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AN ANALYSIS OF RELATIONSHIP BETWEEN FISCAL POLICY AND SOCIO-ECONOMIC WELFARE OF HOUSEHOLDS IN INDIA: A MICRO STUDY

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Abstract

Fiscal policy refers to the policy under which the Government uses the instrument of taxation, public spending and public *borrowing to achieve various objectives of the economic policy. (https://economictimes.indiatimes.com/definition/fiscal-policy) The Fiscal Policy of the State significantly influences the Socioeconomic welfare of the households. In Fiscal Policy, the Government uses instruments like Budget, Taxation, Debt and Public Expenditure. The present research paper considers the data of 521 respondents, Purposive Random Sampling and focuses on the relationship between instruments of Fiscal Policy and the Socioeconomic Welfare of the households, limitations of the Fiscal Policy and measures for the formulation of an effective and productive Fiscal Policy for India. It is observed that the imposition of higher rates of taxes (Direct and Indirect) reduces the socio-economic welfare of the citizens. Unproductive Public Expenditure, the Budget fails to satisfy the expectations of the common man, and high rates of taxation are major limitations of the Fiscal Policy in India. It is crucial to formulate policies and strategies for an effective and productive Fiscal Policy for India.*

Keywords: *Fiscal Policy, Budget, Socioeconomic welfare, Public Expenditure, Direct and Indirect Taxes etc.*

INTRODUCTION

Fiscal policy refers to the *policy under which the Government uses the instrument of taxation, public spending and public* borrowing to achieve various objectives of economic policy. (https://economictimes.indiatimes.com/definition/fiscal-policy) The Fiscal Policy of the State significantly influences the Socioeconomic welfare of the households. In Fiscal Policy, the Government uses instruments like Budget, Taxation, Debt and Public Expenditure. The government's projected fiscal deficit for 2023-24 is ₹17.86 lakh crore or 5.9% of the GDP. The total receipts other than borrowings are estimated at Rs 27.2 lakh crore and the total expenditure is estimated at Rs 45 lakh crore. The net tax receipts are estimated at Rs 23.3 lakh crore. (https://pib.gov.in/PressReleasePage.aspx?PRID=1895287)
The present research paper focuses on the current Fiscal Policy, the relationship between Instruments of the Fiscal Policy and the socioeconomic welfare of the citizens of the country, limitations of the Fiscal Policy and policy measures to compose a productive and efficient Fiscal policy of India etc.

OBJECTIVES OF THE STUDY

1. To investigate the relationship between instruments of Fiscal Policy and households' Socioeconomic welfare.
2. To examine the limitations of Fiscal Policy in India.
3. To suggest policy implications to compose productive and efficient Fiscal Policy in India.

HYPOTHESIS

1. The imposition of a higher rate of direct and indirect taxes increases the Socioeconomic welfare of the households.
2. There is a significant relationship between the current Financial Budget and the Socioeconomic welfare of the households.

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RESEARCH METHODOLOGY

The present study depends upon primary data. To collect primary data, the researcher prepared a separate questionnaire and collected the responses of respondents. The purposive Random Sampling Method was used to collect primary data. The researcher has selected Mumbai Suburban as a study area. Data was collected from 521 respondents. Out of the total respondents, 521 respondents were selected for the present study and recorded responses of the same.

STATISTICAL TOOLS

Considering the objectives and Hypothesis of the study, some appropriate statistical techniques are also used for the data analysis and interpretation. The percentage is used and it is appropriate when it is important to know how many of the participants gave a particular answer.
To indicate a typical representation of a group of numbers (or data set), average or Mean is used. Standard Deviation is used and it shows an absolute variability and Co-efficient of Variance is also used and it shows relative variability used for the analysis.

INFLUENCE OF HIGHER RATES OF DIRECT AND INDIRECT TAXES ON THE ECONOMIC WELFARE OF THE RESPONDENTS

Table no. 01 shows respondents' perception of the impact of Higher Rates of Direct and Indirect Taxes on the Economic Welfare of the households.
Out of the total respondents, 30.3 % (maximum) respondents strongly disagreed, followed by 25.5 % of respondents agreed and only 8.3 % of respondents strongly agreed that the imposition of higher rates of Direct and Indirect Taxes maximizes the Economic Welfare of the households. The descriptive statistics reveal that the Mean is 2.42, the Standard Deviation is 1.179 and the Coefficient of Variance is 48.71 %. Since the COV is greater than one-third (33%) there is more disparity in the responses of sample data collected.
Thus, it is observed that the imposition of higher rates of Direct and Indirect Taxes does not maximise the Economic Welfare of the households because the Mean of responses is 2.42 and 55.8 % of respondents had negatively opined on it.

