

Analyzing the Effect of Government Spending on India's Economic Growth

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Abstract

The key findings suggest that, government of India's expenditure has a significant impact on the growth and development of the country and it also highlights the strong relationship with economic growth and revenue generation in the short-run. The finding also sheds the light on the impact on the GDP and FDI and thus helps to understand the significance of the positive relationship with economic growth in both the short-run and long-run. The spending done by the government helps the poor people of India as it helps to enable the redistribution of income of the population and thus results in high consumption capacity of poor people. Therefore, government expenditure help to boost capacity consumption and other associated economic activity.

Keywords: GDP, Government spending, Economic growth, monetary policies, fiscal deficit reduction

Introduction

Government expenditure depends on several factors such as income elasticity, welfare state ideology, and income per capital. Government spending plays a crucial role in economical growth of a nation which is highlighted in the study. Objectives along with research questions are provided to offer an outline to the work.

Background

Government spending is a crucial factor to enhance a nation's economy on a larger scale. As per the statement of Saleem, Shabbir & Bilal khan (2020), public expenditure ensures the redistribution of income in favor of poor localities. Hence, it can be said that public expenditure promotes the consumption of financial activities that enhance the financial status of a country. It has been observed the increasing rate of government expenses helps in increasing the economic measurement and reflects the increasing rate of GDP. As per the findings of Sekhon & Kathuria (2020), India has recorded about 8.7% GDP growth from 2021 to 2022. For improving the economical structures of India, the government makes an expenditure budget table which helps to improve the poverty and public debt.

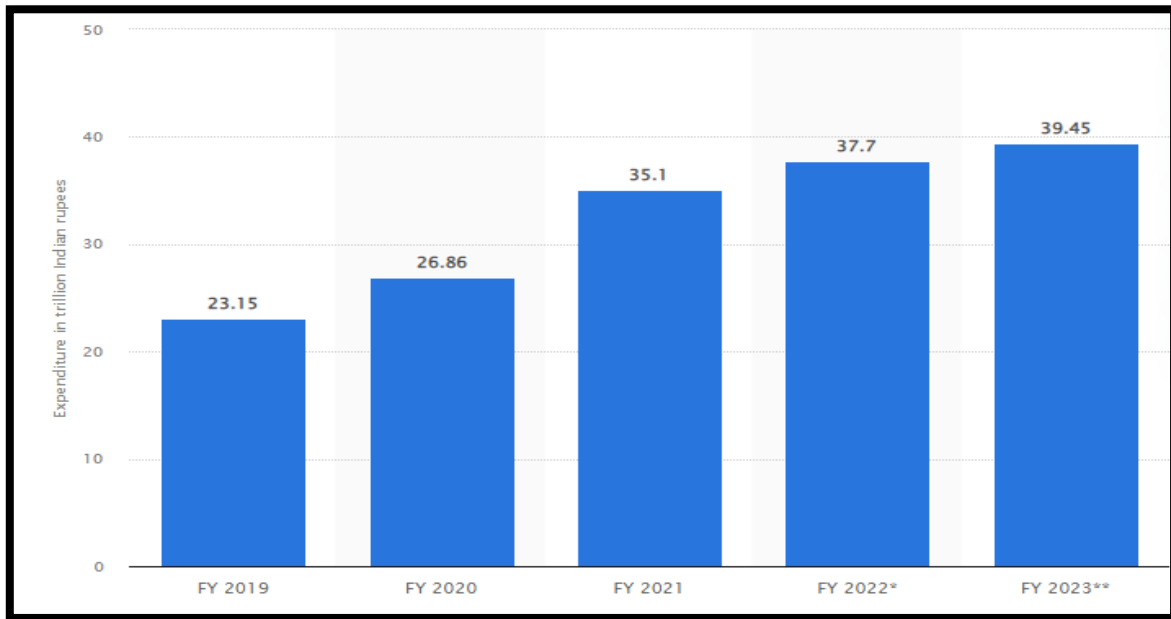


Figure 1: India's government expenditure from 2019 to 2022

(Source: Statista, 2023)

From the above figure 1, it can be illustrated that the Indian government spent about 23.15 million in the financial year of 2019 which has increase by 15 million by the end of the financial year of 2022. It has been predicted that for improving the financial scenarios of India's economy, the government would spend about 39.45 million which indicates an increasing about 2 million from the financial year of 2022.

