

In Celestin Monga and Justin Lin *eds.*  
*The Oxford Handbook of Structural Transformation*  
Oxford University Press, Oxford, 2017

**INDIA'S PATH TO STRUCTURAL TRANSFORMATION:  
An Exception and the Rule**

*Abstract*

The object of this essay is to analyze the process of structural change in India since 1950 and discuss the path to structural transformation which has turned out to be different from most countries. It sets the stage by developing an analytical framework to examine the relationship between economic growth and structural change, in theory and history, to explore directions of causation. It then examines the broad contours of the significant changes in the composition of output and employment. This reveals two discernible phases. During 1950-1980, structural change was slow and modest, which was more visible in output than in employment. The pattern of change was conventional. The primary sector, essentially agriculture, declined in relative importance, to be replaced by the secondary sector, led by manufacturing, while the services sector accounted for the residual. During 1980-2010, structural change was faster, more significant and rather unconventional, as the reduced share of agriculture in output and employment was captured mostly by the services sector, and in part by construction, but not by manufacturing. In both phases, economic growth drove structural change and structural change drove economic growth, as the causation ran in both directions. The discussion suggests that such services-led growth, by itself, might not be sustainable in future, so that it is necessary to stress manufacturing and revive industrialization but not quite as an alternative. Manufacturing and services are complements rather than substitutes, with potential synergies to be exploited. This strategy would be the equivalent of walking on two legs.

*Key Words*

economic growth; structural change; agriculture; manufacturing; industrialization; services-led-growth.