10.53957/sanshodhan/2024/v13i1/173195

UNDERSTANDING THE STRUCTURAL TRANSFORMATIONS OF INDIA AND ITS COMPARISON WITH CHINA

Anupam Shahi Prof. Archana Singh

INTRODUCTION

Structural transformation means movement from labour intensive activities to skill intensive activities. It can be defined as a transition from low productivity activities to high productivity activities that is reallocation of economic activities across the three sectors namely primary that is agricultural sector, secondary that is manufacturing sector and tertiary that is services sector. The major aim of structural transformation is to make India more market-oriented and reduce the prevailing inflation rate, increase the growth rate of the economy, increase the flow of economic goods in the country. A transition from a predominant share of agriculture to services is one of the mechanisms to describe the structural transformation activities and a modest to a significant rise in the proportion of manufacturing sector in the gross domestic product and the labor force. This tendency has been noted historically and is consistent across nations with various levels of development. India's incapacity to transit a significant portion of its labor force from the agricultural to the non-agricultural sectors at a rate that would have resulted in a high rate of employment growth in the economy has been the primary cause of the development process failure. The growth of the industrial and services sectors has been relatively faster, agriculture's share of GDP has decreased significantly from roughly 55% in 1951 to 15% currently (Economic Survey, 2011). However, this decrease in GDP share has not been accompanied by an increase in employment, which has worsened the employment situation in the post-reform era. As the share of the national revenue that comes from the service sector has grown to approximately 55 percent in 2009–10, we can claim that our nation's

Research Scholar, Dept. of Applied Economics
Head, Dept. of Applied Economics, University of Lucknow

economy has experienced a considerable transition away from the primary sector's dominance. A unique feature of the Indian economy's transformation in comparison to developed nations' experiences could be the swift expansion of the services sector, devoid of any significant increase in the manufacturing sector. When the relative rise of economic sub-sectors of all the three sectors is not accompanied by any serious changes in the occupational structure of the economy, this might be viewed as a paradoxical trend. However, there has been a slight acceleration of the occupational change in the post-reform period, which is being driven by the service sector rather than the industrial sector. Third, an enormous portion of the modern economy is the informal sector, which makes a very small contribution to the standard of working condition and social security. Measuring the size of the transformation would be a fascinating task, which is what the current research attempts to do. Secondly, we predict that some factors are continuously influencing the structural change in Indian economy for sure.

Review of Literature

Vittorio V. & Donatella. S. (2009) studied the economic growth in China and India for understanding the different patterns of development and structural change and discovered that both countries experienced some advantages of "relative economic backwardness" and some aspects of the "fordist model of growth". India had a more balanced structural change and a slower insertion into the global market than China, and because of the country's large number of micro enterprises and informal sector, India benefitted significantly less from the economies of scale and the third wave of the "Fordist model of growth" than did China. China's structural change was anticipated and deeper, driven primarily by economic reforms and the expansion of the internal market. The recent period of rapid expansion has resulted in negative externalities for both countries, but especially for China: increased levels of inequality, pollution, and urban congestion.

Bahera K., Tiwari M. (2015) observed the structural occupational transformation in India post-reform period and believed that transformation is led by a growth of service-sector employment and not industry-led. The study

highlighted the anomalies in the process of transformation and identified significant structural transformation in not only agriculture sector but also in the unorganized non-agricultural sectors. There existed a negative movement in the organized sector. They suggested that the transformation is positively influenced by various factors, and the two major factors that are slowing down this process is the ever growing (urban) population and capital-labour ratio.

Mallick J. (2017) examined the sources of labour reallocation or structural change & measures and evaluated the contribution of structural change to labour productivity growth (LPG). The study also evaluated the relative contributions of human and physical capital to LPG, and found that the changing final demand is the most crucial factor in labour reallocation in India and confirmed that structural change, globalization, and human capital significantly contributed to LPG.

Ghosh A. (2021) After analyzing India's structural change, it was found that the country's service-led growth was an exception, not the rule. Moreover, the labor reallocation from agriculture to non-agriculture was occurring at a relatively slow pace, which resulted in a slow improvement in employment conditions. This was in stark contrast to China's experience, where the structural transformation was characterized by growth driven by manufacturing and was very much of a classical type. China's job conditions have improved at a significantly faster rate than India's.

Padder, A. H., & Mathavan, B. (2022) studied the structural transformation path across the various economic sectors among different states of Indian economy and identified that some middle and low-income states are following a different path of structural transformation that deviate from those of high- income states and grow faster than high-income states in the process of structural transformation, and there is great heterogeneity within each state.

Research Gap

The present study brings out the gap in terms of the existing methodology and approach. The time period selected for the study is from 1970-2021, and very

few research work have been found after the time period of 2012. Thus, the study bridges the gap of research from the year 2012 till present.

Objectives

- To understand the pattern/trend of structural change and highlight the growth rate in both the economies.
- To understand the difference of the path of structural transformation.

