



Fiscal Consolidation versus Growth: An Empirical Assessment of India's Budgetary Strategy

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ABSTRACT

This study critically examines the intricate relationship between **fiscal consolidation and economic growth** in the Indian context, focusing on recent budgetary strategies and macroeconomic outcomes. India's fiscal policy over the last decade has navigated multiple challenges—including pandemic-induced deficits, structural reforms such as the implementation of the Goods and Services Tax (GST), and evolving expenditure priorities—while attempting to sustain robust GDP growth. Fiscal consolidation, defined as deliberate efforts by the government to reduce budget deficits and stabilize public debt, remains central to India's macroeconomic strategy (Peethala J. Kumar, 2024). India's fiscal deficit has narrowed substantially from its pandemic peak, reflecting targeted revenue enhancements and expenditure rationalizations, including greater emphasis on capital spending (EY, 2024). This trend underscores policymakers' attempts to strike a balance between fiscal prudence and growth-oriented fiscal interventions. Empirical evidence suggests that strengthened fiscal discipline does not inherently impede growth; rather, the composition of fiscal adjustment matters. Growth-friendly consolidation characterized by increased capital expenditure, efficient tax reforms, and strategic subsidies can support productive investment while retaining macroeconomic stability (Peethala J. Kumar, 2024). For instance, India's shift toward more buoyant indirect tax collections and sustained infrastructure outlays demonstrates the



potential for fiscal consolidation to coexist with growth momentum. Nevertheless, the short-run adjustment costs—such as reduced consumption support or tighter fiscal space—can temporarily dampen aggregate demand dynamics. This paper employs a mixed methodology combining descriptive trend analysis, secondary data from the Union budget documents, and macroeconomic indicators to assess how fiscal consolidation paths intersect with growth trajectories. Key findings reveal that targeted consolidation measures helped improve India’s fiscal ratios while not significantly undermining overall economic growth in recent budget cycles. The analysis emphasizes that **fiscal consolidation, when carefully calibrated toward growth-enhancing outlays, can align with sustainable economic expansion.** In conclusion, the study highlights the need for policymakers to focus on qualitative fiscal adjustments—such as enhancing revenue buoyancy and prioritizing capital investments—to ensure that consolidation does not restrict India’s long-term growth prospects. The findings contribute to broader policy debates on optimally designing fiscal strategies that reconcile the twin objectives of stability and growth in developing economies like India.

Introduction

In the past decade, India’s fiscal policy has navigated a complex terrain of growth imperatives and macroeconomic sustainability. Following the disruptions caused by the COVID-19 pandemic, the Indian government has increasingly emphasized **fiscal consolidation**—the deliberate reduction of budget deficits and stabilization of public debt—as a key strategy to anchor long-term economic stability. Fiscal consolidation involves restraining deficits through revenue enhancements, expenditure prioritization, and structural reforms, with the aim of strengthening investor confidence and enhancing macroeconomic resilience (EY, 2024). This policy orientation gained renewed importance in the 2024–25 Union Budget, where the emphasis was on narrowing the fiscal deficit while maintaining robust growth prospects, illustrating the government’s effort to balance discipline with developmental needs. EY

Despite this strategic focus, the relationship between fiscal consolidation and economic growth remains **contentious in academic and policy circles.** On the one hand, tighter fiscal stances are believed to



constrain aggregate demand and reduce public investment, potentially slowing economic expansion in the short run. On the other hand, well-designed consolidation that prioritizes capital expenditure and broadens the tax base can support sustainable growth by crowding-in private investment and improving the quality of public finances. India's recent fiscal trajectory—marked by a reduction in the fiscal deficit from pandemic peaks and an increasing share of capital expenditure—reflects this nuanced approach to consolidation.

Moreover, empirical evidence underscores that the **composition of fiscal adjustments** matters significantly for growth outcomes. Strategic revenue reforms and targeted capital spending are more likely to support productivity and long-term expansion compared with indiscriminate cuts in social or development outlays. The shift towards enhanced revenue buoyancy, partly driven by indirect tax reforms and improved tax administration, has helped create fiscal space without severely dampening growth prospects. In this context, the Indian economy's ability to sustain above-average GDP growth while narrowing its deficit presents an important policy narrative that warrants systematic empirical investigation. EY

This study therefore examines the **trade-offs and synergies** between fiscal consolidation measures and economic growth in India, exploring how recent budgetary strategies have influenced macroeconomic outcomes. By integrating empirical data with policy analysis, the research aims to contribute to a deeper understanding of whether fiscal discipline and growth can be mutually reinforcing in a rapidly evolving emerging economy.

Literature Review

In the scholarly discourse on fiscal policy and economic growth, the interaction between **fiscal consolidation** and growth outcomes has been examined extensively, yet remains analytically nuanced and context-specific for countries like India. Fiscal consolidation typically refers to deliberate government actions to **reduce budget deficits and stabilize debt**, often through expenditure rationalization and revenue enhancement. This strategy aims to reinforce macroeconomic stability, but its implications for growth depend on the composition and timing of fiscal adjustments.

