



Research Article

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A Quantitative Analysis of Government Expenditure and Economic Growth in India (From 2014-15 to 2024-25)

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Abstract: Government spending continues to play an important role in supporting India's economic growth and development. The study examines the relationship between government expenditure and economic growth in India. The main objectives were to analyze the trends in revenue expenditure, capital expenditure, and Gross Domestic Product (GDP), and to evaluate the impact of government capital expenditure on economic growth. The study was based on the hypothesis that capital expenditure has a significant impact on economic growth. The study used secondary data collected from sources such as the Economic Survey, Union Budget documents, and other official government publications. The research methodology involved the use of descriptive statistics, trend analysis, correlation analysis, and regression analysis to examine the relationship between capital expenditure and GDP growth. The findings reveal that both revenue and capital expenditure increased during the study period, and GDP also showed an overall increasing trend despite fluctuations caused by economic shocks. The results indicate a moderate positive relationship between capital expenditure and economic growth; however, regression analysis shows that capital expenditure does not have a statistically significant impact on GDP growth at the 5% level of significance. The study suggests increasing productive capital expenditure, improving the efficiency of public expenditure, and ensuring the effective implementation of infrastructure projects to achieve sustainable economic growth.

Keywords: Government Expenditure, Gross Domestic Product, India.

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INTRODUCTION

The relationship between government spending and economic growth remains one of the oldest and most persistent inquiries in macroeconomics. In the Indian economy today, this debate gains urgency as the rising share of government expenditure in GDP amid fiscal consolidation efforts raises critical concerns about fiscal health, even as good governance and strong institutions play a pivotal role in sustaining economic growth. The impact of public expenditure on economic growth is an issue for analysis and debate, particularly in developing countries. A critical question is whether public expenditure increases the long-term steady-state growth rate of an economy. While the consensus is that public expenditure, particularly on physical infrastructure or human capital, can be growth-enhancing, the financing of such expenditures can also be growth-retarding due to disincentive effects associated with taxation (Kweka and Morrissey, 2000). The exact effects of public expenditure on growth remain contentious. The contentious issue is whether the impact of government size on economic growth is positive, negative, or insignificant. Different schools of thought have different conclusions on this contentious issue; hence, several theories have emerged that attempt to explain the relationship between expenditure and economic growth.

Keynesian theory posits that increased government spending boosts aggregate demand during

recessions, triggering multiplier effects where initial outlays lead to higher income, consumption, and output, potentially raising GDP by more than the expenditure amount. In contrast, Wagner (1912) argues that economic growth is the fundamental for public expenditure growth. The theory posits that there is a long-run relationship between economic growth and public expenditure. Wagner (1912) emphasizes that as income increases, there is a tendency for public expenditure to rise. Wagner (1912) further noted that there is a direct relationship between economic growth and public expenditure.

Government expenditure in India is broadly classified into revenue expenditure and capital expenditure. Revenue expenditure refers to spending incurred for the routine functioning of the government and does not result in the creation of physical or financial assets. It includes expenses such as salaries, pensions, interest payments, subsidies, and defence expenditure. In contrast, capital expenditure involves spending on the creation of long-term assets such as infrastructure, schools, hospitals, roads, and railways, as well as repayment of loans. Government spending in India has evolved significantly since independence in 1947, reflecting changing economic priorities, political strategies, and development goals. In the early decades after independence, government expenditure was primarily focused on post-partition rehabilitation,

defence, and building a strong industrial base. During the 1950s to 1970s, the government adopted a planned development strategy through Five-Year Plans, emphasizing public sector enterprises and heavy industries such as steel, energy, and infrastructure. Defence expenditure also constituted a large share of the budget during this period due to geopolitical tensions and wars. This phase laid the foundation for India's industrial and institutional development. From the 1970s to the early 1990s, government expenditure expanded significantly as the state increased its role in the economy. This period was marked by bank nationalization and the introduction of poverty alleviation and welfare programmes under policies such as Garibi Hatao. During this time, non-developmental expenditure such as subsidies, pensions, and interest payments began to rise rapidly, increasing pressure on government finances and contributing to higher fiscal deficits.

