International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

INDIA’S ECONOMY IN MOTION

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INTRODUCTION

The Gross Domestic Prduct (GDP) is a key indicator for assessing the health of an economy. It estimates a country's overall economic output in terms of commodities and services during a certain time period. The GDP growth rate is widely used as a benchmark to gauge an economy's status and development. As one of the world's fastest-growing major economies, India's GDP and growth trajectory have piqued the interest of policymakers, researchers, and investors alike.

India's economic development has been characterised by times of tremendous growth and hardship. The nation's GDP growth rate has fluctuated in recent years, prompting worries about the components influencing India's GDP performance. To establish effective long-term economic growth and development strategies, policymakers must first understand the elements that influence GDP growth.

The goal of this research paper is to look into the factors that influence India's GDP and see how they effect the country's overall economic development. Through empirical analysis and econometric methodologies, this study tries to uncover the primary elements that led to India's GDP development, and it gives policy recommendations for sustaining and accelerating economic growth.

LITERATUREREVIEW

ThereviewofliteratureonthefactorsaffectingtheGrossDomesticProduct(GDP)of Indiaprovidesvaluableinsightsintotheexistingresearchandunderstandingof the topic. Numerous factors, such as investments, government spending, exports, inflation, population growth, and educational levels, have been extensively researched by academics and researchers to determine how they affect India's GDP growth.

A study of the factors influencing Pakistan’s, India's, and Bangladesh's trade deficits. The findings reveal a link between the trade deficit and its causes in Pakistan, India, and Bangladesh, and that when economic growth accelerates, the trade deficit in Pakistan, India, and Bangladesh shrinks considerably. According to the data (Hassan, M.S., 2017), the money supply has a significant impact on Pakistan and India's trade imbalances. These findings are consistent with the multiple diagnostic tests used in the current investigation. Based on these data, it is stated that Pakistan, India, and Bangladesh's trade deficits might be decreased by focusing on the real effective exchange rate, per capita income, and money supply.

The literature already in existence emphasises the complexity of the factors influencing India's GDP development and the necessity for a thorough knowledge of their interdependencies. In order to investigate the connection between these variables and GDP growth in India, empirical analysis and econometric methods have been extensively utilised. More study is required to offer more nuanced insights since there are still controversies and gaps in our knowledge of the complex dynamics and causal interactions among these components.
In conclusion, the review of literature on the factors affecting India's GDP growth provides a comprehensive understanding of the existing research and knowledge on the topic.

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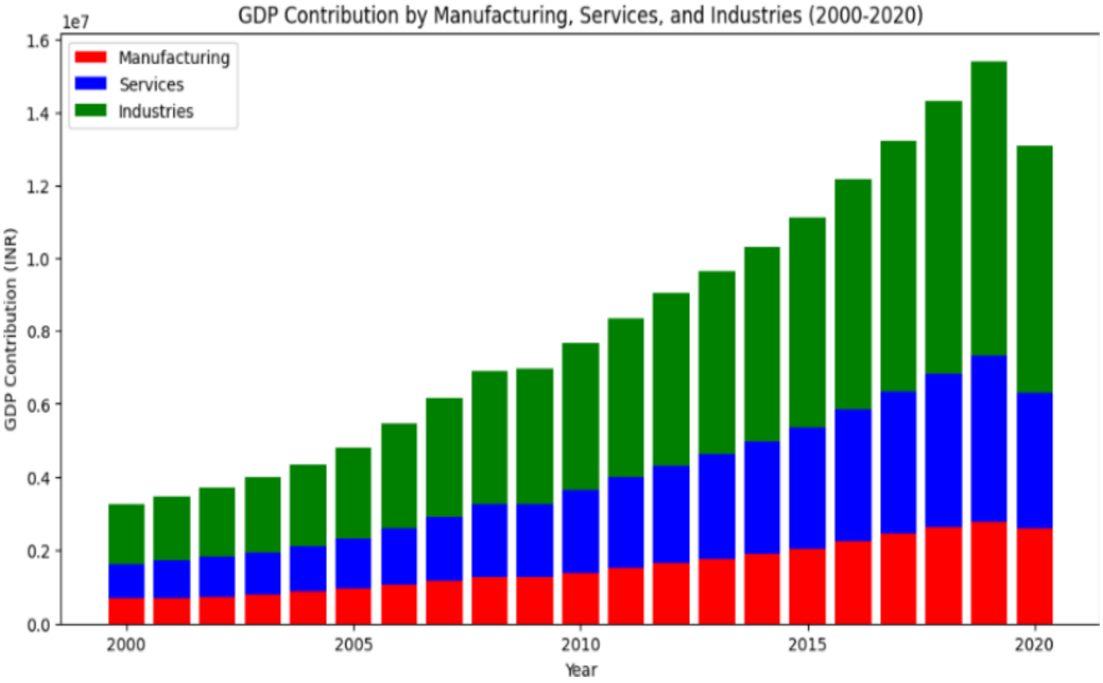
METHODOLGY

