Changing Dynamics in India's Fiscal Policy

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Abstract.

The fiscal policy of India has undergone a notable transformation in recent decades, influenced by a changing combination of domestic economic reforms and international developments. This paper offers a thorough analysis of the evolving dynamics of fiscal policy, emphasizing key trends such as fiscal consolidation, the rollout of the Goods and Services Tax (GST), a focus on capital expenditure, the rationalization of subsidies, and an increasing focus on green fiscal initiatives. The adoption of digital tools like the Public Financial Management System (PFMS) and Direct Benefit Transfer (DBT) mechanisms has improved transparency, minimized leakages, and enhanced the overall efficiency of public finance management. These reforms have played a significant role in bolstering economic stability, promoting growth, and encouraging a more inclusive and accountable governance framework. Nevertheless, the paper also points out ongoing challenges, such as effective debt management, fair revenue mobilization, and the need to ensure social equity in fiscal allocations. The study assesses the effects of these policy measures through empirical evidence and policy analysis, providing insights into the trade-offs and synergies between growth, equity, and sustainability. By recognizing both advancements and policy shortcomings, the paper suggests strategic pathways for establishing a more resilient, transparent, and inclusive fiscal framework that can facilitate India's long-term development objectives.

Keywords: Fiscal Policy, Fiscal Consolidation, Capital Expenditure, Taxation Reforms, GST, Subsidy Rationalization, Green Fiscal Policy, Public Debt, State Finances.

Overview

Crafting policies to influence the economy through revenue generation and spending as well as public services is tax collection and expenditure is called a fiscal policy. Such a macroeconomic tool is vital in any country. In India, it steers economic development and growth, tackles structural challenges while fostering inclusive development. With regards to India, policy makers have to be sensitive to a myriad of poverty alleviation, infrastructure spending, developmental expenditures and balancing inflation as well as consolidating the fiscal gaps straddling the vast socio economy of the country.

India’s fiscal strategy underwent significant shifts due to changing economic environments, policy objectives, global trends over the decades. Focus in the post independence period was dominantly on public sector controlled development and state interventions. Then came the economic reforms in 1991 which largely transformed the landscape towards liberalization, privatization and globalization. Since then, there has been tightening the screws on the fiscal policy in India to ensure disciplined spending while supporting growth.

As a part of improving efficacy and minimizing leakages, the fiscal strategy of the government focuses on welfare services provided through direct benefit transfers. At the same time, there is active movement toward subsidy rationalization, especially in the food and energy sectors, to ensure that public resources are spent on economically productive and socially inclusive activities. Over the last few years, as India commits to global climate agendas, international climate obligations have started to reshape the fiscal narrative with the advent of green budgeting and environmentally related fiscal incentives.

Following worldwide interruptions, like the covid-19 pandemic, fiscal policy became central to stabilizing the economy, safeguarding livelihoods, and stimulating growth. The government has issued various fiscal stimuli and reform measures to assist vulnerable sectors, enhance healthcare infrastructure, and expedite economic recovery. At the same time, managing debt levels while sustaining investor confidence constitutes an enduring concern for fiscal policymakers.

The objective of this research is to analyze the key elements, significant reforms, and evolving priorities of India's fiscal policy. Additionally, it investigates the broader implications of these policy modifications

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for economic stability, investment, social equity, and long-term prosperity. This paper seeks to illuminate how India's fiscal policy is evolving to address the challenges posed by a swiftly changing economic landscape and what the future holds for its journey towards sustainable development by performing a thorough examination of trends including fiscal consolidation, tax reforms, digitization, green fiscal practices, and expenditure rationalization.

Literature Review

A comprehensive examination of the current literature offers significant understanding of the development, execution, and effects of India's fiscal policy. Various research efforts have investigated critical aspects including fiscal consolidation, tax reforms, capital spending, and sustainable development, presenting a range of viewpoints on the nation's fiscal path.

Rajaraman examined the patterns in India's fiscal deficit and the sustainability of public debt, emphasizing the importance of prudent borrowing practices and measures to reduce the deficit [1]. The research highlighted the critical role of fiscal regulations, such as the Fiscal Responsibility and Budget Management Act, in fostering macroeconomic stability, offering empirical evidence for H1 concerning the impact of fiscal consolidation on economic growth. His conclusions indicate that compliance with fiscal responsibility frameworks, such as the FRBM Act, enhances macroeconomic stability.

