

"A man is
great by
deeds, not by
birth"

-Chanakya

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Measuring Structural Transformation of the Indian States: 1983–2018

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Abstract

In India, during the initial years after independence, the primary sector was the main contributor towards the GDP (Gross Domestic Product), and later the tertiary sector took over the role. The present literature on the structural transformation suffers from the gap of not studying the state-wise and sector-wise evolution of productivity in India. In this paper, we have considered the micro-data for the period of 1983 – 2018. We have constructed sector-wise labour force and calculated the sector-wise labour productivity for all Indian states, for a three-sector and also for a ten-sector disaggregation. The second contribution of the current study is to define a measure to quantify the structural transformation that happened in the economy. For the computation of this Structural Transformation Index (STI), we appealed to the Oaxaca-Blinder decomposition method. Going by our index, the northern zone has undergone the greatest amount of structural transformation. Among the major states, that laurel rests with Bihar, Karnataka, Kerala, and Assam. We also divided the entire period into four sub-periods: 1983–1991 (Pre economic reform period), 1991–1998 (Early economic reform period), 1998 – 2007 (Golden years of economic reform period), and 2008–2018 (Post global slump period). The maximum amount of structural transformation happened during the golden years of the economic reform period and the proceeding period witnessed a drastic increase in the labour productivity growth rate.

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