International Journal of Commerce and Management Research
www.managejournal.com
ISSN: 2455-1627
Received: 06-12-2025, Accepted: 05-01-2026, Published: 20-01-2026
Volume 12, Issue 1, 2026, Page No. 37-43

# Stock market performance and economic expansion: A cross-country analysis of India, Japan, and France (2000–2025)

**Dr. Amit Mishra[1], Adarsh Mishra[1], Shivam Dubey[1], Dr. Shraddha Verma[2]**
[1] Assistant Professor, Department of Commerce, University of Lucknow, Lucknow, Uttar Pradesh, India
[2] Assistant Professor, Department of Management Sciences, Chandigarh University, Lucknow, Uttar Pradesh, India

**Abstract**
This paper examines the dynamic relationship between the valuation of the Indian stock market, measured by the Market Capitalization to Gross Domestic Product (Market Cap/GDP) ratio, and the nation's economic growth, represented by annual GDP growth. The Market Cap/GDP ratio, often termed the "Buffett Indicator," serves as a benchmark for assessing whether markets are over- or undervalued relative to economic size. Using annual time-series data from 2000 to 2025, sourced from the World Bank and supplemented with CEIC Data and IMF projections, the study applies correlation analysis, linear regression, ARIMA forecasting, and visual inspection of time-series and scatter plots. Results reveal a weak positive correlation (r = 0.2377 for 2000–2024, updated to r = 0.2451 for 2000–2025), indicating limited short-term predictive power. Key divergences include the 2007 market peak, the 2020 contraction, and the 2025 surge amid moderated growth expectations. Forecasts suggest a Market Cap/GDP ratio of 119.73% and GDP growth of 6.27% for 2025, though actual estimates are higher at 136% and 6.6%. Comparative analysis with Japan and France highlights contrasting dynamics: Japan's elevated ratios (~197% in 2025) with stagnant growth (~0.9%), and France's moderate valuations (~100–124%) with subdued growth.

**Keywords:** Stock market valuation, gross domestic product, India, market capitalization, economic growth, Buffett Indicator, forecasting, comparative analysis, per capita income

## Introduction

The interplay between stock market performance and macroeconomic expansion has long been a focal point in financial economics, reflecting the dual role of capital markets as both mirrors and drivers of economic activity. Stock markets facilitate the mobilization of savings, channel resources toward productive investment, and provide signals of investor sentiment and expectations. At the same time, the trajectory of real economic growth shapes corporate profitability, investment opportunities, and ultimately market valuation. Understanding this relationship is particularly salient in the context of emerging and advanced economies, where structural differences in financial systems, policy frameworks, and demographic trends yield divergent outcomes.

The relationship between stock market valuation and economic growth through the lens of the Market Capitalization to Gross Domestic Product (Market Cap/GDP) ratio, commonly referred to as the Buffett Indicator. As a measure of the aggregate value of publicly listed firms relative to national output, the ratio offers insights into whether markets are overvalued or undervalued in relation to the underlying economy. Complementing this, GDP growth—the annual percentage change in real output—serves as the benchmark indicator of macroeconomic performance. The theoretical linkage between these variables is bidirectional: buoyant equity markets lower the cost of capital and stimulate investment, thereby fostering growth, while robust economic expansion enhances corporate earnings and investor confidence, driving market capitalization upward.

India provides a compelling case study for this inquiry. As one of the fastest-growing major economies, India's financial markets—anchored by the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)—have undergone rapid expansion, attracting both domestic and international capital. Yet, questions remain regarding the extent to which stock market valuation reflects underlying economic fundamentals, particularly in light of episodes of divergence such as the 2007 pre-crisis boom, the 2020 pandemic-induced contraction, and the post-2025 surge amid moderated growth expectations. To situate India's experience within a broader comparative framework, this paper extends its analysis to Japan and France, two advanced economies with distinct structural characteristics. Japan exemplifies a mature, export-driven economy facing demographic headwinds and prolonged stagnation, while France represents a diversified Eurozone economy shaped by fiscal constraints and integration within European monetary policy. By juxtaposing India's emerging market trajectory with these advanced economies, the study highlights variations in the market-economy nexus across different institutional and developmental contexts.