Hypothesis

Ho - There is no significant difference in the path of structural transformation.

Ha – There is significant difference in the path of structural transformation.

Research Methodology-

The present paper is a study based on secondary data sources which includes the various government database, websites, reports, journals, etc. The paper is an attempt to conduct a trend analysis and it focuses on India's share of GDP and Employment over the next 51 years i.e. from 1970-2021 and its comparison with China. The data undertaken for the study includes the sector wise share of GDP of India and China, Gross domestic savings of India and China, sectoral share of employment (in percent) of total workforce of India and China and the total GDP of both the developing economies. The data has been extracted from World Development Indicators (World Bank), for the GDP the data has been taken from the year 1970 to 2021. And for the sectoral share of Employment, the data has been taken from the year 1991-2021 as per the availability.

Structural Transformation: India v/s China

Structural transformation is the defining characteristic of the development process; it is both the cause and effect of the economic growth. Peter Timmer defined "structural transformation through four quite relentless and interrelated processes" (www.ifpri.org).

- A declining share of agriculture in gross domestic product (GDP) and

employment.

• The rise of a modern industrial and service economy.

• A demographic transition from high to low rates of births and deaths.

• The rapid process of urbanization as people migrates from rural to urban areas.

At least in terms of labor and capital productivity and the distribution of poverty, the eventual result of structural change is an economy and society in which agriculture as an economic activity has no distinctive features from other sectors.

Sectoral Share in GDP

The structural change of India is slower and distinct from that of other developing nations like China because manufacturing (the secondary sector) accounts for a small portion of the increase in the economy and the overall labour force in India.

The table below shows sector wise share of GDP of India and China from the year 1970-2021

Table 1

	CHINA			INDIA		
YEAR	AGRICULTURE	INDUSTRY	SERVICE	AGRICULTURE	INDUSTRY	SERVICE
1970	34.8	40.27	24.93	40.29	21.73	35.05
1971	33.63	41.92	24.45	38.63	22.39	35.8
1972	32.42	42.77	24.81	38.63	22.41	35.52
1973	32.93	42.82	24.25	41.6	21.35	32.95
1974	33.43	42.43	24.14	38.88	22.68	33.61
1975	31.95	45.36	22.69	36	23.2	35.14
1976	32.36	45.04	22.61	34.31	24.48	35.8
1977	28.99	46.7	24.31	35.78	24.4	34.66
1978	27.69	47.71	24.6	34.27	25.32	34.94
1979	30.7	46.95	22.34	32.83	25.99	35.52

1980	29.63	48.06	22.31	34.41	25.34	33.81
1981	31.32	45.97	22.71	33.3	26.1	33.87
1982	32.79	44.62	22.59	32.33	26.15	34.9
1983	32.57	44.23	23.2	32.61	26.3	34.52
1984	31.54	42.93	25.53	31.38	26.74	35.42
1985	27.93	42.71	29.35	29.72	26.63	36.11
1986	26.64	43.51	29.85	28.64	26.73	36.99
1987	26.32	43.32	30.36	27.97	26.7	37.45
1988	25.24	43.52	31.24	28.77	26.71	36.8
1989	24.61	42.5	32.89	27.84	27.55	37.23
1990	26.58	41.03	32.38	27.58	27.45	37.04
1991	24.03	41.49	34.48	27.66	26.44	37.79
1992	21.33	43.12	35.56	26.9	26.79	37.91
1993	19.31	46.18	34.52	27.05	26.78	38.49
1994	19.48	46.16	34.36	26.52	27.63	37.5
1995	19.6	46.75	33.65	24.46	28.6	37.85
1996	19.33	47.1	33.57	25.2	27.91	37.71
1997	17.9	47.1	35.01	24.25	27.84	39.08
1998	17.16	45.8	37.04	24.18	27.3	40.13
1999	16.06	45.36	38.58	22.97	26.52	41.97
2000	14.67	45.54	39.79	21.61	27.33	42.73
2001	13.98	44.79	41.22	21.62	26.49	43.81
2002	13.3	44.45	42.25	19.53	27.66	44.73
2003	12.35	45.62	42.03	19.59	27.47	44.7
2004	12.92	45.9	41.18	17.81	29.22	44.11
2005	11.64	47.02	41.34	17.62	29.53	44.44
2006	10.63	47.56	41.82	16.81	30.93	44.04
2007	10.25	46.88	42.87	16.75	30.9	44.01
2008	10.17	46.97	42.86	16.79	31.14	45.88
2009	9.64	45.96	44.41	16.74	31.12	45.98
2010	9.33	46.5	44.18	17.03	30.73	45.03
2011	9.18	46.53	44.29	17.19	30.16	45.44
2012	9.11	45.42	45.46	16.85	29.4	46.3
2013	8.94	44.18	46.88	17.15	28.4	46.7
2014	8.64	43.09	48.27	16.79	27.66	47.82
2015	8.39	40.84	50.77	16.17	27.35	47.78
2016	8.06	39.58	52.36	16.36	26.62	47.75
2017	7.46	39.85	52.68	16.56	26.5	47.67
2018	7.04	39.69	53.27	16.03	26.41	48.43
2019	7.14	38.59	54.27	16.76	24.59	50.08
2020	7.7	37.84	54.46	18.64	25.02	48.07
2021	7.24	39.29	53.47	17.33	26.07	47.94

