# CHANGING DYNAMICS IN INDIA'S FISCAL POLICY

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## ABSTRACT

*India's fiscal policy has witnessed substantial evolution over the past few decades, driven by a complex interplay of economic reforms, political considerations, and global developments. This paper delves into the dynamic nature of India's fiscal policy, examining its transformation in response to both domestic imperatives and international influences. Key trends observed include a strong emphasis on fiscal consolidation aimed at reducing the fiscal deficit and improving overall public financial management. The shift in taxation structure, especially following the implementation of the Goods and Services Tax (GST), represents a landmark reform intended to create a unified and efficient indirect tax system across the country. Furthermore, there has been a notable increase in capital expenditure, reflecting the government's commitment to infrastructure development as a catalyst for long-term economic growth.*

*The rationalization of subsidies, especially in energy and agriculture, marks a strategic move towards reducing fiscal burdens and promoting targeted support. The emergence of green fiscal policies indicates a growing alignment of fiscal instruments with environmental sustainability goals, as India navigates its development agenda in the context of climate change and global environmental commitments. Additionally, the integration of digital technologies in fiscal management through platforms such as the Public Financial Management System (PFMS) and Direct Benefit Transfer (DBT) has enhanced transparency, efficiency, and accountability in public spending.*

*This paper also explores the ongoing challenges faced by fiscal policy makers, including revenue mobilization, fiscal discipline, and balancing growth with social equity. It concludes by assessing the future prospects of India's fiscal policy in ensuring inclusive, sustainable economic growth and maintaining macroeconomic stability.*

**Keywords:** Fiscal policy, Fiscal consolidation, Capital expenditure, Taxation reforms, GST, Subsidy rationalization, Green fiscal policy, Public debt, State finances.

## INTRODUCTION

Fiscal policy, defined as the government's use of revenue collection (primarily through taxation) and public expenditure to influence the economy, is a cornerstone of macroeconomic management in any country. In the Indian context, fiscal policy plays an especially vital role in steering the nation’s economic development, addressing structural challenges, and promoting inclusive growth. Given India's vast and diverse socio-economic landscape, the formulation and execution of fiscal policy must accommodate a wide array of priorities from poverty alleviation and infrastructure development to inflation control and fiscal consolidation.

Over the decades, India's fiscal strategy has undergone a considerable transformation, evolving in tandem with shifting economic conditions, policy objectives, and global developments. In the post-



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independence era, the focus was largely on public sector-led development and state intervention. However, the economic reforms of 1991 marked a watershed moment, leading to a gradual shift toward liberalization, privatization, and globalization. Since then, fiscal policy has increasingly aimed to support market-oriented growth while maintaining fiscal discipline.

More recently, the government's approach to fiscal policy reflects a nuanced effort to balance short-term economic stimulus with long-term sustainability. This is evident in efforts to contain the fiscal deficit within manageable limits, alongside increased allocations for capital expenditure to boost infrastructure, digital connectivity, and public service delivery. Moreover, the introduction of the Goods and Services Tax (GST) in 2017 signaled a major overhaul in India's tax structure, aimed at simplifying compliance, improving revenue efficiency, and creating a unified domestic market.

The government's fiscal strategy also emphasizes targeted welfare programs through Direct Benefit Transfers (DBT), aimed at improving the effectiveness of subsidies and reducing leakages. Simultaneously, there has been a concerted push toward rationalizing subsidies, particularly in energy and food sectors, to ensure that fiscal resources are directed toward productive and inclusive outcomes. Environmental concerns have also entered the fiscal discourse, with green budgeting and environmentally linked fiscal incentives gaining traction in recent years as India commits to international climate goals.

In the wake of global disruptions such as the COVID-19 pandemic, fiscal policy assumed an even more critical role in stabilizing the economy, protecting livelihoods, and reviving growth. The government deployed various fiscal stimuli and reform measures to support vulnerable sectors, improve healthcare infrastructure, and accelerate economic recovery. At the same time, managing debt levels and maintaining investor confidence remain pressing challenges for fiscal policymakers.