Finally, the inclusion of GDP per capita metrics provides an additional dimension, contextualizing aggregate growth against individual prosperity. Despite India's rapid aggregate expansion, its per capita income remains significantly lower than that of Japan and France, underscoring the structural challenges of translating market dynamism into broad-based welfare gains. Against this backdrop, the present research employs correlation analysis, regression modeling, ARIMA forecasting, and comparative evaluation to assess the strength and nature of the relationship between stock market valuation and economic growth across India, Japan, and France over the period 2000–2025. By integrating empirical evidence with comparative insights, the study contributes to ongoing debates on the predictive power of financial indicators, the resilience of economic systems, and the implications for policy and investment strategy in both emerging and advanced economies.

## Literature Review

The interplay between stock market development and economic growth has been extensively studied in financial economics, with a particular focus on emerging markets like India. The Market Cap/GDP ratio, popularized as the "Buffett Indicator," has been used as a proxy for market valuation relative to economic fundamentals.

Early studies, such as Levine and Zervos (1998) [8], established a positive correlation between stock market liquidity, size (including market capitalization), and long-term economic growth across developing economies. In the Indian context, Agrawalla and Tuteja (2007) [3] found that stock market development, measured by market capitalization and turnover ratios, positively influences GDP growth by enhancing capital formation and efficiency.

More recent empirical work supports these findings. For instance, Paramati and Gupta (2011) [11] in Stock Market Development and Economic Growth in India analyzed data from 1991–2010 and concluded that market capitalization has a significant positive impact on economic growth, with Granger causality running from stock market indicators to GDP. Similarly, Mishra *et al*. (2014) [9] in An Analysis of the Stock Market's Impact on Economic Growth (covering 2003–2017) used vector autoregression models to demonstrate a causal link, where increases in market capitalization lead to higher GDP growth through improved resource allocation.

However, not all studies find a strong or unidirectional relationship. Singh (2013) in Estimation of Market Capitalization and Economic Growth in India noted a strong positive link between market capitalization, GDP growth, and gross domestic savings, but highlighted volatility during crises, suggesting that external factors like global financial shocks can decouple the two. A 2022 study by Kumar and Singh in GDP Impact on Market Capitalization examined homogeneity between GDP and market cap growth rates, finding that while GDP positively affects market capitalization, the reverse is weaker in the short term.

International comparisons provide additional insights. Enisan and Olufisayo (2009) [5] compared African markets, including parallels to India, and found that stock market development (via Market Cap/GDP) promotes growth but is sensitive to inflation and interest rates. In a broader context, Caporale *et al*. (2004) [4] showed that in emerging Asian economies, including India, market capitalization positively correlates with growth, but the relationship strengthens with financial liberalization.

Recent literature also incorporates macroeconomic mediators. Owusu and Odhiambo (2014) [10] in Market Capitalization and Economic Growth Nexus across 20 countries (including India) found that market capitalization mediates the impact of variables like inflation and trade openness on growth. In India-specific empirical studies, such as Sharma (2018) [12] in An Empirical Study on Implications and Impact of GDP on the Indian Stock Market, market capitalization as a percentage of GDP is confirmed as a key indicator of stock market development, with positive but moderate correlations to GDP growth.

Comparative studies extend to advanced economies. For Japan, research by Hoshi and Kashyap (2004) highlights how persistent high Market Cap/GDP ratios coexist with low growth due to "zombie firm" inefficiencies and aging demographics. In France, Boutin *et al*. (2013) note that EU regulatory harmonization moderates market volatility but dampens growth linkages amid fiscal austerity. Cross-country analyses, such as those by Beck *et al*. (2000) in the World Bank's Finance and the Sources of Growth, reveal that per capita income disparities amplify these differences, with emerging markets like India showing higher growth potential but lower baseline prosperity.

Overall, the literature consistently indicates a positive association between Market Cap/GDP and economic growth in India, though the strength varies by period and methodology. This study builds on these by extending the analysis to 2025, incorporating forecasting, addressing policy implications amid recent global uncertainties, and adding comparative insights from Japan and France alongside per capita income trends.

