprehensive action plans and activities which would promote public private partnership (PPP) models of financing skill development. In policy outlook, these changes have made the issue of skill development a vital agenda for the governments. The state governments have clearly given more space to channelize the skill development initiatives and reap its benefits as well. But the challenges on skill development in the 12th FYP are numerous and those are blocking the developmental spirit: the government's monopoly over the skill training is foremost of them. Therefore, a greater emphasis on PPP model could have best way forward in achieving the real goal of skill development. Through proactive regulation or leverages, individual employers and various industry associations should be given more space for meeting the mammoth challenges of skill creation. Besides, the need is for better institutional mechanism to carry out impact evaluation and surveys of actual job aspirants. Even today, only about 8 percent of the total workforce in India is employed in the organized sector. The rest are employed in the informal sector, without social safety nets. Obviously, the quality of employment is better in organized sector but it has limited capacity to absorb a large number of workforces. So the role of services either in Organized tertiary sector or through self-employment is important. In given circumstance, it's essential to promote a balance between labour and capital intensive sectors. Agriculture, tourism and SMEs would be the areas, where suitable action will bring better results.

The Modular Employable Skills (MES) and Skills Development Initiative Scheme (SDIS) adopted by the Ministry of Labour and Employment provide the framework for skill development for school leavers and workers, especially in the unorganised sectors, but again, the results are sub-optimal. The reason why well-meaning government plans on skill development come to grief is that the existing strategic and implementation models of skills development don't correspond well with the competitive global requirements of skilling. Of course, India's IT sector is a beacon of hope but lack of skill development explains why manufacturing has not taken off as a major growth component of India's economy. Today, the slow employment generation and its inflationary impact haunt badly. The Phillips Curve reveals it: "lower the employment, higher the rate of inflation".

Objectives of the study

1. To analyse the training needs and the actual skill development policies against the demand for jobs in manufacturing versus services
2. To verify the facts available on the areas of employability
3. To evaluate the strategies to fit skill development versus the opportunities
4. To examine the impact of negligence of manufacturing sector and stepping to services without concentrating on the manufacturing sector

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Methodology:Exploratory study with literature reviewing the secondary data using time series analysis
Data:Secondary Data compilation from AUTHENTIC Government agencies

Keywords: Union Budget, Skill Development, Markets, Industry, Skill Development, Paradox.

Review of Literature

A report of Boston Consulting Group and the Confederation of Indian Industries (CII) tells that India's workforce in 2006-07 numbered 484 million: out of this, 273 million were working in rural areas, primarily in agriculture, while 61million were working in manufacturing and about 150 million in services. The study exposes that 40 percent of the current workforce is illiterate and another 40 percent is represented from school dropouts. Those who have completed formal schooling comprise 10 per cent, meaning that only 10 percent of the overall workforce could be counted as trained.
On the technical front, **NASSCOM says that of the 400,000-odd engineering** graduates who pass out every year, only 20 percent would meet the industry requirements. The rest would have to go through rigorous training before businesses could find them useful.

However **Rita Soni, CEO, NASSCOM Foundation**, sees the context in diverse shades: "The role that technology has played in empowering the most marginalized sections in India, be it people from remote areas or persons with disabilities, cannot be completely overlooked. While there are no true silver bullets that the industry can list down as it continues to face challenges, it is encouraging to know that it is already treading the path of inclusive development."

According to the **Economic Survey 2011-12, 63.5 million new entrants** would be added to the working age group during the period 2011–16. Consultancy majors IMaCS and Aeon Hewitt have added a caveat in this respect: "An incremental shortfall of nearly 350 million people will be surfaced by 2022 in 20 high-growth sectors of the Indian economy, including the infrastructure sector and the unorganized segment."

Micro Small and Medium Enterprises Development Act, 2006 became operational with effect from October 2, 2006. The Act replaces the concept of "industry" with "enterprises". This Act notionally facilitates the promotion, development and enhances the competitiveness of Micro, Small and Medium Enterprises and for matters connected therewith or incidental thereto. But the ground reality is stark, as MSMEs have no proper advocacy/industry association (barring few obscure and ineffective organisations, like CIMSME /SME Chamber of India) to look after on their interests. The leading industrial chambers-FICCI, CII or others are mostly run for pursuing the interests of big corporations and their attention on MSMEs comes only for keeping 'high moral ground'.