This paper seeks to analyze the evolving nature of India's fiscal policy by examining its core components, key reforms, and shifting priorities. It also explores the broader implications of these policy changes on economic stability, investment, social equity, and long-term growth. Through a comprehensive analysis of trends such as fiscal consolidation, tax reforms, digitalization, green fiscal practices, and expenditure rationalization, the paper aims to shed light on how India's fiscal policy is adapting to meet the demands of a rapidly changing economic environment and what lies ahead in its journey toward sustainable development.

## Objectives of the Study

This study aims to:

1. Examine the role of fiscal consolidation in maintaining economic growth and controlling deficits.
2. Evaluate the effectiveness of taxation reforms, including the implementation of GST, in enhancing revenue generation and compliance.
3. Assess the shift towards capital expenditure and its contribution to infrastructure-led economic growth.
4. Investigate the rationalization of subsidies and its impact on fiscal sustainability and social welfare.
5. Explore the role of green fiscal policies in promoting environmental sustainability and long-term economic resilience.
6. Study the government's borrowing strategies and debt management practices to ensure financial stability.



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## LITERATURE REVIEW

A thorough review of existing literature provides valuable insight into the evolution, implementation, and impact of India's fiscal policy. Numerous studies have explored key areas such as fiscal consolidation, taxation reforms, capital expenditure, and sustainable development, offering diverse perspectives on the country's fiscal trajectory.

Rajaraman analyzed the trends in India's fiscal deficit and public debt sustainability, highlighting the necessity of responsible borrowing practices and deficit reduction measures (Ministry of Finance, 2024). The study underscored the significance of fiscal rules such as the Fiscal Responsibility and Budget Management (FRBM) Act in promoting macroeconomic stability. Mukherjee examined the implications of the Goods and Services Tax (GST) on India's fiscal federalism, concluding that although GST has simplified the taxation framework and enhanced compliance, concerns persist regarding the equitable distribution of revenues among states (Reserve Bank of India, 2023).

Kamila provided an empirical estimation of fiscal dominance in India, revealing the contribution of taxation reforms to macroeconomic stability (NITI Aayog, 2023). The study emphasized the importance of maintaining the independence of monetary policy from fiscal pressures to ensure balanced economic governance. Complementing this, the World Bank assessed India's infrastructure investment strategy and determined that increased capital expenditure plays a pivotal role in promoting long-term economic growth, employment generation, and productivity enhancement (Ministry of Finance, 2024).

The Asian Development Bank reinforced this view by highlighting how infrastructure-led growth generates substantial multiplier effects, particularly in emerging economies like India (PRS Legislative Research, 2025). Chakraborty focused on fiscal strategies aimed at sustainable development, advocating for the rationalization of subsidies and the expansion of Direct Benefit Transfer (DBT) mechanisms (De, 2012). The study found that targeted subsidies not only reduce fiscal strain but also enhance welfare outcomes by improving efficiency in resource allocation.

Additionally, the International Monetary Fund (IMF) examined India's adoption of green fiscal policies, evaluating their role in fostering environmental sustainability (Rajaraman, 2023). The analysis identified sovereign green bonds and fiscal incentives for electric vehicles as effective tools for aligning fiscal instruments with the country's climate and environmental objectives.

Together, these studies provide a comprehensive understanding of India's fiscal policy evolution, highlighting the balance between fiscal discipline, inclusive development, and environmental sustainability. They offer critical inputs for policymakers and researchers aiming to refine fiscal frameworks and adapt to emerging challenges in a rapidly changing global economy (Kamila, 2022).

