

## **Fostering Inclusive Growth through Structural Transformation in India**

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### **Abstract**

Inclusive growth is an economic growth that does not leave anyone behind with respect to reducing inequality as the benefits of development should be distributed to everyone. Structural transformation in India calls for a major transformation from an agrarian to an industrial and manufacturing economy in many ways. This calls for large-scale development in many regions and the resolution of employment-related issues as well as social inequalities. This paper is an attempt to study the relationship between structural transformation and inclusive growth in India by incorporating important policies, challenges, and opportunities in the formation of a more inclusive and sustainable economic future.

### **1. Introduction**

With the status that the country is over-populated and has a very broad geographical spread for an open atmosphere of nurturing inclusive growth while at the same time facing own challenges, structural transformation, or alternately, the associated shift in the industrial and occupational composition of an economy played a significant role in determining the progress of the economy. But this transformation has to be inclusive, meaning that the benefits should go down to all classes of peoples, especially marginalized groups, rural communities, and women. This paper will dwell on how structural transformation in India will be a key to the promotion of inclusive growth, given previous efforts, current trends and future strategies.

**Structural Transformation:** The transformation of an economy from predominantly agrarian to high-mixing industry and services. Such a process puts into play change in sectors, employment patterns, and technology and brings about growth in productivity.

**Inclusive Growth:** Inclusive growth refers to the broad-based growth of the economy, providing equal opportunities for economic progression to one and all and, hence, helping reduce disparity in income, wealth, and opportunities. There should not be any trade-offs for such equality in access to resources, social services, jobs, etc.

### **2. The Role of Structural Transformation in Fostering Inclusive Growth**

#### **a) Agriculture to Industry and Services Structural Change:**

India witnessed significant sectoral shifts over the last few decades from an agrarian-based economy to one increasingly driven by industries and services. Such transformations have been a prime engine of their rapid growth, but it also comes along with problems related to employment generation, income inequality, and regional disparities. With a growing economy in India, this transformation should allow people to shift from low-productivity employment opportunities in agriculture towards higher-productivity sectors such as manufacturing and services to raise incomes and improve quality of life.

Table 1: Sectoral Share of GDP in India (1950–2025)

Year	Agriculture (%)	Industry (%)	Services (%)
1950	50	16	34
1970	44	21	35
1990	33	26	41
2000	25	27	48
2010	18	28	54
2020	17	25	58

Source: Various reports, Ministry of Statistics and Programme Implementation (MOSPI)

Table 1 presents the evolution of the composition of the Indian economy over the decades, thereby depicting the structural transformation of the country. Agriculture dominated the Indian economy in 1950 and accounted for 50% of the GDP. However, this share has gradually declined over the years, and by 2020, agriculture contributed only 17%. This is a common feature in developing economies as they industrialize and modernize. Meanwhile, the industrial sector, comprising manufacturing, mining, and construction, grew steadily from 16% in 1950 to 25% by 2020, mainly through industrial policies and post-liberalization reforms that encouraged economic diversification. The most dramatic change, however, has been in the services sector. From just 34% in 1950, services have surged to account for over 58% of GDP by 2020, largely due to the expansion of IT, telecommunications, finance, and other service-based industries. This shift underscores India's transition from an agrarian economy to a more diversified, service-oriented economy. Looking ahead, agriculture is projected to stabilize around 17%, industry at 25%, and services is going to maintain its dominant role at 58% by 2025, depicting the continued dominance of services as a driver for India's growth. The figures indicate that it is high time to continue to invest in the services sector but balance industrial growth and challenges faced in the agriculture sector.

**b) Employment Generation:**

Inclusive growth requires creating jobs for the growing workforce, especially in urbanizing areas. Industrial and service sector growth can provide employment, but policies must ensure that job opportunities are accessible to lower-income and rural populations.

Table 2: Employment by Sector in India (1961–2021)

Year	Agriculture (%)	Industry (%)	Services (%)
1961	72	11	17
1971	69	13	18
1981	64	16	20
1991	60	18	22
2001	58	20	22
2011	54	24	22
2021	42	25	33

Source: Various reports, National Sample Survey Office (NSSO), Labour Bureau, Ministry of Labour and Employment

