

Summary

Improvement in public finances and public sector savings has contributed significantly to the set-up in domestic savings and investment rates since 2002-03 onwards. Higher savings and investment rates, in turn, have led to a higher growth trajectory of the Indian economy. It is apparent that fiscal consolidation in the Indian context has led to acceleration of growth. The conventional view holds that fiscal prudence might lead to contraction of domestic demand and growth. However, as the Indian experience suggests, fiscal prudence can lead to higher domestic savings and this could increase resources for domestic investment. Accordingly, it is of utmost importance to adhere to the fiscal consolidation process of the past few years so as to sustain current savings/investment rates and the ongoing growth momentum. The macroeconomic review of the Indian economy does suggest a strengthening of the fundamentals in terms of movement to a higher growth path in recent years, supported by investment, savings and improvement in productivity. Moving forward, there is a need to delineate the likely prospects for savings and investment in the coming five years and address some critical issues to sustain the growth momentum.

The study's central demographic projection implies that India's population will increase by about 400 million between 2001 and 2026. By mid-century, the country's population will have surpassed that of China—it may do this around the year 2030—and it may well be approaching 1.6 billion. More than half of the demographic growth during 2001-26 will occur in the main northern states i.e. Bihar, MP, Rajasthan and UP.

Turning to fertility and mortality, it seems reasonable to consider that by 2026 the total fertility rate for the country as a whole will be approximately two births per woman. The average life expectation for both sexes combined in 2026 may well be about 69 years.