To study what affects GDP growth in India, this paper uses both quantitative data and qualitative data. The data was collected from trusted sources like the Reserve Bank of India, the Ministry of Statistics and Programme Implementation, and the World Bank. The main factors studied include inflation, interest rates, foreign investment, government spending, and industrial growth. In addition to this, reports and articles were read to better understand how government policies and other conditions affect the economy. This mix of data and information helped give a clear picture of what influences India's GDP.

GDP COMPONENTS



From the data provided, we can observe several trends in the contributions of manufacturing, services, and industries to India's GDP from 2000 to 2020.

Manufacturing's Contribution to GDP: Over the years, manufacturing has generally increased its share of India's GDP, with sporadic fluctuations. From 2000 to 2015, the manufacturing sector experienced consistent growth, with its contribution nearly doubling during this time. Nevertheless, there was a decline in 2016 and 2017, a recovery in 2018 and 2019, but a sizable decline in 2020.

This suggests that although the manufacturing industry has posed some difficulties recently, it has been a significant contributor to India's GDP growth. Contribution of the service sector to GDP: The service sector has consistently increased its share of India's GDP. For the Indian economy, the service sector has been a key driver of growth, and its share of GDP has been rising over time. From 2000 to 2020, the service sector experienced steady growth with sporadic fluctuations, demonstrating its resilience and importance in the Indian economy.

Contribution of Industries to GDP: Since the industrial sector includes a variety of sub-sectors, such as manufacturing, mining, and construction, the contribution of industries to India's GDP has generally followed a similar trend as manufacturing. The contribution of industries to GDP increased steadily from 2000 to 2015, but there was a decline in 2016 and 2017, which was followed by a recovery in 2018 and 2019. Several factors, including the COVID-19 pandemic's effects on the economy, are to blame for the significant decline in the contribution of industries to GDP in 2020.
Data fluctuations: It's important to remember that the data have changed over time for all three sectors. The performance of these sectors and subsequently their contributions to GDP can be affected by a variety of external shocks, including changes in economic policies, the state of the global economy, natural disasters, and other calamities.

Shift towards services: The rising share of the service sector in India's GDP over time is one noteworthy trend. The Indian economy's dominant sector is now the service sector, which has consistently displayed strong growth. The data shows a shift in the economy towards one that is driven by services, with the service sector outpacing manufacturing and other industries in terms of its contribution to GDP.

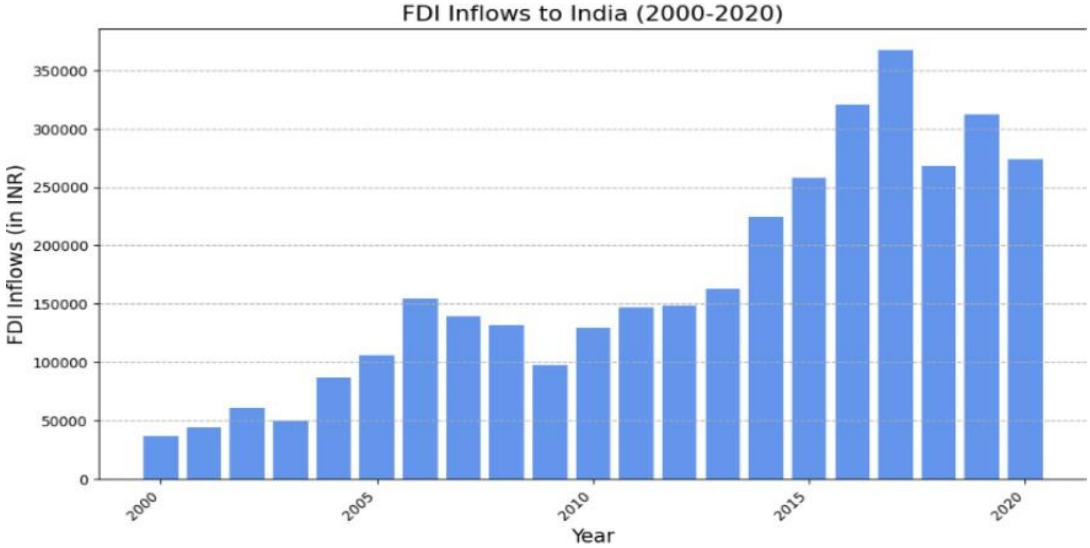
Impact of COVID-19: The COVID-19 pandemic, which had a serious impact on the world economy, including India, made the year 2020 stand out as one of considerable disruption. The pandemic's effects, such as supply chain disruptions, lockdowns, lower consumer spending, and overall decreased economic activity, can be largely blamed for the decline in manufacturing, services, and industry contributions to GDP in 2020.

