

| 18/09/2025 | 14/12/2025 | 10/01/2026 |

Assessing the Impact of Fiscal Policy on Welfare and Public Expenditure in India

Dr. K. Sankara Reddy*

School Assistant Teacher Social Studies, Z.P.H. School, Dommara Nandyala, Kadapa (D), Andhra Pradesh, India.

Abstract:

Fiscal policy plays a crucial role in shaping the pattern and effectiveness of public expenditure in India, particularly in a rapidly growing and structurally diverse economy. This study examines the impact of fiscal policy on public expenditure in India during the period 2018–19 to 2023–24, focusing on its implications for economic growth, welfare spending, employment generation, and poverty reduction. Using secondary data from government budgets, reports, and scholarly literature, the study analyzes how taxation, government spending, and fiscal deficits influence sectoral allocation and overall economic performance.

The findings reveal that expansionary fiscal measures—especially increased public investment in infrastructure, health, and education—have significantly contributed to aggregate demand, economic recovery, and long-term development. The post-pandemic period, in particular, highlights the importance of fiscal stimulus in reviving growth and stabilizing the economy. However, the study also identifies challenges such as fiscal deficits, inefficiencies in expenditure, and the crowding-out effect on private investment, which can constrain sustainable growth.

Sectoral analysis indicates that targeted fiscal interventions have improved outcomes in agriculture, healthcare, and education, while also contributing to employment generation and poverty alleviation. Nevertheless, regional disparities and implementation bottlenecks limit the overall effectiveness of fiscal policy. The study concludes that while fiscal policy remains a powerful tool for economic management in India, its success depends on prudent fiscal discipline, efficient resource allocation, and continuous policy reforms aimed at balancing growth with sustainability.

Keywords: Fiscal Policy, Public Expenditure, Economic Growth, Welfare Spending, India.

Copyright © 2026. Authors retain copyright and license their work under the Creative Commons Attribution 4.0 International License ([CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)), permitting unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Introduction

Governments worldwide use fiscal policy to deal with their economies and accomplish objectives including monetary turn of events, expansion the executives, and occupation creation. Fiscal policy is routinely utilized in India to resolve financial issues and lift development. With almost 1.4 billion individuals, India's economy is one of the quickest developing on the planet, and government activities influence it. The Indian government impacts the economy through tax collection, public spending, and getting. Contingent upon execution, these actions could make helpful or adverse consequences. As of late, the Indian economy has gone through different changes to further develop business environment, venture, and foundation. The review analyzes fiscal policy's effect on Indian public consumption from 2018-19 to 2023-24. It inspects what government fiscal policy means for monetary development, work, and neediness. It will likewise investigate underlying obstructions to fiscal policy in India and changes to mitigate them. This study will look at fiscal policy's adequacy in controlling the Indian economy and its opportunities for development.

India's economy is the third biggest in PPP and the fifth biggest on the planet. The World Bank anticipated 6.3 percent financial development for India in 2023-24. Fiscal policy includes burdening to raise income. Fiscal policy is a gauge of tax assessment and government spending that influences the economy. Government charge rate changes influence the whole economy. Fiscal policy depends on income and spending. Economic development and improvement depend progressively on fiscal policy. Fiscal policy influences government spending and pay. Monetary policy is the government's assessments, spending, and acquiring policy. Contrasted with created countries, agricultural countries esteem monetary policy.

Importance of the Study

Fiscal policy and public expenditures in India ought to be read up for various reasons:

Policy Evaluation: Fiscal policy's effect on open spending evaluates government spending productivity. It shows what policy and monetary choices mean for asset distribution and area results.

Economic Development: Fiscal policy influences public uses, consequently understanding this helps settle on maintainable monetary development choices. It recognizes subsidizing serious areas and assess their commitments to financial development, work creation, and destitution decrease.

Resource Allocation: Fiscal policy influences financial asset allotment. Policymakers can recognize areas that need seriously funding or redistribution, for example, foundation advancement, social government assistance projects, or public needs, by inspecting its effect on open spending.