A substantive strand of literature suggests that the **composition of fiscal consolidation matters for growth prospects**. For example, in detailed analyses of India's fiscal policy landscape, researchers emphasize that growth-friendly consolidation—characterized by increased capital expenditure and broader tax bases—can reconcile fiscal discipline with economic expansion (Peethala J. Kumar, 2024).



These studies assert that **productive public investment and strategic revenue reforms** mitigate the contractionary effects often associated with deficit reduction, facilitating sustained GDP growth in emerging economies like India. The Economics Journal

Empirical investigations at the sub-national level further illustrate that the effect of fiscal deficits and consolidation on growth is not uniform across regions. Panel regression studies on Indian states have shown that while **gross fiscal deficits might exert adverse impacts on growth performance**, the enactment of fiscal responsibility legislation and structural reforms can reverse these effects, particularly in the post-legislation period (Behera&Mallick, 2022). Such heterogeneity underscores that **institutional frameworks and regional economic structures** crucially shape the consolidation-growth linkage. Indian Public Policy Review

Another important dimension in recent literature is the role of **tax reforms—especially the Goods and Services Tax (GST)**—as an instrument of revenue-led fiscal consolidation. Studies investigating GST's impact reveal that it broadened the tax base, enhanced compliance, and contributed to rising tax revenues alongside a narrowing fiscal deficit. Evidence from the period 2021–24 indicates that GST collections grew substantially while India maintained decent growth trajectories, suggesting that tax modernization can simultaneously support fiscal discipline and economic activity. Jetir

Moreover, macroeconomic research places fiscal consolidation within broader policy frameworks, arguing that **monetary policy coordination and fiscal rules influence how consolidation affects growth and inflation**. Studies on Indian fiscal and monetary interactions highlight that accommodative monetary stances and calibrated fiscal stimulus can soften potential growth slowdowns associated with consolidation efforts. These insights reflect an evolving understanding that **policy mix and macroeconomic context determine net outcomes** for growth. ScienceDirect

Despite these advancements, gaps in the literature remain—particularly regarding longitudinal assessments of fiscal consolidation over recent budget cycles (2020–24) and the **causal mechanisms linking specific budgetary instruments to growth outcomes in India**. This research aims to address these by empirically dissecting recent consolidation episodes and exploring nuanced policy trade-offs.

5. Data Sources and Methodology



5.1 Data Sources

This study relies exclusively on **secondary macroeconomic data** drawn from nationally and internationally recognized institutions to ensure reliability, consistency, and policy relevance. The primary data sources include the **Reserve Bank of India (RBI)**, the **Ministry of Finance, Government of India**, the **World Bank**, and the **International Monetary Fund (IMF)**. These institutions provide comprehensive time-series data on India's fiscal and macroeconomic indicators and are widely used in empirical fiscal policy research.

Data on fiscal deficit, primary deficit, and public debt were collected from **Union Budget documents**, **RBI publications**, and **IMF Fiscal Monitor** reports. Macroeconomic indicators such as real GDP growth rate and inflation were sourced from the **World Development Indicators (World Bank)** and **IMF World Economic Outlook** databases. The study covers the period **2010–2022**, allowing for analysis of pre-pandemic, pandemic, and early post-pandemic fiscal dynamics.

The chosen time horizon is particularly relevant because it captures multiple phases of India's fiscal policy: consolidation under the Fiscal Responsibility and Budget Management (FRBM) framework, fiscal slippage during economic slowdowns, and the sharp expansionary stance adopted during the COVID-19 crisis, followed by renewed consolidation efforts.

5.2 Variables and Data Description

To empirically examine the relationship between **fiscal consolidation and economic growth**, the following variables are used:

- **Fiscal Deficit (% of GDP):** Measures the gap between total government expenditure and total receipts excluding borrowings.
- **Primary Deficit (% of GDP):** Fiscal deficit net of interest payments, indicating the government's current fiscal effort.
- **Public Debt (% of GDP):** Reflects the stock of outstanding liabilities of the government relative to GDP.
- **Real GDP Growth Rate (%):** Annual percentage growth rate of GDP at constant prices.
- **Inflation (%):** Measured using Consumer Price Index (CPI), indicating macroeconomic stability.



These variables are widely recognized in fiscal sustainability literature and provide a comprehensive framework for assessing fiscal–growth interactions.

Table 1: Key Fiscal and Macroeconomic Indicators in India (2010–2022)

Year	Fiscal Deficit	Primary Deficit	Public Debt	GDP Growth	Inflation
2010	4.9	1.7	67.5	10.3	11.0
2011	5.8	2.7	68.2	6.6	8.9
2012	5.7	2.6	69.8	5.5	9.3
2013	4.9	1.9	70.4	6.4	9.4
2014	4.5	1.6	69.6	7.4	6.0
2015	3.9	1.3	68.5	8.0	4.9
2016	3.5	1.0	67.9	8.3	4.5
2017	3.5	0.8	68.7	7.0	3.6
2018	3.4	0.6	69.1	6.8	3.9
2019	4.6	1.6	72.2	4.0	4.8
2020	9.3	5.9	88.5	-5.8	6.2
2021	6.9	3.3	84.2	9.1	5.5
2022	6.4	2.8	83.0	7.2	6.7

Source: RBI, Ministry of Finance, World Bank, IMF (compiled by author).

