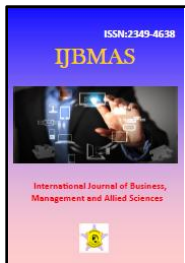

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GROWTH AND STRUCTURE OF INDIAN ECONOMY

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ABSTRACT

The economy of India is a developing mixed economy. The India Economic System was based on social democratic-based policies. It is the service sector which is the main source of national income. Therefore service sector contribute more than 50 per cent of the GDP. But it is the agricultural sector which employs more than 50 per cent of the population. In that sense, more number of people in India are supported by agriculture. *India is the second highest populated country in the world.* Service sector also known as tertiary sector is essential for economic growth in any economy including India. Growth in the share of service sector in GDP is often followed by a corresponding growth in the share of services sector in total employment in the economy. The share of services sector in total employment in the private sector increased from 16 per cent in 1961 to more than 38 per cent in 2008. The growth of service sector in India is in line with the global trends, there are two unique characteristics of India's service sector growth. First, the entire decline in the share of agriculture sector in GDP i.e., from 32 per cent in 1990 to 15.7 per cent in 2009-10, has been picked up by the services sector while manufacturing sector's share has remained more or less the same

INTRODUCTION

India has classified and tracked its economy and GDP in three sectors: agriculture, industry and services. Agriculture includes crops, horticulture, milk and animal husbandry, aquaculture, fishing, sericulture, aviculture, forestry and related activities. Industry includes various manufacturing sub-sectors. India's definition of services sector includes its construction, retail, software, IT, communications, hospitality, infrastructure operations, education, health care, banking and insurance, and many other economic activities. Kuznets and Chenery suggested that economic development would be associated with a sharp decline in the proportion of GDP generated by the primary sector, counterbalanced by a significant increase in industry and by a more modest increase in services. Sectoral shares in employment were predicted to follow a similar pattern (Gordon and Gupta, 2004). India is the second highest populated country in the world. Growth in the share of service sector in GDP is often followed by a corresponding growth in the share of services sector in total employment in the economy. However, in India we find that though there has been a phenomenal growth in the services sector, this growth has not been followed by a corresponding high growth in

employment in the 1990s. And this rise in the share of services in employment has been much slower than the decline in the share of agriculture and manufacturing in total employment. This shows that while output generation has shifted to services, employment generation in services has lagged far behind. India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17 per cent of the GDP and employed 49 per cent of its total workforce in 2014. Industry accounts for 26 per cent of GDP and employs 22 per cent of the total workforce. The services sector has the largest share of India's GDP, accounting for 57 per cent in 2012, up from 15 per cent in 1950.

The objective of the present study is to analyze patterns of growth and employment structure in Indian economy.

Patterns of Growth in Indian Economy:

Table 1: Components of Gross Domestic Product at Current Prices (at factor cost)

(Rs.Crore)

Year	Agriculture & Allied Activities	Mining & Quarrying	Manufacturing	Services	Total GDP
1990-91	150800 (29.28)	13775 (2.67)	86006 (16.70)	264451 (51.35)	515032 (100)
1991-92	176166 (29.65)	15096 (2.54)	93379 (15.72)	309526 (52.09)	594167 (100)
1992-93	197569 (28.99)	17409 (2.55)	108182 (15.87)	358358 (52.58)	681518 (100)
1993-94	229172 (28.93)	20249 (2.56)	125402 (15.83)	417327 (52.68)	792150 (100)
1994-95	263895 (28.52)	22839 (2.47)	154943 (16.75)	483563 (52.26)	925240 (100)
1995-96	286946 (26.49)	25467 (2.35)	193731 (17.88)	577145 (53.28)	1083289 (100)
1996-97	345020 (27.37)	27918 (2.21)	220759 (17.51)	667014 (52.91)	1260711 (100)
1997-98	366125 (26.12)	33677 (2.40)	229595 (16.38)	772536 (55.11)	1401933 (100)
1998-99	420486 (26.02)	35955 (2.22)	250581 (15.51)	909061 (56.25)	1616083 (100)
1999-00	446515 (24.99)	41594 (2.33)	264113 (14.78)	1034304 (57.89)	1786526 (100)
2000-01	449565 (23.35)	45706 (2.37)	300392 (15.60)	1129354 (58.67)	1925017 (100)
2001-02	486617 (23.20)	47871 (2.28)	315314 (15.03)	1247924 (59.49)	2097726 (100)
2002-03	472060 (20.87)	62742 (2.77)	346029 (15.30)	1380584 (61.05)	2261415 (100)
2003-04	532342 (20.97)	63882 (2.52)	388549 (15.31)	1553397 (61.20)	2538170 (100)
2004-05	552422 (19.20)	84776 (2.95)	453603 (15.76)	1786900 (62.09)	2877701 (100)
2005-06	625635 (19.06)	94533 (2.88)	519743 (15.83)	2042474 (62.23)	3282385 (100)
2006-07	686044 (18.15)	106024 (2.81)	617648 (16.34)	2369667 (62.70)	3779383 (100)

2007-08	782597 (18.11)	117431 (2.72)	705130 (16.32)	2715734 (62.85)	4320892 (100)
2008-09	861753 (17.47)	125414 (2.54)	780405 (15.82)	3165610 (64.17)	4933182 (100)

Source: Reserve Bank of India, Central Statistical Organisation and National Income Statistics.

