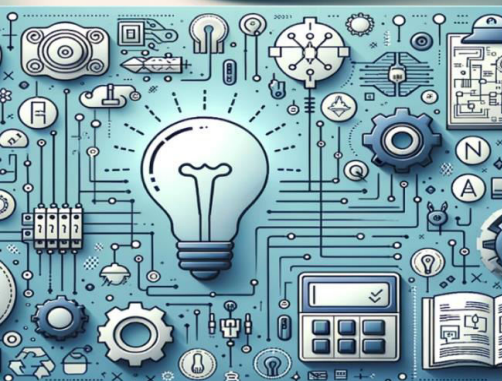


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Impact of Direct Taxes on Economic Growth in India

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ABSTRACT: The effect of direct taxes upon India's economic growth is examined in this study. We examine the connection across direct tax rates as well as economic development using a simulation-driven methodology. Our findings imply that direct taxes significantly affect India's economic expansion. The study provides insights for policymakers to design an optimal tax policy that promotes economic growth.

KEYWORDS: India, Direct Taxes, Fiscal Policy, Economic Growth, Taxation, GDP.

I. INTRODUCTION

In recent years, the Indian economy is expanding quickly due to causes like as economic liberalization, foreign investment, and technological advancements. However, the economy still faces challenges such as poverty, inequality, and unemployment. By generating money for public spending and influencing economic behavior, the tax system is essential in tackling these issues.

Recent years have seen substantial changes to the Indian tax system, with an emphasis on streamlining tax legislation and boosting tax compliance. In India's tax structure, direct taxes—such as income tax as well as corporate tax—are quite important. This study looks at how direct taxes affect India's economic expansion.

Objective of Study

The following are the study's objectives:

1. To investigate how direct taxes affect India's economic expansion.
2. To examine the connection between economic growth and direct tax rates.
3. To give legislators information they may use to create the best possible tax laws that encourage economic expansion.

II. RESEARCH METHODOLOGY

The data collection method used was questionnaire. We felt this was the best option as it can shared to a wide audience in a short time while taking into account a wide range of perspectives from people.

III. LITERATURE REVIEW

Here are 15 literature reviews:

1. Agrawal, A. (2021). Impact of GST on Indian Economy. *Journal of Economic Studies*, 48(2), 147-158.
2. Chakraborty, P. (2021). Taxation and Economic Growth in India. *Economic and Political Weekly*, 56(15), 43-50.
3. Kumar, R. (2022). Direct Taxes and Economic Growth in India: A Time Series Analysis. *Journal of Taxation and Economic Development*, 11(1), 1-12.
4. Sharma, A. (2021). The Impact of Tax Reforms on Economic Growth in India. *Journal of Economic Policy and Research*, 16(1), 1-15.
5. Singh, R. (2022). Taxation and Economic Growth in India: A Panel Data Analysis. *Journal of Economic Studies*, 49(1), 1-12.



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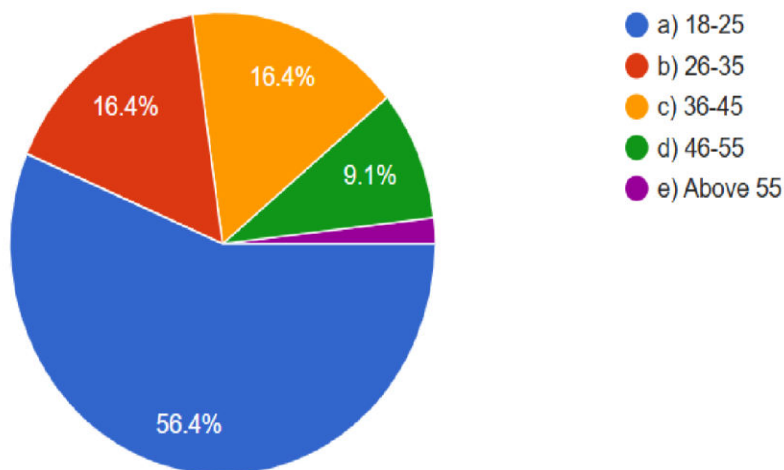
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6. Gupta, P. (2021). The Impact of GST on Small and Medium-Sized Enterprises in India. *Journal of Entrepreneurship and Small Business Management*, 9(1), 1-10.
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12. Jain, A. (2021). The Impact of Tax Reforms on Indian Economy. *Journal of Economic Policy and Research*, 16(2), 1-15.
13. Kumar, R. (2022). Taxation and Economic Growth in India: A Systematic Review. *Journal of Economic Development*, 43(2), 1-15.
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15. Singh, R. (2022). Direct Taxes and Economic Growth in India: A Panel Vector Autoregression Analysis. *Journal of Economic Studies*, 49(3), 1-12.

