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GST Influence on Fiscal Policies and Economic Performance in India

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Abstract

This study examines how India's Goods and Services Tax (GST) has influenced fiscal consolidation and economic performance using secondary data for FY2021–22 to FY2024–25, with FY2020–21 and pre-GST references for context. We construct a macro-fiscal dashboard (gross GST, nominal/real GDP, fiscal deficit, implied buoyancy) and apply descriptive statistics with simple association checks. The data show gross GST collections rising from ₹11.37 lakh crore in FY2020–21 to ₹22.08 lakh crore in FY2024–25 alongside a narrowing Union fiscal deficit from 9.2% to 4.8% of GDP, indicating revenue-led consolidation (implied buoyancy >1 in FY2021–22 and FY2022–23; ~1 thereafter). Real GDP growth followed a rebound-to-normalisation path—8.7% (FY2021–22), 7.6% (FY2022–23), 9.2% (FY2023–24), moderating to 6.5% (FY2024–25). Sectorally, FY2024–25 GVA growth was strongest in construction (9.4%), followed by manufacturing (7.7%) and financial/real-estate/professional services (7.2%), with trade-hotels-transport-communications at 6.4%. Overall, the evidence suggests GST has matured from initial post-pandemic buoyancy to a steadier phase, supporting consolidation while remaining broadly growth-neutral to supportive through improved compliance and a unified market architecture.

Keywords: Goods and Services Tax (GST); Fiscal Consolidation; Tax Buoyancy; Economic Growth; Input Tax Credit (ITC); India.

Introduction

GST significantly impacts India's fiscal policy by creating a unified, transparent tax system that expands the tax base and boosts government revenue through better compliance and formalization (O. Gupta, 2024). Economically, it has enhanced efficiency by eliminating cascading taxes, promoting a national common market, reducing logistics costs, and improving the ease of doing business, contributing to increased investment and a long-term positive impact on GDP growth (Mongia & Singh, 2025).

Background of GST implementation in India (2017 onwards).

India's GST was enabled by the Constitution (One Hundred and First) Amendment, which created a dual VAT structure Central GST (CGST), State GST (SGST), and Integrated GST (IGST) and set up the GST Council to recommend rates, exemptions, and rules (Pandey, 2015). The amendment inserted Article 269A (levy and apportionment of IGST on inter-State supplies) and Article 279A (GST Council), paving the way for a nationwide rollout on July 1, 2017, replacing a web of central and state indirect taxes with a common destination-based tax (Khan & Khan, 2022). The Council's secretariat was constituted soon after the amendment's notification, formally setting the GST machinery in motion (S. Gupta, 2017).

Post-launch, compliance infrastructure was phased in to improve trail and enforcement: the e-way bill system became mandatory for inter-State movement on April 1, 2018 and was fully adopted intra-State by June 16, 2018; e-invoicing began for large taxpayers in 2020 and was progressively expanded to those with turnover ≥ ₹5 crore by August 1, 2023; and the QRMP scheme (quarterly returns, monthly payment) was introduced from January 1, 2021 to ease filing for small taxpayers. To address state revenue shortfalls during transition and COVID-19, the compensation cess originally for five years was extended for levy till March 31, 2026 to repay back-to-back loans; in 2025, the government indicated the cess levy is being merged into GST rates on select goods as the cess winds down. Together, these steps reflect a shift from rollout to stabilization and rationalization of India's GST framework (Singh & Singh, 2025a).

Relevance of GST to fiscal consolidation and economic growth.

GST has been central to India's fiscal consolidation since its rollout, with gross GST collections rising to ₹22.08 lakh crore in FY2024–25 (↑9.4% y/y), reflecting continued formalisation and stronger compliance (Sodawala & Singh, 2023). As revenues strengthened, the Union fiscal deficit narrowed to a revised 4.8% of GDP in FY2024–25 (from 5.6% in FY2023–24), underscoring how buoyant indirect taxes have supported consolidation alongside expenditure discipline (OECD, 2025). Compliance architecture upgrades most notably the expansion of e-invoicing to all businesses with turnover ≥₹5 crore from 1 August 2023 have tightened the audit trail and helped sustain collections growth through FY2025. Together, these shifts show GST functioning as a durable pillar of indirect tax revenue that has materially aided India's glide path on deficits (Singh & Singh, 2025b).

