

Research Article

Structural Transformation Vs. Economic Development in India with Special Reference to Agricultural Sector: An Analysis

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Abstract: *Introduction:* The national economies' "structural changes" have historically been linked to economic progress. To get growth that is sustainable development, the economy must be continuously restructured to focus on higher value-added industries and activities that generate goods with variable income, benefit from dynamic economies of scale, forge connections between and within sectors, and offer incentives for learning and innovation. *Objectives:* The study aims to document the structural changes in three sectors and their role in India's economic development. *Methodology:* Using both quantitative and qualitative data, this study is mostly descriptive in character based on secondary data. *Results versus Discussion:* The true consequences of growth are seen in changes of sectoral compositions, i.e., Primary, Secondary and Tertiary sectors. A significant movement in the relative percentages of income and employment that transfers the advantages of growth to society's citizens is referred to as structural transformation. *Conclusion:* India will be placed fifth in the world in 2024 in all respects. India has come a long way in the 76 years since it gained independence, and if it continues to play its cards well, it has the potential to reshape the world in the decades to come.

Keywords: Sustainable Development, Dynamic Economies, Innovation, Sectoral Compositions.

INTRODUCTION

When an economy grows and develops, the relative importance of its major sectors agriculture, industry, services, and so forth changes. This is referred to as "structural change." According to decomposition exercises, labour transfers and structural alterations are more likely to occur when workers move between different sectors within the unorganised economy compared to when they relocate from the unorganised to the organised sector. Because most workers in the organised economy tended to be regular, while most in the unorganised economy remained non-regular, this pattern of structural change kept the overall structure of employment largely unchanged. The national economies' "structural changes" have historically been linked to economic progress. A common definition of structural change is the process through which the economy's relative sectoral distributions of employment and income shift significantly and demonstrate the transfer of economic advantages. To get growth that is sustainable development, the economy must be

continuously restructured to focus on higher value-added industries and activities that generate goods with variable income, benefit from dynamic economies of scale, forge connections between and within sectors, and offer incentives for learning and innovation. Historically, industries in general and the manufacturing sector in particular have satisfied these characteristics. Recent developments in information and computer technology have led to the activation of a number of services. These sectors are the main drivers of economic development and productivity in every country, but they also come with high capital costs. As a result, direct employment growth in high-productivity industries is limited.

Policy coordination is required to support and maintain links between labour-intensive and high-productivity dynamic industries in order to prevent a sectoral enclave trap. An economy with as big and growing of a labour force as India's needs a policy strategy like this. Labour migration from low-

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productivity to high-productivity sectors typically supports growth in a number of ways. First, it affects demand through a shift in demand patterns towards commodities with a greater technological content, which in turn stimulates structural change and generates the previously mentioned advantages for the entire economy. Greater earnings also suggest stronger aggregate demand. Secondly, it functions by increasing total productivity growth in a manner similar to Verdoorn-Kaldor. Thirdly, it offers the instruments for the microeconomic accumulation of human capital. Fourth, it lessens the extent to which non-industrialised countries are reliant on the North's financial and product markets through the joint use of income and demand channels. In order to investigate these significant facets of development, we utilise a three-sector model for India to demonstrate the distinctions between a "low road" equilibrium, in which output growth is too weak relative to productivity to result in labour transfer, and a "high road" equilibrium, where growth is accompanied by structural change in terms of employment and is sustained by cumulative causation. In the latter instance, there is growth but no structural alteration. This increase in unemployment feeds poverty and underemployment, which can impede development and eventually growth altogether. India's economic progress has been amazing over the years. India has reached its 76-year milestone of independence this year. Let's examine India's progress and accomplishments during the past 76 years.

After Independence, the Economic Condition of India Improved:

The government implemented a centrally planned economic framework and a five-year development plan that was effectively a replica of the Soviet-era economic development plan during the first few years following independence, when economic growth mostly stalled. With several import barrier licenses and minimal private participation, the government made the majority of the economic choices under this plan governing the production and distribution of goods. The Indian economy was expanding more slowly as a result. This went on until the 1980s, when the Soviet Union which was India's main trading partner collapsed in 1991. The Gulf War also caused a sharp increase in oil costs. All of this caused the Indian economy to falter, and in 1991, the country had a balance of payments crisis.

1991 Economic Crisis:

India carried out structural economic changes to emerge from these hard times. India began opening up its economy to the outside world in 1991. The nation reduced taxes, deregulated markets, and lowered import tariffs, among other measures. By doing this, it boosts economic growth in the 1990s and 2000s through more foreign investment. India's IT sector expanded after economic reforms in 1991 and the advent of the internet in 1995. It was only worth \$100 million in 1990, but by

2001, it was over \$8 billion. This industry has generated thousands of jobs today and has drawn substantial international investment.

The economic boom after 1995:

India has a sizable manufacturing sector in addition to its IT sector. The pharmaceutical, chemical, automotive, and electronics manufacturing sectors are among the major industries. India is emerging as a centre for the production of electronics. In India, several large corporations have already established their factories. The government's production-linked incentive programmes are drawing a lot of interest from foreign businesses. India is moving towards digitization in order to support these sectors even more. Whether it is paperwork or work connected to banking, India is moving in that direction. People from rural India stand to gain the most from this, as money can be moved between two banks immediately with just a cell phone thanks to India's unified payment interface. India has already made the move to a more contemporary paperless transaction system by accomplishing this [<https://bschool.dpu.edu.in/Blogs/75-years-of-indian-economy>].

