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INDIAN ECONOMY – GROWTH, DEVELOPMENT AND STRUCTURAL TRANSFORMATION

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ABSTRACT

The Indian economy has transformed from a low-growth, agriculture-based system in 1950 to the fifth largest economy globally, valued at $3.94 trillion in 2024. This paper explores the connections between economic growth, development, and structural transformation in India. It defines growth as the increase in real GDP, development as the enhancement of quality of life (measured by HDI, poverty, and inequality), and structural transformation as resource reallocation from agriculture to industry and services. Uniquely, India has experienced a direct shift from agriculture to services, skipping the manufacturing phase. Analysis from 1950 to 2023 shows agriculture's GDP share fell significantly, from 52.1% to 15.5%, while its employment share remains high at 42.3%. Manufacturing has stagnated, leading to concerns about premature deindustrialization. Despite a drop in absolute poverty from 45.3% to 15%, issues like jobless growth, high informal employment (90%), and a low HDI rank (134/193) persist. The paper suggests that to achieve Viksit Bharat by 2047, India must enhance its structural transformation by promoting labor-intensive manufacturing, investing in human capital, and formalizing the economy.

KEYWORDS: Economic Growth, Economic Development, Structural Transformation, Service-led Growth, Inclusive Growth, Lewis Model, Premature Deindustrialization, Indian Economy

1. INTRODUCTION

The Indian economy's transformation is one of the most studied phenomena in development economics. At independence in 1947, India was a poor, agrarian economy with low literacy, high mortality, and frequent famines. The economy was characterized by the Nehru-Mahalanobis model of import substitution and heavy state control.

Three distinct phases mark India's growth story:

a) 1950-1990: The License Raj period with average growth of 3.5%, famously termed the "Hindu Rate of Growth" by Prof. Raj Krishna. The focus was on self-reliance.

b) 1991-2010: The LPG Reforms era. Triggered by Balance of Payment crisis, reforms under Dr. Manmohan Singh liberalized the economy. Growth accelerated to 7-9%, IT and service sector boomed.

c) 2011-Present: Era of structural reforms – Demonetization (2016), GST (2017), Insolvency and Bankruptcy Code, and COVID-19 shock (-5.8% contraction in 2020-21) followed by strong recovery.

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Today India is the world's largest population (1.43 billion), has a per capita income of Rs. 2.14 lakh (2023-24), and aims to become a $7 trillion economy by 2030. However, the central research question is: Has GDP growth translated into real development and complete structural change? This paper attempts to answer this.

Lewis, W.A. (1954) - Dual Sector Model:Lewis in his Nobel-winning work "Economic Development with Unlimited Supplies of Labour" stated that an underdeveloped economy has two sectors: traditional (agriculture with surplus labour) and modern (industry). Development occurs when surplus labour moves from agriculture to industry. Wages remain low in agriculture and high productivity in industry leads to capital accumulation.

REVIEW OF LITERATURE

- Kuznets, Simon (1966) - Modern Economic Growth:Kuznets analyzed 13 developed nations and concluded that as economy develops, share of agriculture in GDP and employment falls, industry rises first and then falls, and services rise continuously. This is called Kuznets Pattern.
- Papola, T.S. (2005) - Emerging Structure of Indian Economy - EPW:Papola found that employment elasticity of growth fell drastically: 0.41 (1983-94) to 0.15 (1994-2000) to 0.09 (2000-2012). He termed Indian growth as "Jobless Growth" - GDP grows but jobs don't.
- en, Amartya & Dreze, Jean (2013) - An Uncertain Glory: India and its Contradictions:
- Sen (Nobel Laureate) argued growth without development is useless. Despite being 5th largest economy, India's social indicators are worse than Bangladesh - infant mortality, child stunting, learning poverty. They advocate capability approach.12. Bhagwati, Jagdish & Panagariya, A. (2013) - Why Growth Matters:
- Counter-argument to Sen. They said growth is necessary to reduce poverty because it gives government tax revenue to spend on health/education. They showed poverty declined faster from 2004-2012 when growth was high.13. NITI Aayog Report (2023) - National Multidimensional Poverty Index:
- Report shows MPI declined from 29.17% (2013-14) to 11.28% (2022-23), 24.82 crore people escaped poverty. But state-wise variation is huge: UP, Bihar, MP account for 50% of poor. Shows growth is not regionally balanced.14. Periodic Labour Force Survey (PLFS) 2022-23 - MoSPI:
- PLFS is most authentic employment data. Key findings: Unemployment 3.2% (lowest in 6 years), but 57.3% self-employed, 18% regular salaried, 90% informal. Female LFPR improved from 23.3% (2017-18) to 37% (2022-23). Shows low-quality employment.15. Economic Survey 2023-24 - Chapter on Employment:
- Economic Survey 2024 stated India needs to create 78.5 lakh jobs per year till 2030 in non-farm sector. It recommended focusing on labour-intensive manufacturing like textiles, toys, leather, food processing and removing regulatory hurdles for MSMEs.16. UNDP Human Development Report 2023/24:
- India ranks 134 out of 193, HDI 0.644 (Medium). Gender Inequality Index rank 108. Shows India is far behind in human development despite economic size.

