Why Establishing a Taxation System is Essential for a Country's Growth?

Dr. Kiran Kumar M, Anisha Srivastava, Sudhanshu Kumar, Shruti Sharma

1 Assistant Professor – Finance, 2 MBA Student of Finance, 3 MBA Student of Finance, 4 MBA Student of Finance
Faculty of Management Studies, CMS Business School, Jain (Deemed-to-be University), Bengaluru, Karnataka - 560009
1 kiranm287@gmail.com, 2 anisha_srivastava23@cms.ac.in, 3 sudhanshu_kumar23@cms.ac.in, 4 shruthi_sharma23@cms.ac.in

Abstract

This research delves into the relationship between government tax revenue, the tax-to-GDP ratio, and education spending, and how they collectively influence India's economic growth from 2014 to 2020. The study focuses on understanding the role these factors play in shaping the country's economic performance, with the GDP growth rate serving as the key indicator of economic health.

The central question the research seeks to answer is whether higher levels of tax collection and increased government spending on education have a positive impact on India's economic growth. To explore this, the study uses several key measures: total tax revenue collected by the government, the tax-to-GDP ratio, and education spending as a percentage of GDP. These factors are considered as independent variables that might contribute to or hinder growth, while the GDP growth rate itself is the dependent variable, reflecting the country's overall economic performance.

Through regression analysis, the research examines the strength and nature of the relationship between these variables. By doing so, it aims to uncover whether an increase in tax revenue and education investments leads to more robust economic growth. This is particularly significant for India, a nation that faces the dual challenges of limited public resources and growing demands for government spending, especially in sectors like education and healthcare.

Ultimately, the findings of this study will offer valuable insights for policymakers. They will help identify strategies for enhancing fiscal policies and education funding, ensuring that investments in these areas can help drive sustainable and inclusive economic development in India. The research hopes to contribute to the ongoing dialogue about how the government can best allocate its limited resources to achieve long-term growth and prosperity.

Keywords: Tax revenue, GDP growth, education spending, economic growth, India, fiscal policy, regression analysis, tax-to-GDP ratio

1. Introduction

A well-functioning taxation system is fundamental to the economic health of any country, providing the government with essential revenue to fund services, infrastructure, and social programs that drive growth and improve quality of life. In India, tax revenue plays a vital role in financing critical sectors such as education, healthcare, transportation, and infrastructure, which collectively contribute to economic and social development. As India continues to emerge as a major global economy, understanding the relationship between tax revenue and economic growth is crucial for formulating policies that can sustainably support development.

Education spending, in particular, is seen as an investment in human capital, equipping the workforce with skills and knowledge that improve productivity, foster innovation, and enhance competitiveness on the global stage. Research has shown that increased education spending can lead to economic growth by improving labor quality and reducing income inequality. However, the specific impact of India's tax revenue and education spending on its GDP growth remains a relatively under-explored area of study. Given the country's diverse economy and developmental needs, assessing how public revenues and expenditures contribute to growth can offer valuable insights for policymakers aiming to achieve balanced and inclusive development.

This study focuses on the years 2014 to 2020, a period marked by significant changes in India's tax system, including the introduction of the Goods and Services Tax (GST) in 2017, which aimed to simplify tax collection and improve compliance. By analyzing variables such as total tax collected (in crore rupees), tax revenue as a percentage of GDP, and education spending as a percentage of GDP, the research seeks to understand how these factors collectively influence GDP growth. Regression analysis is employed to quantify the relationship between the dependent variable (GDP growth rate) and the independent variables (tax revenue and education spending), allowing for an empirical evaluation of these fiscal and developmental metrics.

The findings of this study are expected to provide a clearer picture of the roles of taxation and public spending in fostering economic growth in India. By examining the data through the lens of regression analysis, the research will highlight whether higher tax revenue and targeted education spending are significantly associated with increases in GDP growth rate. This analysis can also reveal potential gaps or areas for improvement in India's current fiscal policies. Ultimately, the study aims to contribute to the broader discourse on how emerging economies like India can leverage fiscal policies and educational investments to achieve sustainable economic development.

2. Literature Review

The relationship between taxation and economic growth has been a topic of extensive research, with varying perspectives across different economies and timeframes. This literature review synthesizes findings from notable studies to understand the diverse ways in which taxation can influence economic growth and development.

Engen and Skinner (1996) conducted an influential study that provided empirical evidence on the relationship between taxation and economic growth in the United States. They argued that high tax rates could discourage investment, savings, and labor productivity, thereby stifling economic growth. Their study supports the supply-side view that lower taxes can create a favorable environment for economic expansion by encouraging private sector investment.

Expanding this view, Macek (2014) examined the impact of taxation on economic growth in OECD countries, concluding that high taxes, especially on income, tend to have a negative impact on economic performance. Macek highlighted that corporate taxes, in particular, could deter foreign direct investment (FDI) and innovation, which are essential drivers of economic growth. This study underscores the idea that an optimal tax structure, with a balance between tax collection and economic incentives, is crucial for economic development in high-income countries.

