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Indian Knowledge Systems (IKS) and Service Sector Development in India

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Abstract

The service sector in India has evolved since independence as a fringe part of the economy into the primary driver of the economy as it contributes above 53% of the Gross Domestic Product (GDP) in 202324. Although much of this growth is due to global outsourcing, financial liberalization, and digital innovations, Indian Knowledge Systems (IKS) have also played a large role in services by educating, health, Ayurveda, yoga, artisanal knowledge, and community-based finance. The paper will discuss the historical course of the Indian service sector, the contribution of IKS to knowledge based services and the introduction of contemporary technologies including IT-enabled services (ITES), fintech and digital platforms. The study employs a descriptive-analytical approach by using secondary data, which include Reserve Bank of India (RBI), Ministry of Commerce and Industry (MoCI), Ministry of Tourism (MoT), World Bank, IMF and the NITI Aayog. The results demonstrate that in spite of the dominance of the modern services, like IT and finance, as the leading export items, the IKS-based services remain the domestic and global concern in the wellness, education, and cultural tourism. The article incorporates the thesis that the deployment of IKS and current digital technology is essential to sustainable service-based development that is inclusive.

Keywords: Indian Knowledge Systems, Service Sector, IT-BPM, Tourism, Ayurveda, Financial Inclusion, Digital Economy.

Introduction

When India became independent (1947), the economy of this nation was agrarian in character. The agricultural sector contributed almost two-thirds of the national income and provided the greatest number of people with employment and the industries and services sector were not well developed. Service sector also generated less than 30 percent of the GDP and was mostly restricted on the low-level protocols like public administration, postal services, education, transport and small scale trade and commerce (RBI, 2024). Services that were urban-based were few and the levels of industrialization and penetration of technology meant that modern financial systems, insurance systems, and information systems were minimal. In the next few decades, India underwent a slow structural change, whereby Services slowly became prominent. At the turn of the decade of 1990-91, when large-scale economic reforms were about to occur, the proportion of the service sector in GDP had soared to about 40 percent overtaking agriculture as the most important contributor to economic growth. This change was a mix of many aspects: the increase in the size of the government administration, the increase in the number of banks and education institutions of the state, and the new beginning of telecommunications and transport systems. The growth in the service sectors in this period was however more domestic based and less involved in the international markets.

In 1991, the turning point was the economic liberalization. The opening up of the markets to foreign investment, liberalization of trade and encouragement of the adoption of technology enhanced increase in services, especially the ones associated with knowledge and information. India had become a service-led economy with the service sector contributing about 53% of GDP by 202324 (World Bank, 2023; MoCI, 2025). The major drivers to this growth are the IT and Business Process Management (IT-BPM) industry, financial and insurance services, wholesale and retail trade, tourism, education, healthcare, and logistics. The software services, digital solutions, and financial outsourcing is a global center of India, which has been an indication of the high intensity and integration of technology in the current services. In line with this economic path, Indian Knowledge Systems (IKS) have remained a critical source of profound cultural and intellectual underpinning to inform modern service innovation.

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The traditional forms of knowledge, such as Ayurveda, yoga, Vedic mathematics, classical education in Sanskrit, localized crafts, community-based banking and localized tourism practices have continued over the centuries and adapted to the new environment. Not only do these systems support domestic welfare and cultural continuity, but they make niches available globally on the market. India as an example, sells herbal and Ayurvedic goods, markets yoga and wellness tourism to other countries and even uses the ideas of Vedic mathematics related to educational technologies and cognitive abilities training. Creative industries, as well as export-oriented service industries, also rely on handicrafts and artisanal knowledge.

The current dilemma facing India is how to maintain high value globally competitive services growth and at the same time, achieve inclusivity and cultural preservation. The combination of IKS and contemporary science, technology, and online platforms is being viewed not only as a key to developing new types of services, increasing the levels of skills, and imbuing economic progress with the cultural identity. The knowledge-based entrepreneur policy, protection of the traditional knowledge by intellectual property rights, and increased digitalization of IKS are essential in cementing India as a knowledge-based services hub across the globe. This is the synergy of the traditional knowledge and the modern service innovation which is a strategic direction of developing India service sector in long term and in an inclusive way.

