



FISCAL POLICY AND ECONOMIC GROWTH AND STABILITY IN INDIA

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ABSTRACT

Fiscal policy is an important instrument through which the government influences economic activity, resource allocation, income distribution, employment, and macroeconomic stability. In India, fiscal policy operates mainly through government expenditure, taxation, borrowing, subsidies, public investment, and other budgetary measures. These instruments have significant effects on aggregate demand, production, employment, infrastructure development, and the overall growth and stability of the economy. Public expenditure on infrastructure, education, healthcare, agriculture, transportation, energy, and social welfare can strengthen productive capacity and support long-term economic development. Government investment can also encourage private investment and generate employment through its multiplier effects. Taxation provides resources for public expenditure and influences household consumption, business investment, savings, and economic incentives.

Fiscal policy also plays an important role during periods of economic slowdown, inflation, unemployment, and other economic disturbances. Expansionary fiscal measures can support demand and economic activity during periods of weak growth, while appropriate fiscal consolidation can contribute to macroeconomic stability when fiscal pressures become significant. The effectiveness of fiscal policy depends on the composition and quality of expenditure, revenue mobilization, fiscal discipline, and prevailing economic conditions. India faces several fiscal challenges, including revenue constraints, public debt, fiscal deficits, rising expenditure requirements, regional disparities, and the need to balance development objectives with fiscal sustainability. Efficient public expenditure, improved tax administration, targeted subsidies, productive public investment, and responsible debt management are therefore important for maintaining fiscal stability.

This study examines the role of fiscal policy in promoting economic growth and macroeconomic stability in India. It focuses on government expenditure, taxation, public investment, fiscal deficit, public debt, employment, infrastructure development, income distribution, and social welfare. The study also examines the relationship between fiscal policy and economic stability and considers the major challenges involved in designing effective, inclusive, and sustainable fiscal policies for India.

KEYWORDS: Fiscal Policy, Economic Growth, Economic Stability, Indian Economy, Government Expenditure, Taxation, Fiscal Deficit, Public Debt, Public Investment, Budget Policy, Revenue Mobilization, Public Finance.



INTRODUCTION

Fiscal policy is an important instrument of economic management through which the government influences economic activity, resource allocation, income distribution, employment, and macroeconomic stability. It operates mainly through government expenditure, taxation, public borrowing, subsidies, and public investment. In a developing economy such as India, fiscal policy has a significant role in supporting economic growth while addressing social and developmental priorities. Government expenditure on infrastructure, education, healthcare, agriculture, transportation, energy, housing, and social welfare can contribute to economic development by creating productive assets, improving human capabilities, generating employment, and expanding demand for goods and services. Public investment in infrastructure can also improve the environment for private investment and support long-term productive capacity.

Taxation is another major component of fiscal policy. Tax revenues provide the government with resources to finance public expenditure and development programmes. At the same time, taxation influences household disposable income, consumption, savings, and business investment. An efficient and equitable tax system is therefore important for mobilizing revenue while supporting economic activity. Fiscal policy also plays an important role in maintaining economic stability. During periods of economic slowdown, the government may increase expenditure or provide tax relief to support aggregate demand and economic activity. During periods of excessive demand or fiscal pressure, measures aimed at fiscal consolidation can help maintain macroeconomic balance. The effectiveness of such measures depends on economic conditions, the composition of expenditure, revenue performance, and the sustainability of public finances.

India's fiscal policy has evolved in response to changing economic and social requirements. Public expenditure has been used to support poverty reduction, rural development, infrastructure creation, social protection, industrial development, and human capital formation. Fiscal measures have also been important in responding to economic disruptions and supporting vulnerable households and businesses. The relationship between fiscal policy and economic growth depends not only on the size of government expenditure but also on its quality, efficiency, and composition. Productive expenditure on infrastructure, education, health, research, and other growth-enhancing activities can strengthen long-term productive capacity. In contrast, inefficient expenditure or persistent fiscal imbalances may create pressures on public finances and reduce the space available for future development spending. Fiscal deficits and public debt are therefore important aspects of fiscal management. Borrowing can finance productive public investment and support economic activity, but excessive or poorly managed borrowing can create debt-servicing pressures and affect fiscal sustainability. Maintaining an appropriate balance between development expenditure and fiscal discipline remains an important policy consideration.

