"Economic Development : Structural Changes"

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Structural Changes in the Development Process :—

Structural changes is the Process of Structural transformation. It imply the transition from a traditional agricultural society to a modern industrial economy involving a radical transformation of existing institutions, Social attitudes, and motivations. Thus Structural changes refers to long-term Persistent Changes in the Composition of an aggregate. Such structural changes lead to increasing employment opportunities, higher labour Productivity and the Stock of Capital, exploitation of new resources and improvements in technology. The interrelated Processes of Structural change that accompany economic development are jointly referred to as the 'Structural transformation'.

An LDC is characterised by a large primary sector and a very small secondary sector along with an equally small tertiary sector. Structural changes may begin with the transfer of population from the primary to secondary and then to tertiary employment. Structural changes involve the expansion of the non-agricultural sector so that the proportion of the population in the agricultural sector is progressively reduced. It implies reduction in the size of contribution to net national output by the agricultural sector, but agricultural output must increase in absolute terms. In order to increase agricultural output, radical changes will have to be made in the form of land reforms, improved agricultural techniques and inputs, better marketing organisation, new credit institutions etc.

When agricultural production increases, it increases money incomes in the agricultural sector. This in turn, expands rural demand for consumer goods and agricultural inputs which act as Stimulants to the expansion of the industrial Sector.

Another important aspect of Structural Changes is the transfer of population from primary and Secondary to tertiary employment. With economic development the demand for tertiary Products increases very rapidly because the expansion of the agricultural and industrial Sectors is dependent largely on the existence of transport, retail and wholesale distribution, technical personnel, etc. So the proportion of working labour force in tertiary occupations rises with economic development.

An innovation or the opening of a new area may bring about a Structural Change within the economy thereby widening the domestic market and creating a foreign market. However, those structural Changes which affect technical skills, administrative and entrepreneurial and the Supply of Capital are more important. The need for Capital requires the existence financial institutions through which Savings can be Collected and Canalized into Productive Channels.

The Shortage of Skilled Personnel of various Kinds Such as Scientists, managers, engineers, administrators, etc. Poses a Serious Problem in LDCs. It requires the Setting up of Scientific, technological and managerial research and training institutes in the take-off Stage. Technological advance and facilities to finance innovations will increase the Supply of entrepreneurship and so will the mobility of resources and wider markets.

<u>Structural Changes</u> is at the Centre of Modern Economic Growth, the term applied by Simon Kuznets (1966) to Characterize the economic epoch of the last 250 years distinguished by the Pervasive application of Science-based technology to production. The Principal Characteristic of this economic epoch

is 'a Sustained increase in Per capita or Per worker Product, most often accompanied by an increase in Population and usually Sweeping Structural Changes' (Kuznets, 1966) According to Kuznets, there are rapid Shifts in allocation of output among types and Sizes of Producing firms, and Consequently in the allocation of labourforce. There is high interindustry, interStatus and interoccupational mobility of the labour force among employees, from less to more Skilled occupations and from Small to large enterprises.

To Sum up: For Countries aspiring to economic development, Structural Change means that Primary activities which create the greatest part of added value must decline and unlock labour and Capital required first for infant industries, then for Capital-intensive industries and finally for Service Sectors.

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