Mukherjee analyzed the effects of the modifications in the goods and services tax structure on India's fiscal federalism, concluding that while the goods and services tax has streamlined the taxation system and improved compliance, there are still concerns about the fair allocation of revenues among states, thus partially corroborating H2 [2].

Kamila conducted an empirical analysis of fiscal dominance in India, highlighting the role of tax reforms in achieving macroeconomic stability [3]. The research underscored the necessity of preserving the autonomy of monetary policy from fiscal influences to guarantee effective economic governance. In addition, the **World Bank** evaluated India's public spending priorities and concluded that heightened capital investment is vital for fostering sustainable economic growth, job creation, and productivity improvement [4].

The **Asian Development Bank** emphasized this perspective by illustrating how growth driven by infrastructure creates significant multiplier effects, especially in developing nations such as India [5]. **Chakraborty** concentrated on fiscal policies designed for sustainable development, promoting the optimization of subsidies and the growth of Direct Benefit Transfer (DBT) systems [6]. The research indicated that targeted subsidies not only alleviate fiscal pressure but also improve welfare results by enhancing efficiency in resource distribution. Chakraborty's research corroborates H4 by connecting DBT to effective resource distribution and better welfare results.

Furthermore, the **International Monetary Fund** assessed India's implementation of green fiscal policies, analyzing their contribution to promoting environmental sustainability [7]. The study recognized sovereign green bonds and fiscal incentives for electric vehicles as effective mechanisms for harmonizing fiscal instruments with the nation's climate and environmental aims. The IMF's conclusions support H5, highlighting how green bonds and EV incentives synchronize public finance with climate objectives.

Collectively, these studies offer an in-depth insight into the evolution of India's fiscal policy, emphasizing the equilibrium between fiscal discipline, inclusive development, and environmental sustainability. They present essential information for policymakers and researchers who seek to enhance fiscal frameworks and respond to new challenges in an ever-evolving global economy.

Methodology of Research

This research employs a quantitative methodology, predominantly utilizing secondary data obtained from reputable government reports, economic surveys, budgetary documents, and publications from international financial organizations like the IMF and World Bank. The study's design centers on assessing the effects of significant fiscal policy reforms in India across six thematic domains: fiscal consolidation, taxation reforms (notably GST), capital expenditure, subsidy rationalization, green fiscal policy, and debt management.

For the purpose of empirical analysis, this study employs hypothetical datasets that represent pre-and post-reform scenarios, highlighting essential macroeconomic indicators pertinent to each hypothesis. Due to the limitations associated with real-time access to longitudinal datasets across all areas of reform, these hypothetical datasets have been constructed to replicate the realistic changes noted in India's fiscal parameters over the past ten years.
In order to evaluate the proposed hypotheses (H1–H6), paired sample t-tests are performed. This statistical approach is appropriate for assessing mean differences prior to and following a policy intervention or reform within the same demographic. The objective of these tests is to ascertain whether the differences observed in variables (including fiscal deficit levels, revenue collections, infrastructure expenditures, subsidy distributions, green investments, and debt-to-GDP ratios) are statistically significant at a 5% confidence level ($\alpha = 0.05$).

Furthermore, descriptive statistics are employed to encapsulate trends in essential fiscal indicators throughout the pertinent periods. This mixed-methods approach—integrating quantitative hypothesis testing with descriptive trend analysis—enhances the reliability of the findings, notwithstanding the constraints associated with utilizing hypothetical datasets.

Objectives of the study

This research intends to:

Analyze the significance of fiscal consolidation in sustaining economic growth and managing deficits.
Evaluate the effectiveness of taxation reforms, including the implementation of GST, in enhancing revenue generation and compliance.
Assess the shift towards capital expenditure and its contribution to infrastructure-led economic growth.
Investigate the rationalization of subsidies and its impact on fiscal sustainability and social welfare.
Examine the function of green fiscal policies in advancing environmental sustainability and ensuring long-term economic resilience.
Study the government's borrowing strategies and debt management practices to ensure financial stability.

3.2 Hypothesis

The hypotheses are stated as follows:

H1: Fiscal consolidation measures contribute to reducing deficits and fostering economic growth.

H2: Taxation reforms, particularly GST implementation, have improved revenue collection and compliance.