Objectives of the Study

1. To follow the pattern of the development of the service sector in India since independence.
2. To determine the role of Indian Knowledge Systems in service based industries.
3. To examine the IT, finance, tourism, health and education structural changes.
4. To determine the issue of challenges of digital divides, inequality, and sustainability in service-led growth.
5. To suggest the strategies of integrating IKS with modern services to achieve inclusive development.

Research Design / Methodology

The research design of this paper is descriptive-analytical, where it combines the introduction of the history of the service sector in India, the analysis of secondary data, and thematic synthesis to learn the development and the effect of India on Indian Knowledge Systems (IKS). The methodology is a combination of quantitative and qualitative, which allows to evaluate long-term trends, structural changes, and knowledge-based service contributions.

Data Sources

The study will use a variety of reliable sources to cover the entire picture:

National Sources:

- Reserve Bank of India (RBI): Service sector statistics, national accounts and annual reports.
- Ministry of Commerce and Industry (MoCI): Data on trade in services, sectoral growth and export.
- Ministry of Tourism (MoT): Tourism trends, wellness tourism and cultural heritage statistics.
- NITI Aayog and Economic Surveys: Policy structure, development initiatives and sector studies.

International Sources:

- World Bank: The GDP composition, growth of the service sector, and indicators of the knowledge economy.
- International monetary fund (IMF): Trade and macroeconomic statistics.
- UNWTO: The global tourism trends and the positioning of India in wellness tourism.

Other sources: International Labour Organization (ILO): Patterns of employment and skill development in services.

WTO Services trade agreements and the performance of India in exports.

Scholarly Literature:

- Papers on IKS, conventional knowledge application, and dynamics in service sector. Studies on the incorporation of digital economy, IT-based services, and knowledge-based entrepreneurship.

Analytical Framework

This paper uses a multi-layered analytical model that has the following components:

1. Historical Periodization:

It examines the changing aspects of the service industry in India and the IKS-based services development in four fundamental stages:

- Pre-independence (Colonial Era): few services, administration, and small-scale trade.
- Post-independence Planning (1950-1990): State-directed development through expansion of state-provided services, education and transport.
- Post-liberalization (1991-2010): Globalization is accelerating rapidly, there is growth in the IT and financial sector and integration of knowledge based services.
- Digital-Global Era (2010-present): The development of IT-BPM, fintech, digital trade, wellness tourism, and integration of IKS with new technologies.

2. Thematic Coding:

The literature and secondary data were coded into two broad categories that were done systematically:

- IKS-based Services: Health (Ayurveda, wellness), education (Vedic learning, skill-based pedagogy), crafts (handicrafts, artisanal production) and tourism (cultural and yoga tourism).
- Modern Services: IT and software services, financial services, logistics, digital trade, and technology-enabled entrepreneurship.

3. Trend Analysis:

Data on national accounts, trade and sectoral reports were prepared to find out the changes in service GDP share, exports performance, sub-sector growth and employment pattern over the time. The visualization of quantitative trends in the form of tables, graphs, and charts made it possible to compare insights over time and sub-sectors.

Limitations

Although the research provides a detailed account of the development of the service sector and IKS input, it has some limitations, which are admitted:

- The study solely relies on the secondary sources, and this can have reporting delays, aggregation biases, or inter-agency inconsistencies.
- There were no primary surveys and econometric modelling, thus, micro-level effects and causal associations could not be measured directly.

Others of the IKS integration with the modern services are developing and might not have long-standing data.

In general, such an approach enables one to have a systematic, evidence-based insight into service-based development of India as well as accentuate the persistence of traditional knowledge systems in the modern economy.