A major turning point came after the 1991 Indian Economic Liberalization, following a balance-of-payments crisis. Economic reforms shifted the government's role from being a direct producer of goods and services to acting more as a regulator and facilitator of economic activity. The government began focusing on fiscal discipline, especially after the introduction of the Fiscal Responsibility and Budget Management Act, 2003, which aimed to control fiscal deficits and improve macroeconomic stability. During the 2000s, however, government spending also increased in the social sector through major schemes related to rural employment, education, and health. Since around 2014, government expenditure policy has increasingly focused on structural reforms and capital expenditure-led growth. The government has significantly increased spending on infrastructure, including roads, railways, airports, digital infrastructure, and logistics, to stimulate economic growth and private investment.

India is the 4th largest economy in the world in terms of nominal GDP, which is only possible through a stable government with increasing government spending on socio-economic infrastructure to enhance and smooth the functioning of all economic activities. Government expenditure plays a crucial role in India's economic development and overall socio-economic stability. Capital expenditure, particularly on infrastructure such as roads, railways, energy, and digital infrastructure, promotes economic growth by increasing productivity, employment, and private investment. Government spending also supports income redistribution through welfare schemes, subsidies, rural employment programs, and social security measures aimed at reducing poverty and inequality. Additionally, public expenditure ensures the provision of essential public goods such as healthcare, education, sanitation, defence, and internal security, which are necessary for human development and social welfare. Thus, government expenditure acts as

a key policy tool for promoting growth, equity, and public welfare in India.

At present, India's economy shows stable growth supported by increasing government expenditure, particularly on infrastructure and capital investment. According to recent official estimates from the Ministry of Statistics and Programme Implementation and the Economic Survey of India, India's real GDP growth was about 6.5% in 2024–25 and is estimated to increase to around 7.4% in 2025–26. Government expenditure has also increased significantly, with total expenditure reaching about ₹46.56 trillion in 2024–25, and capital expenditure rising to ₹10.52 trillion, mainly for infrastructure development and economic growth promotion. These trends indicate that government spending continues to play an important role in supporting India's economic growth and development. The Union Budget 2025–26 highlights the Government of India's continued focus on growth-oriented public expenditure and fiscal management. The total government expenditure for 2025–26 is estimated at approximately ₹50.65 lakh crore, which is about 7.4% higher than the revised estimates of 2024–25. On the revenue side, total receipts excluding borrowings are estimated at ₹34.96 lakh crore, indicating that a significant portion of government spending will be financed through borrowings. A major policy focus in the budget is the expansion of capital expenditure, particularly in infrastructure sectors such as roads, railways, logistics, and state development projects, aimed at stimulating long-term economic growth and employment generation.

Rationale of the Study

The rationale for analyzing the relationship between government expenditure and economic growth in India from 2014–15 to 2024-25 lies in the structural shift toward capital expenditure, infrastructure development, fiscal reforms, and welfare expansion during this period. Studying this relationship helps evaluate the effectiveness of public expenditure in stimulating GDP growth, employment, and long-term economic development. This topic is important because it gives ideas about fiscal policy, public finance, economic growth models, and the practical impact of government spending on macroeconomic performance, policy making, and development planning.

Objectives of The Study

The study has one broad objective: to explore the relationship between government expenditure and economic growth. Under which the following sub-objects cover.

- To analyze the trend and growth pattern of government expenditure of India over the study period.
- To examine the trend of India's Gross Domestic Product in both absolute and relative terms during the study period.

- To evaluate the impact of Capital Expenditure on the growth rate of Nominal GDP using correlation and a Log-linear model.

Hypothesis of The Study

In order to examine the relationship between government expenditure and Nominal GDP Growth in India over the study period, the study formulates the following hypothesis.

Null Hypothesis (H₀):

Capital Expenditure does not have a significant impact on Nominal GDP in India during the period 2014–15 to 2024–25.

Alternative Hypothesis (H₁):

Capital Expenditure has a significant impact on Nominal GDP in India during the period 2014–15 to 2024–25.

Limitations of The Study

The present study is subject to certain limitations. The study is based entirely on secondary data collected from government sources such as the Economic Survey of India and the Ministry of Statistics and Programme Implementation, which may contain revised or updated figures over time. The study period is limited to 2014–15 to 2024–25 only, and the analysis is restricted to descriptive statistical tools, which may not fully capture complex causal relationships between government expenditure and economic growth.