Inequality and Social Welfare: Fiscal policy's consequences for public consumptions uncover its suggestions on pay circulation, neediness, and social government assistance. It shows how much government venture is lessening social imbalance and working on underestimated networks.

Government Budgetary Priorities: A concentrate on fiscal policy and public uses uncovers government financial plan needs. It assesses whether asset assignment matches policy points, formative objectives, and monetary and social requests.

Macroeconomic Stability: monetary policy proposes extension control, leader commitment, and monetary discipline for macroeconomic solidness. Understanding what fiscal policy means for open purposes keeps a functional fiscal framework and keep away from monetary lopsided characteristics.

Research Methodology

Objectives of the study

- Study the impact of fiscal policy on economic growth in India.
- Examine the impact of fiscal policy on welfare expenditure.
- The goal is to examine how fiscal policy affects poverty and employment.

Hypothesis

Ho – Public expenditure fiscal policy boosts economic growth, welfare, poverty, and employment.

Data and Methods

This study utilized optional information. Auxiliary information for the review came from The Job of Fiscal Policy in Fostering the Indian Economy distributions, books, articles, diaries, web journals, and so on. Utilize 2018-19-2023-24 Yearly Spending plan information for project. This article utilizes techniques to concentrate on fiscal policy's effect on India's monetary action.

Review of Literature

Sanjana Jain and Sumedha Sharma (2019) "The effect of fiscal policy on financial development: Proof from India" utilizes 1990-2018 time-series information to assess whether fiscal policy influences monetary development in India. Fiscal shortages and government utilization use hurt monetary development, while foundation and human resources venture makes a difference.

M. Suresh Babu and N.R. Bhanu Murthy (2021) "Fiscal policy and fiscal supportability in India" utilizes board information examination of Indian states to survey fiscal policy maintainability. Public interest in framework and human resources supports monetary development and fiscal manageability, though open obligation and shortfalls hurt them.

Theoretical Framework

Scientists in India utilize a hypothetical structure that mixes public money, macroeconomics, and policy examination to explore fiscal policy's effect on open consumptions. A hypothetical structure for this issue is framed here:

Keynesian financial matters: Keynesian financial matters underlines government spending's job in expanding total interest and monetary development. Keynesians accept that expansionary fiscal policy, for example, bigger government spending, may support foundation, social government assistance, and public help spending.

Hypothetical structure ought to think about government monetary approaches, including pay assortment, consumption prioritization, and fiscal deficiency the executives. It can analyze how charge approaches, appropriations, and moves influence public spending and asset designation across areas.

Sectorial Examination: Specialists can look at what fiscal policy means for public consumptions in foundation, social government assistance, medical care, schooling, and safeguard. This investigation can inspect how fiscal strategies including area explicit expense impetuses, monetary designations, and policy changes influence public spending and area results.

Government assistance Financial aspects: Government assistance financial matters can be utilized to assess fiscal policy's distributional consequences for public spending. It can concentrate on what fiscal policy means for money imbalance, neediness, and social government assistance. This exploration can uncover assuming public spending focuses on the most impeded.

Dynamic Investigation: The system can utilize time-series examination to catch fiscal policy and public use development across time. This lets fiscal policy choices on open uses be surveyed for their drawn out consequences for financial turn of events and social prosperity.

Results and Observations

The impacts of fiscal policy on open use in India have been explored widely, with results reliant upon strategy and information. A few expansive perceptions from past information and examination. Fiscal policy is the government's device to impact the economy and assist with accomplishing its goals. Fiscal policy can influence the Indian economy, particularly during downturns. Government spending and duty strategies can help total interest, monetary development, and work in framework, farming, and social government assistance.

The size and proficiency of the public area, the duty base, and the casual area's strength influence fiscal policy in India. These shortcomings can impede the government's income assortment, asset distribution, and monetary guideline. The packing out impact in the Indian economy is a significant concern since government use raises financing costs, diminishing confidential venture and monetary growth. The effect of fiscal policy on open consumption in India is perplexing and requires exhaustive assessment and thought of various components. Fiscal policy can help financial development, however it should consider the nation's monetary and institutional conditions. Presenting discoveries on fiscal policy's effect on India's monetary development. Subsequently, financial development builds Gross domestic product or GNI to raise per capita pay. Solid macroeconomic establishments support India's consistent, steady, broadened financial growth. Macros (table 3.1) show Gross domestic product development gauges. Information are displayed for 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24. The measurements for these periods show different Indian macroeconomic peculiarities.