Discussion

1. Victory in Service Sector since Independence.

Since 1947, there has been an impressive development in the service sector in India since independence, as a marginal factor in economic growth has changed to the main driver of the economy. When India got its independence, it was more or less an agrarian economy, as most citizens worked in the agricultural sector and the sector made up a significant portion of the national revenue. The service industry, in turn, was insufficiently developed and focused mostly on administration, railroads, postal services, education, trade, and small-scale trading, which contributed to nearly 29 percent of GDP in 195051 (RBI, 2024). The jobs in the services sector were few and were mainly concentrated in the city areas, which is the imbalance in the development between the rural and urban regions.

The Indian government used state-led approach to development (19501990), which focused on industrialization, improvement of infrastructures, and growth of the build-up of the public sector. The service sector started to expand gradually as a result of significant investments in the banking, insurance,

transport infrastructure, and tourism. By 198081, the GDP contribution of the sector had risen to 37 percent, with the contribution of the public sector banks, insurance companies, and government-run transport networks being the key contributors (RBI, 2024). It was marked by the import substitution policies, regulations, and small involvement of the private sector, which deterred the private investment but guaranteed the state-directed expansion on the main service sub-sectors.

The financial liberalization of the 1991 brought a change of service sector in India. The policies of liberalization eliminated restrictive policies and encouraged the involvement of the private sector and foreign investment in the service sector through finance, telecommunication and information technology. These were the reforms upon which a high-speed structural change took place and India was able to take advantage of its skilled labor and emerging technology base. By 199091, services had grown to 40 per cent of GDP and by 201011, the sector had shot up to 49 per cent of GDP, the main drivers being IT-BPM, telecommunications and financial services (World Bank, 2023). The IT revolution coupled with the global outsourcing trends made India a top exporter of knowledge based services and the consumption of banking, telecom and professional services within the country also grew at a very fast rate.

The service sector of the economy of India has remained the economic driver in the digital-global era (20101-2013). By 202324, there was an approximation of 53% of GDP contribution, employment of about 35 percent of the workforce and 40 percent of export contribution of India, which indicated the integration of the sector in the world and its increasing value addition (World Bank, 2023; MoCI, 2025). The IT-BPM, financial services, trade, education, healthcare, tourism and logistics are key sub-sectors that have improved by means of technological application, digital platforms, and policy support.

This trend highlights a structural change in an agriculture-focused to a service-focused economy, which points out the growing role of knowledge intensive, high value services in the story on growth in India. Urbanization, skills, and foreign exchange earnings are other outcomes of the growth in the services though issues associated with employment distribution, rural inclusion, and access to digital facilities persist.

Table 1: Service Sector Share in India's GDP (1950–2024)

Sr. No.	Year	Services (% of GDP)	Major Contributors	Source
1	1950–51	29	Railways, education, trade	RBI (2024)
2	1980–81	37	Banking, insurance, tourism	RBI (2024)
3	1990–91	40	Finance, telecom, IT (nascent)	MoCI (2024)
4	2010–11	49	IT-BPM, finance, telecom	World Bank (2023)
5	2023–24	53	IT-BPM, trade, healthcare, education	MoCI (2025)

Indian Knowledge Systems (IKS) in Services

Indian Knowledge Systems (IKS) are a collection of ancient knowledge and practice that has influenced the cultural, social and economic life of India over centuries. In addition to their historical and cultural value, IKS have been playing major roles in the contemporary service industry in both generating high-value and internationally renowned niches and supporting local livelihoods. The adoption of IKS to services shows that traditional knowledge can be used to make economic development, innovation, and soft power in the international arena.

Healthcare and Ayurveda

The Ayurveda, Yoga, Siddha, and Unani, comprise traditional systems of medicine that have become the cornerstone of the wellness and healthcare service sectors in India. Ayurveda has a focus on preventive health, herbal medicine, and holistic health whereas yoga has become a system of global health through physical, mental, and spiritual health. These systems have been developed to suit the present day standard and so certification, standardization and global marketing have allowed the wide adoption internationally.