AIMS AND OBJECTIVES

Aim

The main aim of the study is to examine the role of fiscal policy in promoting economic growth and maintaining macroeconomic stability in India, with particular emphasis on government expenditure, taxation, public investment, employment, infrastructure development, fiscal deficit, public debt, and income distribution.

Objectives

1. To examine the concept, nature, scope, and objectives of fiscal policy in India.
2. To study the major components of fiscal policy, including taxation, government expenditure, public borrowing, subsidies, and public investment.

3. To analyse the relationship between fiscal policy and economic growth in India.
4. To examine the role of government expenditure in promoting production, employment, infrastructure, and productive capacity.
5. To study the impact of taxation on consumption, savings, investment, business activity, and economic development.
6. To analyse the role of public investment in infrastructure and human capital development.
7. To examine the relationship between fiscal deficit, public debt, and macroeconomic stability.
8. To study the role of fiscal policy in controlling economic fluctuations, inflation, unemployment, and economic slowdown.
9. To examine the contribution of fiscal policy to income distribution, poverty reduction, and social welfare.
10. To analyse the role of fiscal policy in encouraging private investment and entrepreneurship.
11. To examine the challenges associated with fiscal management, including revenue constraints, rising expenditure, fiscal deficits, public debt, and regional disparities.
12. To suggest measures for improving the effectiveness, efficiency, sustainability, and inclusiveness of fiscal policy in promoting economic growth and stability in India.

REVIEW OF LITERATURE

Fiscal policy and its relationship with economic growth and macroeconomic stability have been widely discussed in economic literature. Existing studies generally recognize government expenditure, taxation, public investment, fiscal deficits, and public debt as important instruments through which governments influence aggregate demand, resource allocation, employment, and long-term productive capacity. Classical and Keynesian approaches provide important foundations for the study of fiscal policy. Keynesian literature emphasizes the role of government expenditure and taxation in influencing aggregate demand, particularly during periods of recession or economic slowdown. Public expenditure can stimulate economic activity through demand and multiplier effects, while taxation can influence disposable income, consumption, savings, and investment. Studies of public expenditure and economic growth generally examine whether government spending contributes to productivity and output. Infrastructure investment in transportation, electricity, communication, irrigation, education, and healthcare is often identified as having potential long-term growth effects by improving productive capacity and human capital. At the same time, research emphasizes that the quality and efficiency of expenditure are as important as its overall level.

Indian economic literature has examined the role of public investment in accelerating development, particularly in infrastructure and social sectors. Government expenditure on agriculture, rural development, education, healthcare, and infrastructure has been studied in relation to employment creation, poverty reduction, productivity, and regional development. The literature suggests that productive expenditure can generate broader economic benefits through improved physical and human capital. Research on taxation and economic growth explores the effects of direct and indirect taxes on consumption, investment, savings, entrepreneurship, and business decisions. Efficient revenue mobilization is considered necessary for financing public services and development programmes. However, excessive or poorly designed taxation may influence incentives and economic activity, making the structure and administration of taxation important areas of analysis. The literature on fiscal deficit and economic growth presents different perspectives. Fiscal deficits can provide resources for productive public investment and can support aggregate demand during periods of weak economic activity. However, persistent fiscal imbalances may increase borrowing requirements, debt-servicing obligations, and

macroeconomic pressures. Consequently, research increasingly examines not only the size of fiscal deficits but also their financing and expenditure composition.