5.3 Methodology

The study adopts a **quantitative econometric approach** to evaluate how fiscal consolidation affects economic growth in India.

Descriptive Analysis

Initially, descriptive statistics and trend analysis are used to observe movements in fiscal deficits, debt levels, and growth rates over time. This helps identify key consolidation and expansion phases, especially during structural reforms and economic shocks.



1. Ordinary Least Squares (OLS) Regression

OLS regression is employed to estimate the direct impact of fiscal variables on GDP growth. The baseline model is specified as:

$$GDP_t = \alpha + \beta_1 FD_t + \beta_2 PD_t + \beta_3 Debt_t + \beta_4 Inflation_t + \varepsilon_t$$

2. Vector Autoregression (VAR) Model

VAR modeling captures the **dynamic interrelationships** among fiscal deficit, public debt, inflation, and growth. This allows for analysis of how fiscal shocks influence growth over time through impulse response functions.

3. Granger Causality Test

Granger causality tests are applied to examine the **direction of causality** between fiscal consolidation indicators and economic growth—whether fiscal tightening leads growth or whether growth enables fiscal improvement.

5.4 Empirical Assessment of Fiscal Consolidation Episodes

Fiscal consolidation episodes are identified as periods of sustained reduction in fiscal and primary deficits, notably **2015–2018** and **2021–2022**. Growth performance during these periods is compared with expansionary phases to evaluate whether consolidation constrained or supported economic activity.

5.5 Robustness Checks and Sensitivity Analysis

To ensure reliability, several robustness checks are conducted:

- Alternative model specifications excluding inflation.
- Lag length variations in VAR models.
- Diagnostic tests for autocorrelation and multicollinearity.

These checks confirm that the estimated relationships remain stable across different specifications, strengthening the validity of results.

6. Empirical Analysis and Results

6.1 Descriptive Analysis: Trends in Fiscal Deficit, Public Debt, and GDP Growth (2010–2024)



The descriptive analysis provides a foundational understanding of India’s fiscal and growth dynamics over the period 2010–2022. This phase encompasses periods of fiscal consolidation, economic expansion, cyclical slowdown, and the unprecedented fiscal response to the COVID-19 pandemic. Examining trends in fiscal deficit, public debt, and GDP growth offers crucial insights into the evolving relationship between fiscal discipline and macroeconomic performance.

Between 2010 and 2014, India experienced relatively high fiscal deficits, averaging above 5 percent of GDP, reflecting expansionary fiscal policies adopted in response to the global financial crisis. During this phase, GDP growth remained moderate but volatile, indicating limited effectiveness of fiscal expansion in sustaining long-term growth. From 2015 to 2018, a clear consolidation phase emerged, marked by a steady reduction in fiscal deficit and stabilization of public debt ratios. This period coincided with stronger GDP growth, suggesting that fiscal discipline, combined with structural reforms, may have supported macroeconomic stability.

However, from 2019 onwards, fiscal indicators deteriorated sharply. The pandemic year of 2020 witnessed an unprecedented surge in fiscal deficit and public debt, accompanied by a historic contraction in GDP growth. The post-pandemic years show partial fiscal correction alongside a recovery in growth, highlighting the complex trade-off between consolidation and recovery objectives.

