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Review Article

Factors Affecting GDP - Opinions, Studies and Interpretation

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ABSTRACT

The gross domestic product (GDP) is one of the primary indicators used to measure the condition of a country's economy. It can be estimated by three methods namely *output method, input method and expenditure method.* The economic growth has been driven by the expansion of services that have been growing consistently faster than other sectors. FDI in I.T. sector is unavoidable phenomenon in modern economy. The government needs to have stricter control on the FDI and monitor it regularly. FDI provided a sound base for economic growth and development. A globalized economy demands efficiency in production.

Key words: Growth, FDI, Import, Export, macroeconomics.

INTRODUCTION

India is one of the fastest growing economy. The economy of India is the sixth-largest economy in the world measured by nominal GDP. It is third largest by purchasing power parity (PPP). The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It can be estimated by three methods namely *output method, input method and expenditure method.* The economic growth has been driven by the expansion of services that have been growing consistently faster than other sectors.

The factors affecting growth are divided into two categories, demand side and supply side. Human resources, capital, technological development and political scenario are few factors affecting the growth. India rank 11 in service sector and 12 in industry sector. In India, contribution of agricultural sector much higher than world average. Current review summarizes studies on Indian economic growth with GDP as a measuring parameter.

FACTORS AFFECTING GDP - REVIEW ON STUDIES WITH INTERPRETATION

Jain studied impact of I.T. industry on Indian economy. [1] She discussed latest contemporary issues regarding Indian IT Industry’s contribution in economy of nation. According to her, I.T. sector in India accounts for 50 percent of GDP. In 2009, India’s software was only 2% of world software export. Niranjana and Shivkanya carried out studies on FDI in organized retail sector and its impact on Indian economy. [2] According to them FDI in I.T. sector is unavoidable phenomenon in modern economy. The government needs to have stricter control on the FDI and monitor it regularly. They emphasized that the scope for FDI in India is unlimited. Rath et.al. studied effect of tourism on Indian economy. [3] According to them, traveling and tourism has is an integral part of Indian culture and tradition. They also emphasized that promoting ecotourism can help to improve tourism in India. Jain et al. highlighted the significant role played by public sector enterprises (PSEs) in shaping the path of the Indian economic development. [4] According to them, PSEs have been the mainstay of the Indian economy. They pointed out that, these PSEs serve macroeconomic objectives of higher economic growth. They also facilitate long term equilibrium in the balance of payments. They also reiterated that, these enterprises also serve towards creating employment opportunities. Estimates show that these public sectors account for 22 percent of the GDP. They provide 6 percent of total employment in the organized sector.

Jain et.al. carried out studies on factor affecting GDP. [5] The factors included manufacturing, services, and industry sectors. They investigated the impact of various macro-economic factors on GDP components. In their investigation, they used secondary data for the period 2000-2001 to 2011-2012. In their analysis, they found that Net FII debt on GDP components had negligible effect on GDP. FDI, Net FII equity and Import on GDP components were found to be the factors which had significant effect on GDP. Vasanthi and Aarthi carried out studies on impact of foreign direct investment on Indian economy. [6] According to them, foreign direct investment plays a crucial role in channelizing transfer of capital and technology. Their investigation was focused on finding out how FDI seen as an important economic catalyst of Indian economic growth. They concluded that FDI provided a sound base for economic growth and development. Ghosal, in his paper studied the trend in the behavior of the external sector of Indian economy. [7] For this, he used the indices like the index of trade integration; financial integration; net external position (NEXT); equity integration. He found that all the indices as well as the variables including the GDP growth are non-stationary. They also found that for growth of our economy, the factors like the trade integration, the financial integration, the NFA and the net external position had negligible effect. Jamuna studied impact of inflation on Indian economy. [8] Inflation is the most immediate parameter associated with price rise. In her studies, she analyzed the effects of inflation on our country's economy in the recent past. Lashmi and Kumar carried out studies on economic growth of service sector. [9] Service sector is the sector with largest employment availability and potential. The authors pointed out that advances in technology have permitted new means of providing services. In their studies, they investigated growth, contribution and development of services sector in Indian economy. Thenmozhi and Thilagavathi studied impact of agriculture on Indian economy. [10] It is most important sector as 75 percent people in India survive on agriculture. Improvement our agriculture and raising its productivity has always been priority of our economical policies. Providing ample irrigation facility is most important aspect of the resource building in agricultural sector. They emphasized the responsibility on policy makers is to reduce poverty by raising agricultural productivity.

Mathiyazhagan discussed impact of foreign direct investment on Indian economy. [11] In their studies, they studied factors like foreign direct investment (FDI) with the gross output (GO), export (EX) and labour productivity (LPR). They found that the flow of FDI into the sectors has helped to raise the output, labour productivity and export in some sectors. They concluded that the advent of FDI has not provided a positive impact on the Indian economy at the sectoral level. Rajeev and Vani studied direct and indirect benefits of business process outsourcing on Indian economy. [12] India is one of the prominent amongst the countries where the BPO industry has helped the economies. They examined the direct and indirect benefits of the industry on Indian economy. According to them, a globalized economy demands efficiency in production. Sain and Mittal carried out studies on recession in India. [13] Recession is normally effect of loss of confidence of the consumers towards economic growth.

CONCLUSION

The gross domestic product (GDP) is one of the primary parameters used to gauge the health of a country's economy. It can be estimated by three methods. These methods are *output method, input method and expenditure method.* Improvement our agriculture and raising its productivity is one of the most important objective of economic policies. Providing ample irrigation facility is most important aspect of the resource building in agricultural sector. PSEs have been the soul of the Indian economy. These PSEs serve macroeconomic objectives of higher economic growth.

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