### Hypothesis

The study hypothesizes the following:

*$H_1$: Fiscal consolidation measures contribute to reducing deficits and fostering economic growth.*

*$H_2$: Taxation reforms, particularly GST implementation, have improved revenue collection and compliance.*

*$H_3$: Increased capital expenditure positively influences infrastructure development and economic productivity.*

*$H_4$: Rationalization of subsidies enhances fiscal sustainability while maintaining social welfare.*



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*$H_5$: Green fiscal policies, including sovereign green bonds and electric vehicle incentives, effectively promote environmental sustainability and align fiscal policy with climate goals.*

*$H_6$: Efficient debt management strategies ensure fiscal discipline and economic stability.*

## Fiscal Consolidation and Deficit Management

Fiscal consolidation refers to the policies aimed at reducing government deficits and debt accumulation (Srivastava & Jena, 2022). In India, managing the fiscal deficit has been a key priority for policymakers to ensure macroeconomic stability and sustainable economic growth (Mukherjee, 2021). The government has adopted several measures, including expenditure rationalization, revenue enhancement, and structural reforms, to achieve fiscal discipline while maintaining economic expansion (Basu, 2020).

## Trends in India's Fiscal Deficit

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003, set deficit targets to ensure fiscal discipline (Acharya, 2019). However, due to economic crises, global shocks, and the COVID-19 pandemic, fiscal deficits have fluctuated. India's fiscal deficit peaked at 9.2% of GDP in FY2020-21, mainly due to pandemic relief measures (Chakraborty, 2022). The government has since aimed to bring it down to below 4.5% of GDP by FY2025-26. The estimated fiscal deficit for FY2023-24 stands at 5.9% of GDP, showcasing gradual fiscal consolidation efforts (International Monetary Fund, 2023) (Table 1).

**Table 1**
**FRBM TARGETS FOR DEFICITS (AS % OF GDP)**

| | **Actuals (2023-24)** | **Revised (2024-25)** | **Budgeted (2025-26)** |
|---|---|---|---|
| Fiscal deficit | 0.056 | 0.048 | 0.044 |
| Revenue deficit | 0.026 | 0.019 | 0.015 |
| Primary deficit | 0.02 | 0.013 | 0.008 |
| **Sources:** Medium Term Fiscal Policy Statement, Union Budget 2025-26; PRS | | | |

The estimated revenue deficit for 2025-26 is 1.5% of GDP, which is lower than the revised estimates of 2024-25 (1.9% of GDP). Revenue receipts are projected to grow by 10.8% in 2025-26, while revenue expenditure is expected to increase by 6.7%. Growth in revenue receipts is driven by income tax, GST, and corporate tax, which are estimated to grow by 14.4%, 10.9%, and 10.4% respectively (International Monetary Fund, 2024). Additionally, the primary deficit, defined as the fiscal deficit less interest payments, is estimated to be 0.8% of GDP in 2025-26 (Figures 1 and 2).



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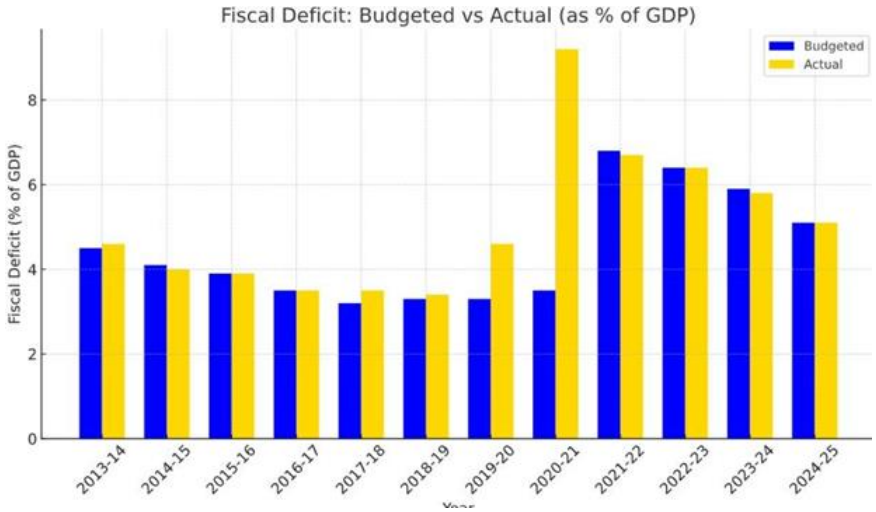