- Economic Significance: Ayurvedic and herbal products are exported at a rate of over \$4.3 billion in 2023 which represents high international demand (MoCI, 2024).
- Tourism Integration: Wellness tourism, which includes, yoga retreats, spa treatments, meditation, as well as Ayurvedic resorts, appeals to foreign tourists and earns a foreign exchange. Such projects do not only enhance health and wellbeing, but they also empower the cultural Indian soft power.
- Employment Impact: The wellness centers, research organizations and export based manufacturing facilities employ thousands of practitioners, therapists and support staff.
- Education
- IKS also serves the contemporary pedagogy and educational technology with the help of ancient learning systems:
- Vedic Mathematics: Ancient methods of computation are cognitive learning methods that develop problem-solving and algorithmic thinking in more modern classes and ed-tech.
- Gurukul Traditions: Gurukul systems have experiential and value based learning models that are a source of modern skill development programs and residential learning institutions.
- Sanskrit and Knowledge Preservation: Sanskrit-based knowledge is used in research, linguistic technology, and AI-assisted education tools to connect past learning and modern digital applications.

IKS in these educational uses is enhancing the curricula, providing more and better thinking, as well as helping India contribute to the growing knowledge economy.

Tourism and Culture

The tourism of cultural heritage and wellness is the core of service expansion brought about by IKS:

Available heritage attractions in India include monuments, temples, and historical sites that receive millions of local and foreign visitors.

- Wellness Tourism: Yoga and meditation retreats, spiritual tours, ayurvedic wellness packages are also offered to the international tourists who want to experience holistically.
- Visitor Statistics: More than 1.8 million foreign tourists per year visit heritage and wellness tourism which greatly boosts the regional economies, infrastructure development and the creation of employment (MoT, 2024).

Tourism allows IKS to generate sustainable sources of revenue and retain cultural identity and publicize the intangible heritage of India to the world.

Craft-Based Services

Another important dimension of IKS integration into services is the traditional arts, crafts, and handloom industries:

- Economic Contribution: Sustaining approximately 20 million livelihoods, handloom, handicrafts, artisanal fairs, and design-oriented services are based in the rural and semi-urban clusters (MoCI, 2025).
- Cultural Preservation: Such crafts preserve regional identities, native techniques and design and connect culture and business.
- Market Access: Indian crafts are now more accessible to many other countries around the world and this has brought about new economic opportunities through the Digital marketplace, export promotion, and tourism-related sales channels.

Synthesis

The services based on IKS are the examples of the synergy between the modernity and the tradition, which helps India use the cultural knowledge in the world markets. IKS can be utilized in healthcare, education, tourism, or crafts, yet IKS does not just create economic value and jobs, but also increases the soft power of India, making traditional knowledge the key strategic asset of a knowledge-based, service-based economy.

IKS is still offering a sustainable base of inclusive growth, rural development and international competitiveness by mediating cultural heritage and modern service markets.

The Liberalization and Global Integration section of yours which has more context, analysis and data supporting it:

Global Integration and Liberalization

The 1991 economic liberalization became one of the turning points of the service sector in India, and it has been radically changed to become a high-value based, globally integrated, and domestically-based sector of the GDP, employment and exports. Before liberalization, the services in India were limited by regulation controls, restricted foreign entry

and low rates of technological use. The 1991 structural reforms, which consisted of deregulation, trade barriers been reduced, privatization of state-owned enterprises, and encouragement of foreign direct investment (FDI), opened the potential of services, especially finance, telecommunications, and information technology.

Foreign Direct Investment (FDI) in Services

The liberalization brought in huge inflows of FDI into the country as a sign of increased confidence abroad in the Indian service industry.

- In 1991, the level of FDI services was only about \$0.6 billion because of restrictive policies and the lack of engagement on the international level (DPIIT, 2024).

By 2023, FDI had reached a peak of \$153 billion and the investments were focused on financial services, telecommunications, IT-enabled services, e-commerce and digital startups.

