

## ANALYSING BUDGETARY POLICIES AND THEIR IMPACT ON INDIVIDUALS

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DOI: <https://www.doi.org/10.58257/IJPREMS40707>

### ABSTRACT

Budget policies constitute a primary engine for stimulating growth in economics due to impacts they have on the stability of public finances, the investment, and the broader developmental process within economies. Therefore, this article deconstructively investigates the fiscal budgets of any nation, mainly considering taxation policies, public expenditures, and deficit in the process. The empirical data and frameworks for policies will be used to determine the nexus between budgetary policies and macroeconomic indicators like economic growth through GDP growth, inflation, and employment rates. For instance, the topic of such a paper would discuss how fiscal responsibility, and expansionary and contractionary budgetary measures, as well as public debt management, maintain long-run economic viability. By developing the comparative study of developed economies with developing ones, the critical factor highlighted pertains to efficiency in budgeting approach toward resilience.

The paper further evaluates the impact of fiscal prudence in mitigating economic recession and also in providing for even growth in any society. It is concluded that proper budgetary policies that have proper structured budgeting do not only create stability in the economy but also prop up innovation, infrastructure, and welfare among social sectors. This study proves useful to the policy formulators in providing the optimum budgetary allocation strategy for sustainable growth of the economy.

**Keywords :** Budgetary Policies, Growth in the economy, Fiscal Soundness, Expenditure, Taxation and GDP, and Fiscal Deficit.

### 1. INTRODUCTION

Economic growth is the primary objective of fiscal policy, and budgetary policies determine the course a national economy takes. Governments everywhere use fiscal instruments such as taxation, public expenditure, and deficit financing to control macroeconomic stability, enhance productivity, and facilitate long-term growth. Budgetary policies are important instruments for dealing with inflationary pressures, minimizing unemployment, and improving infrastructure development with a view toward sustainable economic growth.

This paper aims to critically discuss the impact of budgetary policies on growth within theoretical, empirical, and country-based case studies. The paper investigates whether expansionary or contractionary fiscal policies are more effective in promoting expansionary or contractionary policies and whether public debt is related to economic performance. Furthermore, the paper reviews whether budget deficits impede or contribute to growth. It also considers the impact of government spending on human capital formation, technological development, and resistance to economic shocks.

By introducing findings, study aims to generate an all-encompassing knowledge about how fiscal strategy influences the growth of the economy. Findings will contribute to the on-going scholarly debate regarding the optimal budgetary frameworks, policy trade-off, and the long-term sustainability of fiscal interventions in the developing and developed economies.

#### Objectives

- Evaluating the Influence of Government Debt on Long-term Economic Growth.
- Investigating Tax Revenue Determinants and Growth Implications.
- Budgetary Control in SMEs and Economic Contributions.
- Transition and Emerging Economy Fiscal Policies.

## 2. REVIEW OF LITERATURE

**Government Expenditure and Economic Growth:** SAARC country studies (Rahman et al., 2023) confirm the positive correlation between government expenditure and economic growth, confirming Keynesian economic theory.

**Fiscal Policy in Emerging Economies:** Empirical evidence (Javed & Husain, 2024) shows that while public debt can boost short-term growth, high government and private consumption expenditure can dampen long-term growth.

**Global Fiscal Policy Trends:** Misra (2021) uses text-mining methods to examine fiscal policy trends from the years 2000-2019, providing analysis on prudent fiscal practice.

**Public Spending and Economic Performance:** Research on Sub-Saharan Africa (Ukwueze et al., 2021) brings to light the role of governance in maximizing the effectiveness of government spending.

**Monetary and Fiscal Interplay:** Daoui (2023) reviews the impact of monetary policies and fiscal reforms in developing nations, emphasizing central bank independence and fiscal discipline.

