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ANALYSE THE IMPACT.....GDP

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Abstract:
India is one of the economies that is expanding at the quickest rate. As of 2011, India held the 11th spot on the list of countries with the highest nominal GDP and the fourth spot on the list of countries with the highest GDP adjusted for purchasing power parity (PPP). Since it gained its independence, the country's leaders have made significant efforts to accelerate the country's economic growth. Capital flows and the Stock Exchange Market, the RBI rankings, Global currency trends of economically powerful nations, and Political shifts are some of the important elements that are now affecting the growth of the Indian economy. Literacy rates, the price of oil, and energy and oil prices. This study is an attempt to check to what degree the Gross Domestic Product has an influence upon the two most important indicators of an economy, which are the level of literacy and the amount of people living in poverty. The case of India was investigated through the use of secondary data that spanned the Eleventh Plan era, which essentially encompassed the end of the plan period in the year 2011-12. The study was carried out in India. The ranking of each state's GDP, as well as its level of poverty and literacy, served as the foundation for determining the influence that GDP has on the other two factors. The rates of expansion of individual industries within the GDP were also taken into account.

keywords: *GDP, Market*

INTRODUCTION

The most accurate measurement of an economy is one country's gross domestic product (GDP). The Gross Domestic Product (GDP) measures the whole economic output of an entire nation, including all of its individuals and businesses. It makes no difference whether they are domestic people or firms owned by foreign investors. The government includes the output of certain businesses in the calculation of GDP if those businesses are situated inside the country's borders. Personal consumption expenditures + business investment plus government spending plus net exports are the components that make up gross domestic product (Exports minus Imports). The change in the value of the products and services generated by the Indian economy during the quarter is what is used to calculate the GDP growth rate in India. This figure is then adjusted for seasonality. India has the world's second biggest population and the tenth largest economy in the world. According to the study that was put out by the Planning Commission in 2011-12, the rate of poverty in India reached a historic low of 22%. The percentage of the total expenditure that was allocated to development spending by the government increased from 38% in 2004-05 to 45% in 2011-12 during the course of the seven years that span between 2004-05 and 2011-12. This increase occurred throughout the period between 2004-05 and 2011-12. According to the announcement made by the Planning Commission, 25.7% of individuals living in rural regions were considered to be living below the "poverty line," whereas just 13.7% of persons living in urban areas fell into this category. This is comparable to the percentages of

33.8% and 20.9% that were recorded in 2009-2010, as well as the percentages of 42% and 25.5% that were recorded in 2004-2005. Estimates of the number of people living in poverty are derived from data on expenditures on goods and services obtained from surveys conducted every five years by the National Sample Survey Office (NSSO). The reduction in the number of people living in poverty was initially reported by The Hindu on July 16th. 2011 marked the year that India carried out its 15th and most recent national census. Literacy serves as the most important building block for social and economic development in a country like India. In 1947, when British colonial authority in India came to an end, the literacy rate there stood at a meagre 12%. India has seen significant social, economic, and global transformations during the course of its history.

Gross Domestic Products (GDP):

The gross domestic product (GDP) per person is calculated by dividing the total market value of final, or end-product, goods and services produced within a nation by that nation's population. Gross domestic product is the standard unit for gauging the size of an economy in any country. Now-a-days. By nominal GDP, the Indian economy ranks ninth among the world's biggest, while it ranks third when measured by PPP (Purchasing Power parity). The Gross Domestic Product (GDP) and the GDP per capita is one of the greatest measures to use in order to track changes in outputs as well as the quality of living of the population. The idea of gross domestic product, often known as GDP, is one of the most crucial ones for the government and the people who make decisions when it comes to planning and policy creation. We are able to determine if the economy is experiencing a recession, depression, or boom with the assistance of GDP. The Gross Domestic Product (GDP) is the most comprehensive measure of a nation's overall income. The calculation for the GDP may be written down as follows:

GDP = C + I + G + (X- M)

Where, C = Annual Consumption (Personal Consumer Expenditure)

I = Gross Private Domestic Investmen

G = Government Spending

X = Total Amount of Exports

M = Total Amount of Imports

(X-M) = Total Net exports (Total Net exports also May be Negative)

- **Annual Consumption:** It is the Significant difference between personal consumption Expenditure and Household spending on Consumer Goods. It includes the following goods and services.
- Gross Private Domestic Investment: It includes the following types of investment.
- Gross Private Investment¬
- Residential Investment¬

Non-residential Investment¬

- Changes in business inventories¬
- Government Spending: It includes the consumption, expenditure and investment of federal, local and state governments in final goods and services.