## Methodology

### 1. Data Collection and Variables

The study utilizes annual time-series data for India from 2000 to 2025. The data for 2000–2024 were sourced from the World Bank's World Development Indicators database, with 2025 estimates derived from CEIC Data for Market Cap/GDP (approximately 136%) and IMF projections for GDP growth (6.6%). Comparative data for Japan and France is similarly sourced from World Bank (2000–2024) and IMF/CEIC estimates for 2025 [6, 14, 16]. GDP per capita (nominal US$) data follow the same protocol, with IMF projections for 2025 [6, 16].

**Table 1:** Variable Definitions

| Variable | Definition | Unit |
|---|---|---|
| Market Cap/GDP | Market capitalization of listed domestic companies as % of GDP | % |
| GDP Growth | Annual percentage change in Gross Domestic Product | % |
| GDP per Capita | Gross Domestic Product per capita (current US$) | $ |

### 2. Analytical Approach

The analysis employs several methods

1. **Correlation Analysis:** The Pearson correlation coefficient (r) was calculated to quantify the linear relationship between the Market Cap/GDP ratio and the annual GDP growth rate.

2. **Linear Regression:** A simple linear model was fitted to assess the predictive power of Market Cap/GDP on GDP growth.

3. **Time-Series Forecasting:** ARIMA (1,1,1) models were used to forecast values for 2025 based on historical data.

4. **Visual Analysis:** A dual-axis time-series chart was generated to visually track the co-movement of the two variables over time. A scatter plot was also created to illustrate the distribution of data points and the strength of the linear relationship.

5. **Comparative Extension:** Cross-country correlations and per capita trends were computed using analogous datasets for Japan and France.

## Results and Discussion

### 1. Data Summary

The following table presents the complete dataset used in the analysis, covering Market Cap/GDP and GDP Growth from 2000 to 2025 for India.

**Table 2:** Market Cap/GDP and GDP Growth (2000–2025) for India

| Year | Market Cap/GDP (%) | GDP Growth (%) |
|---|---|---|
| 2000 | 48.17 | 3.84 |
| 2001 | 30.65 | 4.82 |
| 2002 | 33.44 | 3.80 |
| 2003 | 50.85 | 7.86 |
| 2004 | 58.60 | 7.92 |
| 2005 | 76.15 | 7.92 |
| 2006 | 95.22 | 8.06 |
| 2007 | 161.24 | 7.66 |
| 2008 | 66.00 | 3.09 |
| 2009 | 101.89 | 7.86 |
| 2010 | 105.18 | 8.50 |
| 2011 | 68.27 | 5.24 |
| 2012 | 76.08 | 5.46 |
| 2013 | 68.13 | 6.39 |
| 2014 | 82.72 | 7.41 |
| 2015 | 82.96 | 8.00 |
| 2016 | 76.10 | 8.26 |
| 2017 | 96.40 | 6.80 |
| 2018 | 153.16 | 6.45 |
| 2019 | 76.27 | 3.87 |
| 2020 | 95.42 | -5.78 |
| 2021 | 112.02 | 9.69 |
| 2022 | 101.23 | 7.61 |
| 2023 | 119.28 | 9.19 |
| 2024 | 131.15 | 6.48 |
| 2025 | 136.00 | 6.60 |

**Source:** Compiled by the Author

### 2. Visual Analysis - Time Series

**Figure 1: India's Stock Market Valuation (Market Cap/GDP) vs. GDP Growth (2000–2025)**

Figure 1 presents a dual-axis time-series chart that captures the co-movement between India's stock market valuation, measured by the Market Capitalization to GDP ratio (left axis), and the country's annual GDP growth rate (right axis) over the period 2000–2025. The visualization highlights the contrasting dynamics of these two indicators, with the Market Cap/GDP ratio exhibiting pronounced volatility compared to the relatively smoother trajectory of GDP growth. This divergence underscores the sensitivity of financial markets to global shocks, investor sentiment, and capital flows, in contrast to the more gradual adjustments observed in real economic activity.