LITERATURE REVIEW

1. **Barro (1990)** developed a theoretical endogenous growth model to examine the impact of government spending. He found that productive government expenditure financed by taxation can maximize the long-run growth rate, while excessive spending or unproductive taxation hinders growth.
2. **Devarajan et.al (1996)**. analyzed how expenditure composition affects growth in developing countries using a panel regression model. They found that while infrastructure spending is productive, higher expenditure on current items (like health/education) unexpectedly correlates with lower growth rates in some contexts.
3. **Kneller et al. (1999)** analysed how fiscal policy affects growth in OECD nations using panel regression to categorise expenditure as productive or unproductive. They found that productive spending and low distortionary taxes enhance growth, while high distortionary taxes and unproductive spending hinder it.
4. **Halicioğlu(2003)** investigated Wagner's Law in Turkey using cointegration and causality tests on 1960–2000 data. The findings support a long-run relationship, indicating that economic growth drives increased public expenditure, confirming Wagner's Law, rather than vice versa, in the Turkish context.
5. **Pierre-Richard Agénor (2006)** investigated how the composition of government spending affects long-run economic expansion. The objective is to analyze the trade-offs between allocating resources to productive activities. Findings indicate that maximizing growth requires a strategic balance, as excessive spending on infrastructure can lead to diminishing returns if not supported by adequate maintenance and investment in complementary public services
6. **Sajkumar Tulsidharan (2006)** investigated the empirical relationship between government spending and economic expansion in India. The objective is to determine if government expenditure promotes economic growth or if economic growth leads to increased government spending. Using time-series data from 1960 to 2000. The findings suggest a bidirectional causality, indicating that both hypotheses hold within the Indian context
7. **Bose et al.(2007)**. analyzed public expenditure's impact on developing country growth using disaggregated data and panel econometric techniques. They found that government capital expenditure significantly boosts growth, while total or current expenditures do not show a universally positive relationship across all countries.
8. **Dash & Sharma (2008)** using data from 1950–2007 and Engle–Granger cointegration, the study finds that developmental government expenditure significantly promotes economic growth. Investment and trade also contribute positively. The error correction mechanism indicates slow adjustment, with about one-third of disequilibrium corrected annually, implying a gradual fiscal impact on growth.
9. **Shing-Ying Wu. et al. (2010)** examined how the relationship between government spending and economic expansion varies across nations. The objective is to identify whether public expenditure acts as a stimulus or a hindrance to growth. Used a panel data approach covering multiple countries. Findings indicate that the positive impact of government spending on growth decreases as a country develops, suggesting that the effectiveness of fiscal policy is highly sensitive to the economic context.
10. **Usman et al. (2011)**. examined the relationship between public expenditure and Nigerian economic growth. Using **ARDL cointegration methodology** on time-series data, they found that capital expenditure positively impacts growth in the long run, while recurrent expenditure does not significantly boost it.
11. **P. Srinivasan (2013)** investigated the dynamic relationship between government spending and economic expansion. The methodology employs cointegration. The findings indicate a unidirectional causality running from economic growth to public expenditure, supporting **Wagner's Law** in the Indian context, rather than a Keynesian effect were spending drives growth. Would you like me to

analyze how these findings compare to more recent economic data from India?

