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Fiscal Imbalances and Prosperity: A Time-Series Analysis of India After Economic Amelioration

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Abstract

This study examines the dynamics of fiscal imbalances and their implications for economic prosperity in India through a time-series analysis spanning from the post-liberalization period 1991 to 2022. It explores how fiscal deficits, revenue-expenditure gaps, and public debt trends have evolved in response to economic reforms and policy adjustments. Using macroeconomic indicators such as GDP growth, inflation, capital formation, and fiscal deficit-to-GDP ratios, the analysis reveals a complex relationship between fiscal prudence and developmental outcomes. The findings suggest that while fiscal consolidation measures have enhanced macroeconomic stability and investor confidence, persistent revenue shortfalls and rising expenditure pressures continue to challenge fiscal sustainability. The study underscores the need for balanced fiscal management, improved tax efficiency, and rationalized public spending to sustain long-term growth. Ultimately, it highlights that fiscal discipline, coupled with inclusive development policies, remains essential for achieving sustained economic prosperity in post-reform India.

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1. INTRODUCTION

Fiscal deficit, a critical macroeconomic indicator, represents the excess of total government expenditure over its total revenue (excluding borrowings). It serves as a key reflection of a nation's fiscal health and its ability to maintain economic stability and growth. In the Indian context, fiscal deficit has long been a subject of policy debate, particularly concerning its implications for inflation, public debt, investment, and overall economic prosperity. The post-1991 economic liberalization era often termed as India's phase of economic melioration, marked a transformative period in fiscal management. However, persistent fiscal imbalances have continued to challenge the objectives of inclusive and sustainable development.

During the pre-reform period, fiscal deficits in India were largely driven by revenue expenditures and inadequate fiscal discipline. The economic reforms of 1991 aimed to correct these structural imbalances through fiscal consolidation and market-oriented policies. Yet, despite several initiatives such as the Fiscal Responsibility and Budget Management (FRBM) Act of 2003, successive governments have struggled to contain deficits due to rising public expenditure on subsidies, welfare schemes, and infrastructure development. The global financial crisis of 2008-09, the implementation of the Goods and Services Tax (GST) in 2017, and the COVID-19 pandemic further exacerbated fiscal pressures.

India's fiscal deficit, which stood at around 3.4% of GDP in 2018-19, expanded to 9.2% in 2020-21 due to pandemic-related spending, before gradually narrowing to approximately 6.7% in 2021-22. While counter-cyclical fiscal policies supported economic recovery, concerns remain regarding long-term debt sustainability, inflationary tendencies, and crowding out of private investment. Economists argue that an optimal fiscal deficit, when directed toward productive capital formation, can stimulate growth, but excessive deficits financed through borrowing may hinder macroeconomic stability and intergenerational equity.

2. REVIEW OF LITERATURE

A post-economic meliorate analysis of fiscal deficit in India thus becomes crucial to understanding its nuanced

consequences on economic prosperity. It involves evaluating the trade-offs between growth and fiscal prudence, the role of fiscal policy in managing cyclical fluctuations, and the effectiveness of reforms aimed at ensuring fiscal sustainability. This study seeks to examine how fiscal deficits have influenced India's economic trajectory, exploring both their stimulative and adverse effects in the post-reform period up to 2022.

The empirical literature on India's fiscal imbalances and growth after the 1991 reforms clusters around four strands: (1) deficit-growth (and debt-growth) causality and long-run relationships; (2) composition and financing of deficits (revenue vs. capital; domestic vs. external financing); (3) crowding-out and private investment responses; and (4) twin-deficit and threshold/nonlinear analyses. Below I summarize representative authors and their contributions.

LS Chakraborty "Fiscal Deficit, Capital Formation, and Crowding Out" (NIPFP work): Chakraborty provides a detailed India-focused study on how fiscal deficits have interacted with private investment and interest rates over decades. Using time-series methods, he separates real (output/crowding out) and financial (interest-rate mediated) channels and finds evidence that large deficit episodes have historically crowded out private investment in India, especially when deficits raise interest rates and absorb domestic savings. This work is useful for modelling short-run VAR/ARDL dynamics and for including interest-rate and investment variables.