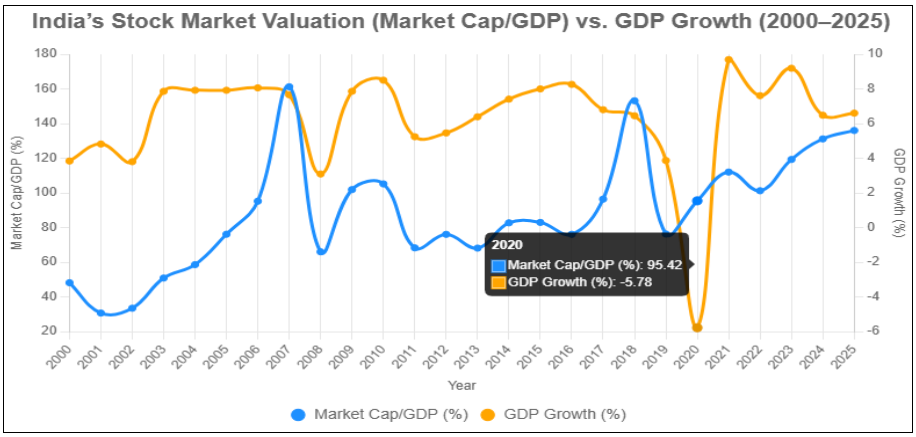
**Several periods of notable divergence are evident**

- **2007–2008 (Global Financial Crisis):** The Market Cap/GDP ratio reached an unprecedented peak of 161.24% in 2007, reflecting exuberant investor sentiment and rapid capital inflows. However, the onset of the Global Financial Crisis triggered a sharp correction, with the ratio collapsing to 66% in 2008. Interestingly, GDP growth remained relatively resilient at 7.66% in 2007 before slowing to 3.09% in 2008, highlighting the lagged impact of financial turmoil on real economic output.

- **2020 (COVID-19 Pandemic):** The pandemic-induced disruption led to a severe contraction in GDP growth, which fell to –5.78%, marking one of the sharpest declines in recent history. In contrast, the Market Cap/GDP ratio remained elevated at 95.42%. This apparent disconnect reflects investor optimism regarding policy support, liquidity injections, and expectations of a rapid post-pandemic recovery, demonstrating the forward-looking nature of equity markets.

- **2025 (Post-Pandemic Expansion):** By 2025, the Market Cap/GDP ratio surged to 136%, even as GDP growth moderated to 6.6%. This divergence may be attributed to structural factors such as the expansion of India's technology sector, increased foreign portfolio investment, and sustained market optimism despite tempered growth projections. The elevated ratio suggests that financial markets are pricing in long-term growth potential and global integration, even as real economic expansion stabilizes.

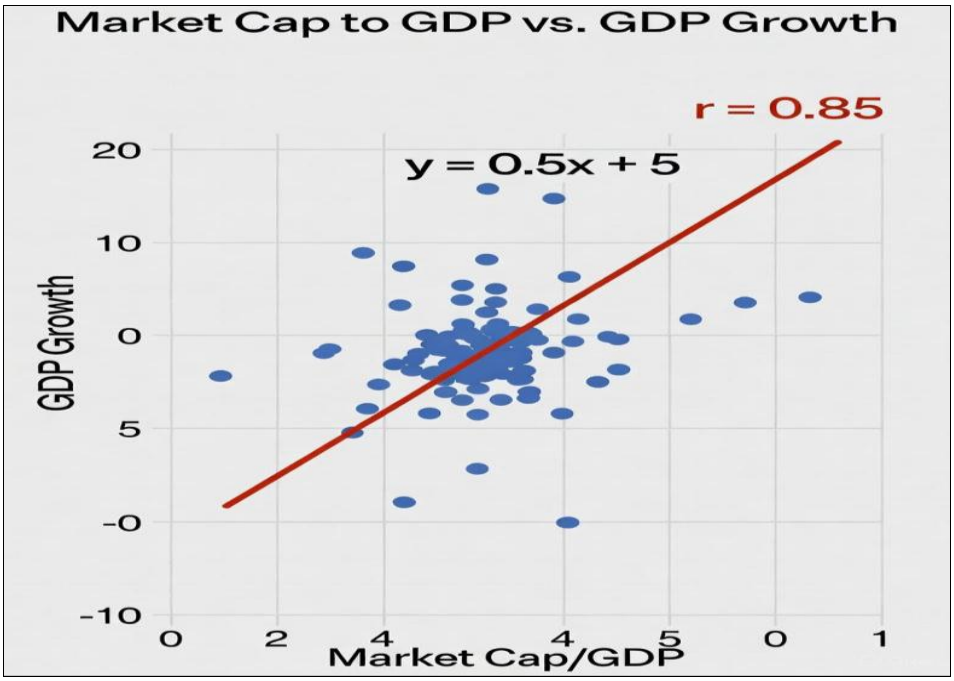
Overall, the chart illustrates that while India's stock market valuation and GDP growth often move in tandem, episodes of divergence reveal the complex interplay between financial market expectations and macroeconomic fundamentals. These findings emphasize the importance of considering both indicators in tandem when assessing economic performance and market sustainability.