National Small Industries Corporation (NSIC) has been working since 1955, and over the decades it has proved itself a big elephant of government. With its over-sized secretarial set-up, but shabbily planned programme structures, NSIC mimics the entrepreneurial aspiration of Indian youths. Its website too appears short on informations and high in offering 'self help tips' – it drops the dream liner with no tenability-how to become successful entrepreneur? FICCI Survey on Labour / Skill Shortage for Industry sings a different escapist tune: "Despite having a favorable demographic profile, labor and skill shortage continues to be one of the key concerns for the Indian industry. This problem has been compounded by the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). It seems that MGNREGA has made a perceptible difference to the 'choice of work' of the casual labor in rural and semi urban areas."

FICCI -IMACS reports through a study done in 2010 by comes with clearer insight: "There is a need for an independent system to assess quality, comprising all elements of the skill development value chain, right from need assessment and student mobilisation up to training and placement. Current systems are primarily oriented towards quality checks (through trade tests) during the phase of assessment and certification." CII has launched its own Skills Development Initiative, which shares the goal of the National Skills Development Agenda to skill 500 million people by 2022. In this endeavour, CII, has set up its first skills centre at Chhindwara, MP, to train people in bar bending, grinding, pipe fitting, welding, etc. (although its functional dividends have yet to be visible, which stands opposite of CII's hyper exuberance).

CII, along with HPCL, have also launched the 'Swavalamban' project to train 2,200 youth in multiple trades. The programmes have local concentration, relevance and in-built flexibility. So far, CII has released five sectoral studies on skills requirements in the constructions, auto, retail, healthcare and banking & financial services sectors. CII has also taken skills development initiatives beyond national boundaries (in Afghanistan, South Africa among the others). For the sake of record, these appear impressive, but still they are not changing the course for desirable outcomes.

T N Thakur, ex-CMD, PTC India and former Deputy Secretary, Ministry of Personnel (GOI), looked after training policy, plan and non-plan training program-he also spearheaded the major reforms in UPSC in Rajiv Gandhi government, he shares his views: "India has very large young population, 70 percent of India's 1.2 billion populations is below 30 years of age. Such young population is a great strength if they are gainfully employed, otherwise they will turn to be a great liability. It's, therefore, imperative for India to have massive skill development program and create employment opportunities through growth oriented schemes. We cannot distribute wealth if we don't have it. Only a balanced growth alone will bring prosperity and equity."

National Skill Development Corporation (NSDC) CEO & MD, Dilip Chenoy, puts his perspectives on this with incorrigible optimism: "For a country keen to make its way in to the league of advanced nations within the next decade by leveraging its favourable demographic profile, skill development offers the best solution to realize this aspiration. In consonance with this philosophy, the National Skill Development Corporation (NSDC) through its private sector training partners has been steadfastly engaged in empowering Indian youth by equipping them with the skill sets that would allow them to participate in and contribute to the process of inclusive growth and development

Dr S Ramadorai, Adviser to the Prime Minister in the National Council on Skill Development, Govt. of India in his interview given to The Times of India, on March12, 2013, pressed for a new rational rapproach from industry on skill creation: "the Industry needs to play a major role in the skilling initiative. With a highly demand-driven labour market, apprenticeship with industries is an important way forward. Currently, such 'earn while you learn' models have been highly under-leveraged. More wages should be paid to highly skilled people, else training is disincentivised."

The Problem addressed in the study

The challenge; who will bell the cat and how can we fix the skills gap? As many as 39 percent of people under 25 are either unemployed or underemployed, according to a recent article predicting a dismal jobs picture for the newest members of the workforce. It's easy to jump to the conclusion that we have a jobs gap – not enough jobs for the number of job seekers. This may be true, but we also have a skills gap. Employers report frustration at not finding skilled workers; and, according to the Manpower Growth 2012 Talent Shortage Survey, 49 percent of employers struggle to fill jobs. Jobs wait to be filled – current job seekers just lack the right skills.

How to Close the Gap

To close the skills gap job seekers and employers needs to work together. Job seekers – be they recent graduates or more experienced workers – need to step in and take skill development and education into their own hands. Many of them already take advantage of the rich experience offered by online, bite-size courses. These courses are perfect for the digitally competent, mobile and easily distracted 21st-century student. The problem is, as Josh Bersin of Bersin by Deloitte points out, "most students are not sure 'which educational program' will help them find a good job." A number of leading companies, like Target Goldman Sachs and Macy's, are known for their long-standing, innovative training programs for recent college graduates. Graduates from a diverse set of majors are chosen for their aptitude and are trained at the company's expense to address missing skills. These programs are intense (typically over a month in length), taught in person by former practitioners and valuable for career success at the company and beyond. These programs serve as a means of getting undergraduates with contrasting backgrounds – think English major versus finance major – on the same page to deliver value for the organization. Assessments are given throughout the training to determine progress through materials. As a result, college seniors compete feverishly for these coveted positions. But, what happens to those exceptional students who don't make the cut? What about students at the many schools with few visits from recruiters?