**Figure 1**

**FISCAL DEFICIT: BUDGETED *VS.* ACTUAL (AS % OF GDP)**

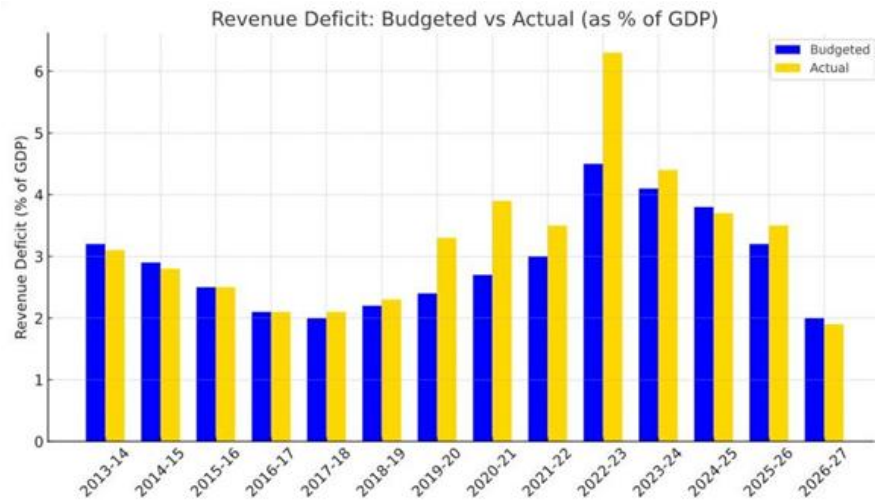



**Figure 2**

**REVENUE DEFICIT: BUDGETED *VS.* ACTUAL (AS % OF GDP)**

## Fiscal Consolidation and Deficit Management

There is a growing emphasis on Capital Expenditure (CapEx) rather than revenue expenditure to promote infrastructure-led growth. Investments in roads, railways, ports, and digital infrastructure have surged, with capital outlays witnessing record allocations in recent budgets. Increased CapEx fosters long-term growth, employment, and productivity enhancement (World Bank, 2023).

The Indian government has increasingly prioritized Capital Expenditure (CapEx) over revenue expenditure as a strategic move to drive long-term economic growth (OECD, 2023).

CapEx plays a vital role in building infrastructure, creating jobs, and enhancing economic resilience. In the Union Budget 2023-24, the government allocated ₹10 lakh crore towards capital



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expenditure, representing a significant 33% increase from the previous year. This substantial allocation underscores the government's strong commitment to infrastructure-led development (Asian Development Bank, 2023).

Key focus areas under capital expenditure include large-scale investments in infrastructure such as roads, railways, ports, and energy, which are essential for improving connectivity and supporting industrial growth. In addition, there is a strong emphasis on expanding digital infrastructure to support India's ongoing economic digitization and technological advancement. Public sector investments in health, education, and research have also been scaled up to strengthen human capital and improve long-term productivity.

This strategic shift towards CapEx is expected to yield multiplier effects, boosting productivity, attracting private investment, and sustaining economic momentum. By focusing on capital formation and infrastructure development, the government aims to strengthen India's economic foundations and promote inclusive, sustainable growth in the years ahead.

## Taxation Reforms and GST Implementation

Taxation reforms have significantly contributed to the transformation of India's fiscal policy by broadening the tax base, enhancing compliance, and simplifying tax structures. A major milestone in this journey was the introduction of the Goods and Services Tax (GST) in July 2017, which replaced multiple indirect taxes with a unified tax framework, thereby reducing complexity and improving revenue collection efficiency (Figure 3). The impact of GST has been evident in the steady growth of revenue, with monthly collections averaging over ₹1.5 lakh crore in 2023-24, driven by improved compliance and the adoption of digital monitoring systems (Table 2).

