

## NEW ECONOMY Section



# GROSS DOMESTIC PRODUCT – “BAROMETER AND REFLECTIONS ON ECONOMIC DEVELOPMENT” BE FENCE WITH INDIAN ECONOMY

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***Abstract.** Gross domestic product is one of the barometer and reflections on our economic development and economy's dimension. It is the aggregate value of products and services delivered by our nation during one year. The GDP helps the policy makers and RBI to measure whether our economy is diminishing or mounting, whether it needs an enhancement or control and if a risk such as a depression or inflation reflected in the nation. In this article tried to reveals the Indian economic GDP growth rate over the years, to study the GDP contribution by various sectors and to compare the Indian GDP growth rate with other neighbor developing country's GDP rate. The collected data has analyzed and interpreted through trend analysis and forecasting tool in excel. This study discover that Indian GDP has been fluctuating over the years and GDP contribution from agriculture and industry sector was declined and service sector has been improved during the past years and also India has placed 18<sup>th</sup> place in GDP growth rate based on the 2018 assessment.*

***Keywords:** Gross Domestic Product, Economic Reforms, Barometer and Economic Development.*

## Introduction

Indian economy has established as one of the rapid expanding major economy in the world and become the top 3<sup>rd</sup> economic power of the universe over the next 10 to 15 years and it has supported by its strong democracy, agreements with other nations and resources. After LPG (Liberalization, Privatization and Globalization) and new economic reforms since 1991 and updates in the 2000s, India has emerged as free market economy. Due to this reforms India growth reached 7.5% in the late 2000. In India, state wise also has major responsibilities towards our economic development.

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India's average applied tariff is today one-tenth what it was in 1990. In 1990, total trade as a proportion of Indian gross domestic product (GDP) was around 13 per cent. Today it is 40 per cent. India's two way foreign direct investment (FDI) to GDP ratio at just under 20 per cent is still low by global averages. However the investment of inward FDI has raised by 19% a year over each of the last twenty years.

### **Recent Developments**

Due to the rapid improvement in the economic scenario, government initiated various investment schemes in various sectors of the economy. In India merger and acquisition has raised 53.3% and also private equity deal reached US \$ 24.4 billion. Some of the important recent developments in Indian economy are as follows:

- Merger and acquisition adoption has raised around US\$ 48 billion during the year 2019.
- Promoting green finance for the balanced regional development.
- Indian companies has collected around US\$ 114.1 billion through various IPO (Initial public offering).
- There is huge raise in Foreign Direct Investment (FDI) and maximum contribution from service, IT, telecommunication and automobile sectors.
- India has created around 12 million jobs during 2015-19 period.
- As per the government plan, India is expecting around 100000 new startups by 2025 and it will create employment for 3.25 million individuals.

### **Government Initiatives**

The Union Budget for 2019-20 focusing on effective utilization of technology, establishing social infrastructure, making digital India, pollution free India, creating jobs through promoting Micro, Small and Medium Enterprises (MSMEs) and green finance initiatives for balanced regional development. As per government automotive mission plan 2026, India expecting around 12% contribution to GDP from automotive sector.

Some of the recent initiatives and developments undertaken by the government are listed below:

- India bringing some initiatives to attract FDI of around US\$ 100 billion in oil and gas infrastructure over the next coming five years.
- As per the new agriculture Import and export policy, India trying reach the target of US\$ 60 million export by the year 2022.

- In India, Atal Innovation Mission (AIM), flagship initiative of NITI Aayog, launched the Atal Community Innovation Centre (ACIC) program in NITI Aayog which aims at spurring community Innovation in underserved and unserved areas of the country.
- National Institute for Transforming India (NITI) Aayog released a strategic document titled 'Strategy for New India @75' to help India become a US\$ 4 trillion economy by FY23.
- The Government of India is going to increase public health spending to 2.5 per cent of GDP by 2025.
- Government is planning to launch Bharatcraft portal, an e-commerce marketing platform to market and sell the products.
- Prime Minister's Employment Generation Programme (PMEGP) will be continued with an outlay of Rs 5,500 crore (US\$ 755.36 million) for three years from 2017-18 to 2019-20, according to the Cabinet Committee on Economic Affairs (CCEA).
- As per the Union Budget 2019-20, public sector banks (PSBs) will be provided with a capital infusion of Rs 70,000 crores (US\$ 10.02 billion), allowing NBFCs to raise foreign debt.