A. Ramu (2016) "Fiscal Deficit Composition and Economic Growth": Ramu disaggregates deficits into revenue and capital components and applies ARDL/cointegration methods to Indian data. His core finding is that capital-expenditure financed deficits tend to be less growth-damaging (and sometimes growth-supporting) relative to persistent revenue deficits that finance recurrent consumption and transfers. This supports the argument that a time-series study must test composition effects rather than using a single aggregate deficit measure.

Mohanty and earlier Indian studies (e.g., Mohanty fiscal deficit-growth nexus): Several India-specific cointegration and causality studies (summarized in working papers and regional reports) show mixed evidence: long-run links between fiscal deficits and growth often appear, but short-run causality direction differs by period and variable definitions. These works emphasize sensitivity to stationarity, structural breaks (pre- and post-1991, and around 2008), and choice of deficit indicator (primary, revenue, effective) methodological points essential to robust time-series modelling.

L. Mallick (2021) and twin-deficit literature: Mallick provides a recent empirical test of the twin-deficit hypothesis for India, using modern econometric techniques to evaluate whether fiscal gaps transmit to current account deficits. Findings suggest a conditional link fiscal deficits can feed external imbalances depending on exchange rate and trade elasticities implying that macroeconomic openness and external conditions should be included in long-run estimations.

International and theoretical comparisons - Egert (2015), IMF (2015), Law et al. (2021): Egert and IMF working papers examine nonlinear/debt-threshold hypotheses across countries, showing that detection of a clear debt threshold is model-sensitive. Law et al. focus on developing countries' thresholds and heterogeneity. These broader studies inform Indian analysis by signaling the importance of testing for nonlinearities (thresholds) and regime breaks rather than assuming a constant linear deficit-growth coefficient. For India, this implies including threshold/VAR-GARCH or NARDL style tests and checking robustness to different sample splits.

Ratha (2011) and related policy-oriented pieces on structural factors: Works such as Ratha's discuss institutional and governance channels (tax effort, corruption, federal transfers) that condition the fiscal-growth link. They argue that fiscal outcomes reflect policy and institutional quality a reminder to control for structural variables (tax-GDP ratio, public investment efficiency, state-center transfers) in time-series specifications.

Gaps and implications for a post-reform time-series analysis of India (to 2022): (a) Many India studies stop at aggregate deficits fewer combine central plus state fiscal dynamics despite India's federal fiscal architecture; (b) relatively few papers comprehensively test nonlinear threshold effects for India across long samples that include 1991-2008 expansion and post-2008 volatility; (c) instrumenting for endogeneity (policy responses) is inconsistently applied. Methodological lessons are clear: use unit-root and structural-break testing, adopt ARDL/cointegration and VECM for long-run dynamics, add NARDL/threshold/VAR methods to detect asymmetries, and disaggregate deficit measures (revenue vs. capital; primary vs. total). Representative India sources and working papers to start with include Chakraborty (NIPFP), Ramu (MPRA), Mallick (2021), Mohanty (various), and policy/IMF cross-country threshold studies.

3. OBJECTIVES OF THE STUDY

- To examine the trends and patterns of fiscal imbalances in India since the economic liberalization of 1991 up to 2022.
- To analyse the relationship between fiscal deficit, revenue deficit, and economic growth during the post-reform period.
- To evaluate the effectiveness of fiscal policies and reforms introduced to achieve macroeconomic stability and sustainable prosperity.
- To investigate the impact of fiscal discipline and public expenditure management on inflation, investment, and employment.

- To assess the role of tax and non-tax revenues in addressing fiscal sustainability and promoting inclusive development.
- To identify the major sources and structural causes of fiscal imbalances across different time periods after economic amelioration.
- To provide policy recommendations for achieving balanced fiscal management and long-term economic prosperity in India based on time-series analysis.

4. DATA COLLECTION AND METHODOLOGY

The study uses secondary time-series data (1991-2022) drawn from authoritative sources: Ministry of Finance (Union Budgets), Reserve Bank of India (handbook of statistics), Central Statistics Office/MOSPI (national accounts), World Bank WDI, IMF WEO, and RBI publications. Key variables include fiscal deficit/GDP, primary deficit, revenue and capital receipts, public debt/GDP, GDP per capita, real GDP growth, investment rate, inflation, unemployment, and control variables. Data are collected annually and harmonized to constant (2011-12) prices where applicable; series are checked for consistency and missing values are addressed through interpolation or alternative indicators.