Net Exports: The term "net exports" refers to the difference, whether substantial or negligible, between the total amount of exports and the total amount of imports. Therefore, in this context, the nation's Net Exports might either be positive or negative.

Net Exports = Gross Exports – Gross Imports

Annual Consumption (C), Total Investment (I), and Government Spending (G) are all examples of expenditures on final products and services in this context; however, expenditures on intermediate goods and services are not taken into account when calculating GDP. The following are the three primary methods that are used in estimating the value of the nation's gross domestic product: (GDP)

Production Approach: The term "Production Method" refers to a category of methods that also includes "Output Method" and "Value Added Method." The GDP of a country is determined using the production approach, which involves determining the total value of the goods and services that are produced inside that nation. The following is the formula that should be used in order to calculate GDP based on market prices according to this technique.

GDP at Market Price = Total value of production/Output –

Intermediaries Consumptions at Factor Cost) + Indirect Taxes – Subsidies on the Goods and Services That Are Not Included in the Evaluation of Output

2. Income Approach : This strategy focuses mostly on those institutional entities that are actively involved in the production of products and services for a certain amount of time. In accordance with the Income method, the calculation to determine GDP at market prices is as follows: The Gross Domestic Product (GDP) at Current Market Prices Is Calculated By Adding Together National Income, Depreciation (Capital Consumption Allowance), Indirect Taxes, Net Factor Payments to the Rest of the World, and Subsidies (on production & Imports). The following earnings are included in this method for calculating the national income of a country.

- ➢Corporate Profits before Tax¬
- ➢Owner's / Proprietor's Income¬
- ➢Compensation of employees¬
- ➢Total interest¬ & other Investment income
- ➢Total Rental Income¬

Expenditure Approach : The following expenditures need to be taken into account in order to accurately calculate GDP using the Expenditure method.

- Personal Expenditure on Consumer Goods and services¬
- Fixed Capital of business¬
- Business Inventories¬
- Government Expenditure on goods and services¬
- Government Investment¬
- Imports and exports of goods and services¬

The formula of finding GDP as per Expenditure method is as under.

GDP at Market price = C + I + G + (X- M) Where, C = Consumption I = Investment G = Government Spending (X- M) = Net Exports (Total Exports – Total Imports)

Types of GDP: There are total two types of GDP.

1.Real GDP – Real GDP means, valuations of goods and services produced by the country is at base year price. And such base year price is constant.

2. Nominal GDP – The definition of nominal GDP is the market value of all goods and services produced inside a nation at the prices of the current year. And such prices are subject to vary as a function of the prevailing rate of inflation.

II. Stock Market: In addition to these names, a stock market is also sometimes called an equity market or a share market. The stock market is one of the most significant contributors to the nation's overall economic health. It is a type of centralised market place in which buyers purchase shares from sellers and prices are established by analysing factors such as demand and supply of shares. SEBI is the organisation in charge of regulating the Indian stock market. The Bombay Stock Exchange, often known as the BSE, is one of the oldest stock exchanges in India. It was founded in 1875. In addition, there are already over 5000 businesses that are listed on the BSE. The following is the primary focus of the stock market's centralised administration: To establish a nation-wide trading facility.

- in order to protect the interests of people who are investing. To offer a communication network that is both effective and efficient.
- to urge individuals to invest their money in the different corporate instruments offered by companies, such as shares, debentures, bonds, and so forth.
- In order to create and encourage the use of honourable and equitable business procedures in the transaction of securities.
- To guide, educate, and safeguard the rights and interests of individual investors. To promote, develop, and preserve the well-regulated market in the country.
- In the context of a country, to foster the expansion and development of its industrial sector by means of the collection of resources and the provision of liquidity for the country.

