A SECTORIAL GDP GROWTH REVIEW OF THE INDIAN ECONOMY FOR THE PERIOD FROM 2013-14 TO 2017-18

R.R. Shinde
Department of Commerce, K.V.N. Naik Arts,Commerce & Science College, Nashik, Maharashtra, India
rupalikiranpatil@gmail.com

ABSTRACT

Growth in Gross Domestic Product (GDP) is one of the most popular metrics of economic growth and development. In this article, a sectorial review of the GDP growth in the Indian economy is carried for a five year period from 2013-14 to 2017-18. The growth achieved in the eleven sectors in rupee terms and in terms of percentage has been compared. Total GDP of the Indian economy was Rs.90.64 lakh crores in the year 2013-14 and it increased to Rs.120.74 lakh crores in the year 2017-18. The average growth rate of 7% of the GDP over the five year period is quite satisfactory considering much smaller GDP growth rates of other advanced nations like the USA and the UK. The five year period under review on an overall basis shows a phase of a steady and consolidated development of the economy which has come from sound economic policies, stable government, and good governance.

Keywords: *Gross Domestic Product, Sectorial growth, GDP growth, Indian economy.*

1. Introduction

Gross domestic product (GDP) is the aggregateeconomic or market value of all the finished goods and services produced within a country's borders during a specific time period. As a broad metrics of overall domestic production, GDP functions as a comprehensive scorecard of a country's economic health. It is an important barometer and is monitored very closely by economists and even the general public. Growth in GDP is considered as a positive sign. It connotes economic progress of a nation. The growth percentage is closely monitored and a higher GDP growth rate is very much desired. Indian economy has been recording GDP growth rates around 7% on a year-on-year basis. This rate of GDP growth has been considered satisfactory since post the global meltdown in 2008, advanced and developed nations have struggled to sustain any significant growth in their GDPs. In this article a review has been done of the growth of the Indian GDP based on eleven sectors over a five year period from 2013-14 to 2017-18. Also the percentage share of the eleven sectors in the total GDP over the five year period has been compared to gain insights into the major trends and changes. Sectorial and total growth has been analyzed to find out the direction of the Indian economic development.

2. Literature Review

Srinivasan (2014) in a study investigates the causal nexus between public expenditure and economic growth in India using cointegration approach and error correction model. The analysis was carried out over the period 1973 to 2012. The Cointegration test result confirms the existence of long-run equilibrium relationship between public expenditure and economic growth in India. The empirical results based on the error-correction model estimate indicates one-way causality runs from economic growth to public expenditure in the short-run and long-run, supporting the Wagner's law of public expenditure.

Sapre et al. (2017)study revisions in the annual estimates of India's GDP data. The objective of the analysis is to understand the revision policy adopted by the Central Statistical Organisation (CSO) and the issues therein. Using historic data, authors study the magnitude and quality of revisions in the aggregate as well as the sectoral GDP series. They have analysed the computation of the sectoral revised estimates and compare the extent of revision in growth rates from the first release to the final estimate. To understand the magnitude of revisions, authors compute the standard deviation of revisions in growth rates for each sector and use that to build confidence bands around the initial estimates.

Divya and Devi (2014) in their article state that financial architecture aims sustainability of an economy by ensuring consistent growth rate.GDP is an indicator of the growth of an economy. Higher GDP of an economy reflects robust growth of an economy and vice-versa and as such every country tries to maximise the growth rate of GDP .There are certain macro

factors operating in the economic environment that will influence the GDP growth rate.

Jain et al. (2015) in their study try to investigate the impact of various macro-economic factors on GDP components. The study used the secondary data for the period 2000-2001 to 2011-2012. Data was collected from the Economic survey of India and Reserve bank of India bulletins. The dependent variable in the study was GDP components and was expressed as a function of various macroeconomic measures of growth. These variables could be FDI, Net FII equity, Net FII debt, Import and Export.