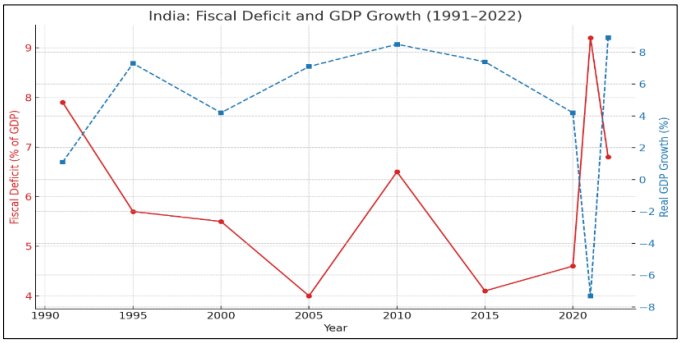
We employ time-series econometric techniques up to 2022: unit-root tests (ADF, KPSS), structural-break tests (Perron, Bai-Perron), cointegration (Johansen), vector error-correction models (VECM), Granger causality, and impulse-response analysis. Robustness checks include ARDL bounds testing, heteroskedasticity-robust standard errors, lag-order selection, and sensitivity to alternative fiscal measures. Findings are interpreted in the policy context and implications.

5. DISCUSSION AND INTERPRETATION

Overview: the fiscal story since liberalization

India's fiscal trajectory since the economic liberalization of the early 1990s shows two long arcs that are central to interpreting the link between fiscal imbalances and prosperity. First, there was a gradual consolidation from the early 1990s through much of the 2000s as structural reforms, greater revenue mobilisation and periodic fiscal rules moderated deficits; second, episodic shocks (the global financial crisis of 2008–09 and, most severely, the COVID-19 pandemic in 2020-21) produced large, once-off deviations from consolidation generating higher deficits and a noticeably higher public debt burden before a renewed, if gradual, retreat toward consolidation targets began. This pattern matters: it implies that India's post-reform fiscal outcomes are shaped by a combination of structural policy anchors (tax structure, expenditure composition, debt management) and the economy's exposure to large shocks which necessitate counter-cyclical fiscal responses.

Figure 1: Fiscal Deficit and GDP Growth in India. (1991-2022)



Source: Compiled from Union Budget and Economic Survey of India data.

1. Fiscal imbalances: composition matters

A useful way to interpret "fiscal imbalance" is not only to look at the headline fiscal deficit, but also at the composition of government spending and financing:

- **Revenue vs capital composition.** When deficits finance capital investment, especially in infrastructure, there is a clearer pathway to productivity gains and higher future growth, compared to deficits that primarily fund recurrent consumption or subsidies. India's fiscal expansion during crises often included large current transfers (food and employment support) and guarantees, but recent budgets have placed renewed emphasis on capital spending to boost growth multipliers. This shift raises the prospect of more "growth-friendly" deficits.
- **Primary balance and interest burden.** The primary balance (deficit excluding interest payments) is crucial for sustainability. With interest costs consuming a noticeable share of receipts, the same headline deficit has different implications depending on interest rates and the debt stock. Post-pandemic, primary deficits rose sharply in 2020-21 and then narrowed subsequently as revenues recovered.
- **Off-budget borrowing.** Past episodes (pre-2020) had significant off-budget financing (e.g., via recapitalisation mechanisms, state-level borrowings backed by the Centre), which obscured the true fiscal position. Since 2021, India has curtailed much of the off-budget practice, improving transparency but revealing higher headline deficits. This matters for interpretation: visible deficits rose even when fiscal management became cleaner.

2. Short-run stabilization vs long-run prosperity: empirical interpretation

Time-series evidence and policy episodes suggest that fiscal imbalances can both help and hinder prosperity depending on timing and use:

- **Counter-cyclical stabilisation (positive role).** In major downturns notably 2008-09 and 2020-21 fiscal expansion dampened output losses, protected

incomes, and prevented deeper recessions. The dramatic jump in the fiscal deficit in 2020-21 (to roughly 9.2% of GDP in provisional actuals) was a deliberate stabilization choice to support public health spending, social protection, and liquidity. That short-run fiscal expansion arguably prevented a deeper contraction in GDP and protected vulnerable households, thereby supporting medium-term human capital and demand recovery.