OBJECTIVE

Documenting the structural changes in three sectors and their role in India's economic development is the objective of the study.

MATERIALS AND METHODS

1. Study's Nature: This research is descriptive and analytical in that it seeks to identify the trend of structural transformation and the speed with which it occurred in the Indian Economy since independence, with particular attention given to the same for output and employment by sector.

2. Research Design: The study adopts a macro-level, non-experimental design, measuring the structural adjustments made at a national level over time (long term). The research focuses on structural changes occurring in the different sectors of the Indian Economy over a variety of plans and reforms.

3. Data Sources: This analysis is based solely on secondary data obtained from a variety of legitimate, publicly available documents including; Economic Survey of India (ESI), National Accounts Statistics (NAS), Census of India, Periodic Labour Force Survey (PLFS) and; the Planning Commission of India and the NITI Aayog, the Reserve Bank of India and the UNDP and FAO.

4. Period of Study: The study will cover an extended historical span from 1951 to the most recently available year, which enables comparisons to be made between sectoral composition, employment patterns, national income growth and human development indicators over time.

5. Sectoral Framework: A three-sector analytical framework (primary (agriculture and its allied activities), secondary (Industry and Manufacturing) and tertiary (Services)), will be used to study structural transformation in terms of output contribution and employment generation.

6. Analytical Techniques: This research will employ trend analysis, percentage share analysis, and inter-sectoral comparison of growth on a plan-wise basis to determine changes in the composition of GDP, Employment Distribution, Saving and Investment Patterns, and Urbanisation Trends over time.

7. Historical & Comparative Methodology: Historical and comparative methodology is used to distinguish the periods prior to the liberalization of India and the post-liberalization of India compared to the Five-Year Plan periods in order to understand how governmental policy shifts, occasions of political stability, and events of political shock are instrumental in facilitating structural change.

8. Quantitative and Qualitative Evidence Integration: Quantitative information related to sectoral output, employment, savings, investment, Human Development Index (HDI) and Urbanization will be augmented with qualitative evaluations arising from Development Economics, Policy Debates and the empirical literature on Structural Change.

9. Validation Procedures and Consistency Checking: Data from a number of different governmental sources will be cross-referenced and verified through consistency checks to provide an assurance of reliability, consistency and comparability. This will be especially relevant when a difference exists in base years or methodology over different periods.

RESULTS VERSUS DISCUSSION

India's Growth and Structural Transformation

In view of its contribution to overall production, the economy of India has transformed along traditional lines towards secondary and tertiary sectors; nevertheless, employment growth has lagged behind. For the past 20 years, employment creation in the official or organised sector has been mediocre, despite an outstanding increase in production. India's labour force continues to labour in low-wage, low-productivity occupations despite an average yearly growth rate of more than 6% in organised activity. The organised sector's labour productivity rose at a somewhat slower rate, negating the demand for more jobs. By 2005, more than 90% of India's labour force was in the informal sector. These developmental patterns have a wide range of effects. First, there is a growing disparity between India's competent and well-paid and its unskilled and primarily destitute. It can have catastrophic ramifications for the social milieu as well as the sustainability of growth [Breman (2010),

Chandrasekhar & Ghosh (2007), Ranis *et al.* (2000)]. The reform process was initiated in the early 1990s by India's then-Finance Minister, Manmohan Singh, under the Prime Minister Narsimha Rao government, and India's economic reforms began in 1991 under the LPG (liberalisation, globalisation, and privatisation) premise. When we discuss GDP growth and aggregate data, Take a closer look at the sectoral composition. When we look at growth rates in different sectors, we can see that agricultural and industrial output growth rates did not rise at all in the 1990s compared to the 1980s. The rise in total growth throughout the 1990s was mostly driven by the increased expansion of the service' sector.

The service industry includes several particularly active industries, such as information technology applications and electronic services, in both of which India has achieved significant success. This was primarily due to the liberalisation measures implemented by Manmohan Singh. Similar comments apply to the amazing growth of software-related export services. What is wrong with India's growth being driven by the services sector? What is worrying is that it is unclear to what degree the fast expansion of the service industry as a whole contributes to the creation of broadly shared employment, the eradication of poverty, and the improvement of quality of life. Employment in the service sector is also frequently unavailable to people without the necessary skills or education. The ongoing reorganisation of the Indian economy towards this skill- and education-intensive sector strengthens the resources available to a particular portion of society [https://unctad.org/system/files/official-document/ecide2012_bp5.pdf].