Note: Figures in Parentheses are Percentage.

Table 1 shows the component of Gross Domestic Product at Current prices (at factor cost). The share of agriculture and allied activities has declined steadily during the period 1990-91 to 2008-09. Component of GDP of this sector recorded as 52.56 per cent in 1950-51 and 17.47 per cent in 2008-09. When we see the data of mining and quarrying, it has to be noted that it's share has been increasing from 0.78 per cent in 1950-51 to 1.14 per cent in 1963-64, but after this period it started declining and come down to 0.98 per cent in 1973-74, thereafter it started increasing and become 2.87 per cent in 1988-89, and declining from 2.22 per cent in 1998-99, before this, it started increasing and become 2.88 per cent in 2005-06, and decline to 2.54 per cent in 2008-09. The relative size of manufacturing sector has increased from 10.93 per cent in 1950-51 to 15.87 per cent in 2008-09. During this period, it increased from 10.93 per cent in 1950-51 to 15.31 per cent in 1963-64, but after this period it started decline and come down to 12.89 per cent in 1967-68, thereafter it started increase and became to 16.96 in 2008-09. Table 3.3 and graph 3.2 further exhibits that the share of services sector has improved from 35.74 per cent in 1950-51 to 64.17 per cent in 2008-09. Services sector has been almost increased with the effect of IT revaluation.

From the above table; we can conclude that the share of agriculture and allied activities steadily declined during the period 1990-91 to 2008-09. Mining and Quarrying, Manufacturing has been fluctuating for this period, while services sector has been continuously improving during the same period.

Table 2: Components of Gross Domestic Product at Constant Prices (at factor cost)

(Rs.Crore)

Year	Agriculture & Allied Activities	Mining & Quarrying	Manufacturing	Services	Total GDP
1990-91	339893 (31.37)	29014 (2.68)	161979 (14.95)	552686 (51.01)	1083572 (100)
1991-92	333256 (30.32)	29988 (2.73)	158094 (14.38)	577733 (52.57)	1099071 (100)
1992-93	355421 (30.69)	30264 (2.61)	162979 (14.07)	609359 (52.62)	1158023 (100)
1993-94	367231 (30.01)	30685 (2.51)	176982 (14.46)	648919 (53.02)	1223817 (100)
1994-95	384549 (29.53)	33535 (2.58)	196133 (15.06)	687858 (52.83)	1302075 (100)
1995-96	381875 (27.34)	35502 (2.54)	226458 (16.21)	753138 (53.91)	1396973 (100)
1996-97	419759 (27.83)	35699 (2.37)	247975 (16.44)	804946 (53.36)	1508379 (100)
1997-98	409039 (26.00)	39201 (2.49)	248101 (15.77)	876921 (55.74)	1573262 (100)
1998-99	434892 (25.91)	40309 (2.40)	255872 (15.24)	947337 (56.44)	1678410 (100)
1999-2000	446515 (24.99)	41594 (2.33)	264113 (14.78)	1034304 (57.89)	1786526 (100)
2000-01	445403	42589	284571	1091738	1864301

	(23.89)	(2.28)	(15.26)	(58.56)	(100)
2001-02	473249 (23.99)	43335 (2.20)	291803 (14.79)	1164219 (59.02)	1972606 (100)
2002-03	438966 (21.43)	47168 (2.30)	311685 (15.22)	1250467 (61.05)	2048286 (100)
2003-04	482676 (21.72)	48626 (2.19)	332363 (14.95)	1359093 (61.14)	2222758 (100)
2004-05	482910 (20.22)	52591 (2.20)	361115 (15.12)	1492152 (62.47)	2388768 (100)
2005-06	511114 (19.54)	55164 (2.11)	393842 (15.05)	1655981 (63.30)	2616101 (100)
2006-07	531315 (18.51)	60038 (2.09)	440193 (15.33)	1839572 (64.07)	2871118 (100)
2007-08	557122 (17.80)	61999 (1.98)	476303 (15.22)	2034293 (65.00)	3129717 (100)
2008-09	566045 (16.95)	64244 (1.92)	487739 (14.61)	2221347 (66.52)	3339375 (100)

Source: Reserve Bank of India, Central Statistical Organisation and National Income Statistic.

Note: Figures in Parentheses are Percentages.