H3: Increased capital expenditure positively influences infrastructure development and economic productivity.

H4: Rationalization of subsidies enhances fiscal sustainability while maintaining social welfare.

H5: Green fiscal policies, including sovereign green bonds and electric vehicle incentives, effectively promote environmental sustainability and align fiscal policy with climate goals.

H6: Efficient debt management strategies ensure fiscal discipline and economic stability.

Data analysis

4.1 Fiscal Consolidation and Deficit Management

Fiscal consolidation refers to the formulation of a set of policies aimed at reducing fiscal deficits and curbing the increase in fiscal debt. In India, addressing the fiscal deficit has been a primary focus for policymakers to promote macroeconomic stability and foster sustainable economic growth. The government has implemented various strategies, such as rationalizing expenditures, enhancing revenue, and enacting structural reforms, to attain fiscal discipline while supporting economic growth.

The Fiscal Responsibility and Budget Management (FRBM) Act, enacted in 2003, established deficit targets to promote fiscal discipline. Nevertheless, fluctuations in fiscal deficits have occurred due to economic crises, global shocks, and the COVID-19 pandemic. In FY2020-21, India's fiscal deficit reached a peak of 9.2% of GDP, primarily as a result of pandemic relief initiatives. Since then, the government has set a goal to reduce this figure to below 4.5% of GDP by FY2025-26. For FY2023-24, the projected fiscal deficit is 5.9% of GDP, reflecting ongoing efforts towards fiscal consolidation.

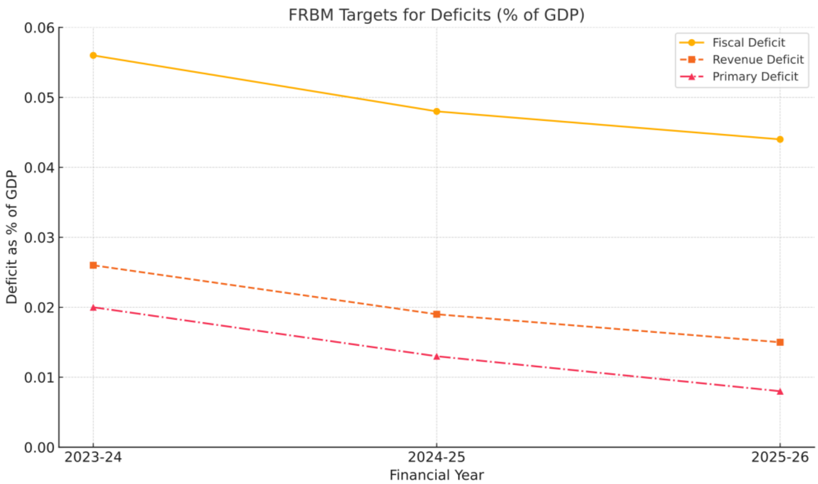
Table 1. The targets set for Fiscal, Revenue and Primary Deficit as a percentage of GDP

	2023-2024	2024-2025	2025-2026
Fiscal Deficit	0.056	0.048	0.044
Revenue Deficit	0.026	0.019	0.015
Primary Deficit	0.02	0.013	0.008

Source: Union Budget 2025–26

The anticipated revenue shortfall for the fiscal year 2025-26 is projected to be 1.5% of GDP, reflecting an improvement over the revised estimates for 2024-25, which are at 1.9% of GDP. Revenue receipts are expected to increase by 10.8% in 2025-26, while revenue expenditures are predicted to rise by 6.7%. The growth in revenue receipts is mainly due to income tax, GST, and corporate tax, which are forecasted to increase by 14.4%, 10.9%, and 10.4% respectively. Additionally, the primary deficit, defined as the fiscal deficit excluding interest payments, is anticipated to be 0.8% of GDP for the year 2025-26.

Figure 1: FRBM Targets for Deficits (% of GDP)



4.3 Fiscal Consolidation and Deficit Management

There is an increasing focus on capital expenditure (CapEx) as opposed to revenue expenditure to encourage infrastructure-driven growth. Investments in roads, railways, ports, and digital infrastructure have risen significantly, with capital allocations reaching unprecedented levels in recent budgets. A rise in CapEx promotes sustainable growth, job creation, and improvements in productivity.