Indian agriculture has changed dramatically in the last several years. These changes are a reflection of the agriculture industry's broad commercialization and diversification. In essence, they include the introduction of novel crop varieties, an increase in the area dedicated to income crops, extensive increases in livestock and fisheries, and the pursuit of high-tech agriculture involving aquaculture, biotechnology, horticulture, processing, and other areas. The majority of the most recent changes are our agriculture's adjustments to the shifting economic climate brought about by the liberalisation process (Satyasai and Viswanathan, 1977). Over time, the agricultural industry has seen notable shifts in the crop mix in favour of better cereals and unconventional oilseeds like soybean, sunflower, and soyabean. These alterations are mostly the result of deliberate public policy support, such as pricing incentives and investments in the development of new technologies. The diversification of agriculture outside the agricultural sector through the creation of subsidiary companies in animal husbandry, poultry, fisheries, sericulture, etc. was a key development that coexisted with commercialization. Since the 1980s, agriculture's commercialization, expansion, and diversification have accelerated, particularly in the 1990s. This

commercialization phase's benefit is that it covers marginal and small farmers as well as underdeveloped areas (Nadkarni and Vedini, 1996; Satyasai and Viswanathan, 1996a).

Furthermore, with GATT (1995), corporate culture has infiltrated agriculture, capitalising on urban customers' desire for processed, neatly packaged, and branded agricultural goods. Transnational corporations, such as ITC and Pepsi, have already invaded the agricultural industry. There will be high-tech initiatives in aquaculture and horticulture. In essence, integrated agricultural methods in Indian agriculture are being progressively replaced by specialist firms for crop, animal, poultry, and aquaculture goods. During this shift, market forces have a significant impact on changes in product mix and input consumption. This is a key symptom of commercialization (Pingali and Rosegrant, 1995).

THE PERIOD OF 1951–1980

Setting an accomplishment objective and comparing actual success to the target has long been a practice in India's planned development projects. Table 1 and Figure 1 show the findings for this score. Only two plan periods the first and the fifth plan periods during the three decades between 1951 and 1979

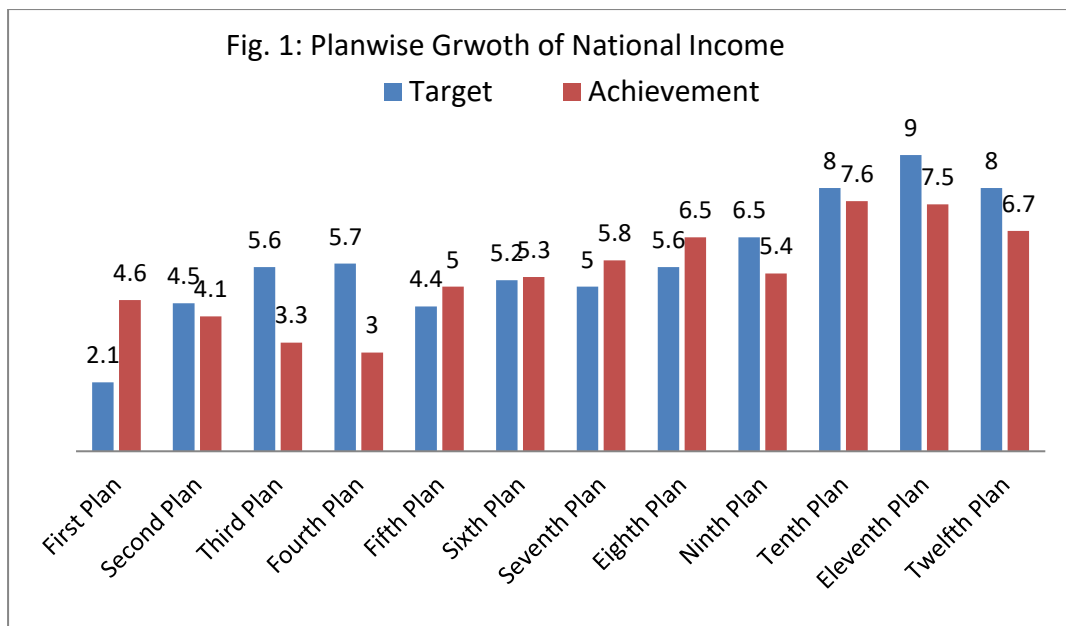
allowed us to fulfil the goal. Therefore, it may be said that India experienced a low development rate throughout this time. The two main reasons for the inability to achieve the goal are the three notable droughts that struck in 1966, 1972, and 1979 and the three wars that were fought with neighbouring countries in 1962, 1965, and 1971. The first two of these three are thought to have affected 50 million people, while the third is thought to have affected 200 million people. The long-term average increase in India's net industrial growth (NI) has been approximately 3.5 percent, or the Hindu rate of growth, according to certain economic literature. These catastrophic catastrophes have severely damaged the country's economic performance.

Given this, breaking through to reach the 5 percent annual growth rate in the fifth plan period is undoubtedly a significant achievement for India's economic performance, even if the country had negative growth in 1979–1980. Actually, 1969 and 1970 are also included as drought years, with an estimated 15+ million people impacted in each, in addition to the three years designated as catastrophic droughts. The plan-wise rise of National Income (NI) in percentage from the First Plan to the Twelfth Plan is explained in the accompanying Table 1 and Figure 1.

Table 1: Growth (%) in India's National Income over the different Plan Periods

Plan	Period	Target	Achievement
First Plan	1951-56	2.1	4.6
Second Plan	1956-61	4.5	4.1
Third Plan	1961-66	5.6	3.3
Fourth Plan	1969-74	5.7	3.0
Fifth Plan	1974-79	4.4	5.0
Sixth Plan	1980-85	5.2	5.3
Seventh Plan	1985-90	5.0	5.8
Eighth Plan	1992-97	5.6	6.5
Ninth Plan	1997-2002	6.5	5.4
Tenth Plan	2002-07	8.0	7.6
Eleventh Plan	2007-12	9.0	7.5
Twelfth Plan	2012-17	8.0	6.7*

Source: Planning Commission and Economic Survey, 2015-16. The growth rates (GRs) are calculated to 2004-05 (i.e., base year) prices. * Figures for 12th Plan are at 2011-12 prices.



