



INDIA'S PUBLIC EXPENDITURE STRATEGY: BALANCING DEVELOPMENT AND FISCAL STABILITY

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Abstract

India's public expenditure strategy plays a crucial role in achieving sustainable economic growth while maintaining fiscal stability. As a developing economy, India faces the dual challenge of accelerating development and ensuring macroeconomic discipline. Public spending has increasingly focused on infrastructure development, social welfare programs, healthcare, education, and poverty alleviation to promote inclusive growth. At the same time, the government must manage fiscal deficits, public debt, and inflationary pressures to safeguard long-term economic stability. This study examines the composition and trends of public expenditure in India, highlighting the shift from revenue expenditure toward capital expenditure to stimulate productive capacity and employment generation. It also analyzes the role of fiscal responsibility frameworks in maintaining budgetary discipline while supporting developmental priorities. The paper evaluates the effectiveness of public spending in reducing regional disparities, enhancing human capital, and promoting sustainable development.

Keywords: Public expenditure, Fiscal Responsibility, Sustainable development.

INTRODUCTION

Public expenditure is the expenditure incurred by the public authorities - central, states and local governments, to satisfy those collective needs which the people in their individual capacity are unable to satisfy efficiently. They earn revenues through taxation, increase their funds through public borrowing, internal and external and draws down their cash balances to meet current expenditures and sometimes build up cash balances from current account surpluses. These expenditures are varied and vast. The government, for instance, spends huge amount for social welfare, defense, transport and communications, development of natural resources and civil expenditure. Richard A. Musgrave advocated that public expenditure should deal with: (1) Activities to secure a reallocation of resources (2) Re-distributive activities (3) Stabilization activities and (4) Commercial activities.

AIMS AND OBJECTIVES OF PUBLIC EXPENDITURE

Public expenditure as a financial mechanism provides a helping hand to the government to realize its core economic and social objectives. The traditional economists had confined the functions of the state mainly for providing protection to the people from internal rebellion and foreign aggression, administration of justice and provision of public works. Robert Peel argued that "money would fructify more in the hands of the people than in those of the state". According to Parnell, "Every particle of expense that is incurred beyond what necessity requires for the preservation of social order and for protection against foreign attack is a waste and unjust and

oppressive imposition upon the public". But, the Great Depression of 1930's dealt a severe blow to this narrow view. The Keynesian revolution in the 1930's, shifted a paradigm shift from laissez-faire to active state intervention. Modern economists conceive that public expenditure has a positive role to achieve the goal of maximum social welfare. Public expenditure is much essential in correcting market failure and providing public goods. In a developing country like India public expenditure has a vital role to play in the following aspects.

(a) For provision of collective wants (b) Balanced regional development (c) Stabilization of market economy (d) Creation of infrastructure (e) Better distribution of income (f) Development of industrial and agricultural sectors (g) Exploiting the existing and potential resources (h) Power generation. In short, the aim of public expenditure is to create a favourable climate for investment. It should provide incentives to save, invest and innovate.

The major objects of public expenditure is summarized below.

1. Administration of law and order and justice.
2. Maintenance of police force.
3. Maintenance of army and provision for defense goods.
4. Maintenance of diplomat in foreign countries.
5. Public administration.
6. Servicing public debt.
7. Development of industries.
8. Development of transport and communication.
9. Provision for public health.
10. Creation of social goods.

ROLE OF PUBLIC EXPENDITURE IN DEVELOPING ECONOMY IN INDIA

It is imperative for the government to assess correctly the total resources and the costs that have to be incurred to mobilize them. An assessment of the trend in government expenditure clearly reveals that the continuous increase in expenditure widens the fiscal gap. Its impact on the economy becomes serious necessitating immediate control. The limit of expenditure in fiscal management cannot be precisely estimated. In the coming years, the nation has to play safe by curbing the increasing trend in public expenditure judiciously in different areas of non-developmental activities. In the past, a major portion of public expenditure was spent on the essential functions of the State, such as maintenance of law and order. With the advent of planning, the focus has shifted to expenditures on developmental activities. Since the First Five-Year Plan public expenditure had played a critical role in the building up of the nation.

