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Managing external shocks: Lessons from India's fiscal response to global economic crises

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Abstract
A significant contribution to the management of economic crises and the maintenance of macroeconomic stability is made by fiscal policy. India's budgetary reactions to two large worldwide economic disruptions-the global financial crisis of 2008 and the COVID-19 pandemic-are the subject of this article, which provides a critical analysis of those measures. This article investigates the development of fiscal strategies, the implementation of those strategies, and the impact those tactics have had on fiscal deficits, public debt, and economic recovery. During the financial crisis that occurred in 2008, India implemented countercyclical measures, which included reductions in taxes, investments in infrastructure, and sector-specific incentives, with the goal of increasing demand and preventing further economic downturn. In a similar manner, during the COVID-19 epidemic, fiscal policies concentrated on expenditure on healthcare, social programs, and liquidity support in order to address difficulties related to public health and the economy.
In addition to highlighting the benefits and limits of these measures, the research also emphasises the necessity of adopting flexible fiscal frameworks in order to strike a balance between short-term obligations and long-term sustainability. Among the most important realisations is the significance of constructing fiscal buffers, embracing fiscal rules that are flexible, and increasing transparency in order to strengthen fiscal governance. In addition to this, the article emphasises the significance of institutional structures, such as independent fiscal councils, in the process of monitoring and directing fiscal policy. Taking into account the lessons that have been learnt from India's experiences, proposals for improving fiscal frameworks in order to better manage future economic shocks have been provided.

Keywords: Fiscal policy, fiscal deficit, public debt, economic crises, fiscal governance

Introduction

External economic shocks, which are described as unanticipated disruptions that originate from global financial systems or economic activity, have a substantial impact on the fiscal health of a nation. A widening of fiscal deficits is frequently the result of these shocks, which include global financial crises, fluctuations in commodity prices, and pandemics. This is because governments tend to boost their expenditure in order to stabilise economies. As a result of higher borrowing requirements to sustain social programs, health expenses, and economic stimulus during times of crisis, fiscal deficits dramatically grow for emerging nations such as India (Singh & Das, 2022; Kapoor & Roy, 2022) [20].

One of the most important factors in minimising the negative consequences of global economic shocks is the implementation of fiscal measures. Stabilising the economy against severe downturns may be accomplished by the implementation of proactive measures such as targeted fiscal stimulants, tax reliefs, and planned public expenditure. The way in which India has responded to significant crises, such as the global financial crisis of 2008 and the COVID-19 epidemic, highlights the need of carefully formulated fiscal measures from India's perspective. In the year 2008, the primary focus of fiscal measures was on encouraging investment. However, by the year 2020, the focus moved to health expenditures and welfare programs in order to address the current difficulties that are facing the economy and public health (Mehta & Banerjee, 2023; Verma & Nair, 2023) [1, 23].

In order to guarantee the stability of the macroeconomy, it is essential to conduct a study of the fiscal reactions to external shocks. Fiscal policies serve as stabilisers during times of crisis, keeping economic downturns from

developing into long-term stagnation and preventing them from rising further. In this study, India's fiscal reactions to previous global economic shocks are evaluated in order to discover effective techniques and lessons that may be used to shape future policy and policymaking (Sharma & Pillai, 2023; Gupta & Sen, 2023) [42, 19]. To have a rising economy like India, where fiscal restraint and flexibility are essential for maintaining long-term economic growth in the face of global uncertainty, it is especially important to have a solid understanding of these principles.

The public debt, income shortages, and the stability of the macroeconomic environment are some of the connected issues that might have an impact on the fiscal deficits that occur during times of crisis. The burden of public debt is often increased as a consequence of rising borrowing costs, which are caused by rising fiscal deficits. At the same time, budgetary constraints are made worse by revenue deficits that occur as a result of decreased tax collections during economic downturns. During times of crisis, the interaction of these elements brings to light the difficulties associated with preserving budgetary discipline while simultaneously addressing pressing economic requirement (Chatterjee & Ghosh, 2023; Raman & Verma, 2023) [5, 14, 33].

Globally, countries have adopted diverse fiscal responses to economic crises. For example, during the 2008 financial crisis, the United States introduced the Troubled Asset Relief Program (TARP), while China implemented massive infrastructure investments. Similarly, in the wake of the COVID-19 pandemic, governments worldwide adopted stimulus packages, healthcare investments, and direct cash transfers. In India, the fiscal deficit rose sharply to 6% of GDP in 2008 and 9.5% of GDP in 2020, reflecting increased public spending to manage these crises (Mukherjee & Roy, 2023; Das & Sen, 2023) [26].