On growth, GST contributes indirectly by stabilising revenues, which lowers financing risks and preserves space for public capex, while reducing logistics and interstate frictions (Yoganandham et al., 2025). India's baseline or real GDP for FY2024–25 grew by 6.5% (nominal 9.8%), while construction and other formal, supply-chain-heavy sectors maintained positive momentum in landscape with the most supportive aspects of GST's credit chain and unified market. In the early rebound years, GST growth outpaced nominal GDP (buoyancy >1), before maturing to near-GDP pacing in FY2024–25; this pattern is typical as base effects fade and compliance saturates (Van Leemput & Wiencek, 2017). Maintaining growth-friendly buoyancy now depends on steady rate/ITC rationalisation and faster refunds, which can further cut working-capital frictions for firms and exporters while keeping the revenue engine reliable (Hegde, 25 C.E.).

Impact of GST on the Indian Economy

The introduction of the Goods and Services Tax (GST) stands as India's most significant tax reform, founded on the principle of "one nation, one market, one tax (Baliyan & Rathi, 2018)." By replacing a complex web of indirect taxes such as excise duty, VAT, service tax, and central sales tax, GST eliminated cascading effects and streamlined compliance across the country's 28 states and 8 union territories (Singh, 2025). This unification created a transparent and simplified taxation system, reducing administrative burdens for businesses while improving ease of doing business (Awasthi & Engelschalk, 2018). The reform has boosted tax compliance through digital processes, encouraged the formalisation of enterprises, reduced price inflation caused by multiple taxation layers, and strengthened government revenue collection (Joseph Kuba Nembe & Courage Idemudia, 2024). Together, these benefits have enhanced India's fiscal foundation and positioned the economy toward long-term growth (Singh & Singh, 2025c).

However, the impact of GST is not without challenges. Small and medium enterprises (SMEs) often face high compliance costs, difficulties in adapting to digital systems, and operational overheads (Sattar & Mujtaba, 2023). While GST reduced cascading taxation, it also increased rates on certain luxury goods, burdening businesses and consumers in specific sectors (Shah, 2024). The transition initially caused temporary inflationary pressure, reflected in the Consumer Price Index (CPI), though stability has improved over time. For the common man, GST has meant lower taxes on essential commodities but higher costs for luxury items (Bhattacharya, 2025). Looking ahead, the long-term vision of GST lies in reducing the number of tax slabs and moving toward a more rationalised structure, which would align India with global practices and strengthen its competitiveness in the global economy (Bhattarai, 2017).

Objective

To empirically evaluate how changes in GST performance measured via gross collections, GST-to-GDP ratio, and implied tax buoyancy are associated with fiscal consolidation (Union fiscal deficit) and macroeconomic growth (real/nominal GDP) in India during FY2021–22 to FY2024–25, using secondary data–based trend, correlation, and simple regression analysis.

Review of Literatures

The Goods and Services Tax (GST), implemented on July 1, 2017, marked a turning point in India's fiscal landscape by subsuming multiple indirect taxes such as VAT, excise, and service tax into a unified structure. According to Saurabh Shambharkar et al. (2025), GST brought transparency, broadened the tax base, and reduced cascading effects while simplifying compliance, though SMEs still struggle with compliance burdens and technical challenges. Building on this, Shubham Garg et al. (2025) demonstrated through ARDL modelling that GST revenue has a positive short- and long-run impact on India's economic growth, alongside positive roles of FDI and government expenditure, while inflation and fiscal deficit act as drags on growth (Garg et al., 2025). Industry-level studies, such as Mansi D. Khatik (2025), showed mixed outcomes, with textile firms like Vardhman and Raymond reflecting no statistically significant performance differences post-GST, though variations across companies reveal how adaptability determines outcomes (Mansi D. Khatik, 2025). At the macro-fiscal level, Dr. Snehalata Das et al. (2024) emphasized that rising GST collections contribute to economic momentum and recommended integrating fuels under GST to enhance uniformity and consistency (Das, 2024). Anchit Sureka et al. (2024) highlighted the importance of the Input Tax Credit (ITC) system, stressing administrative and technological challenges that hinder optimal use (Sureka & Bordoloi, 2024), while Iti Dandona et al. (2024) analyzed state-level collections, finding Maharashtra dominant but declining in FY 2024, with overall positive regression links between GST and GDP (Dandona et al., 2024).