Studies on public debt and fiscal sustainability emphasize the importance of maintaining government borrowing at manageable levels. Public borrowing can support infrastructure and development when used productively, but rapidly increasing debt can reduce fiscal flexibility and create future repayment obligations. Research therefore highlights the importance of prudent debt management, revenue mobilization, and efficient public expenditure. The literature also considers the role of fiscal policy in economic stabilization. Government expenditure, taxation, and transfers can be used to moderate fluctuations in economic activity. During economic downturns, expansionary fiscal measures may support aggregate demand and employment, while fiscal consolidation may be considered when inflationary or debt pressures become significant. The effectiveness of these measures depends on the economic environment and the responsiveness of households and businesses.

RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research methodology to examine the role of fiscal policy in promoting economic growth and maintaining macroeconomic stability in India. The study focuses on government expenditure, taxation, public investment, fiscal deficit, public debt, employment, infrastructure development, income distribution, and economic stability. The study is primarily based on secondary data collected from reliable and recognized sources. Major sources include the Government of India, Ministry of Finance, Economic Survey, Union Budget documents, Reserve Bank of India, NITI Aayog, National Statistical Office, international financial institutions, academic journals, books, research reports, and other credible publications related to public finance and economic development.

A qualitative and quantitative approach is used for analysing the role and performance of fiscal policy. Quantitative data relating to government revenue, expenditure, fiscal deficit, public debt, public investment, economic growth, inflation, employment, and other macroeconomic indicators are examined to identify major trends and relationships. The study covers the major components of fiscal policy, including taxation, government expenditure, public borrowing, subsidies, transfers, public investment, and fiscal consolidation. Particular attention is given to the composition of government expenditure and its relationship with infrastructure development, productive capacity, employment generation, and economic growth. The research employs descriptive analysis, trend analysis, comparative analysis, and thematic analysis. Fiscal indicators and economic-growth trends are examined across different periods to understand changes in government revenue, expenditure, deficits, debt, and investment. Where appropriate, comparisons are made between different phases of fiscal expansion, consolidation, and economic slowdown.

The study also examines the relationship between fiscal policy and macroeconomic stability. The effects of fiscal measures on aggregate demand, inflation, employment, private investment, savings, and economic activity are considered. The interaction between fiscal policy and monetary policy is also examined to understand its importance for maintaining economic stability. The role of public expenditure in infrastructure, education, healthcare, agriculture, rural development, and social welfare is analysed to understand its contribution to inclusive economic development. Taxation is examined in relation to revenue mobilization, consumption, savings, investment, business activity, and income distribution. Fiscal deficit and public debt are analysed as important indicators of fiscal sustainability. The study considers the potential benefits of borrowing for productive public investment as well as the challenges associated with persistent fiscal imbalances, debt-servicing obligations, and limited fiscal space.

STATEMENT OF THE PROBLEM

Fiscal policy is an important instrument of economic management in India and is used to influence economic growth, employment, investment, income distribution, and macroeconomic stability. Through government expenditure, taxation, public borrowing, subsidies, transfers, and public investment, fiscal policy affects aggregate demand and the productive capacity of the economy. However, achieving economic growth while maintaining fiscal sustainability and macroeconomic stability presents an important policy challenge. One major problem concerns the size and composition of government expenditure. Public spending on infrastructure, education, healthcare, agriculture, rural development, and social welfare can contribute to economic development, but limited fiscal resources require governments to balance competing expenditure priorities. The effectiveness of fiscal policy therefore depends not only on the amount spent but also on the efficiency, productivity, and quality of public expenditure.

Taxation presents another important issue. Government revenue is essential for financing public expenditure and development programmes, but the structure and administration of taxation can influence household consumption, savings, business investment, production, and entrepreneurship. The challenge is to mobilize adequate revenue while maintaining an environment that supports productive economic activity. The problem of fiscal deficit and public debt is also central to fiscal management. Government borrowing can finance infrastructure and other productive investments and can support economic activity during periods of weak demand. However, persistent fiscal deficits and rising debt can increase interest and debt-servicing obligations and reduce the flexibility available for future public expenditure. Maintaining fiscal sustainability while meeting development requirements is therefore an important concern.