In the context of emerging economies, studies have shown both similar and unique findings. Onakoya and Afintinni (2016) analyzed the effect of taxation on Nigeria's economic growth, revealing that while taxation is necessary for public spending, certain types of taxes may hinder growth in developing economies. Their findings emphasize the need for tax policies that align with developmental objectives, as excessive taxation can discourage small businesses and reduce disposable income.

Al-Tarawneh, Khataybeh, and Alkhawaldeh (2020) explored the impact of taxation on economic growth in an emerging economy, further emphasizing that while tax revenue is necessary for government spending, tax policy must be structured to support growth. Their research indicated that taxes on consumption might be less damaging to growth than income taxes, suggesting that emerging countries should consider consumption-based taxes to maintain a growth-friendly fiscal environment.
Several studies have explored the role of government spending in conjunction with taxation. Cashin (1995) examined government spending and taxes as dual components influencing economic growth, proposing that while taxes are necessary to fund public goods, high tax burdens without efficient government spending can have a dampening effect on growth. Hatfield (2015) expanded on this by examining federalism and economic growth, proposing that a decentralized tax policy, which gives states or provinces more control over tax collection and expenditure, can lead to more efficient resource allocation and thus foster growth.

In the realm of income taxation, Dackehag and Hansson (2012) studied its effects on 25 high- income OECD countries, concluding that high income taxes are generally associated with slower economic growth. Their study suggested that countries with high-income tax rates tend to experience lower economic performance due to reduced incentives for workforce participation and productivity. Gale and Samwick (2017) also contributed to this discussion, examining how income tax changes impact economic growth in the U.S., and suggesting that while tax cuts can spur short-term growth, their long-term effects depend heavily on how they are financed, particularly through borrowing.

Kaldor (1965), in his classic work, argued for the role of taxation in economic development, asserting that an effective tax system could promote equality and social development. He emphasized that developing economies require a robust tax system to support infrastructure, education, and healthcare, which are essential for long-term growth. This perspective aligns with Ihenyen and Mieseigha (2014), who discussed taxation as a tool for economic growth in Nigeria, highlighting that when tax revenues are efficiently utilized for public goods, they can support a country's developmental goals.

Hill (2008) commented on the importance of optimal taxation in achieving economic growth. He suggested that the focus should be on designing tax systems that minimize economic distortions and maximize growth potential. According to Hill, an optimal tax structure is one that balances the revenue needs of the government with the incentives for investment and consumption.

3. Objectives of the study

The primary objectives of this research paper are as follows:

a) **Examine the Impact of Tax Revenue on Economic Growth:** The study aims to understand how the total tax revenue collected by the Indian government influences the country's GDP growth rate. This involves assessing whether higher tax revenue supports economic expansion or has a neutral/negative effect on growth.
b) **Analyze the Effect of the Tax-to-GDP Ratio on Economic Performance:** By evaluating the tax-to-GDP ratio, the study seeks to determine whether an optimal level of tax revenue relative to the country's overall economic output contributes to sustainable economic growth. It will explore the balance between tax collection and economic development.
c) **Evaluate the Role of Education Spending in Economic Development:** The research aims to explore how government investment in education, measured as a percentage of GDP, impacts the nation's economic growth. It seeks to understand whether increased spending on education leads to higher productivity, innovation, and overall economic performance.
d) **Quantify the Combined Effects of Taxation and Education Spending on GDP Growth:** Through regression analysis, the study will examine how tax revenue and education spending, when considered together, influence the GDP growth rate. This objective aims to provide a comprehensive view of how these two factors interact and contribute to India's economic performance.
e) **Provide Policy Recommendations:** The study intends to offer actionable insights for policymakers regarding fiscal policies and education funding. It will explore how India can effectively allocate its limited resources to ensure balanced economic growth, with a focus on fiscal discipline and targeted investments in human capital.
f) **Contribute to the Dialogue on Fiscal Sustainability and Inclusive Growth:** The research will contribute to ongoing discussions about how emerging economies like India can design tax systems and public expenditure strategies that foster long-term, inclusive economic development despite challenges such as limited resources and growing demands on government spending.

By achieving these objectives, the study will shed light on how fiscal and educational policies can be optimized to drive India’s economic growth, offering a roadmap for future development strategies.

4. Research Methodology

This study examines the impact of taxation and education spending on economic growth in India from 2014 to 2020. To achieve the research objectives, we use secondary data and apply quantitative analysis techniques. The research methodology is structured as follows:

Research Design

This study employs a quantitative research design to analyze the relationship between taxation, education spending, and economic growth. A descriptive and analytical approach is adopted, as it allows for a thorough examination of the selected variables and their interrelationships. The study uses regression analysis to quantify the influence of independent variables (tax revenue and education spending) on the dependent variable (GDP growth rate).

