This study “Fiscal Imbalance Position of the Central Government and Economic Growth in India” is undertaken mainly because it is a subject of great concern for the policy makers and the economists in the present context of Indian economy where the country has witnessed a persistent increase in fiscal imbalance level of the central government of India.

Government Finances plays a key role in the sustenance of economic growth in the country. Public revenue and expenditure are the instruments that government can use in order to monitor and achieve particular economic goals such as higher economic growth and overall macroeconomic stability. However, the public revenue and expenditure supports government objectives, it could also have detrimental ramification if obscurely managed. Hence, fiscal imbalance occurs if there is a lack of co-ordination between public expenditure and derivative public revenue. Persistence large fiscal imbalance raises number of issues on government budgetary and overall macroeconomic policies in the country. One of the channels through which the large fiscal imbalance impacts the growth performance of the economy is through deterioration in the quality of government finances. In this context, this study first examines the two interrelated issues: (a) Trends and composition of central government finances and (b) Assessment of fiscal imbalance position of the central government in India.

Another major important issue addressed in the study relates to the impact of fiscal deficit on economic growth in India. The relationship between fiscal deficit and economic growth is much controversial issue in the Indian context. The study first theoretically addresses the issue of macroeconomic impact of fiscal deficit on economic growth in general and then empirically examines the causality between fiscal deficit and economic growth in India over the years. And at last, the conclusion is derived on the basis of integrated analysis.