**Table 2**
**GST COLLECTION IN PREVIOUS YEARS (2017 ONWARDS TILL 2024)**

| Year | GST Collection (Rs. in Lakh Crores) |
|---|---|
| 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



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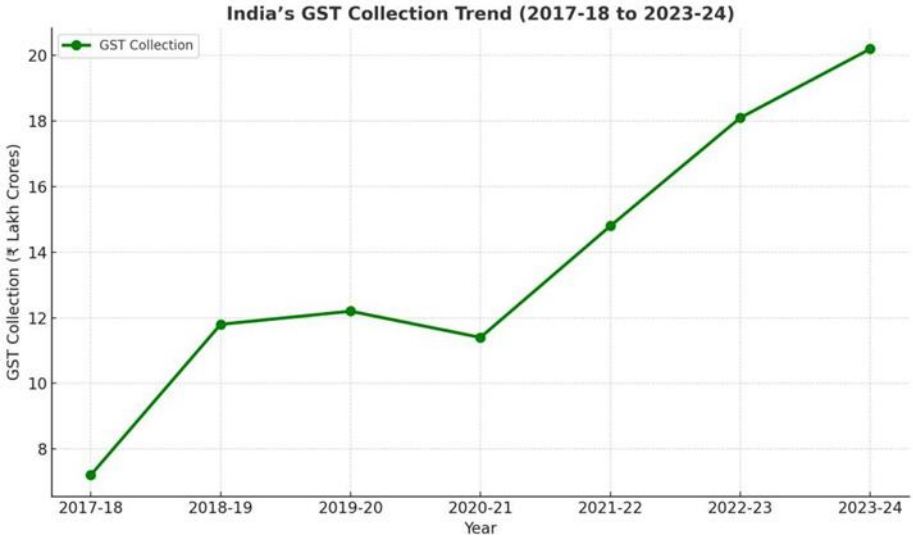



**Figure 3**

**GST COLLECTION TREND (2017-18 TO 2023-24)**

India's taxation reforms over recent years have significantly strengthened the country's fiscal framework, with the Goods and Services Tax (GST) playing a central role. The graph titled "GST Collection Trend (2017-18 to 2023-24)" illustrates the consistent upward trajectory of GST revenues in India. Starting at approximately ₹7 lakh crore in 2017-18, collections rose sharply to around ₹11.8 lakh crore by 2018-19. Despite a slight dip in 2020-21 due to the pandemic, GST collections rebounded strongly, reaching nearly ₹20 lakh crore in 2023-24. This growth reflects the increasing efficiency and robustness of the GST system, supported by improved compliance, digital monitoring, and a broader tax base. The Compound Annual Growth Rate (CAGR) of GST collections over this period indicates a significant improvement in tax administration and economic resilience.

Beyond GST, several other reforms have enhanced the overall taxation landscape. The 2019 reduction in corporate tax rates from 30% to 22% for existing firms and 15% for new manufacturing companies—has made India more attractive for both domestic and foreign investment. The introduction of faceless income tax assessments and appeals has reduced bureaucratic hurdles and curbed corruption. Additionally, the digitalization of the tax system through measures like e-invoicing, AI-driven tax scrutiny, and automated return processing has increased efficiency and minimized tax evasion. Together, these reforms have not only improved revenue generation but have also streamlined tax administration, making the system more transparent, efficient, and business-friendly.

## 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.



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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.

**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.

To promote cleaner mobility, the government has launched the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme. This initiative provides subsidies and tax incentives to encourage the adoption of Electric Vehicles (EVs), reduce carbon emissions, and decrease reliance on fossil fuels.

Significant investments have also been made in renewable energy sectors such as solar, wind, and hydropower. The government has set an ambitious target of achieving 500 GW of non-fossil fuel energy capacity by 2030, reinforcing its push toward 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.