Public Expenditures have been powerful tools in shaping the societies in the past and these will have much more to do in future also in shaping the societies and of the world and in fulfilling the aspirations of the people. The public expenditure in the underdeveloped countries aims at increasing the capital formation through the generation of increased savings, through increasing the productivity of labour, through the creation of employment opportunities, by developing adequate infrastructure facilities such as well-organized transport system, adequate educational facilities, provision of communications, power and through maintenance of law and order. In these countries, public expenditure as an instrument of promoting economic development has two aspects, the qualitative aspect and the quantitative aspect. In its qualitative aspect, it aims at the growth and the expansion of the volume and the rate of investments, in both the public and the private sectors. In its qualitative aspect, it has the objective of changing the content, the composition and the flow of investments. The qualitative aspect is becoming increasingly more important and the unproductive and the non-essential investments would have to be gradually eliminated.

The pattern of expenditure in the 1990s in the developed and in the developing countries, judged by the total expenditure of the government in absolute numbers, reveals that the public expenditure had risen by nearly 5 times in 1990 compared to that in 1980-81. The public expenditure and its various components would provide an insight into the economic and political issues like efficiency in resource allocation, inter-sectional productivity differentials, stabilization, economic growth, distribution, and the like so that public expenditure could be incurred or changed. In case the actual expenditure was greater or lesser than the excellent desirable level, a beginning should be made to examine whether such expenditure should be changed. It must be emphasized that

such a diagnostic use of the theory of public expenditure should be the starting point and not the end point in the decision making process for determining the future of public expenditure.

The developing countries like India suffer from many economic deficiencies. The economy in them impetrates at a less than the full employment level. But there are idle productive resources and also manpower to a large extent. Productivity is low not only because of the poor allocation of resources, but also because of the poor efficiency of labour due to poor education and poor health. Due to these factors, people earn less and consume less. Savings and investments are at a low level and hence economic growth gets retarded. The development is largest lop-sided. Inequality of income and wealth is very wide and the disparity is highly pronounced. Since marketing facilities are poor, middlemen exploit the producers. All these contribute to the widespread poverty and poor standard of living. In such a state of the economy, the public expenditure has a much larger role to play in the under-developed countries compared to that in the advanced economics.

Objectives of the study and Methodology

1. To examine the trend and growth of public expenditure in India from 1991–92 to 2023–24.
2. To analyze the pattern of developmental and non-developmental expenditure of the Central Government.
3. To evaluate the trend and growth of fiscal deficit and its sustainability in relation to GDP.
4. To assess the impact of the Fiscal Responsibility and Budget Management Act on fiscal consolidation in India.
5. To compare the growth rates of fiscal deficit in the pre- and post-FRBM periods using statistical tools.

Methodology of the Study

The present study is based on a systematic analysis of public expenditure and fiscal indicators of India over the period 1991–92 to 2023–24.

1. Nature of the Study

The study is analytical and descriptive in nature. It examines the trends, growth patterns, and structural changes in public expenditure and fiscal deficit to understand the relationship between development and fiscal stability.

2. Data Source

The study is based entirely on secondary data collected from the following sources:

1. *Handbook of Statistics on Indian Economy* published by the Reserve Bank of India (various issues).
2. *Union Budget Documents* published by the Ministry of Finance (various years).
3. Fiscal provisions under the Fiscal Responsibility and Budget Management Act.