Achievement by this inflow was technology transfer, management practices, and competitiveness in service sub- sectors.

The major industries that are targeted by FDI are banking and insurance, fin tech, telecom infrastructure, health services, and business process outsourcing (BPO).

The liberalization induced FDI boom has not only made capital available to facilitate expansion but also opened the domestic firms to best practices in the world, which promoted efficiency and innovation.

IT-BPM Exports

The most recognizable product of globalization in services in India was Information Technology (IT) and Business Process Management (BPM) sector:

IT-BPM exports expanded by 200 times, 1999 to FY202324, as India became the destination of choice in the software services market, IT consulting and outsourcing (NASSCOM, 2024).

- The industry is characterized by approximately 4.5 million professionals, which provide knowledge-based and competitive work opportunities.

The rising competitive labor costs, the English-language knowledge, and the state assistance of IT parks and SEZs, along with the rising global outsourcing and digital service demands had a strong contribution to the growth.

The IT-BPM industry in India is not only a source of foreign exchange but also provides a boost in international recognition as a center of knowledge and technology, which affects the international standards in software development, digital services and innovation solutions.

Financial Services and Telecommunications

Finance and telecom services were another revolution during the liberalization age:

- has led to more competition, modernization of the financial infrastructure and service reach due to the entry of international financial firms, banks and insurance companies.

- The liberalization in telecom resulted in a blistering development in mobile and internet penetration, which facilitated IT, e-commerce, and digital payment ecosystems, and facilitated digital inclusion.
- Fintech and digital banking became major growth drivers and incorporated the old financial systems into platforms with technology.

The net outcome of these reforms was the creation of a more efficient, competitive and technologically advanced services ecosystem, which could serve both the domestic and the international market.

Development as International Services Center

Due to liberalization and globalization:

India emerged as an International center of back-office processes, such as the BPO, the call centers, and the knowledge process outsourcing (KPO) processes.

It also developed in the fintech, digital startups, cloud computing, and AI-solvency business, attracting international customers and investment.

Knowledge intensive services thrived and involved the combination of traditional sectors (such as education and healthcare) with modern technology platforms.

- The exports of the services are diversified in terms of IT, finance, health, tourism and professional services, and they give substantial contributions to the foreign exchange earnings and GDP growth in India.

On the whole, the liberalization era has turned the Indian service sector into a high-value, global, and technology-driven growth driver, which preconditions future digital and knowledge-based innovation as well as strengthens the strategic presence of India in the world economy.

Digital Services and emerging Technologies

India service sector is changing at a fast pace with the adoption of newer technologies, and this is making it efficient, productive, and competitive internationally. Such technological improvements have cut across various sectors, such as finance, medical, logistics, education, energy, and tourism, transforming both the traditional and contemporary service delivery models. As much as technology has posed the most opportunities ever before, it has also pointed to structural issues like the digital divide that needs to be resolved in order to have inclusive growth.

Big Data and Artificial Intelligence (AI)

The use of AI and Big Data analytics has become a major innovation driver in the services:

- **Banking and Financial Services:** AI algorithms are applied to detect frauds, credit score, and auto customer services and predictive analytics, promoting quick decision-making and risk reduction. Robo-advisors and chatbots have improved customer interaction and minimized the operation expenses.

Healthcare: AI and Big Data aid in diagnostics, individual plans of treatment, and online medical

services. Predictive analytics in the health sector has enhanced the management of epidemics and distribution of resources.

Supply Chains and Logistics: AI is improving efficiency and accuracy in e-commerce, manufacturing, and retail logistics with demand forecasting and route optimization and inventory management. Big Data provides real-time monitoring and risk management of even complicated supply chains.

Education and Skill Development: AI-based applications customize learning, intelligently monitor student progress, and skill mapping in employability. Introducing AI and Big Data in service processes have improved decision making, efficiency and global competitiveness and made India a center of technology facilitated services.

