Indian Economy · GS - III

According to the IMF, India’s GDP growth is projected to remain at 7% in FY2026–27 and FY2027–28. Analyse the role of domestic demand, the services sector, infrastructure spending and private investment in driving this growth.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 13/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

IMF GDP Growth Projection, Domestic Demand, Services Sector, Public Capital Expenditure, Private Investment, Digital Transformation, Make in India, Manufacturing, Inflation, Fiscal Consolidation, Unemployment, Inclusive Growth, Global Trade Tensions, Productivity.

Model Answer

1. **Introduction:**

The International Monetary Fund (IMF) projects India’s GDP growth at 7% in both FY2026–27 and FY2027–28. This outlook reflects the strength of domestic economic activity and investment.

2. Key Drivers of Growth:

1. **Strong Domestic Demand:** Rising private consumption expenditure (PFCE) increases demand for goods and services, encouraging production, sales and employment.

2. **Services Sector:** IT, financial services, tourism, transport and business services contribute to GDP growth, foreign exchange earnings and service exports.

3. **Infrastructure Spending:** Government capital expenditure (CapEx) on roads, railways, power and logistics reduces transportation costs, improves connectivity and raises economic productivity.

4. **Growing Private Investment:** Investment in factories, machinery and technology increases productive capacity and Gross Fixed Capital Formation (GFCF), while supporting employment and industrial expansion.

3.Challenges: Sustaining 7% growth requires controlling inflation, generating productive jobs, improving manufacturing competitiveness and managing external risks such as geopolitical tensions and volatile crude oil prices.

Conclusion: India’s growth outlook depends on strengthening consumption, services and investment while ensuring that economic expansion translates into employment, higher productivity and inclusive development.

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