Table 2 point out the component of Gross Domestic Product at constant prices. The share of agriculture and allied activities has gone 55.28 per cent in GDP in 1950-51 to 16.95 per cent in 2008-09. It contributed 55.28 per cent of GDP in 1950-51; it shares however improved to 55.93 per cent in 1953-54, and further declined to 16.95 per cent in 2008-09. The share of mining and quarrying has shown a steady increase from 1.42 per cent of GDP in 1950-51 to 1.92 per cent in 2008-09. The share of manufacturing in GDP increased from 8.92 per cent in 1950-51 to 14.61 per cent in 2008-09. It may also be noted that manufacturing industries are grouped under registered and unregistered. The share of manufacturing doubled during the period. The share of services sector which includes electricity, gas & water supply, construction, trade, hotels transport & communication, financing, insurance, real estate& business services, community, social & personal services improved from 34.38 per cent in 1950-51 to 66.52 per cent in 2008-09. Its share of GDP 53.36 per cent in 1996-97, thereafter it vastly improve and 66.52 per cent in 2008-09.

The economic reform was sustained successfully in 1999-2000. Liberalization of the economy in the 1990s & encouragement of private investment in industry & infrastructure had induced sustained high growth in the service sector. When the launching of 1st five year plan (1951-56), India was faced with three problems, severe food shortage, mounting inflation and the influx of refugees in the wake of partition of the country in 1947. The first plan had to address these problems on an urgent basis.

The poor performance of agriculture in the past decodes or so is partly due to the emergence of technology fatigue in the intensely irrigated crop production regions. The process of planned economic development in India began with the launching of first five year plan. At that time the country was faced with severe food shortage a mounting inflation. The plan accorded pride of place to programmer for agriculture and community development. In the mid- 1960s, a new technology in the form of high- yielding varieties (HYVs) was introduced for cereals. Apart from the new technology, public investment in agriculture, particularly in irrigation, war stepped up significantly.

Structure Growth of employment Indian Economy:**Table 3: Employment in the Public Sector by Industry**
(Lakh Person as on 31st March)

Sector Year	Agriculture	Mining &Quarrying	Manufacturing	Services	Total Employment
1990	5.49	9.66	18.70	153.77	187.62
1991	5.56	9.99	18.52	156.51	190.58
1992	5.73	9.87	18.61	157.89	192.10
1993	5.62	9.97	18.51	159.16	193.26
1994	5.45	10.15	17.84	161.01	194.45
1995	5.39	10.16	17.56	161.55	194.66
1996	5.40	9.93	17.38	161.58	194.29
1997	5.33	9.78	16.61	163.87	195.59
1998	5.30	9.73	16.16	163.35	194.18
2007	4.75	11.37	10.87	149.89	176.88
2008	4.71	11.21	10.44	146.48	172.84
2009	4.8	11.1	10.6	148.3	174.8
2010	4.8	11.0	10.7	148.6	175.1
2011	4.8	10.9	10.2	145.9	172.7
2012	4.7	10.8	10.7	147.1	173.3

Source: Economic Survey, Various Issues.

The presentation of the employment in the public sector by industry is given in Table 3. It shows clearly that employment in public sector by agriculture & hunting etc. has increased sluggishly from 1.80 lakh persons in 1961 to 5.73 lakh persons in 1992 and after this period it has slowly declined from 5.73 lakh persons in 1992 to 4.71 lakh persons in 2012. The share of employment in the public sector by mining and quarrying has also increased from 1.29 lakh persons in 1961 to 10.16 lakh persons in 1995, while after this time it has declined from 9.93 lakh persons in 1996 to 8.47 lakh persons in 2003. But since then it started increasing to 10.8 lakh persons in the year of 2012. The share of employment in the public sector by manufacturing has increased from 3.69 lakh persons in 1961 to 18.70 lakh persons in 1990, but after 1992 it has declined from 18.16 lakh persons in 1992 to 11.30 lakh persons in 2005 after this period it started declining and, came down to 10.7 lakh persons in 2012. The part of employment in public sector by services has been vastly increasing from 63.72 lakh persons in 1961 to 164.05 lakh persons in 1999, though after this it started declining and came down to 147.1 lakh persons in 2012.