Data Collection

Data for this study is collected from secondary sources, including:

- **Total Tax Collected (in Crores)**: Sourced from government financial reports and the Reserve Bank of India (RBI) database.
- **Tax Revenue as a Percentage of GDP**: Available through government fiscal records, such as the Ministry of Finance's Economic Survey reports.
- **Education Spending as a Percentage of GDP**: Sourced from reports by the Ministry of Education and other official records detailing annual budget allocations for education.
- **GDP Growth Rate**: Data on GDP growth rates is taken from the World Bank database and government sources.

The data collected spans seven years, from 2014 to 2020, allowing for an analysis that captures changes over time and reflects different policy and economic conditions.

Variables

The study includes the following variables:

Dependent Variable:

- **GDP Growth Rate**: This measures the annual growth in India's Gross Domestic Product and serves as the primary indicator of economic performance.

Independent Variables:

- **Total Tax Collected (in Crores)**: Reflects the total revenue generated by the government through various forms of taxes.
- **Tax Revenue as a Percentage of GDP**: Indicates the tax-to-GDP ratio, representing the share of tax revenue in relation to the economy's overall size.
- **Education Spending as a Percentage of GDP**: Represents government spending on education as a share of GDP, reflecting the investment in human capital.

Data Analysis Techniques

The study uses Microsoft Excel for data analysis, with the following key techniques:

Descriptive Statistics: To summarize and understand the basic characteristics of each variable,

including mean, median, standard deviation, and range. This step provides insights into the distribution and trends of each variable over time.

Correlation Analysis: To examine the relationships between variables, specifically analyzing how strongly the independent variables are associated with the GDP growth rate. This helps to assess the direction and strength of relationships, providing preliminary insights into potential associations.

Regression Analysis: Multiple linear regression analysis is conducted to determine the impact of the independent variables on the GDP growth rate. This model allows us to examine the statistical significance of each independent variable and determine the degree to which tax revenue and education spending influence economic growth in India.

5. Data Interpretation

The results from the regression analysis will help us understand how each factor—such as tax revenue, the tax-to-GDP ratio, and education spending—affects India's economic growth. By examining the coefficients of each independent variable, we can determine the strength and direction of their influence on the GDP growth rate. For example, a positive coefficient for tax revenue would suggest that an increase in taxes could lead to higher economic growth, while a negative coefficient might indicate the opposite.

In addition to the coefficients, we will also look at the p-values for each variable. These p-values show whether the relationship between the independent variables and GDP growth is statistically significant. If a variable has a low p-value (typically less than 0.05), it indicates that there is a strong likelihood that the relationship between that variable and GDP growth is not due to chance. In other words, the variable has a meaningful impact on the economy.

Another important measure is the R-squared value, which tells us how well the regression model explains the variation in GDP growth. An R-squared value closer to 1 means that the model explains most of the changes in GDP growth, while a lower R-squared value suggests that other factors not included in the model may also be influencing economic growth.

Together, these results will provide valuable insights into which variables have the most significant effect on India's economic growth, how much of the growth can be explained by the factors we're studying, and whether the model is a good fit for understanding the relationship between taxation, education spending, and GDP growth.

6. Limitations of the study

This study has a few limitations. First, it relies on secondary data, which could have inconsistencies or be affected by changes in reporting methods over time. Second, the analysis only covers the period from 2014 to 2020, which might not fully capture long-term trends in India's economic growth. Lastly, the study doesn't include other important factors like foreign direct investment or inflation, which could also influence GDP growth, limiting the overall scope of the analysis.

