All successful developing countries undergo structural transformation and adopt diverse approaches to cope with political pressures generated along the way. There are four main features of structural transformation namely: a falling share of agriculture in economic output and employment, a rising share of urban economic activity in industry and modern services, migration of rural workers to urban settings, and a demographic transition in birth and death rates.

Economies have been associated with structural changes for sustainable economic development. It can also be defined as a process of combining economic growth with changing share of different sectors in the national product and labor force.

**Structural shift from agriculture to industry to service:**

This is the most common structural change that had a huge impact on the economic development of a country.

Significant structural changes have taken place in India post-independence. The structural characteristics of Indian economy in 1950 can be related to those showed by the most developed countries when they headed towards industrialisation. The statistics of Indian economy in 1950, 60% contribution by agriculture, 13% by industry and 27% by services to the GDP, can be compared to Britain’s economy in late eighteenth century, the United States’ of mid-nineteenth century and Japan’s in 1900.
Similarly, the share of the labour force in 1950, agriculture accounted for 73%, industry 11% and services 16% of total employment, can be compared to United States (1841) or Japan (1880). The share of agriculture in GDP declined from around 60 per cent in 1950-51 to 24% in 2003-04, share of industry increased from 13 to 25% and that of services from 28 to 51%. The speed of the shift has been faster post-liberalisation.

**Pre-eminence of Service Sector:**

The rarest feature of the structural change, post-liberalisation has been the predominance of service sector as the major contributor to growth. History reveals that industry acts as the major contributor of growth of an economy, particularly in the initial period of development. However, this has not been the case in India because industry has played a minor role in India’s economic growth in the past few decades. Whether India is already at a level of development to sustain such a change in the sources and pattern of economic growth is a big question. India is slowly becoming a post-industrial ‘service economy’, without industrialising.

The reasons for such a swift shift are:

- Technological advancements led to an increase in demand for services even at a relatively low level of per capita income.
- Globalization has created similar pattern of demand in developed and developing countries resulting in high elasticity of demand in these countries.

And so, the production of services has consequently increased.

**Macroeconomic Balances:**

If we look at the consumption basket of the Indian population, we see that commodities form a large part in comparison to services. A production structure showing 51% services and 49% goods looks unrealistic when associated with the demand pattern.
Efficacy of the ‘export services-and-import goods’ model:

Services account for about 35% of India’s total exports of goods and services. This shows a considerable increase over the years. However, it makes only 7.7% of the GDP while all exports being 22% (Economic Survey 2010-2011). Thus, only a small part of the services is being actually traded.

Employment:

Share of services in GDP has grown much faster than in employment, thus in 2010 contributing 55 per cent to GDP and only 28 per cent in employment. Thus, service sector has been unable to generate employment that’ll commensurate its output growth. Although, growth in output of service sector has been 8.7%, the growth in employment in service sector has grown only 3-4% during 2009-10. These figures are highly disappointing due to the weight of agriculture, which has shown virtually no growth in employment.

Income inequality:

Due to increasing asymmetry between sectorial shares of GDP and employment, income inequality among sectors and individuals is increasing. And so, the income gap between agriculture and non-agricultural workers is rapidly increasing. The ratio of per worker agricultural to non-agricultural incomes is 1:6 while between agriculture and services is 1:7 and agriculture and industry is 1:4. With increase in the share of services, this gap will certainly increase. However, this can be avoided if there is sufficient increase in employment share of services. The services sector depicts large differentials in earnings, with a few jobs in high-tech activities with very high salaries, on the one hand, large number of jobs with low earnings in the informal sector.

Demographic Transition:
The population of India, which at the turn of the twentieth century was only around 238 million, has reached 1.21 billion by 2011. There has been complete transition in the birth rates and death rates in India. The death rate in India has significantly declined from 27.1 per thousand in 1951 to 7.48 in 2011. This is achieved due to improved living conditions over the years with control over famines, expansion of medical facilities and decline in infant mortality.

However, death rate in urban areas is lower, owing to faster pace of development, as compared to death rate in rural area. It is expected that the death rate will fall marginally from 7.48 in 2011 to 7.2 in 2021.

Similarly, birth rates have also shown a decline in last few decades, from 43.7 in 1951 to 20.97 in 2011. Birth rate in urban areas is lower, due to education and awareness, as compared to rural areas. Special efforts are being made under NRHM/RCH to improve the access to services and meet the needs of contraception in rural areas, with an expectation to reduce the birth rate. Population projections envisage that birth rate in India will decline from 20.97 in 2011 to 16.0 in 2021, mainly due to decline in birth rate in populous Northern states.

Migration – Rural to Urban:

India has witnessed rise in internal migration (rural to urban) over the years especially of poor labourers. Most of them are involved in informal sector activities where there is constant threat of eviction, removal, confiscation of goods and almost non-existent social security cover. According to 2011 census, nearly 350 million people migrated within the country for expected economic growth. A large part of this population is constituted by poor migrants who end up as labourers within the informal sector. This population faces a high risk for diseases and has reduced access to health services.

In India, the Internally Displaced People, changing residence due to casual nature of their work, are estimated to be around 7.5 lakhs (IDMC, 2009). Internal displacement arises out of ethnic conflicts, religious conflicts, political reasons, development projects, natural disaster etc.

Taking some figures into account, around 25% of the country’s poor live in urban areas and 31% of the urban population is poor, the phenomenon of ‘Urbanisation of Poverty’ is evident. The ratio of urban poverty in some of the larger states is higher than that of rural poverty. The
traditional rural-urban migration occurs as villagers aspire to improve their opportunities and lifestyles. However, most of them end up in the slums of big cities where they are posed to problems of housing and shelter, water, sanitation, health, education, social security and livelihoods along with special needs of vulnerable groups like women, children and aged people.

The challenge that stands for the Indian cities is to cope up with the growing poverty and slums and make the cities sustainable i.e. inclusive, productive, efficient and manageable.

India has witnessed a great structural transformation since independence. It is evident that in developed countries, the industry and the service sectors account for a major share in GDP. In India, the share of agriculture in GDP has declined while that of industry and service sector has increased. And so, India is on the path of having a structure similar to that of developed countries. However, the rising share of services in GDP has an important implication for buoyancy of the economy.

Contrary to the developed countries, the decline in the share of the agricultural sector in GDP has not resulted in a significant decline in the dependence on agriculture. The growth in industry and services has not been able to siphon off surplus population from the rural sector. This has important implications for policies relating to poverty reduction and employment expansion.

India’s growing population has become an asset for the country. This is because it is rich on demographic dividend unlike other aging countries like Japan and China. However, it is posing difficulties in execution of various policies. Government needs to create more awareness about family planning programmes especially in the rural areas.

The growth targets can be achieved if only there is fuller participation of people at the grass-root level through decentralised planning strategy. The success of this strategy hinges upon the encouragement extended to all sectors and sections of people for attaining growth and justice benefiting all people and regions of the country.
This article has authored by Ashita Yadav and Apeksha Prakash from BIMTECH, Nodia