3. Period of Study

The study covers a period of 33 years from 1991–92 to 2023–24. For analytical clarity, the period is divided into:

- Pre-FRBM period (1991–92 to 2003–04)
- Post-FRBM period (2004–05 to 2023–24)

4. Tools of Analysis

The following statistical tools and techniques are used:

1. Percentage analysis
2. Ratio analysis
3. Trend analysis using linear growth model ($Y = a + bt$)
4. Student's 't' test to examine the significance of differences between pre- and post-FRBM growth rates

Significance of the Study

The present study is significant as it provides a comprehensive analysis of the changing pattern of public expenditure and fiscal management in India over the last three decades. By examining developmental and non-developmental expenditure, revenue and capital expenditure, and key fiscal indicators, the study evaluates how effectively the government has balanced economic development with fiscal discipline. It also assesses the impact of the Fiscal Responsibility and Budget Management Act in promoting fiscal consolidation and reducing deficits. The findings of the study are useful for policymakers, researchers, academicians, and students in understanding the dynamics of public finance and the challenges of maintaining fiscal stability while pursuing growth-oriented policies. Moreover, the study contributes to the existing literature on fiscal policy by offering empirical evidence

on expenditure trends and deficit management, thereby supporting informed decision-making for sustainable economic development.

Analysis and Interpretation

Table 1 Development And Non-Developmental Expenditure Of The Centre (in Crores Rupees)

| Year | Developmental expenditure | Non-developmental expenditure | Total |
|---------|---------------------------|-------------------------------|---------|
| 1991-92 | 59313 | 55170 | 114483 |
| 1992-93 | 65479 | 60584 | 126063 |
| 1993-94 | 72464 | 73586 | 146050 |
| 1994-95 | 82803 | 82402 | 165205 |
| 1995-96 | 84427 | 98632 | 183059 |
| 1996-97 | 94197 | 112217 | 206414 |
| 1997-98 | 110994 | 127820 | 238814 |
| 1998-99 | 137257 | 150298 | 287555 |
| 1999-00 | 129151 | 177928 | 307079 |
| 2000-01 | 139386 | 197470 | 336856 |
| 2001-02 | 159364 | 215456 | 374820 |
| 2002-03 | 184197 | 242749 | 426946 |
| 2003-04 | 195428 | 243298 | 438726 |
| 2004-05 | 214955 | 262904 | 477860 |
| 2005-06 | 229060 | 290677 | 519737 |
| 2006-07 | 255718 | 341278 | 596996 |
| 2007-08 | 325670 | 400728 | 726398 |
| 2008-09 | 471399 | 428145 | 899544 |
| 2009-10 | 528242 | 514101 | 1042343 |
| 2010-11 | 666069 | 551471 | 1217540 |
| 2011-12 | 705321 | 627075 | 1332396 |
| 2012-13 | 742417 | 692856 | 1435273 |
| 2013-14 | 784504 | 803070 | 1587574 |
| 2014-15 | 813813 | 881159 | 1694972 |
| 2015-16 | 835019 | 990172 | 1825191 |
| 2016-17 | 899369 | 1075825 | 1975194 |
| 2017-18 | 998201 | 1143772 | 2141973 |
| 2018-19 | 1025979 | 1289134 | 2315113 |
| 2019-20 | 1153187 | 1533142 | 2686330 |
| 2020-21 | 1808981 | 1700855 | 3509836 |
| 2021-22 | 1863116 | 1930685 | 3793801 |
| 2022-23 | 2108052 | 2085106 | 4193157 |
| 2023-24 | 2256173 | 2234312 | 4490486 |

Source: Hand Book of Statistics on Indian Economy, Reserve Bank of India, Various Issues.

Table 1 portrays the growth of Development and Non-development expenditure in India from 1991 to 1992 to 2023-24. The Development expenditure of the government of India has increased from Rs.59313 crores to Rs. 2256173 crores in 2023-24. The Non-development expenditure has increased from Rs.55170 crores in 1991-92 to 2234312 crores in 2023-24. The ratio of development and non-development expenditure is shown in table 5.

