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CURRENT ACCOUNT DEFICIT AND ITS IMPACT ON INDIAN ECONOMY

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ABSTRACT

A trade deficit occurs when the value of a country's imports is greater than the value of its exports. This means that the country's balance of trade is negative. Obviously, a trade deficit is caused when a country cannot produce all it needs. However, the true causes run a little deeper than that. A country cannot have a trade deficit unless other countries are willing to loan it the funds needed to finance the purchases of imports. Therefore, a country with a trade deficit will most likely have a current account deficit (CAD). The largest element is the trade deficit. When the country imports more goods and services than it exports, another element is a deficit in net income, when foreign investment income exceeds the savings of the country's inhabitants. This kind of foreign investment gives the direction towards economic growth. However, if they do not get a return on their investment with a reasonable amount of time, they will withdraw their funds, causing anxiety.

KEYWORDS: Deficit, CAD, Economy, Trade, Rupee value, GDP, inhabitants