

The Role of Public Investment in Shaping Growth and Employment Outcomes: An Indian Perspective

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Abstract: This study empirically investigates the impact of government expenditure, disaggregated into capital and recurrent components, and private investment on the unemployment rate in India over the period 1990–2024. Employing time series econometric techniques, unemployment is modeled as a function of capital expenditure, recurrent expenditure, real GDP growth, Gross Capital Formation (as a percentage of GDP), and private investment. The stationarity of the data is assessed using the Augmented Dickey-Fuller (ADF) test to ensure the robustness of the empirical results. Findings reveal that capital expenditure exerts a statistically significant negative effect on unemployment in both the short run and the long run, highlighting its pivotal role in employment generation and macroeconomic stabilization. Conversely, recurrent expenditure does not demonstrate any statistically significant influence on unemployment, suggesting that current spending is less effective in addressing labor market challenges. Based on these insights, the study proposes several policy recommendations: (i) reallocation of budgetary resources by systematically reducing recurrent expenditure in favor of productive capital investment; (ii) market liberalization through the removal of price controls and structural rigidities to encourage private sector participation; (iii) the implementation of sustainable, targeted subsidies to enhance private investment in productive sectors; and (iv) the formulation of sector-specific incentive packages for agriculture, transportation, energy, telecommunications, manufacturing, and mining to stimulate broad-based employment growth. These policy interventions are expected to enhance the employment elasticity of economic growth, foster private sector dynamism, and support the structural transformation of the Indian economy. The study contributes to the empirical literature by reaffirming the critical role of capital expenditure in promoting inclusive growth and labor market resilience in emerging economies like India.

Keywords: Unemployment; Capital Expenditure; Recurrent Expenditure; Real GDP Growth Rate; Private Investment.

JEL Classification Codes: E24; J21; O47.

Introduction

Over the past three decades, India has witnessed sustained and robust economic growth, with average annual GDP expansion exceeding six percent, largely driven by transformative economic reforms initiated in the early 1990s. Paradoxically, this impressive trajectory of economic advancement has been accompanied by a persistent rise in the unemployment rate, giving rise to a macroeconomic anomaly that has attracted considerable scholarly and policy attention. From a macroeconomic perspective, rising unemployment imposes a dual burden: it constrains potential output and impedes long-term economic growth. At the societal level, persistent joblessness exacerbates adverse outcomes, including elevated crime rates, social unrest, and the erosion of human capital, thereby contributing to instability and economic inefficiency.

Public expenditure on social and economic infrastructure—such as education, healthcare, transportation, and communication—plays a critical role in mitigating unemployment by enhancing labor productivity, strengthening economic performance, and expanding the absorptive capacity of the labor market. Strategic government spending is equally vital for addressing regional disparities, laying the foundation for balanced, inclusive, and sustainable development. Investments in transportation networks, educational infrastructure, capital goods industries, and research and development bolster the economy's productive base and stimulate labor demand across sectors.

While technological progress remains a principal driver of long-term economic growth through improvements in efficiency and productivity, it also introduces structural adjustments in the labor market that can temporarily displace workers. In such a context, government intervention becomes indispensable, as market mechanisms alone often fail to achieve optimal resource allocation or ensure equitable distribution of employment opportunities. Public sector investment thus serves a fundamental macroeconomic objective: creating an enabling environment that promotes full and efficient utilization of the labor force, thereby maximizing national output and welfare.

Achieving full employment continues to be a fundamental yet elusive objective for India, where widespread unemployment and underemployment reinforce entrenched poverty. Despite repeated policy commitments, the achievement of full employment has remained unattained, presenting formidable challenges to social cohesion and economic resilience. Conventional economic theory suggests

that accelerated growth should alleviate unemployment pressures; however, India's experience since liberalization indicates a persistent structural disconnect between economic expansion and labor market absorption. Although the Indian economy has demonstrated resilience and macroeconomic stabilization, employment generation remains inadequate, highlighting the complexity of aligning rapid economic growth with inclusive and sustainable job creation.

2. Economic Reform and Unemployment

Unemployment in India is the outcome of a complex interplay of multiple structural and macroeconomic factors, notably the contraction of economic activities in key sectors, the progressive substitution of labor with capital-intensive technologies, and the pressures exerted by a rapidly expanding labor force. This persistent challenge has historical roots, traceable to the 1980s, when India followed a predominantly one-sector growth strategy centered on capital-intensive industries, which constrained the potential for broad-based, employment-intensive growth.

