

**RAJEEV KHER AND PRALOK GUPTA**  
are, respectively, a distinguished fellow at RIS and associate  
professor at the Centre for WTO Studies, IIFT, New Delhi.

1st August, 18

# The importance of service standards

Such initiatives in India have been driven by the need to connect with external markets, but domestic consumers matter too

Anyone who has paid for services in India knows the pain of getting work out of service providers with no benchmarks for their work. Our lives are full of experiences where the extent to which we can bully the service provider and the depth of our pockets decides the standard of the service that we receive.

The simultaneous production and consumption nature of services leads to information asymmetry between service providers and consumers, as the consumer can know the quality of services only after the service has been consumed. Service standards can be used to mitigate this problem to a significant extent, as standardized services signal a certain minimum quality. This is important not only for consumers but also for the growth of the services sector and the economy.

From the international trade perspective, service standards help in enhancing the trade prospects of a service entity, given that they reduce the barriers created by different geographies, cultures and languages. International standards facilitate exports and imports, whereas national standards must offer the quality of service desired by the domestic consumer and protect him from the adverse effects of substandard services.

While policy, law and regulations on standards for goods have been evolving, they have remained dormant for services—though standards in services are probably more important than in goods, given services are invisible and non-storable in nature.

Both the development and adoption of service standards in India have been driven by foreign buyers. There has been little conscious effort on the part of public and private institutions to provide a sound ecosystem for service standards in general and for domestic consumers specifically. Wherever there is an external connection of a service sector, adoption of standards becomes an imperative for market development. The domestic consumer, however, is left to the vagaries of the service provider's skills and behaviour.

The critical part in the provision of standardized services is the connection between skills and standards. Under the National Skill Development Mission, against a target of training over 400 million people in different skills by 2022, barely 40 million people have been trained by different stakeholders since 2015.

Standards development and adoption, to be sustainable, must go hand in hand with skills development and enhancement programmes. Howsoever ambitious standards-related programmes are launched, if appropriate skills are not supplied, compliance with standards will remain unachievable.

In provision of service, human behaviour plays a significant role in several sectors, ranging from domestic services and maintenance and repair to

healthcare and security. This affects our service demand as well. After all, behavioural and ethical deficits compound the productive inefficiencies of a service provider. Since the quality or value of service can only be recognized after it is consumed, quite often consumers may find themselves cheated in functional terms with no standard recourse.

Normally, standards evolve and get accepted as consumers demand them. But many a times, consumers in developing countries are just not exposed to quality standards and therefore make do with whatever is offered to them. Therefore, a standards conscious society should create a framework for hierarchy of standards to be offered in a given sector and leave the consumer to choose depending upon his buying capacity.

In some sectors, irrespective of the buying capacity of the consumers, services must conform to a certain minimum standard—health, education, public sanitation services, and security services. An advocacy-based incentive programme in some sectors is essential; so is adequate tweaking of skill development programmes, both for fresh recruits and those whose skills are upgraded. A certification system is required.

In some service areas such as education and healthcare, there may already be national and international standards available. A certification system would not be difficult to set up here. In other service areas—for example, construction services—such certification may not be available and therefore must be developed. The consumer's convenience, safety and confidence in the transaction would improve significantly.

The government must create a legal framework to build this edifice of quality of services. An architecture for services standards will have institutional mechanisms for development of standards, mandating standards where required, assessing conformity with the standards, educating and spreading awareness about the standards and enforcement of standards. A backend mechanism to ensure that an organic connect is built between standards and skills imparted in the given service area via government skilling programmes is also necessary.

A services-related standards ecosystem may be new and operationally difficult in India—but given the vast number of services available in the market and the government's long-term goal of formalizing much of the employment here, the need for it is bound to grow.

Our initiatives have been driven by the need for connecting with external markets, as is evident by the recent launch of the National Strategy on Standards. But that alone should not be the driving force. Domestic consumers are also valuable.

**The development and adoption of service standards has been driven by foreign buyers**