Bragoli and Fosten (2018) have posited that now casting has become a useful tool for making timely predictions of gross domestic product (GDP) in a data-rich environment. However, in developing economies this is more challenging due to substantial revisions in GDP data and the limited availability of predictor variables. Taking India as a leading case, we use a dynamic factor model now casting method to analyze these two issues.

Datta et al. (2015) observe that some LDC'S provide their product estimates at producer's or market prices while others give it at factor cost making international comparison tricky. When input–output transactions tables are available and are given at factor cost, as in India, modifications based on such tables can give a rough approximation to market price estimates of sectoral shares. After such adjustments, making India's relative GDP shares comparable with those of other LDC's, and also controlling for China- influence, we have assessed the Indian sectoral structure in the context of the current international experience. We conclude that India's true performance is somewhat overshadowed by two factors—India's estimates for industry and manufacturing sectors showing a negative bias vis-à-vis its neighbors' and aberrations in Chinese data.

Tripathi et al. (2017) in their paper provide an approximate Bayes analysis of autoregressive moving average (ARMA) model using vague priors for the parameters. The approximation is based on the use of conditional likelihood arising from ARMA model after replacing the unknown values by zeros.

3. Sectorial Growth Review

Table 1 presents the Gross Value Added figures in Rs.lakh crores of the Indian economy as classified on the basis of 11 main economic activities or sectors.

Table 1: Sector-wise GDP at constant prices

Rs. Lakh Crores

Sector	2013-14	2014-15	2015-16	2016-17	2017-18
Agriculture, forestry and fishing	16.09	16.06	16.16	17.26	18.28
Mining and quarrying	2.63	2.89	3.18	3.49	3.66
Manufacturing	15.61	16.84	19.04	20.55	21.91
Electricity, gas, water supply & other utility services	2.00	2.14	2.24	2.46	2.74
Construction	8.01	8.35	8.65	9.16	9.62
Trade, repair, hotels and restaurants	10.35	11.36	12.61	13.89	15.28
Transport, storage, communication & services related to broadcasting	6.18	6.72	7.31	7.57	7.82
Financial services	5.78	6.27	6.73	6.96	7.29
Real estate, ownership of dwelling & professional services	12.89	14.46	16.22	17.97	18.80
Public administration and defence	5.10	5.44	5.65	6.14	6.76
Other services	6.01	6.59	7.12	7.82	8.58
Total	90.64	97.12	104.92	113.28	120.74
Growth	1.06	1.07	1.08	1.08	1.07

(Source: MOSPI.nic.in, 2019)

Total GDP of the Indian economy was Rs.90.64 lakh crores in the year 2013-14 and it increased to Rs.120.74 lakh crores in the year 2017-18. The growth rate has been in the range of 6% to 8%.

Table 2 shows the percentage share of each of the eleven sectors in the total GDP over the five year period.

Table 2: Percentage share of each sector in the total GDP

Sector	2013-14	2014-15	2015-16	2016-17	2017-18
Agriculture, forestry and fishing	18%	17%	15%	15%	15%
Mining and quarrying	3%	3%	3%	3%	3%
Manufacturing	17%	17%	18%	18%	18%
Electricity, gas, water supply & other utility services	2%	2%	2%	2%	2%
Construction	9%	9%	8%	8%	8%
Trade, repair, hotels and restaurants	11%	12%	12%	12%	13%
Transport, storage, communication & services related to broadcasting	7%	7%	7%	7%	6%
Financial services	6%	6%	6%	6%	6%
Real estate, ownership of dwelling & professional services	14%	15%	15%	16%	16%
Public administration and defence	6%	6%	5%	5%	6%
Other services	7%	7%	7%	7%	7%
Total	100%	100%	100%	100%	100%

(Source: MOSPI.nic.in, 2019)

For the year 2017-18, the largest share was of the manufacturing sector which accounted for 18% of the total GDP.