Today India is ranked the seventh largest economy, and third largest in terms of Purchasing Power Parity (PPP). The Indian economy's GDP is pegged at \$ 2.9 tn. At a press conference, Finance Minister Arun Jaitley commented, 'We keep oscillating between the fifth and the sixth largest economy, depending on the dollar rate. As we look at the years ahead, we will be \$ 5 tn by 2024 and \$ 10 tn by 2030 or 2031'.

The GDP per capita in India was \$ 1963.55 in 2017. The GDP per Capita in India is equivalent to 16% of the world's average, and averaged \$ 693.96 from 1960 until 2017. It reached an all – time high of \$ 1963.55 in 2017.

## **Review of literature**

**Neeraj Kumar (2015)** explain the changing structure of automobile industry in India. After liberalization and globalization there is a dramatic changes in the Indian automobile industry. He further explained, the growth rate in automobile sector in India is faster than other developed countries like US and Germany.

**Ankur Kumar Rastogi (2013)** this paper aims to discuss the reasons for the slowdown in automobile industry. The researcher further explained, changing scenario in automobile sector is greatly influence the purchasing behavior of the customers. Also researcher tried to give scope for the future in

automobile sector and high light the solution to cope with new trends in the market.

**Neelofar Kamal (2017)** explain the impact of Make in India on automobile sector. In this paper tried to identify the Make in India initiatives on automobile industry growth rate and investment proposal in automobile industry after the Make in India initiative.

**Sujeet Kumar (2014)** tried to identify the growth rate of automobile sector and how it impacts on air pollution. This paper tried to identify the relationship between automobile industry growth rate and air pollution.

**Smita Miglani (2019)** explains the role of government policy and other enabling factors towards growth in automobile sector. This paper also analyzes India's national policy in light of these developments.

**Vashisht, (2008)** Analyzed the determinants of competitiveness in the Indian auto industry. The automobile sector is a key player in the global and Indian economy. The global motor vehicle industry (four-wheelers) contributes 5 per cent directly to the total manufacturing employment, 12.9 per cent to the total manufacturing production value and 8.3 per cent to the total industrial investment.

**Ray (2012)** examine the trends incapacity utilization in the Indian automobile sector at aggregate level during post liberalized economic scenario and also attempts to estimate the economic performance of Indian automobile industry in terms of capacity utilization at an aggregate level.

## **Objectives**

- To analyze the Indian GDP rate over the years.
- To study the GDP contribution from various sectors (Agriculture, Industry and Service sector).
- To compare the Indian GDP growth rate with neighbor developing country GDP growth rate.
- To predict the Future GDP rate based on the past data.

## **Methodology**

In this research article purely based on secondary data. Secondary data has been collected from Indian government website, IMF reports, World Bank reports, various published articles and websites. The collected data has been analyzed and interpreted using various tools like forecasting tool in excel and trend analysis.