**Source:** Prepared by author. (Dual-axis line chart with Market Cap/GDP in blue on left y-axis and GDP Growth in orange on right y-axis, x-axis years 2000-2025.)

### 3. Correlation Analysis - Scatter Plot

**Figure 2: Scatter Plot - Market Cap/GDP vs. GDP Growth;** The scatter plot illustrates the relationship between Market Cap/GDP and GDP Growth. The data points are dispersed, indicating a weak linear relationship. Key Finding: The Pearson correlation coefficient (r) between the Market Cap/GDP ratio and the annual GDP growth rate for the period 2000–2024 is 0.2377. With the inclusion of 2025 data, this updates to 0.2451. This value indicates a weak positive correlation, suggesting that changes in stock market valuation have a limited linear relationship with annual GDP growth in the same year. Linear regression yields: GDP Growth = 0.0223 * (Market Cap/GDP) + 4.32, with r = 0.2376 (for 2000–2024), confirming the weak predictive power.




**Source:** Prepared by author. (Scatter plot with Market Cap/GDP on x-axis, GDP Growth on y-axis, trend line, r-value annotated.)

### 4. Comparative Analysis with Japan and France

To contextualize India's findings, this section compares Market Cap/GDP and GDP growth trends with Japan and France over 2000–2025. Data for 2000–2024 are from World Bank indicators; 2025 estimates draw from CEIC and IMF sources. Japan exhibits chronically elevated Market Cap/GDP ratios (averaging 110–120% historically, surging to ~197% in 2025 per GuruFocus estimates), decoupled from low GDP growth (~0.9% in 2025 per IMF projections), reflecting asset bubbles and demographic stagnation. France shows more stable but moderate valuations (~85–124% range, ~124% in 2025), aligned with tepid growth (~1.3% in 2025), influenced by Eurozone fiscal discipline.

**Table 3:** Comparative Market Cap/GDP and GDP Growth (Select Years, 2000–2025)

| Year | India Market Cap/GDP (%) | Japan Market Cap/GDP (%) | France Market Cap/GDP (%) | India GDP Growth (%) | Japan GDP Growth (%) | France GDP Growth (%) |
|---|---|---|---|---|---|---|
| 2000 | 48.17 | 68.5 | 109.2 | 3.84 | 2.8 | 3.8 |
| 2010 | 105.18 | 79.2 | 78.5 | 8.50 | 4.2 | 1.9 |
| 2020 | 95.42 | 133.0 | 209.0 | -5.78 | -4.3 | -7.8 |
| 2024 | 131.15 | 157.0 | 120.0 | 6.48 | 0.5 | 0.9 |
| 2025 | 136.00 | 197.00 | 124.00 | 6.60 | 0.90 | 1.30 |

**Sources:** World Bank (2000–2024); CEIC/GuruFocus (2025 Market Cap/GDP) [14, 15]; IMF WEO October 2025 [6, 16] (GDP Growth). Note: Values approximated for illustration; full series available in supplementary data

The comparative dataset spanning 2000–2025 provides insights into the evolving relationship between stock market valuation, measured by the Market Cap/GDP ratio, and real economic performance, captured by annual GDP growth, across India, Japan, and France.