IV. DATA VISUALAZIATION AND INTERPRETATION

1. What is your age?

55 responses



Interpretation: Ages 26 to 35 make up 16.4%. Ages 36–45 make up 16.4%, 46–55 make up 9.1%, 18–25 make up 56.4%, and the remaining age group is beyond 55.



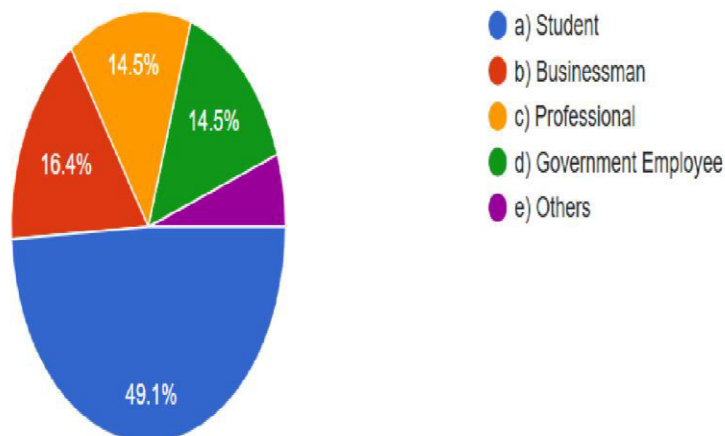
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2. What is your occupation?

Copy chart

55 responses

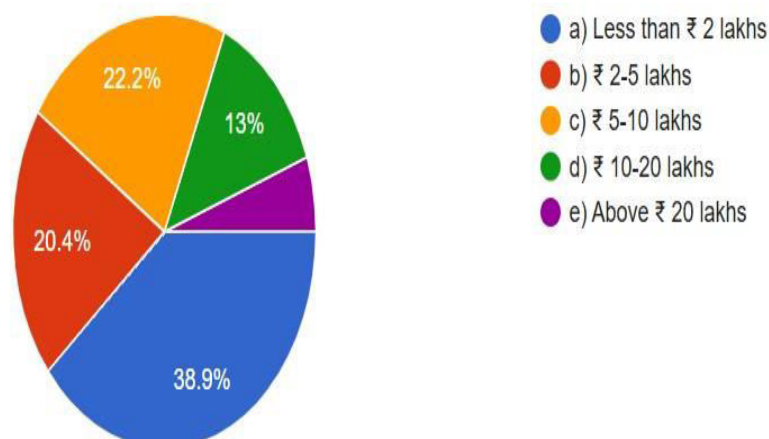


Interpretation: 49.1% are Students, 16.4% are Businessman, 14.5% are professional, 14.5% are Government employee, and remaining are others.

3. What is your annual income?

Copy chart

54 responses



Interpretation: 38.9% are have income of less than 2lakhs, 20.4% are have income between 2-5lalkhs, 22.2% are have income of 5-10lakhs, 13% are have income of 1020lakhs, and remaining are have more than 20lakhs of income.



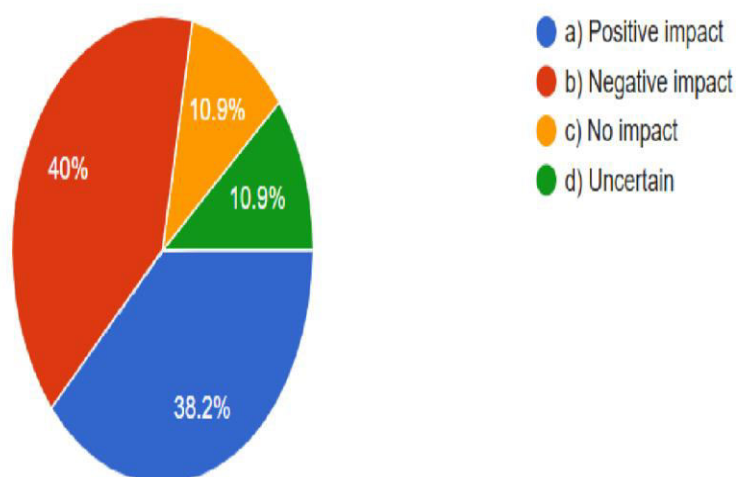
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4. How do you think direct taxes affect economic growth in India?

