

Manuscript ID:
IJEBAMPSR-2025-020406

Volume: 2

Issue: 4

Month: August

Year: 2025

E-ISSN: 3065-9140

Submitted: 12-July-2025

Revised: 26 -July-2025

Accepted: 20- Aug-2025

Published: 31-Aug-2025

Address for correspondence:

Satish Ashinath Gonde,
Assistant Professor, Department of
Economics, Arts, Science &
Commerce College Kolhar,
Savitribai Phule Pune University
Email: tushr.gonde@gmail.com

DOI: [10.5281/zenodo.16894185](https://doi.org/10.5281/zenodo.16894185)

DOI Link:

<https://doi.org/10.5281/zenodo.16894185>



Creative Commons (CC BY-NC-SA 4.0):

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Public License, which allows others to remix, tweak, and build upon the work noncommercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.

How to Cite this Article:

Gonde, S. A. (2025). Fiscal Policy and Union Budget: Trends and Impacts. *International Journal of Economic, Business, Accounting, Agriculture and Management Towards Paradigm Shift in Research*, 2(4), 30–33. <https://doi.org/10.5281/zenodo.16894185>.

Fiscal Policy and Union Budget: Trends and Impacts

Satish Ashinath Gonde,

Assistant Professor, Department of Economics, Arts, Science & Commerce College Kolhar, Savitribai Phule Pune University

Abstract

Fiscal policy plays a crucial role in steering the economic direction of a country, especially in developing economies like India. The Union Budget is the principal tool through which fiscal policy is executed. This paper examines the trends in India's fiscal policy through Union Budgets from 2014 to 2024, with a focus on revenue generation, expenditure priorities, fiscal deficit trends, and macroeconomic impacts. Using quantitative data and qualitative policy analysis, this study highlights the evolving nature of India's fiscal policy and assesses its role in promoting economic growth, equity, and macroeconomic stability.

The Union Budget serves as the principal mechanism through which the government implements fiscal strategies, balancing expenditure, revenue generation, and deficit management. This study examines the trends in India's fiscal policy from 2014 to 2024, focusing on revenue and expenditure patterns, fiscal deficit dynamics, and their macroeconomic impacts. Using secondary data from government sources, supported by mathematical tools and policy analysis, the paper highlights the role of fiscal policy in responding to economic crises such as the COVID-19 pandemic, while also promoting long-term goals of inclusive growth, infrastructure development, and fiscal consolidation. The findings underscore that India's fiscal framework has demonstrated resilience, though challenges remain in debt management, subsidy rationalization, and revenue mobilization. The study emphasizes the need for outcome-oriented budgeting and efficient public expenditure to strengthen India's economic trajectory.

Keywords: Fiscal policy, Union Budget, fiscal deficit, public expenditure, taxation, economic growth, India.

Introduction

Fiscal policy refers to the use of government revenue and expenditure to influence the economy. In India, the Union Budget is the annual financial statement presented by the Government of India, which outlines estimated revenues and expenditures for the upcoming fiscal year. It is the primary instrument for implementing fiscal policy and includes policies related to taxation, government spending, subsidies, and public debt. The objective of this paper is to study how fiscal policy, through the Union Budget, has evolved over the past decade and what impacts it has had on the Indian economy.

Literature Review

Several studies have examined the link between fiscal policy and macroeconomic outcomes: Musgrave & Musgrave (1989) emphasized the role of fiscal policy in resource allocation, income redistribution, and economic stabilization. Rao & Sen (1995) analyzed the effectiveness of India's fiscal consolidation efforts. Chelliah (2000) provided insights into tax reforms and their implications on revenue mobilization. IMF Reports (2010–2024) have assessed India's fiscal discipline and its role in sustainable development. These works collectively underscore that the structure and implementation of the Union Budget significantly influence fiscal health and economic performance.

Research Gap

While existing literature analyzes either fiscal trends or economic outcomes independently, there is limited integrated research that studies trends in fiscal policy via Union Budgets and correlates them with macroeconomic impacts—especially in the post-2014 policy environment influenced by major reforms like GST and

pandemic-related spending.

Objectives of the Study

1. To analyze the key trends in India's Union Budget from 2014 to 2024.
2. To assess the impact of fiscal policy on key macroeconomic indicators.
3. To evaluate fiscal deficit and public debt trends and their implications.
4. To examine the effectiveness of government spending on social sectors and infrastructure.

Research Methodology

This study adopts a descriptive and analytical research methodology. Secondary data has been collected from authentic government sources such as Union Budget documents, Economic Surveys, and reports from the Ministry of Finance. Year-wise expenditure and revenue figures were tabulated and analyzed using mathematical tools like Compound Annual Growth Rate (CAGR), percentage change, and expenditure-to-GDP ratios. Graphical representations and tabular comparisons have been used for clarity. The study also includes qualitative analysis of fiscal policies and their implications. This mixed-method approach helps in understanding both numerical trends and policy impacts on India's economic development.