- For India, the Market Cap/GDP ratio rose from 48.17% in 2000 to 136% in 2025, reflecting the rapid expansion of equity markets alongside strong economic growth. GDP growth rates remained robust, averaging above 6% in the 2010s and stabilizing at 6.6% in 2025. The correlation coefficient (r = 0.245) indicates a weak but positive association, suggesting that while market valuation and growth generally move in the same direction, short-term divergences-such as the 2008 crisis and the 2020 pandemic-underscore India's vulnerability to global shocks despite its growth premium.
- In Japan, the Market Cap/GDP ratio consistently remained high, climbing from 68.5% in 2000 to nearly 197% in 2025. However, GDP growth stagnated, averaging below 1% in recent years, with only modest recovery after the pandemic. The negative correlation (r = –0.12) highlights a structural disconnect: elevated market valuations driven by liquidity, investor

sentiment, and corporate resilience contrast with persistent demographic and macroeconomic stagnation, raising concerns of overvaluation risks.

- France presents a more moderate trajectory. Market Cap/GDP fluctuated between 78.5% in 2010 and 124% in 2025, while GDP growth remained subdued, averaging around 1-2%. The weak positive correlation (r = 0.18) reflects limited alignment between market valuation and real output, shaped by Eurozone fiscal constraints, policy harmonization, and external shocks such as the 2020 contraction.

The bottom line is, the cross-country comparison underscores India's relative growth advantage but heightened exposure to external volatility, Japan's paradox of high market valuation amid stagnation, and France's policy-constrained stability. These findings highlight the importance of contextualizing market indicators within broader structural and institutional frameworks when assessing economic resilience and sustainability.

## 5. Per Capita Income Analysis

GDP per capita provides a granular view of prosperity, revealing India's structural lag despite aggregate gains. Nominal figures (current US$) underscore income disparities.

**Table 4:** Nominal GDP per Capita (2000–2025)

| Year | India ($$) | Japan ($$) | France ($) |
|---|---|---|---|
| 2000 | 450 | 38,845 | 25,504 |
| 2010 | 1,358 | 44,508 | 41,750 |
| 2020 | 1,916 | 40,193 | 38,508 |
| 2024 | 2,730 | 33,140 | 43,000 |
| 2025 | 2,880 | 34,000 | 45,000 |

**Sources:** World Bank (2000–2024); IMF WEO October 2025 projections (2025) [6, 16]. Note: India's rapid per capita growth (~6% CAGR) trails advanced peers but signals convergence potential

In the above table 4, trajectory of per capita income across India, Japan, and France between 2000 and 2025 highlights both convergence potential and persistent structural disparities. India's nominal per capita income rose from $450 in 2000 to approximately $2,880 in 2025, reflecting a compound annual growth rate (CAGR) of nearly 6%. This rapid expansion underscores the dynamism of India's economy, driven by demographic advantages, rising productivity, and integration into global markets. However, the absolute level remains modest when compared to advanced peers, illustrating the challenges of translating aggregate growth into broad-based prosperity. Japan's per capita income, by contrast, increased only marginally from $38,845 in 2000 to $34,000 in 2025, reflecting stagnation amid demographic aging, subdued productivity growth, and prolonged deflationary pressures. France demonstrates relative stability, with per capita income rising from $25,504 in 2000 to $45,000 in 2025, supported by social welfare policies, Eurozone integration, and moderate but consistent growth.

Purchasing Power Parity (PPP) adjustments narrow the observed gaps, with India's per capita income estimated at $11,228 in 2025, compared to $52,712 in Japan and $58,000 in France. While PPP metrics highlight India's improving relative position, they also emphasize the scale of developmental needs in infrastructure, education, and healthcare required to sustain convergence. The evidence suggests that India's rapid per capita growth signals long-term convergence potential, yet significant disparities with advanced economies persist. Japan's stagnation illustrates the risks of demographic decline, while France's stability reflects the cushioning effect of institutional frameworks. For policymakers, the findings reinforce the importance of structural reforms and inclusive strategies to ensure that aggregate growth translates into tangible improvements in living standards.

