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A STUDY ON DYNAMICS OF INDIA'S
GROSS DOMESTIC PRODUCT FOR
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Abstract

Background: The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It reflects the total market value of all finished products and services produced over a specific period within a country. GDP is presented as a comparison to the previous quarter or year and is considered the benchmark for the economy's size. India is emerging as one of the fastest-growing economies in the world and is expected to rank among the top three economic powers of the world over the next 15-20 years, supported by its stable democracy, population growth, and partnerships.

Purpose: The purpose of this paper was to study the dynamics of the Indian economy's GDP growth for the period of 2014 to 2019. The present study tried to understand the trend, contribution, and structure of the various sectors such as agriculture, industry, and services in India's GDP growth.

Methodology: The research methodology used in this paper was quantitative since this method can be used to analyze nearly infinite numbers of phenomena. The study used secondary data for the period 2014 to 2019. Data was collected from the Economic Survey of India and Reserve bank of India bulletins. Descriptive and inferential data analysis techniques were employed.

Findings: The study of GDP growth between 2014-2019 and sectoral level analysis shows interesting facts that India will reach a \$5 Trillion GDP mark by 2024-25 at current prices.

Unique contribution to theory, practice, and policy: This paper intended to make policy recommendations that can help India's long-term sustainable growth. The study recommended strategies such as increasing public finance in the agricultural sector and strengthening the integrated public transport projects to the government to maintain stable economic growth to achieve a \$5 Trillion economy. This paper will increase the economic researcher's awareness and position it in the library of an institution of higher education.

Keywords: *Economics, Gross Domestic Product, Employment, Globalization, Industry, India.*

Jel: O10, O40, O53

Introduction

Gross Domestic Product (GDP) is a broad measure of a country's overall economic activity. GDP¹ is the market value of all finished goods and services produced in a particular period within the boundaries of a nation. It is used as an indicator for planning and policy formulation by nearly all governments and financial decision-makers. It allows us to determine whether the economy is contracting or growing, whether it requires a boost or restraint, and whether there is a danger on the horizon, such as recession or inflation. When government officials prepare for the future, they consider the various economic sectors' contribution to the GDP. Simon Kuznets² created GDP for the first time in 1934 for a US Congress report. GDP volume is the sum of value added by households, governments, and industries operating in the economy, measured at constant prices. GDP accounts for all domestic production, irrespective of whether national or foreign organizations receive revenue. The Organization for Economic Cooperation and Development (OECD) predicted significant shifts in global GDP by 2060 in a study published in November 2012. The study said India is anticipated to overtake the US economy by becoming the second-biggest in 2051 based on 2005 buying energy parity (PPP) values. The study also predicts that China and India's combined GDP by 2025 will exceed that of the combined G-7 nations (the wealthiest countries in the world) and by 2060 will be 1.5 times higher³.

In a nation like India, the GDP has experienced a faster development rate in latest years. In terms of GDP composition, the percentage of shares of different industries has altered significantly. Agriculture's percentage share of total GDP has decreased, while the proportion of services in GDP is growing more rapidly. With this change, the Indian economy, which was widely regarded an economy centered on agriculture but with the opening of the economy after the 1991 economic reforms, has become predominantly service-based with services accounting for 44.60% of GDP and employing 35.70% of the inhabitants, while agriculture accounts for 17.39% of GDP and employs 47.20% of the inhabitant and industry accounting for 25.75% of GDP and using 24.7% of the inhabitants⁴. This shift in GDP alignment raises an important question. As economic development & growth, as expressed by GDP, has a significant effect on nearly everyone in that economy, what is the role of agriculture, industry, and services in the economy and how it affects the country's financial health. Therefore, it becomes essential to understand the nature and direction of the relationship between the country's economic growth and its sectorial component.

This paper aimed to study the dynamics of the three main sectors of the economy, namely the agriculture, industry, and services, and determine its contribution to India's GDP growth. To date, there have been many methods used to study the relationship, using several econometric techniques to research this dynamic sector-economic growth relationship. The literature has well-recorded research suggesting connections in both directions. Therefore, the current study was a modest attempt to examine further the relationship between sectors and the GDP in the context of India's economy from 2014 to 2019.