Table No. 01: Influence of Higher Rates of Direct and Indirect Taxes on Economic Welfare of the Respondents (In %)

Sr. No.	Response	Frequency	Per cent	Mean	Std. Deviation	COV
1	Strongly Disagree	158	30.3	2.42	1.179	48.71 %
2	Disagree	133	25.5			
3	Neutral	117	22.5			
4	Agree	70	13.4			
5	Strongly Agree	43	8.3			
	Total	**521**	**100.0**			

Source: *Field Survey*

IMPACT OF THE CURRENT BUDGET ON THE SOCIOECONOMIC WELFARE OF THE RESPONDENTS

Table no. 02 shows respondents' perception of the impact of the current Financial Budget on the Socioeconomic Welfare of the households.
Out of the total respondents, 37.2 % (maximum) respondents strongly disagreed, followed by 31.3 % of respondents who disagreed and only 4.2 % of respondents strongly agreed that the current financial Budget maximizes the Socioeconomic Welfare of the households. The descriptive statistics reveal that the Mean is 2.1, the Standard Deviation is 1.1 and the Coefficient of Variance is 50.0 %. Since the COV is greater than one-third (33%) there is more disparity in the responses of sample data collected.
Thus, it concludes that the current Financial Budget does not maximise the Socioeconomic Welfare of the households because the Mean of responses is 2.1 and 68.5 % of respondents had negatively opined on it.

Table No. 02: Impact of Budget on the Economic Welfare of the Respondents (In %)

Sr. No.	Response	Frequency	Per cent	Mean	Std. Deviation	COV
1	Strongly Disagree	194	37.2	2.1	1.1	50.0
2	Disagree	163	31.3			
3	Neutral	85	16.3			

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4	Agree	57	10.9			
5	Strongly Agree	22	4.2			
	Total	521	100.0			

Source: *Field Survey*

INFLUENCE OF CURRENT PUBLIC EXPENDITURE ON THE SOCIO-ECONOMIC WELFARE OF THE RESPONDENTS

Table no. 03 shows respondents' perception of the influence of Current Public Expenditure on the Socio-Economic Welfare of the households.
Out of the total respondents, 30.3 % (maximum) respondents disagreed, followed by 27.8 % of respondents who strongly disagreed and only 10.6 % of respondents who strongly agreed that the current Public Expenditure maximizes the Socio-Economic Welfare of the households.
The descriptive statistics reveal that the Mean is 2.5, the Standard Deviation is 1.1 and the Coefficient of Variance is 43.64 %. Since the COV is greater than one-third (33%) there is more disparity in the responses of sample data collected.
Thus, it concludes that the current Public Expenditure does not maximize the Socioeconomic Welfare of the households because the Mean of responses is 2.5 and 58.1 % of respondents had negatively opined on it.

Table No. 03: Influence of Current Public Expenditure on Socio-Economic Welfare of the Respondents (In %)

Sr. No.	Response	Frequency	Per cent	Mean	Std. Deviation	COV
1	Strongly Disagree	145	27.8	2.5	1.1	43.64
2	Disagree	158	30.3			
3	Neutral	88	16.9			
4	Agree	75	14.4			
5	Strongly Agree	55	10.6			
	Total	521	100.0			

Source: *Field Survey*

LIMITATIONS OF THE CURRENT FISCAL POLICY IN INDIA

Table No. 04 and Chart No. 01 show the limitations of the current Fiscal Policy, which are faced by households in India.
Out of the total respondents, 54.32 % (maximum) and 52.02 % of respondents opined that the higher rate of taxation and the current Financial Budget's failure to satisfy the expectations of the Common Man are major limitations and only 14.97 % of respondents had faced other problems.

Table No. 04: Limitations of the Current Fiscal Policy in India

Sr. No.	limitations of the Fiscal Policy	Frequency	Per cent	Percent of Total
1	Unproductive Public Expenditure	250	47.98	19.8
2	Overburden of Public Debt	237	45.49	18.8
3	The Budget fails to satisfy the expectations of the Common Man	271	52.02	21.4
4	Policy Paralysis	145	27.83	11.5
5	High Rate of Taxation	283	54.32	22.4
6	Others	78	14.97	6.2
	Total	**1264**		**100.0**

Source: *Field Survey*

Chart No. 01: Limitations of the Current Fiscal Policy in India (In %)