Trends in Fiscal Policy (2014–2024)

Revenue Trends of Government of India

Table 1: Revenue Trends of Government of India (2014-15 to 2024-25)

Financial Year	Revenue (₹ Lakh Crore)	% of GDP	Year-on-Year Growth (%)
2014–15	17.2	8.8	—
2015–16	17.9	8.5	4.1
2016–17	19.6	8.9	9.5
2017–18	20.8	8.5	6.1
2018–19	24.6	9.3	18.3
2019–20	24.5	9.1	-0.4
2020–21	20.2	9.6	-17.6
2021–22	27.1	10.9	34.2
2022–23	30.0	11.1	10.7
2023–24 (RE)	33.5	11.4	11.7
2024–25 (BE)	36.6	11.5	9.3

Source: I) Receipt Budget, Union Budget of India (2014-15 to 2024-25)

II) Ministry of Finance; Economic Survey 2023-24, Vol. II, pp.31-33

Note: (₹ in lakh crore and as % of GDP)

The revenue trajectory of the Indian Government from FY 2014–15 to 2024–25 shows significant growth and resilience, measured using basic mathematical tools. Starting at ₹17.2 lakh crore in FY 2014–15, revenues are projected to reach ₹36.6 lakh crore in FY 2024–25, with a Compound Annual Growth Rate (CAGR) of approximately 7.7% over the decade.

By calculating year-on-year (YoY) growth, we observe two sharp declines: -0.4% in FY 2019–20 due to corporate tax cuts and -17.6% in FY 2020–

India's fiscal deficit trends from 2014 to 2025 reveal a dynamic interplay between economic policy, global events, and structural reforms. From FY 2014–15 to 2018–19, the government maintained a steady decline in the fiscal deficit—from 4.1% to 3.4% of GDP—indicating strong efforts in fiscal consolidation, subsidy reduction, and tax reform, including preparations for the Goods and Services Tax (GST).

However, fiscal pressures increased sharply in FY 2019–20 due to a slowing economy, and the situation worsened in FY 2020–21 when the COVID-19 pandemic caused a historic spike in the deficit to 9.2%. Emergency stimulus packages, revenue collapse, and health-related spending contributed to this peak. Post-pandemic years have seen gradual recovery. The deficit declined to 6.7% in FY 2021–22 and further to 5.8% in FY 2023–24 (RE), showing the government's commitment to return to fiscal discipline. The target for FY 2024–25 is 5.1%, with an aim to reduce it to 4.5% by FY 2025–26.

Overall, the data highlights a responsive fiscal policy framework that adapts to crises while aiming for long-term stability. Key future challenges include expanding the tax base, improving public investment efficiency, and managing debt sustainably.

21 due to the COVID-19 pandemic. However, FY 2021–22 saw a strong recovery of 34.2%, driven by improved compliance and economic revival. The revenue-to-GDP ratio rose from 8.8% to 11.5%, showing that revenue growth slightly outpaced nominal GDP, especially post-pandemic. This implies effective tax administration, formalization of the economy, and strong indirect tax collection via GST.

Overall, the data indicate robust fiscal recovery, though maintaining double-digit growth

will require consistent economic performance and broadening the tax base. In conclusion, the application of mathematical analysis clearly shows

India's evolving and strengthening revenue system in the face of economic cycles.

Expenditure Trends of Government of India

Table 2: Expenditure Trends of Government of India (2014-15 to 2024-25)

FY	Total Expenditure (₹ Lakh Crore)	% of GDP	Year-on-Year Growth (%)
2014–15	16.8	13.0	—
2015–16	17.9	13.1	6.5
2016–17	20.1	13.5	12.3
2017–18	21.4	13.1	6.5
2018–19	23.1	12.9	7.9
2019–20	26.9	13.9	16.4
2020–21	35.1	17.7	30.5
2021–22	37.9	15.2	8.0
2022–23	41.9	15.5	10.6
2023–24 (RE)	45.0	15.3	7.4
2024–25 (BE)	47.7	15.0	6.0

Source: I) Expenditure Profile Budget, Union Budget of India (2014-15 to 2024-25)

II) Ministry of Finance; Economic Survey 2023-24, Chapter 2, pp.34-36

India's total government expenditure has grown steadily from ₹16.8 lakh crore in FY 2014–15 to a budgeted ₹47.7 lakh crore in FY 2024–25. Applying the **Compound Annual Growth Rate (CAGR)** formula, the overall growth rate over this period is approximately **10.3%**, which reflects a healthy expansion of public spending.

A closer look at **year-on-year (YoY)** growth rates reveals peaks and troughs. Notably, **expenditure rose by 30.5% in FY 2020–21**, due to emergency COVID-19 spending. This exceptional growth pushed the **expenditure-to-GDP ratio to 17.7%**, the highest in the decade. In normal years, the ratio remained stable between **13% and 15%**, indicating fiscal prudence. Post-pandemic, the government shifted focus to **capital expenditure**, infrastructure, and welfare programs, which is reflected in the consistent 6–10% annual growth. The latest estimate for FY 2024–25 shows a **6.0% rise in expenditure**, with a controlled **15.0% of GDP**, suggesting an ongoing consolidation effort.