Further evidence underscores GST's role in shaping fiscal health. S. Prasanth et al. (2024) identified GST's long-run responsiveness to GDP, stabilizing indirect tax revenues and aiding fiscal management (Prasanth & Dasgupta, 2024). Shacheendran V. (2024) examined compliance barriers using MICMAC modelling and concluded that lack of trained personnel and lack of IT infrastructure are root causes of unaddressed non-compliance (Shacheendran V, 2024). In relation to revenue efficiency, Sacchidananda Mukherjee (2023) found average GST collection efficiency (C-efficiency) at 54%, which is typical for developing Asian countries, however the gap from policy exceeds the compliance gap. Shubham Garg et al. (2023) found overall neutral economic responses to GST, due to policy uncertainness and that economic behaviours took approximately 2.5 months to translate into growth. Seema Pillai (2023), provided comparative insights to explain that indirect tax reforms such as GST takes effect on growth and development and fiscal policy different than direct taxes. Research studies also explored sectoral impacts, for instance, Cherry Law et al. (2021) on consumption of aerated drinks demonstrated that consumption was not reduced sufficiently or materially over time due to price effects stemming from the GST, which outlined limitations that GST has as a health-intervention tool. Likewise, Sharma et al. (2024) explained that GST provided the enabling framework to remove cascading taxes and improve pricing efficiency (Lapalikar et al., 2024), while Rakesh Bhati et al. (2020) linked fiscal reforms, including GST, to Modinomics-era growth (Bhati & Jasti, 2020). Previously, Udai Lal Paliwal et al. (2019) reported a decreased tax sensitivity post GST implementation, implying lesser costs to consumers and corporates.

To supplement this body of work, various studies on the firm level and market level also have recorded similar findings. Shalini Shukla et al. (2018) studied the changes in BSE-listed firms in India 12 months subsequent to the implementation of the GST and documented a significant change when looking at total assets, while profitability and market capitalization showed no significant change, with age and size of firms affecting taxation and compliance. This conforms to some degree to the diversity of opinion by businesses on the benefits of GST vs administrative burdens. Across these studies, however, a common narrative is evident: GST improved the transparency of government finances, improved buoyancy of indirect taxes, and favoured long-run economic growth while issues remained related to efficiency of compliance costs, timing and fit of IT infrastructure, industry variations and changes, and transitional disruptions. In aggregate, the studies and literature has found GST initiated transformational changes to governments' fiscal policies and economic performance, while still acknowledging gaps in structures, administrative arrangements, and sectors that require ongoing policy review and development. The studies reinforce that GST, while herein referred as 'extanding', is a significant reform in India's past, given its nuance to need continual change to achieve balanced fiscal sovereignty and inclusive overall economic development (Shukla & Singh, 2018).

Research Method

The research methodology provides the framework adopted to examine the influence of the Goods and Services Tax (GST) on India's fiscal policies and overall economic performance. Given the multifaceted nature of GST and its implications for taxation, fiscal health, and sectoral growth, this study employs a mixed-methods approach, integrating both quantitative and qualitative techniques to capture the reform's broader economic significance and fiscal consequences.

Research Design

The study adopts a descriptive–analytical design exclusively using secondary datasets to analyze the impact of GST on fiscal indicators (government revenue, tax buoyancy, fiscal deficit) and macro-performances (real/nominal GDP growth, sectoral GVA, merchandise exports). The descriptive statistics will map trends and levels; the analytical techniques will test associations between GST dynamics and fiscal–macro variables.

Data Sources

All evidence is drawn from authoritative, publicly available sources:

- **Government of India**: Ministry of Finance (GST collections, Budget at a Glance/fiscal deficit), Goods and Services Tax Council (rate/structural updates), Comptroller and Auditor General (fiscal metrics), Reserve Bank of India (macro-financial indicators), and MoSPI (national accounts, sectoral GVA).
- **Ministry of Commerce & Industry** (merchandise trade).
- **International repositories** (e.g., OECD, IMF, World Bank) for cross-country VAT/GST context.
- **Peer-reviewed literature and policy reports** for triangulation of trends and definitions (no primary surveys or interviews are used).

Study Period and Coverage

Analysis spans FY2021–22 to FY2024–25 (with FY2016–17 used as a pre-GST reference and FY2020–21 as a post-implementation baseline where needed). Sectoral coverage emphasizes manufacturing, services, construction, and external trade to reflect GST's broad incidence across the economy.

Data Collection Methods

Secondary data forms a significant component of this study and is obtained from official government sources such as the Ministry of Finance, the Goods and Services Tax Council, the Reserve Bank of India (RBI), the Comptroller and Auditor General (CAG), and economic surveys. Academic research papers, journals, industry reports, and international databases are also used to analyze GST's role in fiscal performance. Key data points include GST collections, GDP growth trends, fiscal deficit ratios, state-wise revenue performance, and sector-specific outcomes post-GST implementation.

Data Analysis Techniques

A descriptive analytical design is employed using exclusively secondary sources (MoF/PIB, MoSPI, RBI, GST Council, Ministry of Commerce), harmonised to fiscal-year units with consistent series definitions. Analysis applies trend measures (YoY, CAGR), macro-fiscal ratios (GST-to-GDP, fiscal deficit), and implied tax buoyancy, alongside correlation and parsimonious regressions to assess associations between GST performance and growth/deficit, with base-effect and revision checks for robustness.

