

Indian Economy @ 75 Years: Transition, Transformation, and the Path Ahead

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Abstract: *The trajectory of India's industrial growth over the past seven decades reveals a dynamic but uneven pattern, closely aligned with the nation's broader policy transitions and structural economic shifts. The period-wise data highlights the performance of the three sectors—Agriculture, Industry and Services. The early decades (1951-1980) were marked by moderate expansion of agriculture and industrial sectors, driven by Green revolution and state-led industrialization. This growth, however, was punctuated by intermittent stagnation caused by supply constraints, wars, and domestic macroeconomic pressures. The post-1980 phase ushered in a revival, reflecting higher productivity and the early impulses of liberalization. The watershed reforms of 1991 strengthened this momentum, enabling the emergence of a more competitive and diversified industrial base. Yet growth continued to fluctuate in response to global shocks, cyclical slowdowns, and domestic bottlenecks. The mid-2000s emerged as a high-growth phase-characterized by near self-sufficiency in food grains, an index of Industrial Production (IIP) peaking close to 9 percent, expanding investment, global integration, and India's rise as a notable destination for knowledge-based services. However, post-2011, the industrial sector entered a phase of deceleration, shaped by global headwinds, structural challenges in manufacturing, and disruptions such as the financial slowdown and the COVID-19 pandemic. Overall, the long-term pattern reflects India's evolution from a food-scarce, industrially-weak, protected economy to a global leader in IT-Enabled services, a net exporter of food grains, a nation with a strong foundation of integrated manufacturing and infrastructure. At the same time, it underscores the need for sustained reforms in productivity, logistics, energy, and technology to support future growth.*

Keywords: Industrial Growth, India, Index of Industrial Production (IIP), Manufacturing Sector, Economic Reforms, Liberalization, Structural Transformation, Industrial Policy, Economic Growth Trends, Post-1991 Reforms, Industrial Deceleration, Infrastructure Development, Productivity, Economic Survey, Indian Economy

1. Introduction

As India celebrates 75 years of independence, it is a moment to reflect upon the nation's remarkable economic journey—its beginnings as a fragile, agrarian economy in 1947, its struggles with food scarcity and poverty, and its transformation into one of the world's largest and fastest-growing economies. From a GDP of just ₹2.79 lakh crore in 1950-51 to \$3.5 trillion in 2022, India today stands as the fifth-largest economy, surpassing its former colonial ruler, the United Kingdom. With consistent growth and favorable demographics, India aspires to become the world's third-largest economy with a GDP of \$20 trillion by 2047, its centenary year of independence.

1) Economic Growth and Structural Transformation

India's per capita income has risen from \$82 in 1960 to \$1,927 in 2020, and \$6,166 in purchasing power parity (PPP) terms. Yet, the country is still classified as a lower-middle-income economy. With consistent growth at 7% annually, India could double its per capita income within a decade and enter the middle-income bracket.

Over the decades, the Indian economy has undergone structural transformation. The share of agriculture, once dominant, has steadily declined, while services have emerged as the key driver of growth, bypassing manufacturing to some extent. Sustaining this growth will require raising the investment rate from the present 29% to at least 36% of GDP, with strong participation from both public and private sectors.

Table I: Sector-Wise Growth Rate of Indian Economy

Five -Year Plan	GDP	Agriculture	Manufacturing	Services
First Plan (1951-55)	3.9	3.2	5.8	5.2
Second Plan (1956-60)	4.1	3.3	6.3	4.9
Third Plan (1961-65)	3.5	-0.3	6.6	5.4
Annual Plans (1966-68)	3.7	4.4	2.2	4.3
Fourth Plan (1969-73)	3.2	2.8	4.9	3.2
Fifth Plan (1974-78)	5.0	3.6	6.5	5.4
Sixth Plan (1980-84)	5.5	6.3	5.2	5.5
Seventh Plan (1985-89)	5.7	3.1	6.3	7.2
Eighth Plan (1992-96)	6.5	4.9	9.5	6.8
Ninth Plan (1997-01)	5.7	2.5	3.6	8.0
Tenth Plan (02-06)	7.6	2.5	9.0	9.2
Eleventh Plan (07-011)	8.0	3.8	7.7	9.9
Eleventh Plan (12-17)	8.0	4.0	7.6	9.0

