*Our Heritage*

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# Tracking Gdp Graph To Decode The India's Slow Down

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**ABSTRACT:**

India's diverse economy encompasses traditional village farming to modern multitude of services. The economy today stands as one of the most attractive and influential economy in the world. Indian economy is ranked fourth in terms of Purchasing Power Parity (PPP). Even though the economy transformed into vibrant and rapidly growing consumer market, at present it faces slow down. The economy has recorded from the shocks of demonetization and GST, based on this background the paper has analysed the growth rate of GDP for the past five years.

Even though the government seems to be addressing concerns ailing the economy, the slowdown seems to be deeper than what the numbers suggest. While it is true that a slowdown caused by a multitude of factors cannot be completely fixed by a single stimulus package or reform, alleviating rural distress and thereby reviving consumption demand is just the boost that the economy needs.

**OBJECTIVES**

The following objectives has been framed for the purposes of the study.

- To analyse the GDP growth for past ten years
- To analyse the contribution of three major sectors to GDP
- To study the reasons for the slow down and give suitable suggestions based on findings.


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**Data and Methodology**

The present study is based on secondary data. Linear trend analysis and compound growth rate has been used to analyse the secondary data.

**Analysis and Findings of the Study**

In common parlance, National Income (NI) means the total money value of all final goods and services produced in a country during a particular period of time.

The following are some of the basic concepts used to measure national income.

- GDP is the total market value of a country's goods and services produced in a year.
- GNP is the total measure of flow of final goods and services at market value resulting from current production in the year.
- NNP refers to the market value of output.

Among the three, the welfare of a nation can scarcely inferred from a measurement of national income by GDP.

Table 1 shows the GDP growth rate for past ten years

**TABLE 1**

**GDP Growth Rate for Past Ten years - Trend Value Analysis**

| X | Y | X | $X^2$ | XY | Yc |
|---|---|---|---|---|---|
| 2009 | 8.5 | -5 | 25 | -42.5 | 8.295 |
| 2010 | 10.4 | -4 | 16 | -41.6 | 8.096 |
| 2011 | 6.6 | -3 | 9 | -19.8 | 7.897 |
| 2012 | 5.5 | -2 | 4 | -11 | 7.698 |
| 2013 | 6.4 | -1 | 1 | -6.4 | 7.499 |
| 2014 | 7.4 | 0 | 0 | 0 | 7.3 |
| 2015 | 8 | 1 | 1 | 8 | 7.100 |

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| | | | | | |
|---|---|---|---|---|---|
| 2016 | 8.2 | 2 | 4 | 16.4 | 6.902 |
| 2017 | 7.2 | 3 | 9 | 21.6 | 6.703 |
| 2018 | 7.1 | 4 | 16 | 28.4 | 6.504 |
| 2019 | 5 | 5 | 25 | 25 | 6.305 |
| Total | 80.3 | | 110 | -21.9 | |

Source: www.gdpstat.com

The a and b values are 7.3 and -0.199 respectively. By using this, the GDP for the year 2025 is estimated.

Y (2025) = a + bx = 7.3 + (-0.199 X 11)= 5.11

The GDP for the year 2025 will be 5.11.

Correction has been used to analyse the relationship between actual and estimated GDP. The correlation between actual and estimated trend of GDP is 0.443. There is a low degree of positive correlation between actual growth rate and estimated growth rate.

In the year 2009, 2010, 2011, 2014, 2015, 2016, 2017 and 2018, there is an increasing trend. In the year 2012, 2013 and 2019, there is a decreasing trend.