Table 4: Employment in the Private Sector by Industry
(Lakh Person as on 31st March)

Sector Year	Agriculture	Mining &Quarrying	Manufacturing	Services	Total Employment
1990	8.76	0.99	44.57	21.50	75.82
1991	8.91	1.00	44.81	22.05	76.77
1992	9.12	1.07	45.66	22.61	78.46

1993	9.16	0.96	45.45	22.94	78.51
1994	8.83	1.01	46.30	23.16	79.30
1995	8.94	1.03	47.06	23.56	80.59
1996	9.19	1.07	50.49	24.37	85.12
1997	9.12	0.92	52.39	24.43	86.86
1998	9.04	0.91	52.33	25.2	87.48
1999	8.71	0.87	51.78	25.62	86.98
2000	9.04	0.81	50.85	25.76	86.46
2001	9.31	0.79	50.13	26.47	86.52
2002	8.55	0.68	48.67	26.42	84.32
2003	8.95	0.66	47.44	27.16	84.21
2004	9.17	0.65	44.89	27.75	82.46
2005	9.83	0.79	44.89	29.01	84.52
2006	10.28	0.95	45.49	30.99	87.71
2007	9.50	1.00	47.50	34.40	92.40
2008	9.92	1.11	49.7	37.65	98.38
2009	9.0	1.2	52.0	40.7	102.9
2010	9.2	1.6	51.8	45.3	107.9
2011	9.2	1.3	54.0	49.7	114.2
2012	9.2	1.4	55.3	53.5	119.4

Source: Economic Survey, Various Issues.

Table 4 shows the employment in the private sector by industry. The share of employment in agriculture and hunting etc. has been increasing from 6.7 lakh persons in 1961 to 9.0 lakh persons in 1966. But since then it started declining from 8.05 lakh persons in 1974, thereafter it's increased to 8.60 lakh persons in 1980. It has been steadily declining during the period 1981 to 1985. It was 8.58 lakh persons in 1981, and declined to 8.07 lakh persons in 1985, and since then it shows a continuously increasing trend and reached upto 10.28 lakh persons in 2006, but after this period it has been declining from 9.2 lakh persons in 2012. The share of employment in mining and quarrying has been almost up and down from 5.5 lakh persons in 1961 to 5.1 lakh persons in 1966, and after this period it has been declining from 4.8 lakh persons in 1967 to 0.99 lakh persons in 1990, thereafter its increased to 1.07 lakh persons in 1996, but declined to 1.4 lakh persons in 2012. The share of employment in manufacturing has increased from 30.2 lakh persons in 1961 to 46.56 lakh persons in 1983, but thereafter it has declined from 44.73 lakh persons in 1984 to 43.83 lakh persons in 1989 and after that it increased to 52.33 lakh persons in 1998, but again it declined to 49.70 lakh persons in 2008 and after that it increased to 55.3 lakh persons in 2012. The share of employment in services sector has been increasing during the period and increased from 8.00 lakh persons in 1981 to 3753.50 lakh persons in 2012.

Conclusion

The services sector has been India's most dynamic sector in recent years, with telecommunication and information technology registering rapid growth. The constraints in the industrial and agriculture sectors and natural advantage of India in services made it possible to have services led growth of the economy. Services sector growth can also complement growth in manufacturing sector as there are many sectors where complementarily exists between services and manufacturing growth.

As regards employment in the organized sector the contribution of the services sector has been the most significant. The total employment in the organized sector was about 121 lakh in 1961. The share of the services sector was 59 percent. This share in total employment increased to 69 percent by the year 2003. The percentage share of agriculture, mining and manufacturing sector in total employment has been almost continuously declining since 1961.

As regards employment in the public sector, the share of the services sector was the highest 19.90 per cent in 1961 which declined to 84.5 per cent by the year 1999 and since then it has remained around 85 per cent. Interestingly, the share of mining sector in public sector employment has increased from 1.83 per cent in 1961 to 6.48 per cent in 2012. The share of agriculture sector in the public employment has always remained less than 3 per cent.

The most significant contribution in the private sector employment is that of the manufacturing sector whose share has been about 60 per cent in total employment in 1961. But it declined to 50.5 per cent by the year 2012. The share of services sector in total employment in the private sector increased from 16 per cent in 1961 to more than 38 per cent in 2012. There has been a significant decline of employment in the mining sector under the private sector. The share of mining sector declined from 9.3 per cent in 1962 to 1.1 per cent in 2012. Similarly, the share of agriculture sector employment in total employment declined from about 13 per cent in 1961 to 10 per cent in 2012.

As regards public sector, the employment pattern shows that the share of community, social and personal services in total employment increased from 58 per cent in 1961 to 60.3 per cent in 2012. The most significant increase in the share of employment is that of the finance, insurance and real estate services whose share increased from 4.55 per cent in 1975 to more than 9 per cent in 2012. There has been a significant decline in the percentage share in total employment of construction, whole sale and retail trade, transport, storage and communication over this period. The share of electricity, gas and water supply employment in total employment increased from 3.5 per cent in 1961 to almost 5.5 per cent by 2012.

As regards private sector services employment, the sectoral percentage growth in total employment is the highest in the finance, insurance and real estate services whose share increased from 9.6 per cent in 1975 to more than 29 per cent in 2012. Similarly, the share of community, social and personal services has increased significantly from 35 per cent in 1961 to almost 58 per cent in 2012.

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