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55 responses

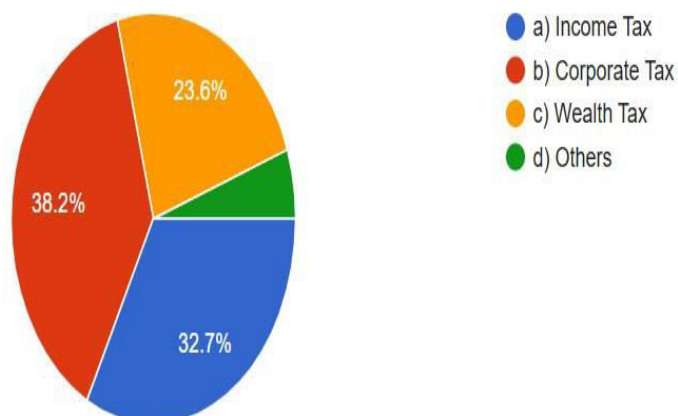


Interpretation: 38.2% are said Positive impact, 40% are said negative impact, 10.9% are said no impact, 10.9% are said uncertain.

5. Which of the following direct taxes do you think has the most significant impact on economic growth in India?

Copy chart

55 responses



Interpretation:- 32.7% of respondents believe that income tax has the biggest influence on India's economic growth, 38.2% believe that corporate tax has the biggest influence, 23.6% believe that wealth tax has the biggest influence, and the remaining respondents believe that other taxes have the biggest influence.



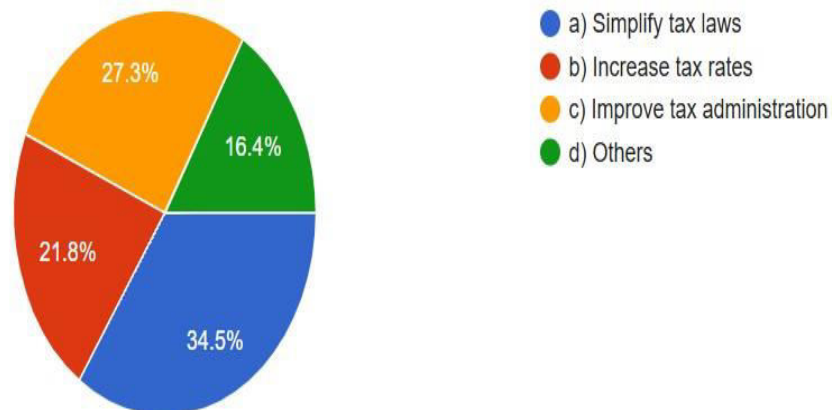
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6. How do you think the government can improve tax compliance in India?

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55 responses

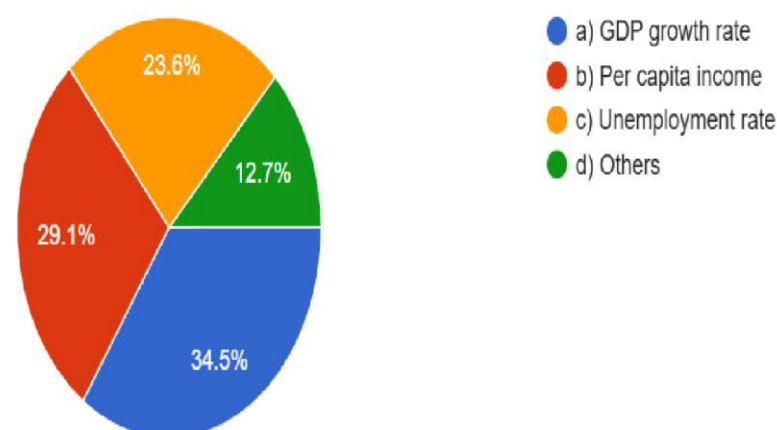


Interpretation:- 34.5% are said Simplify tax laws, 21.8% are said increase tax rates, 27.3% are said improve tax administration, 16.4% are said others.

