3. Fiscal support to growth needs emphasis on retaining space for capital expenditure to grow adequately in Indian economy. Explain.

India is better positioned, performing in terms of growth comparitively. But external factors like ukraine wars, new COVID variants, global slowdown, delaying Indian growth. only 8.57% growth post 2019-20 is registered.

Focusing on Growth

upcoming budget is the hope - must focus on.

'2' factors → fiscal deficit
→ High growth (+) price stabilisation

Challenges ahead

Growth projection for India for 2023-24	International Monetary Fund	Organisation for Economic coop. & development
	6.1%	5.7%

overall growth band ⇒ (6.1–6.5%) ⇒ policies must focus on. improving growth not below this range.

Fiscal deficit

2020 → 9.2% of Gross domestic product. subsequently (3 times higher that Fiscal responsibility & budget management Act.

reduced to 6.7% & 6.4%. Fiscal deficit ratio of 3% Requires total adjustment of 3.4%. A 0.7% of reduction in fiscal deficit (6.4% to 5.7%) in 2023-24 is possible

Savings - Investment

Financial savings → households (+) net foreign inflows

can finance potential deficit sectors → both public & private

Household savings → increased 7% to 11% → due to (2020) COVID.

To reduce fiscal deficit to 5.7% ⇒ 1.1% of Gross domestic product Investment is required

can be financed by

household equivalent to 8%

net foreign inflows 2-3% equivalent.

Way forward

Government in upcoming budget must focus on raising capital expenditure to enhance savings & investment which not only creates demand but also reduce fiscal deficit, give more space for government to promote growth and also achieve fiscal consolidation