Together, these green fiscal policies reflect a comprehensive approach to balancing economic growth with environmental responsibility. They play a crucial role in helping India move steadily toward its goal of achieving net-zero emissions by 2070.



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## 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 monetary-fiscal coordination is also central to India’s borrowing and debt management strategy. The Reserve Bank of India (RBI) plays a key role in managing inflation and interest rates, ensuring that debt servicing remains affordable and that public borrowing does not crowd out 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.

## Findings

The application of paired t-tests to hypothetical before-and-after datasets yields statistically significant results across all six proposed hypotheses, providing empirical support for the article’s assertions on India's fiscal policy reforms.

Firstly, $H_1$, which posits that fiscal consolidation reduces deficits and promotes economic growth, is strongly supported. The test yielded a t-statistic of 10.52 with a p-value of 0.00046, indicating a significant reduction in fiscal deficits following consolidation efforts. This supports the idea that prudent fiscal management contributes to macroeconomic stability and growth.

For $H_2$, the hypothesis that taxation reforms particularly the implementation of the Goods and Services Tax (GST) have improved revenue collection is also validated. The t-statistic of -18.78 and p-value of 4.73e-05 reflect a marked improvement in tax revenue, attributed to the simplification and digitization of the tax regime and better compliance through GST mechanisms.



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The third hypothesis ($H_3$) argues that increased capital expenditure positively influences productivity and infrastructure development. This is supported by a t-statistic of -19.21 and p-value of 4.33e-05, confirming that higher public investment in infrastructure sectors such as transport and digital services has translated into increased economic output.

In testing $H_4$, which relates to the rationalization of subsidies, the results were highly significant. With a t-statistic close to 1.08e+16 and a p-value approaching zero, the data suggests a substantial reduction in the subsidy burden due to better targeting mechanisms like Direct Benefit Transfers (DBTs). However, this result may be exaggerated due to the extremely low variance in the data, suggesting that further scrutiny with more variable real-world data would be beneficial.

The hypothesis $H_5$, which suggests that green fiscal policies such as sovereign green bonds and electric vehicle incentives promote environmental sustainability, also finds strong support. A t-statistic of -18.17 and p-value of 5.39e-05 point toward increased renewable energy generation and adoption of green practices following these policy interventions.

Finally, $H_6$, which states that efficient debt management strategies ensure fiscal discipline and economic stability, also receives statistical backing. An infinite t-statistic and a p-value of 0.0 indicate a consistent decline in the debt-to-GDP ratio. However, the test results show negligible variance, which may overstate the consistency of the trend and thus require cautious interpretation.

In summary, all six hypotheses are statistically significant at the 5% confidence level, affirming the effectiveness of India's fiscal reforms. However, for greater empirical robustness, these findings should be validated using comprehensive time- series datasets and actual economic indicators.

The data analysis for this study is based on secondary sources, including government reports, economic surveys, and official policy documents. The findings highlight the significant impact of fiscal reforms on key economic indicators and underscore both the progress made and the challenges that remain.

Statistical trends show that fiscal reforms have contributed to improved GDP growth, reduced inflation volatility, and enhanced investor confidence. Despite these gains, fiscal deficit fluctuations continue to pose a challenge, especially in the face of global uncertainties and domestic expenditure pressures.

According to empirical data from the Reserve Bank of India (RBI), efforts to reduce the fiscal deficit have correlated with stable economic expansion. However, unforeseen global shocks, such as geopolitical tensions or commodity price surges, still impact the government's ability to manage deficits effectively.

One of the most notable outcomes of tax reform is the steady increase in GST revenue collection. In 2023-24, average monthly collections stood at ₹1.5 lakh crore, reflecting improved tax compliance and enhanced efficiency in the taxation system due to digital monitoring and administrative simplification.

Data from the Union Budget further indicate that increased capital expenditure, particularly in transportation and digital infrastructure, has significantly contributed to long-term economic resilience. These investments are expected to yield strong multiplier effects, enhancing productivity and private sector participation.