Overall, the data trends show that the service sector has been a significant contributor to India's GDP growth, with the manufacturing and industrial sectors also making a significant contribution, albeit with some variations over time. The information also shows how these sectors' contributions to India's GDP have been impacted by outside variables like economic regulations, world economic conditions, and the COVID-19 pandemic.

FORIEGN DIRECT INVESTMENT

Over the years, India's economy has grown significantly, thanks in large part to foreign direct investment (FDI). FDI inflows have changed noticeably in the nation as a result of changes in the state of the global economy, legislative changes, and investor sentiment.

India saw a gradual rise in FDI inflows in the early 2000s, with important investments being attracted by industries like services, telecommunications, and information technology. The 1990s' economic reforms and the liberalisation of foreign investment regulations both had a significant impact on luring in foreign capital.



India experienced a sharp increase in FDI inflows between 2005 and 2011, which was fueled by higher investments in industries like manufacturing, real estate, and infrastructure. Due to its strong economic growth and sizable consumer base, the nation has become one of the most popular FDI destinations in emerging markets.

However, due to a number of factors, such as changes in policy, regulatory concerns, and uncertainty in the global economy, India experienced some difficulties in luring FDI in the years that followed. Inflows of FDI remained largely stable but did exhibit some fluctuations.

India has taken steps in recent years to further liberalise FDI policies, simplify regulatory frameworks, and increase business accessibility. FDI inflows have increased as a result of these efforts, especially in industries like e-commerce, renewable energy, and digital technology. Overall, changes in FDI inflows to India reflect the country's changing political, economic, and investor environments, as well as general world conditions. For India, FDI remains a significant source of foreign funding that helps with economic expansion, job creation, the transfer of technology, and general development.

FACTORS AFFECTING GDP

Investment as a Key Factor Affecting GDP in India:

Investment is a key factor in India's economic expansion. It describes the spending on assets used to produce goods and services, such as machinery, equipment, and infrastructure. By boosting the economy's capacity and productivity, generating job opportunities, and promoting technological advancements, investment helps the GDP's growth. Private and public investment both play a significant role in determining GDP growth in India. Private investment helps to increase production capacity, innovation, and competitiveness. It is primarily driven by businesses and industries. Additionally, it boosts consumption and generates income, jobs, and jobs.

However, public investment by the government in areas like infrastructure, educa-tion, and healthcare is essential for fostering an environment that is supportive of economic activity and boosting productivity.

Investment in India is influenced by a number of factors. These include the cost and accessibility of capital, the level of business confidence, the regulatory environment, infrastructure growth, and governmental policies. Businesses must have easy access to capital and credit in order to invest in profitable assets. Businesses' willingness to make investments is impacted by business confidence, which is influenced by elements like political stability, consistency of policy, and market conditions. Investment decisions can be influenced by a supportive regulatory environment that encourages business efficiency, safeguards property rights, and ensures contract enforcement. For businesses to operate effectively and grow, adequate infrastruc-ture, including transportation, energy, and communication networks, is required. Investment decisions can also be influenced by government policies like taxation, trade, and investment incentives.

Consumption as a Key Factor Affecting GDP in India:

Another important factor that has an impact on India's GDP is consumption. It speaks of the money spent by households on goods and services to fulfil their needs and wants right away.

Consumption is a major factor in economic growth because it raises consumer demand, which in turn increases output, employment, and income generation.