Scope and Limitations

The study focuses primarily on India's fiscal policy and macroeconomic performance, with special emphasis on manufacturing, services, and agriculture as key contributors to GST revenue. It also considers state-level variations in GST collections to understand fiscal disparities. However, the study is limited by constraints such as evolving tax laws, frequent GST Council revisions, and data gaps for the most recent fiscal years. Furthermore, the findings may reflect sector-specific and regional differences that require contextual interpretation.

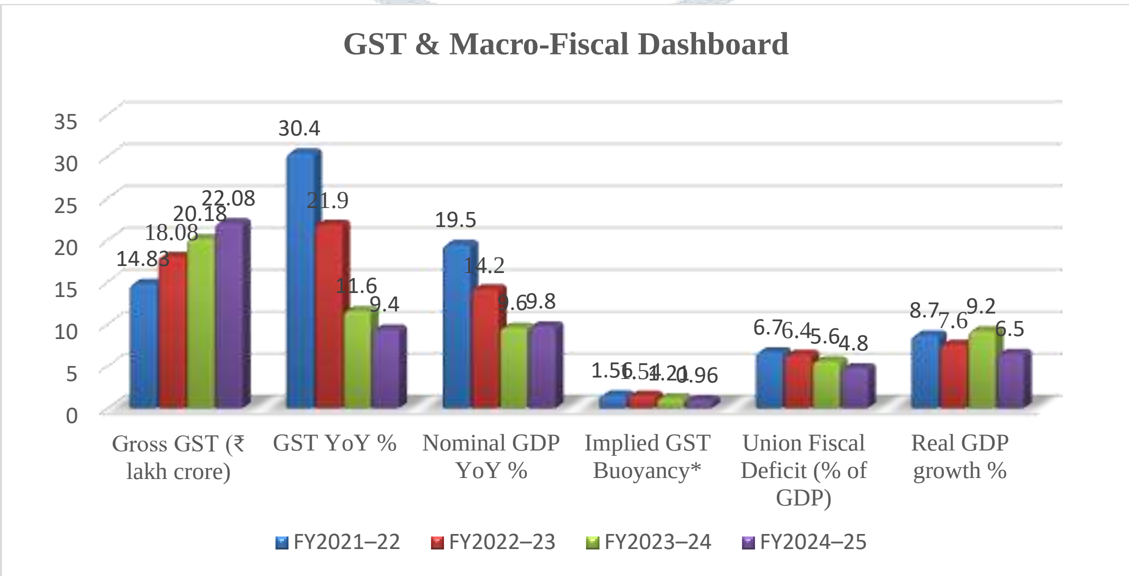
Data Analysis & Interpretation

The empirical analysis for "GST Influence on Fiscal Policies and Economic Performance in India." Using secondary data for FY2021–22 to FY2024–25 (with pre-GST and FY2020–21 as reference points), we examine trends and relationships across gross GST collections, nominal and real GDP growth, the Union fiscal deficit, sectoral GVA (manufacturing, services, construction), and merchandise exports. Descriptive statistics and time-series visuals establish levels and direction, while correlation, simple regressions, and an implied tax-buoyancy metric (GST YoY ÷ nominal GDP YoY) assess how GST performance aligns with macro-fiscal outcomes. Results are reported in consistent units and fiscal-year terms, with brief notes on revisions and base effects to ensure comparability and transparent interpretation.

GST & Macro-Fiscal Dashboard

FY	Gross GST (₹ lakh crore)	GST YoY %	Nominal GDP YoY %	Implied GST Buoyancy*	Union Fiscal Deficit (% of GDP)	Real GDP growth %
FY2021–22	14.83	30.4	19.5	1.56	6.7	8.7
FY2022–23	18.08	21.9	14.2	1.54	6.4	7.6
FY2023–24	20.18	11.6	9.6	1.21	5.6	9.2
FY2024–25	22.08	9.4	9.8	0.96	4.8	6.5

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).