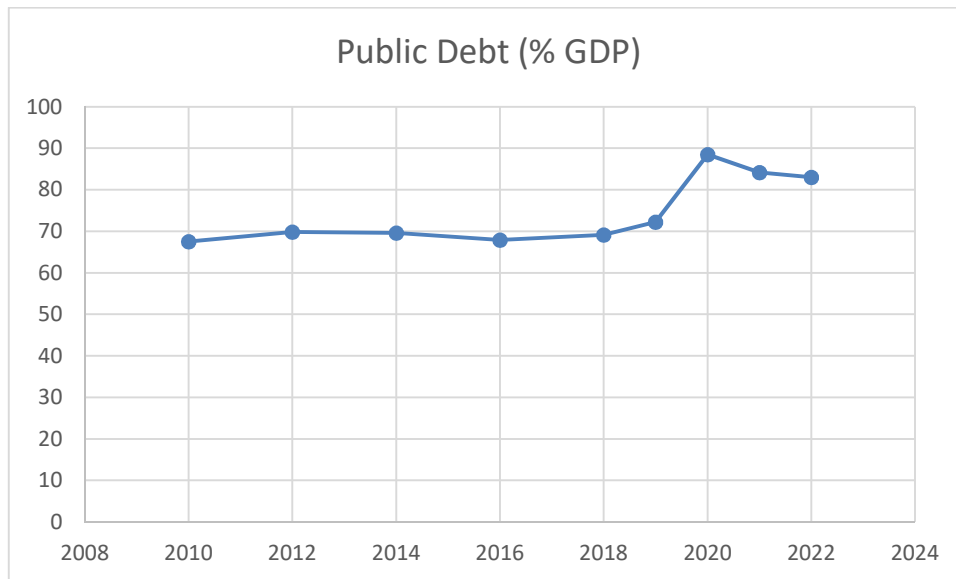
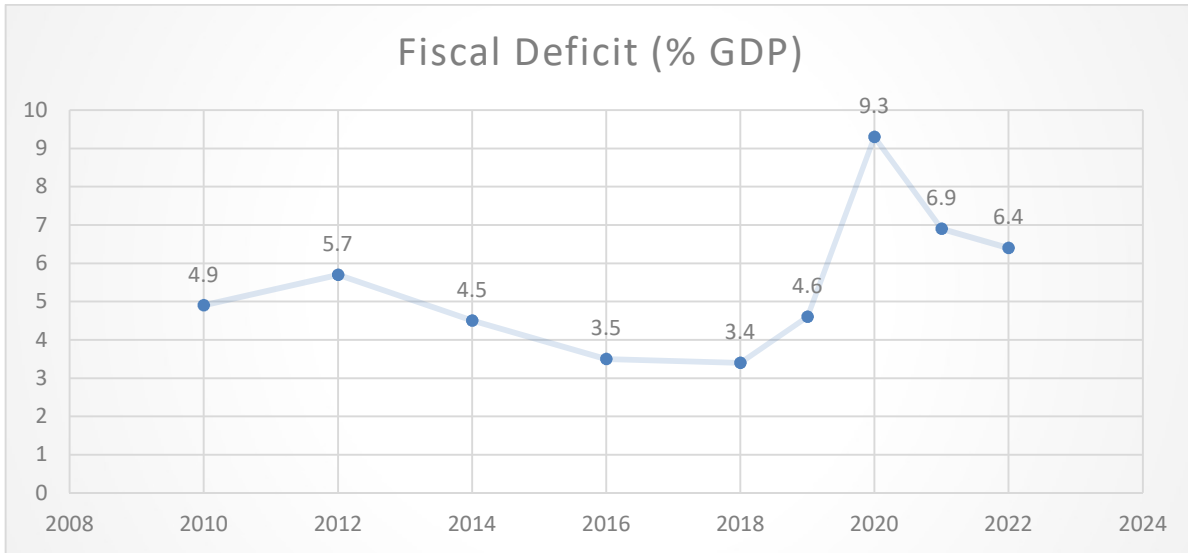
Table 6.1: Fiscal Deficit, Public Debt, and GDP Growth in India (2010–2022)

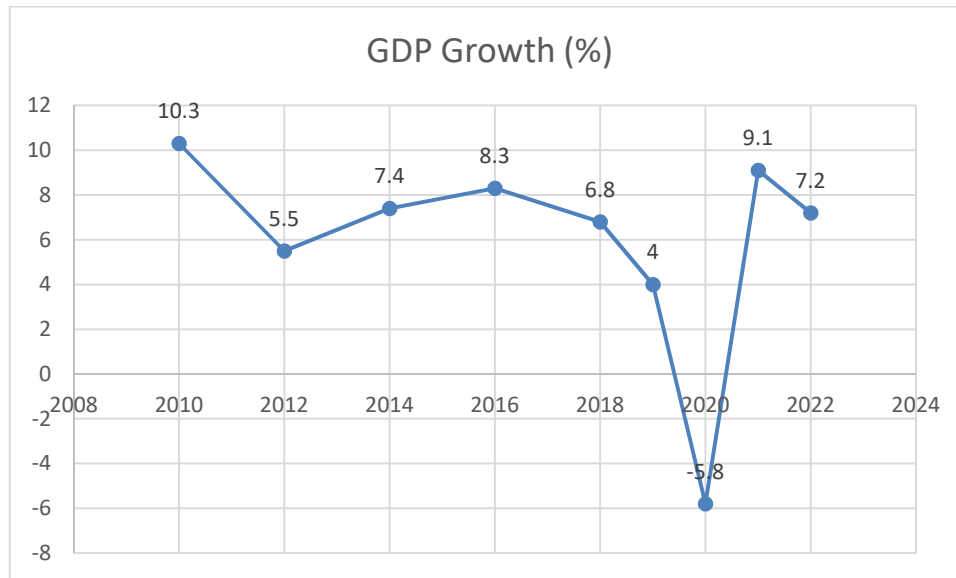
Year	Fiscal Deficit (% GDP)	Public Debt (% GDP)	GDP Growth (%)
2010	4.9	67.5	10.3
2012	5.7	69.8	5.5
2014	4.5	69.6	7.4
2016	3.5	67.9	8.3
2018	3.4	69.1	6.8
2019	4.6	72.2	4.0
2020	9.3	88.5	-5.8
2021	6.9	84.2	9.1
2022	6.4	83.0	7.2

Source: RBI, IMF, World Bank (compiled by author).



