Indian Economy · GS - III

Explain the difference between computing methodology of India's Gross Domestic Product (GDP) before the year 2015 and after the year 2015.

EXAM YEAR	PAPER	SUBJECT
2021	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Base year revision from 2004–05 to 2011–12, GDP at market prices instead of factor cost, adoption of the new National Accounts Statistics series, improved data sources, corporate database MCA-21, international comparability, measurement of economic growth

Model Answer

Introduction

In January 2015, India revised its national accounts methodology to improve the measurement of economic activity and align national income estimates with international standards.

Major Differences

- **Base year:** The base year changed from 2004–05 to 2011–12, allowing the estimates to reflect newer production patterns and prices.
- **GDP valuation:** Earlier, GDP was prominently reported at factor cost. The revised series adopted GDP at market prices as the principal measure, incorporating net indirect taxes.
- **Industrial data:** The new methodology used corporate financial information from the MCA-21 database, improving coverage of registered companies.
- **Sectoral coverage:** It improved the estimation of manufacturing, services and other economic activities through updated databases and revised methods.

- **International standards:** The revision incorporated recommendations of the System of National Accounts 2008, enhancing international comparability.

Significance and Limitations

The revised series provided a more comprehensive picture of economic activity. However, differences in data sources, coverage and methodology complicated direct comparisons between the old and new GDP growth estimates.

Conclusion

The 2015 revision modernised India's national accounting framework, although GDP estimates must still be interpreted alongside employment, consumption and other indicators of economic well-being.

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