Table 3.1 GDP growth rate of India

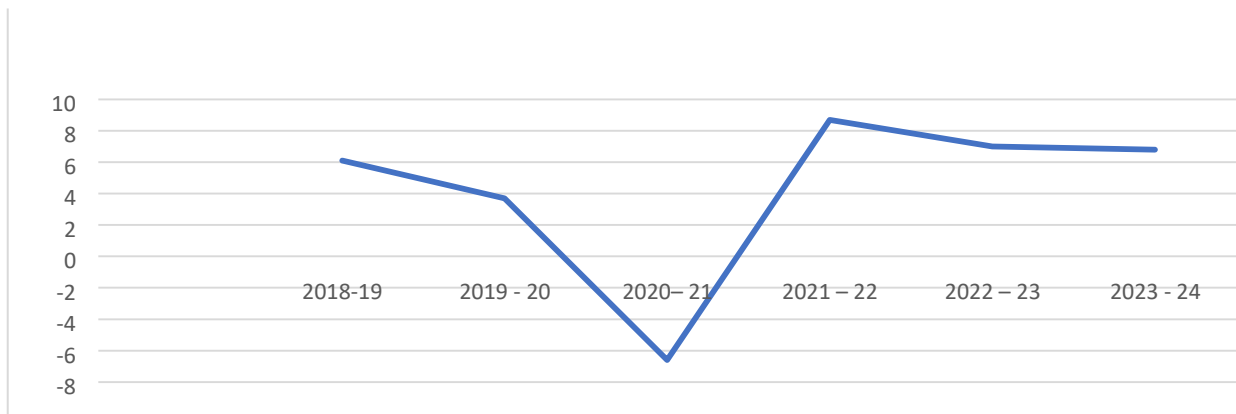
Year	GDP growth rate (%)
2018-19	6.1
2019-20	3.7
2020-21	-6.6
2021-22	8.7
2022-23	7.0
2023-24	6.8*

Source: PRS Legislative Research Note: * Estimated

Table 3.1 shows that Gross domestic product became 6.1% in 2018-19. This implies the economy developed that year. Fiscal year 2019-20 Gross domestic product development was 3.7%. Contrasted with last year, development eased back, flagging financial downturn. Fiscal year 2020-21 Gross domestic product development was - 6.6%. This negative development rate recommends a downturn or financial lull. The worldwide economy experienced the Coronavirus pestilence, including this lofty Gross domestic product decrease. Fiscal year 2021-22 Gross domestic product development was 8.7%. A solid recuperation and monetary development return are shown. This period saw enormous monetary development after the earlier year's decline. Fiscal year 2022-23 Gross domestic product development was 7.0%. The economy became somewhat more slow than last year. Fiscal year 2023-24 Gross domestic product became 6.8%. The economy developed, however more slow than in the first two years.

Altogether, the table shows Gross domestic product development rates by fiscal year. It exhibits great development, an extreme Coronavirus pandemic compression, a solid bounce back, and moderate development. These development rates address monetary achievement and varieties in the years determined.

Figure 3.1 Percentage of GDP Growth Rate of India



Source: Analyzed form Secondary data

Figure.1 shows The Gross domestic product development rate in India was 6.1%, 3.7%, - 6.6%, 8.7%, 7.0%, and 6.8% in 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24.

The Monetary Study of 2018-19 depicted how speculation, especially confidential venture, helps request, limit, work efficiency, innovation, inventive obliteration, and occupation creation to arrive at a USD 5 trillion economy by 2025. As of late, India has sent off various measures for it. The effect of fiscal policy on open uses in India on financial development has yielded the accompanying outcomes:

Total interest excitement

Government use has extended to upgrade total interest and financial development under expansionary fiscal policy. Public spending on foundation, building, and social government assistance has animated interest for items and administrations, supporting monetary action.