In response to the limitations of this model, India undertook a comprehensive series of economic reforms in the early 1990s, transitioning toward a market-oriented framework designed to reinvigorate economic growth and enhance global integration. These reforms encompassed several critical domains:

- **Fiscal Policy Reforms:** Rationalization of the tax structure, reduction of subsidies, and the implementation of measures aimed at controlling fiscal deficits.
- **Financial Sector Reforms:** Liberalization of interest rates, deregulation of capital markets, entry of domestic and foreign private banks, and the gradual opening of the insurance sector.
- **Industrial Policy Reforms:** Dismantling of the industrial licensing regime and liberalization of regulatory frameworks to promote private sector participation.
- **Foreign Trade and Investment Reforms:** Abolition of import licensing, reduction of non-tariff barriers, and facilitation of both foreign direct investment (FDI) and portfolio investment inflows.
- **Infrastructure Sector Reforms:** Encouragement of private and foreign investment in critical infrastructure sectors, particularly telecommunications, power, and transportation.

- **Agricultural Reforms:** Liberalization of domestic and international trade in agricultural commodities, aiming to enhance market efficiency and farmer incomes.

These reforms were strategically aimed at reducing excessive government intervention, mobilizing private and foreign capital, and positioning India within the globalized economy. While they succeeded in achieving macroeconomic stabilization and accelerating GDP growth, their impact on employment generation was notably limited. This phenomenon, characterized as “jobless growth” (Kannan & Raveendran, 2019; Padder, 2018; Sinha, 2023, 2024) [1-4], highlights a critical disconnect between economic expansion and labor market absorption.

Empirical studies from both domestic and international contexts substantiate these concerns. For example, Michael, Emeka, and Emmanuel (2016) [5] identified a unidirectional Granger causality from real GDP to unemployment in Nigeria, indicating that economic growth did not necessarily translate into job creation. Similarly, Rosin and Rosin (2014) [6] reported a significant inverse relationship between unemployment and economic growth in the United States over the period 1977–2011, though with complexities in the employment elasticity of growth. These findings emphasize the nuanced and often adverse interactions between economic reforms, output growth, and employment outcomes.

In the Indian context, while the reforms of the 1990s effectively alleviated capital constraints and stimulated economic growth, they fell short in generating proportionate employment opportunities, particularly for the growing working-age population. This underscores the need for future policy frameworks that not only prioritize the acceleration of economic growth but also actively cultivate an environment conducive to inclusive, employment-intensive development. Such strategies should seek to enhance the labor absorption capacity of growth, diversify employment opportunities across sectors, and ensure that the benefits of economic expansion are broadly shared, thereby aligning growth trajectories with sustainable job creation.

3. Literature Review

The role of government intervention in the economy has long been a subject of debate. One perspective argues that government involvement is essential for steering the economy, preventing prolonged recessions, and alleviating high unemployment. In contrast, the opposing view holds that minimal government intervention is

preferable, as markets are inherently self-regulating. This dichotomy has made public expenditure aimed at reducing unemployment and promoting economic growth a contentious issue.

Classical Economic Theory: Classical economists ground their views on employment and unemployment in the Walrasian general equilibrium model, which rests on two core assumptions: (i) full employment of labor and other resources, and (ii) flexible prices and wages that restore full employment when deviations from equilibrium occur. Classical theory posits that labor and other productive resources are always fully employed, thus negating the possibility of prolonged unemployment. According to this theory, unemployment is transient, correcting itself as market forces work toward equilibrium. Classical economists attribute persistent unemployment to government interference, private monopolies, or external distortions, arguing that a self-regulating economy driven by competitive market forces naturally restores full employment through flexible price and wage mechanisms. Any overproduction and resulting unemployment are corrected as falling prices stimulate demand and revive production, thereby eliminating joblessness (Sodipo & Ogunrinola, 2011; Islam, 2002) [7-8].

Keynesian Economic Theory: Keynesian economists challenged the classical notion that wage cuts alone could resolve unemployment by stimulating labor demand. Emerging in response to the Great Depression, Keynesian theory argues that government intervention is crucial for managing aggregate demand. Keynesians advocate for increased public spending on infrastructure, taxation policies that promote consumption and investment, and budget deficits to combat recessions and increase effective demand. Public expenditure, in this view, should fund work programs and social security measures, while reducing direct taxes can boost savings and investments, ultimately leading to greater employment opportunities. Keynes also emphasized the role of large-scale government borrowing to finance productive public expenditure, to maintain full employment once it is achieved (Somashekhar, 2003) [9].