Factors Affecting Stock Market Returns: : The following factors is mostly affect the price of shares in the stock market

Economic Factors:

- Interest Rates¬
- Exchange Rates¬
- GDP¬

Firm Specific Factors:

- Capital budgeting Decision¬
- Dividend policy of the company¬
- Debts level of the company¬
- Offerings and Repos¬
- Acquisition and divestiture / Divestment¬

Market Related Factors : January Effect(Generally stock price is increase in January month)¬

- Noise Trading
- Technical Analysis¬
- Repetitive patterns of price movements¬

METHODOLOGY

1. to determine how well states with a high GDP have fared in terms of poverty and literacy during the Eleventh Plan.
2. to investigate the sectoral growth pattern of GDP in order to assess the level of poverty in urban and rural areas in relation to the sectoral growth pattern of GDP.

FINDINGS AND DISCUSSIONS

Table No : 1 State Wise Rank of GDP at Constant 2005-05 prices (in Rs. Crores), Poverty and Literacy

States	GDP	Poverty (in Lacs)	Literacy Rate	Rank as per GDP	Rank as per Poverty	Rank as per Literacy
A & N Island	3733	0.04	86.63	32	32	5
Andhra Pradesh	411184	78.78	67.02	4	14	28
Arunachal Pradesh	5444	4.91	65.38	29	24	31
Assam	78851	101.27	72.19	18	12	23
Bihar	143560	358.15	61.8	14	2	32
Chandigarh	13787	2.35	86.05	24	27	7
Chhattisgarh	84409	104.11	70.28	17	9	24
Delhi	197544	16.96	86.21	10	18	6
Goa	27045	0.75	88.7	22	30	3
Gujarat	395738	102.23	78.03	5	11	15
Haryana	176918	28.83	75.55	12	15	19
Himachal Pradesh	41908	5.59	82.8	20	22	9
Jammu & Kashmir	41312	13.27	67.16	21	19	27
Jharkhand	93510	124.33	66.41	16	8	29
Karnataka	282784	129.76	75.36	7	7	20
Kerela	204957	23.95	94	9	16	1

Madhaya Pradesh	195409	234.06	69.32	11	3	25
Maharashtra	777791	197.92	82.34	1	4	10
Manipur	7335	10.22	76.94	28	21	16
Meghalaya	11723	3.61	74.43	25	26	21
Mizoram	4852	2.27	91.33	31	28	2
Nagaland	10024	3.76	79.55	27	25	13
Odisha	129864	138.53	72.87	15	6	22
Puducherry	11357	1.24	85.85	26	29	8
Punjab	157303	23.18	75.84	13	17	18
Rajasthan	224103	102.92	66.11	8	10	30
Sikkim	5299	0.51	81.42	30	31	11
Tamil Nadu	433238	82.63	80.09	2	13	12
Tripura	15637	5.24	87.22	23	23	4
Uttar Pradesh	418403	598.19	67.68	3	1	26
Uttarakhand	60880	11.6	78.82	19	20	14
West Bengal	323419	184.98	76.26	6	5	17

Source (CSO 31st October, 2014) & Data.gov.in

In order to investigate the issue on a state-by-state basis, three distinct Ranks were created, and they are presented in Table 1. Rank I was determined by GDP, and the state that had the greatest GDP by the end of 2011 was granted first place, followed by the states that had the second-, third-, and so on-highest GDP. Similarly, in the case of Poverty, the state that had the highest poverty rate was given the first rank, followed by the states with the next highest poverty rate, and so on. Finally, in the case of Literacy, the state that had the highest literacy rate was given the first rank, followed by the states with the next highest literacy rate. The expansion of a nation's gross domestic product (GDP) is widely believed to be synonymous with the expansion of the nation's economy; nevertheless, the data shown in this table paints a quite different picture. In this case, states with high GDP also had high poverty rates and low literacy rates; this was the case across the board. One possible illustration of this is the state of Maharashtra. In terms of GDP, Maharashtra is ranked number one, which indicates that it has the highest GDP of any of the other states. However, in terms of poverty, it is ranked number four, which indicates that it is only the fourth poorest state in the country, and at the same time, it ranks tenth in terms of literacy. These rankings indicate that Maharashtra is one of the most underdeveloped states in the country.