Public uses have been dispensed to foundation improvement projects, including transport organizations, power age, and correspondence frameworks, according to fiscal policy measures. These drives have further developed network, diminished strategic bottlenecks, pulled in confidential speculation, and worked with exchange and trade, advancing financial development.

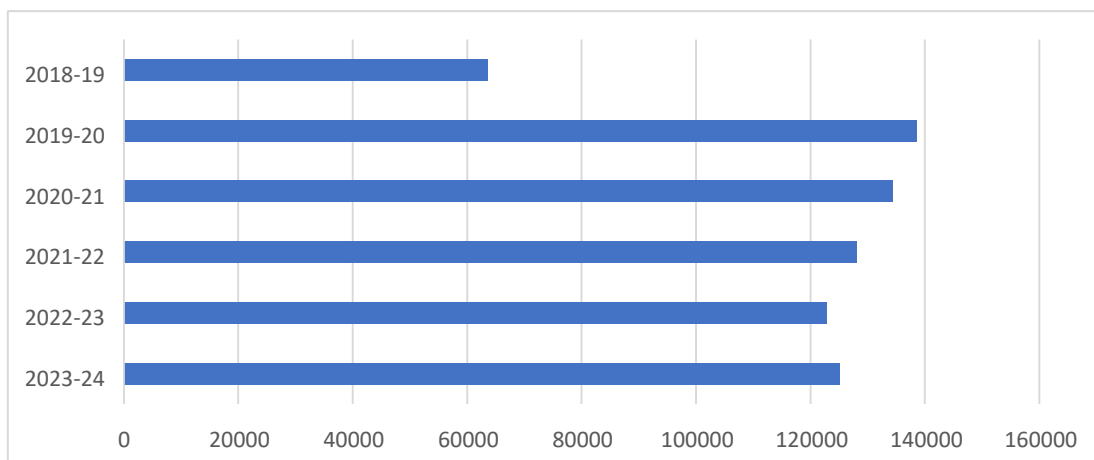
Speculation Advancement: Fiscal policy drives have supported venture and business, bringing about expanded public spending in monetary development regions. Charge motivators, endowments, and monetary help for ventures, assembling, and new businesses have empowered speculation, work creation, and efficiency, supporting financial development.

Local Differences: Fiscal policy advances adjusted provincial turn of events, yet open uses influence financial development contrastingly across India. Designated fiscal intercessions are expected to ease territorial disparities since locales with more noteworthy framework, availability, and industry presence have become quicker than less-created districts.

In farming, fiscal policy influences income and spending through many measures:

Governments can help agribusiness through endowments or assessment benefits. These means can support rancher pay and cut costs, helping farming.

Figure 3.2 Budget Allocation to Agriculture Sector (in crores)



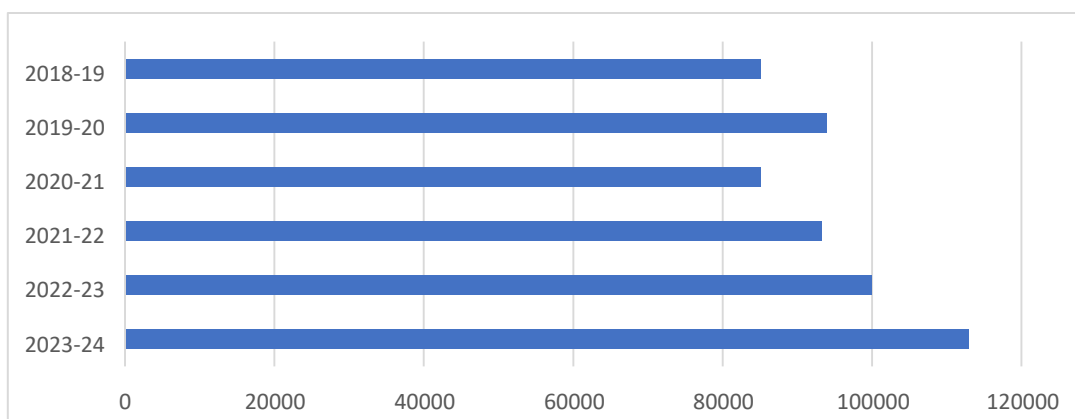
Source: Analyzed form Secondary data

Fiscal policy assigns assets for farming, exploration, and framework. Higher monetary portions can advance agribusiness income and spending, further developing efficiency and rancher government assistance.