Table 2 reveals the changes in the Indian labor market over the past sixty years and shows how the distribution of employment in agriculture, industry, and services has changed. In 1961, the bulk of India's employment was in agriculture, at about 70% of total employment. The share has been gradually declining with the advance of industrialization and urbanization. By 2021, agriculture's contribution to total employment had decreased to about 40%, a reflection of the ongoing transition towards more diversified economic activities. The share of employment in the industrial sector has expanded moderately from about 10% in 1961 to about 20% in 2021, mainly due to expansions in manufacturing, construction, and mining. On the other hand, the most important change is the growth of services sector. From just 20% of the workforce in 1961, the services sector has skyrocketed into over 40% by 2021. This rapid growth in service-sector employment is largely due to the mushrooming of industries such as IT, finance, telecommunications, and retail. This shift in employment distribution puts a focus on India's transformation in the direction of moving from an agrarian to a service-led economy while highlighting the issues associated with creating quality jobs in agriculture and industry. The data thus calls for policies that work towards skill development in each sector, rapid industrialization, and equitable job creation across various sectors.

### **c) Improving Human Capital:**

Skills, education, and healthcare are integral to the strategy of inclusive growth. The development of the education system and vocational training helps close the skills gap by allowing the most marginalized communities to participate in the modern economy fully. It is therefore quite imperative to concentrate on developing human capital, which incorporates education, skills development, and healthcare, as a central pillar of India's development strategy for growth to be inclusive. Improving human capital is essential not only for reducing poverty and inequality but also for allowing the creation of a workforce that could effectively contribute to and benefit from an economy that is constantly evolving.

Its ability to improve human capital by investing in education, skills, and healthcare will be central to India's long-term growth and inclusive development. As the country undergoes structural transformation, it is essential to equip its workforce to grapple with the vast forces of change in the economy. While a good deal of progress has been made, much still remains difficult in ensuring that the benefits of growth reach all segments of society. With enhanced quality of education, expansion in vocational training, and increased accessibility of health services, India will be able to provide an all-inclusive economy in which citizens participate in and enjoy economic growth fully. In fact, human capital is the gateway not only to achieving inclusive growth but also ensuring that such growth is sustainable and equitable for generations to come.

Table 2: Government India Initiatives

Sector	Government Initiative	Objective	Year of Launch
Education & Skill Development	Right to Education Act (RTE)	Ensures free and compulsory education for children aged 6-14 to improve literacy and school enrollment.	2009
	Skill India Mission	Focuses on training youth in vocational skills to improve employability.	2015
	Pradhan Mantri Kaushal Vikas Yojana (PMKVY)	Provides training and certification to youth in various trades to improve their skillset.	2015
	National Education Policy (NEP) 2020	Aims to achieve universal access to quality education and integrate vocational training.	2020
	Mid-Day Meal Scheme	Provides free meals to children in government schools to improve nutritional status and reduce dropout rates.	1995
Healthcare	Ayushman Bharat (PMJAY)	Provides health insurance to over 100 million poor families for secondary and tertiary healthcare.	2018
	National Health Mission (NHM)	Aims to provide accessible and affordable healthcare services, particularly in rural areas.	2005
	Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)	Enhances healthcare infrastructure by setting up AIIMS institutions and upgrading existing healthcare services.	2003
	Mission Indradhanush	Focuses on achieving full immunization coverage for children and pregnant women in underserved areas.	2014
	Janani Suraksha Yojana (JSY)	Provides financial assistance for safe deliveries, particularly in rural areas, to reduce maternal and infant mortality.	2005

Social Protection & Welfare	Pradhan Mantri Jan Dhan Yojana (PMJDY)	Promotes financial inclusion by providing banking services to the unbanked population.	2014
	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	Guarantees 100 days of wage employment for rural households, aiming to reduce rural poverty.	2005
	Atal Pension Yojana (APY)	Provides pension to workers in the unorganized sector, ensuring financial security in old age.	2015
	Pradhan Mantri Ujjwala Yojana (PMUY)	Provides free LPG connections to women from Below Poverty Line (BPL) households to promote cleaner cooking methods.	2016
	Deendayal Antyodaya Yojana (DAY-NULM)	Focuses on skill development and employment generation for urban poor households.	2016
	Make in India	Aims to turn India into a global manufacturing hub, creating jobs and promoting industrial growth.	2014
Employment & Entrepreneurship	Startup India	Provides support to startups through financial assistance, mentoring, and regulatory relief.	2016
	Atmanirbhar Bharat Abhiyan	Encourages self-reliance through local manufacturing, MSME support, and job creation.	2020
	Pradhan Mantri Employment Generation Programme (PMEGP)	Promotes self-employment by providing financial assistance to entrepreneurs in rural and urban areas.	2008
Financial Inclusion & Empowerment	Skill Development Initiatives in Agriculture	Enhances skill development in the agricultural sector to improve productivity and create rural jobs.	Ongoing
	Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDIS)	Promotes digital literacy in rural areas, enabling access to digital banking and government schemes.	2014

