

Structural Changes In The Indian Economy During The Pre-Reform And Reform Periods: An Analysis In The Input-Output Framework

Topic: Structural change

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Economic reforms, when successful, should bring about perceptible structural changes in an economy. It is now nearly two decades since India initiated reforms in its economic policy in the early 1990-s. At this point of time, it seems worthwhile to assess the extent of structural changes in the Indian economy during the pre-reform and reform periods. The present paper uses Input-Output Tables of India (1983-84, 1993-94, 1998-99, 2003-04 and 2006-07) and devises a classification of sectors based on the pattern of input-usage, to study the structural changes in the Indian economy during the period 1983-83 to 2006-07. Three groups have been identified, namely the resource-intensive or Ricardo Sectors, the technology-intensive or High-Technology Sectors and the primary-factor-intensive or Heckscher-Ohlin Sectors. This type of classification has rarely been used in the literature. Under this three-fold classification of the sectors, linkages were developed using the extended Leontief and Ghosh type of Input-Output Model. The study reveals a fluctuating but declining importance of the resource-intensive or Ricardo Sectors during the entire period of study. The High-Technology-intensive sectors gained prominence during the early years of the reform period. Although there appears to be a decline in their importance in the middle years of the reform period, they pick up again during the later years of the reform period. Overall, the importance of the High-Technology-intensive sectors has increased over the years, even if modestly. The importance of the Heckscher-Ohlin Sectors has increased in the reform period compared to the pre-reform period in terms of the Leontief Forward linkages while no overall change is observed for these sectors in terms of the Ghosh Forward or Leontief Backward linkage. The paper also attempts to investigate the reasons for these structural changes. The study concludes by observing that overall, there have been some changes but not very sharp ones, in the structure of the Indian Economy.