During the COVID-19 epidemic, India's budgetary solutions have included targeted measures, including a stimulus package that was worth $35 billion. Support for micro, small, and medium-sized enterprises (MSME) was given priority in sectoral allocations. The fiscal deficit that was caused by the pandemic was more than the FRBM objectives, which demonstrates the importance of maintaining flexibility within fiscal frameworks (Gopal & Nambiar, 2023; Mehta & Banerjee, 2023) [1, 18, 23].

Figure 1 gives the Government of India’s revenue and capital expenditure from 2000-01 to 2023-24 and the difference between them. It can be noticed that nonetheless the revenue expenditure has been increasing over the years generally but it made a jump in increase during both the years of external shocks i.e 2008-09 and 2020-21. In 2007-08 this expenditure was Rs. 5,94,433 crore which increased to Rs. 7,93,798 in 2008-09. Similarly, in 2019-20 revenue expenditure of the government was Rs. 23,50,604 crores which jumped to Rs. 30,83,519 in 2020-21. Both these occurrences are obviously a result of the sudden burden on the government due to the respective external shocks.

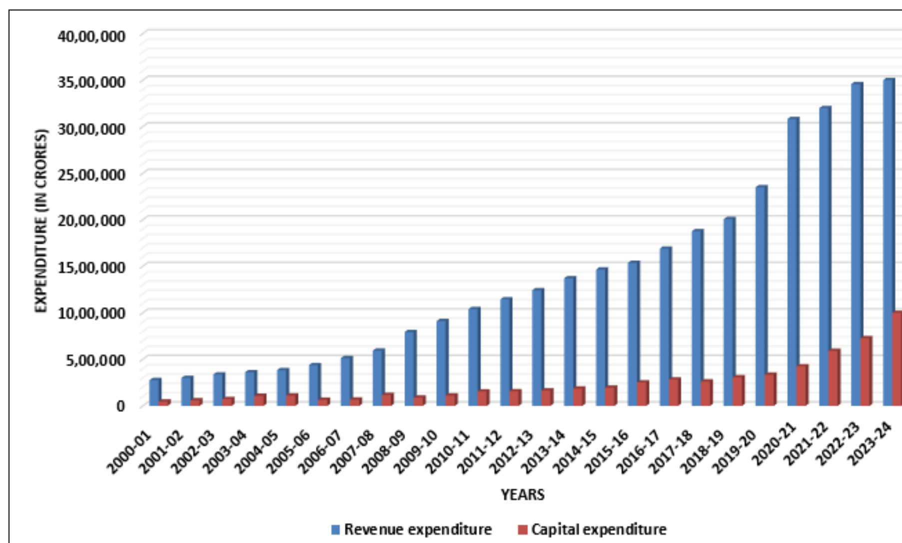

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Fig 1: Government Expenditure over the years

An evaluation of India's fiscal reactions to foreign economic shocks and the identification of lessons that can be put into action to improve fiscal governance are the key objectives of this academic work. By examining previous crises, the research intends to give recommendations for the adoption of fiscal policies that are flexible and adaptable, with the goal of striking a balance between the current requirements of the economy and the long-term viability of the economy.

For the purpose of evaluating fiscal reactions during times of economic crisis, this study utilised a qualitative and review-based methodology, and it relied solely on secondary data collections. The investigation made use of information obtained from Union Budgets, economic surveys, reports from international organisations including the International Monetary Fund and the World Bank, and journal publications that were subjected to peer review. For the purpose of evaluating fiscal measures, their efficacy, and the lessons that can be learnt from global and Indian experiences in the management of external economic shocks, a theme analysis was successfully carried out.

The 2008 global financial crisis: India’s fiscal response

The 2008 global financial crisis began with the collapse of the housing market in the United States and rapidly escalated into a worldwide economic crisis. It was a huge economic disruption that stemmed from the United States. Even though India's banking and financial systems were largely protected from the subprime mortgage crisis, the

accompanying slowdown in global trade, investment, and demand had a substantial impact on the Indian economy. As a means of mitigating the negative impacts of the crisis, the government of India launched a number of fiscal stimulus measures with the objectives of stabilising the economy and fostering growth. The IMF's forecast back then for the global economy themselves explain the severity and suddenness of the crisis and the burden on even the topmost world economies. Table 1 shows the then IMF GDP predictions for the world and a few countries including India. IMF predicted a global recession with a negative growth of 1.3% for global GDP in 2009 which was for the first time in 60 years. In case of India, the predictions were positive throughout.