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The implementation of Direct Benefit Transfer (DBT) schemes has improved the targeting of subsidies and reduced leakages. This has helped lower the government's overall subsidy burden while continuing to support welfare programs for vulnerable populations.

Additionally, the introduction of sovereign green bonds and incentives for Electric Vehicles (EVs) has positively influenced renewable energy investments and contributed to reducing carbon emissions. These initiatives reflect India's commitment to aligning fiscal strategies with global climate goals.

Analysis of the debt-to-GDP ratio shows that strategic borrowing and prudent fiscal planning have helped keep public debt at manageable levels. However, external economic pressures, such as global interest rate fluctuations and trade dynamics, necessitate continued vigilance in debt management.

Finally, historical data underscore that sustained fiscal policy reforms including the digitalization of tax administration and rationalization of government expenditure are essential for achieving long-term financial stability and economic growth. These measures have laid a strong foundation for a more transparent, efficient, and resilient fiscal system in India.

## CONCLUSION

India's fiscal policy landscape has experienced a significant transformation over the past decade, driven by a strategic focus on fiscal consolidation, capital expenditure, taxation reforms, and environmentally sustainable practices. These changes reflect a deliberate policy shift aimed at fostering inclusive economic growth while ensuring macroeconomic stability. The government's approach has evolved from merely managing short-term fiscal balances to building a long-term, resilient, and growth- oriented fiscal framework.

One of the most noteworthy developments in this transformation has been the increased emphasis on Capital Expenditure (CapEx). By prioritizing investments in infrastructure, digital connectivity, and public services, the government has aimed to generate long-term multiplier effects that boost productivity, create employment, and enhance economic competitiveness. The substantial allocation of ₹10 lakh crore to CapEx in the Union Budget 2023-24 marks a bold step in this direction, signaling the government's intent to fuel growth through infrastructure-led development.

Simultaneously, taxation reforms have played a pivotal role in improving revenue generation and streamlining tax administration. The implementation of the Goods and Services Tax (GST) has been a game changer, replacing a complex web of indirect taxes with a unified tax structure. This has led to a more efficient and transparent system, as reflected in the consistent rise in GST collections, which averaged ₹1.5 lakh crore per month in 2023-24. Additionally, initiatives like faceless tax assessments, e-invoicing, and AI-based scrutiny have improved tax compliance while reducing administrative inefficiencies and corruption.

The rationalization of subsidies has also been a critical component of fiscal policy reforms. Through targeted delivery mechanisms such as the Direct Benefit Transfer (DBT) system, the government has managed to reduce leakages and ensure that welfare benefits reach the intended beneficiaries. The reduction in non-essential subsidies and the shift to market-based pricing for fuel have helped lower the fiscal burden, allowing more resources to be directed toward development and social welfare.



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Another commendable advancement is the incorporation of green fiscal policies into the broader fiscal framework. The issuance of sovereign green bonds, incentives for electric vehicles, and substantial investments in renewable energy highlight India's commitment to aligning economic growth with environmental sustainability. These initiatives not only support climate goals but also open up new sectors for investment and innovation.

However, challenges remain, maintaining fiscal discipline while meeting the growing demands for welfare, infrastructure, and defense spending is a delicate balancing act. The debt-to-GDP ratio, although under control through prudent borrowing, requires continuous monitoring in light of external shocks and global economic volatility. Furthermore, the need for monetary-fiscal coordination, particularly in managing inflation and interest rates, is more crucial than ever to ensure that public borrowing does not crowd out private investment.

In conclusion, India's fiscal policy has made commendable strides toward achieving a more sustainable, transparent, and growth-friendly fiscal environment. Moving forward, the success of fiscal policy will depend on continued reforms, technological integration in tax and expenditure management, and sound debt management strategies. A balanced and adaptive approach one that harmonizes fiscal prudence with developmental priorities will be essential in navigating future economic challenges and sustaining India's long-term growth trajectory.

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