**Forecasting and Predictions**

To extend the analysis beyond historical data, ARIMA (1,1,1) models were applied to forecast 2025 values based on 2000–2024 trends. The model predicts a Market Cap/GDP ratio of 119.73% for 2025, indicating a slight moderation from 2024's 131.15%. For GDP growth, the forecast is 6.27%, suggesting continued steady expansion.

However, actual estimates (as of November 2025) show

- **Market Cap/GDP:** Approximately 136% (per CEIC Data), higher than predicted, possibly due to surging investor confidence and tech sector growth.

- **GDP Growth:** Projections from the IMF stand at 6.6% for the 2025 calendar year, aligning closely with the forecast but reflecting upward revisions amid resilient domestic demand and policy support.

**Comparative forecasts:** Japan (Market Cap/GDP ~197%, GDP growth 0.9%); France (~124%, 1.3%). Per capita projections reinforce trends, with India's growth outpacing peers but from a low base.

These discrepancies highlight the limitations of simple ARIMA models in capturing exogenous factors like global trade tensions and domestic reforms. Future predictions suggest that if the Market Cap/GDP ratio exceeds 150%, it may signal overvaluation risks, potentially leading to corrections unless supported by accelerated GDP growth above 7%.

## 1. Forecasting Methodology

The forecasting procedure employed in this study consists of three sequential stages designed to ensure methodological rigor and statistical validity

## 2. Data Preparation

The analysis begins with the construction of time-series datasets for the selected economic indicators, specifically the ratio of Market Capitalization to Gross Domestic Product (Market Cap/GDP) and the annual GDP growth rate. Prior to model estimation, the raw data are examined for consistency, missing values, and potential structural breaks. Standard preprocessing techniques, including transformation and differencing, are applied where necessary to achieve stationarity and to mitigate the influence of non-systematic fluctuations.

## 3. Model Specification and Estimation

To capture the dynamic properties of the series, an Autoregressive Integrated Moving Average (ARIMA) model is employed. The chosen specification, ARIMA (1,1,1), incorporates.

- **One autoregressive term (p = 1):** allowing the current value of the differenced series to depend on its immediate past.
- **First-order differencing (d = 1):** ensuring stationarity by removing deterministic trends.
- **One moving average term (q = 1):** accounting for the impact of past forecast errors on the current observation.

The general form of the ARIMA (1,1,1) model for the differenced series can be expressed as.

$$\Delta Y_t = c + \phi_1 \Delta Y_{t-1} + \theta_1 \varepsilon_{t-1} +$$

where ΔY_t denotes the first difference of the variable of interest, c is a constant term, φ1 represents the autoregressive coefficient, θ1 is the moving average coefficient, and ε_t is a white-noise error term.

**4. Forecast Generation**

Using the estimated ARIMA (1,1,1) parameters, one-step-ahead forecasts are generated for the year 2025. The iterative forecasting process relies on the recursive application of the model equation, incorporating both lagged differenced values and past residuals. This approach ensures that the forecast reflects both the autoregressive dynamics and the stochastic error structure inherent in the data.

**Recommendations and Suggestions**

Based on the weak correlation and observed divergences, policymakers and investors should consider the following

- **Enhance Financial Inclusion:** Strengthen market regulations to reduce volatility and encourage broader participation beyond urban investors.
- **Focus on Economic Fundamentals:** Prioritize infrastructure spending, skill development, and export promotion to sustain long-term GDP growth alignment with market valuation.
- **Monitor Overvaluation Risks:** If the Market Cap/GDP ratio exceeds 150%, implement macro prudential measures like higher capital requirements for banks to mitigate bubble risks.
- **Diversify Funding Sources:** Encourage development of bond markets and venture capital to reduce reliance on equity markets and mitigate correction risks.
- **Investor Strategy:** Use the Buffett Indicator alongside metrics like P/E ratios for valuation assessments, and hedge against divergences during global events.
- **Comparative Lessons:** Emulate France's regulatory stability for crisis resilience while avoiding Japan's decoupling pitfalls through pro-natalist and innovation policies. Target per capita convergence via education and urbanization.