Source: Reserve Bank and Planning Commission Volume-I

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The Table-I reveals the trend of GDP and sector-wise growth across the Five-Year Plans in India, reflecting a clear evolution in the structure and drivers of the economy. In the early planning years from the First to the Fifth Plan, overall GDP growth remained modest, ranging mostly between 3% and 5%, an average growth rate of 3.5%, a phase often referred to as the "Hindu rate of growth." During this period, the economy was heavily dependent on agriculture, and fluctuations in monsoon conditions significantly affected overall growth. Agriculture saw slow and inconsistent progress, even showing negative growth during the Third Plan due to drought and external shocks, while industry and manufacturing performed relatively better under the import-substitution, state-led industrialization strategy. Services, though present, played a secondary role with steady but moderate growth.

A shift became evident during the Sixth and Seventh Plans in the 1980s, where GDP growth accelerated to nearly 6% and the services sector emerged as an important contributor, reflecting the initial impact of partial liberalisation and economic reforms. Manufacturing remained strong, while agriculture continued to show variability, signaling persisting structural constraints such as low productivity, technology gaps, and monsoon dependence.

The most significant transformation occurred after the 1991 economic reforms during the Eighth Plan onward. GDP growth rose sharply, reaching around 8% during the Eleventh and Twelfth Plans. The services sector became the dominant growth engine, registering high growth rates close to 10% due to the boom in IT, finance, communication, and trade. Manufacturing also gained momentum, benefiting from increased private investment, technological upgrading and integration with the global economy. However, agriculture continued to lag behind, growing slowly and inconsistently, indicating that it did not keep pace with the structural transformation of the economy.

Overall, the long-term trend shows India's transition from an agriculture-dominant, slow-growing economy to a diversified one led increasingly by manufacturing and services, particularly in the post-reform era. The data reflects not only rising GDP growth over time but also a shift in the sectoral composition of growth, with services emerging as the backbone of the economy and agriculture remaining the weakest link despite its continued significance for employment and rural livelihoods.

2) Agriculture: From Scarcity to Surplus

One of India's greatest achievements lies in its agricultural transformation. From a food-deficit nation that relied on imports, India has become self-sufficient and even a net exporter of food grains. Production rose from 54.6 million tonnes in 1950-51 to 305.4 million tonnes in 2020-21.

However, farmers' incomes have not grown at the same pace. Nearly half of India's workforce remains in agriculture, yet farm incomes are among the lowest. It took 22 years (1993-

2015) to double farmers' income at a growth rate of just 3.3%. To achieve faster improvements, agriculture must modernize through greater irrigation, better inputs, investment in food processing, market reforms, and expansion into allied activities.

Table-II: Indian Agricultural Production

	1950-51	2021-22	Percentage of Increase
Food grains (Mt)	51	314	616%
Vegetables and Fruits (Mt)	25	333	1332%
Milk ((Mt)	17	210	1235%
Egg (Billion)	1.8	122	6778%
Fish (Mt)	0.8	14.2	1775%

The data in Table-II clearly highlights a remarkable and sustained increase in the production of key agricultural and allied sector commodities in India between 1950-51 and 2021-22, reflecting structural transformation, technological advancements, and policy interventions aimed at achieving food security and diversifying agricultural output. Food grain production increased from 51 million tonnes to 314 million tonnes, marking a growth of 616%. This rise can largely be attributed to the Green Revolution, improved seed varieties, expansion of irrigation, and greater use of fertilizers and technology. While significant, the growth rate of food grains is modest in comparison to other commodities, indicating that the sector has matured and responded more to population needs than export or diversification goals.

