CHAPTER 1

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Structural changes are considered as a crucial factor for economic development. It has been argued that "Economic development is strongly connected with the structural changes: structural change is the vehicle of economic growth and economic growth induces structural change" (Van Gamert, 1986). Thus, for structural changes to occur the economic development is a prerequisite. The thesis deals with structural changes relating to the Indian Economy through an over time view in an inter-country perspective.

India at the time of independence was faced with a tough task of overcoming the legacy of the colonial policies. The task of development was big and unique. The standards of living as reflected in the level of income, were very low. This has also been accompanied by a long period of economic stagnation and almost invariant economic structure which heavily relied on the primary sector. In order to foster the economic development, planning system was introduced in the agriculturally predominant Indian Economy. The first five year plan was initiated in 1951. Since then, we have been experiencing considerable change in the structure of Indian Economy. These changes relate to the structure of demand, production, trade and employment. Here it is essential to define the term structure. Kadar Bela (1984) states: "By structure we mean, some proportions and lasting interrelations of certain elements that prevail for some longer
time, but are always subject to transformation that reflects the mutual interdependence of the economic base and super structure, as well as the rich diversity of social movement". In our context structure may be defined as relative contributions of Primary, Secondary and Tertiary Sectors in terms of output and employment.

The structural changes would imply as those changes which take place primarily due to economic development and result into shifts in the shares of GDP and labour force from primary sector to secondary and to the tertiary sector.

It is pertinent to note here that changes in the structure of any economy, may not be merely an outcome of rate of growth but also pattern of growth, that is, steady growth (high-low) or growth with fluctuations (high-low).

Fluctuations in year to year real growth rates are common to most of the countries (Rao, 1983). But how these fluctuations are related to structural changes is a matter for investigation. It is noted that Indian economy has undergone many structural changes, like the shift in sectoral distribution and also the organisational patterns (organised versus unorganised) and others etc. But still, India lags behind the advanced countries. It is important to look into the causes of structural changes. It is also equally essential to know the factors which inhibit rapid transformation of the Indian economy. A cross-country comparison of structural changes can be helpful in isolating these causes.
Studies in a Historical Perspective and Rationale of Present Study:

Since last fifty years various attempts were made to understand the structural changes through inter-country comparisons. The pioneering work was done by Clark (1940).

Clark tried to analyse the changes in the use of labour with rising income. Later Kuznets's (1956-1967) series of studies came out. In a series of ten papers Kuznets tried to show the similarities between historical growth and the cross-country patterns. Kuznets et. al. (1957), subsequently dealt in detail with three countries, India, Japan and Brazil.

Following Kuznets, Chenery and Syrquin (1975) have extensively used econometric techniques to measure the determinants of structural shifts. In his later book Chenery (1979) discussed extensively the structural changes and development policy. The work was further extended by Chenery, Robinson and Syrquin (1986). A large number of other researchers have also made attempts in this field. For instance Little (1982), Gemmill (1982 & 1986), Taylor (1964 & 1983), Kadar (1984), Morris and Adelman (1988) etc. Most of these studies either deal with inter-country comparisons over time or are limited to a specific country. We feel that for proper understanding of structural changes for an economy tracking its performance over time in isolation is not enough, it has to be placed in the context of global happenings. Thus, the performance of the Indian economy should be seen in a comparative framework, particularly in relation to countries at broadly similar level of development.
The underlying hypothesis is that structural changes are not merely a function of the rate of growth but the level of development and the pattern of growth are also equally important.

Objectives of the Study

In the light of above discussion, the study aims at meeting the following broad objectives:

The study has been carried out with the following objectives:

1. To study the structural changes in Indian economy in terms of:
   i) the fluctuations in year to year rate of growth of NDP at Factor Cost.
   ii) the sectoral distribution of output and employment.
   iii) the population structure (Rural and Urban sector).

2. To compare sectoral distribution of output and employment among nations.

3. To compare the fluctuations in year to year rate of growth of GDP among nations.

4. To look into the causes of structural changes.

Chapter Scheme:

The thesis consists of six chapters. The first chapter outlines the rationale of the study and also the objectives. The review of literature forms the core of the second chapter. The third chapter takes into consideration the structural changes in Indian economy. This takes into view the changes in the structure of demand, trade, production and employment structure. Apart from these changes, the chapter also deals with the population
structure. Chapter fourth compares and contrasts the rate of growth of different countries - overall and sectoral. It also studies the fluctuations and structural changes for various economies. An effort has been made in this chapter to understand as to whether the changes are similar or different. Chapter fifth is devoted to the employment structure among different countries. The final chapter contains the summary and conclusions of the study.