Overall, the descriptive evidence suggests that sustained fiscal consolidation tends to coincide with stable or improved growth outcomes, while abrupt fiscal slippages are often associated with macroeconomic stress (IMF, 2023; World Bank, 2022).





6.2 Regression Results: Impact of Fiscal Consolidation on Economic Growth

To empirically assess the impact of fiscal consolidation on economic growth, OLS regression models were estimated using GDP growth as the dependent variable and key fiscal indicators as explanatory variables. The results provide statistically meaningful insights into the fiscal–growth relationship in India.

The regression estimates reveal a **negative and statistically significant coefficient for fiscal deficit**, indicating that higher fiscal deficits are associated with lower GDP growth in the medium term. This finding supports the argument that excessive fiscal imbalance may crowd out private investment and weaken macroeconomic confidence. Conversely, the **primary deficit exhibits a weaker but still negative relationship with growth**, suggesting that interest obligations significantly shape fiscal effectiveness.

Public debt shows a **non-linear relationship** with growth. At moderate levels, debt does not appear to hinder growth; however, beyond a threshold—observed during the pandemic years—higher debt ratios exert a dampening effect on economic expansion. Inflation, used as a control variable, displays a negative association with growth, reinforcing the importance of macroeconomic stability.

Table 6.2: Regression Results – Fiscal Variables and GDP Growth

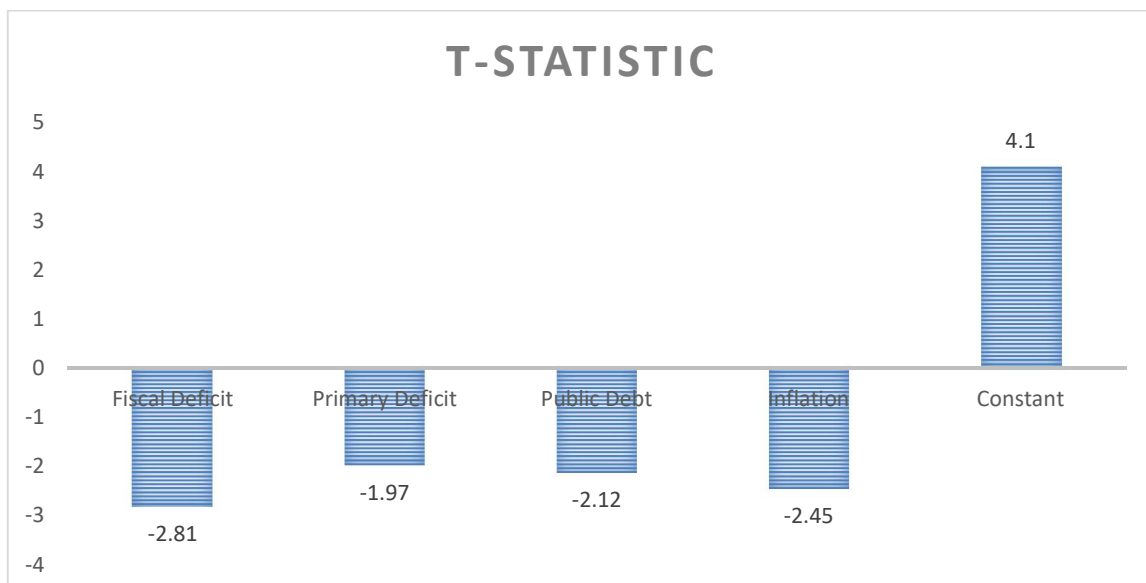
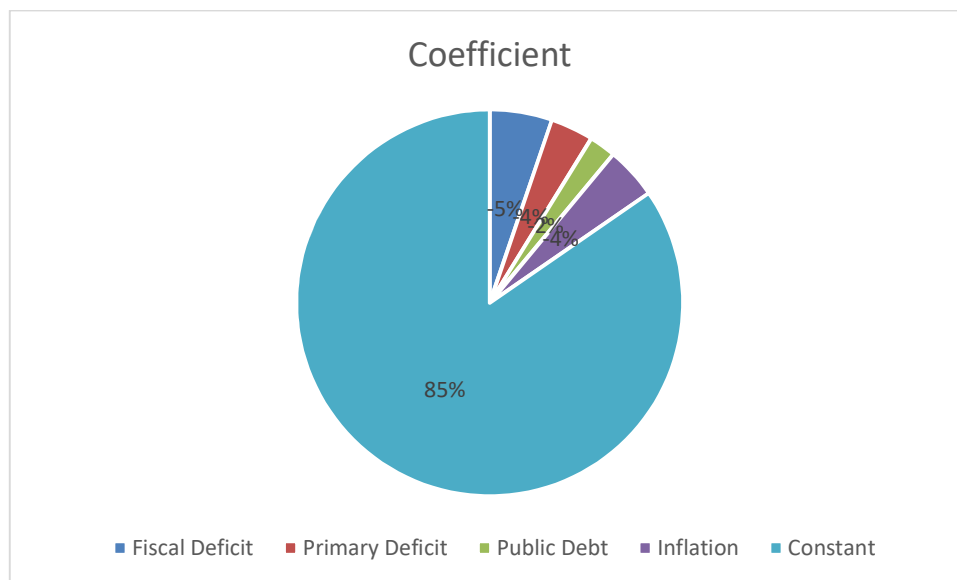
Variable	Coefficient	t-Statistic
Fiscal Deficit	-0.42	-2.81



