

Regional Disparity in Service Sector Development in Goa

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Abstract

Service-driven economies are more developed than predominantly manufacturing economies. This paper attempts to understand the regional disparity in the development of service sector in Goa. The study is based on the data collected from the Directorate of Planning, Statistics and Evaluation, Government of Goa. By using simple and composite index numbers, the study grouped all *talukas* in Goa into high, medium and low categories, with respect to service sector development. The results show that there is a wide disparity in service sector development in Goa. The study has far-reaching implications as Goa is one of the most developed states in India.

Introduction

Economists now view poverty, unemployment and inequality as a grave threat to economic development, as they subscribe to the belief that economic development means an improvement in the quality of life. There is no denying the fact that there is a development gap not only between nations but also within them, as well as within the sub-regions of the nations, which varies among regions. Any analyses of the causes of such development gaps reveal that service sector-driven economies are more developed than predominantly manufacturing economies (Kuznets 1955). It is evident that economies or regions in which the service sector plays a more active role in contributing to economic development show a much higher level of development than in those in which the manufacturing sector plays a more dominant role.

Goa is one of the most developed states in India. More than 50 per cent of the GDP of the State comes from the service sector, in which tourism-related activities are predominant. Linkage of other service activities to the tourism sector is extremely high in Goa. However, tourism is not evenly spread throughout the State and is causing a development gap within the region.

This paper is an attempt to understand regional disparity in the service sector development in Goa.

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Development and Inequality: The Role of Service Sector

It was the new welfare-oriented approach to economic development which began to emphasise that economic development could not be viewed merely as a quantum of growth in GDP on a sustained basis or a structural transformation, from predominantly primary sector-led growth to a manufacturing or service-driven economy. Economists began to emphasise the elimination of poverty and unemployment, reduction of inequalities and the need for redistribution of income and wealth together with economic growth (Viner 1963, Kindleberger and Herrick 1977). It seemed quite a paradox to consider an economy as developed merely on the strength of its growing per capita income if it was accompanied by a growth in poverty, unemployment and inequality. What is important is the content of GNP rather than its rate of growth. In fact, modern economists began to view economic development as "multidimensional change" in the quality of life which could be regarded as "materially and spiritually better" (Todaro 2000).

It became imperative, therefore, to understand how some economies are able to bring about the necessary 'multidimensional change' and why others lag behind. Writing about the role of the service sector in world development, Dorothy Riddle (Riddle 1986) formulated the interactive model of an economy, which emphasises that services are not peripheral activities but rather an integral part of the society. Services are central to the functioning of a healthy economy. It is observed that the service sector not only facilitates but also makes possible the goods producing activities of the extractive and manufacturing sectors, emerging therefore, as a crucial force contributing to development, change and regional disparities.

It is a fact that the world's developed economies are in general service-oriented economies. The economies of countries like the US, UK, Japan, Canada, Sweden etc. have changed from being goods-dominated to service-dominated, and are identified now as service economies. Hong Kong and Singapore, the new service economies of the world, have become much richer than their colonial master, Britain, with Hong Kong's service sector contributing a mammoth 84 per cent of the GDP and Singapore's, a healthy 65 per cent (Venugopal and Raghu 2001).

India is also adopting the service sector-driven route to development. In fact, in the new millennium, India is witnessing the beginning of a major Schumpeterian technological revolution in the tertiary or the services sector, (Brahmananda 2001), which has become the largest single contributor to the GDP. The Reserve Bank of India also has, for the first time, taken note of this surge of the service sector in India and has discussed the implications of the rapidly growing service sector on various economic issues (RBI Annual Report 1988-89).

However, it is equally important to observe that it is this unequal sectoral development that is resulting in a development gap within the country, not just across the sectors but across regions too. This argument was substantiated by the study undertaken by N J Kurian (2000), which showed the emerging trends in 15 major states in the country, which together account for 96 per cent of the population. The key parameters in the study, which have an intrinsic bearing on social and economic development, gave an insight into the problem of regional disparities in India. The study groups the 15 states under consideration into two categories: (i) forward group, and (ii) a backward group. It reveals that the marked dichotomy evident between the 'forward' and 'backward' groups of states can be attributed in good measure to differences in the development of the social services, literacy, health indicators, per capita incomes, etc.