## 3. DATA ANALYSIS

Empirical data used in this study are:

- 2014-2022 GDP Growth Rate Trends
- 2014-2022 External Debt to GDP Ratio
- Sector-wise FDI Trends
- Budget Allocations Compared Between Developed vs. Developing Economies

The evidence points out fiscal policy effects on macroeconomic stability, government investment efficiency, and economic resistance. Graph analysis and econometric modelling will equally illustrate these causalities.

Data 1:

Sources of Financing Fiscal Deficit from 2019-20 to 2021-22					
Sl. No.	Parameters	2019-2020 - Actuals	2020-2021 - BE	2020-2021 - RE	2021-2022 - BE
1	Debt Receipts (Net) - Market Borrowings (G-Sec + T Bills)	624089	535870	1273788	967708
2	Debt Receipts (Net) - Securities Against Small Savings	240000	240000	480574	391927
3	Debt Receipts (Net) - State Provident Funds	11635	18000	18000	20000
4	Debt Receipts (Net) - Other Receipts (Internal Debts and Public Account)	44273	50848	39129	54280
5	Debt Receipts (Net) - External Debt	8682	4622	54522	1514
6	Draw Down of Cash Balance	4971	-53003	-17358	71383
7	Grand Total	933651	796337	1848655	1506812

Source: <http://data.gov.in>

Analysis of Debt Receipts and Draw Down of Cash Balance Over the Years  
The chart provides debt receipts (net) and draw down of cash balance over four financial years (2019-2020 Actuals, 2020-2021 BE, 2020-2021 RE, and 2021-2022 BE). The observations from the data are as follows:

### Pre-eminence of Market Borrowings and Grand Total

Market Borrowings

(T Bills + GSec) continue to be the largest debt receipt contributor throughout all years with a major rise in 2020-2021 RE.

Grand Total debt receipts also patterned similarly with a peak for 2020-2021 RE, reflecting a very bold borrowing strategy at this time.

### Enhanced Debt Dependence in 2020-2021 RE

- The 2020-2021 Revised Estimates (RE) indicate a sharp increase in total debt receipts, signifying increased borrowing over and above the initial budget.
- It can be related to economic shocks like the COVID-19 pandemic, necessitating more government expenditure to spur the economy.

### Variations in Other Components of Debt

- Securities Against Small Savings experienced a steep hike in 2020-2021 RE but decreased in 2021-2022 BE, possibly signifying a change in funding approach.
- State Provident Funds and Other Receipts (Internal Debts & Public Account) are comparatively stable with small fluctuations.

### External Debt and Draw Down of Cash Balance

**External Debt** spiked in 2020-2021 RE but dropped significantly in 2021-2022 BE, suggesting reduced reliance on foreign borrowing post-crisis.

**Draw Down of Cash Balance** was negative in 2020-2021 BE and RE, indicating surplus cash management rather than cash withdrawals.

#### Post-Crisis Adjustment in 2021-2022 BE

The estimates for **2021-2022 BE** show a decline in total debt receipts compared to the 2020-2021 RE, suggesting an effort to stabilize public debt after heavy borrowing during the crisis period.

To put it in summary, the statistics illustrate a sharp surge in receipts of debt during 2020-2021 RE due to fiscal expansion driven by the pandemic. But 2021-2022 BE points towards increased fiscal prudence, with decreased dependence on foreign debt and responsible borrowing. These point towards the critical role played by fiscal policy in stabilizing the economy during periods of crisis and the need for responsible handling of debt during post-crisis periods.

**Data 2:** Year-wise Real Gross Domestic Product (GDP) Growth Rate from 2014-15 to 2021-22

Year	Real GDP growth Rate (Percent)
2014-15	7.4
2015-16	8
2016-17	8.3
2017-18	6.8
2018-19	6.5
2019-20	3.7
2020-21	-6.6
2021-22 (PE)	8.7

Source: data.gov.in

**Year-to-Year Real GDP Growth Rate Analysis (2014-15):** An Indian GDP Growth Stacking: The growth in income of an economy is commonly rebuilt by foregrounding the highest macroeconomic data. The year-to-year Real GDP Growth Rate (2014-15-2021-22) would appear to replicate the way that the state of the economic cycle and the fiscal policy are responding to the external shocks to an economy's growth in income.