Research Objectives

The aim of the research work is to illustrate the impact of government spending on India's economic growth. In order to fulfill the purpose several objectives are developed which provide an outline of the study. These objectives are given below:

- RO1: To analyse the current situation of India's financial growth
- RO2: To determine government spending in recent years
- RO3: To identify the connection between government spending and India's economical growth
- RO4: To understand the factors influencing government spending

Research Questions

The research questions are derived from research objectives for achieving the purpose of the study which are provided below:

- RQ1: What is the current situation of India's financial growth that impacts economical scenarios?
- RQ2: How does India's government spend on enhancing India's economical structure?
- RQ3: In which manner do India's financial scenarios depend on the government spending structure?
- RQ4: What are the influencing factors of government spending impacts on financial structure?

Problem statement

Inadequate spending of government on social aspects generates one of the major issues. As per the statement of Mohsinet *al.* (2021), the increasing rate of tax revenue and unemployment rate negatively

impacts the economic growth of India. Another issue that leaves a negative impact on the economic status of the Indian economical environment is the fiscal deficit reduction. The fiscal deficit reduction leads a nation to the debt since it increases the unnecessary expenditure of the government.

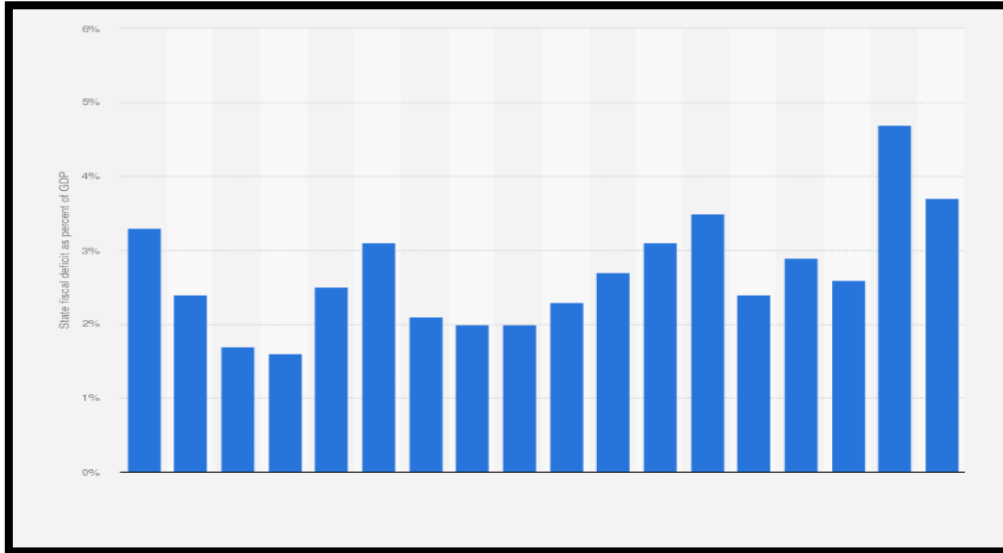


Figure 2: Fiscal deficit in the Indian economy

(Source: Statista, 2023)

From figure 2, it can be evaluated that the fiscal deficit reduction drops India's GDP rate by 3.7%. Thus, as a result, India experienced a financial crisis in the year 2008 due to the reduction in the fiscal deficit.

Literature review

Current situation of India's economy

The nominal GDP of the country is 64.95 lakh and this GDP rate of the country is collected as per the economic report for the years 2021 to 2022 (Aduhene & Osei-Assibey, 2021). It has been observed that as compared to the GDP rate of the previous year growth has been observed. This growth is about 26.7% higher on the GDP rate as compared to the records of the past years (Jahanger *et al.* 2023). It has been stated that the GDP rate discussed in the above section is calculated only for the first quarter of the year.