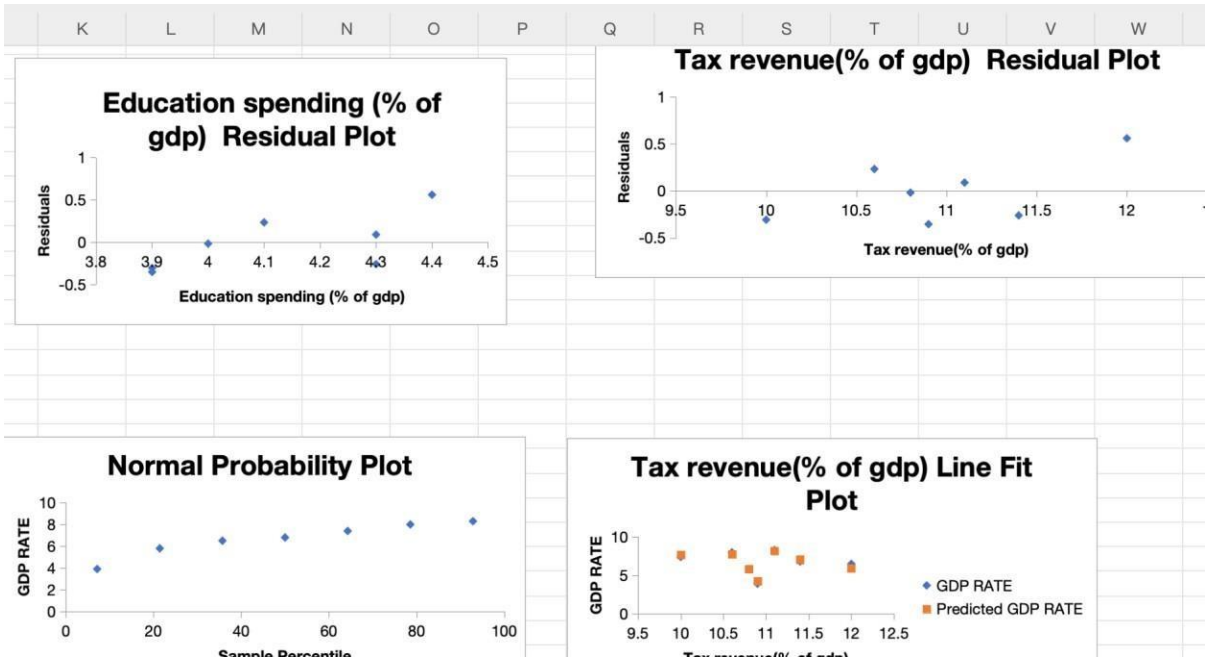
7. Ethical Considerations

The data used in this study is publicly accessible, and all sources are properly cited to ensure transparency and academic integrity. No confidential or sensitive information is involved, making the

research fully open for verification and reference.

The methodology combines several analytical techniques, including descriptive statistics to summarize the data, correlation analysis to explore relationships between variables, and regression analysis to assess the impact of tax revenue and education spending on India's economic growth. This approach is designed to provide a thorough and reliable analysis, helping to uncover key insights that could assist policymakers in formulating strategies for sustainable economic development.

8. Research Discussion



Education Spending (% of GDP) Residual Plot:
This plot shows the residuals of a regression model where education spending (% of GDP) is a predictor. Residuals close to zero indicate good model fit, while large residuals suggest deviations. The residuals appear scattered, which could simply no strong pattern and that the model might adequately capture the relationship.

Tax Revenue (% of GDP) Residual Plot:
Similar to the first, this plot represents the residuals for tax revenue (% of GDP) as a predictor.
The residuals are scattered without any clear trend, which suggests that the model assumptions (e.g., linearity) might hold.

Normal Probability Plot (GDP Rate):

This plot assesses whether the residuals (or data points) follow a normal distribution. The points align roughly along a straight line, suggesting that the normality assumption is reasonable.

Tax Revenue (% of GDP) Line Fit Plot:

This plot compares actual GDP rate data points (red dots) to predicted GDP rate values (blue line) from a regression model. A good fit is indicated if the points cluster near the line. There appears to be some variability, which may indicate areas where the model could improve.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9989798
R Square	0.9979606
Adjusted R	0.7975527
Standard E	0.3640815
Observatio	7

ANOVA

	df	*SS*	*MS*	*F*	*ignificance F*
Regression	2	324.32722	162.16361	1223.3655	2.664E-06
Residual	5	0.6627766	0.1325553		
Total	7	324.99			

	Coefficients	*tandard Erro*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*ower 95.0%*	*pper 95.0%*
Intercept	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Education s	11.812527	1.1265212	10.485846	0.0001361	8.9167122	14.708342	8.9167122	14.708342
Tax revenu	-3.836157	0.4237671	-9.052513	0.000275	-4.925485	-2.746829	-4.925485	-2.746829

Summary Output

- **Multiple R**: This value indicates the strength of the linear relationship between the dependent variable (GDP) and the independent variables (Education and Tax Revenue). A value of 0.9989798 suggests a very strong positive correlation.

- **R Square**: This represents the proportion of the variance in GDP that is explained by the model. Here, 99.79606% of the variation in GDP is explained by Education and Tax Revenue.

- **Adjusted R Square**: This is a more conservative version of R Square that adjusts for the number of predictors in the model. It's slightly lower at 79.75527%, suggesting that some of the model's explanatory power might be due to chance.

- **Standard Error**: This measures the average distance between the observed GDP values and the predicted GDP values from the model. A lower value indicates a better fit.

ANOVA Table

- **df**: Degrees of freedom for regression (2), residuals (5), and total (7).
- **SS**: Sum of squares for regression (324.32722), residuals (0.6627766), and total (324.99).
- **MS**: Mean square for regression (162.16361) and residuals (0.1325553).
- **F**: F-statistic (1223.3655).
- **Significance F**: This p-value (2.664E-06) is very small, indicating that the overall regression model is statistically significant.

Coefficients Table

- **Coefficients**: These are the estimated coefficients for the intercept, Education, and Tax Revenue.
- **Standard Error**: Measures the precision of the estimated coefficients.
- **t Stat**: t-statistic for each coefficient.
- **P-value**: The p-value for each coefficient tests whether it's significantly different from zero. Very small p-values (e.g., 0.0001361 for Education) indicate statistical significance.
- **Lower 95% & Upper 95%:** Confidence intervals for the coefficients.