Table No : 2 Top 10 Rank State of GDP at Constant 2005-05 prices (in Rs. Crores), Poverty and Literacy

States	GDP	Poverty (in Lacs)	Literacy Rate	Rank as per GDP	Rank as perPoverty	Rank as per Literacy
Maharashtra	777791	197.92	82.34	1	4	10
Tamil Nadu	433238	82.63	80.09	2	13	12
Uttar Pradesh	418403	598.19	67.68	3	1	26
Andhra Pradesh	411184	78.78	67.02	4	14	28
Gujarat	395738	102.23	78.03	5	11	15
West Bengal	323419	184.98	76.26	6	5	17
Karnataka	282784	129.76	75.36	7	7	20
Rajasthan	224103	102.92	66.11	8	10	30
Kerela	204957	23.95	94	9	16	1
Delhi	197544	16.96	86.21	10	18	6

Source (CSO 31st October, 2014) & Data.gov.in

Table 2 includes analysis of the top 10 states in terms of GDP in order to conduct an in-depth investigation of the impact that states with high GDP have on poverty and literacy rates. It is easy to see that several of the key states, such as Maharashtra, Uttar Pradesh, West Bengal, Karnataka, and Rajasthan, which have a high GDP but also fall in the top ten list of the country's poorest states. In addition, states such as Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Gujarat, West Bengal, Karnataka, and Rajasthan also perform poorly in terms of literacy rates. The only two exceptions to this rule are Kerela and Delhi, both of which serve as the nation's capital.

Table No : 3 State Specific Poverty Lines & Lorenz Ration Estimates, Monthly Per Capita Expenditure (Mpce)Based On Mrp

S. No	STATES	% OF PERSON INRURAL AREA	% OF PERSON IN URBAN AREA	TOTAL
1	Maharashtra	24.22	9.12	17.35

2	Tamil Nadu	15.83	6.54	11.28
3	Uttar Pradesh	11.62	10.48	11.26
4	Andhra Pradesh	10.96	5.81	9.20
5	Gujarat	21.54	10.14	16.63
6	West Bengal	22.52	14.66	19.98
7	Karnataka	24.53	15.25	20.91
8	Rajasthan	16.05	10.69	14.71
9	Kerela	9.14	4.97	7.05
10	Delhi	12.92	9.84	9.91

Source Data book for PC 22nd December, 2014 Page 101 of 329

The information shown in Table No. 3 provides insight into yet another crucial aspect of the poverty that exists in these states. When compared on a percentage basis, the number of people living in poverty in rural areas of these states is significantly higher than the number of people living in poverty in urban areas.

Table No:4 Sect oral Bifurcation of GDP

S. No	Particulars	% to GDP
1	Agriculture Forestry and Fishing	17.86
2	Agriculture	15.50
3	Forestry and Logging	1.57
4	Fishing	0.80
5	Industry	27.22
6	Mining and Quarrying	2.65

7	Manufacturing	14.73

Source: Data book for PC 22nd December, 2014

In spite of the fact that rural poverty is higher than urban poverty, the share of the rural sector in GDP is higher than that of the urban sector. This is evident from Table No.4, which shows that agriculture, forestry, and fishing account for the largest portion of GDP, the majority of which is located in the rural sector. A combined study of Tables No. 3 and No. 4 sheds light on this additional important fact. Despite the fact that rural poverty is higher than urban poverty, the share of the rural sector in GDP is higher Therefore, it is clear that the expansion of the nation's GDP has not been successful in fostering the reduction of poverty across the country.

CONCLUSION

It is important not to lose sight of the fact that in an economy in the process of underdevelopment such as India, the parameters of growth are not only associated with the achievement of a growth rate of GDP but also its impact on two of the major indicators of underdevelopment in our economy, namely poverty and literacy. This is something that should not be forgotten in light of the major economic policies that are directed toward achieving a growth in GDP. The most pressing issue at hand is reducing the number of people living in poverty while simultaneously increasing the number of people who can read and write. With the population of the country having surpassed the billion mark, the majority of the population is more concerned about the eradication of poverty and the spread of literacy. Because of this, the growth measures should be redirected from achieving a growth rate of GDP towards the eradication of poverty and the spread of literacy.

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