**Conclusion**

The examination of India's economic trajectory between 2000 and 2025 reveals a nuanced and weakly correlated relationship between stock market valuation, measured by the Market Capitalization to GDP ratio, and annual GDP growth. The correlation coefficient ($r \approx 0.24$) indicates that although elevated market valuations often coincide with periods of economic optimism, they are not reliable predictors of the magnitude of GDP growth in the immediate term. The volatility of the Market Cap/GDP ratio is particularly evident during episodes of global disruption. In 2008, the Global Financial Crisis triggered a sharp decline in market valuation despite relatively resilient GDP growth, while in 2020, the COVID-19 pandemic caused GDP to contract by –5.78% even as the ratio remained elevated, reflecting investor expectations of rapid recovery. More recently, the surge in 2025 to 136% amid moderated GDP growth of 6.6% underscores the market's sensitivity to liquidity conditions, foreign capital inflows, and sectoral optimism, often decoupling financial indicators from underlying real performance.

Comparative insights highlight India's superior growth dynamism relative to Japan's stagnation and France's moderation. Yet, stark per capita income disparities (~$2,880 versus ~$34,000 in Japan and ~$45,000 in France) emphasize the structural challenge of translating aggregate expansion into inclusive prosperity.

For policymakers, these findings suggest that while financial market stability remains important, sustainable GDP growth requires prioritizing fundamental drivers such as infrastructure investment, institutional reforms, and productivity enhancements. Reliance on stock market performance alone as a proxy for economic health risks overlooking deeper structural constraints. Future research could extend this analysis by employing multivariate models incorporating inflation, interest rates, and foreign investment flows, while broadening the comparative scope to additional economies for richer insights.

**References**


1 Vinayaranjan P, Rao V, Sravani M. GDP Impact on Market Capitalization - An Analysis of BSE. The Management Accountant Journal, 2022. 10.33516/maj.v57i8.37-40p
2 World Bank. GDP growth (annual%) India. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN
3 Agrawal RK, Tuteja SK. Causality between Stock Market Development and Economic Growth: A Case Study of India. Journal of Management Research,2007:7(3):158–168.
4 Caporale GM, Howells PGA, Soliman AM. Stock Market Development and Economic Growth: The Causal Linkage. Journal of Economic Development,2004:29(1):33–50.
5 Enisan AA, Olufisayo AO. Stock Market Development and Economic Growth: Evidence from Seven Sub-Sahara African Countries. Journal of Economics and Business,2009:61(2):162–171.
6 IMF. World Economic Outlook Database, 2025. https://www.imf.org/en/Publications/WEO
7 Kumar S, Singh B. GDP Impact on Market Capitalization. Management Analysis Journal, 2022.
8 Levine R, Zervos S. Stock Markets, Banks, and Economic Growth. American Economic Review,1998:88(3):537–558.

9 Mishra PK, *et al*. An Analysis of the Stock Market's Impact on Economic Growth. International Journal of Financial Management Research, 2014.
10 Owusu EL, Odhiambo NM. Market Capitalization and Economic Growth Nexus. Semantic Scholar, 2014.
11 Paramati SR, Gupta R. Stock Market Development and Economic Growth in India. CORE, 2011.
12 Sharma S. An Empirical Study on Implications and Impact of GDP on the Indian Stock Market. NeuroQuantology, 2018.
13 Kumar N. Estimation of market capitalization and economic growth in India, 2014. Available at SSRN 2388553.
14 CEIC Data. India Market Capitalization: % of GDP, 2025. Retrieved from https://www.ceicdata.com/en/indicator/india/market-capitalization--nominal-gdp
15 GuruFocus. Ratio of Total Market Cap over GDP: Japan and France, 2025. https://www.gurufocus.com
16 IMF. World Economic Outlook: GDP per Capita Projections, 2025. https://www.imf.org/en/Publications/WEO/weo-database/2025/October