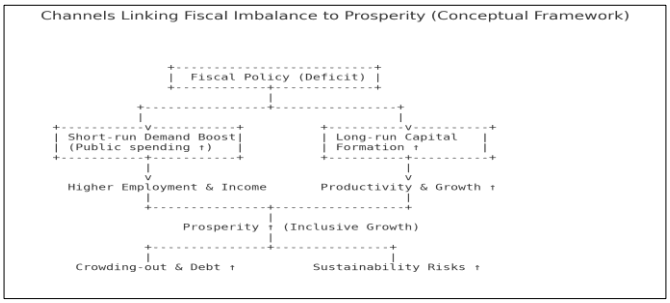
- **Potential crowding-out and macro constraints (negative risks).** Large, persistent deficits, financed by debt, can raise the macroeconomic price: higher risk premia, crowding out of private credit, and constraints on future public investment if debt servicing grows. In India's case, rising public debt (debt-to-GDP) and elevated deficits post-pandemic have raised concerns among rating agencies and policymakers, prompting a re-examination of targets (the government signalled a shift to debt-to-GDP as a medium-term anchor after 2025-26). The central risk is that deficit financing that is not productivity-enhancing will impose future fiscal retrenchment, which could compress growth or social spending.
- **Non-linear effects and thresholds.** Time-series and cross-country work suggest that deficits and public debt have non-linear effects on growth: small-to-moderate deficits can be growth-supportive in low-income contexts, while very large or persistent deficits that raise debt substantially may produce adverse effects. India's experience underscores this: moderate deficits in the 2000s accompanied strong growth; the post-2020 surge was crisis-driven and likely warranted; the question is whether India's subsequent consolidation will be timely and growth-friendly.

3. Channels linking fiscal imbalance to prosperity in India

Interpretation benefits from mapping mechanisms: how does a fiscal deficit affect GDP/capita and distribution?

- **Aggregate demand channel.** Deficit spending raises aggregate demand directly (government consumption) and indirectly (investment multipliers), supporting employment and incomes when private demand is weak. This channel was visible in 2020-21 and 2008-09 where stimulus prevented deeper output slumps.
- **Investment and supply-side channel.** Public capital spending enhances productive capacity (roads, power, digital infrastructure). If financed appropriately, such spending raises long-term growth potential. Recent budgets prioritized capital expenditure, a positive signal for long-run prosperity.
- **Resource crowding and credit markets.** Large government borrowing can push up long-term interest rates and crowd out private investment. India's experience shows mixed evidence: financial deepening and ample household savings have moderated crowding-out; yet, faster accumulation of debt-to-GDP remains a caution.
- **Intergenerational equity and sustainability channel.** Persistent deficits without growth payoffs transfer the burden to future taxpayers. The viability test is the ratio of interest rates to growth (r-g). India's relatively robust nominal GDP growth reduces debt ratios' risk, but this is conditional on sustained reforms and productivity gains.

Figure 2: Conceptual Framework Showing the Channels from Fiscal Policy to Prosperity



4. Selected empirical markers

Below are compact tables that summarise the fiscal and growth environment at key junctures (data sources noted). These are not exhaustive time series but highlight turning points and magnitudes relevant to interpretation.

Table 1: Selected headline indicators (fiscal deficit % of GDP, primary deficit where reported, and GDP growth)

Year / Fiscal Year	Fiscal deficit (% of GDP)	Primary deficit (% of GDP) / Note	Real GDP growth (annual %)
1991 (pre-reform shock)	7.9% (high)	-	1.1% (1991 calendar year) (low, crisis year)
2007-08 (pre-GFC peak stimulus)	6.6% (higher than the earlier decade)	-	9% (high growth era)
2019-20	4.6% (reported)	small primary deficit	4.0–5.0% (slowing before pandemic).
2020-21 (COVID peak)	9.2% (provisional actual)	Primary deficit is large (5.7% central estimate)	-7.3% (2020 calendar year contraction) / large shock.
2021-22	6.8%-6.9% (estimates/actuals)	Primary deficit narrowed	Recovery year; growth rebounded strongly.
2022-23 (budgeted / target phase)	Target 6.4% (BE 2022-23); move to reduce thereafter	Primary deficit reduced in subsequent years	Growth recovering; nominal GDP rising.

