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TITLE: SOURCES OF STRUCTURAL CHANGE IN INDIA USING INPUT-OUTPUT FRAMEWORK

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ABSTRACT:

During the 1990s India has experienced a transition from a regulated regime of development to competitive regime. It has been a period of liberalization and structural reforms. In the last two decades, the main thrust of liberalization has been on removing barriers to trade and opening up the economy. The paper makes an attempt to analyze the effect of economic liberalization on pattern of sources of growth of output from the demand side perspective. To analyze such patterns, the input-output table is considered to be the most suitable tool to assess structural change and its sources. The analysis is based on Chenery's factor decomposition approach based on input-output framework. The decomposition analysis has been used to measure the sources of structural change between two points of time. These sources are: domestic demand, export demand, import substitution, and technical change. Demand side decomposition helps in identifying the effects of changed policy regime on growth of output and structural changes, as individual components of demand reflect the economic policies. Other indicators for testing the structural change have also been used. The basic data for this study is input-output tables, prepared by CSO, for the years 1993-94, 1998-99 and 2003-04. The given tables were in current prices and the analysis required the tables to be in constant prices. Required massaging and deflation of the data has been done. The results at the aggregate level reveal a modest structural change. Among the sources output growth, domestic demand plays a vital role, followed by export demand, import substitution and technical change respectively. At disaggregated level, there has been considerable similarity with some exceptions in patterns of sources of growth of output.