

What's new about India's Growth? An Industry perspective on Inclusive Growth

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It is now well known that the India's growth trajectory has been on the upward move since it opened its economy in the 1990s through overhauling of the economic policies. Further, the economy had a golden run in its growth record during the period: 2003-2008. Most of these high growth however can be traced to the rise of the services especially market services as the engine of growth. This has also stirred debates on whether the growth has percolated to all socio-economic groups within India to be labeled inclusive - both proponents and skeptics of the reform-growth nexus attribute these to the poverty levels and inequality prevalent in India. An important missing dimension of this inclusive growth is related to the sectoral constituents of this growth- agriculture, industry, manufacturing and services.

The dynamics of Economic Growth in India continues to engage economists and still remains an enigma. The present study using INDIA KLEMS dataset provides a highly novel and distinctive perspective on how inclusive has India's economic growth been in terms of different sectors of the economy. A unique dataset comprising 27 sectors of Indian economy at a disaggregate industry level for a period of 35 years, beginning 1980s attempts to understand the dynamics of India's growth from the contribution of industries that comprise the Indian economy. This offers a new way of analyzing the dynamics of inclusive growth including the sources of growth. Our growth empirics allow evaluation of the relative significance of multi factor productivity growth versus input accumulation in accounting for output growth. In addition, we are able to document the industry contributions to aggregate growth. In this way, we are able to analyze how important are the constituent industries within the different sectors of the economy- agriculture, manufacturing, construction, market as well as non-market services in accounting for the observed growth in India. In conclusion, the industry perspective offers a fresh and novel way of discerning new aspects of India's march to higher growth regimes in post 1990s era in terms of inclusion of the sectors which make up the overall GDP of the economy. Finally we need to progress beyond macro perspectives as at the industry level, there are

differences in technology that describe the good or services that is being produced as well as the regulatory environments that surrounds these industries. Further a detailed industry analysis using KELMS dataset also allows in tracing the sources of growth either to input expansion or efficiency improvements (TFP). These have important policy directions for drawing upon growth benefits.

The paper is structured as follows. We document an overview of India's economic growth story in the context of review of Indian economic growth experience during the period 1980-2015 in section 2. The new dataset is explained in section 3. The methodology underlying the growth empirics is outlined in section 4. The next section analyzes what's new about India's growth providing an industry level perspective. The final section concludes our findings and ends the paper.

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