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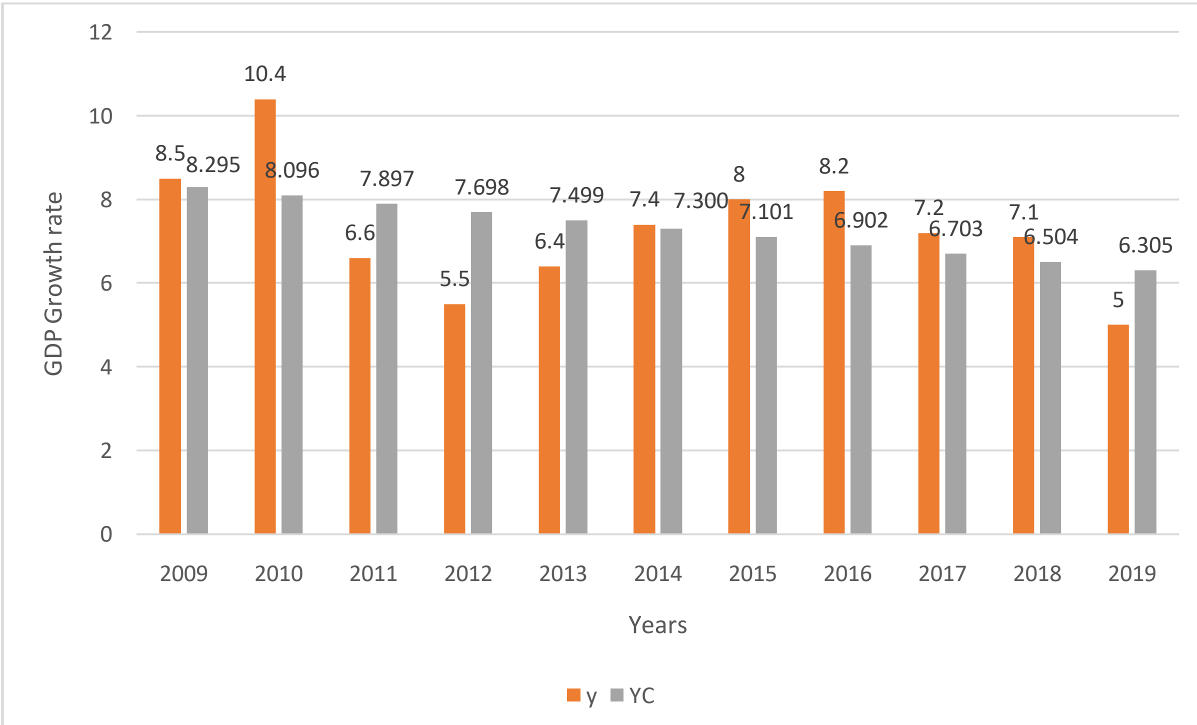
**Figure 1**

**Actual and Estimated Trend of GDP From 2009 to 2019**




The compound growth rate is -4.71 which indicates that there is a negative trend in the growth rate. The welfare of the nation is measured by taking the net output and services during a year.

On the basis of production, Indian economy can broadly be divided into the heads.

i. Primary or Agricultural Sector

This sector consists of agriculture and allied activities. The Table 2 shows that contribution to GDP has declined from 16.79 per cent at 2-14-15 to 11.80 per cent during 2018-19. The dipping down of agriculture contribution to GDP is a serious issue as it cannot absorb the unemployed individual due to various constraints.

ii. Secondary or Manufacturing Sector



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The secondary sector or industrial sector includes all the large scale, small and tiny scale of industries. Its contribution to GDP has also gone down from 27.66 per cent to 26.13 per cent.

iii. Services or Territory Sector

Service sector includes communication, banking, trade, international trade and all services. Its contribution has increased from 47.82 per cent from 2014-15 to 59.93 per cent at 2018-19.

**TABLE 2**

**Contribution of Three Sectors to GDP**

(In %)

| Sector | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|
| Agriculture | 16.79 | 16.17 | 16.25 | 15.62 | 17.1 | 11.8 |
| Industry | 27.66 | 27.35 | 26.64 | 26.5 | 33.8 | 26.13 |
| Service | 47.82 | 47.7 | 47.52 | 48.45 | 53.9 | 59.93 |

Source: Central Statistics Office

Though India is an agro based economy and has given a lot of emphasis on industries and sources. The dipping down of agriculture is not healthy for an economy.

**Reasons for Economic Slow Down**

Serious economic slowdown has been witnessed by various reasons.

a. Disruption and Jolt of Reforms

Demonetisation and GST was a shock to Indian economy as it blows down consumption and investment which led to vicious cycle of job loss and lower income.

b. Monetary and Fiscal Policies



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Monetary policy focused on inflationary control alone not ensuring flexibility in interest rate. Fiscal deficit of centre and state was very high. The Government spent pump pricing.

c. Agriculture growth has dipped down

Farm income has declined very low and the growth rate of rural income has declined from 20 per cent at 2013-14 to 3.7 per cent at 2018-19.

Former Reserve Bank of India Governor Raghuram Rajan has pointed out the key problem for India is that it has not able to figure out “new sources of growth” and highlighted that the sequence of demonetization and GST was essentially the straw that seems to broken Indian economy’s back.

**SUGGESTIONS**

1. Change GST slab rates
2. Adopt the direct tax code, cut income tax for the bottom slabs.
3. Change the credit culture in public sector
4. Stimulus should drive ‘direct’ domestic investment
5. Policy makers should take steps to develop agriculture and increase the agricultural contribution to GDP.

***Conclusion***

The recent slowdown in India’s growth is temporary as per the World Bank President Jim Yong Kim. Accordingly if corrective steps are taken, Indian economy could come back on rails on the high growth achievement. Initially, the policy makers should concentrate on agricultural development. The industrial sector with structural reforms may develop. Inclusive growth is far more necessary. The Indian economy has huge potential, the current slowdown must be dealt with a bottom up strategy including agriculture, industry and service sector.


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