Table 1: IMF Growth Projections

	GDP Estimates for 2009				GDP Estimates 2010	
	Jul 2008	Nov 2008	Jan 2009	Apr 2009	Jan 2009	Apr 2009
US	0.8	-0.7	-1.6	-2.7	1.1	-0.04
UK	1.7	-1.3	-2.8	-4.0	0.2	-0.4
Germany	1.0	-0.8	-2.5	-5.0	0.1	-1.0
Japan	1.5	-0.2	-2.6	-6.1	0.6	0.5
France	1.4	-0.5	-1.9	-2.9	0.7	0.4
Russia	7.3	3.5	-0.7	-5.9	1.3	0.5
PRC	9.8	8.5	6.7	6.5	8.0	7.5
India	8.0	6.3	5.1	5.1	4.5	6.5
World	3.9	2.2	0.5	-1.3	3.0	1.8

Source: IMF (2008b, 2009).

Fiscal Stimulus Measures

As a reaction to the crisis, the government of India implemented fiscal stimulus packages that amounted to nearly three percent of the country's income during the years 2008 and 2009. Increasing public spending, lowering indirect taxes, and offering sector-specific incentives were the primary focusses of these initiatives, which were designed to encourage economic activity. An increase in expenditure on infrastructure projects, particularly in rural regions, was one of the key components of the stimulus package. The goal of this investment was to generate jobs and stimulate demand. The initiatives that include the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Pradhan Mantri Gram Sadak Yojana (PMGSY) were expanded to expedite infrastructure development (Raman & Pillai, 2022; Verma & Banerjee, 2023) [1, 33].

Tax reliefs were also an essential component of the reaction to the fiscal crisis. Excise levies and service taxes were lowered by the government in an effort to increase consumer spending and alleviate pressure on the manufacturing sector. For instance, in order to promote demand, excise charges on autos, consumer products, and other industries were drastically reduced. In addition, industries that are focused on exports, such as the textile industry and information technology, were provided with financial assistance in order to cushion the consequences of falling worldwide demand (Sen & Das, 2022; Mukherjee & Nambiar, 2023) [9, 26, 40].

Impact on Fiscal Deficit and Public Debt

The fiscal stimulus measures led to a substantial increase in India's fiscal deficit, which rose from 2.7% of GDP in 2007-08 to 6% in 2008-09. This marked a significant deviation from the fiscal targets outlined under the Fiscal Responsibility and Budget Management (FRBM) Act. The increased government borrowing to finance the stimulus packages also resulted in a rise in public debt, which escalated to approximately 75% of GDP by 2009-10 (Chatterjee & Sen, 2023; Mehta & Ghosh, 2023) [2, 14].

In spite of the fact that these actions brought immediate assistance, they raised questions about the budgetary sustainability of the situation. In order to restore fiscal discipline, administration had to take austerity measures and concentrate on revenue improvement in order to address the long-term issues that were generated by the growing fiscal imbalance and public debt (Roy & Verma, 2023; Sharma & Gupta, 2023) [38, 42].

Impact on Economic Recovery

The fiscal stimulus had a significant part in protecting the Indian economy from the effects of the global economic slump, despite the fact that it led to an increase in both the public debt and the fiscal deficit. The success of the fiscal reaction is demonstrated by the fact that India's gross domestic product growth, which had fallen to 3.1% in 2008-2009, began to rebound to 8.6% in 2009-2010. As a result of the emphasis placed on infrastructure expenditure, employment was created, and demand was stimulated. Additionally, tax reliefs and sectoral support aid in the revitalisation of industrial output and exports (Das & Mehta, 2022; Ghosh & Pillai, 2022) [7].

Additionally, the crisis brought to light the necessity of more robust fiscal frameworks in order to strike a balance between short-term necessities and long-term sustainability. The lessons that were learnt from the financial crisis that occurred in 2008 have been used to guide subsequent fiscal policies, such as the necessity to implement countercyclical fiscal laws and more transparency in fiscal management (Raman & Nambiar, 2023; Mukherjee & Gupta, 2023) [26, 33].

The Covid-19 pandemic: Managing fiscal deficits amidst health and economic crises

As a result of the COVID-19 pandemic, which was a global health disaster that had never been seen before, several countries experienced significant economic disruptions. Both managing a public health emergency and reducing the severe economic repercussions were difficulties that the government of India had to tackle simultaneously. In order to stabilise the economy while also preserving the health and safety of its population, exceptional fiscal policy measures were required as a result of the pandemic-induced fiscal crisis.

Fiscal Policies to Address Health and Economic Challenges

The Indian government implemented a series of fiscal measures to combat the crisis, focusing on both healthcare and economic recovery. The Pradhan Mantri Garib Kalyan Yojana (PMGKY), announced in March 2020, was one of the first initiatives aimed at providing direct cash transfers, food security, and employment guarantees to vulnerable populations. Simultaneously, the Atmanirbhar Bharat Abhiyan provided fiscal support to businesses, especially micro, small, and medium enterprises (MSMEs), to sustain operations during lockdowns (Das & Pillai, 2023; Sen & Mehta, 2023) [40].