## Data analysis and interpretation

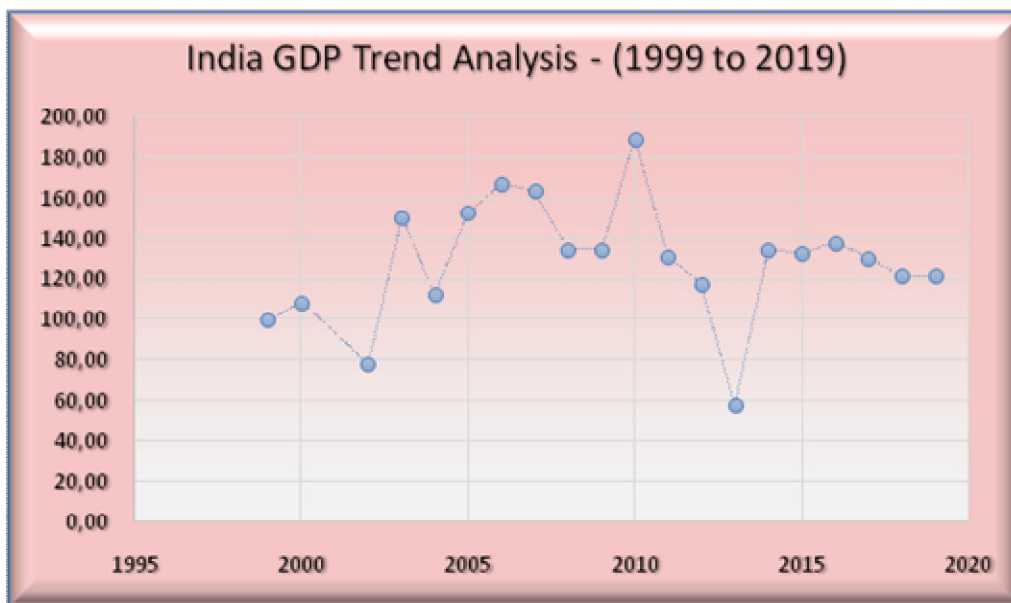
In this study mainly focusing on the India overall performance in economic development. In this study tried to reveals the India GDP growth rate, sector wise GDP contribution and comparing the India GDP rate with some other neighbor countries GDP rate.

**Table 1.1.**  
India GDP rate (1999 to 2019)

Country	India	Trend
1999	5.5	100.00
2000	6	109.09
2002	4.3	78.18
2003	8.3	150.91
2004	6.2	112.73
2005	8.4	152.73
2006	9.2	167.27
2007	9	163.64
2008	7.4	134.55
2009	7.4	134.55
2010	10.4	189.09
2011	7.2	130.91
2012	6.5	118.18
2013	3.2	58.18
2014	7.41	134.73
2015	7.3	132.73
2016	7.6	138.18
2017	7.17	130.36
2018	6.7	121.82
2019	6.7	121.82

(Source: [www.indexmundi.com](http://www.indexmundi.com))

The above table shows the GDP rate of India from 1999 to 2019. In the year 1999, the GDP rate was 5.5% and in the year 2019 was 6.7%. In the year 2010 shows the highest GDP rate in India that was 10.4%. Through the trend analysis it is clear that the GDP rate in India was highly fluctuating over the years and India is not able to maintain the appropriate growth in GDP rate.



**Graph 1.1.** India GDP rate – Trend Analysis (1999 to 2019).

**Table 1.2.**  
India GDP rate Forecasted (2020 to 2025)

Year	GDP (Forecasted)
2020	7.28
2021	7.30
2022	7.32
2023	7.34
2024	7.35
2025	7.37

The above table shows the forecasted GDP rate in India from 2020 to 2025. As per the forecast India able to achieve 7.37% GDP rate in the year 2025. This is due to fluctuations in the GDP rate over the past years. As per the projections India’s economy is the 3<sup>rd</sup> largest economy by 2016 after China and US. To achieve this, India has to come up with new initiatives like Green finance and needs to bring financial rules and regulations to maintain the increase the GDP rate.