Source: World Development Report

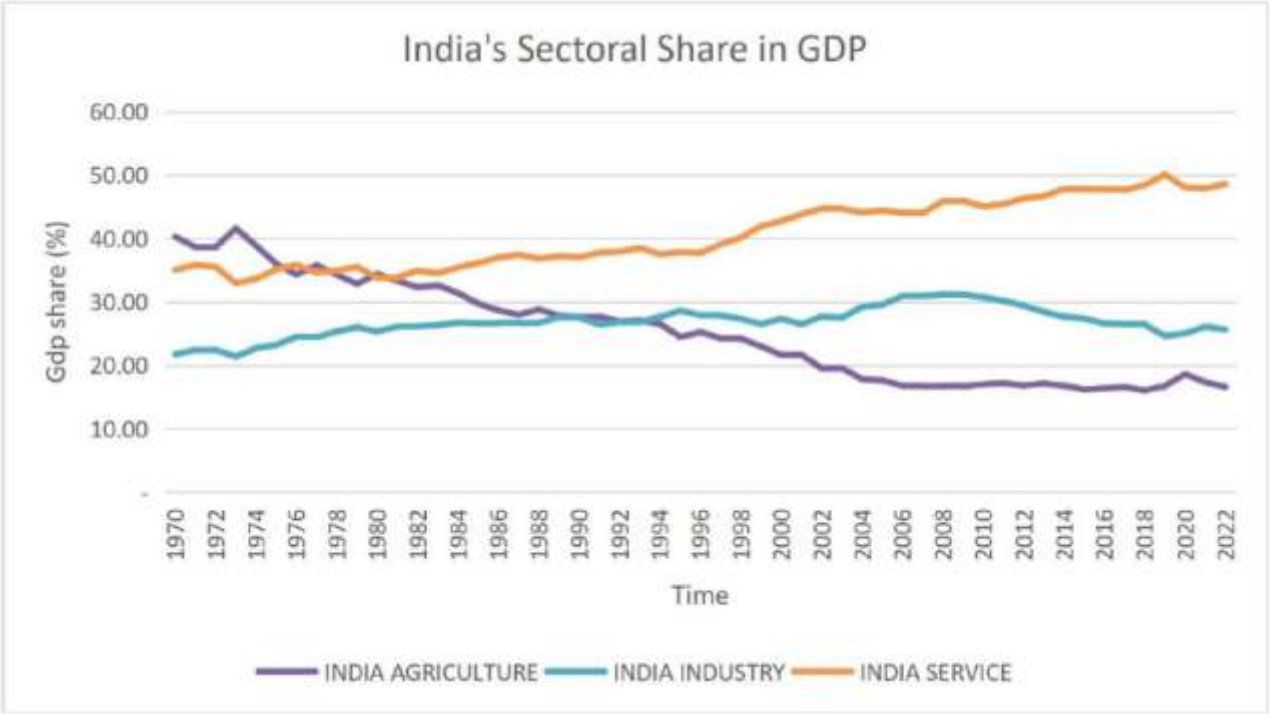

Figure 1

Source: Author's own creation

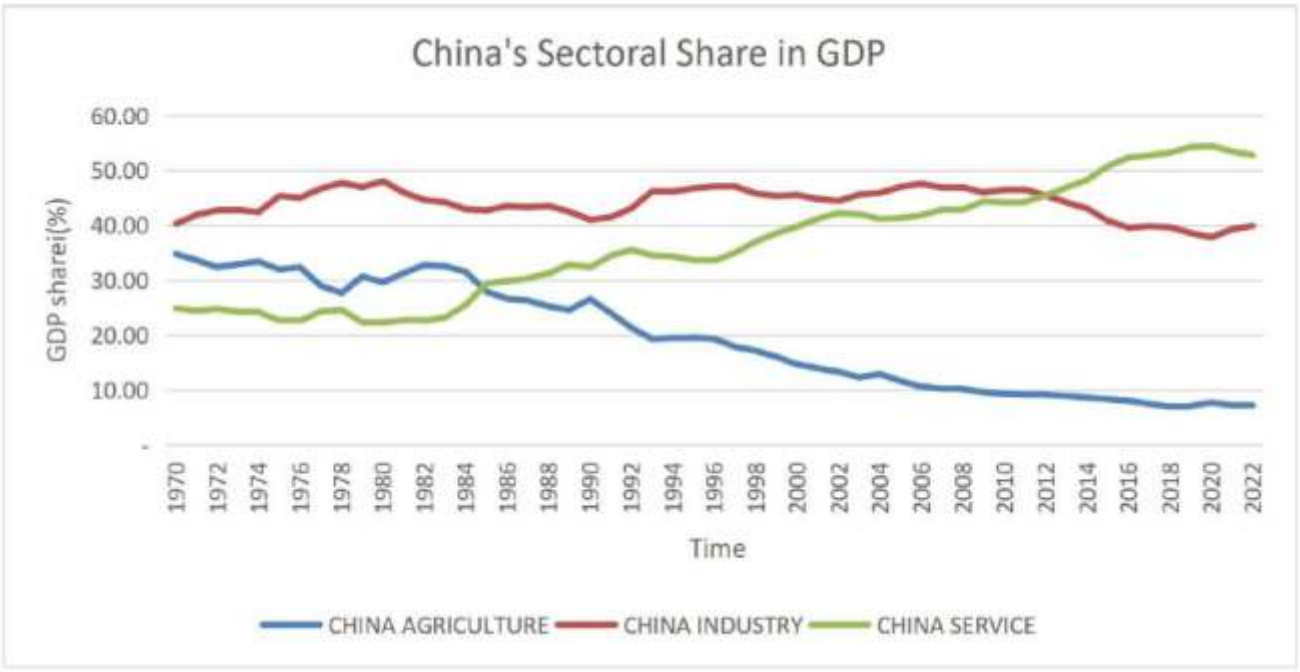

Figure 2

Source: Author's own creation

From Figure 1 we observe that in India, the share of agriculture (primary sector) in GDP has declined but both the industrial and service sectors have shown a prominent growth in GDP. Primary sector's share has declined sharply from 40 per cent to 16 per cent over a period of 51 years. Tertiary sector has the majority share in total GDP that has increased from 35 per cent to 48 per cent from the period of 1970-71 to 2020-21. But the secondary sector has shown marginal growth that is from 23 per cent to 26 per cent. In respect of China the sectoral GDP shares were depicted in Figure 2. Secondary sector is the major contributor in China's GDP from past 42 years i.e. from 1970 to 2012, its contribution is around 44 per cent average. Followed by service sector where its contribution raised from 24 to 52 per cent, while the share of primary sector in China declined by less than 10%.

Thus, we may infer from the data that India's manufacturing sector surprisingly, has not been able to reap the benefits of India's ample amount of labour resources as its output share has only increased marginally from 25 per cent to 28 per cent did not expand as anticipated even after reforms adopted in 5 years plan, despite the fact that the service sector has a tremendous growth and the primary sector has been decline.

Change in Sectoral Share of Employment