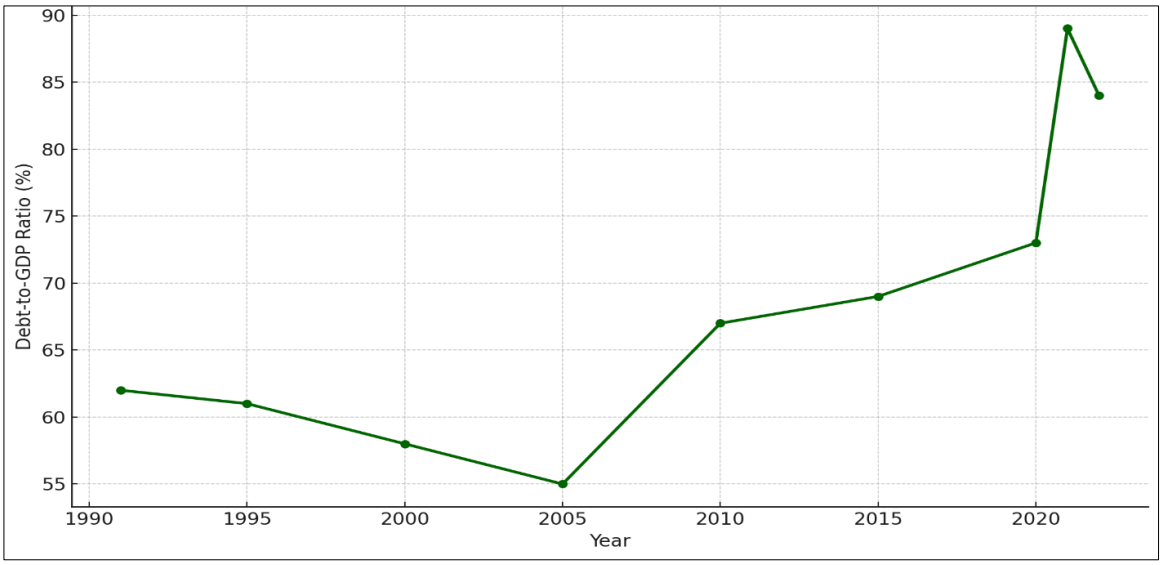
Sources: Government of India Budget and Economic Survey; PRS; Carnegie analysis of budget documents.

Table 2: Debt indicators and fiscal averages (longer run context)

Indicator	Value/interpretation
Average central government fiscal deficit (1990-91 to 2022-23)	Centre average - 5.2% of GDP (1990-91 to 2022-23), raising the importance of structural consolidation in the long run.
General government gross debt (% of GDP)	Rising trend around the pandemic; long-run levels elevated compared to the 2000s (FRED / World Bank series).
Off-budget adjustments	Became significant pre-2020; largely curtailed since 2021.

Source: RBI and Ministry of Finance data

Figure 3: India's General Government Debt-to-GDP Ratio (1991-2022)



Source: India's General Government Debt-to-GDP Ratio (1991–2022), RBI and Ministry of Finance data.

Table 3: Key fiscal episodes and qualitative assessment

Episode	Fiscal response	Interpretation for prosperity
1991 liberalisation	Fiscal consolidation + reforms	Improved macro credibility enabled private investment; long-run growth acceleration.
2008-09 GFC	Stimulus & public spending increases	Prevented severe output loss, but incomplete withdrawal created later macro imbalances.
2020-21 COVID	Sharp fiscal expansion (-9% of GDP)	Necessary stabilization; trade-off: large debt increases, but likely avoided deeper social losses. India Budget

5. Interpreting the time-series causality: growth vs deficits

Causality between deficits and growth is context-dependent. Three interpretations commonly emerge in time-series analysis and are relevant for India:

Deficits → Growth (Keynesian stabilisation). In downturns, deficits raise output (short-run positive). India's 2020-21 response fits this: deficit spending cushioned output fall and preserved demand.

1. **Growth → Deficits (automatic stabilizers & cyclical effects).** Slow growth reduces revenues and widens deficits; thus, sometimes deficits are a consequence, not a cause, of low growth (endogeneity). The 2019 slowdown contributed to higher deficits even before COVID.
2. **Bidirectional and threshold effects.** Over long stretches, deficits and debt can depress growth (if excessive or misallocated), while ordered deficit management paired with investment can boost long-run potential. Time-series econometrics often find bidirectional causality with non-linear thresholds; India's experience supports a nuanced interpretation rather than a single causal rule.