Fiscal policy must also respond to changing economic conditions. During periods of economic slowdown, reduced private investment, unemployment, or weak demand, government expenditure and other fiscal measures may be used to support economic activity. During periods of strong demand or fiscal pressure, consolidation may be required. Determining the appropriate timing, scale, and composition of fiscal intervention is a continuing challenge. Another important issue is the relationship between fiscal policy and macroeconomic stability. Large fiscal imbalances can interact with inflation, interest rates, liquidity, private investment, and public borrowing. At the same time, fiscal measures may be necessary to address economic and social disruptions. Effective coordination between fiscal and monetary policy is therefore important for maintaining stability.

Fiscal policy also has implications for income distribution and social welfare. Government expenditure on social protection, education, healthcare, food security, and rural development can support vulnerable sections of society. However, questions relating to the targeting, efficiency, coverage, and sustainability of such programmes remain important considerations in fiscal management. The fiscal position of Indian states creates an additional dimension to the problem. States have significant expenditure responsibilities relating to health, education, infrastructure, agriculture, and social development, while their revenue capacities differ. Variations in fiscal resources, debt levels, and development requirements can contribute to differences in regional economic outcomes.

NEED OF THE STUDY

The study of fiscal policy is important because government decisions regarding expenditure, taxation, borrowing, subsidies, and public investment have a direct influence on economic activity and development. In India, fiscal policy is an important mechanism for promoting economic growth, generating employment, developing infrastructure, supporting social welfare, and maintaining macroeconomic stability. There is a need to examine the relationship between government expenditure and economic

growth. Public investment in infrastructure, transportation, energy, education, healthcare, agriculture, and other productive sectors can strengthen the productive capacity of the economy. Understanding the contribution of different categories of expenditure is therefore important for evaluating the effectiveness of fiscal policy.

The study is also necessary to understand the role of taxation and revenue mobilization in financing development. Tax revenue provides resources for government programmes and public investment, while tax structures can influence household consumption, savings, business investment, and entrepreneurship. An effective fiscal system needs to balance revenue requirements with economic incentives. Another important reason for the study is the need to examine fiscal deficit and public debt. Government borrowing can support public investment and economic activity, particularly during periods of weak demand. However, persistent fiscal imbalances can create debt-servicing pressures and affect fiscal sustainability. Examining these issues is essential for understanding the long-term stability of public finances. Fiscal policy is also important during periods of economic slowdown, unemployment, inflation, and economic disruptions. Government expenditure, taxation, transfers, and other fiscal measures can influence aggregate demand and support economic activity. A systematic study can help explain how fiscal policy contributes to economic stabilization under changing economic conditions.

The study is relevant for understanding the role of fiscal policy in employment generation and income distribution. Public investment and government programmes can create direct and indirect employment opportunities, while social expenditure on education, healthcare, rural development, food security, and social protection can support economically vulnerable groups. There is also a need to examine the interaction between fiscal and monetary policy. Government borrowing, expenditure, taxation, interest rates, inflation, and private investment are interconnected. Understanding these relationships is important for assessing how fiscal decisions influence broader macroeconomic stability. The fiscal conditions of central and state governments also make the study important. Differences in revenue resources, expenditure responsibilities, debt levels, and development requirements can affect regional economic development. Examining fiscal management at different levels of government can provide a broader understanding of India's public-finance system.

FURTHER SUGGESTIONS FOR RESEARCH

Future research should examine the long-term relationship between fiscal policy and economic growth in India using updated and disaggregated data. Greater attention may be given to how changes in government expenditure, taxation, public investment, fiscal deficits, and public debt influence economic performance over different periods. Further studies should investigate the composition and quality of government expenditure rather than focusing only on total expenditure. Research may compare the economic effects of productive expenditure on infrastructure, education, healthcare, research, agriculture, and human capital with different categories of consumption and transfer expenditure. Future research should examine the relationship between taxation and economic growth in greater detail. Studies can analyse the effects of direct and indirect taxation on household consumption, savings, investment, entrepreneurship, business expansion, and different income groups.