With the Planning Commission dissolved, no more formal plans are made for the economy, but five-year defence plans continue to be made. The latest would have been 2017–2022. However, there is no Thirteenth Five-Year Plan.

The Period of the 1980s Onwards

In contrast to the slow development rate in the 1960s and 1970s, India's national income increased more quickly in the 1980s. The growth rates in NI that were attained were greater than the targeted growth rates in the 1980s throughout the sixth and seventh plan periods as well as the following eighth plan era. But throughout the next three plan periods the ninth, tenth, and eleventh there was once again a decrease in the NI reported growth rates in comparison to the intended growth rates. This performance reduction is attributed to two main factors: (i) a worldwide slowdown that followed the 1997 East Asian crisis; and (ii) the unsatisfactory monsoon and the slow pace of the implemented changes. Though India only opened its economy in 1991 and was pursuing a policy of moderate openness, it is unclear how much the country's economic integration with the rest of the world contributed to India's slowdown. Nevertheless, it is important to highlight the internal factors that are causing policy instability. A series of coalition administrations held power for brief periods, often lasting only a few months, in the late 1990s, demonstrating the need for a stable government to send out the appropriate policy signals for a good investment climate.

It wasn't until the end of 1999 that a reasonably stable administration took control, and throughout its tenure (1999–2004), it was able to inject

increased rigour into ongoing reforms. As some of its impacts were obvious, given the recognised time lag for policy actions to take effect, a second phase of political instability emerged (from 2009 to 2014), following a 5-year period of relative calm from 2004 to 2009. The later period, 2009–14, was highlighted by numerous frauds pointing to huge amounts of money flowing into unproductive channels.

It is thus reasonable to claim that times of political instability or uncertainty contributed significantly to the lack of progress in NI growth during the late 1990s and into the 2000s. The new series, which has a base year of 2011–12, provides data beginning with that year. Taking the Twelfth Plan data into account, the average long-term growth rates in India's NI, divided into three key stages, are as follows: Phase I (1951–1979): 4%; Phase II (1980–1997): 6%; and 1997–2017: 7%. This has led to India being recognised as one of the world's fastest-expanding emerging market economies, despite the fact that this tendency was evident by the end of the 1990s.

SECTORAL GROWTH AND CHANGES

The true consequences of growth are initially seen in changes in sectoral compositions, i.e., over the agricultural, industry, and services sectors for supply and demand reasons, as Simon Kuznets (1966) first showed. A similar line of thinking has been presented by Fisher (1939) and Clerk (1940). Sectoral growth and changes are occurred in three sectors viz. Primary Sector, Secondary Sector and Tertiary Sector with the development of the economy. India is going ahead and her economy is accelerating. The three sectors of India are shown in Diagram 1.

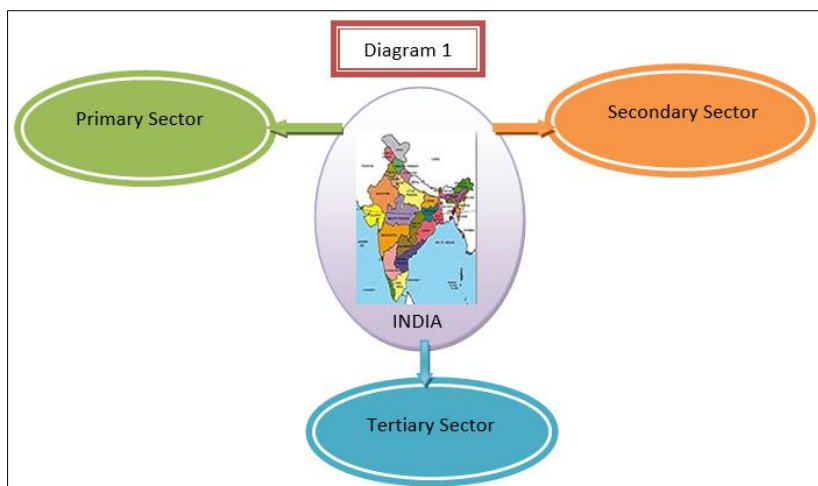


Table 2 displays the evolving inter-sectoral profile of India's GDP and NI. The following are significant tendencies that emerge from the data:

Table 2: Inter-Sectoral Composition of GDP since independence (in per cent)

Year	Agriculture and Allied Activities	Industries	Services
1950-51	53.1	16.6	30.3
1960-61	48.7	20.5	30.8
1970-71	42.2	24.0	33.8
1980-81	36.1	25.9	38.0
1990-91	29.6	27.7	42.7
2000-01	22.3	27.3	50.4
2010-11	14.5	27.8	57.7
2016-17	15.11	31.12	53.77
2019-20	18	27	55
2020-21	20	26	54

Source: Economic Survey, GOI, (various years) and (base 2004-05 from 1950 to 2011 and base 2011-12 onwards)