12. **Sayantana Ghosh (2015)** investigated how investments in specific educational levels impact economic expansion. The objective is to disaggregate educational spending into primary, secondary, and tertiary sectors. Utilized annual time-series data from India. Findings indicate that while public expenditure on primary and secondary education significantly fosters economic growth, tertiary education expenditure shows a less pronounced or statistically insignificant impact, highlighting the importance of sector-specific fiscal policies.
13. **Bhatt & Sardoni (2016)**, emphasize the importance of expenditure composition, showing that higher productive spending supports economic growth and helps maintain debt sustainability. Even with fiscal deficits, a focus on productive expenditure can stabilize the debt-to-GDP ratio, highlighting its macroeconomic significance.
14. **Venkatraj (2017)**, analyzing 1991–2016 data with VAR and causality techniques, the study finds a bidirectional relationship between public expenditure and economic growth. It supports both Wagner's Law and Keynesian theory, showing that growth and government spending influence each other over the long run.
15. **Ashwani & Sheera (2017)**, using state-level panel data, find that capital expenditure and private investment positively affect economic growth, while revenue expenditure negatively impacts it. Tax and non-tax revenues show no significant influence, underscoring the importance of expenditure composition at the sub-national level.
16. **Gitana Dudzevičiūtė (2017)** examined the relationship between public spending and economic expansion across EU member states. The objective is to determine the impact of total and disaggregated government expenditure on GDP growth. Utilized panel data. Findings indicate a significant positive impact of total government expenditure on economic growth, supporting the Keynesian view, although results vary slightly when expenditure is disaggregated by function.
17. **Nyasha and Odhiambo's (2019)** paper reviews international literature regarding public expenditure's impact on economic growth. Utilizing a qualitative analysis of empirical studies, they found that results are inconclusive, ranging from positive to negative, though generally leaning towards a positive impact.
18. **Ahuja and Pandit (2020)** investigated the relationship between public spending and growth in developing countries. Using panel data regression, they found a positive, significant impact of government expenditure on GDP. They recommend strategic investment in infrastructure to maximize economic growth.
19. **Smitha Nayak (2021)** investigated the link between

public spending, environmental sustainability, and economic progress. The objective is to analyze how government expenditure supports circular economy principles. Utilized data from 1990 to 2019. Findings indicate that strategic public spending on environmental protection and resource efficiency positively impacts sustainable growth, highlighting the critical role of fiscal policy in transitioning towards a circular economy.

20. **Tripathi et al. (2025)**, applying cointegration and VECM to 1990–2023 data, the study confirms a long-run relationship between government spending and growth. Capital expenditure emerges as a major growth driver, and results support Wagner's Law, indicating that public expenditure significantly influences GDP growth.

Research Gap

After reviewing the above literature, it is found that many studies are based on long-term data (1960–2010) or on cross-country analysis. However, very few studies have focused on the recent period from 2014–15 to 2024–25 in the Indian context, especially using descriptive statistical analysis and graphical methods. Therefore, the present study aims to fill this gap by providing a recent quantitative analysis of the relationship between government expenditure and economic growth in India.

DATA AND METHODOLOGY

The study is based on secondary data collected from official sources such as the Economic Survey of India, publications of MoSPI, RBI reports, Union Budget documents, and other government records. The dataset includes variables such as government capital expenditure, total expenditure, Nominal GDP, and GDP growth rate for the study period. The analysis employs quantitative techniques to fulfil the study objectives. Descriptive statistics, including mean, growth rate, and trend analysis, are used to examine the pattern and growth of government expenditure and GDP. Government expenditure is analysed in both absolute terms and as a percentage of GDP to understand its relative importance over time. To examine the relationship between government expenditure and economic growth, correlation analysis is used to identify the degree and direction of association between capital expenditure growth and Nominal GDP growth. Further, a simple regression model is applied to estimate the impact of capital expenditure on GDP growth and to test the hypothesis.

Since the data are expressed in growth rates, a log-linear regression model is specified as:

$$\ln(GDPG_t) = \beta_0 + \beta_1 \ln(CAPEXG_t) + \varepsilon_t$$

where,

$GDPG_t$ = Nominal GDP growth rate, $CAPEXG_t$ = Capital expenditure growth rate,

β_0 = intercept, β_1 = elasticity coefficient, and ϵ_t = error term.

Thus, the study adopts a quantitative and econometric approach using descriptive and inferential methods to analyse the relationship between government expenditure and economic growth in India.

RESULT AND DISCUSSION

The study analyses the relationship between government expenditure and economic growth from 2014–15 to 2024–25 using trend, descriptive, correlation,

and regression analysis to evaluate the impact of capital expenditure on economic growth and understand the role of government spending during the study period.

Trend of Government expenditure in India (2014-15 to 2024-25)

The First objective of the study is to examine the trend and growth pattern of government expenditure in India, as it reflects the government’s fiscal policy priorities, development strategy, and the role of public expenditure in influencing economic growth during the study period.