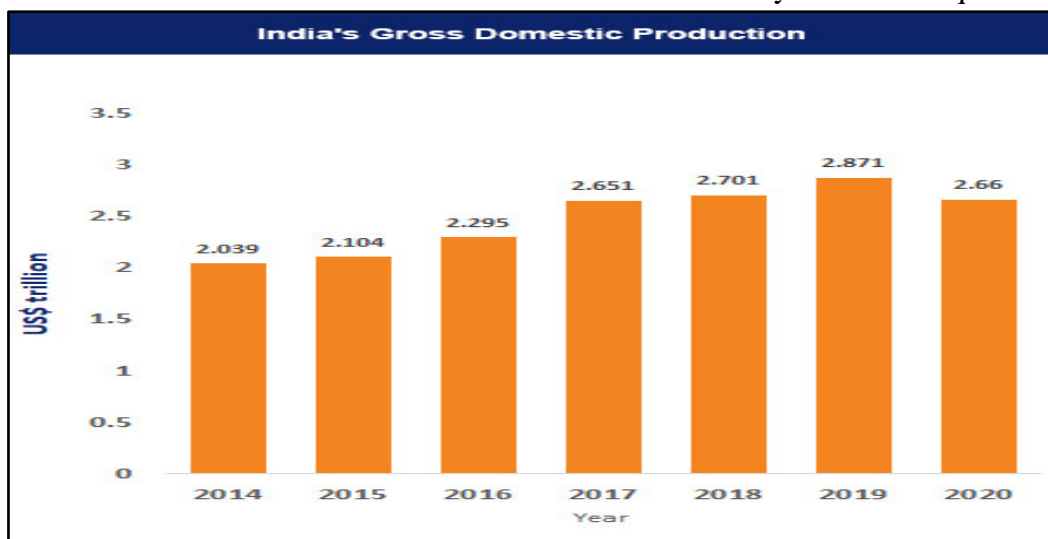


Figure 3: India's Gross Domestic Rate

(Source: Ahmad, 2022)

According to the above-stated figure, it suggests that the highest rate of GDP of the Indian economy is observed in the year 2019. Along with this, in the year 2014, the lowest rate of the GDP of the Indian economy has been observed.

Recent status of Indian government spending

Government spending refers to the process that is involved in studying the overall expenditure of the Country for the upcoming years.

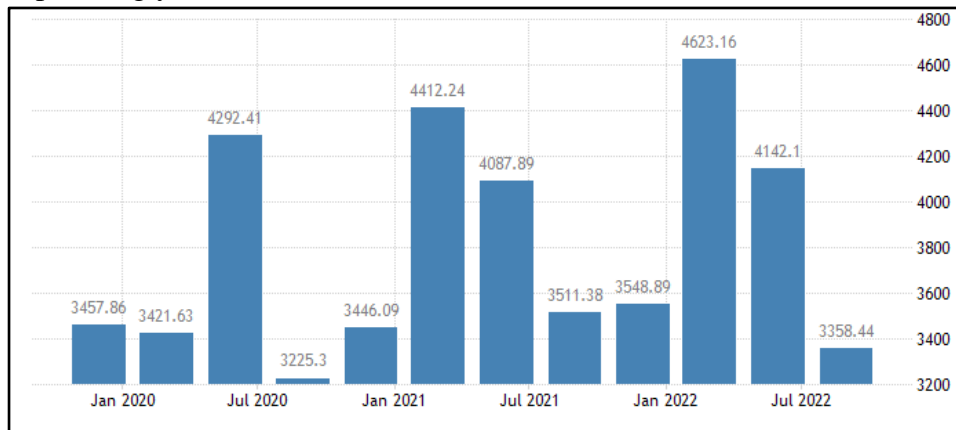


Figure 4: Recent status of Indian government spending

(Source: Amna Intisar *et al.* 2020)

Approximately 3457.86% and 3421.63% of spending is observed in the month of January in the year 2020. The spring of the country is in July 2021 as compared to the spending rate of 2020. Moreover, it has been observed that the highest rate of spending is observed in July of the year 2022.

Relation between India's economy and government spending

The spending activity performed by the Indian government is directly involved with the contributing factors of the Indian economic structure (Dev & Sengupta, 2020). The factors are increasing the aggregate demand. Along with this, it has been observed that the increased level of expenditure of the Indian economy is involved in increasing the overall consumption of the Indian economy.

Factors influencing government spending

The Tax rate developed by the government of the country and the collection of the money that is gathered by the Indian government in the form of Tax is considered as the influencing factors. The spending done by the government helps the poor people of India as it helps to enable the redistribution of income of the population and thus results in high consumption capacity of poor people (Krakow, & Schäfer, 2020). Therefore, government expenditure helps to boost capacity consumption and other associated economic activity.

Literature gap

It has been observed that in this research project, the researcher faced a lot of issues at the time of collecting the data which is based on the topic of this project. Therefore the researcher collects a lot of information on the basis of India's economic status. Unfortunately, the researcher was not able to collect information about the issues present in the economic structure that is followed in India. Moreover, it has been observed that the researcher is also incapable to collect information about the

effect of the limitations that are present in the economic structure developed by the government of the country.