It is commonly recognized that over time, India's GDP growth and job creation have had a declining relationship. On the other hand, it is also true that early industrialization and automation have been major challenges for many developing nations, leading to a lackluster job market. It is crucial to assess how much China and India have performed on average and how much better or worse than average India has performed.

Sectoral employment share (in percent) is displayed in the table below of total workforce of India and China from 1991-202.

EMPLOYMENT (Sectoral Share in %)						
	CHINA			INDIA		
YEAR	AGRICULTURE	INDUSTRY	SERVICE	AGRICULTURE	INDUSTRY	SERVICE
1991	59.70	21.40	18.90	63.50	14.92	21.58
1992	58.50	21.70	19.80	63.11	15.06	21.82
1993	56.40	22.40	21.20	62.70	15.20	22.10
1994	54.30	22.70	23.00	62.18	15.42	22.40
1995	52.20	23.00	24.80	61.76	15.59	22.66
1996	50.50	23.50	26.00	61.43	15.70	22.86
1997	49.90	23.70	26.40	61.08	15.83	23.09
1998	49.80	23.50	26.70	60.69	15.96	23.35
1999	50.10	23.00	26.90	60.11	16.16	23.73
2000	50.01	22.50	27.49	59.64	16.32	24.04
2001	50.01	22.30	27.69	59.09	16.66	24.25
2002	50.01	21.40	28.59	58.44	17.08	24.48
2003	49.10	21.60	29.30	57.72	17.56	24.73
2004	46.90	22.50	30.60	56.76	18.28	24.96
2005	44.80	23.80	31.40	56.00	18.80	25.20
2006	42.60	25.20	32.20	55.10	19.37	25.53
2007	40.80	26.80	32.40	54.17	20.00	25.83
2008	39.60	27.20	33.20	53.39	20.53	26.08
2009	38.10	27.80	34.10	52.48	21.12	26.41
2010	36.70	28.70	34.60	51.52	21.81	26.68

2011	34.80	29.50	35.70	49.26	23.11	27.63
2012	33.60	30.30	36.10	47.00	24.36	28.64
2013	31.40	30.10	38.50	46.43	24.43	29.14
2014	29.50	29.90	40.60	45.78	24.53	29.69
2015	28.59	29.18	42.23	45.16	24.58	30.26
2016	27.70	28.80	43.50	44.52	24.71	30.77
2017	26.98	28.11	44.91	43.94	24.85	31.21
2018	26.03	27.60	46.37	43.33	24.95	31.72
2019	25.31	27.42	47.27	41.39	25.37	33.24
2020	24.85	27.73	47.41	44.30	23.93	31.76
2021	24.41	28.24	47.35	43.96	25.34	30.70

