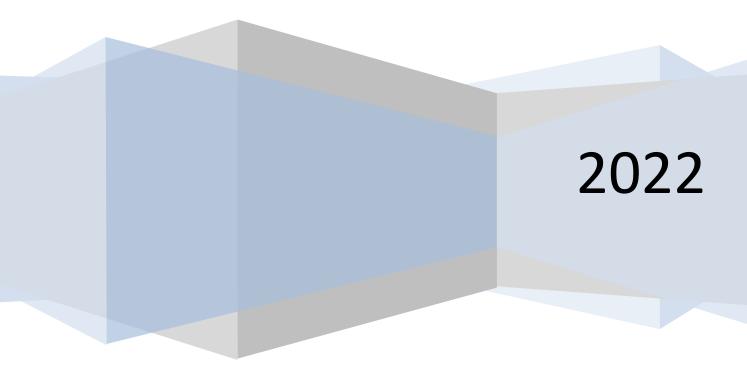
# **Polity**

# **Short Answers**

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# **Polity**

# **Gross Value Added (GVA)**

**Gross value added (GVA)** measures the entire value of goods and services produced in a given economy. The amount of value added to a product is considered. GVA is significant since it is used to **calculate GDP**, a vital indication of a country's overall economic health. It can also be used to determine the amount of value added (or lost) by a certain region, state, or province. This article will explain to you the concepts related to the **Gross Value Added (GVA)** which will be helpful in Indian Economy preparation for the IAS exam.

# **Gross Value Added (GVA)**

- The contribution of a **corporate subsidiary**, company, or municipality to an economy, producer, sector, or region is measured by **gross value added (GVA)**, an economic productivity statistic.
- The difference between gross and net output is the GVA, which is the country's **output minus intermediate consumption.**
- GVA is significant because it is used to **adjust GDP**, which is a major indicator of a country's overall economic health.
- It can also be used to calculate how much a **product or service** has helped a firm meet its fixed costs.
- It is the **principal entry** on the revenue side of the nation's accounting balance sheet, and it reflects the supply side from an economic standpoint.
- GVA is the sum of a country's GDP and net of subsidies and taxes in the economy at the macro level, according to national accounting standards.

#### Gross Value Added = GDP + subsidies on products - taxes on products

- Previously, India measured GVA at 'factor cost' until a new approach was implemented, with GVA at 'base prices' becoming the key indicator of economic output.
- Production taxes will be included in GVA at basic prices, while production subsidies will be excluded.
- GVA at factor cost did not include any taxes or subsidies.
- In addition, the base year has been changed from 2004-05 to 2011-12.
- The **National statistical office (NSO)** publishes estimates of GVA output on a quarterly and annual basis. It contains data on eight main types of commodities produced and services offered in the economy, as well as sectoral classification data.
- Agriculture, Forestry, and Fishing.
- Mining and Quarrying.
- Manufacturing.
- Electricity, Gas, Water Supply, and other Utility Services.
- Construction.
- Trade, Hotels, Transport, Communication, and Services related to Broadcasting.

- Financial, Real Estate, and Professional Services.
- Public Administration, Defence and other Services.

### **Importance**

- GVA depicts the state of economic activity from the perspective of producers or supply, GDP depicts the state of economic activity from the perspective of consumers or demand.
- GVA is seen to be a more accurate indicator of the economy. Because a sudden
  increase in output can be attributed to higher tax collections, which could be due to
  better compliance or coverage, rather than the genuine output situation, GDP
  fails to measure the true economic reality.
- The GVA measure provides a sector-by-sector analysis, which helps policymakers determine which sectors require incentives or stimulation and create sector-specific policies accordingly.
- However, when it comes to cross-country comparisons and comparing the earnings of different countries, **GDP** is a critical metric.
- GVA is an **important and necessary** metric in measuring a country's economic success from the standpoint of global data standards and homogeneity.
- Any government that wants to attract foreign money and investment must follow international best practices in national income accounting.

#### **Drawbacks**

- The sourcing of data and the accuracy of the numerous data sources are critical to GVA accuracy.
- GVA, like any other metric, is vulnerable to flaws caused by the use of **ineffective or incorrect procedures**.

### **Conclusion**

GVA is significant since it is factored into GDP, a vital indication of a country's overall economic health. It can also be used to determine how much value is added (or taken away) by a specific region, state, or province.