Infrastructure Development	National Financial Literacy Mission (NFLM)	Improves financial literacy and empowers individuals to make informed financial decisions.	2013
	Digital India	Aims to transform India into a digitally empowered society and economy, providing access to government services.	2015
	Smart Cities Mission	Develops sustainable and inclusive urban infrastructure, improving quality of life in cities.	2015
	Pradhan Mantri Awas Yojana (PMAY)	Provides affordable housing for urban and rural poor through subsidies and financial support.	2015
	Bharatmala Pariyojana	Focuses on improving road connectivity and infrastructure across rural and underserved areas.	2017
	Kisan Credit Card (KCC) Scheme	Provides farmers with timely credit for agricultural activities, improving financial stability.	1998
Agriculture Support	Pradhan Mantri Fasal Bima Yojana (PMFBY)	Provides crop insurance to farmers, protecting them from financial losses due to natural calamities.	2016
	National Agriculture Market (eNAM)	Integrates agricultural markets nationwide to provide farmers better price discovery and access to markets.	2016

Source: websites of corresponding ministries and departments

### 3. Challenges to Fostering Inclusive Growth through Structural Transformation

Fostering inclusive growth in India through its structural transformation brings with it some of the thorniest and most deeply entwined social, economic, and political challenges. Principal among these problems is the extreme inequality in accessing resources and opportunity, especially within the marginalized sections; these include vast rural populations as well as their female counterparts, and other social sectors such as the Dalits and tribals. These groups, though improved access has been made possible by the government through increased participation, often show restrictions from accessing essential services like education, health services, and financial resources. India has also been confronted by

unending income inequality and regional disparities, where the unequal concentration of wealth in the metropolis and industrialized states in contrast to poor states and rural areas continues to aggravate socio-economic gaps and undermine the presumed fundamentals of inclusive growth." The structural shift needed to transition from agriculture to industry and services has not been accompanied by adequate job creation, leaving a large portion of the workforce, especially in rural areas, locked into low-wage, informal sector jobs. Poor quality education and vocational training compound this problem, as many young people are under-skilled, making them less employable in the modern economy.

Gender inequality is another critical barrier, which includes lower wages for women, fewer educational and health opportunities, and social exclusion, particularly in rural areas where patriarchal norms are very strong. Moreover, with all the governmental programs such as Skill India and PMKVY aiming to fill in the gap, the difference in the imparted skills and those that the industries want, coupled with uneven distribution of training resources, limits the potential of these programs. Infrastructure gaps further impede the growth through not allowing participation by rural population in economic activities through inadequate transport, electricity, and internet access to markets and jobs. Bureaucratic inefficiencies, corruption, and project implementation delays add to this issue since most welfare programs never reach their beneficiaries. Finally, environmental sustainability concerns pose a significant challenge because India's rapid industrialization could lead to resource depletion and environmental degradation, which will disproportionately affect vulnerable communities. Overcoming these challenges requires comprehensive policy interventions, strong governance, enhanced social equity measures, and a commitment to sustainable development that ensures growth benefits all segments of society.

#### **4. Policy Recommendations for Fostering Inclusive Growth**

There are key recommendations to foster inclusive growth through structural transformation: First, emphasize pro-poor growth policies, enabling equal access of marginalized communities to education, health services, and social protection with direct transfers reducing poverty and enhancing economic participation. Third, investments in rural infrastructure, modernization of agriculture, and regional development would help rectify urban and rural disparities and promote more balanced national growth. Third, increasing access to quality education and skill development programs, especially in the underserved areas, will improve employability, with focus on training programs that are more aligned with the market. Last but not the least, gender inclusion must be prioritized through policies that make sure women's access to property, credit, and equal pay. This is a priority because the exclusion of women in rural areas would improve productivity and contribute to a more inclusive economy.

#### **4. Conclusion**

Fostering inclusive growth through structural transformation in India is a complex, multifaceted challenge that requires coordinated efforts from the government, private sector, and civil society. While India has made significant strides in its economic transformation,

ensuring that growth benefits all sections of society remains a key policy objective. By investing in education, infrastructure, regional development, and gender equality, India can move toward a more inclusive growth trajectory that reduces inequality and creates a more equitable society.

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