Wellbeing: Fiscal policy fundamentally influences medical care income and consumption:

Medical services spending: Governments can upgrade medical care spending by subsidizing programs, making medical clinics and facilities, and further developing foundation. Expanded spending can further develop medical care access and quality.

Figure 3.3 Budget Allocations to Health Sector



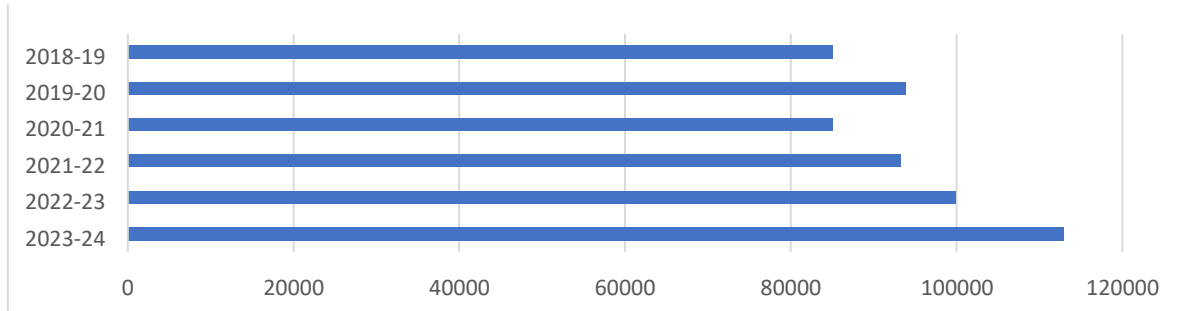
Source: Analyzed form Secondary data

Tax assessment and insurance: Fiscal contract can subsidize general wellbeing programs with charges. They can likewise give health care coverage and sponsorships to bring down costs and further develop medical services access.

Instruction income and consumption are impacted by fiscal policy:

Essential, optional, and advanced education could get a huge level of government cash. Expanded supporting can further develop instruction and give understudies and educators more assets.

Figure 3.4 Budget Allocation to Education Sector



Source: Analyzed form Secondary data

Scholarships and grants

Fiscal policy can uphold training by giving unfortunate understudies grants and sponsorships. These techniques can help enlistment and lower understudy and family costs.

The 2018-19 spending plan assigned 63,564 crore rupees for farming, 52,800 crore for wellbeing, and 85,010 crore for schooling. Farming got 1,38,564 crore rupees in 2019-20, while wellbeing got 64,559 crore and training got 93,847 crore. In spite of the fact that farming got 1,34,400 crore rupees less in 2020-21, wellbeing and schooling got 67,112 crore and 85,089 crore, separately. Agribusiness got 1,28,018 crore rupees in 2021-22, while wellbeing got 71,269 crore and training got 93,224 crore. In 2022-23, every one of the three areas got less cash. Farming got 1,22,836 crore rupees, wellbeing 83,000 crore, and training 99,881 crore. Designations rose fairly in fiscal year 2023-24. Farming got 1,25,036 crore rupees, wellbeing 89,155 crore, and instruction 1,12,899 crore. The Service dispensed these assets to the areas during the fiscal years.