**Graph 1.2.** India GDP rate Forecasted (2020 to 2025).

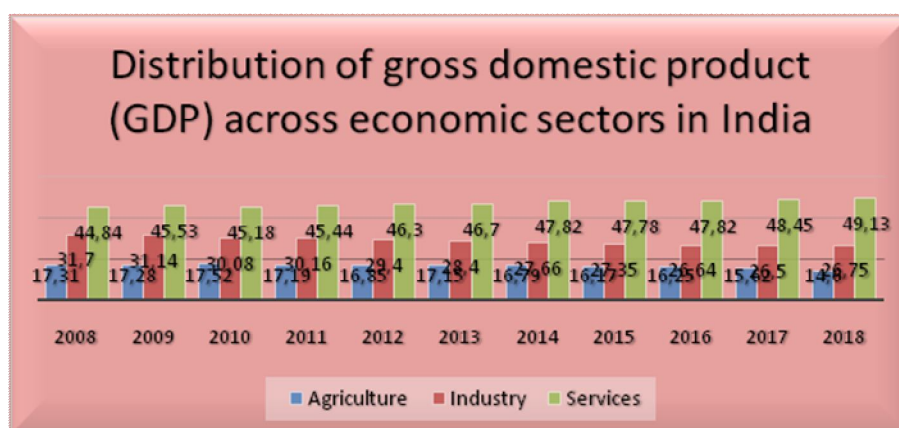
**Table 1.3.**  
Sector wise GDP contribution (2008 to 2018)

Distribution of gross domestic product (GDP) across economic sectors in India			
Year	Agriculture	Industry	Services
2008	17.31	31.7	44.84
2009	17.28	31.14	45.53
2010	17.52	30.08	45.18
2011	17.19	30.16	45.44
2012	16.85	29.4	46.3
2013	17.15	28.4	46.7
2014	16.79	27.66	47.82
2015	16.17	27.35	47.78
2016	16.25	26.64	47.82
2017	15.62	26.5	48.45
2018	14.6	26.75	49.13

(Source: <https://www.statista.com>)

The above table shows the sector wise contribution of GDP in India. In the year 2008 GDP contribution was 17.31%, 31.7% and 44.84% from

agriculture, industry and service sector respectively. In the Year 2018 GDP contribution was 14.6%, 26.75% and 49.13% from agriculture, industry and service sector respectively. From the table it is clear that GDP contribution from agriculture and industry was declined over the years and contribution from service sector has been improved over the years.



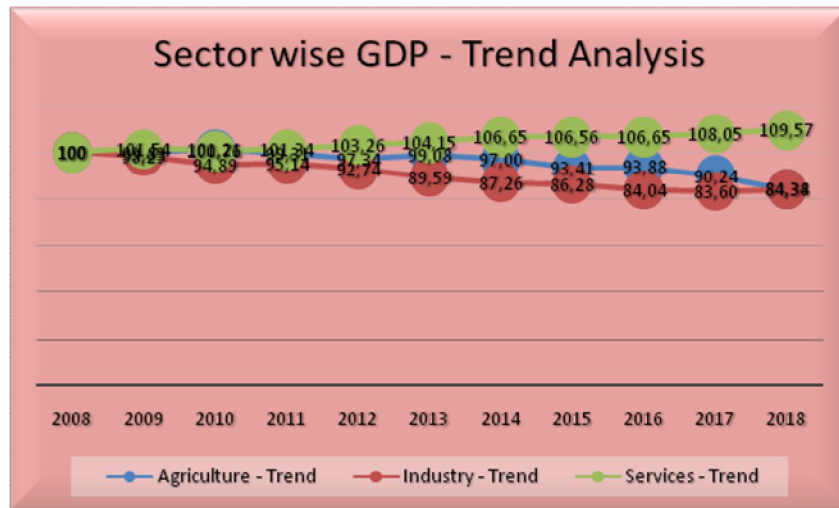
**Graph 1.3.** Sector wise GDP contribution (2008 to 2018).