E-commerce and Online Payments

Retail and financial services have been transformed by the growth of the digital platform:

- **Unified Payments Interface (UPI):** UPI recorded 19.47 billion transactions in July 2025 with a value of 25.1 lakh crore, which demonstrates the extremely fast adoption of digital payment systems by urban and semi-urban citizens (NPCI, 2025).
- **E-commerce Platforms:** Online stores have linked small businesses and artisans to the national and international markets that have provided more revenue and market opportunities.
- **Integration of Fintech:** Financial services have been made more accessible through the establishment of digital lending, mobile banking, and digital wallets to facilitate faster service provision and financial inclusion and less reliance on cash.

Electronic commerce and payments have opened up services to more people, lowered transaction expenses and helped to connect to other global supply chains.

Ecofriendly and Green Services

The green and sustainable services are also expanding due to emerging technologies, and it is a global tendency in terms of environmental responsibility:

- **Renewable Energy Consultancy:** It provides services within solar, wind and bio energy industries related to planning, construction and maintenance of clean energy infrastructure.
- **Eco-tourism:** Intelligent booking systems, tourist guides, and environmental friendly hospitality services encourage eco-tourism.
- **Sustainable Finance:** Green bonds, ESG-compliant investments and carbon accounting services are expanding at a very fast rate and they are assisting firms and investors to go green.

Such services do not only provide economic opportunities, but also contribute to climate and sustainability targets of India, bringing the economic development and ecological responsibility in harmony.

Online Inequality and Inclusion Issues

Although technology has progressed, there are still great difficulties in providing equity of access:

- **Small Businesses and Rural Areas:** A high number of MSMEs and rural inhabitants do not have infrastructure, inexpensive devices, and computer literacy, preventing them to access new service offerings.

Skill Gaps: Specialization Due to the demand of high-tech services, specialized skills are typically concentrated in cities, creating geographic and socio-economic inequalities.

- **Policy and Infrastructure Needs:** The key steps to overcome exclusion include increasing broadband coverage, encouraging digital literacy, and assisting the adoption of technology in underserved communities.

Digital divide has to be addressed so that the population can enjoy the benefits of the technological driven growth with both the conventional service sectors and the newly emerging digital services being inclusive.

Synthesis

The latest technologies that are being used to transform India service sector into a high value globally competitive universe are AI, Big Data, digital payments, e-commerce and green services. The innovations help increase productivity, facilitate scale and generate new jobs. Nevertheless, policy frameworks, skills development initiatives, and growth of infrastructure are needed to make sure that the positive effects of digital transformation are spread to all layers of the society, such as rural communities and MSMEs.

The following is an analysis, context, and implications of your Contemporary Challenges section in a detailed and expanded form:

Contemporary Challenges

In spite of this remarkable growth of the service industry and growing interconnectedness with the world economy, there are a number of formidable issues, which limit the comprehensive development, sustainability, and international competitiveness. The challenges are structural, social, environmental, and technological problems that need to be solved to make sure that service-led development would be helpful to every stratum of the society.

1. Disparity and unfair Sharing of Rewards

The unfair distribution of the benefits of the service sector is one of the most urgent problems. Development has been unbalanced in urban centers, high skilled professionals and metropolitan areas making a greater disparity between the urban and rural.

Urban Concentration: Bengaluru, Hyderabad, Pune and Gurugram are now IT, financial and business hubs creating high-value jobs and driving innovation.

Rural Marginalization: Rural inhabitants, whose lives continue to depend mainly on agriculture have little access to technology, finances and skills building.

Skill Bias: The high-value services industries, namely IT, finance, consulting, and digital startups, demand high skills, and it further concentrates benefits to educated, urban workers (ILO, 2024).

Social and economic impacts of this inequality are rural-urban migration, underemployment in rural regions, and income and opportunity inequity in regions. The only way to close this divide is through specific skill development, digital inclusion, and infrastructure investment.

2. Employment Challenges

The service sector which comprises more than 50 percent of the GDP consumes just about 35 percent of the labor force so that a large number of the population depend on agriculture and informal work.