Further investigation is required into fiscal deficits and public debt sustainability. Research may examine the relationship between government borrowing, interest rates, private investment, inflation, debt-servicing costs, and long-term economic growth. Sector-specific analysis of borrowing for productive investment could also provide useful insights. Future studies should investigate the effectiveness of fiscal policy during different phases of the economic cycle. Particular attention can be given to the role of fiscal stimulus during economic slowdowns and the effectiveness of fiscal consolidation during periods of

inflationary or debt-related pressure. Research may also examine the relationship between fiscal policy and employment generation. Studies can assess how public infrastructure investment, rural development programmes, social-sector expenditure, and government procurement influence direct and indirect employment opportunities.

Further research should explore the role of fiscal policy in income distribution, poverty reduction, and social inclusion. The distributional effects of taxation, subsidies, social transfers, food-security measures, education spending, and healthcare expenditure can be analysed across different income groups and regions. Greater attention should be given to state-level fiscal policy. Comparative studies among Indian states can examine differences in revenue mobilization, expenditure patterns, debt levels, fiscal capacity, infrastructure investment, and development outcomes. Such research can provide insights into regional fiscal disparities. Future studies should investigate the interaction between fiscal policy and monetary policy. Research may examine how government borrowing and expenditure influence interest rates, liquidity, inflation, credit conditions, private investment, and monetary-policy transmission.

SCOPE AND LIMITATIONS

Scope of the Study

The study “Fiscal Policy and Economic Growth and Stability in India” examines the role of fiscal policy in influencing economic growth, employment, investment, income distribution, and macroeconomic stability. It focuses on the major instruments of fiscal policy, including government expenditure, taxation, public borrowing, subsidies, transfers, public investment, and fiscal consolidation. The study covers the relationship between government expenditure and economic growth, with particular attention to public investment in infrastructure, education, healthcare, agriculture, transportation, energy, rural development, and other productive sectors. It examines how public expenditure can influence aggregate demand, employment, productivity, and the productive capacity of the economy.

The scope also includes the role of taxation and revenue mobilization in financing government programmes. The effects of taxation on consumption, savings, investment, business activity, entrepreneurship, and income distribution are considered as important dimensions of fiscal policy. The study examines fiscal deficit and public debt in relation to economic growth and macroeconomic stability. It considers government borrowing as a source of financing for public expenditure and investment while also examining issues related to debt sustainability, interest payments, fiscal space, and long-term financial stability. The study further covers the role of fiscal policy in responding to economic slowdowns, inflation, unemployment, and economic disruptions.

Limitations of the Study

The study is primarily based on secondary data, and its findings therefore depend on the availability, reliability, consistency, and methodology of existing sources. Revisions to official statistics and differences in accounting practices may affect comparisons across periods. Fiscal policy operates within a complex economic environment. Economic growth and stability are influenced by monetary policy, private investment, international trade, technological change, global economic conditions, and structural factors. Therefore, changes in economic performance cannot be attributed exclusively to fiscal policy. The effects of fiscal measures may vary according to the size, timing, composition, and financing of government expenditure and taxation. Consequently, the same fiscal instrument may produce different outcomes under different economic conditions.

The study covers fiscal policy broadly and does not provide an equally detailed analysis of every tax measure, government programme, subsidy, expenditure category, or borrowing instrument. There are

significant differences among Indian states in terms of revenue resources, expenditure responsibilities, debt levels, infrastructure, and development needs. National-level findings may therefore not fully reflect the fiscal conditions and economic outcomes of individual states or regions. Data availability may limit detailed long-term comparisons, particularly for specific expenditure programmes, distributional effects, and state-level fiscal indicators. Differences in definitions and reporting periods across sources may also restrict direct comparisons.