¹ Diacon, P. E., & Maha, L. G. (2015). The Relationship between Income, Consumption and GDP: A Time Series, Cross-Country Analysis. *Procedia Economics and Finance*, 23, 1535-1543.

² Abramovitz, M. (1986), 'Simon Kuznets: 1901-1985', *Journal of Economic History*, 46, 241-46.

³ Picardo, E. (2013). <http://www.investopedia.com/articles/investing/121213/gdp-and-its-importance.asp>.

⁴ Dhiraj Jain, K. Sanal Nair, Vaishali Jain, "Factors Affecting GDP (Manufacturing, Services, Industry): An Indian Perspective," *Annual Research Journal of SCMS*, vol. 3, Pune, April 2015, pp. 38-56.

1. Literature Review

GDP refers to a country's economic health as a whole-which is, in fact, a hunting ground for researchers in general and economics in specific. The issues of the GDP are examined⁵ as the most concerned among macroeconomic factors, and GDP information is considered to be the critical index for evaluating domestic economic development and evaluating the macroeconomic working status as a whole.

GDP is the aggregate statistics of all financial activity, capturing the economy's broadest coverage compared to other macroeconomic factors. It is the market value of all the final goods and services generated in a year within a nation's boundaries⁶. There are three methods to measure GDP⁷. First, the Expenditure strategy comprises of purchases of products and services and net exports from households, businesses, and governments. Secondly, the manufacturing strategy is equivalent to the amount of the value-added by all sectors within the nation at each point of production (the intermediate phases), plus taxes and fewer product subsidies over the period. Thirdly, the strategy to revenue is equivalent to the sum of all the factors of revenue generated by production in the nation (sum of employee remuneration, capital earnings, and gross operating surplus of businesses, i.e., profit, manufacturing taxes, and imports minus subsidies) over a while⁸.

The role of industry and services was examined in economic development, taking into account several recent events: Services are growing quicker than manufacturing in many developing countries; de-industrialization is emerging in many developing nations at low per capita revenue rates; jobless growth in the formal sector, even in fast-growing nations such as India; and a significant expansion of the informal sector in developing countries⁹. Although they examined the phenomena in the Indian economy's particular context, the study had a much broader implementation and consequences for both economic policy and development and structural change theories. India's service sector growth has attracted worldwide attention. Unlike other nations where economic growth has resulted in a change from agriculture to industry, a shift from agriculture to the service sector has taken place in India. In this regard, South Asia and other emerging countries regarded India as an outlier¹⁰.

The Impulse-Response and Variance Decomposition¹¹ assessment was used to examine the static and dynamic causality between India's agricultural, service, and total GDP sector revenues for

⁵ Ning, W., Kuan-jiang, B. and Zhi-fa, Y. (2010), Analysis and forecast of Shaanxi GDP based on the ARIMA Model, *Asian Agricultural Research*, Vol. 2 No. 1, pp. 34-41.

⁶ Mallett, J. & Keen, C. (2012). GDP measure growth in the economy or simply growth in the money supply? [Online]. Available from: <https://arxiv.org/pdf/1208.0642.pdf>

⁷ Yang, Lu. (2009), Modeling and a forecasting GDP data with time series model. Thesis unpublished.

⁸ Ard, H.J, den Reijer. (2010), *Macroeconomic Forecasting using Business Cycle leading indicators*, Stockholm: US-AB.

⁹ Dasgupta, S.S. (2005). Will Services be the New Engine of Indian Economic Growth? *Development and Change*, 36(6), 1035–1057.

¹⁰ Ansari, M. I. 1995. Explaining the Service Sector Growth: An Empirical Study of India, Pakistan, and Sri Lanka. *Journal of Asian Economics*. 6 (2). pp. 233–246.

¹¹ Engle, R.F, and C.W.J. Granger (1987), "Co-integration and Error-correction Representation, Estimation, and Testing", *Econometrics*, Vol. 55, No. 2, pp. 251–276.

the period 1950-51 to 2008-09¹². Analysis of static causality showed that the service sector created industry and GDP, and the agricultural sector caused the service sector. Results of dynamic causality indicated that the industry sector's contribution to GDP forecasted error is the lowest, followed by agriculture and service industries, while GDP's contribution to the industry sector forecast error was the most economical, followed by service and agricultural sectors. Another study was conducted to evaluate the relationship between aid and GDP growth from 1995 – 2014¹³.