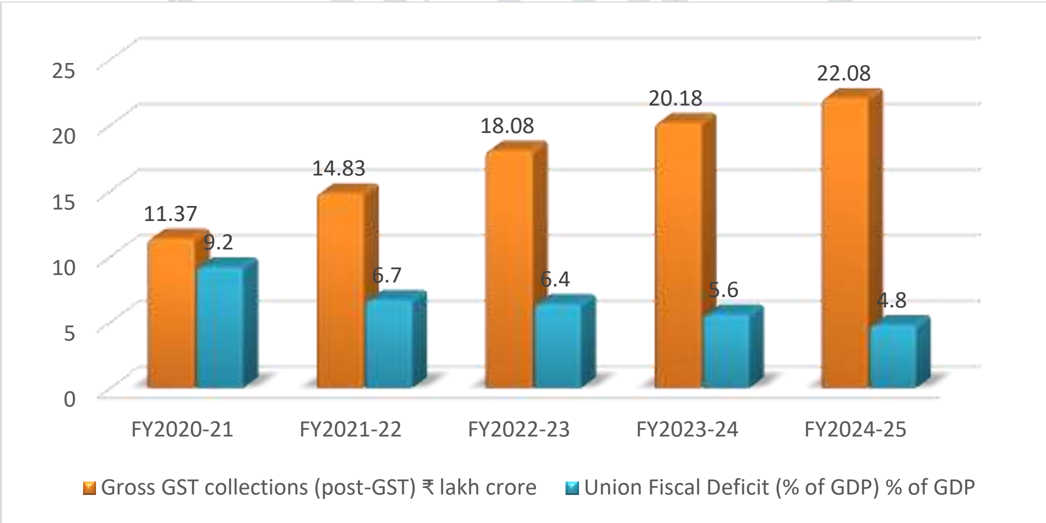


The dashboard shows a maturing GST regime moving from rebound-led gains to steadier, fundamentals-driven growth. GST collections surged well ahead of nominal GDP in FY2021–22 and FY2022–23 (buoyancy ≈1.56 and 1.54), reflecting base effects, formalisation, and compliance improvements; the gap narrowed in FY2023–24 (buoyancy 1.21) and slipped just below 1 in FY2024–25 (0.96), indicating GST growth broadly tracking the economy rather than outpacing it. This revenue trajectory coincides with clear fiscal consolidation: the Union fiscal deficit narrowed from 6.7% of GDP to 4.8% over the period, suggesting that healthier indirect tax flows (along with expenditure discipline) aided consolidation. On the real side, GDP growth peaked at 9.2% in FY2023–24 before normalising to 6.5% in FY2024–25, consistent with the easing in GST momentum. the pattern implies the initial GST boost has transitioned to a more stable phase; sustaining buoyancy above 1 will likely require continued base-widening, rate/credit rationalisation, and enforcement that deepens compliance without dampening growth.

Pre-GST vs post-GST fiscal indicators.

Indicator	Gross GST collections (post-GST)	Union Fiscal Deficit (% of GDP)
Unit	₹ lakh crore	% of GDP
FY2020-21	11.37	9.2
FY2021-22	14.83	6.7
FY2022-23	18.08	6.4
FY2023-24	20.18	5.6
FY2024-25	22.08	4.8

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).