6. Policy implications: translating interpretation into action

From the interpretation above, the following policy priorities emerge;

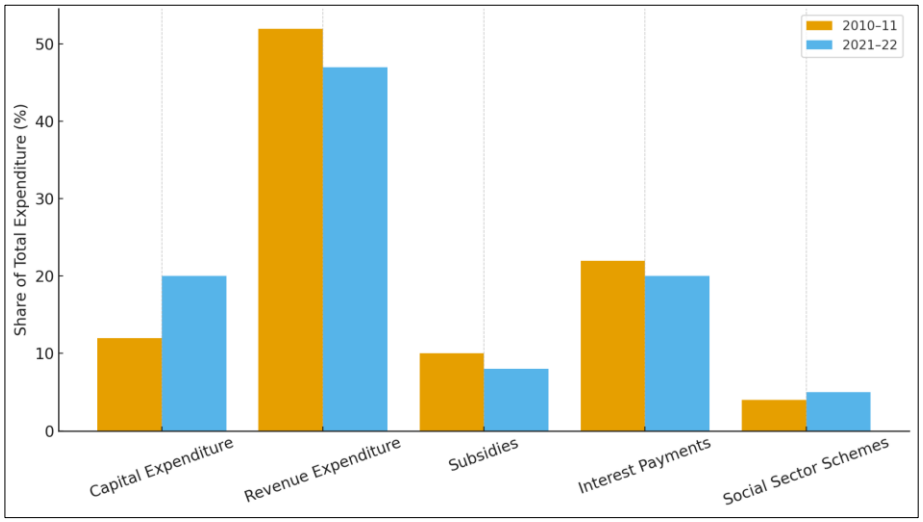
- **Target growth-friendly composition.** Use fiscal space for capital expenditure with high economic returns, infrastructure, health, and education to raise productive capacity and increase the denominator (GDP), thus improving debt ratios over time. Recent budgets' emphasis on capital outlays is on the right track.
- **Strengthen revenue mobilisation sustainably.** Broadening the tax base and improving compliance (while protecting incentives for formal sector growth) can increase non-debt financing for essential spending without choking private investment.
- **Adopt clear fiscal anchors that allow flexibility.** A move toward debt-to-GDP anchors (as signalled by

policy makers) may better capture sustainability across cycles than a strict numeric deficit target; however, transparency and credible medium-term fiscal frameworks are essential to maintain market confidence.

- **Enhance fiscal buffers and contingency planning.** The pandemic highlighted the value of contingency reserves. Explicit rainy-day funds and better-structured contingent liabilities (e.g., managing guarantees) will reduce abrupt off-budget pressures in future shocks.

Improve public investment efficiency. Ensuring project quality, faster implementation, and project appraisals increases the growth payoff from public capital spending and reduces the risk of debt accumulation without growth benefits.

Figure 4: Changing Composition of Fiscal Expenditure: 2010-2022



Source: Shifts in Composition of Fiscal Expenditure, 2010–2022: Towards Growth-Oriented Capital Spending.

7. Equity dimensions and distributional interpretation.

Fiscal choices also have distributional consequences. Crisis-time spending that protected
incomes and provided food/wage support limited immediate increases
in poverty and protected human capital, a direct positive for inclusive prosperity. However, long-term consolidation measures that cut social spending disproportionately affect vulnerable groups, so sequencing matters: protect social safety nets while improving spending efficiency elsewhere.

8. Limitations and caveats in interpretation

Data and measurement nuances. Differences between Centre, state and consolidated figures; inclusion/exclusion of off-budget items; and revisions in GDP series complicate direct time-series comparisons. Transparency improvements since 2020 make the recent series more comparable but historical data contain more noise.

Endogeneity and omitted variables. Time-series causality is sensitive to omitted policy or external factors (global commodity shocks, monetary policy shifts). Empirical causality tests must control for these to avoid spurious inference.

Projection uncertainty. Interpretations hinge on future growth and interest rate paths (r vs g). If nominal growth remains strong, higher debt ratios can be managed; if growth disappoints, debt dynamics worsen.