Table

Source: World Development Indicators (World Bank)

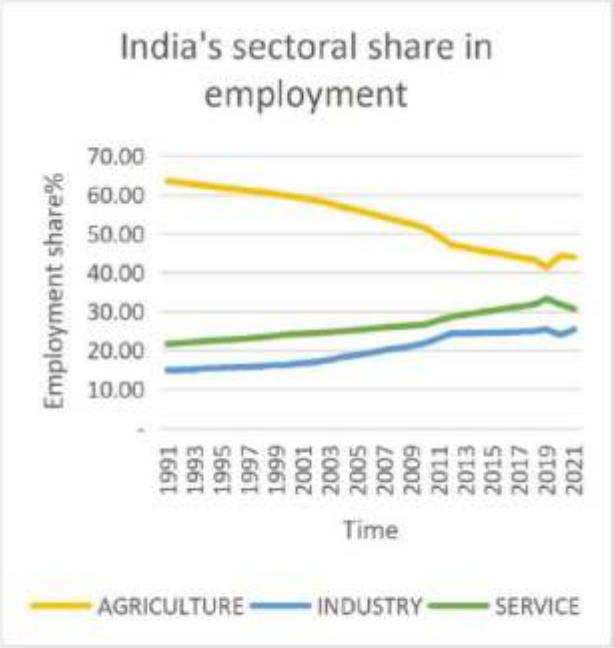

Figure 3

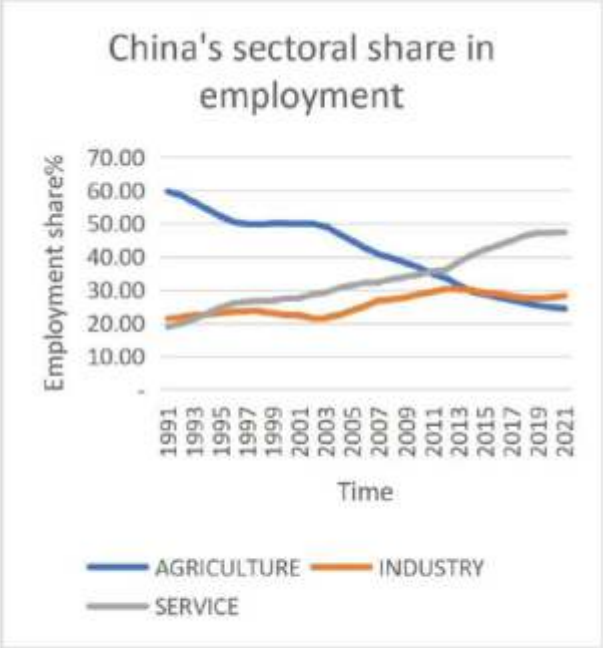

Figure 4

Source: Author's own creation

The share of each sector i.e., Agriculture, Industrial and Service sector of India's total work force is depicted in Figure 3. And it I quite evident that the Primary sector is providing livelihood to more than 53 per cent of the total work force. Over the 30 years its share has declined from 63 to 43 percent but is still higher in respect to the other two sectors and this fall was counterbalanced by a rise in employment in both the secondary and tertiary sectors from 14 to 25 percent and 21 to 30 percent respectively. Secondary and tertiary sectors are providing employment to 20 per cent and 26 per cent of total work force respectively. Tertiary sector has however, exceeded the secondary sector with respect to the absolute and relative level of employment. The movement of labour from agriculture sector to industrial and service sector has been slow.

The empirical research has attempted to explain India's low levels of internal migration. For instance, Kone, Liu, Mattoo, Ozden, and Sharma (2018) argue that the existence of various state-level entitlement systems, access to higher education, and public sector jobs that are favouring the state's citizens prevent interstate labour mobility.

In Figure 4, China's sectoral share in employment has shown, both the primary and tertiary sectors are providing employment to about 41 per cent of the total work force and secondary sector accounts for 25 per cent of employment to the total work force.

Despite the significant growth of both economies, half of India's workforce is still employed in agriculture. Because of this, India's manufacturing and service sectors are unable to create the jobs they formerly could. In China, however, the percentage of employment that comes from the primary and tertiary industries has converged. However, as we can see from figures 3 and 4, the primary sector's share of GDP is fast declining in both nations, even though a larger proportion of the workforce in India is still employed in agriculture than in China.

In India, the country's urban sector has absorbed significantly less labor than

one would anticipate from a rapidly expanding economy, as has the country's rural-urban mobility. As a result, there is now a much larger gap between the GDP share of agriculture and the labor force. Agriculture did not grow as a result of the economy's explosive expansion over the previous 52 years. Because of the poor growth in agriculture, strong growth in nonagriculture, and high labor force dependency on agriculture, the labor productivity gap between the non-agricultural and agricultural sectors has been widening at an accelerating rate.

