

Growth of Services Sector in the Indian Economy: An Input-Output Structural Decomposition Analysis

Smriti Karar Mukhopadhyay, Bikash Saha and Probir Karar

The sectoral composition of the Indian economy has undergone a significant structural shift over the years. From a primary agro-based economy during the early years of planning, the Indian economy has emerged as predominant in the services sector during the last couple of decades. The shift in the composition is likely to cause substantial changes in production and demand, and the linkages among various sectors of the economy. This paper seeks to address the reasons for this growth and consequent 'structural change' in the economy during the period 1983-1984 to 2003-2004, using I-O Structural Decomposition Analysis.

I Introduction

The sectoral composition of the Indian economy has undergone a significant structural shift over the years. It is perhaps best exemplified in terms of changes in the shares of GDP contributed by agriculture, industry and service sectors. From a primary agro-based economy during the early years of planning, the economy has emerged as predominant in the services sector during the last couple of decades. The shift in composition is likely to cause substantial changes in production and demand, and the linkages among various sectors in turn have significant implications for the overall growth and the process of development in the economy. With this fact in mind, this paper seeks to address the reasons for this 'service-led' growth and consequent 'structural change' in the economy during the period 1983-1984 to 2003-2004 and to highlight its implications.

The structural relationship among the sectors in an economy is examined in various ways. Perhaps the most widely used one is based on Input-Output (IO) tables, which provide valuable insights into the interdependence of various sectors in an economy. A change in sectoral composition and the reasons for it can be explained by the process of Structural Decomposition Analysis (SDA). Questions may be asked whether service-led growth and structural change in the

Smriti Karar Mukhopadhyay, Lecturer of Science and Humanities, Elite Institute of Engineering and Management, Ghola, Sodepur, Kolkata 700113, West Bengal, Email: smriti.karar@gmail.com.
Bikash Saha, Assistant Professor of Economics, Kalna College, Kalna, Burdwan 713409, West Bengal, Email: sahabikash2011@gmail.com.
Probir Karar, Associate Professor of Economics, Kalna College, Kalna, Burdwan 713409, West Bengal, Email: probirkarar@gmail.com.