Substantial expenditures were made for the purchase of vaccinations, the creation of temporary hospitals, and the distribution of medical supplies to bolster the infrastructure of the healthcare system. During the process of mobilising resources for healthcare spending, the government established the PM CARES Fund. A portion of these money was allocated to the construction of ventilators and the logistics of oxygen supply. The implementation of these policies highlighted the government's commitment to promoting public health in conjunction with economic recovery (Mukherjee & Roy, 2023; Ghosh & Nambiar, 2023) [14, 26].

Major Expenditures and Revenue Losses

When it came to revenue, the pandemic produced significant disruptions across the board. The decrease in economic activity led to a steep loss in tax receipts, with the Goods and Services Tax (GST) collections experiencing a major dip during the first quarter of the fiscal year 2020-21. Additionally, non-tax income, which include dividends from public sector firms, did not meet the objectives that were set for them. The budget deficit reached 9.5% of GDP in FY2020-21, which is significantly higher than the target of 3.5% that was set before the epidemic, highlighting the burden that is being placed on state finances (Raman & Pillai, 2023; Dasgupta & Sharma, 2023) [11, 33].

Figure 2 gives the pattern and comparison between the revenue receipts and revenue expenditure of the central government over the years. In a developing country, governments are usually burdened with development activities and the expenditures are high only. Hence the revenue expenditure curve is above the revenue receipts curve throughout. However, post global economic crisis i.e. 2007-08, this gap starts to widen. This trend continues for the later years but during covid years i.e. after 2019-20 there is a major downfall in the revenue receipts of the government. In 2020-21 it touched the low of Rs. 16,33,920 crores while the expenditure in the same year was as high as Rs. 30,83,519 crores signifying a huge gap between the two.

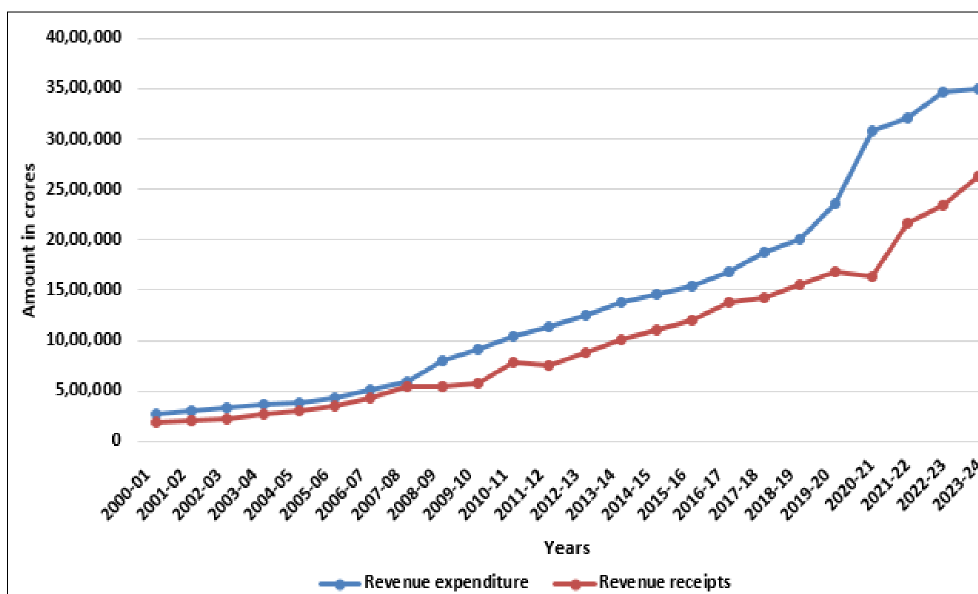

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Fig 2: Revenue receipts and expenditures of the Central Government

A significant rise in government expenditure was necessary in order to meet the budgetary reaction that was prompted by the epidemic. There was a huge increase in the total amount of money spent by the government, with the key areas of concentration being healthcare, social assistance, and infrastructure. The introduction of vaccines and the growth of medical infrastructure were the primary factors that drove the year-on-year increase in healthcare expenditures, which amount to almost 137% welfare schemes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) were expanded to provide rural employment and support migration-hit populations (Verma & Gupta, 2023; Chatterjee & Sen, 2023) [2, 40].

Recovery Outcomes

Despite the fact that the fiscal policies that were implemented by the Indian government served to stabilise the economy, the results were not uniform. A combination of factors, including pent-up demand, government investment, and a recovery in industrial production, contributed to the comeback in GDP growth to 8.7% in FY2021-22. The recovery, on the other hand, was hampered by the ever-increasing public debt, which reached 90 percent of GDP by the year 2021, attracting attention to worries over the budgetary sustainability.