Intra-state or sub-region studies conducted in Karnataka also emphatically concluded that sectoral development patterns exhibited concentration of economic activities in the 54 developed *talukas* (out of the 175 *talukas* taken up for study) which had better infrastructure facilities such as transport, communication, banking etc., and therefore attracted entrepreneurial ability; the 106 'backward' *talukas* were found to be disadvantaged in terms of sectoral development (Rao 1984).

Service Sector Growth and Development Gap in Goa

Although Goa was ranked as the number one state among the 19 states under consideration (Debroy and Bhandari 2003) giving importance to both business environment and quality of life, and the Directorate of Planning, Statistics and Evaluation, Government of Goa, reiterates the findings of the of the above study (Govt. of Goa 2004 a) by ranking Goa high among the states in India, the fact is that the 'development gap' exists in Goa. It is more than evident to any close observer of Goa that the level of development of the coastal regions (*talukas*) is disproportionately higher than that of the interior *talukas* in the State.

Since Goa has been experiencing, in recent years, service sector-driven growth, the present paper is an attempt to understand the regional imbalance in the service sector growth. Tourism is a major economic activity in Goa and a major contributor to the service sector growth.

Data and Methodology

This study is based on the secondary data collected from the Directorate of Planning, Statistics and Evaluation, Government of Goa. The study used the data from the years 1990 and 2005 to compare inequality in the service sector growth at two points in time. The study considered these two points of time, 1990 and 2005, because in 1990 Goa had completed three years of statehood and 2005 is the year for which latest data were available. The study takes into account five categories of

service activities, namely, Education (E), Public Health (PH), Banking (B), Communication (C) and Tourism (T). This study has included 27 variables spread across the above five categories. The unit of study is the *taluka*. All the 11 *talukas* in the State of Goa have been covered.

The major statistical tool used is the index number. The study used simple index and composite index to measure the differences in the growth of five categories of service activities among the 11 *talukas*. Each variable under each category of study will have 11 observations representing 11 *talukas*. Each variable in each category is first converted into the index form by taking the average value of that variable as the base, across all *talukas*. Then each value (index) of these variables for a particular *taluka* is combined to get the 'combined index'. For example, Number of Schools (NS) is a variable with 11 observations under the category 'Education'. The variable 'Number of Schools (NS)' is converted into a variable of 11 indices. This conversion is made by dividing the number of schools of each *taluka* by the average number of schools (SNS/11) and multiplying the same by 100. The average number of schools is the base in constructing the index. Suppose there are eight variables like NS in the category of 'Education', then there will be eight indices for each *taluka*. These eight indices are combined to get one index value, representing education, for each *taluka*. Therefore, there will be 11 such indices for 11 *talukas* in Goa, representing the category of Education as a sub-service sector.

The procedure for preparing the 'combined index' is illustrated in the table below.

Talukas	Variables in Index Form					Combined Index (Education)
	1	2	3	8	
1	1_1	1_2	1_3		1_8	$E1 = (1_1 + 1_2 + \dots + 1_8) / 8$
2	
..	
..	
11	11_1	11_2	11_3	11_8	$E11 = (11_1 + 11_2 + \dots + 11_8) / 8$

$1_1, 1_2, \dots, 1_{11}$ given in columns are the indices of 11 *talukas* of one particular variable.

$1_1, 1_2, \dots, 1_8$ given in rows are the indices corresponding to different variables of a particular *taluka* 1.

E_1, E_2, \dots, E_{11} are the combined index for education (E), for different *talukas*. Similarly, indices for other categories of services, PH, B, C and T are also prepared.