The role of multinational companies (MNEs) was analysed in industrial growth from the view of the 'learning scheme'¹⁴. The researchers also studied the policy instruments available in a liberalizing, post-World Trade Organization world for using foreign direct investment (FDI) for economic development, and the constraints to do so. India is among the emerging nations with the fastest growth. This has surpassed the standard growth rate effectively and now continues to move towards East Asian nations¹⁵. In the 1990s, the country embarked on the road of rapid growth by opening up the economy and introducing policies of liberalization, privatization, and globalization¹⁶. Such reform initiatives have significantly encouraged India's economic growth due to low-interest rates¹⁷. The literature on the mentioned research issue shows that the studies available deal with single-country analysis, multi-country analysis, and Asian nations' economic growth. However, relatively few studies are available that deal with the factors of the economic growth of the Indian region. Therefore, the present study has been conducted to explore the determinants of economic growth, such as agriculture, industry, and services in India from 2014 to 2019.

2. Research Methodology

The study used secondary data for the period 2014 to 2019. Data were gathered from the NASSCOM annual report¹⁸, PHD Chamber¹⁹, IBEF²⁰, Economic Survey of India by the Ministry of Finance²¹, and Reserve Bank of India Bulletin²². GDP was reviewed for several elements, but

¹² Tiwari, A. (2011). Relationship between Industry, Agriculture, Service Sectors and GDP: The Indian Experience. *International Journal of Economics and Business*, 1(2010), 1.

¹³ Kurt Annen and Stephen Kosempel, (2018), Why Aid-to-GDP Ratios?, No 1801, Working Papers, University of Guelph, Department of Economics and Finance

¹⁴ Lall, S. N. (2004). Foreign Direct Investment and its Role in Economic Development: Do We Need a New Agenda? *The European Journal of Development Research*, 16(3), 447-464.

¹⁵ Biswas, S., & Saha, A. K. (2014). Macroeconomic Determinants of economic growth in India: A Time series analysis. *SOP Transactions On Economic Research*, 1(2), 54-73.

¹⁶ Panagariya, Arvind. (2004). Growth and Reforms during 1980s and 1990s. *Economic and Political Weekly*. 39. 2581-2594. 10.2307/4415173.

¹⁷ Chakraborty, Indrani. (2010). Financial Development and Economic Growth in India An Analysis of the Post-reform Period. *South Asia Economic Journal*. 11. 287-308.

¹⁸ NASSCOM Annual Report 2018-2019. (2019). Retrieved 27 June 2020, from https://www.nasscom.in/sites/default/files/NASSCOM_Annual_Report_2018-19.pdf

¹⁹ PHD Chamber | Annual Reports. (2019). Retrieved 17 July 2020, from <https://www.phdcci.in/annual-report-2018-19/PHDCCI-AR-2018-19.pdf>

²⁰ IBEF Annual Report. (2019). Retrieved 21 July 2020, from <https://www.ibef.org/uploads/IBEF-Annual-Report-2018-19.pdf>

²¹ Summary Report Calendar Year 2018. (2019). Retrieved 13 July 2020, from https://dea.gov.in/sites/default/files/Summary%20Report_2018-English.pdf

this research chose only agriculture, industry, and services as main sectors for the study period. Agriculture sectors included agriculture and livestock production, forestry and fisheries; Industry comprises mining and quarrying, manufacturing, electricity, gas and water, construction, wholesale and retail; and services sector included information technology, business processes outsourcing services, hotel and restaurant services, transportation and communications, economic institutions, business, and personal services, government services and private non-profit organizations. Both descriptive and inferential data analysis techniques were used to analyse data collected for the purpose of this paper.