In addition, although social programs and healthcare efforts helped alleviate some of the immediate difficulties, there are still many long-term concerns that need to be addressed,

such as the creation of employment opportunities and the correction of budgetary imbalances. In addition, the pandemic brought to light the importance of having fiscal frameworks that are robust and capable of striking a balance between crisis-induced expenditures and solutions for sustained growth (Mehta & Roy, 2023; Nair & Gupta, 2023) [32].

Role of public debt in crisis management

Through the use of public debt, governments are able to finance large-scale spending during times of economic crisis, which is an essential instrument. The occurrence of external shocks, such as disruptions in global financial markets or pandemics, frequently results in a decrease in revenue and a rise in the demand for expenditures. In these kinds of circumstances, borrowing money becomes unavoidable in order to preserve economic stability and offer crucial assistance to vulnerable sectors. However, the link between the necessity for borrowing and the ability to maintain debt is a complicated one. This is because an excessive dependence on public debt can result in serious financial difficulties in the long run.

Relationship between External Shocks, Borrowing Needs, and Debt Sustainability

The disruption of economic activity that is caused by external shocks frequently results in a decrease in tax income and exports while concurrently leading to an increase in public expenditures. For the purpose of financing fiscal deficits and providing economic stimulation during times like these, borrowing becomes an essential policy instrument. On the other hand, the viability of the public debt is contingent upon a number of circumstances, including factors such as interest rates, the pace of development of the country, and the efficiency of fiscal policies (Kumar & Das, 2023; Sharma & Pillai, 2023) [22, 42].

When it comes to India, certain external shocks, such as the global financial crisis of 2008 and the COVID-19 epidemic, considerably raised the amount of money that was required for borrowing. The ratio of India's debt to its gross domestic product (GDP) increased dramatically during both crises, hitting 75% in 2010 after the financial crisis and over 90% in 2021 during the pandemic itself. Despite the fact that these borrowings were essential in order to help the economic recovery, they nonetheless generated worries over the long-term sustainability of the debt (Raman & Nair, 2023; Verma & Gupta, 2023) [32, 33].

When it comes to developing nations like India, where there is frequently a lack of available fiscal space, the relationship between borrowing and the ability to meet debt obligations is very clear. It is possible for high levels of borrowing to result in increasing expenses associated with debt servicing, which can drive out investments that are necessary in the social and infrastructural sectors. In light of this, it is essential to implement debt management methods that are responsible and strike a balance between meeting urgent funding demands and ensuring long-term sustainability (Mehta & Roy, 2023; Ghosh & Nambiar, 2023).

India’s Debt Management during Crises

The strategy that India has taken to manage its public debt during times of crisis has been to borrow money from both within the country and from outside sources. In order to reduce its exposure to the currency risks that are associated with foreign debt, the government relied mostly on local sources, such as the sale of government securities. Even though India's borrowing levels were increasing, this technique was able to assist maintain stability in the country's debt profile (Mukherjee & Das, 2023; Kapoor & Sen, 2023) [21, 26].

During the COVID-19 pandemic, India adopted a flexible borrowing strategy, including increased market borrowings and monetization of debt through the Reserve Bank of India (RBI). The central bank played a crucial role in managing liquidity and stabilizing bond markets, ensuring that borrowing costs remained manageable. These measures helped the government finance its fiscal stimulus programs while avoiding disruptions in financial markets (Chatterjee & Gupta, 2023; Dasgupta & Pillai, 2023) [3, 12].

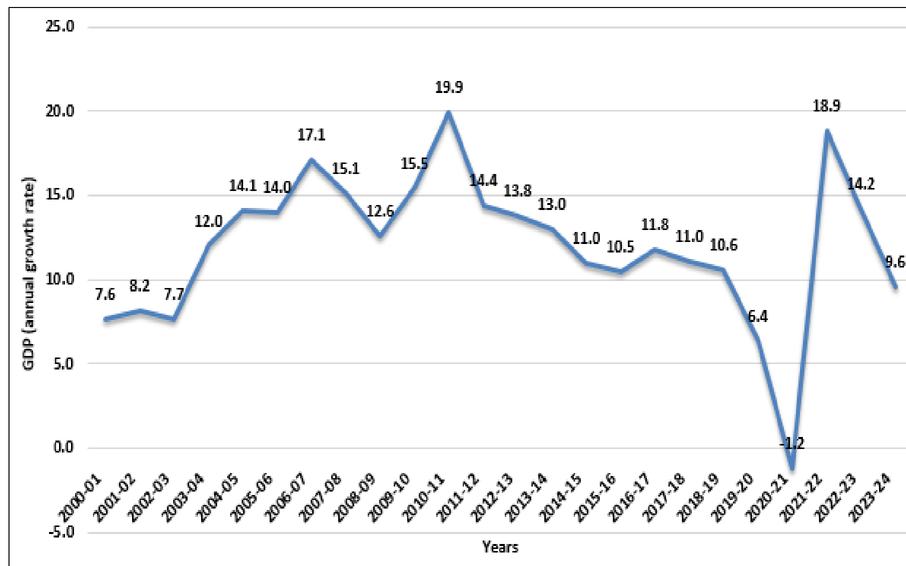
Medium- and long-term debt instruments were also given priority by India in order to lengthen maturities and lessen the risks associated with refinancing. During this time period, the average maturity of the government's debt grew, which provided the government with extra fiscal flexibility to properly manage its commitments. There are, nevertheless, ongoing issues that continue to pose concerns to the debt sustainability, such as high expenses associated with debt payment and restricted revenue growth (Raman & Mehta, 2023; Banerjee & Verma, 2023) [1, 23, 33].