The composite index for the whole service sector for a particular *taluka* will be

$$SSI = \frac{E + PH + B + C + T}{N}$$

Where,

SSI = Service Sector Index

N = Number of Service categories

Results And Discussion

Results of the study are presented in Tables (1), (2), (3), (4), (5) and (6), and is discussed under different service category headings such as education, public health, banking, communication, tourism and composite service sector index. Tables (1) and (3) show the indices and corresponding ranks of different service categories. Tables (2) and (4) show categorisation of *talukas* into high, medium and low developed on the basis of the ranks.

Top-ranked three *talukas* are highly developed *talukas* and low-ranked three *talukas* are low developed *talukas* while all others are under the medium category. Table (5) presents the composite service sector index and Table (6) categorisation of *talukas* on the basis of ranks of the composite index.

Education

Education is an extremely important service activity in Goa. The per capita expenditure on education is Rs 1,618, that is, second only to Sikkim among states and Union Territories of India. Goa ranks 4th as far as state-wise literacy rates are concerned (82.32 per cent) after Kerala, Mizoram and Lakshadweep (Government of Goa 2004).

Table-1: Indices of Service Sector Components in Goa: 1990

Taluka	1990									
	Education		Health		Banking		Communication		Tourism	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
North Goa										
Tiswadi	161	3	284	1	198	3	210	3	416	1
Bardez	169	2	156	3	237	1	220	1	303	2
Pernem	52	8	71	6	32	8	43	8	3	7
Bicholim	75	6	29	11	65	6	48	7	2	8
Sattari	41	10	45	9	25	9	37	11	0	9
Ponda	139	4	78	5	83	5	90	5	21	5
South Goa										
Sanguem	43	9	62	7	58	7	40	9	4	6
Cancona	34	11	47	8	32	8	39	10	3	7
Quepem	61	7	35	10	32	8	56	6	2	8
Salcete	237	1	184	2	234	2	214	2	257	3
Murmugao	88	5	111	4	104	4	105	4	89	4

While constructing the access to education index, 10 parameters were considered. The variables included in Education (E) under the service sector are the number of schools and number of students in primary, middle, secondary and higher secondary level and in colleges and universities.

Table-2 Indices of Service Sector Components in Goa: 2005

Taluka	2005									
	Education		Health		Banking		Communication		Tourism	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
North Goa										
Tiswadi	158	3	239	1	215	3	161	3	239	3
Bardez	171	2	157	3	232	1	218	2	433	1
Pernem	58	8	47	7	35	8	50	7	35	5
Bicholim	80	6	51	6	50	6	47	8	5	8
Sattari	48	9	33	9	26	9	53	6	0	10
Ponda	132	4	100	5	102	5	109	4	22	6
South Goa										
Sanguem	43	10	51	6	26	9	40	10	2	9
Canacona	42	11	32	10	40	7	39	11	18	7
Quepem	60	7	42	8	40	7	42	9	0	10
Salcete	214	1	219	2	229	2	246	1	271	2
Murmugao	94	5	129	4	109	4	95	5	75	4

The Tables (1) and (2) show education index for all 11 *talukas* for the years 1990 and 2005 and the corresponding ranks for the respective years. The categorisation of *talukas* on the basis of ranks into low, medium and highly developed *talukas* is given in Tables (3) and (4).

The indices show that Salcete *taluka* in South Goa is the highest ranked *taluka* in 1990 as well as in 2005. Canacona *taluka* in South Goa ranks the lowest, both in 1990 and in 2005. It is observed that out of the top five *talukas*, three are located in North Goa as against two in South Goa. The results also show that over the 15-year period, absolutely no change has occurred in the categorisation of the *talukas*, though there is a minor shuffle of ranks within the categories.

It is interesting to note the all the highly developed *talukas*, Salcete, Bardez and Tiswadi, are coastal *talukas* whereas the ones in the low development category are the hinterland *talukas*, with the exception of Canacona, in South Goa and Pernem in North Goa, which are coastal *talukas* but have been low on the development index on account of their remoteness from the hub of economic and political activities. Poor accessibility to these areas has also contributed to their poor performance on development indicators.