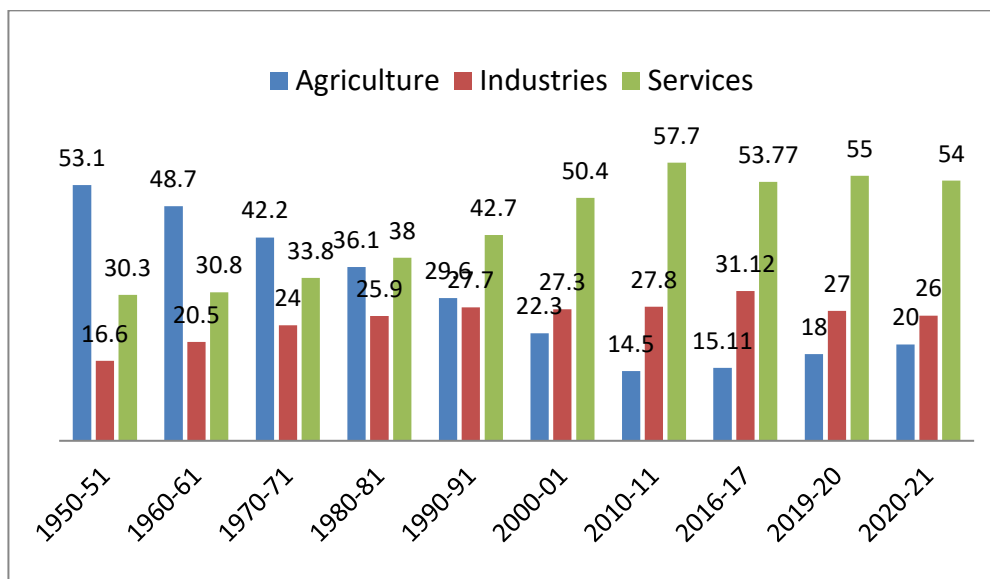


Fig. 2: Inter-Sectoral Composition of GDP since independence

Constructed on the basis of Table-2.

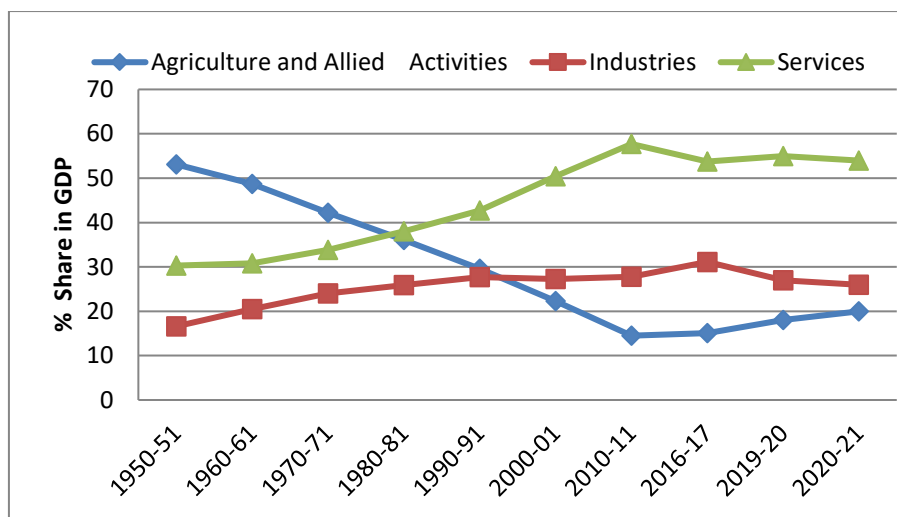


Fig.-3: Inter-Sectoral Composition of GDP since independence

Share of Agriculture in GDP:

From 53.1% in 1950–1951 to just 20% in 2020–21, agriculture's contribution to the GDP has decreased. Hence, there has been a net reduction of 33% over the course of the past 70+ years. The agriculture sector's decreasing proportion of the economy is in line with how an expanding economy is developing. Nonetheless, the expansion of agriculture on its own continues to be essential for ensuring food security, jobs, and revenue. Furthermore, the agricultural sector continues to be the primary source of raw material supply for all agro-food sectors.

Share of Industry in GDP:

Industry now accounts for 26% of GDP, up from 16.6% in 1950–1951 and 26% in 2020–21. Thus, throughout the course of more than 70 years, the industry's share has climbed by just 10.6%. This indicates that industry has benefited by less than one-third from the reduction in the percentage of agriculture in NI.

Pre-eminence of the Services Sector:

The prominence of the services sector (which increased from 30% of the GDP in 1951 to 54% in 2021) has been the most noticeable aspect of the structural transformation of the Indian economy during the past seven years. The rise of components of the services industry, including banking, insurance, and communications, is mostly to blame for this rate of increase. Other reasons that have aided in the services sector's explosive rise include the following: (i) The economy and industrial development have increased demand for services such as transportation, communication, electricity, storage, finance, etc., which has resulted in the tertiary sector or services expanding; (ii) The communications sector has benefited greatly from the rapid development of information technology services; (iii) The large middle class segment's

increased disposable income has increased the demand for services like hotels and restaurants, tourism and transportation, communication, etc. (iv) Defence, civil administration, economic, and social services like health and education have also significantly contributed to the growth of the service sector.