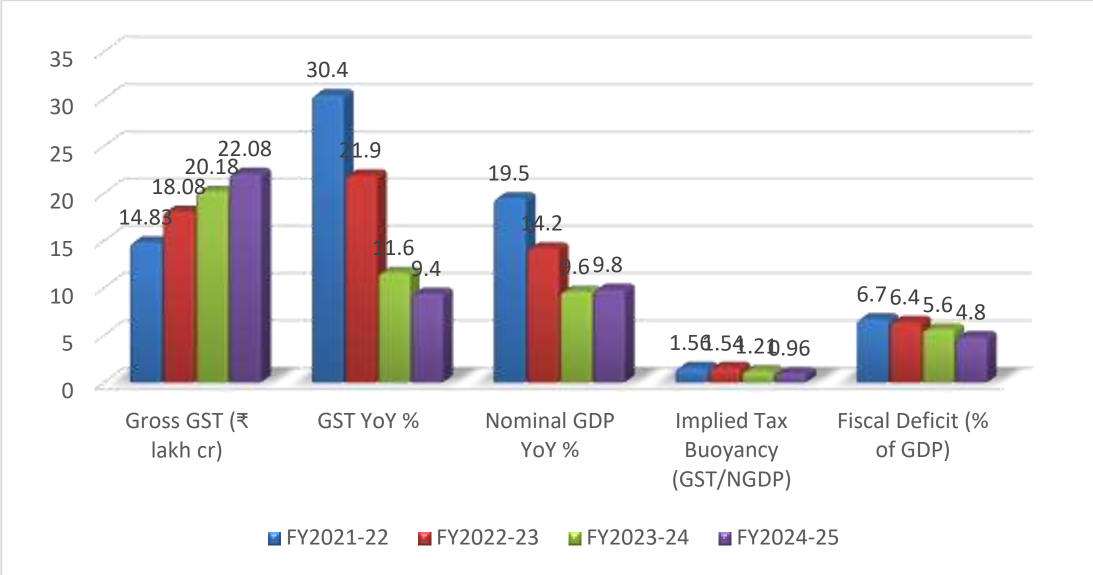


The post-GST period shows a clear revenue-led fiscal consolidation: gross GST collections nearly doubled from ₹11.37 lakh crore in FY2020–21 to ₹22.08 lakh crore in FY2024–25, while the Union fiscal deficit narrowed sharply from 9.2% to 4.8% of GDP. The early jump reflects a low pandemic base plus rapid formalization and compliance improvements (e-invoicing, analytics), but the sustained rise through FY2024–25 indicates a more durable expansion of the tax base. Stronger GST inflows have given the Centre more room to consolidate without abrupt spending cuts, complementing expenditure control and other receipts. Put simply, the data suggest GST has become a stable pillar of indirect tax revenue, helping move India from crisis-level deficits toward a more sustainable fiscal path—though maintaining momentum will depend on continued base-widening, timely rationalization of rates/ITC, and steady enforcement to keep buoyancy from slipping.

GST's role in tax buoyancy and fiscal deficit.

FY	Gross GST (₹ lakh cr)	GST YoY %	Nominal GDP YoY %	Implied Tax Buoyancy (GST/NGDP)	Fiscal Deficit (% of GDP)
FY2021-22	14.83	30.4	19.5	1.56	6.7
FY2022-23	18.08	21.9	14.2	1.54	6.4
FY2023-24	20.18	11.6	9.6	1.21	5.6
FY2024-25	22.08	9.4	9.8	0.96	4.8

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).

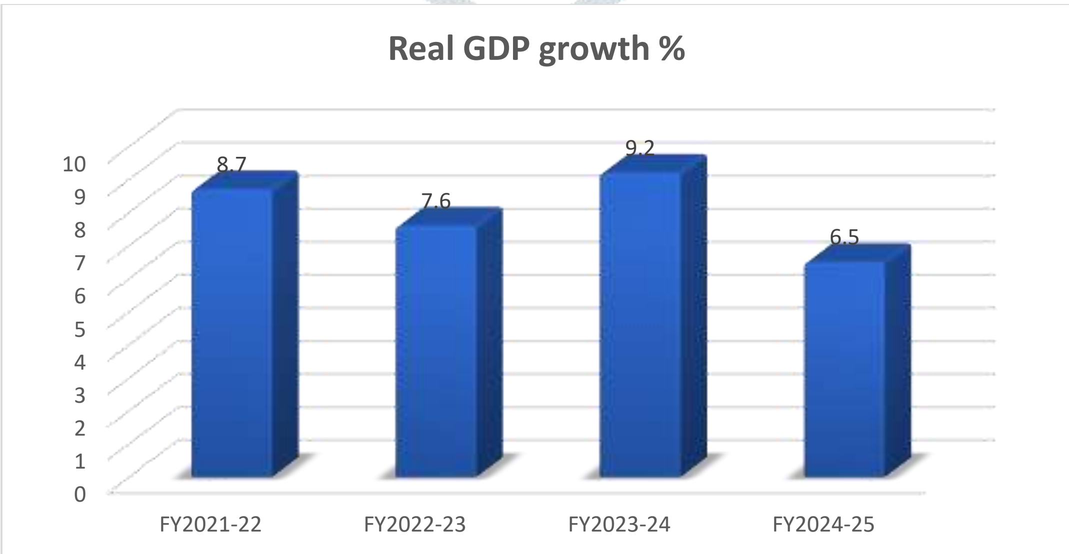


The data show GST meaningfully supported fiscal consolidation by delivering above-GDP revenue growth in the rebound years and steadier—though moderating—gains thereafter. With implied tax buoyancy >1 in FY2021–22 (1.56) and FY2022–23 (1.54), GST receipts grew faster than nominal GDP—consistent with base effects, formalisation, e-invoicing, and compliance analytics—helping the Union fiscal deficit narrow from 6.7% to 6.4% of GDP. As the economy normalised, buoyancy eased to 1.21 in FY2023–24 and dipped just below unity to 0.96 in FY2024–25, indicating GST growth roughly tracked—or slightly lagged—nominal GDP, yet the deficit still improved to 5.6% and then 4.8%, implying consolidation was sustained by continued GST momentum alongside expenditure discipline and other receipts. Overall, GST played a pivotal role in raising revenue efficiency early on and remains a stabilising pillar; pushing buoyancy back above 1 will likely require deeper base widening, tighter anti-evasion, and smoother ITC/rate rationalisation without hurting growth.