Monetarist Critique: Friedman (1969) [10] offered a critique of Keynesian economics, arguing that it underestimates the role of the money supply in driving economic activity. He contended that fiscal policy alone cannot influence aggregate demand if monetary conditions—specifically, an insufficient money supply—result in high interest rates that inhibit private investment. Friedman also criticized Keynesianism for assuming that government intervention could effectively reverse

economic downturns, arguing that such interventions are often inefficient and prone to creating long-term distortions in the private sector.

Empirical Evidence and Contemporary Views: Despite such criticisms, many economists and policymakers continue to support fiscal policy as a tool for addressing unemployment. Studies have shown that government action, particularly through taxation and public spending adjustments, can influence aggregate demand and, by extension, employment. For example, Monacelli, Perolli, and Trigari (2010) [11] and Ramey (2012) [12] suggest that government spending can reduce unemployment, although its effectiveness is often constrained by factors such as high public debt. In a similar vein, Gbosi (2005) [13] argues that tax cuts and fiscal adjustments can bolster consumer spending and increase demand for goods and services, thereby reducing unemployment.

However, empirical evidence presents a mixed picture regarding the relationship between government spending and unemployment. Schclarek (2007) [14] found that government investment can have Keynesian effects on employment, based on a study of 40 countries between 1970 and 2000. Steiner and Sparrman (2012) [15] observed that increased government purchases reduced unemployment in 20 OECD countries from 1980 to 2007, with more pronounced effects in economies operating under fixed exchange rates. Contrarily, Bruckner and Pappa (2010, 2012) [16-17] argued that fiscal policies aimed at reducing unemployment sometimes have counterproductive effects, highlighting the complexity of the issue. Genius (2013) [18] found that recurrent government expenditure and taxes can exacerbate unemployment, while capital expenditure has a more favorable impact on job creation.

The Indian Context: India faces considerable macroeconomic challenges, particularly in terms of stagnant growth and rising unemployment. Employment growth slowed sharply between 2012 and 2016, and independent reports, including those from the International Labour Organization (ILO) [19], documented rising unemployment during this period. A significant contributing factor is the discrepancy between economic growth and employment expansion. While India's workforce grew by 63 million between 1990 and 2000, organized sector employment declined by three million, and 22 million workers became informal workers in the organized sector. The labor force participation rate dropped from 58.3% in December 1990 to 36.9% in December 2018, although it recovered to 41.6% by December 2021.

Sinha (2024; 2023a; 2023b; 2023c; 2022a; 2022b) [20-25] utilized a log-linearized model to demonstrate that the elasticity of employment to economic growth

in India was negative, indicating a period of jobless growth following economic reforms. The persistence of high unemployment is attributed to the low employment intensity of GDP growth, where capital-intensive investments have not translated into proportional job creation. This negative correlation between employment and GDP growth suggests the need for policies that prioritize labor-intensive sectors to significantly enhance employment generation.

In conclusion, unemployment remains a pressing issue in India, and this study seeks to explore the extent to which government expenditure can alleviate this persistent challenge. The empirical evidence underscores the need for well-targeted fiscal policies that not only promote economic growth but also address the underlying employment gaps in the Indian economy.

4. Model Specification

The theoretical framework utilized in this study models the unemployment rate as a function of several key economic variables, including government expenditure (disaggregated into capital and recurrent components), real GDP growth, gross capital formation as a percentage of real GDP, and private investment. This relationship is formally expressed as follows:

$$U = f(C, R, P, G, F) \quad \{1\}$$

where:

U: Unemployment rate

C: Capital Expenditure

R: Recurring Expenditure

G: Real GDP growth rate

F: Gross Capital Formation as a percentage of real GDP

P: Private Investment

Linear Model

The linear version of the model is given by:

$$U = \alpha + \beta_0 C + \beta_1 R + \beta_2 P + \beta_3 G + \beta_4 F + \eta \quad \{2\}$$

Log-Linear Model

Taking the natural logarithm of the variables U, C, R, and P, Equation (2) can be transformed into its dynamic econometric form:

$\ln U = \alpha + \beta_0 \ln C + \beta_1 \ln R + \beta_2 \ln P + \beta_3 \ln G + \beta_4 \ln F + \eta \quad \{3\}$

where \ln denotes the natural logarithms of the respective variables.

5. Data Source and Description

The data for this study were obtained from the Ministry of Statistics and Programme Implementation (MOSPI) and various associated government departments, spanning the period from 1990-91 to 2023-24, resulting in a dataset of 34 observations. Table 1 provides a comprehensive description of the variables utilized in the analysis.