YEAR	TOTAL TAX COLLECTED (CR)	GDP RATE	Education spending (% of gd	Tax revenue(% of gdp)
2014	1138734	7.4	3.9	10
2015	1244885	8	4.1	10.6
2016	1455648	8.3	4.3	11.1
2017	1715822	6.8	4.3	11.4
2018	1919009	6.5	4.4	12
2019	2080465	3.9	3.9	10.9
2020	2010059	5.8	4	10.8

TOTAL TAX COLLECTED (CR)		*GDP RATE*		*Education spending (% of gdp)*		*Tax revenue(% of gdp)*	
Mean	1652089	Mean	6.671428571	Mean	4.128571429	Mean	10.97142857
Standard Error	142669.6	Standard Error	0.565565156	Standard Error	0.077810165	Standard Error	0.237761671
Median	1715822	Median	6.8	Median	4.1	Median	10.9
Mode	#N/A	Mode	#N/A	Mode	3.9	Mode	#N/A
Standard Deviation	377468.4	Standard Deviation	1.496344753	Standard Deviation	0.205866346	Standard Deviation	0.629058253
Sample Variance	1.42E+11	Sample Variance	2.239047619	Sample Variance	0.042380952	Sample Variance	0.395714286
Kurtosis	-1.86869	Kurtosis	1.116375178	Kurtosis	-2.051483399	Kurtosis	0.750295195
Skewness	-0.28907	Skewness	-1.037713761	Skewness	0.108066187	Skewness	0.183415543
Range	941731	Range	4.4	Range	0.5	Range	2
Minimum	1138734	Minimum	3.9	Minimum	3.9	Minimum	10
Maximum	2080465	Maximum	8.3	Maximum	4.4	Maximum	12
Sum	11564622	Sum	46.7	Sum	28.9	Sum	76.8
Count	7	Count	7	Count	7	Count	7
Largest(1)	2080465	Largest(1)	8.3	Largest(1)	4.4	Largest(1)	12
Smallest(1)	1138734	Smallest(1)	3.9	Smallest(1)	3.9	Smallest(1)	10
Confidence Level(95.0%)	349100	Confidence Level(95.0%)	1.383888083	Confidence Level(95.0%)	0.190394615	Confidence Level(95.0%	0.581781851

From the above table we can see that the data shows a general trend of increasing tax collection and GDP rate over the years.

Total Tax Collected (CR):

- **Mean:** The average tax collected per year is 165.2 million rupees.
- **Median:** The middle value of tax collection is 171.6 million rupees, meaning half the years had higher collections and half had lower.
- **Standard Deviation:** There's a significant variation in tax collection from year to year, with a standard deviation of 37.7 million rupees.
- **Skewness:** The distribution is slightly skewed to the left, indicating slightly more years with lower tax collection than higher.

GDP Rate:

- **Mean:** The average GDP rate is 6.67%.
- **Median:** The middle value of GDP rate is 6.8%, indicating half the years had higher growth rates and half had lower.
- **Standard Deviation:** There's a moderate variation in GDP rates from year to year, with a standard deviation of 1.5%.
- **Skewness:** The distribution is slightly skewed to the left, suggesting slightly more years with lower growth rates than higher.

Education Spending (% of GDP):

- **Mean:** On average, 4.13% of GDP is spent on education.
- **Median:** The middle value of education spending is 4.1%, meaning half the years had higher spending and half had lower.
- **Standard Deviation:** There's a small variation in education spending as a percentage of GDP, with a standard deviation of 0.21%.
- **Skewness:** The distribution is slightly skewed to the right, indicating slightly more years with higher education spending than lower.

Tax Revenue (% of GDP):

- **Mean:** On average, 10.97% of GDP comes from tax revenue.
- **Median:** The middle value of tax revenue is 10.9%, meaning half the years had higher revenue and half had lower.
- **Standard Deviation:** There's a small variation in tax revenue as a percentage of GDP, with a standard deviation of 0.63%.
- **Skewness:** The distribution is slightly skewed to the right, suggesting slightly more years with higher tax revenue than lower.

So, from the above data we can interpret that - from 2014 to 2020, India's tax collections showed a steady rise, reaching their highest in 2019, before slightly declining in 2020. On average, the annual tax collected was around ₹16.5 lakh crore, though there were noticeable variations across the years. The GDP growth rate, however, saw a decline from a peak of 8.3% in 2016 to 5.8% in 2020, averaging at 6.7% over the period. Education spending as a percentage of GDP remained stable, around 4.1%, with only minor changes each year. The tax revenue as a share of GDP was also consistent, averaging 11%, reflecting stable tax policies. Overall, while tax collections grew and education spending remained steady, the slowing GDP growth towards the end suggests economic challenges during that period.