Table-3 : Categorisation of Talukas on the Basis of Ranks: 1990

Service Sector	Categorisation on the basis of ranks		
	High	Medium	Low
Education	Salcete, Bardez, Tiswadi	Ponda, Murmugao, Bicholim, Quepem, Pernem	Sanguem, Sattari, Canacona
Health	Tiswadi, Salcete Bardez	Murmugao, Ponda, Pernem, Sanguem, Canacona	Sattari, Quepem, Bicholim
Banking	Bardez, Salcete, Tiswadi	Murmugao, Ponda, Bicholim, Sanguem	Pernem, Canacona, Quepem, Sattari
Communication	Bardez, Salcete, Tiswadi	Murmugao, Ponda, Quepem, Bicholim, Pernem	Sanguem, Canacona Sattari
Tourism	Tiswadi, Bardez Salcete	Murmugao, Ponda, Sanguem, Pernem, Canacona	Bicholim, Quepem, Sattari

Table-4: Categorisation of Talukas on the Basis of Ranks: 2005

Service Sector	Categorisation on the basis of ranks		
	High	Medium	Low
Education	Salcete, Bardez, Tiswadi	Ponda, Murmugao, Bicholim, Quepem, Pernem	Sattari, Sanguem, Canacona
Health	Tiswadi, Salcete Bardez	Murmugao, Ponda, Bicholim, Sanguem, Pernem	Quepem, Sattari, Canacona
Banking	Bardez, Salcete, Tiswadi	Murmugao, Ponda, Bicholim, Canacona, Quepem	Pernem, Sattari, Sanguem
Communication	Salcete, Bardez Tiswadi	Ponda, Murmugao, Sattari Pernem, Bicholim	Quepem, Sanguem Canacona
Tourism	Bardez, Salcete Tiswadi	Murmugao, Pernem, Ponda, Canacona, Bicholim	Sanguem, Quepem Sattari

Public Health

Goa has one of the most extensive health systems in India. The per capita expenditure on Health is Rs 544, second only to Sikkim among states and Union Territories of India (Government of Goa 2004).

Eight parameters have been taken into consideration to construct the public health facilities index. The variables covered in Public Health (PH) under the service sector are broadly the number of specialised and general hospitals, number of community primary health centres, number of beds in government hospitals,

number of private hospitals, number of beds in private hospitals, number of dispensaries (r.m.d.), number of urban health centres, and number of sub-health centres.

The indices given in Tables (1) and (2) show that Tiswadi *taluka* is ranked highest in both 1990 and 2005. The lowest ranking *taluka* in 1990 is Bicholim in North Goa and Canacona in South Goa in 2005. Although the *talukas* in the highly developed category remained unchanged in their ranks from 1990 to 2005, it is distressing to note that Canacona, which was in the medium development category in 1990, has been pushed down to the low development category in 2005. However, Bicholim does move up into the medium development category from 1990 to 2005. The difference in the indices of the *talukas*, ranked top three in comparison to the bottom three, is glaring and immediately draws attention to the 'gaps' in access to public health facilities across the State. Even within the category, there are large differences in the indices. Again, it is the coastal *talukas* of Tiswadi, Salcete and Bardez which are in the highly developed category. However, the coastal *taluka* of Canacona stands out as an exception and joins the hinterland *talukas* of Quepem and Sattari in being worse off.

Banking

Banking facilities in Goa have witnessed tremendous growth, with the number of branches increasing considerably in the last two decades. As on 31.3.2003, there were 447 banking offices in Goa, of which 320 were commercial banks and 127 co-operative banks. Goa has an extremely high rate of savings, with the per capita bank deposit as high as Rs 79,333. However, the per capita credit was relatively low at Rs 24,284 for the year 2002-03 (Government of Goa 2004).

The banking index is constructed by taking into consideration only one parameter, the availability of this service in the *taluka*. The variable used in Banking (B) under the service sector is the number of scheduled commercial banking offices in the respective *talukas*.