Table 1: Description of Variables

<i>Acronym</i>	<i>Variable</i>	<i>Measurement</i>
PINV	Private Investment	Total private sector investment
RGDP	Real GDP	Annual growth rate of GDP at market prices (constant prices)
UNEMPL	Unemployment Rate	Percentage of the labor force actively seeking employment but unemployed
CEXP	Capital Expenditure	Capital expenditure as a percentage of total public expenditure
REXP	Recurring Expenditure	Recurring expenditure as a percentage of total public expenditure
KAPSTC	Capital Stock	Estimated as gross fixed capital formation

Source: Researchers' compilation (MOSPI and associated government departments).

6. Results & Discussion

6.1. Descriptive Statistics

The statistical properties of the variables were assessed using the mean and standard deviation to examine their distribution. The summary of these results is provided in Table 2.

Table 2: Descriptive Statistics of the Variables

<i>Sr. No.</i>	<i>Variable</i>	<i>Mean</i>	<i>Standard Deviation</i>
1.	Private Investment	5.393	2.378
2.	Real GDP Growth Rate	6.626	1.329
3.	Unemployment Rate	9.812	7.365
4.	Capital Expenditure	4.725	0.870
5.	Recurring Expenditure	5.216	2.353
6.	Capital Stock	4.873	1.474

Source: Researcher's Computation.

The analysis of the variables presented in the table yields the following key insights:

- The unemployment rate has the highest mean value (9.812), indicating that it represents the most significant variable in terms of average magnitude within the dataset.
- Capital expenditure shows the lowest mean value (4.725), suggesting it is the least impactful variable on average when compared to others.
- The mean values for private investment (5.393), real GDP growth rate (6.626), recurring expenditure (5.216), and capital stock (4.873) lie between the extremes of unemployment and capital expenditure.

In terms of dispersion, as measured by the standard deviation:

- Unemployment exhibits the highest volatility, with a standard deviation of 7.365, signifying significant variability over the study period.
- Capital expenditure is the least volatile, with a standard deviation of 0.870, indicating that it remains relatively stable and clustered around its mean.
- The volatility of private investment (2.378), real GDP growth rate (1.329), recurring expenditure (2.353), and capital stock (1.474) fall within the range between unemployment and capital expenditure.

These observations suggest that capital expenditure not only has the lowest mean but also the smallest dispersion, implying a consistent pattern over time. In contrast, unemployment demonstrates substantial fluctuations, indicating greater instability. The lower mean and standard deviation of capital expenditure reflect its more consistent and predictable nature, whereas variables such as unemployment, recurring expenditure, and private investment show greater variability.

This descriptive analysis provides an essential basis for understanding the distribution and volatility of the variables, which is critical for subsequent econometric modeling and for drawing meaningful inferences from the results.

6.2. Stationarity & Cointegration

- (i) The stationarity of the time series used in this study was assessed using the Augmented Dickey-Fuller (ADF) test. The results are presented in Table 3.

Table 3: Augmented Dickey-Fuller (ADF) Test Results

Variables	Level Form			Difference Form			Order of Integration
	ADF Stat.	Lag	5% Level	ADF Stat.	Lag	5% Level	
Private Investment	-0.287	1	2.98	-3.716	1	2.99	I (1)
Real GDP Growth Rate	-2.132	1	2.99	-3.652	1	2.99	I (1)
Unemployment Rate	0.164	2	2.99	-3.703	2	2.99	I (1)
Capital Expenditure	-1.320	2	2.99	-3.842	1	2.99	I (1)
Recurring Expenditure	-0.957	1	2.99	-4.671	1	2.99	I (1)
Capital Stock	-2.324	1	2.99	-3.602	1	2.99	I (1)
Errors	-2.233	0	-1.950	Not Applicable	Not Applicable	Not Applicable	I (0)

Source: Researcher's Computation.

The Augmented Dickey-Fuller (ADF) test results demonstrate that all variables are integrated of order one, $I(1)$, as the ADF statistics for the first-differenced series are statistically significant at the 5% significance level. This finding suggests that all variables share the same order of integration, thereby raising the potential for cointegration among them.