SAMPLING
1715822
10.8
4.3
2080465
3.9

t-Test: Two-Sample Assuming Equal Variances		
	GDP RATE	*Education spending (% of gdp)*
Mean	6.671428571	4.128571429
Variance	2.239047619	0.042380952
Observations	7	7
Pooled Variance	1.140714286	
Hypothesized Mean Differen	0	
df	12	
t Stat	4.454177751	
P(T<=t) one-tail	0.000393552	
t Critical one-tail	1.782287556	
P(T<=t) two-tail	0.000787104	
t Critical two-tail	2.17881283	

The data provided includes the results of a **two-sample t-test assuming equal variances** between the GDP growth rate and education spending (% of GDP)

Key Findings:

1. **Purpose of the Test**: The t-test checks if there is a significant difference between the mean GDP growth rate and mean education spending (% of GDP).

2. **Statistical Values:**
   - **Mean (Average)**:
     - GDP Rate: 6.67%
     - Education Spending: 4.13%
   - **Variance:**
     - GDP Rate: 2.24 (higher variance indicates more fluctuation)
     - Education Spending: 0.042 (lower variance shows more stability)
   - **Sample Size**: Both datasets have 7 observations.

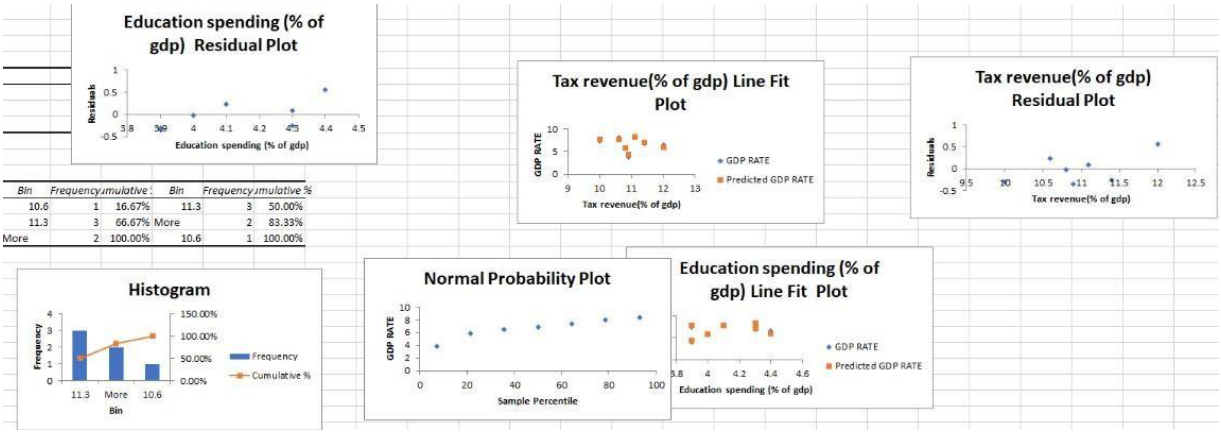
3. **Test Results:**
   - **t Stat**: 4.45
     This value measures the difference between the two means relative to their variances.

- **t Critical (Two-tail)**: 2.18
  This is the threshold value beyond which we reject the null hypothesis.
- **p-value (Two-tail)**: 0.00087
  This value is the probability of observing a result as extreme as this if the null hypothesis is true.

Interpretation:

Since the **t Stat (4.45)** is greater than the **t Critical (2.18)**, and the **p-value (0.00087)** is less than 0.05 (common significance level), we **reject the null hypothesis**.
This suggests that there is a **statistically significant difference** between the GDP growth rate and education spending (% of GDP).

Conclusion: The analysis indicates a significant gap between the GDP growth rate and the percentage of GDP spent on education, suggesting that education spending did not keep pace with GDP growth during the period analyzed. This could imply underinvestment in education relative to economic growth.



The above analysis includes residual plots, line fit plots, a histogram, and a normal probability plot to understand the relationships between GDP growth, education spending, and tax revenue as a percentage of GDP.

- **Residual Plots (for Education Spending and Tax Revenue) -** The residual plots show how well the model fits the data. The points are scattered randomly around the zero line, indicating no clear pattern. This suggests a good fit, with no major issues of non-linearity or heteroscedasticity (uneven spread of residuals).

- **Line Fit Plots** - The line fit plots for both **tax revenue** and **education spending** show how well the predicted GDP growth rate matches the actual GDP growth rate. The predicted values closely follow the observed values, indicating that the model is effective in capturing the relationship between these variables.