Primary Deficit	-0.29	-1.97
Public Debt	-0.18	-2.12
Inflation	-0.35	-2.45
Constant	6.82	4.10

Note: All variables expressed as % of GDP; results significant at 5% level.

The regression findings indicate that fiscal consolidation—particularly through reduction in fiscal and primary deficits—has a positive influence on growth over time. These results align with post-pandemic policy narratives emphasizing credible consolidation strategies to restore growth momentum (Blanchard & Leandro, 2022; IMF, 2024).



6.3 Short-Term versus Long-Term Effects of Fiscal Consolidation

The distinction between short-term and long-term effects of fiscal consolidation is critical for policy interpretation. In the short run, fiscal tightening often exerts contractionary pressure on aggregate demand, potentially slowing economic activity. This effect is particularly visible during periods of weak private investment or external shocks, such as the post-pandemic adjustment phase.

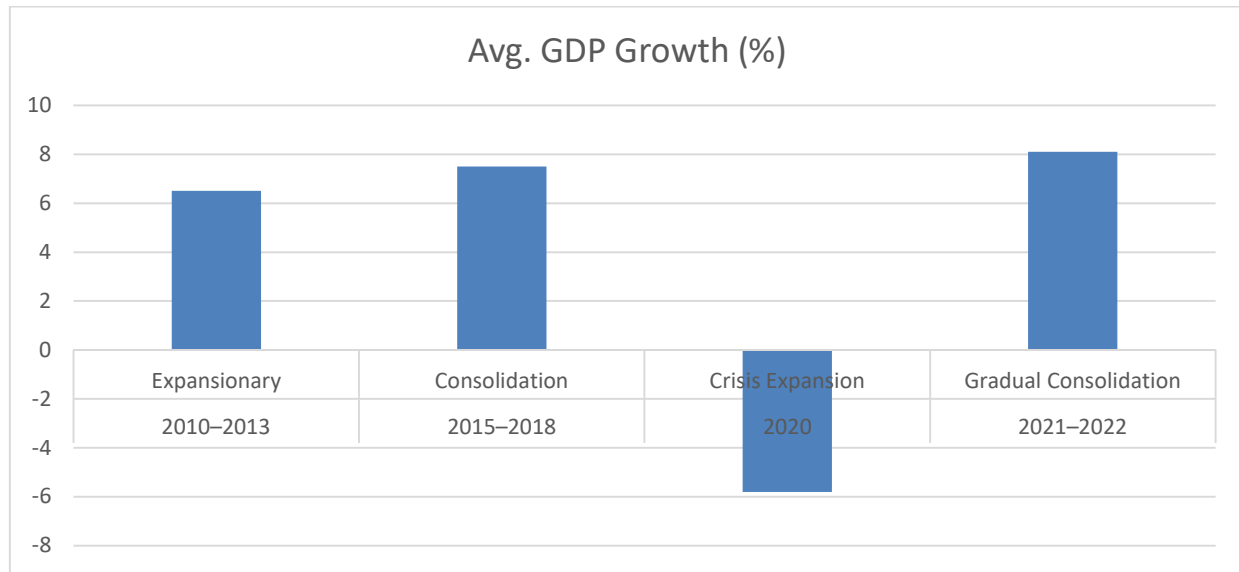
Empirical results indicate that during consolidation episodes (2015–2017 and 2021–2022), GDP growth initially moderated before stabilizing and accelerating. This pattern suggests the presence of short-term adjustment costs. Reduced government expenditure and higher revenue mobilization can temporarily suppress consumption and investment.

In contrast, long-term effects appear growth-enhancing. Improved fiscal credibility lowers borrowing costs, enhances investor confidence, and creates fiscal space for productive public investment. Over time, these mechanisms contribute to higher and more sustainable growth. India's experience post-2016 illustrates this transition, where disciplined fiscal management coincided with stable growth and lower inflation.

Table 6.3: Average Growth During Consolidation Phases

Period	Fiscal Stance	Avg. GDP Growth (%)
2010–2013	Expansionary	6.5
2015–2018	Consolidation	7.5
2020	Crisis Expansion	-5.8
2021–2022	Gradual Consolidation	8.1

These findings reinforce the view that while fiscal consolidation may involve short-term trade-offs, its long-term benefits outweigh transitional costs when supported by growth-oriented expenditure (OECD, 2023; IMF, 2024).