#### 1. Period of Steady Growth (between 2014-15 to 2018-19)

- 7.4 percent growth during 2014-15. It was held constant at the same in 2015-16 and switched to 8.3 percent during 2016-17, on account of stable fiscal policy, infra investment, and tax reforms.
- From 2017-18 onwards, there was a discernible declining growth trend as it fell to 6.5 percent in 2018-19 due to perhaps fiscal consolidation, slowdown in world trade, and decline in consumption.

#### 2. Economic Slowdown Pre-Pandemic (2019-20)

- The GDP growth rate fell to 3.7% for 2019-20 and indicated some level of economic slowdown prior to the pandemic.
- Weak and domestic consumption, threatened in the funding industry, and decreasing investments worked to worsen the decline.

#### 3. Effect of Slump and COVID-19 (2020-21)

- Majorly because of the pandemic, it is the largest economically occurring decline during the entire recent past with a colossal dip of -6.6% in 2020-21.
- Lockdowns, supply chain troubles, reducing consumer spending, and contractionary fiscal policies hurt economic activity extensively.
- They laid open the responsibility of fiscal retrenchment vis-a-vis creativity of facing unprecedented economic crises with most nations under duress of matching debt viability with bail-out packages.

#### 4. Post-crisis Economic Recovery (2021-22)

- Economy picked up steam with 8.7% growth in 2021-22 capturing strong bounce back on fiscal stimulus, ramped up government expenditure, and pent-up demand.
- Such recovery is the outcome of government efforts towards expansionary budget policy, increased capital expenditure, and relief measures.

- It does throw more insights, however, into future management of fiscal deficits and inflationary tendencies in the coming years.

#### Relevance to Budget Policies and Economic Growth

This analysis of trends in GDP indicates the pivotal role to be played by budget policies in the area of economic stabilization as well as growth management:

1. Expansionary fiscal policy of higher state expenditure and stimulus packages boost rebound out of recessions (2020-21 to 2021-22).
2. Misguided, contractionary policies negatively affect growth, already seen in the downturn prior to the pandemic (2018-19 to 2019-20).
3. Debt management and fiscal prudence will still be the solution for balancing short-run relief to the economy with long-run sustainability.

Most of these highlight the necessity of adaptive fiscal policies that would encourage growth in the economy during recessions when these would also react to the likelihood of stability in booms. Future policies to be enacted should balance and address reducing a debt base that accounts for an expanding stable economy and high-growth sectors that will guarantee sustainability for the years to come.

## 4. FINDINGS AND DISCUSSION

### Fiscal Responsibility and Economic Stability

Responsible public expenditure and debt management have inflationary stress and invoke economic stability.

### Government Expenditures and Productive Uses of Invested Funds

Returns on government investments in human capital and infrastructure expenditures are typically related to GDP growth.

### Budget Deficits and Growth

The evidence is that modest budget deficits spur growth, but that big budget deficits are a source of financial instability.

### The Role of FDI Investments in Economic Growth

Specifically, sectoral FDI data capture the role played by foreign capital in financing industrial growth and the transfer of technology.

## 5. CONCLUSION AND POLICY RECOMMENDATIONS

Fiscal policies are very crucial in facilitating economic growth because they decide whether the public finance is stable or unstable, whether the investment is effective or ineffective, and how healthy the macroeconomic environment is. Therefore, the study depicts that the government must have fiscal discipline, responsible spending, and judicious management of debt so that it can ensure sustainable economic progress. The policymakers will have to mix expansionary and contractionary instruments so that they can guarantee optimal favourable long-term economic prospects.

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