2. OBJECTIVES OF THE STUDY

1. To analyze the growth trends of Indian GDP from 1950-51 to 2023-24.
2. To examine sectoral structural transformation in terms of GDP share and employment share.

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3. To assess if economic growth has led to improvements in human development and a decrease in poverty.
4. To identify reasons for India's unique service-led growth model.
5. To propose policy measures for inclusive and sustainable structural transformation to achieve a developed India (Viksit Bharat) by 2047.

3. RESEARCH METHODOLOGY

Research Design: The study is descriptive and analytical in nature.

Data Type: Entirely based on Secondary Data.

Data Sources:

Economic Survey of India 2023-24

Reserve Bank of India – Handbook of Statistics on Indian Economy 2024

World Bank – World Development Indicators

Periodic Labour Force Survey (PLFS) 2022-23

UNDP Human Development Report 2023/24

NITI Aayog – National Multidimensional Poverty Index 2023

Period of Study: 1950-51 to 2023-24, with intensive analysis of 1991-2024.

Analytical Tools: Compound Annual Growth Rate (CAGR), Percentage Share Analysis, Comparative Table Analysis, Graphical representation.

4. **GROWTH AND STRUCTURAL TRANSFORMATION** – DATA ANALYSIS

A. **Growth Performance:**

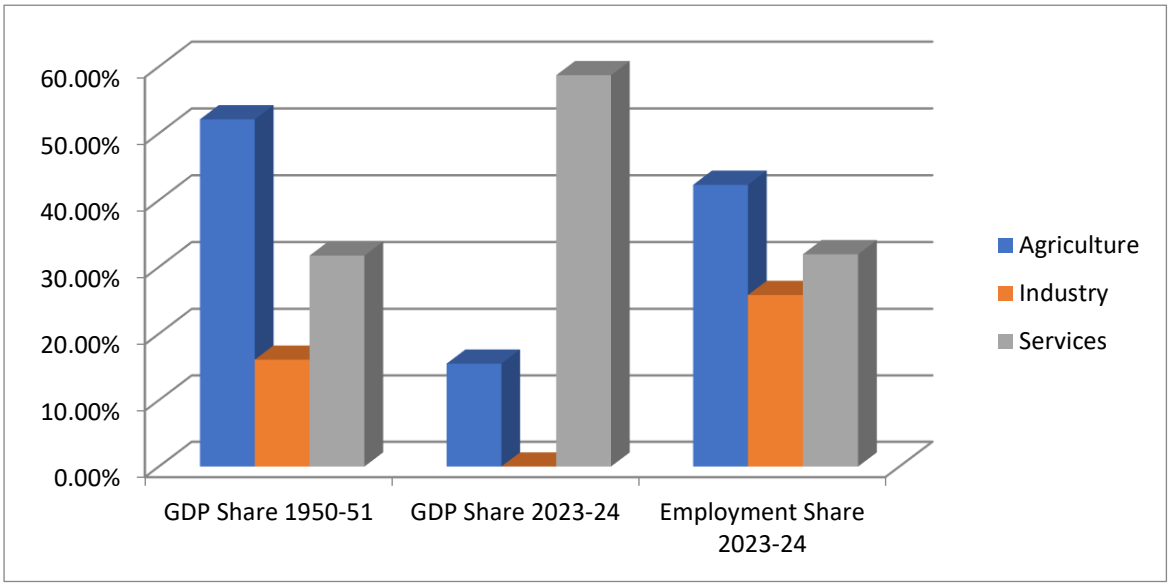
India's GDP at current prices in 2023-24 was Rs. 294.39 lakh crore. Growth rates:

- First Plan (1951-56): 3.6%
- Tenth Plan (2002-07): 7.7%
- Peak Growth: 9.08% in 2007-08
- COVID year 2020-21: -5.8%
- FY 2023-24: 8.2%

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B. Structural Transformation – The Great Divergence:

Sector	GDP Share 1950-51	GDP Share 2023-24	Employment Share 2023-24
Agriculture	52.1%	15.5%	42.3%
Industry	16.1%	25.8% (Mfg 14.5%)	25.8%
Services	31.7%	58.7%	31.9%



Interpretation: This table highlights the central issue. Although agriculture accounts for just 15.5% of GDP, it employs 42.3% of the workforce, indicating low productivity and disguised unemployment. Conversely, the services sector generates 58.7% of GDP with only 31.9% of workers, reflecting high productivity but limited job creation.

Why India bypassed manufacturing?

1. Early investment in higher education (IITs, IIMs) created skilled, English-speaking workforce for IT services.
2. Complex labour laws, poor infrastructure, and logistics cost (14% of GDP vs 8% global average) discouraged manufacturing.
3. Global outsourcing opportunity post-1990s favoured India.
4. Economist Dani Rodrik calls this "Premature Deindustrialization" – manufacturing share declining before economy becomes rich.

5. GROWTH VS DEVELOPMENT – FINDINGS

Growth does not automatically mean development. Key development indicators:

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- Poverty: National Multidimensional Poverty Index fell from 29.17% (2013-14) to 11.28% (2022-23). 24.8 crore people escaped poverty in 9 years (NITI Aayog)
- .Human Development Index: India ranks 134 out of 193 countries in 2023-24, with HDI value 0.644 (Medium Human Development). Components: Life Expectancy 67.7 years, Expected years of schooling 12.6, Mean years 6.57.
- Inequality: Income Gini coefficient ~0.35. Wealth inequality is high – top 1% owns 40.1% of wealth (World Inequality Lab, 2023).
- Employment Crisis – Jobless Growth: Despite 7% GDP growth, the economy is failing to generate formal employment. 90% of the workforce remains in the informal sector, with youth unemployment (ages 15–29) standing at 10%. Furthermore, CMIE data indicates that manufacturing employment has remained stagnant.
- Regional Imbalance: Economic activity is heavily concentrated, with five states—Maharashtra, Tamil Nadu, Karnataka, Gujarat, and Uttar Pradesh—accounting for 50% of the total GDP. The disparity is stark, evidenced by Goa's per capita income being seven times higher than that of Bihar.

Conclusion: While headline growth figures are impressive, the progress is not inclusive. The current economic model is "service-led, jobless, and unequal."".

6. GOVERNMENT INITIATIVES

To correct structural imbalance, Government launched:

- Make in India (2014) and PLI Scheme (2020) – 14 sectors, Rs. 1.97 lakh crore outlay to boost manufacturing.
- GST (2017) – Created one national market, improved Ease of Doing Business.
- PM Gati Shakti (2021), Bharatmala, Sagarmala – Rs. 100 lakh crore infrastructure push to reduce logistics cost.
- Digital India – UPI is now 46% of global real-time payments.
- Startup India has 1.17 lakh startups.
- Skill India and NEP 2020 – To improve human capital for Industry 4.0.
- Atmanirbhar Bharat – Focus on self-reliance.

7. CONCLUSION

The Indian economy's growth story is undeniably successful in quantitative terms. From a ship-to-mouth economy in the 1960s to a global services hub today, the progress is massive. However, the structural transformation remains incomplete and distorted.

The Lewisian path of moving surplus labour from agriculture to modern manufacturing has not happened. Instead, labour is stuck in low-productivity agriculture or low-paid informal services. For sustainable development, growth must be employment-intensive.

The vision of Viksit Bharat @ 2047 – a developed India by 2047 – requires a second structural transformation. As Nobel laureate Amartya Sen aptly states, "Development is about expanding freedoms." True progress will be realized when 42% of the agricultural workforce transitions into productive roles within manufacturing and modern services, when the Human Development Index (HDI) ranking reaches the top 50, and when inequality is significantly reduced.

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Policy must shift its focus from mere GDP growth to "Growth with Quality Employment." The three pillars for this next phase of transformation include strengthening labor-intensive sectors—such as textiles, food processing, leather, and toys—making massive investments in health and education, and driving the formalization of the economy.

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