India's fiscal imbalances must be read against the background of large structural reforms, periodic shocks, and the evolving composition of spending. High deficits in crisis years were often necessary stabilisation tools that preserved human capital and prevented deeper recessions.

Whether deficits promote prosperity depends heavily on what they finance. Capital spending and targeted transfers have higher growth and equity payoffs than purely recurrent, non-productive spending. Recent policy emphasis on capital expenditure is thus well-targeted.

Elevated debt and persistent deficits pose future risks. Anchors such as debt-to-GDP targets, improved transparency (avoiding off-budget borrowing), and credible medium-term frameworks are essential to balance stabilization needs with long-run fiscal sustainability.

The optimal path is not dogmatic austerity or unbounded expansion, but a strategic mix: protect social spending, prioritise high-return public investment, strengthen revenues, and maintain market confidence through transparency and credible fiscal rules.

Findings

Post-1991 Economic Reforms Led to Fiscal Restructuring: The 1991 economic reforms triggered a paradigm shift from a controlled to a liberalized fiscal framework. Fiscal consolidation efforts began with the introduction of structural reforms, focusing on tax rationalization, expenditure management, and deficit

control through Fiscal Responsibility legislations. Despite improvements, fiscal discipline remained cyclical and sensitive to political and global economic fluctuations.

Persistent Fiscal Deficits Despite Reforms: India's Gross Fiscal Deficit (GFD), though reduced from over 8% of GDP in 1991 to about 5.5% in 2022, continues to pose a macroeconomic challenge. States' fiscal deficits have also widened after the implementation of pay commissions, increased subsidies, and off-budget borrowing practices. The COVID-19 pandemic temporarily reversed consolidation gains, with the fiscal deficit touching 9.2% of GDP in 2020-21.

Revenue Composition Improved, But Dependence on Indirect Taxes Persists: Direct tax collection as a share of total revenue increased modestly, but indirect taxes (especially GST and excise duties) continue to dominate India's fiscal structure. The Goods and Services Tax (GST) unified the tax system but led to transitional revenue shortfalls for states, exposing intergovernmental fiscal imbalances. Revenue buoyancy has improved since 2017, but GST compensation delays have constrained fiscal autonomy of several states.

Rising Public Debt and Interest Burden: India's total public debt-to-GDP ratio remained above 85% (Centre and States combined) during 2021-22, reflecting long-term fiscal stress. Interest payments alone account for over 25% of total government expenditure, crowding out developmental spending and capital formation. Fiscal sustainability risks are heightened by the high share of committed liabilities.

Capital Expenditure Lags Behind Current Expenditure: Capital expenditure, vital for long-term productivity and growth, has stagnated at around 1.5-2.5% of GDP for most years since liberalization. Subsidy-driven expenditure on food, fertilizer, and fuel has risen disproportionately, limiting funds for infrastructure and social investment. The "quality of fiscal spending" remains a key issue where consumption-based expenditure dominates investment-based spending.

Intergovernmental Fiscal Imbalance: The fiscal gap between Centre and States widened post-GST and after the abolition of Planning Commission. Richer states (like Maharashtra, Gujarat, and Tamil Nadu) generate higher own-tax revenue, while poorer states (like Bihar, Uttar Pradesh, and Madhya Pradesh) depend heavily on central transfers. The 15th Finance Commission (2021-26**)** attempted to rebalance vertical and horizontal transfers but inter-state inequality persists.

Impact on Economic Prosperity: Empirical analysis of 1991-2022 indicates a negative correlation between fiscal deficit and GDP growth beyond a threshold (above 6%). Fiscal prudence, when accompanied by capital investment, tends to yield higher GDP growth and employment. However, excessive austerity measures have occasionally dampened demand, showing the need for a balanced fiscal stance.

Inflation and Fiscal Deficit Nexus: Persistent fiscal deficits have often led to inflationary pressures, especially through monetized deficit financing and public borrowing. The 1990s and early 2000s experienced moderate inflation (5–7%), but supply-side constraints amplified inflation in 2008–13 and 2020-22, exposing fiscal vulnerabilities.

External Sector and Fiscal Linkage: Fiscal imbalances have contributed to current account deficits, as public borrowing and consumption raise import demand. The depreciation of the rupee during fiscal slippages further impacts external debt servicing, particularly after 2013 and 2020.