In contrast, the production of vegetables and fruits expanded from 25 million tonnes to 333 million tonnes, recording an impressive increase of 1332%. This reflects a shift towards high-value horticulture driven by rising incomes, changing dietary preferences, expansion of cold storage and logistics, and greater profitability for farmers compared to staple grains. Similarly, dairy production experienced substantial growth, with milk output rising from 17 million tonnes to 210 million tonnes—an increase of 1235%. This growth is largely credited to the cooperative movement and White Revolution (Operation Flood), which transformed India into the world's largest milk producer.

The most dramatic increase is observed in egg production, which rose from 1.8 billion to 122 billion—an astonishing growth of 6778%. This surge indicates the rapid expansion of the poultry sector, driven by commercialization, technological improvements, and greater health and protein awareness among consumers. Fish production also expanded significantly from 0.8 million tonnes to 14.2 million tonnes, registering a 1775% increase, reflecting growing investment in inland and marine aquaculture, policy support, and export-driven demand.

Overall, the trend demonstrates a clear diversification of India's agricultural sector from subsistence-oriented cereal production towards a more market-responsive system emphasizing horticulture, dairy, poultry, and fisheries. This transformation aligns with changing consumption patterns,

rising incomes, and policy efforts aimed at improving nutritional security and farmer income. The data also reflects India's journey from food scarcity in the early decades after independence to becoming one of the world's leading producers of a wide range of agricultural and animal-based products.

3) Industry: A Stalled Engine of Growth

India's manufacturing sector has lagged in growth. Its share in GDP was 15.3% in 2000 and only slightly improved to 17.4% in 2020. Despite its potential, Indian industry has not emerged as the global hub that China has become. With the right strategies- investment in infrastructure, adoption of advanced technologies, scaling up production, and attracting FDI- India could unlock its manufacturing strength. Sectors with strong potential include automobiles, pharmaceuticals, chemicals, electronics, renewable energy, and textiles.

Table-III: Indian Industrial Production

Indian Industrial Production	
Period	Average Growth Rate of Manufacturing, Construction, Electricity, Gas and Water Supply
1951-52 to 55-56	6.18
1956-57 to 60-61	6.48
1961-62 to 65-66	6.88
1966-67 to 70-71	4.30
1971-72 to 75-76	2.78
1976-77 to 80-81	4.98
1981-82 to 85-86	4.96
1986-87 to 90-91	6.84
1991-92 to 95-96	6.14
1996-97 to 00-01	5.50
2001-02 to 05-06	7.68
2006-07 to 10-11	8.96
2011-12 to 15-16	6.38
2016-17 to 20-21	3.26

Source: Economic Surveys

Industrial Production Trends in India, 1951-91: The trajectory of India's industrial production between 1951 and 1991 reflects a gradual but uneven evolution from a controlled, state-led framework toward a partially liberalized industrial system. The early decades were characterized by modest growth, but the industrial structure that emerged laid a durable foundation for future expansion. The period from 1951 to 1965 marked the foundational phase of industrialization in post-independence India. With strong emphasis on public sector investment, especially in steel, machine tools, power, heavy engineering, and other basic industries, the Index of Industrial Production (IIP) registered a steady rise. The Second and Third Five-Year Plans, influenced by the Mahalanobis growth strategy, pushed the economy towards capital goods production rather than consumer goods, signaling the beginning of large-scale industrial transformation.

After this period of steady growth, momentum weakened between 1965 and 1975. Industrial production became erratic, reflecting the effects of two Indo-Pak wars (1965 and 1971),

severe droughts, foreign exchange crises, and the restrictive industrial licensing system. While production did not collapse, the pace of expansion slowed noticeably, and utilization of installed capacity remained sub-optimal. Despite these challenges, the industrial base expanded and diversified, and the country continued to develop competencies in core sectors such as chemicals, machinery, and intermediate goods.

Recovery became more visible beginning in the mid-1970s, and the decade from 1975 to 1985 witnessed significantly stronger industrial performance. Higher agricultural growth associated with the Green Revolution contributed to increased rural purchasing power and greater demand for manufactured consumer goods. At the same time, better utilization of existing capacity, enhanced public investment, and gradual technological improvements led to more robust industrial output. As a result, this decade recorded one of the strongest growth periods in India's pre-liberalization industrial history.

