India Revives Gross Domestic Knowledge Product (GDKP) to Measure Knowledge Economy's Impact

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Gross Domestic Knowledge Product (GDKP) Latest News

- The government is reviving its 2021 plan to supplement GDP with a new metric, the Gross Domestic Knowledge Product (GDKP), to measure the impact of knowledge on economic and social life.

- Recently, the Ministry of Statistics and Programme Implementation (MoSPI) held a session to discuss the conceptual framework.
- GDKP would better reflect the contributions of innovation, intellectual assets, and knowledge-driven sectors to India's economic growth.

About Gross Domestic Knowledge Product (GDKP)

- The GDKP is a proposed metric to supplement Gross Domestic Product (GDP) by capturing the contribution of **knowledge-driven sectors, intellectual assets, and innovation** to the economy.
- Unlike GDP, which primarily measures economic output through production and consumption, GDKP aims to assess the impact of knowledge on economic and social development**.**

Need for GDKP in India

- The government recognizes that in an era of rapid technological advancements and digital transformation, traditional economic indicators may not fully reflect the value generated by intellectual capital, research, and innovation**.**
- **Capturing the Knowledge Economy**
  - India is experiencing growth in research, patents, software development, AI, digital services, and intellectual property.
  - These knowledge-driven sectors significantly contribute to economic progress but are not fully accounted for in GDP measurements.
- **Beyond Traditional Economic Indicators**
  - GDP focuses on tangible goods and services but does not adequately reflect knowledge creation, education, and digital transformation.
  - A more holistic metric is required to understand how knowledge impacts economic and social well-being.
- **Aligning with Global Trends**
  - Many advanced economies are working on alternative indicators that measure intangible assets, digital innovation, and intellectual capital.
  - India aims to develop a framework that aligns with these international efforts.
- **Policy and Investment Decisions**
  - A well-defined GDKP could help the government formulate better policies for sectors like education, research, technology, and entrepreneurship.
  - It could guide investment in knowledge infrastructure, such as R&D, digital connectivity, and skill development.

Capturing the Impact of Knowledge on Economic and Social Life

- Currently, Intellectual Property Products (IPP) are recorded under Gross Fixed Capital Formation (GFCF) in the GDP dataset.
  - GFCF is the total value of assets acquired for production purposes, minus the value of assets disposed of. It's also known as investment.

Satellite Account for Knowledge Economy

- Currently, discussions are underway to explore the feasibility of a **satellite account** to measure the knowledge base of the economy.
- MoSPI has prior experience with **tourism, culture, ocean, and blue economy satellite accounts.**
- However, a framework for capturing the knowledge economy is lacking.
- A **technical committee** will be formed to evaluate and guide the proposal.

NITI Aayog’s GDKP Proposal

- The GDKP was initially proposed in 2021 by NITI Aayog, but the National Statistical Commission found that it lacked a clear methodology for data collection and computation.
- It noted the need for identification of knowledge parameters and adjustments to ensure accurate reflection of outcomes.
- However, due to various complexities, after a review by NITI Aayog in August 2021, the project was shelved.

Challenges in Implementing GDKP

- **Data Collection Issues**
    - Unlike GDP, which relies on well-established economic indicators, GDKP requires new methodologies to measure knowledge output.
    - Data on intellectual property, research output, digital innovation, and human capital development is fragmented and difficult to quantify.
- **Integration with GDP**
    - Since some aspects of knowledge contribution are already captured in GDP (e.g., Intellectual Property under Gross Fixed Capital Formation), integrating GDKP with GDP without duplication is a challenge.
- **Subjectivity in Measurement**
    - The National Statistical Commission earlier noted that defining and quantifying knowledge parameters is highly subjective and requires extensive refinement.
    - MoSPI has acknowledged the need for a proper methodology to ensure accuracy and avoid perception-based estimations.

Conclusion

- India’s move to explore GDKP reflects its ambition to shift from a production-based economic model to a knowledge-driven one.
- While challenges exist in defining and measuring knowledge contributions, a well-structured GDKP could provide valuable insights for policymaking, investment, and long-term economic planning in an increasingly digital and innovation-led economy.

Gross Domestic Knowledge Product (GDKP) FAQs

Q1. What is meant by Gross Fixed Capital Formation?

Ans. It is the total value of assets acquired for production, minus disposed assets, reflecting investment in an economy.

Q2. What is a simple definition for GDP?

Ans. It is the total value of assets acquired for production, minus disposed assets, reflecting investment in an economy.

Q3. What do you mean by knowledge economy?

Ans. A knowledge economy relies on intellectual capital, innovation, and technology rather than physical production for economic growth.

Q4. What are the four pillars of the knowledge economy?

Ans. Education, innovation, information infrastructure, and an economic framework supporting knowledge-based industries define a knowledge economy.

Q5. What are Intellectual Property Products (IPP)?

Ans. IPPs include patents, copyrights, trademarks, and trade secrets, legally protecting innovations and creative works.

Source: IE | PIB