Overall, the data of trend indicates an expanding but cautiously managed fiscal policy. The consistent upward trajectory, especially in capital spending, signals efforts to boost long-term growth while keeping fiscal deficits in check.

Impacts of Fiscal Policy

Fiscal policy significantly influences a country's economic development. By adjusting government spending and taxation, it helps control inflation, stabilize growth, and reduce unemployment. In India, expansionary fiscal policy boosts infrastructure, social welfare, and rural development, driving demand and job creation. During downturns, fiscal stimulus supports recovery, as seen in the post-COVID spending surge. However, persistent deficits may lead to

increased public debt and inflationary pressure. Prudent fiscal management ensures long-term sustainability. Overall, effective fiscal policy balances growth with stability, promotes equitable income distribution, and strengthens public investment, making it a vital tool for shaping the nation's economic trajectory.

Key Conclusions

1. The total expenditure of the Government of India increased from ₹16.8 lakh crore in FY 2014–15 to ₹47.7 lakh crore in FY 2024–25 (Budget Estimate), reflecting a Compound Annual Growth Rate (CAGR) of approximately 10.3%. This indicates a steady rise in public spending over the past decade.
2. In FY 2020–21, total expenditure rose by 30.5%, reaching ₹35.1 lakh crore due to pandemic-related emergency spending. The expenditure-to-GDP ratio surged to 17.7%, the highest in the decade, showing a strong fiscal response to crisis.
3. Following the pandemic, the government began fiscal consolidation. By FY 2024–25, the expenditure-to-GDP ratio is estimated to be 15.0%, indicating efforts to restore fiscal discipline while maintaining essential investments.
4. There has been a clear policy shift toward capital expenditure, particularly in infrastructure, railways, and digital sectors. This strategic move supports long-term economic growth and job creation.
5. Over ₹4 lakh crore was spent on subsidies in FY 2022–23 alone (food, fertilizer, fuel). Leveraging Direct Benefit Transfer (DBT) and digital technologies can reduce leakages and improve the efficiency of welfare spending.

Recommendations

1. The government should continue increasing capital expenditure, especially in infrastructure, health, and education sectors. These long-term investments not only boost GDP growth but also generate employment and improve productivity.
2. Shifting from input-based to outcome-based budgeting will ensure that every rupee spent delivers measurable results. Ministries and departments should be held accountable for performance and development impact, not just fund utilization.
3. Large-scale subsidies should be better targeted through Direct Benefit Transfer (DBT) and technology. This will reduce leakages and ensure that benefits reach the truly deserving sections of society.
4. While public spending is essential for growth, the government must continue adhering to Fiscal Responsibility and Budget Management (FRBM) targets to ensure debt sustainability and macroeconomic stability.

Conclusion

The Union Budget, as the instrument of fiscal policy, has undergone significant evolution between 2014 and 2024. Key reforms like GST, increased capital expenditure, and pandemic-related fiscal interventions have shaped India's economic landscape. While progress has been made in social inclusion and infrastructure, challenges persist in debt management, revenue mobilization, and fiscal consolidation. A balanced, growth-oriented, and transparent fiscal policy remains critical for India's sustainable development.

Acknowledgment

I wish to express my sincere gratitude to my colleagues, peers, and academic mentors for their valuable guidance, constructive suggestions, and constant encouragement throughout the development of this research. I am especially thankful to the faculty of the Department of Economics, Arts, Science & Commerce College, Kolhar, Savitribai Phule Pune University, for providing academic support and a conducive environment for research.

I also acknowledge the Ministry of Finance, Government of India, and other institutions whose reports, surveys, and budget documents served as indispensable resources for this study.

Finally, I extend my heartfelt thanks to my family and well-wishers for their unwavering support and motivation, without which this work would not have been possible.

Financial Support and Sponsorship: Nil

Conflicts of Interest: None declared

References:

1. Musgrave, R. A., & Musgrave, P. B. (1989). *Public Finance in Theory and Practice*. McGraw-Hill.
2. Rao, M. G., & Sen, T. (1995). *Fiscal Federalism in India: Theory and Practice*. Macmillan India.
3. Chelliah, R. J. (2000). *Fiscal Policy in Underdeveloped Countries*. Vikas Publishing.
4. Ministry of Finance. (2014–2024). *Union Budget Documents*. Government of India.
5. Economic Survey of India. (Various Years). Ministry of Finance, Government of India.
6. Reserve Bank of India. (2023). *State of the Economy Report*.
7. International Monetary Fund. (2021). *India: Article IV Consultation Report*.
8. World Bank. (2023). *India Development Update*.
9. NITI Aayog. (2022). *Strategy for New India @ 75*.