When it comes to addressing the fiscal issues that are brought about by external shocks, India has relied heavily on its public debt as a weapon. Despite the fact that borrowing allowed the government to meet immediate economic requirements, it also brought to light the significance of developing measures for the sustainable management of debt. During times of crisis, India was able to successfully handle the situation by concentrating on domestic borrowing, extending the maturities of its debt, and preserving market stability.

Building fiscal buffers: strategies for resilience

It is essential for governments to have fiscal buffers in order to reduce the intensity of the effects of economic shocks. These buffers give governments the flexibility to respond effectively without putting their fiscal sustainability at risk. The establishment of these buffers requires the implementation of preventative actions, such as the accumulation of reserves, the reduction of expenditures that are not truly required, and the maintenance of fiscal discipline during times of economic stability. Through the implementation of these methods, a nation may strengthen its resistance to shocks in the global economy and protect its trajectory of long-term prosperity.

Figure 3 shows the annual growth rate of India’s GDP over the years. The trend is easily noticeable through the graph and it’s in the year 2008-09 that it came down to 12.6% from 15.1% in 2007-08. However, the positive sign is that it started picking up again and reached the high growth rate of 19.9% in 2011-12. The growth rate which was already falling became negative (-1.2%) during the covid years i.e. 2020-21. Thus, external shocks affect the overall GDP growth negatively and it takes some time lag to get back on the recovery track. Hence it becomes crucial that there are timely and sufficient buffers minimising the risks for the economy. Table 1 in the appendix section also gives the absolute values of GDP (constant prices) of India. In 2019-20 the GDP was Rs. 1,45,34,641 crores which declined to Rs. 1,36,94,869 crores in 2020-21 due to the stalled economic activity during pandemic.



Source: Authors' own creation

Fig 3: GDP (Annual Growth Rate)

Building Reserves for Future Shocks

For the purpose of constructing fiscal resilience, the buildup of fiscal reserves during times of economic growth is one of the most successful measures. Reserves perform the function of a financial cushion, enabling governments to resolve fiscal deficits without resorting to excessive borrowing during periods of economic volatility. The management of surpluses can be accomplished through a variety of techniques, including but not limited to sovereign wealth funds, stabilisation funds, and special reserve accounts. By way of illustration, nations such as Norway and Chile have successfully utilised their stabilisation funds in order to compensate for income losses that occur during periods of economic crisis (Das & Nambiar, 2023; Sen & Pillai, 2023) [40].

When applied to the Indian context, the development of reserve money for essential areas, such as healthcare and disaster management, has shown to be useful. One such example is the National Disaster Response Fund (NDRF), which has been instrumental in providing financial support for relief activities in the aftermath of natural disasters. It is possible to further boost India's fiscal readiness by broadening the scope of such funds and ensuring that they are managed efficiently (Mukherjee & Gupta, 2023; Verma & Roy, 2023) [26].

Reducing Non-Essential Spending

An additional significant method for constructing fiscal buffers is prudent expenditure management, particularly the rationalisation of spending that is not critical to the operation of the business. It is possible for governments to do this by giving capital investments higher priority than revenue expenditures, concentrating on initiatives that would enhance growth over the long term, and reducing administration expenses and subsidies that are unnecessary. One example of integrating fiscal policies with developmental aspirations is the reduction of subsidies on fossil fuels and the redirection of funding towards initiatives using renewable energy (Mehta & Banerjee, 2023; Sharma & Dasgupta, 2023) [1, 11, 42].

The success of this strategy is demonstrated by the changes that India has implemented in the fertiliser and petroleum industries regarding subsidies. The government has been able to conserve resources and devote them to essential areas like as education and healthcare as a result of Direct Benefit Transfer (DBT) initiatives, which have dramatically decreased leakages and improved targeting. Not only do these policies improve the budgetary stability of the government, but they also contribute to the equitable growth of the economy (Chatterjee & Sen, 2023; Ghosh & Verma, 2023) [2].