GST impact on economic growth indicators.

FY	Real GDP growth %
FY2021-22	8.7
FY2022-23	7.6
FY2023-24	9.2
FY2024-25	6.5

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).

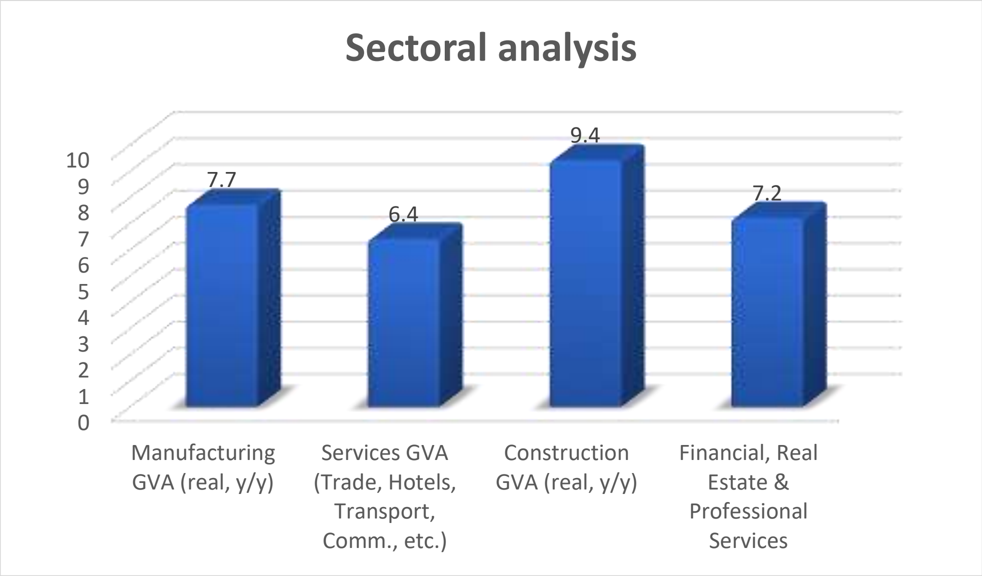


Real GDP growth shows a rebound-to-normalization trajectory: after the sharp, post-pandemic recovery at 8.7% in FY2021–22, momentum moderated to 7.6% in FY2022–23, peaked at 9.2% in FY2023–24 -- a surge that benefited from reopening tailwinds, strong investment and services -- and moderated again to 6.5% in FY2024–25 as base effects faded, external demand moderated and policy focus shifted to fiscal consolidation. With this in mind, GST's stabilizing role is indirect but supportive: it provides an improvement in revenue certainty and compliance, which sustain public investment and dampens macro risk premia which is supportive of growth even if the headline rate has normalized. This trajectory reflects a transition from catch-up growth to mid-single-digit, sustainable growth in which supply-side reforms and continuing broadening of the tax base will matter more than cyclical rebounds.

Sectoral analysis (manufacturing, services, exports).

Sector	FY2024-25
Manufacturing GVA (real, y/y)	7.7
Services GVA (Trade, Hotels, Transport, Comm., etc.)	6.4
Construction GVA (real, y/y)	9.4
Financial, Real Estate & Professional Services	7.2

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).