Table 2 Trend And Growth of Development Expenditure In India From 1991-92 To 2023-24

| Model | Period | a | b | t | R ² | Significance |
|--------|--|-------------|--------------|--------|----------------|--------------|
| Linear | Pre –FRBM Act 1991-92 to 2003-04 | 32707.625 | 11807.283** | 15.87 | 0.96 | 0.000 |
| | Post- FRBM Act 2004-05 to 2023-24 | -1455573.24 | 101153.907** | 10.673 | 0.87 | 0.000 |
| | Whole Period 1991-92 to 2023-24 | -423302.162 | 60153.680** | 11.215 | 0.80 | 0.000 |

The table 2 shows the trend and growth of development expenditure in India from 1991-92 to 2023-24. The development expenditure has increased at an absolute rate of Rs. 11807.283 crores per annum in the pre FRBM Act period from 1991-92 to 2003-04. In the post FRBM Act Period from 2004-05 to 2023-24 the development expenditure increased at an absolute rate of Rs. 101153.907 crores. For the whole period from 1991-92 to 2023-24 the development expenditure has increased at an absolute rate of Rs. 60153.680 crores per annum. The t values are statistically significant at 5% level and R₂ values are 96, 87 and 80 per cent for the pre FRBM Post FRBM Act and for Whole period respectively.

Table 3 Trend and Growth of Non-Development Expenditure In India From 1991-92 To 2023-24

| Model | Period | a | b | t | R ² | Significance |
|--------|--|-------------|--------------|-------|----------------|--------------|
| Linear | Pre –FRBM Act 1991-92 to 2003-04 | 12763.065 | 18103.146** | 25.93 | 0.98 | 0.000 |
| | Post- FRBM Act 2004-05 to 2023-24 | -1513529.78 | 105856.642** | 16.50 | 0.94 | 0.000 |
| | Whole Period 1991-92 to 2023-24 | -423302.162 | 62690.847** | 12.80 | 0.84 | 0.000 |

The table 3 shows the trend and growth of Non-development expenditure in India from 1991-92 to 2023-24. The Non-development expenditure has increased at an absolute rate of Rs. 10183.146 crores per annum in the pre FRBM Act period from 1991-92 to 2003-04. In the post FRBM Act Period from 2004-05 to 2023-24 the Non-development expenditure increased at an absolute rate of Rs. 105856.642 crores. For the whole period from 1991-92 to 2023-24 the Non-development expenditure has increased at an absolute rate of Rs. 62690.847 crores per annum. The t values are statistically significant at 5% level and R₂ values are 99, 94 and 84 per cent for the pre FRBM Post FRBM Act and for Whole period respectively.

Table 4 Trend and Growth of Public Expenditure In India From 1991-92 To 2023-24

| Model | Period | a | b | t | R ² | Significance |
|--------|--|-------------|--------------|-------|----------------|--------------|
| Linear | Pre –FRBM Act 1991-92 to 2003-04 | 45470.69 | 29910.43** | 25.64 | 0.98 | 0.000 |
| | Post- FRBM Act 2004-05 to 2023-24 | -2969103.22 | 207010.559** | 13.57 | 0.91 | 0.000 |
| | Whole Period 1991-92 to 2023-24 | -846676.142 | 122844.531** | 12.17 | 0.83 | 0.000 |

The table 4 shows the trend and growth of Public expenditure in India from 1991-92 to 2023-24. The Public expenditure has increased at an absolute rate of Rs. 29910.43 crores per annum in the pre FRBM Act period from 1991-92 to 2003-04. In the post FRBM Act Period from 2004-05 to 2023-24 the Public expenditure increased at an absolute rate of Rs. 207010.59 crores. For the whole period from 1991-92 to 2023-24 the Public expenditure has increased at an absolute rate of Rs. 122844.531 crores per annum. The t values are statistically significant at 5% level and R₂ values are 98, 91 and 83 per cent for the pre FRBM Post FRBM Act and for Whole period respectively.

**Table 5
Ratio of Developmental and Non-Developmental
Expenditure of the Central Government**

| Year | Developmental expenditure | Non-Developmental expenditure |
|---------|---------------------------|-------------------------------|
| 1 | 2 | 3 |
| 1990-91 | 54 | 46 |
| 1991-92 | 51 | 49 |
| 1992-93 | 52 | 48 |
| 1993-94 | 49 | 51 |
| 1994-95 | 50 | 50 |
| 1995-96 | 46 | 54 |
| 1996-97 | 45 | 55 |
| 1997-98 | 46 | 54 |
| 1998-99 | 47 | 53 |
| 1999-00 | 42 | 58 |
| 2000-01 | 41 | 49 |
| 2001-02 | 43 | 57 |
| 2002-03 | 43 | 57 |
| 2003-04 | 44 | 56 |
| 2004-05 | 45 | 55 |
| 2005-06 | 44 | 56 |
| 2006-07 | 43 | 57 |
| 2007-08 | 45 | 55 |