(ii) *Cointegration Analysis*: To investigate whether a long-term equilibrium relationship exists among the variables, the ADF test was applied to the residuals of the estimated model. The test results show that the ADF statistic for the residuals exceeds the critical value at the 5% significance level, indicating the stationarity of the residuals. This leads to the rejection of the null hypothesis of a unit root in the residuals, confirming the presence of cointegration. Thus, the linear combination of the variables—unemployment, capital expenditure, recurring expenditure, real GDP growth rate, gross capital formation, and private investment—is stationary, signaling the existence of a stable long-run relationship among them.

(iii) *Autocorrelation Test*: The Durbin-Watson statistic ($DW = 2.15$) suggests that there is no autocorrelation issue within the residuals of the regression model. A value close to 2 is ideal and supports the assumption of serial independence, implying that the residuals are not correlated over time. This absence of autocorrelation enhances the reliability of the model's estimates.

(iv) *Heteroscedasticity Test*: White's test was employed to assess the presence of heteroscedasticity. The hypotheses tested were:

- H_0 (Null Hypothesis): Homoscedasticity (constant variance)

- H_1 (Alternative Hypothesis): Unrestricted heteroscedasticity (variable variance)

The results of White's test allow for determining whether the variance of the error terms is constant across observations, ensuring the robustness of the model and the validity of inference procedures in the presence or absence of heteroscedasticity.

$$\chi^2 (14) = 15.97$$

$$\text{Prob. } > \chi^2 = 0.3152$$

Given the probability value (p-value) of 0.3152, which is greater than the conventional significance level (e.g., 0.05), we fail to reject the null hypothesis of homoscedasticity. This result indicates the absence of heteroscedasticity in the data, implying that the variance of the residuals remains constant over time. Therefore, it can be concluded that the assumption of homoscedasticity has not been violated, supporting the validity of the regression model's results.

6.3. Regression Analysis

The regression model from Equation (3) was employed to study the relationship between unemployment, the dependent variable, and five independent variables: real GDP growth rate, capital expenditure, recurring expenditure, private investment, and gross capital formation as a percentage of real GDP. The model was estimated using the ordinary least squares (OLS) method, and the long-run results are presented in Table 4.

Table 4: Long-Run Regression Results with Unemployment as the Dependent Variable

Variables	Coefficient	Standard Error	t-value	Probability
Real GDP Growth Rate	-0.279	0.0899	-5.37	0.000**
Capital Expenditure	-0.398	0.1409	-4.96	0.000**
Recurring Expenditure	-0.381	1.3442	-0.27	0.791
Private Investment	-0.348	0.9986	-3.456	0.012*
Gross Capital Formation (GCF)	-0.438	0.7655	-2.564	0.000**
Constant	-3.109	0.162	-2.68	0.032*

Source: Researcher's Computation.

Notes: **Significance at 1%; * Significance at 5%.

The results in Table 4 indicate that all independent variables in the model exhibit a negative relationship with unemployment, suggesting that an increase in any of these variables leads to a reduction in unemployment. The significance

tests on the parameters indicate that the real GDP growth rate, capital expenditure, private investment, and gross capital formation as a percentage of real GDP have significant impacts on unemployment, with probabilities below the 5% significance level. Specifically:

- A 1% increase in the real GDP growth rate reduces unemployment by approximately 28%.
- A 1% increase in capital expenditure reduces unemployment by about 40%.
- A 1% increase in private investment reduces unemployment by around 35%.
- A 1% increase in gross capital formation as a percentage of real GDP reduces unemployment by approximately 44%.

The coefficient for recurring expenditure is not significant ($p > 0.05$), indicating no significant impact on unemployment in the long run.

Table 5: Short-Run Regression Results with Unemployment as the Dependent Variable

<i>Variables</i>	<i>Coefficient</i>	<i>Standard Error</i>	<i>t-value</i>	<i>Probability</i>
Real GDP Growth Rate	-3.279	0.899	-5.37	0.004**
Capital Expenditure	-3.182	1.140	-3.964	0.003**
Recurring Expenditure	0.881	1.244	0.771	0.491
Private Investment	1.348	2.986	0.452	0.512
Gross Capital Formation (GCF)	-3.438	0.655	-4.564	0.006**
Constant	0.709	0.662	1.683	0.322
Error	-0.201	0.138	-1.854	0.271

Source: Researcher's Computation.

Notes: **Significance at 1%; * Significance at 5%.

Table 5 shows that the real GDP growth rate, capital expenditure, and gross capital formation as a percentage of real GDP are negatively related to the unemployment rate in the short run. An increase in these variables significantly reduces the unemployment rate. Conversely, recurring expenditure and private investment have positive coefficients but do not significantly impact unemployment in the short run.