The performance of GDP

The best method to understand a country's performance is to look at its growth chart while keeping in mind the important historical, economic, political and social events, which support the growth statistics. Hence, the fundamental statistics and graphs of both the developing nations have been given below-

YEAR	CHINA	INDIA	YEAR	CHINA	INDIA
1970	19.3	5.16	1996	9.92	7.55
1971	7.06	1.64	1997	9.24	4.05
1972	3.81	-0.55	1998	7.85	6.18
1973	7.76	3.3	1999	7.66	8.85
1974	2.31	1.19	2000	8.49	3.84
1975	8.72	9.15	2001	8.34	4.82
1976	-1.57	1.66	2002	9.13	3.8
1977	7.57	7.25	2003	10.04	7.86
1978	11.33	5.71	2004	10.11	7.92
1979	7.59	-5.24	2005	11.39	7.92
1980	7.83	6.74	2006	12.72	8.06
1981	5.11	6.01	2007	14.23	7.66

1982	9.02	3.48	2008	9.65	3.09
1983	10.77	7.29	2009	9.4	7.86
1984	15.19	3.82	2010	10.64	8.5
1985	13.43	5.25	2011	9.55	5.24
1986	8.95	4.78	2012	7.86	5.46
1987	11.66	3.97	2013	7.77	6.39
1988	11.22	9.63	2014	7.43	7.41
1989	4.21	5.95	2015	7.04	8
1990	3.92	5.53	2016	6.85	8.26
1991	9.26	1.06	2017	6.95	6.8
1992	14.22	5.48	2018	6.75	6.45
1993	13.88	4.75	2019	5.95	3.87
1994	13.04	6.66	2020	2.24	-5.83
1995	10.95	7.57	2021	8.45	9.05

Source: Author's own creation

Figure 5

Source: Author's own creation

Figure 6

Source: Author's own creation

From the fig. 5, India's growth pattern and the reason behind its rapid growth since 1994 can be interpreted as being significantly different from China's. Midway through the 1970s, there was a first divergence from the roughly 3% Hindu growth rate; this was brought on by an increase in savings and investment rates in the early 1970s. However, India's most significant growth spurt happened from 1992 onward, right after the finance minister Manmohan Singh's market-oriented reforms of 1991–1993. A mix of regressive thinking, interest-group lobbying, and the politics of playing it safe by doing nothing had started to impede the economy prior to that point. A complicated system of labor regulations hurt markets overall, while a system of exorbitant tariffs, quantity restrictions on imports, and an antiquated exchange-rate control system hindered commerce and effectively crushed the manufacturing sector. The changes had nearly instant impact. By the mid-1992, the crisis had passed.

After growing at a rate of almost 7% annually for three years starting in 1994, the economy slightly slowed down during the 1997–1999 Asian financial crisis, but growth has not returned since.

Figure 6 above shows that, for China, the primary distinction between the pre-1978 and post - 1978 time periods is, surprisingly, not so much a shift in the average growth rate as it is in the volatility. It has almost become conventional that market reforms were what caused China to take off in 1978. Without additional justification, Kang (2008: 3) states in his book on the growth of contemporary China and its consequences for international politics and world peace that "China has rapidly emerged as a major regional power, averaging over 9% of economic growth. China's income fell by 27% in 1961, but it increased by 17% and 19% in 1969 and 1970, respectively. There are very few Asian countries that see these kinds of year-to-year fluctuations. The catastrophic Great Leap Forward policy was the cause of China's revenue collapse in 1961; however, it should be noted that the country experienced a significant famine from 1959 to 1962, which may have killed as many as 15 to 30 million people.

Savings and Investment Rate

In less than a generation, global saving and investment will be dominated by the developing world with India's share in global investments expected to almost double by 2030. No other country except China will be investing more than India globally, says the latest edition of World Bank's Global Development Horizons (GDH) report.

The structural transformation of saving and investment in India and China has been influenced by various economic factors, policies, and demographic changes. Here's an overview of how saving and investment have evolved in both countries:

YEAR	CHINA Gross domestic savings (% of GDP)	INDIA Gross domestic savings (% of GDP)
1970	36.10	11.37
1971	36.79	10.05
1972	35.72	10.39
1973	36.55	12.09
1974	36.07	9.76
1975	38.01	12.78
1976	34.18	15.21
1977	36.76	14.55
1978	39.28	14.01
1979	37.10	14.31
1980	35.31	12.50
1981	33.58	14.23
1982	33.43	14.68
1983	32.55	14.36
1984	34.24	15.04
1985	34.93	16.09
1986	35.13	15.29
1987	37.22	16.62
1988	37.88	18.28
1989	35.72	20.26
1990	36.35	21.64