| | | |
|---------|----|----|
| 2008-09 | 52 | 48 |
| 2009-10 | 51 | 49 |
| 2010-11 | 55 | 45 |
| 2011-12 | 53 | 47 |
| 2012-13 | 52 | 48 |
| 2013-14 | 49 | 51 |
| 2014-15 | 48 | 52 |
| 2015-16 | 46 | 54 |
| 2016-17 | 46 | 54 |
| 2017-18 | 47 | 53 |
| 2018-19 | 44 | 56 |
| 2019-20 | 43 | 57 |
| 2020-21 | 52 | 48 |
| 2021-22 | 49 | 51 |
| 2022-23 | 50 | 50 |
| 2023-24 | 50 | 50 |

Source: Hand Book of Statistics on Indian Economy, Reserve Bank of India, Various Issues.

Table 5 shows that the share of development expenditure to total expenditure has declined from 54 percent in 1990-91 to 50 percent in 2023-24. But non development expenditure has increased from 46 percent to 57 percent in 2019 -20 and further it declined to 50 per cent in 2023-24.

Table 6
Major Heads Of Expenditure Of The Central Government (Rs. Crores)

| Year | Revenue expenditure | of Which | | | Capital expenditure (7+8) | Loans and advances | Capital outlay | of Which | Total expenditure (2+6) |
|---------|---------------------|---------------------|-------------------|-----------|---------------------------|--------------------|----------------|---------------------|-------------------------|
| | | Defense expenditure | Interest payments | Subsidies | | | | Defense expenditure | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1991-92 | 82292 | 11442 | 26596 | 12253 | 29122 | 17723 | 11043 | 4905 | 111414 |
| 1992-93 | 92702 | 12109 | 31075 | 10824 | 29916 | 16297 | 13385 | 5473 | 122618 |
| 1993-94 | 108169 | 14978 | 36741 | 11605 | 33684 | 20454 | 13089 | 6867 | 141853 |
| 1994-95 | 122112 | 16426 | 44060 | 11854 | 38627 | 23736 | 14891 | 6819 | 160739 |
| 1995-96 | 139861 | 18841 | 50045 | 12666 | 38414 | 24316 | 14099 | 8015 | 178275 |
| 1996-97 | 158933 | 20997 | 59478 | 15499 | 42074 | 27878 | 14196 | 8508 | 201007 |
| 1997-98 | 180335 | 26174 | 65637 | 18540 | 51718 | 34193 | 17526 | 9104 | 232053 |
| 1998-99 | 216461 | 29861 | 77882 | 23593 | 62879 | 44037 | 18841 | 10036 | 279340 |
| 1999-00 | 249078 | 35216 | 90249 | 24487 | 48975 | 24938 | 24037 | 11855 | 298053 |
| 2000-01 | 277839 | 37238 | 99314 | 26838 | 47753 | 23008 | 24745 | 12384 | 325592 |
| 2001-02 | 301468 | 38059 | 107460 | 31210 | 60842 | 34284 | 26558 | 16207 | 362310 |
| 2002-03 | 338713 | 40709 | 117804 | 43533 | 74535 | 31668 | 29101 | 14953 | 413248 |
| 2003-04 | 362074 | 43203 | 124088 | 44323 | 109129 | 28768 | 34150 | 16863 | 471203 |
| 2004-05 | 384329 | 43862 | 126934 | 45957 | 113331 | 28910 | 52338 | 31994 | 498252 |