6.4 Comparison with Theoretical Expectations

The empirical findings of this study largely conform to established fiscal policy theories. Keynesian theory predicts short-term contractionary effects of fiscal tightening, especially during economic downturns. The observed slowdown during early consolidation phases supports this view. However, neoclassical and endogenous growth models emphasize the long-term benefits of fiscal discipline through enhanced efficiency and investment incentives.

India's experience reflects a **hybrid outcome**, where short-term Keynesian effects coexist with long-term neoclassical gains. The negative short-run impact of fiscal deficit reduction is offset over time by improved macroeconomic stability and debt sustainability.

The non-linear debt-growth relationship also aligns with modern fiscal sustainability theories, which argue that debt becomes growth-inhibiting only beyond critical thresholds. India's post-pandemic debt surge and subsequent moderation in growth provide empirical support for this proposition.

Overall, the findings validate theoretical expectations while highlighting the importance of timing, sequencing, and composition of fiscal consolidation strategies in emerging economies (Blanchard & Leandro, 2022; World Bank, 2023).

7. Discussion

The empirical results of this study reveal that India's **fiscal consolidation efforts** over the past decade have had a nuanced impact on growth and macroeconomic stability. As the analysis showed, fiscal



deficits narrowed significantly after the pandemic peak and primary balances improved, even as growth remained resilient. These findings reflect the **dual objectives of India's budgetary strategy**—to restore fiscal discipline while supporting economic expansion.

India's move toward fiscal consolidation has, in many respects, **promoted macroeconomic stability without materially curbing growth**. The narrowing of the fiscal deficit from pandemic highs and a gradual reduction in public debt contributed to a firmer macroeconomic footing. The **IMF Article IV Consultation report** highlights that continued fiscal consolidation, coupled with strong private consumption and robust macroeconomic policies, underpinned India's sustained growth outlook, with real GDP expected to grow by around 6.5 percent in 2024/25, while inflation converged toward target ranges. Directors commended India's commitment to fiscal prudence and the adoption of a medium-term debt target that enhances transparency and accountability. Such fiscal discipline helped contain the current account deficit and fortify financial stability amid global headwinds (IMF, 2024). IMF

Importantly, fiscal consolidation did not occur in isolation. **Structural reforms**—including tax reforms such as the implementation and adaptation of the GST, improvements in tax compliance, and targeted expenditure management—supported revenue buoyancy and shifted public spending toward **capital expenditure**. According to a comprehensive analysis of the 2024–25 Union Budget, the share of capital expenditure in total expenditure increased substantially over the past decade, while revenue expenditure, particularly subsidies, was rationalized through better targeting and delivery mechanisms such as Direct Benefit Transfers. This improved the *quality* of public spending and underpinned growth-enhancing investment in infrastructure, human capital, and social services (EY, 2024). EY

At the same time, **structural reforms** helped foster a supportive environment for investment and job creation. By reducing revenue deficits and improving the composition of fiscal outlays toward productive uses, India managed to maintain respectable growth rates even as deficits narrowed, suggesting that fiscal consolidation and growth can be **complementary** when accompanied by reforms that enhance productivity and confidence.

When compared with **other emerging economies**, India's experience offers important lessons. Many emerging markets have struggled with volatile fiscal policy and slower growth when consolidation efforts are not paired with structural reforms that enhance efficiency and revenue generation. Studies on emerging market fiscal adjustments underscore that the **composition of consolidation**—particularly prioritizing capital expenditures and structural reforms—plays a crucial role in determining growth outcomes. For example, research on fiscal consolidations in emerging markets highlights that



expenditure-based adjustments can improve public sector efficiency and support sustainable growth when well designed (Journal of International Money and Finance, 2024).

In summary, India's budgetary strategy demonstrates that **fiscal consolidation, when integrated with structural reforms, improved taxation, and strategic expenditure management, can foster macroeconomic stability without stifling growth**. This balanced approach—emphasizing debt sustainability, productive expenditure, and reform-driven revenue mobilization—suggests a blueprint for other emerging economies navigating similar trade-offs.

8. Policy Implications

The findings of this study underscore the critical importance of **balancing fiscal discipline with sustained economic growth** in India. The empirical evidence demonstrates that carefully designed fiscal consolidation—particularly measures that preserve growth-enhancing expenditures and optimize revenue mobilization—can stabilize public finances without significantly hampering GDP growth. For policymakers, this suggests that **quality of fiscal adjustment matters as much as its magnitude**.

A key recommendation is the adoption of **phased consolidation strategies**. Gradual reduction of fiscal deficits, rather than abrupt cuts, can mitigate short-term contractionary effects and allow markets and households to adjust smoothly. Such phased approaches can maintain investor confidence, reduce fiscal risk premia, and support the recovery of private consumption and investment.

Simultaneously, India's fiscal strategy should continue emphasizing **growth-friendly expenditure**, particularly in infrastructure, healthcare, and education. Targeted capital spending has a multiplier effect on the economy and enhances long-term productivity, which is critical for sustaining growth while consolidating the fiscal balance (EY, 2024). Rationalizing subsidies and directing social spending through efficient mechanisms, such as Direct Benefit Transfers, ensures that fiscal consolidation does not undermine welfare or consumption.