**Table 1.4.**  
Sector wise GDP rate (Trend Analysis)

Distribution of gross domestic product (GDP) across economic sectors in India						
Year	Agriculture	Agriculture – Trend	Industry	Industry – Trend	Services	Services – Trend
2008	17.31	100.	31.7	100.	44.84	100.00
2009	17.28	99.83	31.14	98.23	45.53	101.54
2010	17.52	101.21	30.08	94.89	45.18	100.76
2011	17.19	99.31	30.16	95.14	45.44	101.34
2012	16.85	97.34	29.4	92.74	46.3	103.26
2013	17.15	99.08	28.4	89.59	46.7	104.15
2014	16.79	97.	27.66	87.26	47.82	106.65
2015	16.17	93.41	27.35	86.28	47.78	106.56
2016	16.25	93.88	26.64	84.04	47.82	106.65
2017	15.62	90.24	26.5	83.6	48.45	108.05
2018	14.6	84.34	26.75	84.38	49.13	109.57

The above table shows the GDP trend analysis from various sectors. From the table it is clear that compared to 2008 GDP rate, agriculture sector

and industry sector contribution was declined and service sector GDP contribution was improved over the years.



**Graph 1.4.** Sector wise GDP –Trend Analysis.

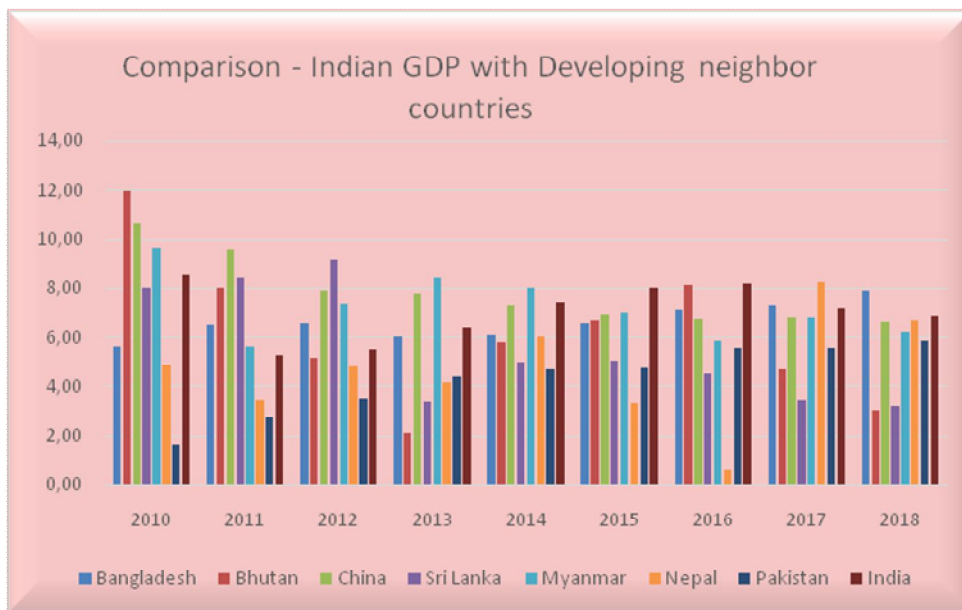
**Table 1.5.**

Comparison – Indian GDP with Developing neighbor countries.

Comparison – Indian GDP with Developing neighborcountry's								
Year	Bangladesh	Bhutan	China	Sri Lanka	Myanmar	Nepal	Pakistan	India
2010	5.57	11.95	10.64	8.02	9.63	4.82	1.61	8.50
2011	6.46	7.98	9.55	8.40	5.59	3.42	2.75	5.24
2012	6.52	5.12	7.86	9.14	7.33	4.78	3.51	5.46
2013	6.01	2.12	7.77	3.40	8.43	4.13	4.40	6.39
2014	6.06	5.78	7.30	4.96	7.99	5.99	4.67	7.41
2015	6.55	6.64	6.91	5.01	6.99	3.32	4.73	8.00
2016	7.11	8.13	6.74	4.49	5.86	0.59	5.53	8.17
2017	7.28	4.65	6.76	3.42	6.76	8.22	5.55	7.17
2018	7.86	3.03	6.57	3.21	6.20	6.66	5.83	6.81







(Source: [www.imf.org](http://www.imf.org))