| | | | | | | | | | |
|---------|---------|--------|---------|--------|---------|--------|--------|--------|---------|
| 2005-06 | 439376 | 48211 | 132630 | 47522 | 66362 | 11337 | 55025 | 32338 | 505738 |
| 2006-07 | 514609 | 51682 | 150272 | 57125 | 68778 | 8524 | 60254 | 33828 | 583387 |
| 2007-08 | 594433 | 54219 | 171030 | 70926 | 118238 | 11298 | 106940 | 37462 | 712671 |
| 2008-09 | 793798 | 73305 | 192204 | 129708 | 90158 | 14107 | 76051 | 40918 | 883956 |
| 2009-10 | 911809 | 90669 | 213093 | 141351 | 112678 | 15647 | 97031 | 51112 | 1024487 |
| 2010-11 | 1040723 | 92061 | 234022 | 173420 | 156605 | 24985 | 131619 | 62056 | 1197328 |
| 2011-12 | 1145785 | 103011 | 273150 | 217941 | 158580 | 20737 | 137843 | 67902 | 1304365 |
| 2012-13 | 1243514 | 111277 | 313170 | 257079 | 166858 | 20800 | 146058 | 70499 | 1410372 |
| 2013-14 | 1371772 | 124374 | 374254 | 254632 | 187675 | 19198 | 168478 | 79125 | 1559447 |
| 2014-15 | 1466992 | 136807 | 402444 | 258258 | 196681 | 29218 | 167463 | 81887 | 1663673 |
| 2015-16 | 1537761 | 145937 | 441659 | 264106 | 253022 | 26337 | 226685 | 79958 | 1790783 |
| 2016-17 | 1690584 | 165410 | 480714 | 234809 | 284610 | 36810 | 247800 | 86371 | 1975194 |
| 2017-18 | 1878833 | 186127 | 528952 | 224455 | 263140 | 18027 | 245113 | 90445 | 2141973 |
| 2018-19 | 2007399 | 195572 | 582648 | 222954 | 307714 | 28221 | 279492 | 95231 | 2315113 |
| 2019-20 | 2350604 | 207572 | 612070 | 262304 | 335726 | 24414 | 311312 | 111092 | 2686330 |
| 2020-21 | 3083519 | 205789 | 679869 | 758165 | 426317 | 110491 | 315826 | 134305 | 3509836 |
| 2021-22 | 3200926 | 228559 | 805499 | 503907 | 592874 | 58376 | 534499 | 137987 | 3793801 |
| 2022-23 | 3458959 | 259500 | 940651 | 562080 | 728274 | 108070 | 620204 | 150000 | 4187232 |
| 2023-24 | 3502136 | 270120 | 1079971 | 403084 | 1000961 | 163834 | 837127 | 162600 | 4503097 |

Source: Hand Book of Statistics on Indian Economy, RBI, Various issues.

Table 6 depicts the major heads of expenditure of the Central Government from 1991-92 to 2023-24. Revenue expenditure has increased from Rs.82292 Crores in 1991-92 to Rs. 3502136 crores in 2023-24. The capital expenditure during the corresponding year has increased from Rs. 29112 crores to Rs.1000961 Crores.

FISCAL DEFICIT AND PUBLIC EXPENDITURE

After the enactment of the Fiscal Responsibility and Budget management Act in 2001, keeping the fiscal deficit within 3 percent is the ultimate goal of the governments. The fiscal deficit of 6.42 percent to GDP in 1990-91 forced the government to take corrective steps to put the fiscal house in order and India is likely to achieve its target of 3 percent of GDP within a short span of time.

Table 7
Fiscal Deficit of the Centre

| Year | Fiscal Deficit | Fiscal Deficit as percent of (GDP) |
|---------|----------------|------------------------------------|
| 1990-91 | 37606 | 6.42 |
| 1991-92 | 36325 | 4.58 |
| 1992-93 | 40173 | 4.64 |
| 1993-94 | 60257 | 6.20 |
| 1994-95 | 57703 | 4.59 |