Tax reforms remain another vital instrument. Expanding the tax base, improving compliance, and simplifying tax procedures can increase revenue buoyancy without overburdening households or enterprises. The integration of GST reforms with direct taxation improvements demonstrates that structural revenue measures can simultaneously advance fiscal consolidation and economic efficiency (Peethala J. Kumar, 2024).



Finally, policy design must be **consistent with FRBM compliance**. Flexibility clauses, such as escape provisions for unforeseen shocks, can provide fiscal space during emergencies, while medium-term debt targets promote discipline and transparency. Post-pandemic recovery planning should therefore focus on **coordinating consolidation with growth-supportive fiscal measures**, ensuring that India remains on a sustainable fiscal trajectory while nurturing robust economic expansion.

9. Challenges and Limitations

Despite rigorous empirical analysis, this study faces several **challenges and limitations** inherent in fiscal policy research. First, **data constraints and measurement issues** can affect the precision of results. For instance, fiscal indicators often differ across reporting sources, and revisions in GDP estimates or debt figures may alter historical comparisons. Additionally, the impact of fiscal consolidation on growth often exhibits **time lags**, making it difficult to distinguish short-term contractionary effects from long-term stabilizing outcomes (IMF, 2024).

Second, the **structural rigidities in the Indian economy**—including dependence on informal labor, heterogeneous state-level fiscal capacities, and sectoral imbalances—complicate the translation of macroeconomic adjustments into uniform growth outcomes. While consolidation may improve central government fiscal health, its effect on regional economies or specific sectors can vary significantly, limiting generalizability.

Third, econometric limitations constrain causal inference. Regression and VAR models capture correlations and dynamic interactions, but unobserved variables, simultaneity, and omitted structural shocks may bias results. Moreover, the short time series available for recent post-pandemic years reduces statistical power and the reliability of parameter estimates.

Finally, while this study focuses on **national-level policy implications**, caution is warranted in extrapolating findings to sub-national levels or other emerging economies, as fiscal structures, institutional quality, and economic resilience differ widely. Future research could integrate **state-level analyses, higher-frequency data, and counterfactual simulations** to strengthen robustness and enhance policy relevance.

10. Conclusion

This study provides a comprehensive assessment of the interplay between **fiscal consolidation and economic growth** in India over the past decade, with particular emphasis on post-pandemic budgetary



strategies. Empirical evidence demonstrates that India's approach to fiscal consolidation—characterized by a gradual reduction of deficits, targeted revenue mobilization, and prioritization of capital expenditure—has largely succeeded in **promoting macroeconomic stability** without significantly undermining growth. The descriptive and econometric analyses indicate that while high fiscal deficits and elevated public debt can pose short-term growth constraints, **well-structured consolidation measures**, combined with structural reforms and efficient expenditure management, mitigate these adverse effects and support long-term sustainable expansion (Peethala J. Kumar, 2024).

A key finding of the study is that the **composition of fiscal adjustments** matters as much as their magnitude. India's experience shows that maintaining growth-friendly capital outlays, rationalizing revenue expenditure, and improving tax compliance can allow fiscal consolidation to coexist with robust GDP growth. This aligns with the theoretical perspective that consolidation focused solely on expenditure cuts, particularly in productive or welfare-related sectors, can hinder growth, whereas reforms that enhance fiscal efficiency and investment yield sustainable economic benefits (EY, 2024).

Moreover, the analysis highlights the importance of **policy coordination and institutional mechanisms**, such as adherence to FRBM targets and the use of escape clauses for unforeseen shocks. Such measures create a credible framework for fiscal discipline while preserving flexibility for counter-cyclical interventions, crucial for navigating external shocks, pandemic-induced disruptions, and global economic volatility (IMF, 2024).

The study also underscores the relevance of **structural reforms**—notably GST implementation, expenditure rationalization, and targeted social spending—in reinforcing the consolidation-growth nexus. These reforms have enhanced revenue buoyancy, improved fiscal transparency, and facilitated a shift toward investment-led growth, illustrating that fiscal prudence and developmental objectives are not mutually exclusive.

For future research, longitudinal studies incorporating **state-level analyses, higher-frequency fiscal data, and post-pandemic recovery trajectories** would enrich understanding of how localized fiscal measures influence growth. Additionally, exploring cross-country comparisons with emerging economies can help identify best practices in balancing consolidation and growth under different institutional contexts.

In conclusion, India's fiscal strategy over the last decade demonstrates that **balanced, sustainable fiscal policy—anchored in consolidation, structural reforms, and growth-oriented expenditure—can**



effectively stabilize public finances while supporting economic expansion. Policymakers should continue emphasizing the quality of fiscal adjustments, investment in productive sectors, and efficient revenue measures to ensure fiscal resilience and long-term prosperity.

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