3. Data Analysis and Discussion

Indian economy's GDP growth rate trend has shifted from steady to strong and now to the world's fastest. The rate of GDP growth in the 1960s was 4.0%, which decreased to 2.9% in the 1970s. The decade of the 1980s recorded a steep rise in the GDP growth rate, making the average growth rate rise to 5.6%. The average growth rate in the 1990s and 2000s increased to 5.8% and 7.2%, respectively. India's average growth rate was reported at 7.3 percent over the nine years from 2010 to 2019. The Indian economy has seen a notable improvement in the macroeconomic setting for 2014-2019 with favorable trajectory lead indices. Real growth in GDP has risen from 6.4% in 2014 to 7.2% in 2019. At present rates, per-capita income showed a growing trend from Rs. 79,118 in 2014 to Rs. 1,25,397 in 2019. Overall, inflation has fallen in recent years as WPI inflation fell from 5.2% in 2014 to 4.4% in 2019, and CPI inflation fell from 9.5% in 2014 to 3.3% in 2019²³, which was extremely encouraging.

Export growth had increased steadily from 7.8% in 2014 to 12.1% in 2019, and 7.8% in 2014 to 12.1% in 2019 the country's total trade had improved from USD 764.5 billion in 2014 to USD 769.1 billion in 2019. The fiscal deficit had gone down as a percentage of GDP from 4.5% in 2014 to 3.3% in 2019. Also, over the past few years, India has reported a continuous rise in overseas inflows. FDI inflows rose from USD 36.0bn in 2014 to USD 61.9bn in 2019. The exchange rate in 2014 was INR / USD 60.5, but in 2019 INR / USD declined to 67-69. In the Indian economy, overall formal jobs grew from 8 percent in 2011-12 to 10 percent in 2017-18. Between daily wages / salaried employees, 2.62 crore new jobs were generated during the 2011-18 period. The overall employment or employment rose by 3.3 percent in the CAGR over four years from 2014-15 to 2018-19²⁴. There are vital components that go into the GDP calculation: private consumption, savings, and government spending.

3.1 GDP and its components

The GDP is measured by the Bureau of Economic Analysis, Department of Commerce²⁵. For its GDP assessment BEA uses the following components: $GDP = C + I + G + NX$. C is consumer spending; I stand for investment; G represents spending by the government; NX stands for net

²² Reserve Bank of India - RBI Bulletin. (2019). Retrieved 11 July 2020, from https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx

²³ PHD Chamber | Indian Economy on the Eve of Union Budget 2019-20. (2019). Retrieved 17 July 2020, from <https://www.phdcci.in/wp-content/uploads/2019/02/Report-on-Indian-Economy-on-the-eve-of-Union-Budget.pdf>

²⁴ ILO (2019), India Wage Report, International Labour Office, New Delhi

²⁵ U.S. Bureau of Economic Analysis, "[Table 1.1.1. Percent Change From Preceding Period In Real Gross Domestic Product](#),"

exports. The cumulative value-added for each group yields the gross domestic product. Consumption expenditure is the main driver, representing almost 60% of total GDP development between 2014 and 2016. This contribution improved to over 95% in 2016-17, due in particular to the greater development of both Private Final Consumption Expenditure (PFCE) and Government Final Consumption Expenditure (GFCE). GFCE's growth in 2016-17 was approximately 21%, compared to the normal development of 3.5% in 2015-16. This was primarily due to the payment to public employees of greater wages and salaries that followed the Seventh Pay Commission's suggestions. The development of PFCE and GFCE in 2017-18 reflected smaller than in 2016-17.

Between 2014 and 2018, the share of investment, and in specific that of fixed investment in GDP, continued to decline. While fixed investment in 2014 was 34.3% of GDP, it fell to 27.1% in 2019. Although fixed investment grew at a faster rate in 2018 than in 2017 (thus pointing to some recovery in investment), it was still not high enough to prevent a further reduction in the share of fixed investment in GDP. After almost stagnating in 2014-15 and falling in 2015-16, products and services exports started picking up in 2016-17. Imports also improved but at a slower rate, thereby helping to reduce the current account deficit in 2016-17. Exports expanded by 4.5% in 2017-18, while imports were anticipated to grow quicker. As a consequence, the share of net products and services exports (as reflected in the National Accounts Statistics) in GDP decreased from (-) 0.7% in 2016-17 to (-) 1.8% in 2017-18²⁶. The GDP growth data is further analyzed for the period of 2018-19.

