# Indian Economy · GS - III

**Examine the challenges faced by India in insulating its domestic economy from fluctuations in international crude oil prices. Discuss the implications of fuel price stabilisation measures for fiscal management and energy security.**

| EXAM YEAR | PAPER | SUBJECT |
|---|---|---|
| DAILY PRACTICE 13/11/2026 | GS - III | Indian Economy |

| MARKS | WORD LIMIT |
|---|---|
| 10 | ~150 words |

## Answer Hint

**Import dependence, global crude volatility, exchange-rate fluctuations, petroleum taxation, inflationary pressures, fiscal burden, oil marketing companies, strategic petroleum reserves, energy diversification, renewable energy transition.**

## Model Answer

### Introduction

India's dependence on imported crude oil makes its economy vulnerable to geopolitical disruptions, global price volatility and exchange-rate fluctuations. Changes in international energy prices directly influence domestic inflation and production costs.

### Economic and Fiscal Challenges

Higher crude prices increase the import bill, widen the current account deficit and raise transportation and manufacturing costs. Governments may reduce fuel taxes or support oil marketing companies to limit the burden on consumers. However, prolonged intervention can reduce tax revenues, increase fiscal pressures and affect public-sector energy companies.

### Policy Measures

India needs to strengthen strategic petroleum reserves, diversify crude import sources and improve energy efficiency. Expansion of renewable energy, electric mobility, biofuels and domestic exploration can gradually reduce import dependence. Fuel pricing should balance consumer protection with market sustainability.

**Conclusion**

Temporary stabilisation measures can cushion households against external shocks, but long-term energy security requires diversification, fiscal prudence and a faster transition towards cleaner domestic energy sources.

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