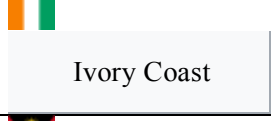
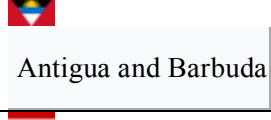






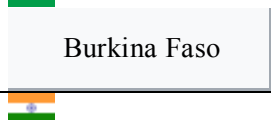

The above table shows the GDP rate of India and other neighbor country's from 2010 to 2019. From the above table we can understand that, GDP rate of Bhutan, China, Sri Lanka and Myanmar has been reduced year by year. Bangladesh, Nepal and Pakistan GDP rate has been improved year by year and India GDP rate has been fluctuation over the years.



**Graph 1.5.** Comparison - Indian GDP with Developing neighbor countries.

**Table 1.6.**  
GDP growth rate – country wise (2018)

GDP growth rate – country wise (2018)		
Rank	Country/region	Real GDP growth rate (%)
1	 Libya	▲ 17.9
2	 Eritrea	▲ 12.2
3	 Rwanda	▲ 8.6
4	 Ireland	▲ 8.3
5	 Bangladesh	▲ 7.9
6		▲

		Ethiopia		7.7
7		Cambodia	▲	7.5
8		Maldives	▲	7.5
9		Ivory Coast	▲	7.4
10		Antigua and Barbuda	▲	7.4
11		Tajikistan	▲	7.3
12		Vietnam	▲	7.1
13		Dominican Republic	▲	7.0
14		Tanzania	▲	7.0
15		Mongolia	▲	6.9
16		Myanmar	▲	6.8
17		Burkina Faso	▲	6.8
18		India	▲	6.8

(Source: [www.wikipedia.org](http://www.wikipedia.org))

The above table shows the GDP growth rate of various countries in the year 2018. In this list Libya, Eritrea and Rwanda leading in GDP rate with 17.9%, 12.2% and 8.6% respectively. In this list India placed 18<sup>th</sup> position with GDP rate of 6.8%.

## **Findings**

In the year 1999 and 2019 India GDP rate was 5.5 and 6.7 respectively. Which means that there is not much improvement in the GDP growth rate in India and also GDP rate was fluctuating over the years.

As per the World Bank GDP forecast, India is the one of the fastest economic growth country after China and US in the year 2025. To maintain that India has to come with operational import and export strategies to develop our economy and needs to maintain stable economic growth.

As per the forecast, India will achieve 7.37% GDP rate in the year 2025 based on the past India GDP growth rate.

The GDP contribution from agriculture sector has been declined from 17.31% to 14.6% compared in the year 2008 and 2018. The GDP contribution from Industry sector has been declined from 31.7% to 26.75% compared in the year 2008 and 2018. The GDP contribution from service sector has been increased from 44.84% to 49.13% compared in the year 2008 and 2018.

As per the Government Automotive Mission Plan 2026, India expecting 12% GDP contribution from automotive sector in the year 2026. For that India has to focus more on Industry sector also needs provide more important on agriculture sector as well. Because India is more dependent on agriculture and also India has more resources compared to other country.

Government has come with some plans like investing in smarter value chains, improving access to credit, technology and market sand building farmer resilience to environmental shocks to encourage and boost the agriculture sector in India.

In the world, India placed 18<sup>th</sup> position in GDP growth rate in the year 2018. It is good sign for the country economic development also India performing very well compared to other developing and developed countries.

## Conclusion

India is become the one of the fastest economic growing county in the world after US and China by 2025 as per the World Bank Report. Long term prospective of the Indian economy still positive due to young population, low dependency ratio, healthy savings and investment rates and finally integration into the global economy. As per the recent government initiatives and trends helps contribute more to the Indian GDP. Indian economy performing well compared to other developing and developed countries. As per the 2018 report India places 18<sup>th</sup> position in GDP growth rate and still continuing the same performance. Hence we can expect India will be the strong economic growth country in the future.

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