Minimizing Fiscal Disruptions

It is impossible to exaggerate the significance of budgetary buffers in reducing the likelihood of disruptions. It is possible for governments to stabilise public finances and avoid making sudden changes in crucial sectors such as social welfare and infrastructure if they keep reserves and reduce expenditure on non-essential items. By providing policymakers with the flexibility to undertake countercyclical measures during times of crisis, such as stimulus packages and tax reliefs, fiscal buffers also allow policymakers to avoid exceeding sustainable borrowing limits (Dasgupta & Sharma, 2023; Raman & Nair, 2023) [11, 33].

Nevertheless, the success of these methods is contingent upon the timely execution of these policies as well as the commitment of the government to maintaining budgetary discipline. It is crucial to ensure that fiscal buffers are utilised properly during times of need by ensuring that there is transparency and accountability in the management of reserves, as well as periodic evaluations of expenditure priorities (Roy & Mehta, 2023; Mukherjee & Nambiar, 2023) [26, 38].

Lessons for future policy-making

The monetary and fiscal actions that India has taken in reaction to economic crises, such as the global financial crisis of 2008 and the COVID-19 epidemic, provide instructive examples for the formulation of future policies. These experiences highlight the significance of fiscal policies that are proactive, flexible, and inclusive, and that strike a balance between immediate economic recovery and long-term budgetary sustainability. After doing an analysis

of the tactics that were used throughout these crises, it becomes abundantly evident that flexibility, transparency, and a concentration on investments that are growth-oriented are essential components of efficient fiscal management.

Insights from India's Fiscal Responses

Understanding the significance of countercyclical fiscal policies is one of the most important things that can be learnt from India's reaction to previous crises. The readiness of the government to loosen budgetary objectives and increase public expenditure during times of economic depression proven to be an important factor in the stabilisation of the economy. The benefit of targeted spending in terms of producing jobs and raising demand was proved, for example, by stimulus packages that concentrated on the building of infrastructure and welfare measures.

Another realisation is that there is a requirement for a well-defined framework to control the flexibility of the budget. Even while the government was given the ability to respond to unexpected events thanks to the inclusion of escape clauses in fiscal regulations, the fact that they frequently deviated from their aims brought to light the requirement for a more organised strategy. The difficulty is in striking a balance between budgetary expansion in the short term and fiscal restraint in the long run.

Furthermore, it is clear that openness plays a significant role in the process of developing trust among stakeholders. Increased public trust and increased engagement from the private sector in economic recovery are both outcomes of transparent communication of budgetary goals, strategies, and progress with the public. It was demonstrated that focused approaches may optimise resources and prevent leakages through the efficient execution of welfare systems, which were backed by technology-driven platforms such as direct benefit transfers.

Recommendations for Adaptive and Sustainable Fiscal Frameworks

Introduce Flexible Fiscal Rules: The fiscal frameworks of the future should have dynamic rules that let modifications to be made based on the cycles of the economy. When the economy is in a downturn, governments can use countercyclical policies to increase their expenditure, whereas during times of boom, they can consolidate their spending. In order to guarantee accountability, it is necessary to incorporate a strong system that can both activate and monitor the use of escape clauses.

Strengthen Institutional Mechanisms

Establishing an impartial fiscal council with the responsibility of monitoring fiscal policies and assessing how effective they are is of the utmost importance. It is possible for this body to conduct objective evaluations, make suggestions for changes, and guarantee that fiscal objectives are adhered to while allowing for some degree of flexibility during times of crisis.

Focus on Debt Management

The extension of debt maturities and the reduction of reliance on external borrowing should be prioritised in sustainable debt management plans in order to reduce the risk of currency fluctuations. By coordinating their debt plans with growth-oriented policies, governments are required to strike a balance between their short-term borrowing demands and their long-term sustainability.

Enhance Transparency and Accountability: Regular publication of detailed fiscal reports and performance-based budgeting should become standard practice. These measures can improve resource allocation and ensure that fiscal policies align with national development goals.

Invest in Resilience and Inclusivity: Building fiscal buffers during periods of economic stability is essential to handle future shocks. Investments in social infrastructure, such as healthcare and education, along with reforms in subsidy management, can promote inclusive growth while ensuring fiscal stability.

Adopt Technological Innovations: Leveraging technology for efficient tax administration, expenditure tracking, and welfare delivery can enhance revenue mobilization and reduce inefficiencies. Digital platforms can help governments optimize resources and improve service delivery.