Tables (1) and (2) show access to banking index for the 11 *talukas* for the years 1990 and 2005, and the corresponding ranks for the same years respectively. The categorisation of *talukas*, on the basis of rank, is given in Tables (3) and (4). The indices show that Bardez in North Goa was ranked highest in 1990 and continued at the same rank in 2005. Also, the three *talukas* in the high-ranking categories remain the same in 1990 and 2005. It is pertinent to note that there has been a movement from the medium category to the low category. Sanguem, which was in the medium category in 1990, finds itself worse off in the low category in 2005. However, Canacona and Quepem, which were in the low category in 1990, moved up to the medium category in 2005. What remains unchanged, however, is the glaring difference in indices of the top three *talukas* compared to the bottom three.

Communication

The communication network in Goa, as elsewhere in the country, has taken a quantum leap with both the government and private operators expanding the area and extent of their operations. While constructing communication index, five parameters were taken into consideration. The variables covered under the category of Communication (C) under the service sector are broadly the number of post offices in urban and rural areas, the number of telegraph offices and the number of telephones in use.

Tables 1 and 3 show the communication index for the 11 *talukas* for the years 1990 and 2005, and the corresponding ranks in the respective years. Categorisation of the *talukas* on the basis of ranks into low developed, medium and highly developed *talukas* is given in Tables 2 and 4. The indices show that while Bardez in North Goa ranks highest in 1990, it is Salcete in South Goa that tops the rank in 2005. Sattari in North Goa, which ranked lowest in 1990, moved up to 6th rank in 2005, whereas Canacona in South Goa, which figured 10th in the rankings in 1990, was pushed down to the 11th position in 2005. While there is a minor shuffle in the rankings of *talukas* in all categories, an inter-category shift is observed in the case of Quepem, which was in the medium developed category in 1990, ranking 6th, but dropped to the 9th rank and, therefore, to the low developed category in 2005; whereas, Sattari, which was in the low developed category in 1990 ranked last, moved into the medium developed category in 2005. This can be explained by the attention that this *taluka* received on account of being represented by the Chief Minister of the State for a number of years. What is again pertinent to note is that there is a drastic difference in the indices of the top three *talukas* and the bottom three *talukas*.

Tourism

Tourism is the most important component of Goa's economy and plays an important role in the socio-economic development of the State. From an estimated 2 lakh tourist arrivals in 1990, the tourist traffic, both domestic and foreign, crossed 24 lakhs in 2005, which is more than the local population of the State itself (Government of Goa 2005b).

While constructing the tourism index, three parameters were considered. The variables included under Tourism (T) under the service sector are broadly the number of hotels and lodging houses and the number of domestic and foreign tourist arrivals.

The indices are presented in Tables 1 and 2. Categorisation of *talukas* on the basis of ranks is given in Tables 3 and 4. The indices show that the highest rank is gained by the coastal Tiswadi *taluka* in North Goa in 1990. It has been displaced by Bardez, also a North Goa coastal *taluka* in 2005, followed closely by Salcete in South Goa for the years under consideration. These three *talukas* show indices

which are tremendously higher than the other eight *talukas*, with Sattari *taluka*, in North Goa, a hinterland region, showing zero access in 1990 and 2005. Quepem *taluka* in South Goa, a mid-land region, also shows zero access in 2005. Canacona in South Goa, a coastal *taluka*, is a peculiar case as it defies the generalisation of high development in coastal *talukas*, with an extremely low index of 3 in 1990. The drastic difference in the tourism facilities is highly conspicuous in these indices. The categorisation of *talukas* remains unchanged for the highly developed *talukas*, while there is minor shuffling in ranks in the other two categories. It is interesting to note that there is a notable increase in indices for coastal *talukas* of Pernem in North Goa and Canacona in South Goa from 1990 to 2005 which could be due to the conscious efforts to disperse tourism to the less known beaches and away from the overcrowded coastal areas in Bardez, Salcete and Tiswadi. Another noteworthy observation is that Tiswadi has shown a drastic fall in index from 1990 to 2005, reflecting a diminishing tourist attraction to this *taluka*. Bardez, however, has increased its index tremendously from 1990 to 2005, which is easily explained by the concentration of tourism-related activities in the area.