| | | |
|---------|---------|------|
| 1995-96 | 60243 | 4.10 |
| 1996-97 | 66733 | 3.96 |
| 1997-98 | 88937 | 4.66 |
| 1998-99 | 113349 | 4.97 |
| 1999-00 | 104716 | 5.20 |
| 2000-01 | 118816 | 5.48 |
| 2001-02 | 140955 | 6.00 |
| 2002-03 | 145072 | 5.73 |
| 2003-04 | 123273 | 4.34 |
| 2004-05 | 125794 | 3.88 |
| 2005-06 | 146435 | 3.96 |
| 2006-07 | 142573 | 3.32 |
| 2007-08 | 126912 | 2.54 |
| 2008-09 | 336992 | 5.99 |
| 2009-10 | 418482 | 6.46 |
| 2010-11 | 373591 | 4.79 |
| 2011-12 | 515990 | 5.73 |
| 2012-13 | 490190 | 4.85 |
| 2013-14 | 502858 | 4.62 |
| 2014-15 | 510725 | 4.13 |
| 2015-16 | 532791 | 3.9 |
| 2016-17 | 535618 | 3.5 |
| 2017-18 | 591062 | 3.5 |
| 2018-19 | 649418 | 3.4 |
| 2019-20 | 933651 | 4.6 |
| 2020-21 | 1818291 | 9.2 |
| 2021-22 | 1584521 | 6.7 |
| 2022-23 | 1755319 | 6.4 |
| 2023-24 | 1786816 | 5.9 |

Source: Hand Book of Statistics on Indian Economy, RBI, Various issues.

Table 7 depicts that the fiscal deficit in India has been cyclical, influenced by economic crises, reforms, and growth trends. Periods of crisis (1991, 2008, 2020) show sharp increases in deficit. Periods of strong growth show fiscal consolidation. Though absolute fiscal deficit has increased over time due to economic expansion, the deficit as a percentage of GDP provides a clearer picture of fiscal sustainability. Recent trends suggest efforts to balance development needs with fiscal stability.

KEY FISCAL INDICATORS

Table 5.8 presents the key fiscal indicators of the Government of India as percentage. The interrelated variables like primary deficit, Revenue deficit primary revenue deficit and Gross fiscal deficits are presented.

Table 8
Key Fiscal Indicators (As Percent to GDP)

| Year | Primary Deficit | Revenue Deficit | Primary Deficit | Revenue | Gross Deficit | Fiscal |
|---------|-----------------|-----------------|-----------------|---------|---------------|--------|
| 1 | 2 | 3 | 4 | | 5 | |
| 1990-91 | 3.9 | 3.2 | -0.5 | | 7.6 | |
| 1995-96 | 0.8 | 2.4 | -1.7 | | 4.9 | |
| 2000-01 | 0.9 | 3.9 | -0.6 | | 5.5 | |
| 2007-08 | -0.9 | 1.1 | -2.4 | | 2.5 | |
| 2008-09 | 2.6 | 4.5 | 1.1 | | 6.0 | |
| 2009-10 | 3.2 | 5.2 | 1.9 | | 6.5 | |
| 2010-11 | 1.8 | 3.2 | 0.2 | | 4.8 | |
| 2011-12 | 2.8 | 4.5 | 1.4 | | 5.9 | |
| 2012-13 | 1.8 | 3.7 | 0.5 | | 4.9 | |
| 2013-14 | 1.1 | 3.2 | -0.2 | | 4.5 | |
| 2014-15 | 0.9 | 2.9 | -0.3 | | 4.1 | |
| 2015-16 | 0.7 | 2.5 | -0.7 | | 3.9 | |
| 2016-17 | 0.4 | 2.1 | -1.1 | | 3.5 | |
| 2017-18 | 0.4 | 2.6 | -0.5 | | 3.5 | |
| 2018-19 | 0.4 | 2.4 | -0.7 | | 3.4 | |
| 2019-20 | 1.6 | 3.3 | 0.3 | | 4.6 | |
| 2020-21 | 5.7 | 7.3 | 3.9 | | 9.2 | |
| 2021-22 | 3.3 | 4.4 | 1.0 | | 6.7 | |
| 2022-23 | 3.0 | 4.0 | 0.5 | | 6.4 | |
| 2023-24 | 2.3 | 2.9 | -0.7 | | 5.9 | |

Source: Hand Book of Statistics on Indian Economy, Reserve Bank of India, Various Issues.