FINDINGS

The study finds that fiscal policy is an important instrument for influencing economic growth, employment, investment, income distribution, and macroeconomic stability in India. Government expenditure, taxation, public investment, borrowing, subsidies, and transfers affect both aggregate demand and the productive capacity of the economy. The findings indicate that public expenditure on infrastructure has an important role in supporting economic development. Investment in roads, railways, electricity, irrigation, communication, transportation, and other infrastructure can improve productivity, reduce transaction costs, generate employment, and encourage private investment. The study finds that expenditure on education, healthcare, and human-capital development contributes to long-term economic growth by improving the capabilities and productivity of the population. Social-sector expenditure also supports wider participation in economic activities and contributes to inclusive development.

Taxation is an important source of government revenue and provides resources for financing public expenditure and development programmes. The findings indicate that tax policies also influence household consumption, savings, business investment, and entrepreneurial activity. Effective revenue mobilization is therefore important for maintaining fiscal capacity. The study finds that fiscal policy can support economic activity during periods of economic slowdown or weak private demand. Increased public expenditure, transfers, and other fiscal measures can provide support to consumption, employment, and production when economic conditions are unfavourable. At the same time, the findings indicate that persistent fiscal deficits and increasing public debt can create long-term fiscal pressures. Government borrowing can support productive investment, but sustained borrowing may increase debt-servicing obligations and reduce the fiscal space available for future development expenditure.

The composition and quality of public expenditure are found to be important. Expenditure directed towards productive infrastructure, human capital, technology, and other growth-enhancing activities can have stronger long-term effects than expenditure that does not expand productive capacity. Fiscal policy also contributes to income distribution and social welfare. Government spending on food security, rural development, healthcare, education, social protection, and targeted transfers can support economically vulnerable groups and reduce inequalities in access to essential services. The study finds that fiscal policy has an important relationship with employment generation. Public infrastructure projects and government programmes can create direct employment, while improved infrastructure and increased demand can generate indirect employment in related sectors.

DISCUSSION

Fiscal policy occupies an important position in India's economic management framework because government decisions relating to expenditure, taxation, borrowing, subsidies, and public investment influence aggregate demand as well as the productive capacity of the economy. The effectiveness of fiscal policy depends not only on the magnitude of government intervention but also on its timing, composition, efficiency, and sustainability. Public expenditure on infrastructure development has significant implications for economic growth. Investment in roads, railways, electricity, irrigation, communication,

logistics, and other infrastructure can increase productivity, improve connectivity, reduce transaction costs, and facilitate private-sector activity. Infrastructure expenditure can also generate direct and indirect employment and contribute to long-term productive capacity.

Expenditure on education, healthcare, and human-capital development is another important component of fiscal policy. Improvements in education and health can strengthen labour productivity and support long-term economic development. Social-sector expenditure can also expand access to essential services and contribute to more inclusive economic participation. The role of taxation needs to be considered from both revenue and economic perspectives. Tax revenue provides resources for financing public expenditure and development programmes, while tax rates and structures influence disposable income, consumption, savings, investment, and business decisions. An effective tax system therefore needs to mobilize adequate revenue while maintaining appropriate incentives for productive economic activity. Fiscal policy can also act as a stabilization instrument during periods of economic weakness. When private demand and investment decline, additional public expenditure and other fiscal measures can support economic activity, employment, and consumption. However, prolonged fiscal expansion may create inflationary or debt-related pressures under certain economic conditions, making the timing and scale of intervention important.

The discussion of fiscal deficit and public debt is central to fiscal sustainability. Government borrowing can be useful when it finances productive investment that strengthens future economic capacity. However, persistent deficits and increasing debt can raise debt-servicing requirements and reduce the government's flexibility to respond to future economic shocks. Fiscal management therefore requires an appropriate balance between development needs and financial sustainability. The composition of expenditure is particularly important. Productive spending on infrastructure, technology, education, healthcare, and other capacity-enhancing activities may have longer-term economic effects than expenditure that does not contribute directly to productive capacity. Efficient allocation and effective implementation are consequently essential for maximizing the economic impact of public expenditure.

