

Estimation of market capitalization and economic growth in India

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Abstract

Capital formation is an integral part of economic growth and development and plays an important role in the economic theory of production and distribution. It is assumed that capital accumulation with a positive correlation and additions to the stock of capital can facilitate faster rate of growth. Traditionally growth rate depends upon growth of industrial, agriculture and service sector but stock market is also one of the major sectors for capital formation and has straight impact on the economy across the world. Hence, stock market in developing economies such as India is also growing very fast and it is estimated that Indian stock market is a trillion-dollar industry. Recently the Indian stock market is witnessing heightened activities and is increasingly gaining importance. Therefore, the present study attempts to capture the trends and patterns of market capital, domestic saving, GDP growth in Indian context using growth model. It also investigates the relationship between market capitalisation, saving and GDP growth over the last three decades or so. The results indicate further growth of market capitalisation and positive association between macro indicators.

Keywords

Economic growth, Market capitalisation, Gompertz model, Stock market.