Theoretical framework

Neoclassical Economic theory

This theory is used in order to develop different approaches that are used in order to develop the focus on the supply as well as the demand.

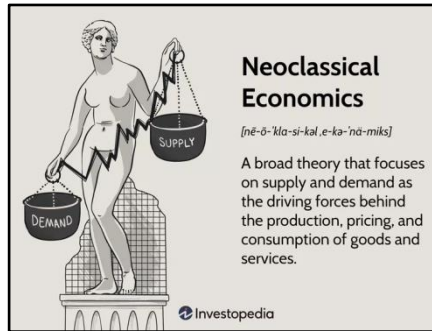


Figure 5: Neoclassical Economic theory

(Source: Gong Kim & Liu, 2020)

As the figures state that there are two driving forces are present in any economic structure. These two driving factors are supply and the demand.

Conceptual framework

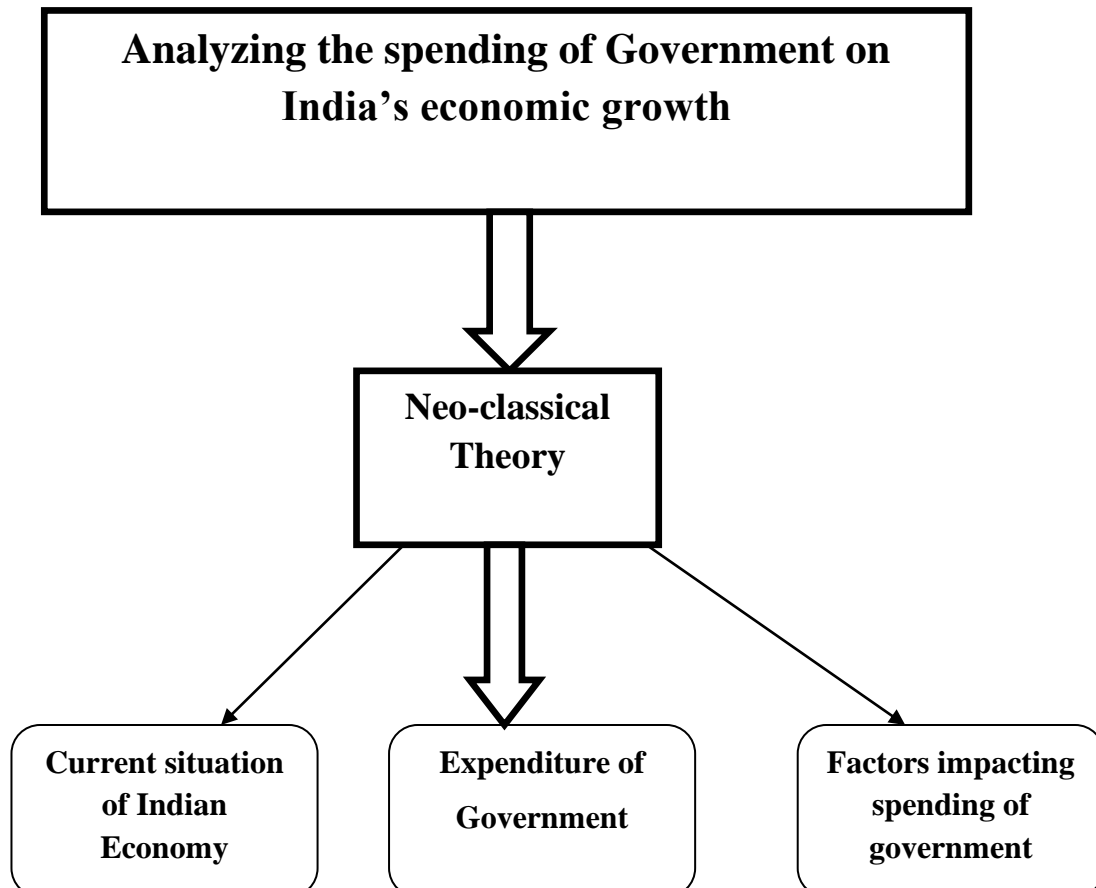


Figure 6: Conceptual Framework (Source: Influenced by Usman *et al.* 2021)

Methodology

Data collection

Data collection refers to a process through which a pool of information is collected from different sources. The data collection process is significant for conducting research since it helps to derive effective and efficient outcomes. In the study, data is collected through peer-reviewed documents such as articles, journals, books, and others. Data collection through secondary sources helps in analysing the information in-depth manner which is less time-consuming and cost-effective. With the help of this process, the result can be biased which negatively impacts the result. However, it offers others' viewpoints which help to extract a significant result.