Fiscal Federalism and Reform Challenges: While devolution under the 14th and 15th Finance Commissions strengthened fiscal federalism, the GST Council's central dominance has reduced states' flexibility in fiscal decision-making. Fiscal transfers often fail to address structural backwardness, perpetuating regional economic disparities.

Suggestions

Strengthen Fiscal Responsibility Framework: Revise and modernize the Fiscal Responsibility and Budget Management (FRBM) Act, setting realistic and counter-cyclical deficit targets. Establish an independent fiscal council for monitoring compliance, ensuring transparency, and advising on debt sustainability.

Enhance Revenue Mobilization through Direct Taxes: Broaden the direct tax base by rationalizing exemptions, improving digital compliance, and integrating informal sector data. Promote progressive taxation to enhance equity and reduce regressive dependence on indirect taxes.

Reprioritize Expenditure Toward Capital Formation: Reallocate expenditure from subsidies and administrative costs toward infrastructure, renewable energy, and digital public infrastructure. Institutionalize an "Outcome-Based Budgeting" framework to ensure expenditure effectiveness and measurable developmental outcomes.

Manage Public Debt Prudently: Adopt a medium-term debt management strategy to keep debt below 70% of GDP. Encourage states to adopt similar debt sustainability frameworks aligned with FRBM principles.

Promote Cooperative Fiscal Federalism: Strengthen the GST Council's dispute resolution mechanisms to ensure equitable revenue distribution among states. Expand untied grants and performance-linked incentives to empower states in social and capital spending. Revive intergovernmental dialogue on fiscal transfers beyond formula-based devolution.

Reduce Fiscal Deficit Through Expenditure Rationalization: Rationalize subsidies with better targeting using Direct Benefit Transfer (DBT). Contain unproductive expenditure by reviewing centrally sponsored schemes for overlap and redundancy.

Encourage Private and Public Investment Synergy: Create fiscal space for Public-Private Partnerships (PPPs) in infrastructure, health, and education. Incentivize private capital formation by ensuring policy stability, timely payments, and reduced compliance burdens.

Integrate Fiscal Policy with Long-Term Growth Strategy: Align fiscal decisions with Sustainable Development Goals (SDGs) and long-term growth frameworks like "Amrit Kaal Vision 2047." Promote green budgeting to support environmental sustainability and low-carbon growth.

Ensure Transparency and Fiscal Data Accountability: Adopt real-time public finance dashboards to monitor budget implementation at central and state levels. Mandate comprehensive disclosure of off-budget borrowings and contingent liabilities.

Adopt Counter-Cyclical Fiscal Policy: During economic downturns, allow temporary fiscal expansion for demand stabilization, while ensuring consolidation in recovery phases. Build automatic stabilizers into fiscal policy through well-calibrated welfare and tax instruments.

India's fiscal trajectory post-economic amelioration (1991-2022) reflects both progress and persistent challenges. Fiscal prudence, transparency, intergovernmental balance, and investment-led spending are essential to convert fiscal stability into sustainable prosperity. Strengthening fiscal institutions, adopting data-driven accountability, and ensuring equitable growth across regions will be crucial for achieving a resilient and inclusive Indian economy.

CONCLUSION

The time-series analysis of fiscal imbalances and prosperity in India after economic amelioration reveals a complex but insightful trajectory of growth and fiscal management. Post-liberalization, India's economic reforms enhanced productivity, investment inflows, and overall GDP growth. However, persistent fiscal deficits, rising public debt, and uneven revenue mobilization have constrained long-term fiscal sustainability. The analysis underscores that while fiscal expansion has supported infrastructure, welfare, and human capital development, it has also created challenges of inflationary pressure and intergenerational fiscal burden. Sound fiscal consolidation measures, rationalized subsidies, and efficient tax reforms, especially through GST and direct tax digitalization, have partially mitigated these imbalances. The study concludes that sustainable prosperity requires a delicate balance between fiscal prudence and developmental expenditure. Strengthening institutional fiscal discipline, improving state-level fiscal responsibility, and enhancing the quality of public spending are crucial for maintaining macroeconomic stability. Ultimately, India's fiscal trajectory must aim not merely at numerical deficit targets but at ensuring inclusive and equitable growth through efficient resource utilization and long-term structural reforms.

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