Skill Mismatch: Most of the rural labourers are not educated or skilled to take up high paying jobs in the service sector.

- **Informal Employment:** A large portion of service jobs is also informal especially in the retail, hospitality and small-scale trading areas which leads to poor job security, social protection and benefits.

Youth Unemployment - The rapidly expanding population of young people can be burdened with the inability to find a good position in the sphere of services, which can lead to problems in social and economic life.

The solution to such employment gaps is to increase vocational training, skills training based on IKS and incorporation of MSMEs in service development using technology.

3. Sustainability Concerns

The rapid expansion of some sub-sectors in services has also brought sustainability and environmental issues and especially in the tourism and wellness and urban service sectors.

- **Tourism Impact:** Heritage and wellness tourism have in some cases caused over-commercialization, environmental degradation and commodification of culture that endangers long term sustainability of such resources.

Resource Strain: City service centres are the centres of high energy use, pollution and waste production, which can impair sustainable development.

Risks in Wellness industry: Wellness tourism and Ayurveda products are booming, but the credibility and sustainability may be compromised due to over-use of medicinal plants, commercial activity of traditional medicine, and inappropriate quality standards.

To guarantee the long-term sectoral health, it is crucial to ensure the eco-friendliness, sustainable management of resources, and control of commercial services.

4. Global Competition

The knowledge-intensive services, especially IT-BPM and digital outsourcing, are the dominant ones in India, which is getting more competition worldwide:

Countries such as Philippines, Eastern European, and China are becoming cost-efficient, skilled, alternatives of IT, Customer support, and business processes outsourcing.

- **Technological Leapfrogging:** AI and cloud services, as well as digital infrastructure are

being invested by competing countries, threatening the Indian competitive advantage.

- **Innovation Pressure:** Global leadership needs to constantly invest in the development of skills, research and development, digital technologies and more valuable services.

India needs to upgrade its skills, offer new services, explore niche markets and improve IKS-based services to separate internationally.

Synthesis

To conclude, modern issues of the Indian service industry are related to the inclusion, employment, sustainability, and global competitiveness. Although the industry remains the key growth driver of the Indian economy, it is imperative that these issues be overcome to make the growth process fair and sustainable, then the urban and rural populations can enjoy the service-led growth. Solutions to these barriers will be important through policy interventions that combine IKS, digital skills, environmental sustainability, as well as regional development.

Findings

1. Service sector grew its share of GDP by increasing 29% in 1950 to 53% in 2024 and made itself the major contributor to economic growth.
2. Ayurveda, yoga, handicrafts, and education services based on IKS support the cultural export business, employment of rural population, and Indian soft power in the world.
3. The adoption of IT and economic liberalization directed India as a global center of services even though growth gains are not evenly shared.
4. Novel digital services provide innovative impetus and GDP growth but may leave MSMEs and rural citizens out because of the lack of infrastructure and skills.
5. Such policy programs as Digital India, Skill India, and IKS integration are necessary to achieve inclusive, sustainable, and culture-specific service-based growth.

Conclusion and Suggestions

Conclusion

The development of the service sector in India since independence can be characterized as the path to colonial underdevelopment and global leadership in the areas of IT, finance, and the digital platform. However, the tourism, wellness, crafts, education are still influenced by traditional Indian Knowledge Systems. The dilemma is how to balance between rapid growth and equity, sustainability, and cultural preservation.

Suggestions

1. **Policy:** Mainstream IKS in service policies- include Ayurveda, yoga and handicraft in the export promotion.
2. **Technology:** Make digital tools and AI-based platforms available to MSMEs and IKS-based services.

3. Finance: Increase credit and microfinance to crafts, tourism and alternative healthcare.
4. Skill Development: Integrate Vocational training with IKS- train yoga teachers, Ayurveda professionals and heritage guides.
5. Sustainability: Promote eco-tourism, green IT parks and responsible commercialization of IKS.

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