

Aim of the analysis:

Studying the trend of GDP on privatisation

About the analysis:

In this analysis, we have discussed how privatisation will contribute to the Gross Domestic Product (GDP) of the nation.

Whenever any private organisation expands its firm and lacks capital, it seeks for financial aid to improve their infrastructure. The money lent to the private sectors by the financial corporations is called “Domestic credit to the private sector”.

Domestic credit to the private sector refers to financial resources provided to the private sector by financial corporations through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment.

This is important for the economy because whenever a financial body gives a loan to the private sector, it recollects the amount after charging the rate of interest. The profit earned altogether boosts up the economy.

Data analysed:

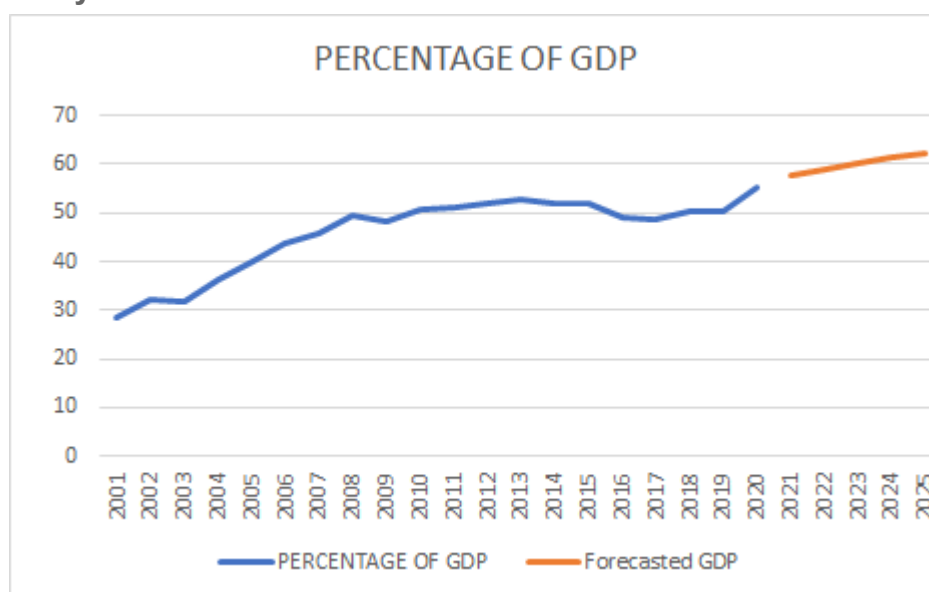
Below is the record, from 2001 to 2020, showing how the domestic credit given to the private organisations has fostered the GDP.

(Source: data.worldbank.org)

YEARS	PERCENTAGE OF GDP
2001	28.619
2002	32.306
2003	31.626
2004	36.192
2005	40.068
2006	43.628
2007	45.628
2008	49.559
2009	48.124
2010	50.555
2011	51.289
2012	51.889

2013	52.882
2014	51.882
2015	51.868
2016	49.101
2017	48.794
2018	50.372
2019	50.126
2020	55.251

Analysis:



The GDP (blue line) is in Secular trend.

Looking at the trend for past 20 years, the percentage of GDP which can be generated by providing domestic credit to the private sector in next five years (2021-2025) is :

YEARS	PERCENTAGE OF GDP
2021	57.82933684
2022	58.95708797
2023	60.0848391
2024	61.21259023
2025	62.34034135

(Forecasting done using MS-Excel)

Average percentage of GDP (2001-2020) = 45.988%

Average percentage of GDP (2021-2025) = 60.084%

Interpretation:

If privatisation is increased, the private sectors will take over the public firms and hence, more private companies will seek for domestic credit.

The financial corporations will benefit because they will be earning more profit by lending money to the private companies thus eventually helping in boosting the GDP of the country.

Conclusion:

Thus, we conclude that privatisation can be advantageous for the economy.

Declaration:

The analysis was performed using MS-Excel.

Periodicity: Annual

Type: Time Series