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**GST implementation to have far reaching
implications for the Indian Economy
RBI releases State Finances: A Study of Budgets of 2016-17**

Today, the Reserve Bank of India (RBI) released the report entitled “[State Finances: A Study of Budgets of 2016-17](#)”, an annual publication that provides information, analysis and an assessment of the finances of state governments. It is the primary source for disaggregated state-wise fiscal data and delineates the changing dynamics of fiscal federalism over the years. The theme of this year’s report is the *Goods and Services Tax (GST)*.

Highlights of the report are:

- Introduction of GST would have economy-wide ramifications in terms of growth, inflation, government finances and external competitiveness over the medium-term.
- It is likely to champion a new course for cooperative federalism in India, focusing on collaboration between the Centre and states.
- GST remains the best bet for state governments in returning to the path of fiscal consolidation without compression of productive expenditure.
- GST implementation challenges should be addressed through a robust dispute resolution mechanism; with the goods and services tax network (GSTN) expected to provide the necessary information technology (IT) infrastructure to all stakeholders.
- Greater devolution of resources through statutory transfers would provide states with the flexibility to prioritize their expenditure in sync with their development objectives.
- From a medium term perspective, debt sustainability of states is likely to be the key factor in shaping the evolving contours of state finances.

This publication has been prepared in the Fiscal Analysis Division (FAD) of the Department of Economic and Policy Research. The current issue, along with past issues of the report is available on the website (www.rbi.org.in). Comments on this publication may be sent to The Director, Fiscal Analysis Division, Department of Economic and Policy Research, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai - 400001. Comments can also be forwarded *via e-mail*.