In order to effectively navigate economic crises, it is vital to have fiscal frameworks that are both adaptive and lasting. This is one of the lessons that may be acquired from India's experiences. Fiscal policies have the capacity to promote both immediate economic recovery and long-term economic development, which will provide resilience in the face of future crises. It is possible to achieve this goal by combining the principles of enhancing institutions, emphasising inclusiveness, and integrating flexibility.

Conclusion

India's fiscal policies during the COVID-19 epidemic and the global financial crisis of 2008 demonstrated the vital role that fiscal policy plays in reducing the negative effects of economic shocks. In order to stabilise the economy and spur development during the 2008 crisis, the government implemented a number of countercyclical policies, such as tax breaks, infrastructure expenditures, and sector-specific incentives. These tactics were effective in increasing demand, reviving industrial production, and hastening the recovery. They did, however, also result in a notable increase in public debt and budget deficits, necessitating further consolidation initiatives.

On the other hand, during the COVID-19 epidemic, the budgetary response addressed both the enormous public health issue and economic concerns. In order to cushion the economy, the government gave priority to welfare programs, healthcare spending, and corporate liquidity support. These actions protected vulnerable groups and averted a more severe economic downturn. The fiscal impact of the pandemic, however, highlighted India's current fiscal frameworks' shortcomings, especially with regard to managing protracted shocks and preserving debt sustainability.

The significance of preserving budgetary restraint in times of stability and utilising flexibility in times of crisis was made clear by the two crises. Effective fiscal management has been shown to be based on the capacity to strike a balance between short-term relief measures and long-term budgetary sustainability.

In order to improve resilience against future shocks, India's fiscal frameworks must include preventative actions going forward. In order to handle crises without jeopardising fiscal sustainability, it is crucial to establish fiscal buffers during times of economic stability. Enhanced fiscal operations

transparency, such as performance-based budgeting and thorough reporting, may boost public trust and maximise resource use.

Frameworks for fiscal responsibility should incorporate cutting-edge fiscal instruments including independent supervision procedures and countercyclical fiscal regulations. These resources can offer the adaptability required to deal with economic downturns while upholding discipline and responsibility. Future policy design must consider the lessons learnt from previous crises to guarantee that fiscal plans are resilient and flexible enough to meet changing demands.

Maintaining sustainable growth in the face of global uncertainty requires striking a balance between budgetary austerity and economic resiliency. While macroeconomic stability and debt sustainability need fiscal restraint, successful handling of unanticipated crises requires flexibility just as much. India can improve its ability to handle upcoming problems by taking proactive steps, fortifying fiscal frameworks, and emphasizing equitable growth.

To sum up, India's experiences with the COVID-19 epidemic and the 2008 financial crisis offer important lessons for improving fiscal policy and bolstering economic resilience. Long-term prosperity and economic stability may be achieved by the nation through a proactive strategy that incorporates innovation, flexibility, and transparency into budgetary frameworks. Fostering a sustainable and inclusive future will depend heavily on budgetary policies that are in line with developmental aspirations.

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Appendix

Years	Revenue expenditure	Capital expenditure	Revenue receipts	GDP (at constant price)
2000-01	2,77,839	47753	1,92,605	43,26,736
2001-02	3,01,468	60842	2,01,306	45,35,456
2002-03	3,38,713	74535	2,30,834	47,07,984
2003-04	3,62,074	109129	2,63,813	50,78,049
2004-05	3,84,329	113331	3,05,991	54,80,380
2005-06	4,39,376	66362	3,47,077	59,14,614
2006-07	5,14,609	68778	4,34,387	63,91,375
2007-08	5,94,433	118238	5,41,864	68,81,007
2008-09	7,93,798	90158	5,40,259	70,93,403
2009-10	9,11,809	112678	5,72,811	76,51,078
2010-11	10,40,723	156605	7,88,471	83,01,235
2011-12	11,45,785	158580	7,51,437	87,36,329
2012-13	12,43,514	166858	8,79,232	92,13,017
2013-14	13,71,772	187675	10,14,724	98,01,370
2014-15	14,66,992	196681	11,01,381	1,05,27,674
2015-16	15,37,761	253022	11,95,025	1,13,69,493
2016-17	16,90,584	284610	13,74,203	1,23,08,193
2017-18	18,78,833	263140	14,35,233	1,31,44,582
2018-19	20,07,399	307714	15,52,916	1,39,92,914
2019-20	23,50,604	335726	16,84,059	1,45,34,641
2020-21	30,83,519	426317	16,33,920	1,36,94,869
2021-22	32,00,926	592874	21,69,905	1,50,21,846
2022-23	34,58,959	728274	23,48,413	1,60,71,429
2023-24	35,02,136	1000961	26,32,281	1,73,81,722

Source: Database on Indian Economy, RBI