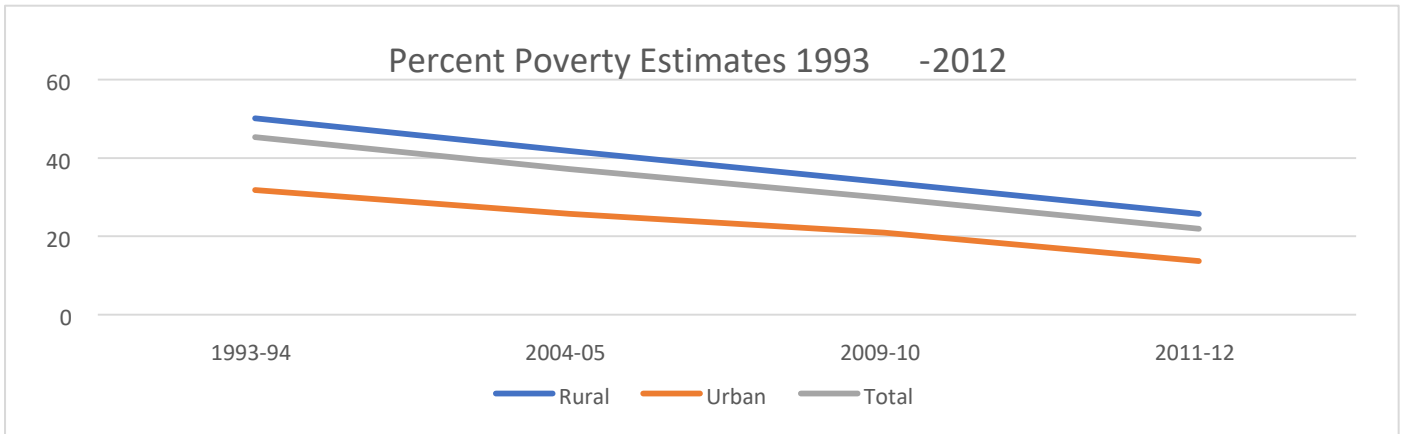
Table 3.3 Percent Poverty Estimates 1993-2012

Year	Rural	Urban	Total
1993-94	50.1	31.8	45.3
2004-05	41.8	25.7	37.2
2009-10	33.8	20.9	29.8
2011-12	25.7	13.7	21.9

Source: Press Note on Poverty Estimates 2011-12 Planning Commission Report

50.1% individuals lived in rustic regions in 1993-94, while 31.8% lived in urban communities. We count 45.3% of the populace. Provincial populaces tumbled to 41.8% and metropolitan populaces to 25.7% by 2004-05. It covers 37.2% of the populace. Provincial populace tumbled to 33.8% and metropolitan to 20.9% in 2009-10. It covers 29.8% of the populace. At long last, in 2011-12, rustic populace tumbled to 25.7% and metropolitan populace came to 13.7%. It covers 21.9% of the populace. Throughout the long term shown, country populaces have declined while metropolitan populaces have expanded.

Figure 3.7 Percent Poverty Estimates 1993 - 2012



Source: Analyzed from Secondary Data

As displayed in the figure, assessed neediness dropped from 45.3% in 1993-94 to 21.9% in 2011-12. While India's fiscal arrangements have decreased destitution, it's essential to perceive that destitution is multi-layered. Populace development, provincial contrasts, and execution issues could adjust fiscal policy results. India should proceed with endeavors, designated intercessions, and a thorough financial and social policy system to decrease poverty. India's fiscal strategies diminish neediness, however they should be carried out, checked, and assessed. Fiscal policy assessment and underlying and social changes are fundamental for neediness decrease in the country.

Portraying fiscal policy's impacts on business and destitution. Fiscal policy impacts the economy through government use and tax assessment. It can influence macroeconomic issues like work. Fiscal policy can influence business contrastingly relying upon the conditions and measures. The accompanying results and perceptions have been found from fiscal policy on governmental uses in India and business age:

Government Spending

Government spending can support business. Development occupations result from government foundation projects including streets, extensions, and schools. Public spending on medical care and training can likewise make occupations.

Tax assessment

Charge changes impact business in an unexpected way. Bringing down charges on organizations and people might help venture and purchaser spending, making position. Increasing government rates can bring down extra cash, buyer consumption, and venture, which can hurt work.

Help from the government

Explicit enterprises or areas might get sponsorships or monetary motivations under fiscal policy. Organizations that develop or put resources into new innovation might make occupations because of appropriations. For example, environmentally friendly power endowments can support clean energy occupations.