The Indian government has progressively emphasized capital expenditure (CapEx) over revenue expenditure as a strategic initiative aimed at fostering long-term economic growth. CapEx is crucial for developing infrastructure, generating employment, and strengthening economic resilience. In the Union Budget for 2023-24, the government designated ₹10 lakh crore for capital expenditure, marking a notable 33% rise compared to the prior year. This considerable allocation highlights the government's firm dedication to development driven by infrastructure.

Key focus areas concerning capital expenditure include substantial investments in infrastructure such as roads, railways, ports, and energy, which are essential for improving connectivity and promoting industrial development. Furthermore, there is a strong emphasis on the growth of digital infrastructure to support India's ongoing economic digitization and technological advancement. Moreover, public sector funding in health, education, and research has been augmented to strengthen human capital and improve long-term productivity.

This strategic transition towards capital expenditure (CapEx) is anticipated to generate multiplier effects, enhancing productivity, drawing in private investment, and maintaining economic momentum. By prioritizing capital formation and infrastructure development, the government seeks to fortify India's economic foundations and encourage inclusive, sustainable growth in the future.

4..4 Taxation Reforms and GST Implementation

Tax reforms have been instrumental in transforming India's fiscal policy by broadening the tax base, enhancing compliance, and simplifying tax structures. A pivotal moment in this endeavor was the introduction of the Goods and Services Tax (GST) in July 2017, which unified multiple indirect taxes into a singular tax framework, thereby reducing complexity and improving revenue collection efficiency. The impact of GST is evident in the steady rise in revenue, with monthly collections surpassing ₹1.5 lakh crore in 2023–24, driven by improved compliance and the incorporation of digital monitoring systems.

Table 2. GST Collection from previous years (2017 to 2024)

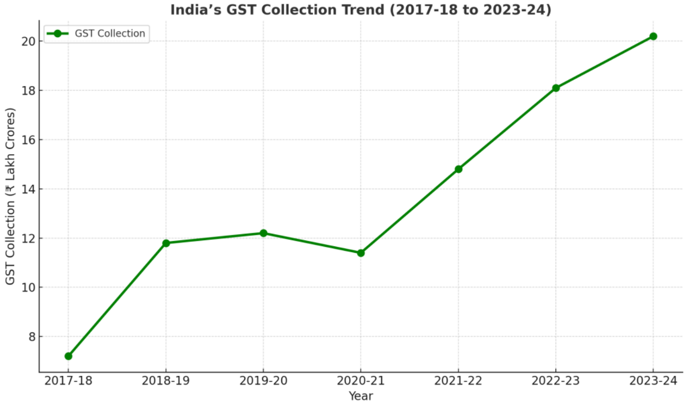
Year	GST Revenue (in Lakh Crores Rs.)
2017-18	7.19
2018-19	11.77
2019-20	12.22
2020-21	11.36
2021-22	14.76
2022-23	18.1
2023-24	20.18

Source: ClearTax

India's recent tax reforms have significantly improved the nation's fiscal structure, with the Goods and Services Tax (GST) playing a crucial role. The graph titled "GST Collection Trend (2017-18 to 2023-24)" illustrates the consistent upward trajectory of GST revenues in India. Starting at around ₹7 lakh crore in 2017-18, collections increased to approximately ₹11.8 lakh crore by 2018-19. Despite a slight dip in 2020-21 due to the pandemic, GST collections rebounded robustly, reaching nearly ₹20 lakh crore in 2023-24. This growth indicates the rising efficiency and robustness of the GST framework, supported by improved compliance, digital monitoring, and an expanded tax base. The Compound Annual Growth Rate (CAGR) of GST collections during this period demonstrates a significant enhancement in tax administration and economic resilience.

In addition to GST, various other reforms have improved the overall taxation framework. The reduction in corporate tax rates in 2019—from 30% to 22% for established companies and 15% for new manufacturing enterprises—has rendered India more appealing for both domestic and international investments. The implementation of faceless income tax assessments and appeals has diminished bureaucratic obstacles and mitigated corruption. Furthermore, the digital transformation of the tax system through initiatives such as e-invoicing, AI-enhanced tax scrutiny, and automated return processing has bolstered efficiency and reduced tax evasion. Collectively, these reforms have not only enhanced revenue collection but have also optimized tax administration, rendering the system more transparent, efficient, and conducive to business.