3.2 GDP Growth Data between 2014-2019

With the development of GDP averaging 7.5 percent between 2014 and 2019, on this parameter, India can be placed as one of the world's best-performing countries. While growth decreased to 6.5 percent in 2018-19, bringing the 5-year average to 7.3 percent, India's broad-based GDP growth story is anticipated to be considerably higher than most world economies. The growth was about four percentage points greater than the last three years' worldwide growth average and nearly three percentage points greater than the average development attained by emerging market and developing countries (EMDE), as illustrated in Figure 1.

²⁶ Govt. of India. 2017. "National Account Statistics - Sources and Methods, 2017." Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Govt. of India:New Delhi.

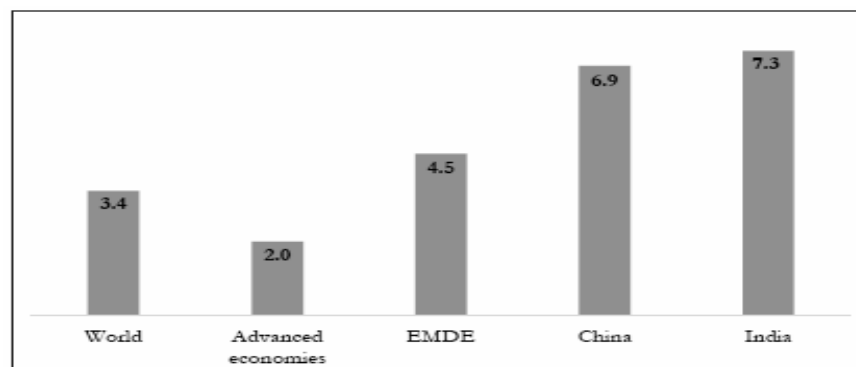


Figure 1: Average growth of GDP (Source: IMF's World Economic Outlook Database)

Based on the first Advance Estimates (1st AE) released by the Central Statistics Office (CSO) of Gross Domestic Product (GDP) demonstrated an average growth of 7.5% between 2014 and 2019, as shown in Table 1. During the last five years, a broad-based strength in the economic indicators has been observed as the real GDP has decreased from 7.5% in FY2014 to 4.9% in FY2019. The per capita income has increased from Rs 79,118 in FY2014 to Rs. 1,25,397 in FY2019. Exports growth has increased from 7.8% in FY2014 to 12.1% in FY2019. FDI inflows have increased from USD 36 billion in FY2014 to USD 62 billion in FY2019. Industry growth has increased from 3.8% in FY2014 to 7.8% in FY2019. Forex reserves have increased from USD304.2 billion in FY2014 to USD393.2 billion in FY2019.

Table 1: Annual GDP growth in percent

GVA at basic prices from	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Agriculture, forestry & fishing	-0.2	0.7	4.9	2.1	3.8
Industry	7.5	8.8	5.6	4.4	6.9
Mining & quarrying	11.7	10.5	1.8	2.9	0.8
Manufacturing	8.3	10.8	7.9	4.6	8.3
Electricity, gas, water and utilities	7.1	5.0	7.2	7.5	9.4
Construction	4.7	5.0	1.7	3.6	8.9
Services	9.7	9.7	7.7	8.3	7.0
Trade, Hotel, Transport, Storage, Communication	9.0	10.5	7.8	8.7	6.9
Financial, real estate & professional services	11.1	10.8	5.7	7.3	6.8
Public administration, defence services	8.1	6.9	11.3	9.4	8.9
GVA at base prices	7.2	7.9	6.6	6.1	7.0
GDP at market prices	7.5	8.0	7.1	6.5	4.9

(Source: CSO, Ministry of Statistics & Programme Implementation, Government of India)

The sectors which registered growth rate in FY 2018-19 of over 7.0 percent were services which included 'Electricity, Gas, Water Supply and Other Utility Services,' 'Construction,' 'Manufacturing,' 'Public Administration, Defence, and Other Services.' The Agriculture and Industry are estimated to be 3.8 percent and 6.9 percent, respectively. India's growth, though declined in 2019, however, compared to major emerging economies' growth rates between 2014 and 2019, it was pretty good, even if one were to allow the fact that official growth rates could overstate economic growth.