The final phase, spanning 1985 to 1991, marked a turning point in India's industrial policy framework. Partial deregulation, relaxation of industrial licensing, greater openness to foreign technology, and expansionary fiscal policies stimulated accelerated growth in industrial output. This period saw greater dynamism, productivity improvements, and diversification toward electronics, engineering goods, chemicals, and transport equipment. The sharp rise in the IIP during these years demonstrated that the Indian industrial sector was responding positively to the initial wave of reform. This momentum ultimately paved the way for the major liberalization reforms introduced in 1991.

Overall, the industrial development experience of 1951-1991 reveals a shift from a highly regulated economy toward a more market-responsive production system. The early decades focused on institution-building and establishing core heavy industry, while the later years saw gradual policy reform and expansion of market-oriented incentives. Despite fluctuations and structural rigidities, the steady evolution of industrial production during this forty-year period laid the foundation for India's post-1991 industrial resurgence.

Industrial Production Trends in India, 1991-2022: The period from 1991 to 2022 represents a transformative phase in India's industrial history, marked by liberalization, global integration, technological transition, and gradual institutional restructuring. Unlike the controlled industrial regime of the earlier decades, the post-1991 industrial sector evolved in an environment shaped by market forces, foreign investment, competition, and global value chains. The post-reform 1990s were a period of transition, with growth fluctuating between 5.5 and 6.1 percent as industries adjusted to global competition, delicensing, and the entry of foreign investment. While reforms improved efficiency and competitiveness, the restructuring also involved adjustment costs that moderated short-term performance. It was only in the 2000s that Indian industry experienced its most robust expansion. Between 2001 and 2011, growth rates of 7.7 to nearly 9 percent reflected strong domestic demand, rising investment, infrastructure

expansion, and integration with global value chains. Sectors such as automobiles, steel, cement, engineering goods, and construction led this decade-long acceleration, making it the most vibrant phase in the country's industrial history.

This momentum slowed considerably after 2011-12. Global economic uncertainties following the 2008 financial crisis, domestic policy delays, infrastructure constraints, and financial sector stress weakened industrial performance, bringing growth down to around 6.38 percent. The period after 2016 witnessed further deceleration. Demonetization, GST implementation challenges, weakened demand, the NBFC crisis, and subsequently the unprecedented disruptions caused by the COVID-19 pandemic pushed growth down to just 3.26 percent during 2016-17 to 2020-21- the lowest since the 1970s.

Taken together, the seven-decade trajectory of India's industrial production reflects cycles of policy-driven expansion, structural challenges, crisis-induced stagnation, and reform-based revival. The post-2016 slowdown highlights the need for renewed industrial strategy focusing on competitiveness, technological upgrading, infrastructure efficiency, and MSME resilience. As India looks to strengthen manufacturing under initiatives like "Make in India" and position itself as a global supply-chain hub, understanding these long-term patterns becomes essential for designing a future-ready industrial policy.

4) Services: India's Global Edge

The services sector has been the true engine of India's growth story. Ranging from IT and financial services to hospitality, healthcare, and education, it has positioned India strongly in the global economy. The IT industry alone contributed 7.4% to GDP in 2022, with exports of \$149 billion, and employs more than 5 million people. Other promising areas include tourism, media and entertainment, and medical services. With digital technologies, skilled manpower, and policy support, services will continue to drive growth over the next 25 years.

Table-III: Growth Rate of Service Sector

Period	Growth Rate
1951-52 to 55-56	10.78
1956-57 to 60-61	13.20
1961-62 to 65-66	14.72
1966-67 to 70-71	12.70
1971-72 to 75-76	12.10
1976-77 to 80-81	13.82
1981-82 to 85-86	20.06
1986-87 to 90-91	21.78
1991-92 to 95-96	20.04
1996-97 to 00-01	25.20
2001-02 to 05-06	23.12
2006-07 to 10-11	29.68
2011-12 to 15-16	24.44
2016-17 to 20-21	12.64