The coefficient of the first leg of the residual, known as the adjustment parameter, indicates that about 20% of the discrepancy between the dependent and independent variables is adjusted within the same period.

Coefficient of Determination

The adjusted R^2 value is 0.64, indicating that 64% of the variations in unemployment are explained by the regressors in the model.

F-Test

The F-test results, with a probability value of less than 5%, indicate that the overall regression model is statistically significant at the 5% significance level. This suggests that the model provides a good fit for the data and that the independent variables collectively have a significant impact on unemployment.

7. Conclusion

This study investigates the impact of disaggregated government expenditure—specifically capital expenditure, recurrent expenditure, and private investment on unemployment in India, along with its broader implications for economic development over the period 1990–2024. The empirical findings demonstrate that capital expenditure exerts a statistically significant negative effect on unemployment in both the short and long run, reinforcing the hypothesis that public investment in infrastructure, capital projects, and productive sectors is vital for stimulating economic growth and generating employment opportunities. These results align with the findings of Fedderke, Perkins, and Luiz (2006) [26], who emphasized the pivotal role of infrastructure investment in enhancing output growth and mitigating unemployment pressures.

Conversely, recurrent expenditure was found to have no statistically significant impact on reducing unemployment. While essential for maintaining public services and administrative functions, recurrent spending appears ineffective in addressing structural labor market challenges. Short-run analysis further revealed a positive association between recurrent expenditure and unemployment, suggesting that in a consumption-driven economy like India, increased operational outlays may not translate into meaningful employment gains. Instead, such spending often supports low-multiplier activities with limited contributions to sustainable job creation and long-term economic vitality.

In addition, the study establishes a significant negative relationship between private investment and unemployment, underscoring the role of private sector dynamism in fostering innovation, narrowing the output gap, and generating employment. Private investment thus emerges as a crucial complement to public sector efforts in addressing labor market inefficiencies.

Overall, the findings highlight the heterogeneous effects of different types of expenditure on unemployment dynamics in India. Capital expenditure and private investment clearly act as key engines of employment growth and economic development, whereas recurrent expenditure requires more strategic targeting to enhance its employment-generating potential. These insights suggest that fiscal policy frameworks prioritizing capital-intensive investments and fostering a conducive environment for private sector participation are critical to achieving inclusive growth and strengthening India's long-term economic resilience.

8. Policy Recommendations for Enhancing Employment and Economic Development

Based on the empirical findings of this study, the following actionable policy measures are proposed to address unemployment and foster inclusive economic growth in India:

- 1. Strategic Budget Reallocation:** Progressively reduce recurrent (consumption-oriented) expenditure in favor of capital-intensive investment. Prioritize fiscal allocations toward infrastructure development, public sector capital projects, and long-term asset creation.
Focus on sectors with high employment multipliers, such as transportation, energy, and public utilities, to stimulate large-scale job creation and sustain economic growth.
- 2. Promotion of Private Sector Investment:** Eliminate price controls and dismantle regulatory barriers that impede market entry and competition. Strengthen the business environment by enhancing regulatory transparency, improving contract enforcement mechanisms, and ensuring policy stability.
Provide targeted incentives for entrepreneurship, innovation, and expansion in labor-intensive industries to catalyze private sector-led employment growth.
- 3. Implementation of Sustainable, Production-Linked Subsidies:** Design subsidy frameworks that are directly tied to productive economic activities, particularly in sectors with high labor absorption capacities.
Shift the focus from generalized consumption subsidies to targeted, production-oriented financial support.

Ensure that subsidy programs are performance-based, time-bound, and aligned with broader economic development objectives to maximize fiscal efficiency and employment impact.

4. Development of Sector-Specific Incentive Packages: Formulate tailored incentive packages for key employment-generating sectors, including agriculture, transportation, energy production, telecommunications, manufacturing, and mining.

Integrate fiscal incentives, tax concessions, infrastructure development, and sector-specific skill enhancement programs into these packages.

Align incentive structures with sectoral investment needs to attract capital, expand productive capacities, and enhance labor market absorption.

These policy recommendations aim to realign India's fiscal priorities and investment strategies to maximize employment generation and promote sustainable economic development. By emphasizing productive capital expenditure, fostering a vibrant private sector, rationalizing subsidies towards high-impact activities, and strategically targeting sectors with strong employment potential, policymakers can more effectively address structural unemployment and drive balanced, inclusive growth. Implementing these measures will not only strengthen labor market resilience but also ensure that India's economic expansion translates into tangible improvements in living standards and social well-being.

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