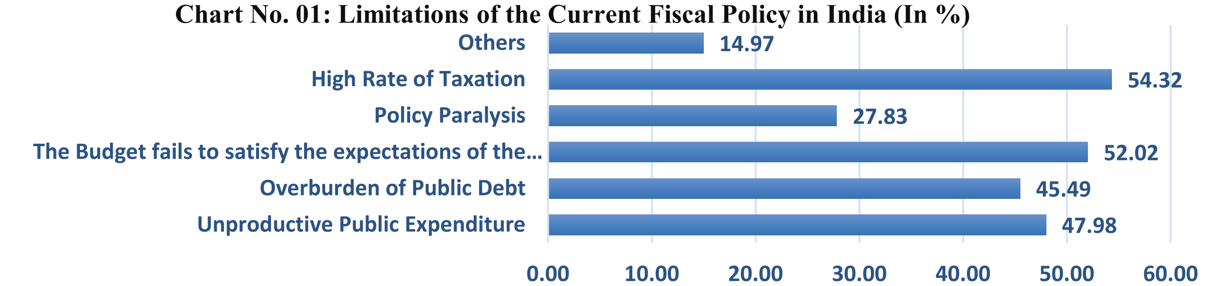

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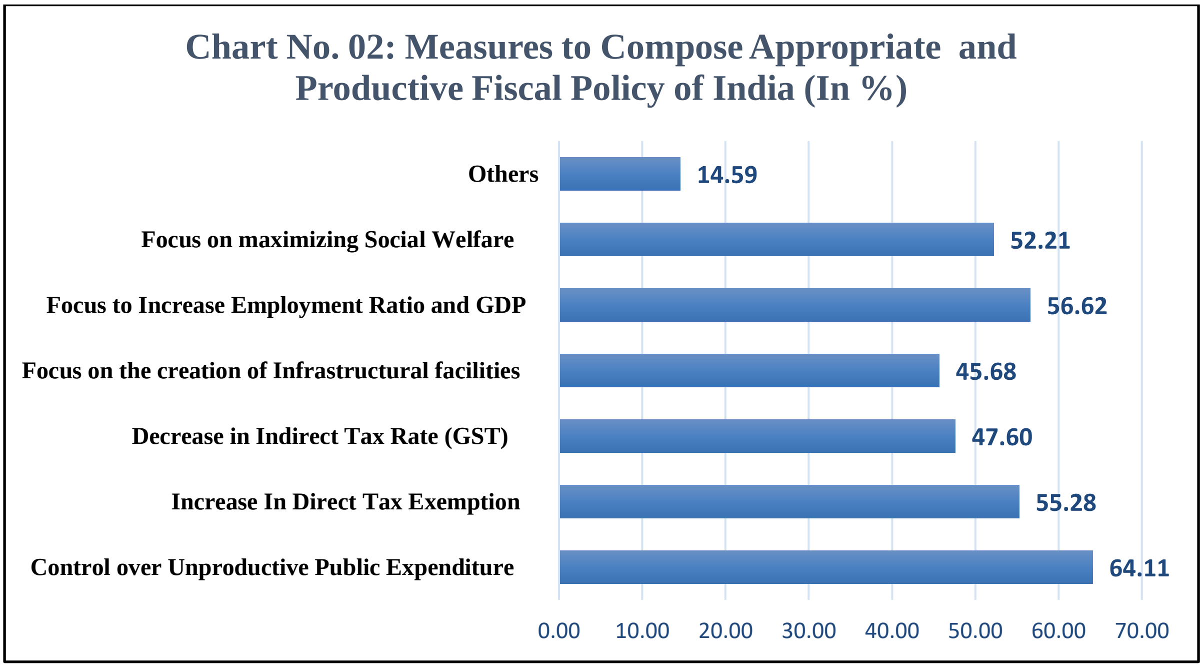
Table No. 05 and Chart No. 02 show respondents' responses on different measures to Compose appropriate and Productive Fiscal Policy of India.
Out of the total respondents, 64.11 % (maximum), 56.62 % and 55.28 % respondents were opined that Control over Unproductive Public Expenditure, Focus to Increase Employment Ratio and GDP and Increase indirect Tax Exemption are major measures to Compose appropriate and Productive Fiscal Policy of India. Whereas the very minimum number of respondents (14.59 %) opined that the Government has to follow other measures for better fiscal policy.
It is observed that control over Unproductive Public Expenditure, Focus on Increase Employment Ratio and GDP and increasing Direct Tax Exemption are major measures to Compose appropriate and Productive Fiscal Policy in India because 52.37 % of (maximum) respondents had opined the same.

Table No. 05: Measures to Compose Appropriate and Productive Fiscal Policy of India (In %)

Sr. No.	Policy Measures	Frequency	Per cent	Per cent of Total
1	Control over Unproductive Public Expenditure	334	64.11	19.07
2	Increase In Direct Tax Exemption	288	55.28	16.45
3	Decrease in Indirect Tax Rate (GST)	248	47.60	14.16
4	Focus on the creation of Infrastructural facilities	238	45.68	13.59
5	Focus to Increase Employment Ratio and GDP	295	56.62	16.85
6	Focus on maximizing Social Welfare	272	52.21	15.53
7	Others	76	14.59	4.34
	Total	**1751**		**100.00**

Source: *Field Survey*



CONCLUSION

Based on the above analysis, the researchers come to conclude that the current Fiscal Policy of the Government of India is not appropriate and productive and thus it is will not maximize the socioeconomic welfare of the households in India. Respondent's perception towards current fiscal policy is negative. The higher rate of taxation and the current Financial Budget's failure to satisfy the expectations of the Common Man are major limitations of the Fiscal Policy in India.
Thus, it is crucial to formulate policies and strategies to compose an appropriate and productive Fiscal Policy for India. Under this policy, the Government should control Unproductive Public Expenditure, focus on increasing

the Employment Ratio and GDP, increase Direct Tax Exemption and decrease the Indirect Tax rate for an appropriate and productive Fiscal Policy to maximize the socioeconomic welfare of the households.

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