1991	38.08	21.90
1992	40.28	23.34
1993	41.65	23.55
1994	41.82	24.72
1995	40.94	25.76
1996	39.95	25.11
1997	40.35	25.06
1998	39.55	24.28
1999	37.43	23.82
2000	36.43	24.31
2001	38.07	24.09
2002	39.02	25.66
2003	41.98	27.62
2004	44.76	31.24
2005	45.62	32.26
2006	47.43	34.09
2007	49.00	34.38
2008	50.23	32.78
2009	49.92	32.58
2010	51.09	34.27
2011	49.84	32.71
2012	48.86	32.86
2013	48.28	32.06
2014	47.48	31.43
2015	46.01	30.56

2016	44.96	30.40
2017	45.13	30.51
2018	44.94	29.89
2019	43.98	8.09
2020	44.67	27.12
2021	46.08	27.70

Source: Author's own creation

CHINA:

1. **Savings Rate:** Due to a number of factors, including a culture of saving, the existence of limited social safety nets, policies that encourage saving, and government promotion of high savings rates as a means of financing investment, China has historically had a high savings rate, which has been a major driver of its economic growth. The rate never fell below 30% from 1977 onwards and, as we know, China's growth rate showed particular robustness from 1978.

2. **Investment Rate:** China's investment rate has been consistently high, often exceeding 40% of GDP. This high level of investment has supported rapid industrialization, infrastructure development, and export-oriented growth. Much of this investment has come from both domestic and foreign sources, including government investment in state-owned enterprises (SOEs).

3. **Structural Transformation:** China has undergone a significant structural transformation in terms of investment. Initially, it focused on manufacturing and export-led growth, which led to the development of a robust industrial sector. In recent years, there has been a shift towards promoting domestic consumption and the services sector

INDIA:

1. **Savings Rate:** Though it hasn't been as high as China's, India has also maintained a respectably high savings rate. The relationship between savings and growth has not always been clear for India. The significant increase in savings in the

early 1970s did not immediately result in growth, as Table and Figures demonstrate—a topic on which economists have offered commentary. The economy was, in my opinion, restrained by a few bottlenecks in the infrastructure. Moreover, it was becoming clear that the economy was expanding more quickly by the late 1970s and early 1980s. It's interesting to note that between 2000 and 2010, India's savings rate increased significantly again. As per the latest Economic Survey (Government of India 2020), the savings rate has increased from 24% to 34%. India is now saving and investing at rates comparable to those of the Asian tigers for the first time. Since it happened so recently, not enough analysis has been done on it yet. However, this indicates very well for the nation. India's savings rate has been influenced by a number of variables, including household savings, societal perceptions of saving, and the absence of extensive social safety nets.

2. **Investment Rate:** India's investment rate has been gradually increasing but has been lower compared to China. It has typically been in the range of 30-35% of GDP. India's investment has been driven by both public and private sectors, with infrastructure development and private entrepreneurship playing significant roles.

3. **Structural Transformation:** India's structural transformation has been characterized by a gradual shift away from agriculture towards the services sector, particularly in IT, software, and business process outsourcing. The manufacturing sector's growth has been slower compared to China.

4. **Policy Reforms:** India has implemented economic reforms to attract foreign direct investment (FDI) and improve the ease of doing business. Initiatives such as "Make in India" and "Digital India" aim to boost investment in manufacturing and technology sectors.

Reasons for/ Challenges of the slow structural transformation:

The few reasons which can be held responsible for the slow structural transformation are stated below-

1. **Inadequate physical infrastructure and bureaucratic hurdles** slow

down the manufacturing sector's growth, affecting its ability to create jobs, as also suggested by the Economic Survey, 2016–17.

2. The **lack of a supportive ecosystem** for small and medium enterprises hampers their growth and innovation, making them less competitive.

3. The **low level of technology adoption and investment in R&D** limits productivity, preventing diversified sectors of the economy from absorbing more labor.

4. There are **skill mismatches in the manufacturing sector** because there aren't enough skilled workers and their education and training aren't very good.

5. The **unorganized and informal nature of the manufacturing sector** makes it challenging to capture reliable employment data as also highlighted by Periodic Labour Force Survey, 2017-18

6. **Inadequate access to credit and finance** for small and medium enterprises prevents them from scaling up and investing in technology and skills as also stated by Raghuram Rajan Committee Report, 2014

7. Firms find it hard to adapt to changing market conditions and use flexible hiring practices when there aren't good **labor laws and rules.** Now there are attempts to rationalize labor laws, such as through the labor code.

8. The **lack of a clear and stable policy framework** and the fact that policies and rules change often create uncertainty and make people less likely to invest.