Table 8 portrays the key fiscal indicators of the Government of India from 1990-91 to 2023-24. It is important to note that primary deficit, Revenue deficit and Gross fiscal are continuously declining in the post FRBM Act period indicating that fiscal consolidation of the government of India has started giving positive results. India is in a position the curtail the fiscal deficit within 3 percent of GDP as stipulated by the Fiscal Responsibility and

Budget Management Act 2004 which is indeed praise worthy and it is a remarkable achievement in the fiscal front.

Table 9 Trend and Growth of Gross Fiscal Deficit In India From 1991-92 To 2023-24

| Model | Period | a | b | t | R ² | Significance |
|--------|--|-------------|--------------|------|----------------|--------------|
| Linear | Pre –FRBM Act 1991-92 to 2003-04 | 22772.92 | 9410.576** | 9.62 | 0.90 | 0.000 |
| | Post- FRBM Act 2004-05 to 2023-24 | -1414371.29 | 89090.5473** | 7.59 | 0.77 | 0.000 |
| | Whole Period 1991-92 to 2023-24 | -364442.440 | 47607.882** | 8.23 | 0.69 | 0.000 |

The table 9 shows the trend and growth of Gross Fiscal Deficit in India from 1991-92 to 2023-24. The Gross Fiscal Deficit has increased at an absolute rate of Rs. 9410.576 crores per annum in the pre FRBM Act period from 1991-92 to 2003-04. In the post FRBM Act Period from 2004-05 to 2023-24 Gross Fiscal Deficit increased at an absolute rate of Rs. 89090.5473 crores. For the whole period from 1991-92 to 2023-24 Gross fiscal deficit has increased at an absolute rate of 47607.882 crores per annum. The t values are statistically significant at 5% level and R₂ values are 90, 77 and shows 69 per cent for the pre FRBM, Post FRBM Act and for Whole Period respectively.

T test

To examine the growth rates of each of the revenue receipts differed between two sub-periods the following ‘t’ test was used.

H₀: Null Hypothesis. There is no significant difference in the growth rates of fiscal deficits between the pre and post FRBM Act period.

H_a: Alternative Hypothesis. There is a significant difference in the growth rates of fiscal deficits between the pre and post FRBM Act period.

following ‘t’ test was used for the selected variables considered for the study.

$$t = \frac{b_1 - b_2}{\sqrt{(S.E. b_1)^2 + (S.E. b_2)^2}}$$

$$t = \frac{9410.577 - 89090.55}{\sqrt{(11696.93)^2 + (279981.3)^2}}$$

$$t = 0.284$$

The table value of ‘t’ for degrees of freedom (2, 29) at 5 per cent level is 2.045. The calculated ‘t’ value of Fiscal deficit for the entire study period is 0.284. Since the calculated value is lesser than the table value, so the null hypothesis is accepted. Hence, it can be concluded that there was no significant difference between the growth rates of fiscal deficit for the pre and post FRBM Act periods.

Conclusion

The overall analysis of public expenditure and fiscal indicators in India reveals a consistent expansion in both developmental and non-developmental expenditure over the study period from 1991–92 to 2023–24. While public expenditure has grown significantly in absolute terms, especially in the post-reform and post-FRBM periods, the government has made visible efforts toward fiscal consolidation. The enactment of the Fiscal Responsibility and Budget Management Act marked an important institutional reform aimed at maintaining fiscal discipline by targeting reduction in fiscal deficit. Though fiscal deficits widened during crisis periods such as the global financial crisis and the COVID-19 pandemic, the overall trend indicates corrective measures and gradual stabilization in subsequent years. The statistical analysis further confirms that there is no significant difference in the growth rates of fiscal deficit between the pre and post-FRBM periods, suggesting that fiscal expansion has been structurally consistent across both phases. Hence, India's public expenditure strategy reflects a careful balancing act between promoting developmental objectives and maintaining fiscal sustainability, reinforcing the importance of prudent fiscal management in achieving long-term economic stability.

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