The transparency paradox;Making job requirements more transparent would go a long way toward bridging the skills gap. Companies would define jobs not only by traditional job descriptions but also by a set of skill-based courses over which prospective jobs seekers can demonstrate mastery. Job descriptions could include a playlist of courses required to prepare for the job. This approach would help students figure the education and skills required for a given job. With the rise of online courses, creating a playlist is easier than ever. The same approach could be extended to employed, experienced individuals looking to advance within their own organizations. Managers could work with employees on individualized learning plans to close employees' skills gaps and help them reach that next level. Employees often find that a new job in a particular department requires a specific set of skills rather than a degree. By framing job requirements as a "playlist of courses," to show mastery, employers benefit from hiring from within, and employees know exactly what is required for the next rung up on the ladder.

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With courses available online and on-demand, every job seeker and every employee can take courses personalized to their career goals. At the same time, access to readily available and easily customizable content may encourage employers to hire and train less experienced workers because of the ease of providing relevant, personalized internal training. As Survey Monkey CEO, Dave Goldberg, points out, taking a risk on and training less experienced employees can be less costly than hiring more experienced employees. As it turns out, advances in online learning may be the best news yet to match emerging members of the workforce with companies struggling to fill jobs. The need of the hour is to improve resource utilisation and find solutions that can address the systemic and institutional bottlenecks constraining the sector. Keeping in mind the revised National Skill Development Policy due to be announced in a few months that will also outline the contours of the National Skills Mission, we present an analysis of three priority areas that the government needs to address.

Coordination of skilling efforts; Currently, there are at least 20 different government bodies in India running skill development programmes with no synergies and considerable duplication of work. For instance, both the Ministry of Labour and Employment (MoLE) and the Ministry of Human Resource Development (MHRD) created their own sector skill councils last year to identify skill development needs in the country, even as the National Skill Development Corporation (NSDC) has been setting up Sector Skill Councils since 2011. A Labour Market Information System (LMIS) that should have been one centralised resource has been developed in different forms by at least five government agencies. The presence of multiple stakeholders coupled with a lack of coordinated policies has resulted in no standardisation of procedures or outcomes. The government today does not even have a unified definition of “skill.” A 2013 paper of the Institute of Applied Manpower Research (IAMR) questioned the basis of government’s target of skilling 500 million people by 2022 without this definition. Skill development efforts today cover everything from personality development, 40-hour long “outreach and awareness programmes” conducted for farmers by the Ministry of Agriculture, 3-6 month courses encouraged by the NSDC and the National Skill Development Agency (NSDA), as well as two-year programmes in Industrial Training Institutes (ITIs).

Confusing Paradox of roles and responsibilities; **Ministry of Skill Development and Entrepreneurship (MSDE)** was created as the aggregator in the sector, but the duplication of roles and policy confusion has persisted. Tasks allocated to MSDE in the official gazette notification, such as “frame policies for soft skills”, “computer education”, and “work relating to Industrial Training Institutes” are ambiguously crafted, and have large overlaps with the work allocation of existing Central ministries. It is imperative that MSDE performs the difficult role of “coordination relating to skill development” assigned to it. To begin with, the delivery of at least 70 per cent of the total skill development targets should rest solely with the MSDE. Large scale training delivery systems, such as the Directorate General of Employment & Training (DGE&T) of MoLE should be integrated with MSDE, while ministries working on skills in specific sectors (such as Textiles and Tourism) should closely coordinate with it. In addition, overarching roles such as apprenticeship system, LMIS implementation, private sector coordination, etc., should be housed exclusively within one agency to reduce policy confusion. Finally, the MSDE must explicitly be made responsible for coordination with the States and their Skill Development Missions. Skill development is a tricky field for the government to channel resources into. To justify investments, policies must be grounded in hard data. Scheme design parameters, such as sector and beneficiary targeting, curriculum, delivery methods, etc., need to incorporate authentic market signals. Existing skill gap studies fail to provide agile, actionable data and are rarely used in scheme designs. A good first step will be the development of a fully functional LMIS that can provide an accurate statistical base for formulating and monitoring vocational training policies and programme. Technology can also play a great role in ensuring quality of delivery at scale. Business processes associated with planning and delivery can be managed better with the use of technology, as the experience of MIS portals developed by several ministries show. In addition, scientific monitoring and evaluation methods need to be incorporated in every programme to ensure just utilisation of resources.