CONCLUSION

Fiscal policy is an important instrument for promoting economic growth and maintaining macroeconomic stability in India. Government expenditure, taxation, public investment, borrowing, subsidies, and transfers influence aggregate demand, employment, investment, income distribution, and the productive capacity of the economy. The study demonstrates that effective fiscal management is therefore closely connected with both short-term stabilization and long-term economic development. Public investment in infrastructure, education, healthcare, agriculture, transportation, energy, and other productive sectors can strengthen economic capacity and create employment opportunities. Improved infrastructure and human capital can also support private investment, productivity, and regional development. The quality and efficiency of public expenditure are consequently as important as the overall level of government spending.

Taxation provides essential resources for financing government programmes and development activities. An efficient tax system can strengthen revenue mobilization while supporting consumption, savings, investment, and business activity. The study also highlights the importance of maintaining a balance between revenue generation and economic incentives. Fiscal policy can support the economy during periods of slowdown, weak demand, unemployment, and other economic disruptions. At the same time, persistent fiscal deficits and increasing public debt can create challenges related to debt servicing and fiscal sustainability.

Responsible borrowing and effective allocation of public resources are therefore important for maintaining long-term fiscal stability. Fiscal policy also contributes to income distribution and social welfare through expenditure on education, healthcare, food security, rural development, social protection, and other public programmes. These measures can improve access to essential services and promote more inclusive economic development, provided that implementation is efficient and financially sustainable. The study concludes that fiscal and monetary policies are interconnected. Government borrowing, expenditure, taxation, inflation, interest rates, liquidity, and private investment influence one another. Appropriate policy coordination is therefore important for maintaining macroeconomic stability and supporting sustainable economic activity.

In conclusion, fiscal policy contributes to India's economic growth and stability through productive public expenditure, infrastructure development, revenue mobilization, employment generation, social welfare, income redistribution, and economic stabilization. The effectiveness of fiscal policy depends on the quality of expenditure, efficiency of revenue collection, responsible debt management, fiscal discipline, and the ability to respond appropriately to changing economic conditions. A balanced and sustainable fiscal framework is essential for supporting India's long-term, inclusive, and stable economic development.

RECOMMENDATIONS

Government expenditure should be increasingly directed towards productive sectors such as infrastructure, education, healthcare, agriculture, research, technology, and human-capital development. Priority should be given to expenditure that strengthens long-term productive capacity and supports sustainable economic growth. Public investment in roads, railways, electricity, irrigation, transportation, digital infrastructure, and logistics should be strengthened. Improved infrastructure can reduce transaction costs, increase productivity, generate employment, and encourage private investment. The tax system should continue to be strengthened through efficient revenue collection, improved compliance, simplification of procedures, and the use of appropriate digital systems. Revenue mobilization should support public expenditure while maintaining conditions conducive to productive consumption, savings, investment, and entrepreneurship.

Greater emphasis should be placed on the quality and efficiency of public expenditure. Regular monitoring, transparent budgeting, outcome-based evaluation, and improved implementation mechanisms can help ensure that public resources generate greater economic and social benefits. Fiscal deficits should be managed carefully by balancing development requirements with fiscal sustainability. Government borrowing should be appropriately directed towards productive investments that can strengthen future economic capacity and support the repayment capacity of the public sector. Public debt management should be strengthened through prudent borrowing, efficient debt servicing, appropriate maturity management, and continuous monitoring of debt sustainability. Greater fiscal discipline can preserve the government's ability to respond to future economic shocks.

Fiscal policy should remain responsive to changing economic conditions. During periods of economic slowdown, appropriately targeted fiscal measures can support demand, employment, and productive activity, while periods of significant fiscal or inflationary pressure may require greater emphasis on expenditure efficiency and fiscal consolidation. Social expenditure on education, healthcare, food security, rural development, housing, and social protection should be adequately supported, with greater attention to targeting, delivery efficiency, and measurable outcomes. This can promote inclusive growth while maintaining fiscal responsibility. Employment-generating public investment should receive greater attention, particularly in infrastructure, rural development, manufacturing, and service-related

activities. Skill-development programmes should complement fiscal interventions to improve employment opportunities and workforce productivity.

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