Employment Scenario and Shift of Manpower:

A significant movement in the relative percentages of income and employment that transfers the advantages of growth to society's citizens is referred to as structural transformation. It also describes the transition from agriculture to industry as a vocation. A movement of this kind would occur across lengthy time horizons, for which the largest time series should best be used. Despite this, it is instructive for the purposes of this section to first examine the employment situation in the post-1991 era and then compare it to the previous one (i.e., 1951–2000). This would provide us with both the post-reform scenario and an aggregate for the several initiatives undertaken over the approximately eight plan periods of the pre-liberalisation era.

According to the results of the Periodic Labour Force Survey (PLFS) conducted in 2022–2023 by the Ministry of Statistics and Programme Implementation (MoSPI) and the National Sample Survey Office (NSSO), the agricultural and allied industries would employ around 45.76% of the workforce. India's agriculture has increased dramatically in size and productivity since independence. It still serves as the foundation of the Indian economy, meeting the requirements of more than 58% of the populace. Thus, the release of surplus labour from the agricultural sector is essential to the development and expansion of the non-agricultural sector. The employment situation for the three industries for the years 1999–2000 is shown in percentage form in Table 3.

Table 3: Employment Scenario in Three Sectors Since 1999-2000 (in Per cent)

Sectors	1999-2000	2004-05	2009-10	2015-16	2019-20
Agriculture	59.9	56.6	53.2	45	42.2
Industries	16.4	18.7	21.5	25	25
Services	23.7	24.7	25.3	30	32.8
Total	100	100	100	100	100

Source: Data.gov.in

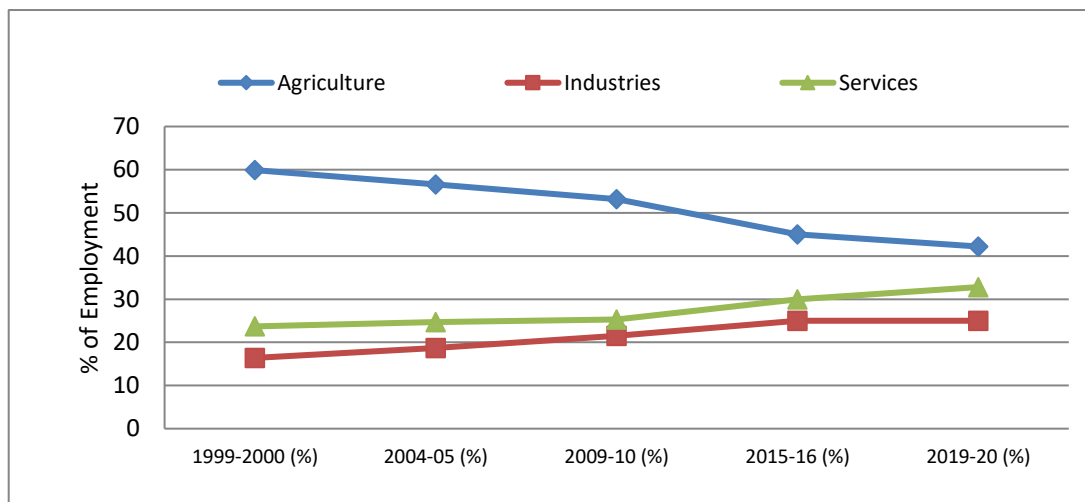


Fig. 3: Time Plot of Employment Scenario in Three Sectors

Explanation from Table 3 and Fig. 3:

First, agriculture employs a large proportion of the working force. In 1999–2000, this industry employed 59.5 percent of India's work force. Workers might transition from agriculture to non-agricultural industries thanks to development. Since it reduces the burden of an extra work force on finite land, shifting labour from the agricultural to the non-agricultural sectors is especially important in the early stages of economic growth. As shown in the table and figure, the employment curve in the agricultural sector is gradually sloping down as a result of the consistent decline in the proportion of workers in this sector, but the curves in the secondary and tertiary sectors are gradually sloping higher. It shows that the work force is shifting from the agricultural to the industrial and service sectors. It demonstrates that the labour force is unable to keep up with the population's faster growth and that the agricultural sector's economic contribution as a percentage of national GDP is eroding with time (Lekhi and Singh, 2018). The largest industry in India is agriculture. Over time, the workforce's share of jobs in agriculture has decreased, although it still employs the majority of people in the nation. The most current government figures for 2019–20 indicate that 42.2% of jobs in India are in the agricultural sector. As a result, while employment in industries and services is growing and has an upward-rising curve, employment in the agriculture sector is steadily declining and has a downward-sloping curve. The employment curve in agriculture will continue to trend downward as India develops, while the employment curve in industry and services will continue to trend upward. The agricultural

curve will intersect the industry and service curves. In prosperous Western nations such as the United States and the United Kingdom, agriculture employs just 2-3% of the working population. In Australia and New Zealand, two nations with highly developed agricultural economies, less than 10% of the working population is employed in agriculture. Its meagre 17% share of the GVA illustrates how heavily dependent the Indian labour force is on agriculture, which leads to significant hidden or disguised unemployment in the industry and, ultimately, lower labour productivity (FAO, 2020). Research indicates that a significant number of farmers roughly 40% of those surveyed by the National Sample Survey Organisation (NSSO) have expressed a desire to quit farming in the event that they come across respectable substitutes (Chand, 2017; Himanshu *et al.*, 2016; Chand and Srivastava, 2014). As more workers leave agriculture, the amount of land held per person will increase, leading to greater economies of scale. But because of a number of socioeconomic barriers, including low levels of education and skill, rural residents' disadvantageous location, and the non-farm industries' limited capacity to absorb labour, the shift has happened more slowly than expected (Chand and Srivastava, 2014; Mukherjee, Atri, *et al.*, 2022).