3.3 Sectoral Development

Annual data of GDP and constituent sectors for the period of 2014-2019 were used for estimation and analysis of agricultural, industrial, and services sectors development. The summary statistics of each sector are given in Table 1. The longitudinal data demonstrated the causal relationship among GDP, agriculture, industry, and services sectors in India for the period of 2014-2019.

3.3.1 Agriculture and Allied Sectors

The process of development usually leads to a decline in the share of agriculture in GDP, which was observed in India as well. Agriculture and related sector's share of GVA fell from 18.2% in 2014 to 16.4% in 2019, as illustrated in Table 2. The decreasing percentage, however, does not undermine the sector's importance for jobs, living, and food safety. Also, in recent years, the agricultural sector itself has witnessed a gradual structural shift. The share of livestock in GVA of agriculture has been rising since 2012, while that of the crop sector declined from 65 percent in 2012 to 60 percent in 2016.

Table 2: Agriculture Sector

Item	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Growth in GVA in Agriculture & Allied Sectors	-0.2	0.7	4.9	2.1	3.8
Share of Agriculture & Allied sectors in total GVA	18.0	17.5	17.4	16.4	16.1
Share of Agriculture & Allied Sectors in total FMCG of which	8.3	7.8	N/A	N/A	N/A
Share of crops	6.9	6.8	N/A	N/A	N/A
Share of livestock	0.8	0.8	N/A	N/A	N/A
Share of forestry and logging	0.1	0.1	N/A	N/A	N/A
Share of fishing	0.5	0.5	N/A	N/A	N/A

(Source: CSO, Ministry of Statistics & Programme Implementation, Government of India)

According to the fourth Advance Estimates published by the Department of Agriculture, Cooperation and Farmers Welfare for 2017, India accomplished record foodgrain output in 2017,

estimated at 275.7 million tons. According to the 1st, AE published on September 22, 2017, food grain production was estimated at 134.7 million tons for the Kharif Season during 2017-18, down 3.9 million tons compared to 2017. Pradhan Mantri Fasal Bima Yojna (PMFBY) was launched in 2016 to increase the share of households engaged in crop production to insure their crops. India ranked first, with 9.6 percent (179.8 Mha) of the global net cropland area, according to United States Geological Survey, 2017. The agriculture sector's share of total GVA has dropped gradually and now stands at 16.1% in 2018-19. Foodgrain production in 2018-19 was 283.4 million tonnes, compared to 285 mt in 2017-18, according to the Ministry of Agriculture and Farmers Welfare. Foodgrain, as a part, has recorded less contribution to GVA within the agricultural sector in 2017-18. The share went down from 12.1% in 2013-14 to 10% in 2017-18. Nevertheless, the livestock portion has risen from 4.1 percent to 4.9 percent (at current prices) in 2018-19.

3.3.2 Industry Sector

According to the Industrial Production Index (IIP), which is a volume index with the base year 2012, industrial production improved by 3.2% over the corresponding period of the past year during April-November 2018. This was a composite impact of 5.2 percent development in electricity generation and 3.0 percent and 3.1 percent growth, respectively, in the mining and manufacturing industries. The IIP recorded an 8.4% development in November 2017 to bring the development of April-November to 3.2% over the corresponding period of the prior year. The eight sub-sectors that support the core industry sector that is coal, crude oil, natural gas, petroleum refinery items, fertilizers, steel, cement, and electricity with a total weight of almost 40% in the IIP achieved cumulative development of 3.9% over the respective period of the past year in April-November 2018. The development of coal, natural gas, refinery goods, steel, cement, and electricity manufacturing has been positive. Steel production rose significantly, while crude oil and fertilizer manufacturing dropped marginally over the period.