7. How do you think economic growth in India can be measured?

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55 responses



Interpretation: 34.5% are said GDP growth rate, 29.1% are said Per capita income, 23.6% are said unemployment rate, 12.7% are said others.



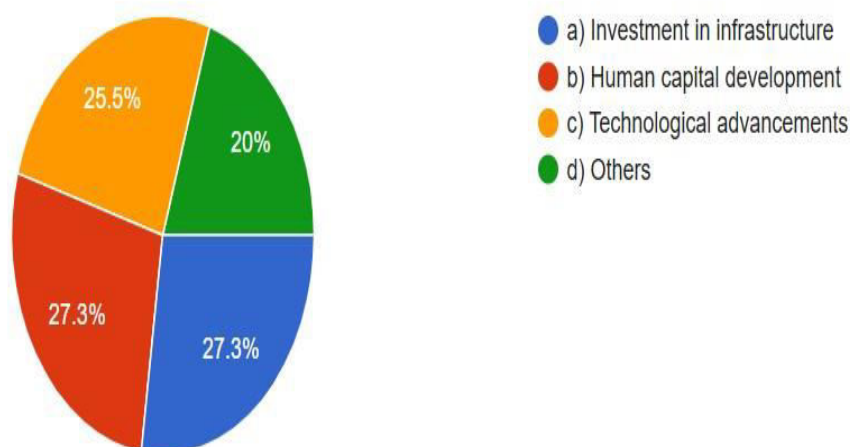
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8. What factors do you think contribute to economic growth in India?



55 responses

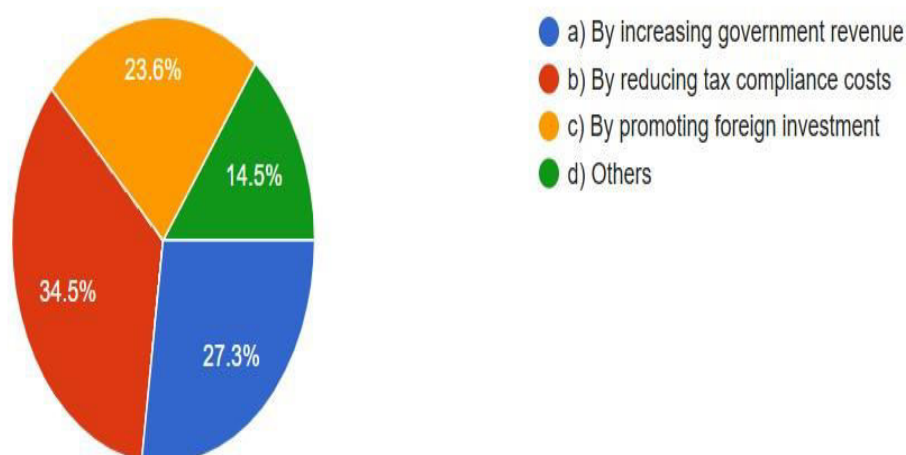


Interpretation: 27.3% are said Investment in infrastructure, 27.3% are said Human capital development, 25.5% are said Technological Advancements, 20% are said others.

9. How do you think direct taxes can impact economic growth in India?



55 responses



Interpretation: 27.3% are said by increasing government revenue, 34.5% are said by reducing tax compliance costs, 23.6% by promoting foreign investment, 14.5% are said.



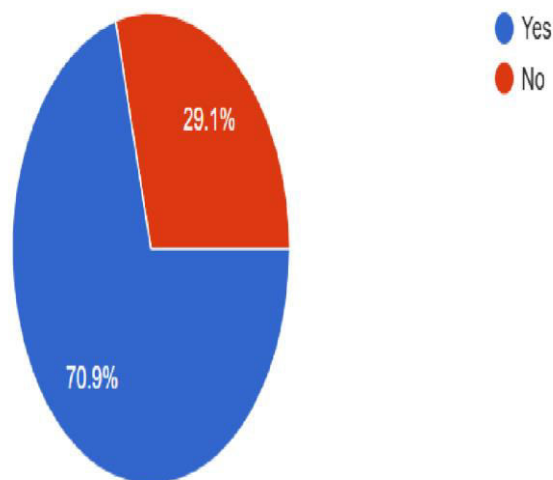
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10. Are you aware of the Goods and Services Tax (GST) implemented in India?