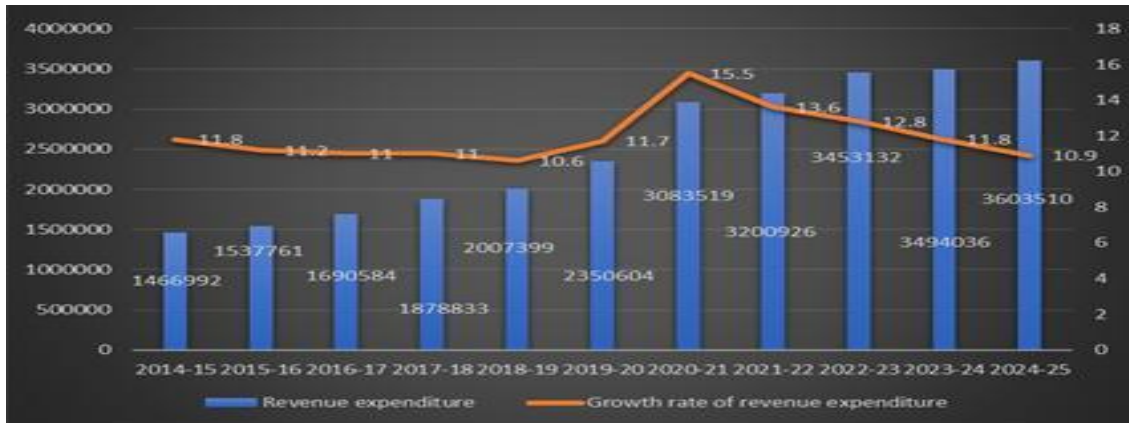


Figure 1- Revenue Expenditure and Its Growth Rate
Source: Economic Survey

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Revenue Expenditure (in Cr)	11	1466992	3603510	2524299.64	850798.802
Growth rate	11	11	16	12.18	1.601
Valid N (listwise)	11				

The descriptive statistics table presents the summary statistics of Revenue Expenditure and its Growth Rate for the study period with 11 observations. The mean value of Revenue Expenditure is 2,524,299.64 crore, which indicates that, on average, the government spent around this amount on revenue expenditure during the study period. The minimum and maximum values are 1,466,992 crore and 3,603,510 crores, respectively, showing a continuous increase in revenue expenditure over time. The standard deviation of 850,798.802

indicates a moderate level of variation in revenue expenditure, suggesting fluctuations in government spending across the years. The growth rate of revenue expenditure has a mean of 12.18 percent, with a minimum of 11 percent and a maximum of 16 percent. The standard deviation of 1.601 indicates that the growth rate is relatively stable with minor fluctuations during the study period. Overall, the descriptive statistics indicate an increasing trend and stable growth in revenue expenditure over the year.

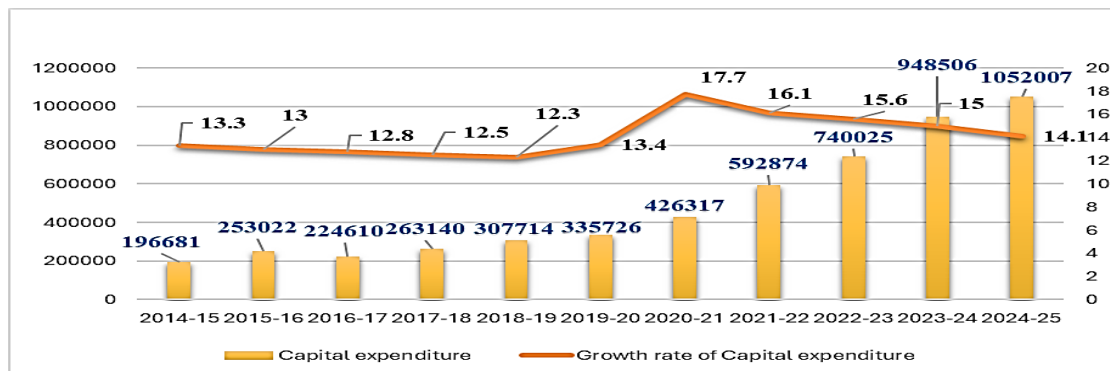


Figure 2- Trend of Capital Expenditure

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Capital expenditure	11	196681	1052007	485511.09	303995.004
Growth rate of Capital expenditure	11	12	18	14.09	1.921
Valid N (listwise)	11				

The descriptive statistics indicate that capital expenditure has a mean value of 485,511.09 with a relatively high standard deviation, showing significant fluctuations in government capital expenditure over the study period. The minimum and maximum values suggest that capital expenditure increased substantially over time. The growth rate of capital expenditure has an average of 14.09% with lower variation, indicating a relatively stable growth trend. Overall, the results show that although capital expenditure fluctuated in absolute terms, the overall trend remained increasing, reflecting

the government’s increasing focus on infrastructure development and long-term economic growth.