Nominal outstanding credit growth to the industry was 1% greater at the end of November 2017 compared with the recent RBI information at the end of November 2016. Bank credit to, both, large and micro, small & medium industries has seen a pickup in growth. Bank credit growth to micro, small & medium-sized industries contracted in 2016 and 2017 but started to pick up in 2018. Broad industry credit growth has begun to decline since March 2016 and has reached negative territory by October 2016. It has recovered since the beginning of 2017-18, and the momentum increased in the second half of 2018, as illustrated in Figure 2.



Figure 2: Deployment of Bank Credit in Industry Sector (Source: Reserve Bank of India)

Indian firms' demand for resources has been met by alternative sources such as corporate bonds, internal commercial borrowing, and commercial paper in the aftermath of the credit slowdown. The government lifted customs duty and imposed an anti-dumping duty to tackle the dumping of inexpensive steel imports from China, South Korea, and Ukraine. Similarly, in February 2016, Minimum Import Price (MIP) was implemented with a one-year sunset clause on many products. These measures assisted national manufacturers, and the recovery of exports began. The government informed anti-dumping responsibilities and countervailing obligations on different steel products in February 2017. In May 2017, the government also launched a New Steel Policy. The overall growth in the Industry sector was 6.9 percent, according to the 2018-19 national income estimate. It was 5.9 percent higher than the manufacturing growth in 2017-18. In 2018-19, the manufacturing sector experienced a 6.9 percent raise. In 2018-19, the industry's contribution to the GVA was 29.6 percent.

3.3.3 Services Sector

With a share of 55.2% of India's GVA, the service sector remained the main driver of India's financial development and contributed nearly 72.5% of GVA development in 2017-18. While this industry is anticipated to grow at 8.3% in the coming years, growth in exports of services and net goods was steady at 16.2% and 14.6%, respectively, in 2017-18. Growth in the service sector declined from 8.1% in 2017-18 to 7.5% in 2018-19 due to declines in growth in the 'Public Administration, Defense & Other Services' and 'Commerce, Hotel & Transportation' industries. Yet the sector remains the most significant contributor to the Indian economy's growth. The share of the services sector has been rising in the overall economy and now stands at just over 54 percent.

FDI equity inflows to the services industry (top 10 sectors, including construction) decreased by 0.9% to US\$ 26.4 billion in 2017, although global FDI equity inflows increased by 8.7%. However, FDI equity inflows to these industries increased by 15.0% during 2018 (April-October), compared with 0.8% growth in total FDI equity inflows, primarily owing to higher FDI in two sectors, i.e., telecommunications and computer software and hardware. Among the

top sectors which attracted FDI equity inflows, services, cars, and chemicals were the critical segment. FDI inflows have risen mainly at a fast pace since 2015-16. In 2018-19, net inflows of foreign direct investment increased by 14.2 percent, as shown in Figure 3.

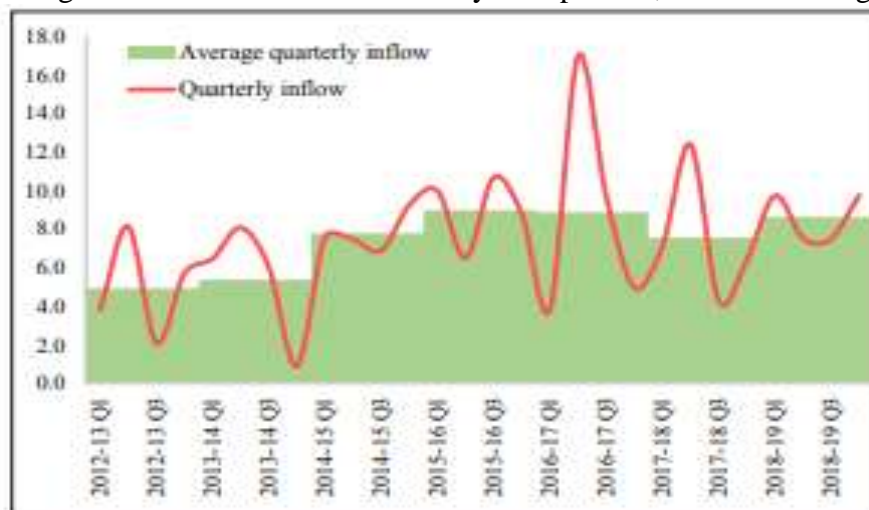


Figure 3: Net FDI inflows (Source: RBI Bulletin – May 2019)