Private consumption expenditure makes up a sizeable portion of GDP in India, with factors like rising disposable incomes, urbanisation, demographic changes, and shifting consumption patterns being the main drivers. Household consumption has increased as a result of rising disposable incomes, which have been fueled by factors like rising wages, employment op-portunities, and social welfare programmes. Migration of people from rural to urban areas, or urbanisation, has changed consumption patterns and increased demand for goods and services related to urban life. Consumption patterns in India have also been impacted by demographic changes, such as a growing middle class and a young population with evolving lifestyles and aspirations.

India's consumption is influenced by a number of factors. Income levels, consumer confidence, inflation, credit availability, and governmental policies are a few of these. Because higher incomes enable households to spend more on goods and services, income levels are an important factor in determining consumption. Consumption decisions may be influenced by consumer sentiment, which is affected by variables like employment prospects, income expectations, and economic conditions. A rise in the general level of prices for goods and services is referred to as inflation, and it can have an impact on consumers' purchasing power and consumption habits. Because it enables households to borrow money and spend money above their current means of support, access to credit from both formal and informal sources can have an impact on consumption. Government policies that affect purchasing power and disposable incomes, such as taxes, subsidies, and social welfare programmes, can also have an impact on consumer choices.

Exports as a Key Factor Affecting GDP in India:

India's GDP is significantly impacted by exports, as the nation has been working to increase its market share internationally. Exports are domestically produced products and services that are traded internationally. Exports boost GDP growth by bringing in foreign exchange, fostering job growth, and advancing economic integration with the world market. Exports are a key factor in India's economic growth, particularly in industries like textiles, cars, drugs, information technology, and services. Export growth has been fueled by variables like rising competitiveness, globalisation, trade policy liferalization, and market diversification.

India's exports are influenced by various factors. Exchange rates, global demand, trade policies, infrastructure, and competitiveness are a few examples of these. Exchange rates, which measure how much one currency is worth in relation to another, can affect how competitive an export is. Export prices can be lowered on international markets when the domestic currency is weaker, while the opposite is true when the domestic currency is stronger. The demand for Indian exports may be affected by factors such as economic development in trading partners, shifts in consumer preferences, and geopolitical developments.

The price of exports and market access can be affected by trade policies, such as tariffs, quotas, and non-tariff barriers. For export operations to be successful, infrastructure, such as transportation, logistics, and communication networks, is essential. The ability of Indian exporters to compete in international markets is determined by competitiveness, which includes elements like productivity, quality, innovation, and cost of production.

Demographic Factors as Key Factors Affecting GDP in India:

India's GDP growth is greatly influenced by demographic issues. India's huge and diverse workforce, which has a population of over 1.3 billion, has an impact on economic activity, consumption, savings, and investment. The age distribution of the population is one important demographic element. India's population is primarily youthful, with a sizable majority of the population being of wowing age (15-59 years). The "demographic dividend," a term used to describe this demographic advantage, can boost GDP growth by increasing labour force par-ticipation, productivity, and rates of savings and investment. However, in order for the work-ing-age population to fully benefit from the demographic dividend, sufficient employment opportunities, facilities for skill development, and access to healthcare and education must be offered.

Urbanization is another demographic influence. With increased migration from rural to urban areas in quest of better career prospects and a higher standard of living, India is experiencing fast urbanization. Urbanization has a variety of effects on GDP growth.
Urban locations typically have higher economic activity levels, better infrastructure, and easier access to mar-kets, all of which can help increase productivity and economic growth.

The population's level of education and skill also significantly influences GDP growth. Higher productivity, creativity, and technical improvements are possible with a trained and educated workforce, all of which are essential for economic success. The population's human capital can be improved by investments in education and skill development, which will increase employment, productivity, and economic growth.
Some significant demographic characteristics that can have an impact on GDP growth are income inequality and distribution. Unfair access to resources, opportunities, and services can result from unequal income distribution, creating social and economic inequalities. This may have an impact on how people spend their money, how much they save, how much they invest, and how the economy as a whole grows and develops.
Sustainable GDP growth can be aided by measures to lower income inequality, increase access to opportunities and resources, and encourage inclusive growth.

Technological Factors as Key Factors Affecting GDP in India:

The economic progress of India is greatly influenced by technological considerations. Pro-ductivity, competitiveness, and economic growth can all be impacted by technological advancements, innovation, and acceptance.