Source: Economic Survey

The Table-3 reveals the growth rate of service sector during the 70 years from 1951 to 2020. When the data is divided into

two broad phases, 1951-91 and 1991-2021, a clear contrast emerges in the growth pattern of India's service sector. During the first phase (1951-91), the service sector experienced slow but steady expansion, with growth rates largely ranging between 10% and 15% during the 1950s, 60s and early 70s. This reflected the nature of a highly regulated, state-led economy where services were mostly limited to traditional activities such as public administration, trade, transport, and basic financial services. A noticeable improvement appears only in the late 1970s and 1980s, when growth rises to around 20-22%, driven by early financial sector expansion, technological adoption, and administrative reforms. Overall, this phase represents a period of gradual structural evolution without significant diversification.

The second phase, 1991-2021, shows a very different trajectory. Following economic liberalization, the service sector became the fastest-growing segment of the economy, fuelled by deregulation, foreign investment, and rapid technological progress. Growth rates climbed sharply to 25% and above in the late 1990s and early 2000s, eventually peaking at nearly 30% during 2006-11. This was the period when India emerged as a global leader in IT, telecommunications, finance, business services and outsourcing, making the service sector the backbone of national economic growth. However, after 2011, the data reflects a gradual slowdown, dropping to 24.44% and further declining sharply to 12.64% by 2021, influenced by global economic uncertainties, domestic policy disruptions, and stress in small and medium service enterprises. Thus, while the post-1991 era marks a phase of rapid expansion and global integration, the recent years point to emerging structural challenges that need attention to sustain the sector's growth momentum.

Growth and Transformation of the Service Sector in India (1991-2022): The service sector in India underwent one of the most remarkable structural transformations during the period from 1991 to 2022, emerging as the dominant contributor to national income and a driver of employment, investment, and global integration. While the pre-1991 phase laid the foundation through public sector institutions, financial systems, and administrative services, it was the post-liberalization era that propelled the service economy to a central position in India's development trajectory.

The reforms initiated in 1991 deregulated key service domains, facilitated foreign investment, modernized the banking and financial sector, and opened avenues for private and global participation. As a result, the share of services in India's GDP steadily increased, eventually approaching and stabilizing above 50% of GDP by the early 2000s, marking a shift toward a service-led economy. Banking, telecommunications, transport, insurance, retail, education, and healthcare began expanding rapidly as markets deepened and reforms encouraged competition.

Among the most transformative developments during this period was the rise of the information technology (IT) and

information technology-enabled services (ITeS) sector. Taking advantage of a large pool of English-speaking skilled labour, cost competitiveness, digital infrastructure, and favorable policy support, India emerged as a global hub for outsourcing, software exports, and back-office services. Cities such as Bengaluru, Hyderabad, Pune, Chennai, and Gurugram grew into major knowledge and innovation clusters, contributing substantially to exports, high-value employment, and foreign exchange earnings. The expansion of IT services also stimulated complementary sectors including telecommunications, business consulting, finance, and logistics.

The early 2000s further witnessed diversification and deepening of the service economy. Financial services, hospitality, aviation, healthcare, and professional consultancy services experienced rapid growth as disposable incomes increased, urbanization accelerated, and domestic demand expanded. India's service exports also widened beyond technology, including tourism, education, transport, and research services. During this period, structural reforms in insurance, retail trading, telecommunications, and financial markets strengthened regulatory frameworks and supported stability and innovation.

The global financial crisis of 2008 slowed growth temporarily but did not reverse the long-term service sector expansion. The resilience of the IT and business services sector helped maintain momentum and even capitalised on global restructuring of business processes. Meanwhile, digital transformation began reshaping services delivery, creating new sectors such as digital payments, e-commerce, online education, cloud services, logistics technology, and platform-based gig employment.

With the introduction of national policy initiatives after 2014—such as *Digital India*, *Start-up India*, Aadhaar-based inclusion, and financial technology revolution—the service sector entered a new wave of modernization. The unification of indirect taxation through the Goods and Services Tax (GST) facilitated easier interstate service delivery and market expansion. The services sector also became central to innovation-led economic activity, contributing significantly to productivity and knowledge-driven growth.

