Q1

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

UPSC Civil Services Mains 2021 · GS III · 10 marks · Indian Economy

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Core demand of the question

- Explain the difference between computing methodology of India's GDP before the year 2015 and after the year 2015
- Treat the 2015 revision as a SNA-aligned statistical change, not a conspiracy
- Keep the explanation within a 10-mark length

Revision summary

The 2015 revision moved the base from 2004-05 to 2011-12 and replaced GDP at factor cost with GVA at basic prices.

Headline GDP is at market prices, in line with SNA 2008.

MCA21 and wider financial and local-body coverage changed what enters the total.

New IIP and price deflators mean the series is not a relabelled old index.

Debate on comparability is fair; a conspiracy reading is not.

Introduction

In January 2015 India shifted the National Accounts to a 2011-12 base and to System of National Accounts 2008 ideas. The change was about what is counted, at which prices, and from which books, not a secret rewrite of real output.

Body

What changed in the headline

- Before 2015 the familiar production measure was **GDP at factor cost** on a **2004-05** base. After 2015 the production measure is **Gross Value Added (GVA) at basic prices** on a **2011-12** base.
- **Basic prices** add production taxes and subtract production subsidies from factor-cost GVA. They are not the same as factor cost.
- **Headline** GDP **is now stated at** market prices**:** GVA plus product taxes minus product subsidies. That matches how most countries quote GDP.
- New series numbers cannot be read as a simple markup of the old series. The basket, the base, and the books all moved together.

Data books and coverage

- The corporate sector moved toward **MCA21** company filings instead of relying mainly on the Index of Industrial Production and a thinner set of company accounts.
- Coverage widened for **financial corporations**, **local bodies**, and **autonomous institutions**, which the old series under-counted.
- Informal and unorganised activity still uses survey labour input and value added per worker, but with newer NSS and enterprise frames rather than a frozen 2004-05 picture.
- Deflators shifted with new **IIP**, **WPI**, and **CPI** series, so real growth is not the old volume index with a new label.

How to read the debate

- Growth rates jumped in some years because the new books captured more organised activity, not because output was invented in a back room.
- Comparability with 2004-05 is imperfect. That is a fair statistical complaint. It is not evidence of a political conspiracy.
- Users should quote **GVA at basic prices** and **GDP at market prices** correctly, and never say India still publishes GDP at factor cost as the main production total.

Flow diagram

Pre-2015 2004-05 -> GDP at factor cost

Post-2015 2011-12 -> GVA at basic prices

Post-2015 2011-12 -> GDP at market prices

Post-2015 2011-12 -> MCA21 wider coverage

GVA at basic prices -> Headline accounts

GDP at market prices -> Headline accounts

Conclusion

After 2015 India measures production as GVA at basic prices on a 2011-12 base, with MCA21 and wider coverage, and quotes GDP at market prices. The revision aligned books with SNA 2008. It changed the ruler; it did not secretly reprint the cloth.

Facts & figures

Base year

National Accounts shifted from 2004-05 to 2011-12 in the January 2015 revision.

GVA at basic prices

Post-2015 production measure: factor-cost GVA plus production taxes minus production subsidies. Not factor cost.

GDP at market prices

GVA plus product taxes minus product subsidies; the headline GDP total after 2015.

MCA21

Ministry of Corporate Affairs e-filing database used to capture private corporate value added more fully.

SNA 2008

UN statistical standard that the 2015 Indian series sought to follow more closely.