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THE IMPACT OF GOVERNMENT EXPENDITURE ON ECONOMIC GROWTH IN INDIA

Abstract: the following paper discusses the relationship between government expenditure and economic growth in India. Over the last couple of decades, the Indian government has enhanced various initiatives, for example, infrastructure and/or healthcare, education or welfare programs. The paper has attempted to bring out the contribution of such spending to the economic development of the country by highlighting such aspects as a growth in the GDP, reduction of poverty, and long-term sustainability. Evidence is brought out on how well-targeted public investments have supported the overall economic growth and eased some of the most binding constraints the country is facing.

Keywords: public expenditure, economic growth, GDP, India

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ВЛИЯНИЕ ГОСУДАРСТВЕННЫХ РАСХОДОВ НА ЭКОНОМИЧЕСКИЙ РОСТ В ИНДИИ.

Аннотация: в данной статье рассматривается взаимосвязь между государственными расходами и экономическим ростом в Индии. За последние пару десятилетий индийское правительство расширило различные инициативы, например, инфраструктуру и/или здравоохранение, образование или программы социального обеспечения. В работе предпринята попытка выявить вклад таких расходов в экономическое развитие страны, выделив такие аспекты, как рост ВВП, сокращение бедности и долгосрочная устойчивость. Приводятся данные о том, как целенаправленные государственные инвестиции поддерживают общий экономический рост и ослабляют некоторые из наиболее жестких ограничений, с которыми сталкивается страна.

Ключевые слова: государственные расходы, экономический рост, ВВП, Индия

Government expenditure has always played an important role in the development of any economy of developing nations. With India being the most populous country, comprising all varieties of socio-economic strata, public spending in initiating development within various sectors cannot be simply ignored. The Government of India has accorded higher priority to infrastructure development, social welfare programs, healthcare, and education in the last two decades for achieving the inclusive growth objectives. Government Expenditure and Economic Growth: A Relationship that has continued to fascinate economists, policy thinkers, and development practitioners. The paper discusses the influence of government expenditure on economic growth in India. It further categorizes different heads of public spending on infrastructure, education, and social welfare that have impacts on GDP growth and holistic development in India [1,3].

Broadly speaking, the expenditure for the Government of India can be divided into two major heads: revenue expenditure and capital expenditure. While salaries, subsidies, interests, and social transfers fall under the head of revenue expenditure, those that form the capital expenditure are the ones that create long-term investments in basic infrastructure, industrial development, and other productive spheres, bringing in economic gains by and large [2].

In recent times, India has laid greater emphasis on capital expenditure, especially in infrastructure, and the approach aimed at creating long-term positive spillovers that may comprise a better transportation network, energy production, and connectivity. It may spur economic growth through gains in efficiency and reductions in transaction costs [4].

Indeed, from most angles of economic theory, there has been debate on the issue of government expenditure in the attempt to stimulate economic growth. According to Keynesians, for instance, government expenditure is quite indispensable in stimulating demand once the economy is facing low levels of activities. The injection of public expenditure would increase the general level of economic activities and contribute to growth. The classical economists, for their part, tend to argue in favor of a small government role, believing that free market forces may be solely relied on to drive economic development [3].

The Keynesian model, therefore, found greater relevance in India. In fact, in the context of infrastructure development, the eradication of poverty, and catering to sectors beyond the scope of private investment, public spending has sought to fill crucial gaps-especially in areas where such spending can spur growth more directly and widely across the rural environment. All the more for a developing country like India that desperately needs public infrastructure at large [5].

Key Areas of Government Spending in India

1. Creation of Infrastructure: Infrastructural development has always been one of the key areas where much money has been invested into by the government. Investment in roads, railways, airport, and energy production is imperative in

boosting productivity and making sure that business operates smoothly. The Government of India has also initiated big-ticket programs such as the National Infrastructure Pipeline, aimed at developing world-class infrastructure by 2025. Such investments lead not only to improved physical connectivity but also facilitate the coming in of private investment, jobs, and overall reduction of bottlenecks within the economy [1,5].