The COVID-19 pandemic (2020-2021) temporarily disrupted several service sub-sectors, particularly travel, tourism, hospitality, and offline retail. However, it simultaneously accelerated digital adoption in education, financial services, healthcare, and remote working systems. The rapid recovery in the subsequent period was supported by expanding IT exports, digital platforms, telemedicine, fintech, and e-commerce, demonstrating adaptability and technological resilience.

By 2022, the services sector had firmly established itself as the backbone of the Indian economy—contributing the majority share of GDP, leading in foreign exchange earnings, and generating high-value employment. It not only integrated India into global value chains but also reshaped domestic economic

structures through digitisation, innovation, and knowledge-based growth.

5) Challenges for India in Its Journey Toward a Developed Economy by 2047

As India moves beyond three decades of liberalization and positions itself toward the centenary of independence, the aspiration of becoming a developed nation by 2047 brings both promise and responsibility. The foundation laid through reforms, technological shifts, and global integration has undoubtedly strengthened the economy, yet the path ahead involves navigating structural challenges that could impede the pace of transformation.

One of the most persistent issues is the pattern of jobless growth, where economic expansion—particularly in the services sector—has not translated proportionately into employment opportunities. While technology-enabled services, IT, and finance have flourished, the manufacturing sector has not absorbed labour at the scale required for a population of India's size. Manufacturing remains constrained at about 16-18 percent of GDP, and nearly two-fifths of India's workforce remains dependent on agriculture, an indicator of underemployment rather than productive engagement. The demographic dividend, though favorable, risks becoming a demographic burden if skilling, employment generation, and industrial policy do not align with emerging technological and global realities.

Industrial competitiveness poses another challenge. High logistics cost, regulatory complexity, inadequate integration into global value chains, and uneven technological adoption have hindered India's ability to position itself as a manufacturing hub comparable to East Asian economies. To compete in the global arena, India must accelerate advancements in strategic sectors such as semiconductors, defence production, renewable energy equipment, electric mobility, and high-value electronics.

Meanwhile, agriculture continues to struggle with structural inefficiencies despite being self-sufficient in food production. Fragmented landholding patterns, limited mechanization, climate vulnerability, and inefficient market linkages have constrained income growth for farmers. For agriculture to contribute meaningfully to a developed nation vision, it must transition from subsistence-led production to technology-enabled, value-added, export-oriented systems.

Regional imbalance and inequality present yet another layer of complexity. Economic progress has been uneven, with southern and western states outperforming northern and eastern regions in income, productivity, human capital, and industrialization. Urbanization, though growing, remains insufficient and often unplanned, exerting pressure on infrastructure, housing, mobility, energy, and environmental sustainability.

Climate change and energy transition amplify the challenges ahead. India must balance economic expansion with

sustainability, reducing dependence on fossil fuels while ensuring energy reliability and affordability for industries, households, and transportation.

At the core of long-term transformation lies India's human capital system—an area requiring significant improvement. Despite policy reforms and expanding educational access, learning outcomes remain below global standards. The mismatch between education, employability, and innovation potential continues, with research expenditure still below 1 percent of GDP.

Finally, reforms in governance and institutions will be essential. While landmark changes such as GST, the Insolvency and Bankruptcy Code, digital public infrastructure, and financial inclusion have strengthened the system, implementation gaps and bureaucratic delays continue to hinder private investment and operational efficiency. Ensuring policy consistency, regulatory transparency, and judicial efficiency will shape investor confidence and long-term growth.

2. Conclusion

At 75, India is no longer a weak, dependent nation but a confident economy with global aspirations. Yet, the path ahead is fraught with challenges that demand visionary leadership, bold reforms, and inclusive policies. If India can channel its demographic dividend, strengthen its manufacturing base, and ensure equitable development while addressing environmental concerns, it can emerge as a global economic leader by 2047. The story of India's economy is one of resilience and transformation. As it stands at the threshold of its centenary, the choices it makes today will shape not only its destiny but also the global economic order of the 21st century.

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