

## FOREWORD

The Reserve Bank of India (RBI) brings out an annual publication entitled “State Finances: A Study of Budgets” which analyses the fiscal position of state governments on the basis of primary state level data. From 2005-06 onwards, this report has been structured around a special theme of topical relevance. The current report’s theme is the *goods and services tax (GST)*. The salient features that emerge from the analysis of state finances in the report are:

- The GST is likely to strengthen cooperative federalism and have far-reaching implications for growth, inflation, public finances and external competitiveness in the Indian economy, drawing on the evidence of significant efficiency gains revealed in empirical evaluation of the implementation of VAT in 2005.
- The GST is likely to bolster states’ revenue and anchor fiscal consolidation without compromising on expenditure quality.
- Seamless implementation of GST is contingent upon a robust dispute resolution mechanism and a sound information technology (IT) infrastructure.
- From a medium term perspective, the GST assumes significance in the context of the debt sustainability of states and the evolving contours of state finances.

The report has been prepared in the Fiscal Analysis Division (FAD) of the Department of Economic and Policy Research (DEPR) under the overall guidance of Shri B.M. Misra, Principal Adviser. The report was prepared under the supervision of Dr. Rajiv Ranjan, Adviser and his team led by Shri Indranil Bhattacharyya, Director. Other members of the team included Dr. Atri Mukherjee, Dr. P.S. Rawat and Dr. Brijesh P. (Assistant Advisers); Shri Anand Prakash Ekka and Shri Khaijamang Mate (Research Officers). Data compilation support was provided by Smt. E. Fernandes, Shri G.N. Hamand and Smt. V. Hashita.

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