Trend of India's Gross Domestic Product (2014-15 to 2024-25)

The second objective of the study is to examine the trend of India’s Gross Domestic Product up to 2024–25, as GDP represents the overall economic performance of the country and indicates the growth pattern and structural progress of the economy during the study period.

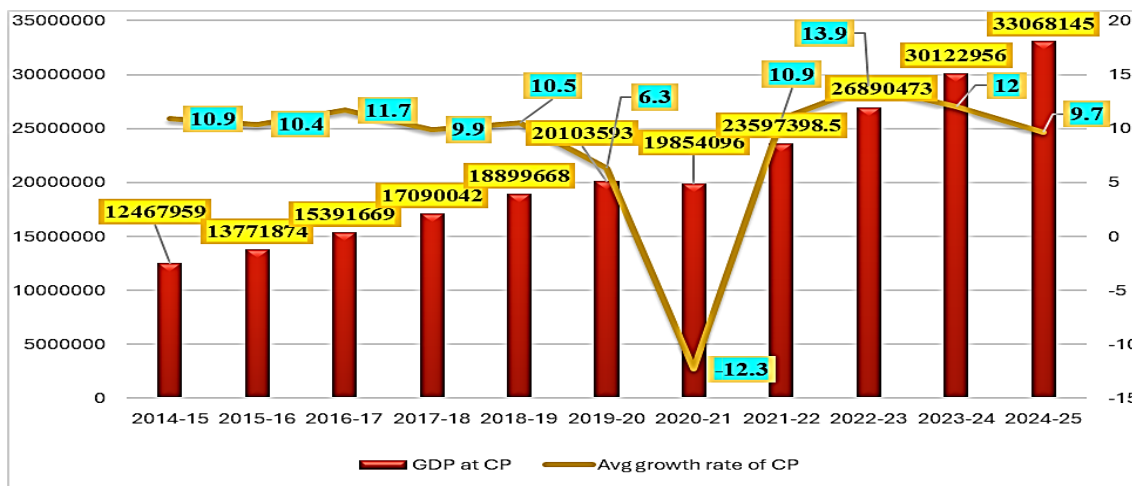


Figure 3: Trends of India’s Nominal GDP
Source: Economic Survey

Variables	N	Minimum	Maximum	Mean	Std. Deviation
GDP at CP	12	12467959	35713880	22247646.12	7665994.146
Avg growth rate of CP	12	-12.3000	13.9000	8.491667	6.8218177
Valid N (listwise)	12				

The descriptive statistics results indicate that India’s Nominal GDP at Current Prices increased significantly during the study period, as reflected by the large difference between the minimum and maximum GDP values. The mean GDP value suggests a consistent upward trend in economic size over time. The average GDP growth rate of 8.49% indicates moderate economic

growth, although the negative minimum growth rate (-12.3%) reflects the economic contraction caused by the COVID-19 pandemic and nationwide lockdown. The relatively high standard deviation in growth rate indicates fluctuations in economic performance due to external shocks, policy changes, investment levels, and government expenditure patterns during the study period.