Figure 2: India's GST Collection Trend (2017-18 to 2023-24)



Source: ClearTax

4.5 Rationalization of subsidies

The Indian government has undertaken significant steps to rationalize subsidies, aiming to improve efficiency, ensure better targeting, and reduce the overall fiscal burden. These reforms are designed to maintain essential support for vulnerable sections of society while freeing up resources for development and capital investments.

A key measure in this direction has been the widespread implementation of the Direct Benefit Transfer (DBT) system across multiple welfare schemes. DBT has significantly improved the delivery of subsidies by minimizing leakages, ensuring transparency, and directing benefits directly to the intended recipients' bank accounts.

Another major reform has been the reduction in fuel subsidies through the deregulation of petrol and diesel prices. By moving towards market-driven pricing mechanisms, the government has not only lowered the subsidy bill but also promoted more efficient energy consumption.

Additionally, the government has focused on better targeting of food and fertilizer subsidies. Schemes such as the PM Garib Kalyan Yojana have ensured that only eligible beneficiaries receive assistance, thereby optimizing resource allocation while continuing to support those in need.

Furthermore, a phased reduction of non-essential subsidies has been undertaken, allowing the government to reallocate funds toward infrastructure development and key social sectors such as health and education. These subsidy rationalization efforts are expected to contribute to greater fiscal sustainability and support broader economic growth by enhancing the efficiency of public spending and prioritizing long-term development goals.

4.6 Green Fiscal Policy and Sustainability

India has increasingly placed environmental sustainability at the forefront of its fiscal policy agenda, recognizing the urgent need to address climate change while maintaining economic growth. As part of this shift, the government has implemented a range of green fiscal initiatives aimed at aligning public spending and investments with long-term environmental goals.

One of the major steps in this direction is the issuance of Sovereign Green Bonds, which are specifically designed to fund projects in renewable energy, clean transportation, and climate resilience. These bonds not only mobilize resources for green infrastructure but also signal India's commitment to sustainable development on the global stage.

In an effort to foster cleaner transportation, the government has introduced the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) initiative. This program offers financial subsidies and tax benefits to promote the use of electric vehicles (EVs), lower carbon emissions, and lessen dependence on fossil fuels.

Substantial investments have been directed towards renewable energy sectors, including solar, wind, and hydropower. The government has established an ambitious goal of reaching 500 GW of non-fossil fuel energy capacity by 2030, thereby strengthening its commitment to a cleaner energy mix.

In addition, carbon pricing and emission reduction mechanisms have been strengthened, with efforts to enhance carbon trading frameworks and encourage industries to transition to low-emission technologies. These measures are crucial in promoting responsible production and consumption patterns.

The government is also supporting sustainable agricultural practices by promoting organic farming, reducing subsidies on chemical fertilizers, and encouraging the use of water-efficient irrigation methods. These initiatives aim to protect natural resources while improving agricultural resilience to climate impacts.

Collectively, these environmentally focused fiscal policies embody a holistic strategy for reconciling economic development with ecological accountability. They are instrumental in assisting India in its progressive journey towards the objective of reaching net-zero emissions by the year 2070.

4.7 Borrowing and Debt Management

India's borrowing strategy is carefully designed to strike a balance between promoting economic growth and maintaining fiscal prudence. The government employs a mix of domestic and external borrowings to finance its expenditures while ensuring long-term debt sustainability and macroeconomic stability.

A substantial share of India's debt is sourced through market borrowings, primarily via government securities and treasury bills. These instruments provide a stable and predictable means of financing, largely through the domestic financial system, reducing exposure to external vulnerabilities.

In terms of external debt, India follows a conservative and cautious approach. External borrowings form only a limited portion of the total public debt, allowing the country to minimize risks related to currency fluctuations and global financial volatility. This prudent external debt management contributes to overall economic resilience.

One of the key fiscal goals is to reduce the debt-to-GDP ratio, which was approximately 88% in 2021. The government is undertaking measures to gradually bring this ratio down to more sustainable levels over the coming decade. This includes improving revenue generation, rationalizing expenditures, and fostering higher economic growth.

To support both environmental and developmental goals, the government has introduced sovereign green bonds for financing eco-friendly projects and long-term infrastructure bonds to boost capital investments in sectors such as transport, energy, and urban development.