Growth of Social Overhead Capital:

Of general, social overhead capital consists of transportation infrastructure, irrigation systems, energy generation, educational institutions, and healthcare facilities. Their advancement produces advantageous circumstances for both growth and improved human existence. India's transport network has expanded in

terms of both modernization and capacity. The operation fleet nearly quadrupled, and the length of railway routes rose by over 9,000 kilometres. India's road network has grown dramatically under many schemes, making it one of the biggest in the world today. India's life expectancy and literacy rate have both increased. The expansion of all forms of education, including technical education and training, has happened at the intended rate.

Developments in the Banking and Financial Sector:

India's banking and financial system has undergone a number of important and progressive adjustments. Native American bankers and moneylenders have become less significant as a result of the tremendous rise of commercial banks and cooperative credit organisations. These banks' loan policies have drastically changed since they were nationalised. Priority industries, including transportation, small-scale manufacturing, agriculture, etc., now have access to greater funding.

Growth of fundamental capital goods industries:

The establishment of several fundamental industries that generate capital equipment and valuable raw materials has strengthened the nation's industrial structure. India can now fend for itself in all areas, even defence. India is a strong nation today. She has held a prominent role in the global community.

Growth in the National Income of India:

In 1951, India released its first report on national income estimates following independence. The report was written by the National Income Committee (NI) under the direction of Prof. P.C. Mahalanobis, with Dr. V.K.R.V. Rao and Prof. D.R. Gadgil serving as its two members. An estimated Rs. 8,830 crore would be the entire national income during 1948–1949. After that, NI estimates have been gathered and released annually. It is significant to remember that the NI estimates are first generated in "current prices," but they must be converted to a "constant base" in order to be used for temporal comparisons. The gross national

income of India was predicted to be over 267 trillion Indian rupees in the financial year 2023, a considerable rise from the previous year at current prices. Such a conversion process is necessary to remove the impact of price level changes over the comparison period. These days, the National Accounts Statistics, an annual publication, provides estimates of NI in both current and constant price series. [<https://egyankosh.ac.in/bitstream/123456789/74693/1/Unit-3.pdf>].

Human Development Index (HDI):

A long and healthy life, access to information, and a reasonable level of living are the three fundamental characteristics of human development that the HDI summarises and measures average accomplishment in. India ranks 134th out of 193 nations and territories with a 2022 HDI score of 0.644, placing it in the medium human development category. The fact that human development indices have been trending towards convergence over the past few decades is positive. In 1981, the HDI value was between 0.237 and 0.50; in 2001, it was between 0.367 and 0.638; and in 2009–2010, it was between 0.419 and 0.910; in all three years, Bihar had the lowest score and Kerala the highest. The difference in population between rural and urban areas within states is likewise getting smaller. Simultaneously, there is still a significant gap between rural and urban regions in terms of human development indices between states (Papola, 2012). India's HDI score changed by 48.4%, from 0.434 to 0.644, between 1990 and 2022. With an HDI ranking of 134 out of 193, India demonstrates growth. India's Human Development Index (HDI) rises from 0.633 in 2021 to 0.644 in 2022, following a decline in 2021. This puts the nation in the medium human development category. India's life expectancy at birth, anticipated years of schooling, and mean years of schooling changed by 9.1, 4.6, and 3.8 years between 1990 and 2022. Between 1990 and 2022, India's GNI per capita changed by almost 287.0 percent [<https://www.undp.org/india/human-development-index-india>].

Table 4: Human Development Index (HDI) of India

Year	Human Development Index (HDI)
1981	Ranged between 0.237 and 0.50
1990	0.434
2001	between 0.367 and 0.638
2009-10	between 0.419 and 0.910
2021	0.633
2022	0.644

Source: T.S. Papola (2012). Structural Changes in the Indian Economy Emerging Patterns and Implications.

Savings:

Employment creation is reliant on both governmental and private investment. Savings are crucial in this case. The Central Statistics Office (CSO) of the Ministry of Statistics and Programme

Implementation (MSPI) disseminates statistics on savings by the three main economic sectors: the household, private business, and public sectors. Recent savings trends show that "gross domestic savings" have been steadily declining (Table 5).

Table 5: Domestic savings as percentage of GDP (2011-12 Series)

Sector	2011-12	2014-15	2017-18
Household	23.6	19.6	17.2
Private Corporate	9.5	11.7	11.6
Public Sector	1.5	1.0	1.7
Total	34.6	32.2	30.5

Source: Economic Survey 2019-20, Vol. 2, Statistical Appendix, A 26, Table 1.9, p-30.