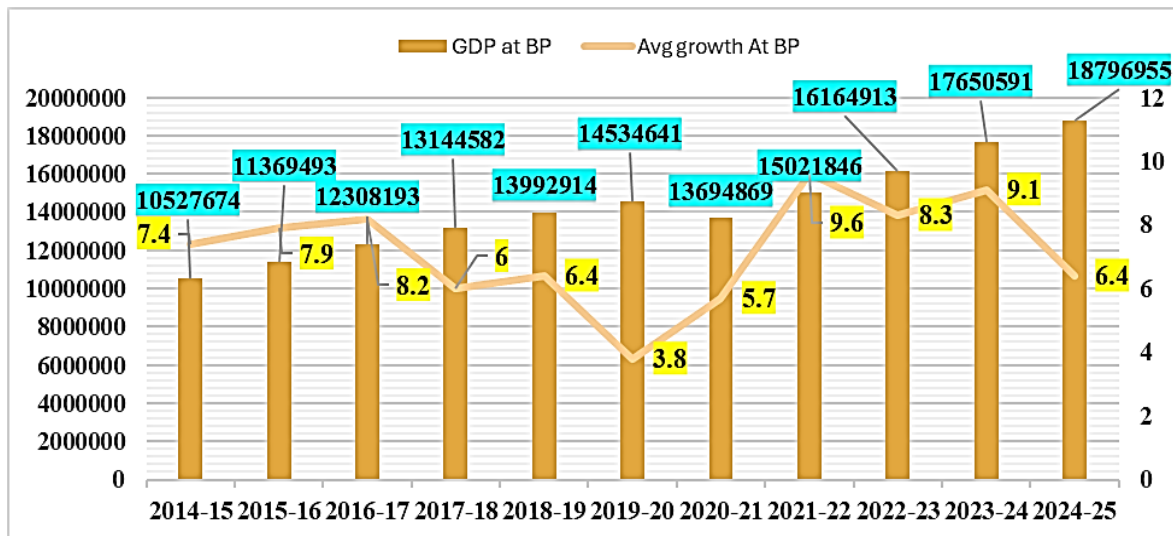


Figure 4: Trends of India's Real GDP
 Source: Economics Survey

Descriptive Statistics					
Variable	N	Minimum	Maximum	Mean	Std. Deviation
GDP at BP	12	10527674.0	20189919.0	14783049.167	2953815.3550
Avg. growth at BP	12	3.8000	9.6000	7.183333	1.60146113
Valid N (listwise)	12				

The descriptive statistics reveal that India's Nominal GDP at Base Prices exhibited a steady upward trend during the study period, as indicated by the rise from the minimum to the maximum values. The mean GDP suggests consistent economic expansion over time. The average growth rate of 7.18% reflects stable and moderate economic growth, while the relatively low standard deviation indicates limited fluctuations compared to current price estimates. This stability can be attributed to controlled inflation effects and sustained government expenditure, investment, and structural reforms. Overall, the results imply that real economic growth remained resilient, supported by productive sector performance and policy measures.

The trend analysis of GDP in India from 2014–15 to 2024–25 shows that both Nominal GDP and Real GDP followed an overall upward trend during the study period, indicating sustained economic growth. However, growth rates fluctuated due to economic shocks such as demonetization, GST implementation, and the COVID-19 pandemic. Nominal GDP showed higher variability due to inflation effects, while Real GDP growth remained relatively stable. Overall, the findings suggest that the Indian economy experienced steady long-term growth despite short-term economic disruptions.

Impact of Capital Expenditure on Nominal GDP In India

The last objective of the study is to evaluate the impact of capital expenditure on the growth rate of Nominal GDP using correlation analysis and a log-linear

regression model to measure the relationship and magnitude of impact between these variables. The analysis helps to understand whether an increase in government capital expenditure leads to a proportional increase in economic growth and to what extent public investment contributes to overall economic expansion during the study period.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.578 ^a	.334	.260	6.15505

The model summary indicates the relationship between capital expenditure growth rate and Nominal GDP growth rate. The correlation coefficient (R) value of 0.578 shows a moderate positive relationship between capital expenditure growth and Nominal GDP growth in India. The R-Square value of 0.334 implies that approximately 33.4% of the variation in Nominal GDP growth rate is explained by changes in capital expenditure growth rate, while the remaining variation is influenced by other economic factors such as private investment, consumption, exports, and inflation. The Adjusted R-Square value of 0.260 indicates the explanatory power of the model after adjusting for the number of predictors. The standard error of the estimate (6.15505) shows the average deviation of actual GDP growth from the predicted values, indicating moderate prediction accuracy of the regression model.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	42.430	16.076		
Growth rate of Capex	-2.393	1.127	-.578	-2.123	.063

a. Dependent Variable: Growth rate of Nominal GDP

Based on the above table of the regression coefficient results, the coefficient of the growth rate of capital expenditure is -2.393 with a p-value (Sig.) of 0.063. The p-value is greater than the 5% significance level (0.05) but less than the 10% significance level (0.10). This indicates that the capital expenditure growth rate does not have a statistically significant impact on the nominal GDP growth rate at the 5% level of significance, although it is significant at the 10% level. Therefore, at the conventional 5% significance level, the null hypothesis (H₀) is accepted, and the alternative hypothesis (H₁) is rejected. This implies that government capital expenditure does not have a significant impact on Nominal GDP growth in India during the period 2014–15 to 2024–25. However, the negative coefficient suggests an inverse relationship during the study period, which may be due to time lag effects of capital expenditure, economic shocks such as COVID-19, or variations in government spending efficiency.