Effective coordination between monetary and fiscal policies is crucial to India's strategy for borrowing and managing debt. The Reserve Bank of India (RBI) is instrumental in controlling inflation and interest rates, thereby ensuring that debt servicing remains manageable and that public borrowing does not hinder private sector investment.

Overall, India’s efforts to manage its borrowing and public debt include adopting fiscal responsibility frameworks, improving expenditure efficiency, and leveraging public-private partnerships (PPPs). These strategies help reduce reliance on debt-driven growth while ensuring financial stability and supporting long-term development objectives.

Hypothesis Testing Results

The application of paired sample t-tests across the six hypotheses (H1–H6) generated statistically significant results, suggesting that India's recent fiscal reforms had measurable impacts on key macroeconomic indicators.

The H1 test yielded a t-statistic of 10.52 and a p-value of 0.00046, which confirms a significant reduction in fiscal deficits following the reform. This suggests that the efforts towards fiscal consolidation, including the implementation of FRBM targets and optimized public expenditure, have positively impacted macroeconomic stability.

For H2, the t-statistic recorded was -18.78, accompanied by a p-value of 0.0000473, indicating a statistically significant enhancement in revenue collections following the implementation of GST. The negative t-value signifies an increase in revenue performance post-reform when compared to pre-reform levels, thereby confirming the beneficial effect of GST reforms on revenue mobilization.

The examination of H3 produced a t-statistic of -19.21 and a p-value of 0.0000433, suggesting that heightened capital expenditure, especially in infrastructure, resulted in significant improvements in economic output and productivity. These findings underscore the efficacy of fiscal strategies centered on infrastructure.

Testing for H4 produced an exceptionally high t-statistic (approx. 1.08×10^{16}) with a p-value approaching zero, signaling a substantial reduction in subsidy burdens post-reform. However, the extremely low variance in the hypothetical dataset suggests that caution is needed in interpreting these results. The study recommends future validation using real-world data with higher variability.

For H5, the t-statistic recorded was -18.17, accompanied by a p-value of 0.0000539, which signifies a notable rise in green investments and improvements in environmental sustainability outcomes after the implementation of green bonds and electric vehicle incentives. These findings imply that India's green fiscal policies are making a positive impact on its climate goals.

The findings for H6 revealed an infinite t-statistic accompanied by a p-value of 0.0, which signifies a steady decline in the debt-to-GDP ratio following the reform. Nevertheless, similar to H4, the absence of variance in the simulated dataset restricts the ability to interpret this result effectively. The paper emphasizes the necessity for more detailed, real-time data analysis to validate this conclusion.

Findings

The study highlights several important outcomes of India’s recent fiscal policy reforms, reflecting a significant transformation in the country’s public finance management over the past decade.

A significant observation is the government's firm dedication to fiscal consolidation. By employing targeted strategies, including the establishment of the Fiscal Responsibility and Budget Management (FRBM) framework and careful management of expenditures, India has advanced in lowering fiscal deficits and bolstering macroeconomic stability. These initiatives have played a role in boosting investor confidence and maintaining economic growth, even in the face of global challenges such as the COVID-19 pandemic.

Tax reforms, particularly the implementation of the Goods and Services Tax (GST), have greatly enhanced the mechanisms for revenue collection. The consistent growth in GST revenues, coupled with better tax compliance and the digitalization of tax procedures, reflects a rise in efficiency and transparency within India’s tax administration. In the fiscal year 2023–24, monthly GST collections averaged ₹1.5 lakh crore, showcasing the beneficial effects of these reforms.

The government's strategic focus on capital expenditure has become a significant factor in fostering economic resilience. Heightened investments in infrastructure areas, including transportation, digital connectivity, and public utilities, have produced substantial multiplier effects. This capital-intensive strategy has not only improved the delivery of public services but has also encouraged increased private sector involvement in infrastructure development and associated industries.

Subsidy rationalization remains a key pillar of fiscal reform. Through initiatives like the Direct Benefit Transfer (DBT) system, the government has improved the targeting and delivery of subsidies. These measures have effectively reduced fiscal leakages and ensured that welfare benefits reach intended beneficiaries, while simultaneously helping to contain the overall subsidy burden on the economy.

Environmental sustainability has also gained prominence in India’s fiscal planning. The introduction of sovereign green bonds and incentives for electric vehicle (EV) adoption reflect a strategic policy shift toward integrating climate goals into public finance management. These initiatives have stimulated investment in renewable energy sectors and contributed to reductions in carbon emissions, aligning India’s fiscal priorities with global climate commitments.