It is apparent that in the 15 years under consideration, there has been no deliberate effort on the part of the policy makers to shift emphasis from beach tourism to other areas of tourism so as to allow the hinterland and midland *talukas* to benefit from tourism-led growth.

Composite Service Sector Index

A composite service sector index is constructed for the five categories of service activities taking into consideration 27 parameters in Goa for the years 1990 and 2005. The indices are presented in Table 5. The Table shows the composite access to services in the five categories of services under consideration for the 11 *talukas* for the years 1990 and 2005, and the corresponding ranks for the respective years. Categorisation of the *talukas* on the basis of ranks into low developed, medium and highly developed *talukas* is given in Table 6. The location of these *talukas* is given below in the maps for the years 1990 and 2005.

The indices establish that the three coastal *talukas*, Tiswadi, Salcete, Bardez, were the highly developed ones in both 1990 and 2005. However, the rankings of the *talukas* in 2005 shift -- while Tiswadi is the highest ranking *taluka* in 1990 in the high category, in 2005 it is Bardez *taluka* which moves up from the third place in the high category in 1990. Consequently, Tiswadi is pushed down to the third rank in the high category in 2005 while Salcete retains its second rank in the highly developed category, both in 1990 and 2005.

It is noteworthy that the coastal *taluka* of Canacona, which was in the low development category in 1990, managed to enter the medium development category in 2005. This does not change the fact that Canacona *taluka* in the extreme south of Goa and Pernem *taluka* in the extreme north of Goa have lagged in the development

process due to poor accessibility; the *talukas* are far from both the airport as well as railway junctions; infrequent road transport and remoteness from commercial hubs have made Canacona and Pernem exceptions to the other highly developed coastal *talukas* in Goa.

Table-5: The Composite Index for the State of Goa: 1990 and 2005

Taluka	Composite Index and Ranks for Service Sector			
	1990		2005	
	Index	Ranks	Index	Ranks
North Goa				
Tiswadi	254	1	202	3
Bardez	217	3	242	1
Pernem	40	8	45	7
Bicholim	44	6	47	6
Sattari	30	11	32	10
Ponda	82	5	93	5
South Goa				
Sanguem	41	7	32	10
Canacona	31	10	34	8
Quepem	37	9	37	9
Salcete	225	2	236	2
Murmugao	99	4	100	4

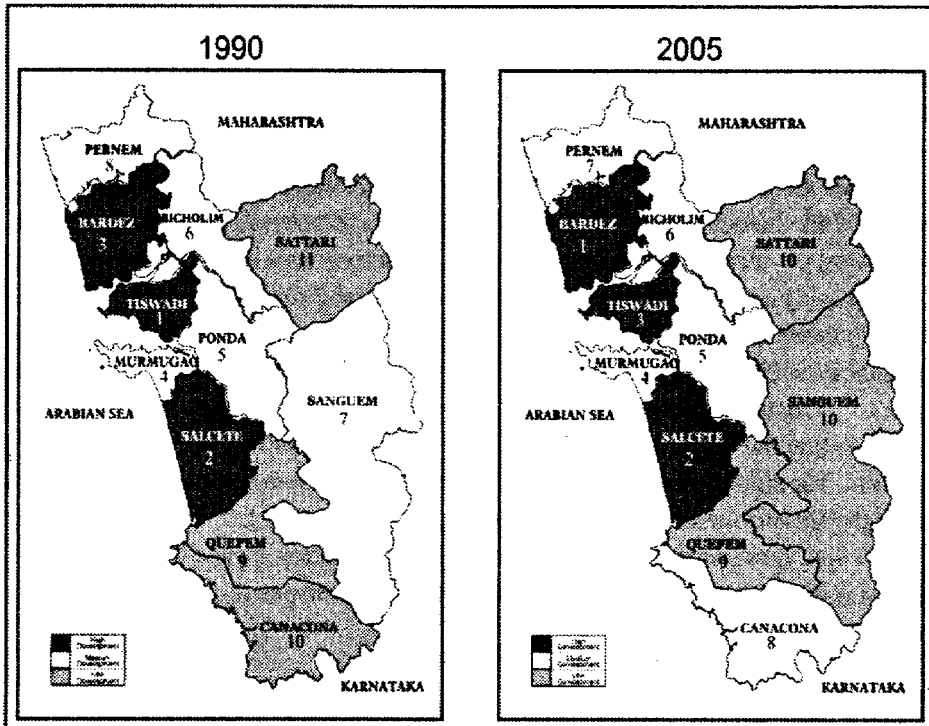
Table-6: Categorisation of Talukas on the Basis of Ranks: The State of Goa