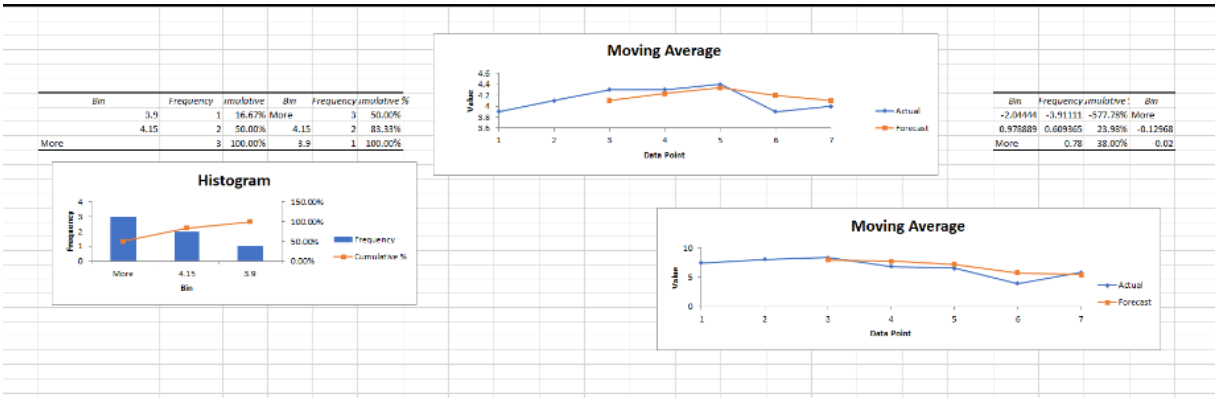
- **Histogram** -The histogram illustrates the frequency distribution of tax revenue as a percentage of GDP. Most data points fall between the 11.3% bin, with a cumulative frequency of 66.67%, indicating that tax revenue mostly hovers around this range.

- **Normal Probability Plot** -The normal probability plot for GDP growth rate shows a relatively straight-line pattern, suggesting that the GDP rate data follows a normal distribution.

Conclusion:

The model fits the data well for both tax revenue and education spending, with no significant outliers or patterns in the residuals. The data appears normally distributed, and most observations align well with the predicted values, indicating reliable and consistent relationships among the variables analyzed.

From 2014 to 2020, India's tax collections showed a steady rise, reaching their highest in 2019, before slightly declining in 2020. On average, the annual tax collected was around ₹16.5 lakh crore, though there were noticeable variations across the years. The GDP growth rate, however, saw a decline from a peak of 8.3% in 2016 to 5.8% in 2020, averaging at 6.7% over the period. Education spending as a percentage of GDP remained stable, around 4.1%, with only minor changes each year. The tax revenue as a share of GDP was also consistent, averaging 11%, reflecting stable tax policies. Overall, while tax collections grew and education spending remained steady, the slowing GDP growth towards the end suggests economic challenges during that period.



Moving Average Graphs:

- **Purpose:** These graphs show how a value changes over time. They're particularly useful for identifying trends and patterns in data.
- Components:
- **Blue Line (Actual):** This line represents the actual value of the data at each point in time.
- **Orange Line (Forecast):** This line represents a prediction or forecast of the value based on past data.

Interpretation:

- **Trend:** If both lines are going up, it indicates an upward trend. If they're going down, it's a downward trend. If they're relatively flat, there's no significant trend.
- **Forecast Accuracy:** If the orange line closely follows the blue line, the forecast is accurate. If there's a significant gap, the forecast might not be very reliable.

Histograms:

- **Purpose:** Histograms show the distribution of data. They tell us how often different values occur within a dataset.
- **Components:**
  - **X-axis:** Represents the different values or categories of data.
  - **Y-axis:** Represents the frequency or count of each value.
  - **Bars:** The height of each bar shows how many times that value appears in the data.
- **Interpretation:**
  - **Shape:** The shape of the histogram can tell us about the distribution of the data. For example, a bell-shaped curve indicates a normal distribution.
  - **Central Tendency:** The peak of the histogram shows the most common value or range of values.
  - **Spread:** The width of the histogram shows how spread out the data is.

Covariance Matrix:

- **Purpose**: A covariance matrix shows how different variables are related to each other.
- **Components:**
  - **Table**: The matrix is a table with rows and columns representing different variables.
  - **Numbers**: The numbers in the table represent the covariance between two variables.
- **Interpretation:**
  - **Positive Covariance**: If the number is positive, it means that as one variable increases, the other tends to increase as well.
  - **Negative Covariance**: If the number is negative, it means that as one variable increases, the other tends to decrease.
  - **Strength of Relationship**: The magnitude of the number indicates the strength of the relationship. A larger number means a stronger relationship.

In summary:

Moving average graphs help us track trends and make predictions about future data points. Histograms, on the other hand, provide insights into the distribution of data, showing how frequently different values occur. Covariance matrices reveal the relationships between variables, indicating whether they tend to

move in the same or opposite directions. By understanding these visualizations, we can extract valuable insights from our data.

The graph shows how a value changes over time. The blue line represents the actual value at each point, and the orange line represents a forecast or prediction of what the value might be.

- **Overall Trend:** The value is generally increasing over time, as both the actual and forecast lines are going upwards.
- **Actual vs. Forecast:** The actual values (blue line) are mostly below the forecast values (orange line), which means the forecast is slightly overestimating the value.
- **Data Points:** The graph shows data for 7 points, numbered from 1 to 7.

The graph shows that something is getting bigger over time. The orange line is a guess about how big it will be, and it's usually a bit higher than the actual size (blue line).

