Indian Economy · GS - III

Discuss the major drivers of India's economic growth and examine the risks that could affect its growth momentum amid global economic uncertainties.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 30/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Real GDP growth; domestic consumption; industrial activity; GST collections; investment; crude oil prices; geopolitical tensions; global trade uncertainty; macroeconomic stability

Model Answer

Introduction

India's economic growth is supported by domestic demand, investment and industrial activity. The Finance Ministry's reported estimate of 7.3%–7.35% real GDP growth for Q2 FY27 indicates continued economic momentum, following 7.8% growth in Q1, according to the supplied report.

Major Growth Drivers

- **Domestic consumption:** Household demand supports production and services.
- **Industrial activity:** Manufacturing and infrastructure investment contribute to output expansion.
- **Tax collections:** Strong GST collections indicate formal economic transactions and improved compliance.
- **Public investment:** Infrastructure spending can generate employment and stimulate private investment.

Major Risks

- **Crude oil volatility:** Higher import prices can increase inflation and the current account deficit.
- **Geopolitical conflicts:** Middle East tensions can disrupt energy supplies and trade routes.
- **Global uncertainty:** Trade restrictions and weaker external demand may affect exports and investment.

Way Forward

India should strengthen manufacturing competitiveness, diversify energy imports, promote private investment and maintain prudent fiscal and monetary policies.

Conclusion

Sustaining high growth requires balancing domestic demand with macroeconomic stability and resilience against external shocks.

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