FINDINGS AND POLICY SUGGESTIONS

The findings presented below are derived from descriptive statistics, trend analysis, and regression results, which help to understand the nature of government spending and its role in influencing economic growth during the study period. The analysis shows that government revenue expenditure in India increased consistently during the study period, with a stable growth rate and moderate variation. Capital expenditure in India increased significantly during the study period, indicating greater government investment in infrastructure and public assets to promote economic growth and employment. The growth rate of capital expenditure in India averaged 14.09%, showing moderate variability during the study period. The government periodically increased capital spending to stimulate economic growth, particularly during economic slowdowns and the post-COVID recovery period, reflecting the role of public investment in supporting infrastructure development and economic expansion. Nominal GDP of India increased significantly during the study period, reflecting strong economic expansion driven by inflation, population growth, and the growth of the service and industrial sectors. However, the growth rate fluctuated due to economic disruptions such as the Demonetization in India, the Goods and Services Tax in India, global slowdown, and the COVID-19 pandemic. In contrast, Real GDP showed a steady upward trend with relatively stable growth, reflecting actual production growth supported by agriculture,

industry, services, infrastructure development, and government expenditure. The study indicates a moderate positive relationship between capital expenditure and GDP growth in India, suggesting that public investment in infrastructure and capital assets supports economic growth by improving productivity and industrial development. However, the low R² value shows that capital expenditure alone cannot fully explain GDP growth, as other macroeconomic factors also play important roles. The standard error indicates moderate variation between actual and predicted GDP growth, while economic shocks such as the Demonetization in India, the Goods and Services Tax in India, and the COVID-19 pandemic also affected economic performance.

The study suggests that the Government of India should increase budget allocation toward productive capital expenditure in sectors such as infrastructure, manufacturing, logistics, and energy, as these sectors promote long-term economic growth, productivity, and employment generation. It also emphasizes the need for efficient utilization of public funds by reducing project delays, cost overruns, and resource misallocation through proper monitoring, evaluation, and transparency. The government should reduce non-productive revenue expenditure and shift more resources toward capital expenditure for infrastructure development. Additionally, maintaining a stable fiscal policy, controlling the fiscal deficit, and ensuring balanced expenditure across agriculture, industry, services, education, and health sectors are important for inclusive and sustainable economic growth. Furthermore, improving project planning, implementation, and monitoring systems and adopting data-driven policy planning and econometric analysis in budgeting can enhance the effectiveness of government expenditure on economic growth.

CONCLUSION

The study examined the relationship between government expenditure and economic growth in India during the period from 2014–15 to 2024–25 using descriptive statistics, trend analysis, correlation, and regression analysis. The study found that both revenue expenditure and capital expenditure showed an increasing trend during the study period, reflecting the expanding role of government in economic development and welfare activities. While revenue expenditure increased steadily due to recurring obligations such as subsidies, salaries, pensions, and interest payments, capital expenditure increased with fluctuations, mainly influenced by fiscal policy priorities and economic

conditions. The analysis also revealed that both Nominal GDP and Real GDP of India showed an overall upward trend, indicating sustained economic growth despite fluctuations caused by economic shocks such as demonetization, GST implementation, and the COVID-19 pandemic. The correlation and regression results indicated a moderate positive relationship between capital expenditure and economic growth; however, the regression results showed that capital expenditure did not have a statistically significant impact on GDP growth at the 5% significance level. This suggests that economic growth in India is influenced not only by government expenditure but also by other macroeconomic factors such as private investment, consumption, exports, and global economic conditions. Overall, the study concludes that government expenditure plays an important role in supporting economic growth in the long run, particularly through capital expenditure on infrastructure and development projects. However, the impact of capital expenditure on economic growth may occur with a time lag, and therefore, efficient allocation and proper implementation of public expenditure are essential for achieving sustainable economic growth.

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