2. Education and Human Capital Development: Education is one of the top priorities that the Indian government is putting forward. This is reflected in the improved trend in the literacy rate and enrollment for the past several decades. Therefore, Sarva Shiksha Abhiyan and Rashtriya Uchchar Shiksha Abhiyan thus brought rapid expansion both at access and quality of schooling levels especially at elementary and secondary level. Investing in human capital in India would ensure improvements in not just educational outcomes but in the development of human resources, which is very important for sustaining long-term growth [3].

3. Healthcare and Public Health Programs: Conventionally, the health system in India has been afflicted by access, affordability, and quality. Spending on health by a government is extremely important in terms of improving the health outcomes for a population. From major initiatives like Ayushman Bharat, which would gradually insure millions of poor families for health, to greater access to medical facilities. Investment in maternal and child health, sanitation, and the prevention of diseases paid off with better public health, improving economic productivity due to reduced burdens of diseases and productive workforces [4].

4. Social Welfare and Poverty Alleviation: There is enough evidence to prove that CPD on social welfare schemes such as MGNREGA has had the effect of sharp reductions in poverty. Employment guaranteed to rural households has raised their incomes and added to the poorest sections of society. Expenditure will also have been having a multiplier effect-they boost local economies where increases in rural areas lead to more spending. In its turn, higher consumption and demand for goods and services are created [5].

5. Agriculture and Rural Development: Agriculture is one of the most important livelihoods for a high proportion of the population in India even today. One of the most influential factors toward improved agricultural productivity was the government's expenditure to develop better agricultural infrastructure, irrigation facilities, and rural development programs. It is initiatives such as the Pradhan Mantri Krishi Sinchayee Yojana targeted at irrigation and water conservation that help farmers have better produce, which in turn leads to food security for development of rural economics and thus contributes to national growth [1].

Whereas government expenditure has indeed propelled the economic growth of some nations, it also presented various problems in its application. Inefficiency in public spending is one of the major challenges facing government expenditures. Bureaucratic hurdles, mismanagement, and corruption have been very common factors leading to suboptimal resource allocation, which defeated the very effectiveness of government programs in many cases. The other problem is the increasing fiscal deficit on the part of the Government of India. Large public expenditure necessitates heavy borrowings, hence the increase in national debt is also high. This ever-increasing ratio of debt to GDP may have long-term implications for fiscal sustainability and reduced ability by the government to finance growth projects in the near future. Where public spending has yielded tremendous returns for some areas, these inequalities are much more pointed at others, particularly in terms of rural health. Over time, and generally, strongly imbalanced resource dispersion among regions and sectors would translate into ever greater divergence within general development indicators for town versus countryside, for instance.

Many studies and various analyses of data portend positive signals on the effect of increased government spending on the economic growth of India. According to information gathered from the report by the Ministry of Finance, for every rupee spent on infrastructure, a multiplier effect on increased income and stimulation of subsequent economic activities is ensured. This is well evidenced in sectors like transportation and energy, where government investments created an enabling

environment for private sector growth. It is important, however, to note that not all such public spending has paid the same dividend. Whereas investments in both infrastructural and human capital have paid off, subsidies and transfers have not provided the necessary dividends as promoters of sustained growth. To illustrate this, general practices of transferring subsidies directly across many sectors result in poor targeting of resources or misallocations.

Government expenditure has actually been acting like the driving force for economic growth in areas like infrastructure, education, health, or social welfare in the Indian context. Though huge challenges lie ahead regarding inefficiency, fiscal deficits, and inequality in distribution, public spending has impacted India's development positively. What is desirable to sustain the growth momentum of the country is well-targeted and effectively executed government spending, particularly with regard to regional disparity and inclusive development [6].

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