High		Medium		Low	
1990	2005	1990	2005	1990	2005
Tiswadi	Bardez	Murmugao	Murmugao	Quepem	Quepem
Salcete	Salcete	Ponda	Ponda	Canacona	Sattari
Bardez	Tiswadi	Bicholim	Bicholim	Sattari	Sanguem
		Sanguem	Pernem		
		Pernem	Canacona		

What is of considerable interest in the context of this paper is the drastic divergence in the levels of tertiarisation and the consequent "gap" in the levels of development of the *talukas* in the highly developed category as compared to those in the low category. Except for a minor shuffle in rankings from 1990 to 2005 within the respective categories, the only noticeable change is Canacona securing a place for itself in the medium development category in 2005 and Sanguem being pushed

down into the low development category in the same year. Otherwise, the categorisation remains unchanged over the period of 15 years, right from three years after the declaration of statehood for Goa, i.e., from 1990 to 2005.

Categorisation and Ranks of *talukas* in 1990 and 2005



The extent of inequality that exists among different *talukas* can be understood from the difference in the composite service sector index between the top ranked and bottom ranked *talukas* in 1990 and 2005. In 1990, the difference is 224 (254-30) and in 2005, it is 210 (242-30). Thus, in 1990 and 2005, the top ranked *taluka* had more than eight times service sector growth than the bottom ranked *taluka*.

Summary and Conclusion

Goa is one of the most developed states in India. The share of the service sector in the state domestic product is more than 50 per cent. The rate of growth of service sector in recent years is very high compared to the other sectors of the economy. The present study attempted to understand the regional disparity in service sector growth in Goa.

Major findings of the study are: i) There is a wide disparity between different *talukas* with respect to service sector growth, ii) All categories of service

sector show almost the same pattern of inequality among the *talukas*, iii) Coastal *talukas* in general show higher growth rate compared to hinterland *talukas*, iv) The extent of inequality between *talukas* is very high, and, v) The inequality has not reduced much during the 15-year period from 1990 to 2005.

It is a fact that in Goa, the three *talukas* of Tiswadi, Salcete and Bardez are highly developed compared to the other *talukas*. The findings of the paper are pertinent in that they substantiate the trend observed world over: high rate of development coincides with the growth of the service sector. It may be concluded from the study that it is unequal growth and development of service sector which is to a large extent responsible for inequalities in the development of various *talukas* in Goa. This unequal service sector growth can be attributed, to a large extent, to the uneven development of tourism activities. Tourism activities in Goa are highly skewed, being concentrated only in the three *talukas* of Bardez, Tiswadi and Salcete. Since tourism is the main driving force behind the economic growth in Goa, this unequal growth needs to be addressed with utmost seriousness.

A matter that must be of great concern for the government and the people of Goa is that the regional disparity has not come down substantially over the last 15 years. The study has many policy implications, both short term and long term, as far as the Government of Goa is concerned. The questions that are bound to arise are whether the service sector, or rather the tourism sector, driven growth strategy is desirable and what needs to be done to reduce the disparity as it exists today.

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