Data analysis

The data analysis is significant for understanding and deriving the result. As per the statement of Peltokorpi *et al.* (2022), data analysis provides a systematic structure to complete research work by extracting effective and valuable information from a pool of data. The data analysis process also involves the sorting procedure of raw information. In the study, data is analyzed, and an effective outcome is derived with the help of secondary resources such as books, journals, and articles. As per the statement of Sokhanvar (2019), the data analysis process that is conducted on peer-reviewed documents is known as the secondary qualitative method.

Discussion

The basic discussion refers to the analysis of the economic growth in the essential criteria in India. All of the basic implication processes are evaluated for the basic development of the informative analysis in the growth of economic assumption. Therefore, the basic importance is more evaluate the growth of economic perception as much as possible. All of the growth of data modification is crucially informative on the improvement of the data for economic growth purposes. In order to analyze some authentic ideas are determined the respective assumption which is more applicable to the improvement of the economic assumption appropriately (Usman *et al.* 2021). All of the various applications are justified by the logical idea where the technical information is appropriately assumed on the importance of the economic perception. Therefore, they maintain appropriate assumptions properly.

Assumed some basic development process is a measurement on the improvement of the economic application where the technical aspects are appropriately assumed. In addition, a proper idea is determined as the improvement of economic growth appropriately. A sustainable approach is more effective in the improvement of the rationale approach where the informative assumption is appropriately assumed as much as possible (Wamba-Taguimdje *et al.* 2020). There is basic growth in the implementation of appropriate ideas which is more logical as per the economical condition basis. There are further improvements in the growth of economic perception where the economic perception is properly identified. There is the development in the Indian economic there are important on the eventual analysis in the essential perspective of the discussion some effective analysis.

There is the basic growth on the development of better economical assumption there are important to visualize the impact of various data based on the improvement of GDP. all of the variables where the informative assumption is properly activated where are the basic application where are the basic growth are informatively analyzed (Wang *et al.* 2019). There is crucial importance in evaluating better activity which is more suggested at the growth of a better implication process which is applicable on maintaining

proper activity related to the growth of the economy. There is the basic development process which is recognized as the assumption which is more adjustable on the implication of some better view based on the economic growth purpose.

All of the basic application is more adjustable as much as possible. There is a basic development process that is suggested for the growth of economic assumption for the improvement of the basic development in the Indian economy (Zameer *et al.* 2020). All of the basic development processes are important to analyze some authentication analysis where the basic growth of the data calculation process is evaluated appropriately. Fundamentally, the basic development process is more logical for the improvement of the authentication data as per the development of the economic growth perception. In addition, the application of better development in the growth of the economic perception is essential for the growth of various data which is more adjustable on the importance of the various growth of economical perception.

There is the growth of economic assumption which is more adjustable on the impact of variable which is more required on the impact of data authentication purpose. There are the basic development process is more required in the informative analysis where the basic growth in the economical aspects is properly determined (Zohuri & Moghaddam, 2020). There is a basic development process that is required for the implication of better aspects of the development of the economical growth in the country of India. All of the basic assumptions are properly situated on the implication of different aspects as much as possible.

There is the basic development of the economic assumption which is appropriately determined in the discussion section. Growth of better GDP in economic perception is the improvement of the economic development is defined as the appropriate assumption where are the improvement on economic perception (Zameer *et al.* 2020). There is the basic development process where the impact of variables is more logistic as on the impact of crucial improvement in the growth of economical assumption. In addition, maintaining proper economical assumptions is a better aspect of the visualization on maintaining appropriate economical assumptions as much as possible. All of the basic application is properly determined the maintaining a proper visualization effect as much as possible. Fundamentally, basic development is required for the improvement of better activity based on the implication of further improvement process appropriately.

Conclusion

Thus, it can be concluded that the basic development in the improvement of the growth of various aspects of the economical assumption in India is properly determined as much as possible. There is a basic development process that is required for the improvement of the better economical assumption appropriately. There is the basic development process which is more admirable on the improvement of the economical assumption appropriately. The logistic idea is defined as the basic growth of the economy where the basic development process is properly required. Furthermore, the basic development of the economical assumption is appropriately assumed in the growth of different assumptions on the growth of the economy.

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