4. Discussion

Agriculture, forestry and fishing sector has grown by 14% during the five year period under review. GDP for this sector increased from Rs.16.09 lakh crores in 2013-14 to Rs.18.28 lakh crores in the year 2017-18. Mining and quarrying sector has grown by 39% during the five year period under review. GDP for this sector increased from Rs.2.63 lakh crores in 2013-14 to Rs.3.66 lakh crores in the year 2017-18. Manufacturing sector has grown by 40% during the five year period under review. GDP for this sector increased from Rs.15.61 lakh crores in 2013-14 to Rs.21.91 lakh crores in the year 2017-18. Electricity, gas, water supply & other utility services sector has grown by 37% during the five year period under review. GDP for this sector increased from Rs.2.00 lakh crores in 2013-14 to Rs.2.74 lakh crores in the year 2017-18. Construction sector has grown by 20% during the five year period under review. GDP for this sector increased from Rs.8.01 lakh crores in 2013-14 to Rs.9.62 lakh crores in the year 2017-18. Trade, repair, hotels and restaurants sector has grown by 48% during the five year period under review. GDP for this sector increased from Rs.10.35 lakh crores in 2013-14 to Rs.15.28 lakh crores in the year 2017-18. Transport, storage, communication & services related to broadcasting sector has grown by 27% during the five year period under review. GDP for this sector increased from Rs.6.18 lakh crores in 2013-14 to Rs.7.82 lakh crores in the year 2017-18. Financial services sector has grown by 26% during the five year period under review. GDP for this sector increased from Rs.5.78 lakh crores in 2013-14 to Rs.7.29 lakh crores in the year 2017-18. Real estate, ownership of dwelling & professional services sector has grown by 46% during the five year period under review. GDP for this sector increased from Rs.12.89 lakh crores in 2013-14 to Rs.18.80 lakh crores in the year 2017-18. Public administration and defence sector has grown by 33% during the five year period under review. GDP for this sector increased from Rs.5.10 lakh crores in 2013-14 to Rs.6.76 lakh crores in the year 2017-18. Other services sector has grown by 43% during the five year period under review. GDP for this sector increased from Rs.6.01 lakh crores in 2013-14 to Rs.8.58 lakh crores in the year 2017-18. The total GDP increased from Rs.90.64 lakh crores in 2013-14 to Rs.120.74 lakh crores in the year 2017-18 showing a growth of 33%.

The analysis of percentage shares of the sectors in the GDP show that the share of Agriculture, forestry and fishing has come down from 18% in 2013-14 to 15% in 2017-18, a drop of 3%. The share of construction sector has also come down from 9% in 2013-14 to 8% in 2017-18, a drop of 1%. Shares of Manufacturing, Trade, repair, hotels and restaurants, and Real estate, ownership of dwelling & professional services

sectors have gone up each by 1% during the period from 2013-14 to 2017-18. All other sectors have remained at the same levels of contributions to the total GDP in percentage terms.

5. Conclusion

The five year review shows that there has been a satisfactory growth in GDP across sectors and on an overall basis. All the eleven sectors have recorded a double digit growth during the five year period from 2013-14 to 2017-18. The largest growth of 48% was recorded by the Trade, repair, hotels and restaurants sector whereas the smallest growth of 14% was recorded by the Agriculture, forestry and fishing sector. Growth achieved by sectors like Real estate, ownership of dwelling & professional services of 46% shows that the economy has grown in core areas like infrastructure and investments. Similarly there has been healthy growth in the manufacturing sector to the tune of 40% which has an impact on employment generation. The percentage growth analysis shows that the relative contribution of the eleven sectors to the total GDP has more or less been constant over the five year period except for Agriculture, forestry and fishing sector whose share has gone down in the total GDP. This may be considered as a positive sign as the economy moves from an agrarian economy to a more industrialized economy. There has also been a healthy growth in the services sector which also is an indication of advancement of the economy. The average growth rate of 7% of the GDP over the five year period is quite satisfactory considering much smaller GDP growth rates of other advanced nations like the USA and the UK. The five year period under review on an overall basis shows a phase of a steady and consolidated development of the economy which has come from sound economic policies, stable government, and good governance.

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