By enhancing production processes, lowering costs, and boosting efficiency, technological advancements and innovation can result in better productivity. Adoption of new technology can also result in the creation of brand-new markets, goods, and services, which can increase GDP growth and stimulate the economy. The emergence of new industries and sectors as a result of technological improvements can increase employment prospects and promote economic growth. Technology developments and innovation in India may be influenced by investments in R&D, science and technology infrastructure, and programmes that support entrepreneurship and creativity. A technologically advanced and innovative economy can grow as a result of policies that support research and development, innovation incentives, and technology transfer.

Information technology and digitalization are other significant technological aspects that may have an impact on India's GDP growth. There has been a change in a number of economic sectors, including finance, retail, and services, as a result of the growing usage of digital technologies including e-commerce, mobile banking, and digital payments.

Digitalization can result in increased productivity, lower costs, and access to new markets, all of which can support economic growth.

Environmental factors as key factors affecting GDP in India:

Since environmental issues have an impact on sustainability, resource availability, and economic resilience, they have a substantial impact on how India's GDP grows.

Environmental variables that can affect economic activity, productivity, and total economic growth include climate change, pollution, the loss of natural resources, and ecosystem deterioration.

Natural catastrophes, infrastructure, agriculture, and water resources are all vulnerable to the negative effects of climate change, which can interrupt business operations and slow GDP development. The productivity of India's agriculture, the availability of water for irrigation, and infrastructure development can all be impacted by changing weather patterns, extreme weather events, and sea level rise. Sustainable GDP development can be aided by policies that work to reduce climate change, encourage adaptation, and increase resilience to climate-related threats.

Pollution, such as that found in the air, water, and soil, can also have an effect on economic development. Pollution can cause health issues, higher healthcare costs, and lower labour productivity, all of which can have an impact on GDP growth and economic activity. Environmental protection, sustainable resource management, and pollution reduction policies can all support inclusive, long-term GDP growth. Deforestation, excessive mineral exploitation, and water shortages are a few examples of how natural resource depletion can affect industrial output, economic activity, and energy security.

By guaranteeing that resources will be available for future generations and encouraging sustainable economic behaviours, sustainable management of natural resources, conservation, and restoration projects can support long-term economic growth.

Degradation of ecosystems, including biodiversity loss, deforestation, and harm to marine and coastal ecosystems, can also have an effect on India's economic development. Pollina-tion, water purification, and climate regulation are a few examples of ecosystem services that help human society in significant ways, including economically. By ensuring that these ecosystem services are accessible to both the present and future generations, protecting and conserving ecosystems may support sustainable economic growth.

CONCLUSION

This research paper has examined the connection between India's GDP and the variables impacting it. Some important conclusions have been drawn from the assessment of the literature and analysis of the available data.

Firstly, Throughout the past two decades, India's economy has grown significantly, with a steady increase in GDP. Several causes, such as favourable economic policies, increasing investments, higher consumer demand, and an expanding workforce, have contributed to this pansion. With a developing middle class and a strong services industry, India has become one of the world's main economies with the quickest rate of growth.

Secondly, According to the research, several important elements significantly affected India's GDP. Among these are demographic shifts, such as population growth and changes in the working-age population; sectoral composition, with the services sector significantly contributing to GDP; infrastructure development, such as investments in transportation, energy, and communication networks; government policies, such as fiscal and monetary policies, trade policies, and regulatory reforms; and global economic conditions, such as shifts in global demand, international trade, and foreign exchange rates.

Also, the study has emphasised the significance of employment and population data as key metrics for gauging the health of the Indian economy. As it influences income distribution, the fight against poverty, and social stability, employment is not only a significant economic determinant but also has social and political ramifications.

According to the examination of employment and population data, there is generally a positive association between GDP growth and employment and population in India, with economic expansion being accompanied by greater work opportunities and vice versa. Yet, there have been times when the employment/population data and GDP showed opposing trends, indicating that outside forces may have had an impact on India's employment/population/GDP relationship.

The study highlighted the significant influence of government policies, such as trade policies, fiscal and monetary policies, and regulatory reforms, on India's GDP growth. The Indian goverment has implemented various policies to encourage economic growth, including structural reforms, infrastructure spending, efforts to attract foreign capital, and programs to advance different sectors of the economy. But, how well these policies are implemented, monitored, and evaluated will determine how well they promote long-term, inclusive economic growth.

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