Investment:

The institutional sectors that invest and save money are three. Households, the public sector, and private corporations are these. The government and public businesses make up the public sector. Between 1991 and 2004, the average cumulative rate of investment, or investment-to-GDP ratio, was 24.5 percent. This reached 30 percent in 2004–05, and it averaged 35.4 percent for the next eight years, or 2005–2013. Other sources, such as foreign direct investment (FDI) and remittances, are used to bridge the gap between domestic savings and overall investment. Given that domestic savings are trending downward and investment is trending upward, it stands to reason that outside capital inflows have been growing in recent years.

The public sector's savings have been steadily declining among the three components of domestic savings. For example, in the early 1980s, the percentage of public sector savings was around 4-5%; by 2015, however, it had decreased to a little above 1%. As a result, the majority of savings and investments have come from the private business and family sectors, where FDI and international remittances have grown to play a significant role. Leaving this portion aside, the household sector makes up around 45% of the three

elements, with minor changes over time; the corporate sector makes up roughly 35%. The public sector and government make up the remaining 20%.

Urbanisation:

We mentioned in the unit's introduction how the process of increased urbanisation is predicted to cause the percentage of the economy to shift from rural to urban over time. Over the five-decade period of 1961–2011, the distribution of the population between rural and urban areas varied by 13 percentage points due to changes over time (Table 6). There has been a 13-point drop in the percentage of people living in rural areas, from 82 to 69 percent. Between the pre-reforms (1961–1991) and post-reforms (1991–2011) periods, there was a 13 percentage point rise in the equivalent urban population, which is split between them by 7.5 and 5.7 percentage points. A per-decade average of 2.5 for the three pre-reform decades (1961–1991) and 2.85 for the two post-reform decades (1991–2011) is shown by the ratio of 7.5 to 5.7. This implies that urbanisation has accelerated in the years since the change. Stated differently, the rate of change has quickened in the post-liberalisation era, bolstering the theory that the economy's structural transformation will pick up speed once it becomes established.

Table 6: Change in Rural-Urban distribution of population (Percent)

Year	Rural	Urban
1961	82.0	18.0
1971	80.1	19.9
1981	76.9	23.1
1991	74.5	25.5
2001	72.2	27.8
2011	68.8	31.2

Source: Decadal Census, 2011.

Digital Transformation of India:

In addition to the banking industry, India's start-ups are reaping the benefits of the digital revolution thanks to the country's freely available internet, which is seeing a sharp increase in internet usage. The percentage of people using the internet has increased to 50% from just 27% five years ago, and the market's availability of low-cost mobile phones is causing a stir in the startup environment. The digital revolution is supporting the nation's second-generation start-ups, which follow in the footsteps of Infosys, TCS, and Wipro. In India, startups such as Flipkart, Paytm, and Zomato have grown to be multibillion-dollar

companies. India has already produced more than 100 unicorn start-ups in the modern era. As the nation's internet user base continues to expand, the start-up ecosystem remains relatively young. With the aid of inexpensive internet and the impending 5G revolution, it has too prospects for startups and their businesses. India is expected to have the highest global internet usage rate [<https://bschool.dpu.edu.in/Blogs/75-years-of-indian-economy>].

LIMITATIONS

- a) The study is based solely upon secondary sources of data restricting the options for a direct validation through the collection of data at the primary or field levels.
- b) The use of aggregated, macro-level indicators limits the ability to obtain a more detailed understanding of micro-level variations and region specific dynamics.
- c) The study does not include disaggregated local data or household level data, so the ability to provide more nuanced understanding about intra-regional differences is limited.
- d) Different definitions, measurement methods and reporting periods may also limit the absolute

comparability of the datasets across secondary data sources.

CONCLUSION

The literature on development economics has emphasized the significance of structural transformation in achieving higher levels of economic development. The most recent advances in this body of research emphasise how crucial it is for capital and labour to flow from less productive to more productive sectors in order to dictate how quickly the economy grows and develops. India has received a lot of plaudits for its recent rapid growth and development, but there are also concerns about the performance's inclusivity, resilience, and sustainability. Stronger linkages between official and informal activities are necessary for continued growth, according to modelling findings from the structures of three sectors. India now has a sizable educated youth labour force in addition to a larger market. Every year, the nation creates more than 1.5 million engineers.

Their current primary focus is on the manufacturing industry. India is attempting to foster a business-friendly climate and is introducing several initiatives to draw in foreign investment in a range of industries, including electronics, textiles, cars, and medicines. To increase its manufacturing capacity, India is generously subsidising a range of businesses. As you may know, the manufacturing sector needs a large number of young, reasonably priced labourers. India must carry out extensive structural reforms to facilitate commercial dealings, upgrade its infrastructure, and above all take advantage of evolving geopolitical developments to modify its economic connections with other nations.

India's GDP grew from just 37 billion dollars in 1960 to \$3.937 trillion (nominal; estimated for 2024). In terms of GDP proportions by sector, agriculture accounts for 18.4%, industry for 28.3%, and services for 53.3% (FY 2021-22). In terms of GDP growth among the G-20 countries in 2024, India leads the pack. In terms of GDP, India will be placed fifth in the world in 2024 in all respects. India has come a long way in the 76 years since it gained independence, and if it continues to play its cards well, it has the potential to reshape the world in the decades to come.

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