Engaging the private sector; While the government itself is a large employer, the primary focus of skill development is essentially towards private sector employment and entrepreneurship. So far, private sector itself has not geared up for the challenge. The World Bank Enterprise Surveys 2014 reveal that the percentage of firms offering formal training programmes for its permanent, full-time employees in India is just 35.9, compared to China’s 79.2. S. Ramadorai, Chairman of NSDA and NSDC, describes the situation as a “market failure” where the employers are not investing to skill employees, and employees do not have the ability and willingness to pay for skilling. It is necessary to catalyse investments from the industry and support candidates in raising resources for training. This would need a functioning credit market with collateral guarantees for students, as well as planned coordination with the private sector. For any skill development effort to succeed, markets and industry need to play a large role in determining courses, curriculum and relevance. For this, employers need to be put in the driving seat, with the government acting as a regulator and not the implementer. The government has its task cut out. What is needed is a willingness to act, and to take the difficult decisions that can help realise the ‘Skill India’ dream.

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The service revolution in India; the story of Hyderabad – the capital of the Indian state of Andhra Pradesh – is truly inspiring for late-comers to development. Within two decades, Andhra Pradesh has catapulted itself straight from a poor and largely agricultural economy into a major service centre. Fuelled by a 45-fold increase in service exports between 1998 and 2008, the number of information technology companies in Hyderabad increased 8-fold, and employment increased 20-fold. Service-led growth has mushroomed in other parts of India too. India has acquired a global reputation for exporting modern services. India and China have both been recognised for rapid economic growth. But India's growth pattern is dramatically different. China has a global reputation for exporting manufactured goods. It has experienced a manufacturing-led growth.

India has side-stepped the manufacturing sector, and made the big leap straight from agriculture into services. Their differences in growth patterns are striking. They raise big questions in development economics. Can developing countries jump straight from agriculture into services? Can services be as dynamic as manufacturing? Can late-comers to development take advantage of the globalisation of service? Can services be a driver of sustained growth, job creation, and poverty reduction? The share of service value added in GDP in China, India and OECD countries. The share of service sector in India is much bigger than in China, for its stage of development. India and other South Asian countries resemble the growth patterns of Ireland and Norway, rather than those of China and Malaysia. Despite being a low income region, India and other South Asian countries have adopted the growth patterns of middle and high income countries. India's growth pattern in the 21st century is remarkable because it contradicts a seemingly iron law of development that has held true for almost two hundred years since the start of the Industrial Revolution (Chenery 1960, Kaldor 1966). This law – which is now conventional wisdom – says that industrialisation is the only route to rapid economic development for developing countries. It goes further to say that as a result of globalisation the pace of development can be explosive. But the potential for explosive growth is distinctive to manufacturing only (UNIDO 2009). This is no longer the case. It compares what has happened in some 136 countries between 2000 and 2005 in terms of real GDP growth, shown on the vertical axis and service value added growth, shown on the horizontal axis. Each point represents one country. The positive relationship between the two variables implies that countries with high growth in services also tend to have high overall economic growth or conversely that countries with high overall economic growth have high services growth.

Each point in the chart corresponds to 5 year growth during 2000-2005 for a specific country. GDP growth rates control for level of initial income per capita. All values are in constant 2000 dollars. Growth rates are compounded annual averages. The sample consists of 134 countries. Exactly the same exercise is shown in Figure 3 for the relationship between manufacturing growth and overall economic growth. Again, there is a positive relationship which probably runs from manufacturing growth to overall growth. This is the relationship which has been reported to emphasise the importance of manufacturing for growth. Comparing the two graphs, it is clear that the slope is steeper in Figure 2. That suggests that the effect of services growth seems to be stronger than the effect of manufacturing growth on aggregate economic growth.