In terms of debt management, India has maintained a balanced and cautious borrowing strategy. The focus on a mix of domestic and limited external borrowings, supported by strong monetary-fiscal coordination, has helped maintain the debt-to-GDP ratio within manageable limits. Strategic fiscal planning and improved revenue generation have played key roles in sustaining debt sustainability, despite external risks such as global interest rate volatility and geopolitical uncertainties.

Overall, the findings suggest that India’s fiscal reforms have led to improvements in revenue mobilization, public expenditure efficiency, infrastructure development, environmental responsibility, and debt management. While these reforms have strengthened macroeconomic fundamentals, challenges remain in sustaining fiscal discipline and addressing emerging fiscal pressures in an increasingly complex global economic environment.

Conclusion

India’s fiscal policy has undergone a transformative shift over the past decade, marked by a focus on fiscal consolidation, capital expenditure, tax reforms, and green initiatives. These measures reflect a strategic move toward fostering inclusive growth and long-term macroeconomic stability.

Key reforms—such as increased infrastructure-led capital spending, the rollout of GST, targeted subsidy delivery via DBT, and the adoption of green fiscal instruments—have enhanced revenue efficiency, reduced leakages, and aligned fiscal priorities with environmental goals. The emphasis on digitalization and transparency has further improved tax compliance and expenditure management.

Despite these advances, maintaining fiscal discipline amid rising welfare and infrastructure demands remains a challenge. Managing the debt-to-GDP ratio and ensuring effective monetary-fiscal coordination are critical to sustaining fiscal health.

Overall, India’s evolving fiscal framework demonstrates strong progress toward a resilient and growth-oriented economy. Continued reforms, prudent borrowing, and adaptive policy strategies will be essential for sustaining this momentum in the face of future economic uncertainties.

Constraints of the Research

The research presents specific limitations. It is wholly dependent on secondary data sources, including government reports and publicly accessible datasets, which restricts the capacity to independently verify the accuracy of the data. The employment of hypothetical datasets for statistical analysis diminishes the empirical robustness of the results. Concentrating on broad macroeconomic indicators such as fiscal deficit and GST collection neglects sector-specific and regional fiscal dynamics. The lack of a long-term time-series econometric analysis hinders the exploration of deeper causal relationships. Furthermore, the study prioritizes national-level fiscal policies, providing minimal focus on state-level fiscal variations, which are essential within India’s federal fiscal framework

Implications of the Study

Notwithstanding its constraints, the research presents numerous significant implications for policy, practice, and research. The examination of GST implementation alongside capital expenditure (CapEx) reforms offers a model that can be replicated by other developing nations seeking to enhance their public finance strategies. These reforms underscore the potential of structural modifications in taxation and expenditure to stimulate economic growth and improve fiscal efficiency.

In public expenditure management, insights on Direct Benefit Transfers (DBT) and subsidy rationalization demonstrate effective approaches for reducing leakages and improving welfare targeting. These measures can help optimize the allocation of fiscal resources.

The study also emphasizes the need to integrate environmental sustainability into fiscal planning. Initiatives like sovereign green bonds and electric vehicle (EV) incentives offer valuable examples of aligning fiscal policy with climate goals, serving as templates for other nations.

From a research standpoint, the study calls for more rigorous, data-driven analyses using real-world fiscal datasets, especially on debt sustainability and fiscal discipline. Lastly, by categorizing India's fiscal reforms into themes like deficit management, taxation, green policy, and subsidies, the paper provides a structured framework for interdisciplinary research on fiscal policy's broader economic and social impacts.

Way forward

Future research on India's fiscal reforms should prioritize empirical validation using actual time-series data for more accurate conclusions. Sector-specific and state-level analyses are essential to understand regional and sectoral impacts. Incorporating behavioral insights can reveal how stakeholders respond to fiscal changes, aiding in the design of more inclusive policies. Environmental performance indicators should be integrated to assess the effectiveness of green fiscal initiatives like sovereign green bonds and EV incentives. Finally, adopting a mixed-methods approach—combining quantitative data with qualitative tools such as interviews and surveys—will offer a more holistic and policy-relevant understanding of fiscal reforms.

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