Research Scholar: Monika Saxena
Supervisor Name: Dr. Mirza Allim Baig
Department of Economics
Jamia Millia Islamia
Central University

ABSTRACT

A Comparative Sectoral Study of India and China since 1970s

India and China have emerged as the fastest growing economies of the world. In 1970s, India and China were almost on the same path of economic growth. The scope, size and the rates of growth of both these economies have inspired the keen interest of researchers and policy makers. Through this study, an attempt is made to do a comparative analysis of different sectors like agriculture, manufacturing, and services in India and China. Productivity plays an important role, and is also an important factor of growth for agriculture, and manufacturing sector in India and China. For this analysis, data from various secondary sources in India and china are collected and analyzed using statistical and econometric tools and techniques. The study takes into consideration the period from 1970 to 2011. The production function approach such as Cobb-Douglas production function is taken for formulation of econometric model and calculating productivities in various sectors. To calculate total factor productivity parametric approach is used to estimate the parameters of the production function. The results indicated that the capital accumulation has been the driving force of increase in output performance in agriculture and manufacturing sectors in India and China since 1970s. Output per labour and capital per labour is constantly increasing since 1970s in both the countries. The rate of growth of capital per labour in China is much higher as compared to Indian agriculture and manufacturing sector. Total Factor Productivity gains contributed negatively in the pre reform period and only started contributing positively after the post reforms period in India and China in agriculture sector. The TFP estimates in manufacturing sector in India till 1980 was negative.

From eighties onwards marginal growth started due to the measures adopted by the government in five year plans. The government policies were initiated and seed for reforms were sown during this period. However due to poor implementation of policies, and infrastructural bottlenecks, TFP growth slipped down from 1991 to 1997, since 1997 total factor productivity growth is continuously increasing in Indian manufacturing sector. TFPG growth increased since 2001 as there was proper implementation of the trade policies and import restrictions were reduced to greater extent. Whereas in China after 2000 there was a massive growth in total factor productivity in the Chinese manufacturing sector due to heavy investment in research and development activities and up gradations in technological gradient. Services such as Commercial Service Exports, Mobile Subscriptions, Tourism, Wholesale Trade and Retail, Transport and Storage are taken for the comparative study of India and China. Results show that for the fast growing sectors such as mobile subscriptions, financial service, and IT the dummies for 1990s in India are positive and highly significant which shows that reforms had a positive impact on the growth of these services whereas it does not have a significant impact on tourism, wholesale retail trade and transport storage. Results for China's services show that for the fast growing sectors such as financial services and hotels and catering, the dummies for 1990s are positive and highly significant. In some of the services such as telephone and mobile subscriptions, wholesale retail trade and transport storage policies during 1990s do not have a significant impact. In policy framework, more investment should be done in research and development in agriculture sector and industrial policies should be reviewed and more investment should be done to provide impetus to the economy in India.