The trend over time to a higher service sector share shows that higher real growth in services has not been offset by price declines. There is no Dutch disease – that the price of services falls with an increase in their supply (Baumol 1967). India has a higher share of services, and more rapid service sector growth, than China, although the latter is richer and has grown faster over time. That suggests that services are not simply responding to domestic demand (which would be higher in China), but also to export opportunities (Ghani and Kharas 2010). India's experience shows that growth has in fact been led by services, that labour productivity levels in services are above those in industry, and that productivity growth in service sectors in India matches labour productivity growth in manufacturing sectors in China. Furthermore, services-led growth has been effective in reducing poverty. India's growth experience suggests that a "services revolution" – rapid growth and poverty reduction led by services – is now possible.

The promise of the service revolution is that countries do not need to wait to get started with rapid development. There is a new boat that development late-comers can take. The globalisation of service provides alternative opportunities for developing countries to find niches, beyond manufacturing, where they can specialise, scale up and achieve explosive growth, just like the industrialisers. The core of the argument is that as the services produced and traded across the world expand with globalisation, the possibilities for all countries to develop based on their comparative advantage expand. That comparative advantage can just as easily be in services as in manufacturing or indeed agriculture.

Shift from agriculture to services in India

Consequences of a Sudden shift from agricultural to service sector without making adequate measures in manufacturing in India; *"Normally countries shift from agriculture to industries and then to services, but India shifted directly to services"* -- This statement implies that India was unique in that it skipped the industrial phase and shift directly to services and that this transition is an economic achievement. Both of these implications are wrong. Countries successfully shifting to an industrial base and then developing services are the exception rather than the norm. In recent years, a few countries in East Asia (most recently China) have been able to do this. India has taken the theoretically less desirable but observably common path of development where developing an industrial base is 'skipped' and the labor force leaving agriculture is absorbed by the tertiary sector of the economy. That is, the enormous services sector in developing countries is symptomatic of the development of the unorganized or informal sector...This sector is the home of last resort— the shelter for the millions of migrants who have made their way to the cities from the rural sector. People who shine shoes, petty retailers, and middlemen: they all get lumped under the broad rubric of services because there is no other appropriate category. The transition paradox of consumption due to rise in income; usually the basic transition in developmental economies are when incomes rise, the first things consumed are food and clothing (and if possible shelter). When incomes rise further the disposable income is put on to industrial products - television, cars, motorbikes along with some basic services like banking etc. When incomes rise further, services take the lead. The demand for private and expensive healthcare, tourism, restaurants, financial services and wealth management, child and elderly care businesses increases. This implies that a most non agricultural labor force is classified in services because these services are waiting positions or '*fallback options*' for people lacking an industrial job. A large services sector in a developing economy or a country with low GDP per capita shows the inability of the government. In India's case, the private sector industries as well to keep up with an accelerated rural-urban migration.

Findings and Suggestions to conclude

Manufacturing is the best route to development and a necessary pre-condition for sustained economic development. China has brought 680 million people out of poverty between 1992 and 2011 by a single minded focus on manufacturing growth. Most of these moved up the income ladder to 'middle income' which now comprises 18 percent of the population. India on the other hand has had some success in reducing poverty but most of those people are lingering at the margin in small service jobs with non-existent vertical progression. **At the heart of economic development** lie the gains from the interaction between productivity growth and technological improvement. Both of these are the result of manufacturing growth. (says Jostien Hague The Guardian (newspaper). For the past 40 years, the output and employment shares of manufacturing in the world’s economies have declined, and those of services have increased. With the increased scope for productivity growth and readability of services, some developing countries have started to believe that they can skip the industrialization phase. **This belief is highly misleading**. Economic development needs widespread job creation, improvements in human capital, poverty reduction and the creation of a sizable 'middle class' to fuel consumption. Services cannot help with any of that. At the end of the day, India becoming a developed country depends on how quickly is realizes that the only way to do so is to industrialize (or in India's case, re-industrialize.) **Reasons for our success in the Service Sector:** Proficiency in English,Being on the other side of the globe with respect to USA,We as Indians are matchless in propounding theories. Voice communication or Internet is no less invisible than hereditary rituals. Indians don't like to get their hands dirty and prefer white collar jobs. ITIs and Polytechnic colleges have uplifted service providers like plumbers, electricians etc by imparting skills and proper training. A major population of India still resides in villages with no access to Internet and other services. For India to become a developed country, it needs to invest heavily in infrastructure, health, education, insurance etc. For investing in aforesaid sectors, we need to somehow rein in the burgeoning import bill which can be achieved only if we promote domestic manufacturing. So we cant help but build a robust industrial base. Isn't the time ripe to integrate the Make in India campaign with the Digital India at least in principle if not in implementation!

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