Fiscal shortfalls

Financial plan deficiencies (government spending surpasses income) can upgrade monetary development and work temporarily. Government spending upheld by acquiring or printing cash can help customer spending and company speculation. Steady spending plan deficiencies can raise loan fees, expansion, and confidential venture, which might slow business development.

Impact on Casual Area

Fiscal policy has tried to formalize the casual area, which utilizes an enormous portion of the laborers. Public spending on expertise advancement, money, and government managed retirement has worked on casual workers' functioning circumstances and made positions.

Conclusion

All in all, fiscal policy shapes the Indian economy. The government has utilized fiscal policy to energize financial development, balance out costs, and address financial issues. The Indian economy has seen lopsided fiscal policy impacts. On one hand, tax breaks, foundation spending, and social government assistance programs have helped monetary development, work creation, and neediness decrease.

Nonetheless, government spending and shortages have raised expansion and eased back confidential area speculation. Failure, defilement, and organization have tormented fiscal policy implementation. The Indian government has worked on monetary discipline and expense change as of late. In any case, underlying monetary issues including foundation, efficiency, and work market rigidities should be addressed. Overall, fiscal policy assists the Indian government with accomplishing its advancement objectives. Policymakers should offset momentary development with long haul supportability to amplify influence.

At long last, the Fiscal Policy has impacted Indian public spending. After some time, the government has utilized fiscal strategies to help development, settle the economy, and meet advancement objectives. Fiscal policy impacts monetary movement by expanding public consumption, bringing down charges, and controlling the cash supply. Fiscal policy has assisted the Indian economy with extending in more ways than one. For example, Coronavirus improvement bundles and tax reductions moderated the financial effect. Government interests in foundation, medical care, and training have had long haul benefits.

Nonetheless, fiscal discipline and shortage decrease remain issues. Notwithstanding these obstacles, fiscal policy has been imperative to India's financial achievement and will keep on being. Fiscal policy would be expected to support financial development and improvement as India endeavors to turn into a worldwide monetary power.

Fiscal policy's effect on open consumptions in India has formed a few components of the economy. Fiscal policy has helped support financial development, diminish destitution, make occupations, and work on friendly government assistance. Fiscal policy has assisted minimized bunches with enjoying Booked Standings, Planned Clans, and Other In reverse Classes access significant administrations and assets through designated spending. This has decreased pay difference and advanced social inclusion. Infrastructure improvement, including transportation, power, and media communications, has delivered positions, upgraded association, and helped monetary movement the country over. Interests in expertise improvement programs have expanded labor force employability and business, making a more unique and cutthroat work market. Social government assistance programs like the PDS and MGNREGA have additionally been focused on by fiscal policy to diminish destitution. These projects have assisted the poor with getting food, occupations, and government managed retirement, decreasing neediness and working on weak communities. Fiscal impetuses and changes have likewise supported private area speculation, organization development, and business, strikingly in SMEs. This has created pay and helped the nation's economy. In any case, fiscal policy execution and public consumption effectiveness stay troublesome. Constant checking, survey, and policy changes are expected to upgrade fiscal policy's impact on open spending and tackle creating monetary and social issues.

References

1. NeerajHatekar and Sridhar Parthasarathy (2017), "Fiscal policy and economic growth",
2. RenuKohli (2017), "Fiscal policy and inflation dynamics in India"
3. Arup Mitra and Chandan Sharma (2018), "Fiscal policy and employment in India"
4. Sanjana Jain and Sumedha Sharma (2019), "The impact of fiscal policy on economic growth: Evidence from India"
5. M. Suresh Babu and N.R. Bhanu Murthy (2021), "Fiscal policy and fiscal sustainability in India"
6. Yadav et al (2010), Impact of Fiscal Policy Shocks on the Indian Economy
7. Rajiv Kumar et al (2010), Fiscal Policy Issues for India after the Global Financial Crisis
8. Saqib and Yasmin (1987), Some Econometrics Evidence in the Relative Importanc of the Monetary and Fiscal Policy
9. Gupta, et al (2013), Impact of monetary policy on Indian economy
10. Kelly, T. et al (2016), Impact of Fiscal Policy Shocks on the Indian Economy