9. The **low level of international competitiveness** of Indian manufacturing firms limits their access to export markets and reduces their potential to create jobs, as per the Global Competitiveness Report 2019

10. India's **rural development policies** put too much emphasis on agriculture and not enough on non-farm activities.

Conclusion

To conclude, through this paper, an attempt has been made to analyse the trend or pattern of structural transformation of India and its comparison with another developing economy i.e., China. The economic components like GDP and Employment have been undertaken for the study. The study above indicates that there has been an overall positive trend or pattern of structural transformation in India. It has also been observed that in India, the share of agriculture (primary sector) in GDP has declined but both the industrial and service sectors have shown a prominent growth in GDP, however, in case of China the agriculture sector saw a decline, the industrial sector fairly remained the same and the service sector saw a boost. The study also reveals that in India, when it comes to Employment, the total workforce employed in the agriculture sector saw a decline whereas the other two sectors saw a growth and a similar pattern in all the three sectors was observed in China as well. And finally, upon analysing the Annual Growth rate of GDP of both the developing economies it can be concluded that India's growth rate saw a positive trend whereas, China's economy saw a decline in its annual growth rate.

Ways to accelerate the process of structural transformation:

1. **Increase the amount of money the government spends on infrastructure:** Building better roads, railways, ports, and airports can make it easier to make things. There have been renewed attempts for investment; the budget for 2023–24 has increased spending on infrastructure by 33 per cent, to around 10 lakh crores.

2. **Encourage entrepreneurship:** Promoting entrepreneurship can create new job opportunities and spur innovation, as it has in recent times through the Startup India initiative and other such efforts.

3. **Enhance access to credit:** Access to affordable credit can help small and medium enterprises grow and expand their operations for example through Mudra Yojana

4. **Promote skill development:** Training and skill development programs can enhance the employability of workers and make them more suitable for

manufacturing jobs. Multiple attempts have been made here, such as through the "Skill India" initiative.

5. **Strengthen R&D capabilities:** Investing in research and development can help create new technologies and products, making manufacturing more innovative and globally competitive.

6. **Encourage exports:** Promoting exports can help manufacturers tap into global markets, boosting demand and production as also suggested by Foreign Trade Policy 2015-20.

7. **Facilitate ease of doing business:** streamlining procedures for setting up and running businesses can reduce the regulatory burden and increase efficiency.

8. **Invest in Agro-processing industries:** Developing agro-processing industries can create linkages between agriculture and manufacturing, leading to greater value addition and employment opportunities.

9. **Encourage regional development:** Focusing on regional development can lead to a more equitable distribution of growth, reducing migration from rural areas and creating new manufacturing clusters. If India successfully implements the above solutions and shifts to a more diversified economy, it could lead to increased industrialization, higher productivity, and higher levels of economic growth and development. This could lead to more job opportunities, higher incomes, and improved standards of living for the population, ensuring a Developed nation in the near future.

References

Padder, A.H., & Mathavan, B. (2022). Structural Transformation Path Across Indian States: Findings from Panel Data Analyses. MPRA Paper No. 113305. Retrieved from https://mpra.ub.uni-muenchen.de/113305/

Basole A. (2022). Structural Transformation and Employment Generation in India: Past Performance and the Way Forward. The Journal of Labour Economics

Ghosh A. (2021). Structural Change and Development in India. Indian Journal of Human Development. Vol. 15, Issue 1, pp. 7-29. Retrieved from

https://www.journals.sagepub.com/home/jhd

Nomaan M. (2019). Structural Change And Employment in India. ILO Working Paper No.1

Adhikari S. (2019). Structural Transformation of India: A Quantitative Analysis. The Indian Economic Journal. pp. 1-22. Retrieved from https://www.journals.sagepub.com/home/ie

Mallick J. (2017) Structural Change and Productivity Growth in India and the People's Republic of China. ADBI Working Paper 656. Tokyo: Asian Development Bank Institute. Retrieved from https://www.adb.org/publications/structural-change-and-productivity-growth- india

Vittorio V. & Donatella S. (2015). Structural Change, Globalization and Economic Growth in China and India. The European Journal of Comparative Economics. Vol. 12, Issue 2, pp. 133- 163

Goel M. & Restrepo P. (2015). India's Atypical Structural Transformation. Economic Synopses, Federal Reserve Bank of St. Louis. Issue 23

Kolla S., Venu B.N. & Umesh K. B. (2015). The Structural Transformation of Indian Economy: A Critical Analysis. International Journal of Agricultural Science and Research. Vol. 5, Issue 3, 173-184

Bahera K., Tiwari M. (2015) Structural transformation in India: An econometric investigation. Italian Economic Journal. Vol. 56 Issue 1, pp. 1-18

Hans P. (2013). The Stunted Structural Transformation of the Indian Economy Agriculture, Manufacturing and the Rural Non-Farm Sector. Review of Rural Affairs. Economic Political Weekly. Vol. 48, Issue 26, 27

Vittorio V. & Donatella S. (2009). Structural Change and Economic Development in China and India. The European Journal of Comparative Economics. Vol. 6, n.1, pp. 101-129

Kaushik B. (2009). China and India: Idiosyncratic Paths to High Growth. Economic Political Weekly. Vol. 44, Issue 38

World Bank. World Development Indicators. Retrieved from

https //databank.worldbank.org/source/world-development-indicators