India stayed the world's eighth biggest exporter of commercial services in 2016 (WTO, 2017) with a share of 3.4 percent, doubling India's exports of services worldwide. India's growth in export services has returned to favorable land, growing by 5.7% in 2017 from (-) 2.4% in 2016. During April-September 2017, services exports registered a stable 16.2% development, with a turnaround in some significant industries such as travel and software services. In April-September 2017, India's service industry imports also showed a much greater growth rate of 17.4%. Net service receipts in April-September 2018 increased by 14.6 percent relative to H1 in 2017. Net service surplus funded around 49% of India's goods trade deficit in H1 of 2017-18 and cushioned the present account deficit. Service exports decreased to 5.5% in 2018-19, from 18.8% in 2017-18, in USD.

According to the NASSCOM Annual report, the IT-Business Process Management (IT-BPM) sector in India rose by 8.1% in 2017 to US\$ 139.9 billion (excluding e-commerce and equipment). In 2017, IT-BPM exports rose by 7.6% to US\$ 116.1 billion. The e-commerce market is estimated at US\$ 33 billion, with a growth of 19.1% in 2017. However, according to the RBI information, in 2017, software exports contracted by 0.7%. It rose by 2.3 percent in H1 in 2018. The United States, the United Kingdom, and the EU account for about 90% of all IT-ITES exports. The IT-BPM sector in India grew to US\$ 177 billion in 2019, with a rise of 6.1 percent year-on-year. 31.45 percent of the Indian workforce is in the services sector.

Between 2014 and 2019, the professional science and technical operations, including R&D services, grew by 17.5% and 41.1%, respectively. R&D services businesses based in India, accounting for nearly 22% of the worldwide market, rose by 12.7%. India's gross R&D spending, however, was small at just about 1% of GDP. India ranks 60th out of 127 on the 2017 Global Innovation Index (GII), up from 66th in 2016. According to the 2017-18 Global Competitiveness Report, India's innovation capability was smaller than that of many nations such as the United States, the United Kingdom, and South Korea, but it is better than China. However, India lags considerably behind other Brazil, Russia, India, China and South Africa in terms of

patent apps per million population, and India ranks marginally below China in terms of business expenditure on R&D.

4. Conclusion

The study of this paper shows that the average GDP growth pace in the last five years, from 2014 to 2019, was 7.5 percent. This has made India the world's fastest-moving emerging economy. During the period 2014-2019, the macroeconomic climate was enhanced considerably. Inflation is contained, fiscal consolidation is on the right track, and annual growth in foreign investment is continuously increasing. The analysis in this paper shows that the government has conducted a wealth of reforms and associated budget allocations for every section of the population to promote all-inclusive economic growth and sustainable development from 2014 to 2019. The increase in the Ease of Doing Business rankings of the World Bank was noted mainly owing to essential improvements in dealing with building licenses with cross-border enhancement and trading. Analyzing the performance of GDP growth between the years 2014 to 2019, it was found that the growth of the Indian economy looked extremely appealing on the worldwide charts. The Ease of Doing Business enhancement from 142nd in 2014 to 63rd in 2019 was a critical result of the government's diligence to attempt to improve the business climate in the economy.

Finally, it was found that India is a bright spot in the global ecosystem, and the development of India in the coming years looked very profitable. The growth of India has outperformed many emerging and developing economies. The study also indicates that India is the world's fastest increasing economy, and will grow by 9-10% by 2024-25, raising the size of the economy from USD 2.7 trillion in 2017-18 to approximately USD 5 trillion by 2024-25 in actual terms.

5. Recommendation

This paper recommends that the Government of India increase public finance in the agricultural sector that would appeal to private investment in the cold storage, warehousing, and supply chain of agricultural products. To further improve the industry sectors with the development of infrastructure, it is recommended that the Indian government strengthen the integrated public transport projects such as roads, railways, and waterways, which would decrease business logistics, time, and expenses. These are the steps that the government may take to move the country towards such a target of \$5-trillion strong economy more quickly by improving industry sectors.

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