# Indian Economy · GS - III

**“Sustained economic growth requires a balanced combination of domestic consumption, public capital expenditure and productivity-led expansion of the services sector.” Analyse the role of these drivers in strengthening India's growth prospects.**

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

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

## Answer Hint

**Private consumption, aggregate demand, public capital expenditure, infrastructure multiplier, services sector, employment generation, productivity, investment climate, inclusive growth, regional disparities.**

## Model Answer

### Introduction

India's growth prospects are supported by domestic demand, infrastructure investment and the expanding services sector. Their combined contribution can strengthen economic resilience and long-term productivity.

### Major Growth Drivers

- **Domestic consumption:** Household spending supports aggregate demand, encourages production and attracts private investment.
- **Public capital expenditure:** Investment in roads, railways, ports and energy infrastructure reduces logistics costs and generates multiplier effects.
- **Services-led expansion:** IT, finance, tourism and professional services contribute to value addition, exports and employment.

- **Investment confidence:** Stable macroeconomic conditions and improved infrastructure can encourage private-sector investment.

**Challenges**

Unequal income distribution, insufficient quality employment, weak rural demand and regional disparities can constrain inclusive growth. Excessive dependence on a few service industries may also create vulnerabilities.

**Way Forward**

India needs stronger manufacturing linkages, labour-intensive services, skill development, agricultural productivity and wider access to infrastructure. Public investment should complement, rather than crowd out, private investment.

**Conclusion**

A diversified growth strategy combining consumption, capital formation and productivity improvements can help India achieve sustainable and inclusive economic expansion.

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