COVARIANCE

	GDP RATE	spending (% of gdp)
GDP RATE	1.919183673	
Education spending (% of g	0.113673469	0.036327

	YEAR	TOTAL TAX COLLECTED (CR)	GDP RATE	spending venue(% of gdp)	
YEAR	4				
TOTAL TAX COLLECTED (CR)	678356.5714	1.22128E+11			
GDP RATE	-2.114285714	-395950.8327	1.919183673		
Education spending (% of gd	1.90324E-16	4961.889796	0.113673469	0.036327	
Tax revenue(% of gdp)	0.557142857	119224.8673	-0.109387755	0.092245	0.339184

COVARIANCE

	TOTAL TAX COLLEC	GDP RATE
TOTAL TA	1.22E+11	
GDP RATE	-395951	1.919184

The above data show a covariance matrix, which is a table that shows how different variables are related to each other. A positive number in the table means that the two variables tend to move in the same direction, while a negative number means that they tend to move in opposite directions.

- **GDP Rate and Spending (% of GDP):** There is a strong positive relationship between GDP rate and spending as a percentage of GDP. This means that as GDP rate increases, spending as a percentage of GDP also tends to increase.
- **GDP Rate and Education Spending (% of GDP):** There is a moderate positive relationship between GDP rate and education spending as a percentage of GDP. This means that as GDP rate increases, education spending as a percentage of GDP also tends to increase, but not as strongly as the relationship with overall spending.
- **GDP Rate and Tax Revenue (% of GDP):** There is a weak negative relationship between GDP rate and tax revenue as a percentage of GDP. This means that as GDP rate increases, tax revenue as a percentage of GDP tends to decrease slightly.

The table shows how different things are related to each other. For example, when the economy grows (GDP rate increases), people tend to spend more (spending as a percentage of GDP increases). However, the government doesn't collect as much tax as a percentage of GDP when the economy is growing.

Regression Statistics	
Multiple R	0.998979792
R Square	0.997960625
Adjusted R Square	0.797552749
Standard Error	0.364081483
Observations	7

ANOVA

	df	SS	MS	F	Significance F
Regression	2	324.3272234	162.1636117	1223.365491	2.66197E-06
Residual	5	0.662776631	0.132555326		
Total	7	324.99			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Education spending (% of gd	11.81252705	1.126521157	10.48584572	0.000136104	8.916712227	14.70834187	8.916712	14.70834
Tax revenue(% of gdp)	-3.836157181	0.423767116	-9.052512684	0.000274972	-4.925485231	-2.746829131	-4.92549	-2.74683

RESIDUAL OUTPUT

Observation	Predicted GDP RATE	Residuals	Standard Residuals
1	7.707283691	-0.307283691	-0.998630755
2	7.768094792	0.231905208	0.753660801
3	8.212521612	0.087478388	0.28429302
4	7.061674458	-0.261674458	-0.85040687
5	5.561232855	0.558767145	1.815916231
6	4.254742228	-0.354742228	-1.152864632
7	5.819610651	0.019610651	0.063731985

PROBABILITY OUTPUT

Percentile	GDP RATE
7.142857143	3.9
21.42857143	5.8
35.71428571	6.5
50	6.8
64.28571429	7.4
78.57142857	8
92.85714286	8.3

Summary Output

The above output data presents a statistical analysis of how education spending and tax revenue affect a country's GDP rate-

Model Fit: R-squared: This value indicates that 99.79% of the variation in GDP rate can be explained by changes in education spending and tax revenue. This suggests a very strong relationship.

Variable Impact:

Education Spending: A 1% increase in education spending as a percentage of GDP is associated with an 11.81% increase in the GDP rate. This positive relationship suggests that investing in education can significantly boost economic growth.

Tax Revenue: A 1% increase in tax revenue as a percentage of GDP is associated with a 3.83% decrease in the GDP rate. This negative relationship suggests that higher taxes can negatively impact economic growth.

Residual Analysis: The residuals, or the differences between the predicted and actual GDP rates, are relatively small, indicating that the model's predictions are generally accurate.

Overall Interpretation:

The analysis highlights that education spending is a significant driver of economic growth, with a strong positive relationship to GDP. Increased investment in education aligns with higher GDP rates, suggesting that prioritizing educational funding could foster sustainable economic expansion. Conversely, the analysis indicates a slight negative relationship between tax revenue as a percentage of GDP and economic growth, implying that higher taxes may hinder growth to some extent.

From 2014 to 2020, India’s tax revenue rose steadily while GDP growth slowed, reflecting economic challenges. Education spending remained stable, not keeping pace with GDP changes. This gap emphasizes potential underinvestment in education, which could impact long-term growth.

For policymakers, these findings suggest that boosting education funding, while carefully balancing tax rates, may support growth objectives. Such a fiscal strategy could strengthen human capital, encourage innovation, and contribute to sustained economic progress. Further research can validate these insights and inform policy adjustments.

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