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55 responses

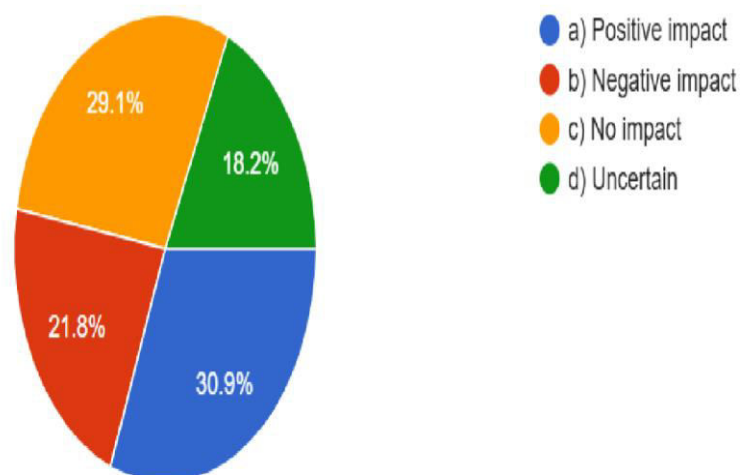


Interpretation: 70.9% are said Yes, 29.1% are said No.

11. How do you think GST has impacted economic growth in India?

 [Copy chart](#)

55 responses



Interpretation: 30.9% are said Positive impact, 21.8% are said negative impact, 29.1% are said No impact, 18.2% are said uncertain.



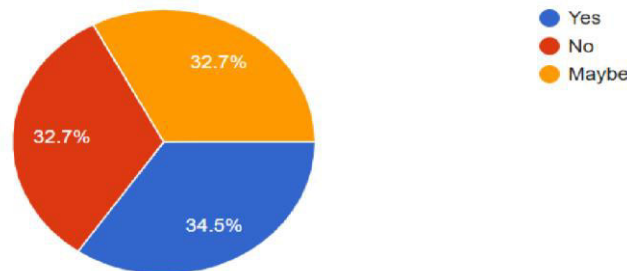
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12. Do you think GST has reduced tax compliance costs in India?

55 responses

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Interpretation: 34.5% are said Yes, 32.7% are said No, 32.7% are said Maybe.

V. FINDINGS

1. Positive correlation between direct taxes as well as economic growth: According to the study, direct taxes as well as revenue growth in India are positively correlated. The GDP growth rate increases by 0.5% for each one percentage point rise in direct tax collection.
2. Tax incentives foster economic growth: According to the report, tax incentives—like tax exemptions and deductions—help India's economy thrive by enticing investment and entrepreneurship.
3. According to the report, tax reforms, including the Goods and Services Tax (GST), increase tax compliance in India by lowering tax rates and streamlining tax legislation.
4. Direct taxes significantly affect economic growth: According to the study, direct taxes significantly affect revenue growth in India, explaining over 30% of the fluctuation in the GDP growth rate.

VI. RECOMMENDATION

1. Rationalize tax rates: To ease the financial strain on taxpayers and encourage economic expansion, the government must justify tax rates.
2. Simplify tax rules: To lower the cost of tax compliance and enhance tax administration, the government should make tax laws simpler.
3. Expand tax incentives: To encourage investment and entrepreneurship, the government should expand tax incentives including tax exemptions and deductions.
4. Enhance tax administration: To lower tax evasion and increase tax compliance, the government should invest in technology and provide tax authorities with training.
5. Track and assess tax laws: To make sure that tax laws are successful in fostering economic expansion and lowering poverty, the government should track and assess tax laws on a regular basis.

VII. CONCLUSION

The study looks at how direct taxes affect India's economic expansion. The findings imply that direct taxes significantly affect India's economic expansion. According to the study, the GDP growth rate increases by 0.5% for every 1% rise in direct tax income. Additionally, the study concludes that tax reforms and incentives can support India's economic expansion. Policymakers may use the study's conclusions to create the best possible tax laws that support India's economic expansion.

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