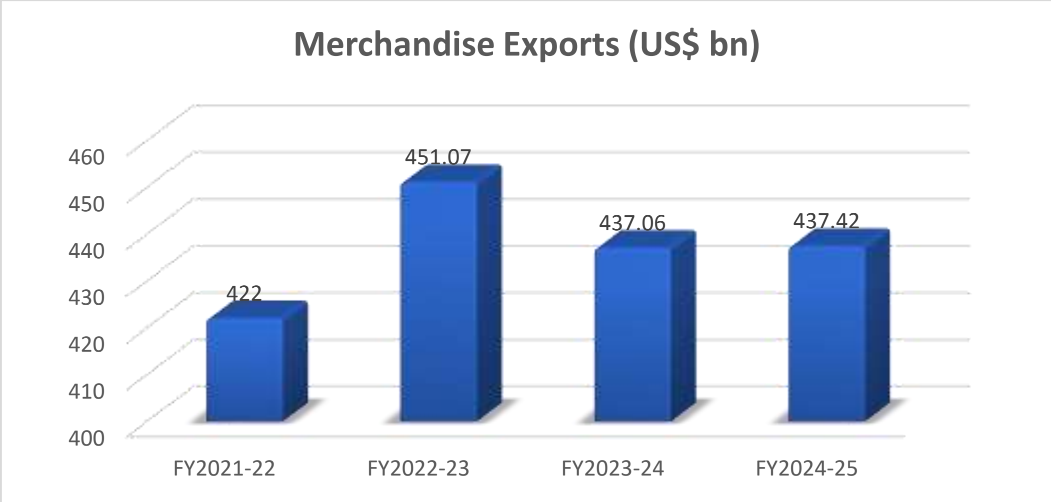
Sectoral dynamics in FY2024–25 point to construction as the growth leader (9.4% real GVA), followed by manufacturing (7.7%), financial, real estate & professional services (7.2%), and trade–hotels–transport–communication (6.4%). The outperformance of construction and solid manufacturing suggest that GST's invoice-matched credit chain and fewer interstate frictions (e-way bills, unified rates) are working best in capital- and input-intensive value chains, where input-tax credit (ITC) pass-through is material and compliance is deeper. By contrast, the relatively softer pace in the trade–hotels–transport cluster likely reflects more consumer-facing, price-sensitive demand and pockets of smaller firms where compliance costs and working-capital lock-ins from ITC can weigh on momentum. Overall, the pattern is consistent with GST supporting formal, supply-chain-heavy sectors (construction/manufacturing) while underscoring the need for continued simplification (rate/ITC rationalisation, faster refunds) to lift growth in services with high MSME intensity.

Comparative analysis with other countries (brief).

Export

FY	Merchandise Exports (US$ bn)
FY2021-22	422
FY2022-23	451.07
FY2023-24	437.06
FY2024-25	437.42

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).



India's merchandise exports increased from US$422 bn (FY2021-22) to a record high of US$451.1 bn (FY2022-23), then stabilized at US$437 bn in FY2023-24 and FY2024-25- indicating headwinds from external demand rather than any drag from domestic taxation. Given that exports are zero-rated under GST and governed by an ITC and refund structure, the system is roughly neutral-to-supportive towards competitiveness; the real frictional issues tend to be refund period length and inverted duty structures that can lock-up working capital - If these two contributors could be positively redirected, we think it would enable exporters to scale. Looking quickly across-country, peers with simpler, single-rate VAT/GST systems (i.e., 9-15%) typically create far less compliance complexity for export supply chains; while we think India has improved its multi-slab VAT structure with e-invoicing/e-way bills, we still think the ongoing rate and ITC rationalisation helps. Taken together, the unchanged export levels suggest that global conditions and sectoral mix predominated the outcomes, while GST process rationalisations (i.e., reduce time for refunds and maintaining the same rates) are important domestic levers to grow incremental exports.

Comparison with Countries

Country/Region	Standard/General Rate	Note
India (GST)	18% general; slabs 0/5/12/18/28 + chess	Pre-rationalization structure (2025).
Singapore (GST)	9%	Effective 1 Jan 2024
Australia (GST)	10%	Unchanged since 2000
New Zealand (GST)	15%	Single rate; broad base
OECD average (VAT)	19.3%	Average standard VAT rate (2024)

sources: GST collections (Ministry of Finance/PIB), real & nominal GDP growth (MoSPI), Union fiscal deficit (Budget at a Glance).

The comparison shows India’s GST sits at a moderate headline rate (18%) but with multiple slabs (0/5/12/18/28) and compensation cess, making it more complex than single-rate systems such as New Zealand (15%) and Singapore (9%). While India’s general rate is below the OECD average (≈19.3%), the effective burden hinges on base breadth, exemptions, and ITC frictions; a multi-slab design can create inverted duty structures, refund delays, and higher compliance/litigation costs along supply chains. Conversely, a single-rate, broad-base regime has a higher score on administrative simplicity, predictability, and export competitiveness (faster, cleaner refunds). Australia’s long-stable rate of 10% with the GST is an example of stability in the rate at a broad base contributing to compliance and planning. The policy implication for India would be to rationalise slabs over time, move away from the use of a cess, broaden the base, and make processes for ITC/refunds less cumbersome—achieving greater efficiency rather than increasing the headline rate.

Conclusion

Throughout FY2021–25, GST is a lasting pillar of India’s indirect tax regime: collections almost doubled, relative to pandemic base, while the Union fiscal deficit shifted onto a clear glide path towards sustainability, demonstrating GST’s ceiling on revenue stability and its elevation of fiscal headroom. The implied buoyancy has shrunk from >1 in the early recovery, toward ~1 as base effects have dissipated suggesting a transition from one-time formalisation gains to fundamentals-driven receipts growth; nevertheless, consolidation prevailed representing some combination of GST momentum, associated expenditure discipline, and other receipts. Real growth normalised after a strong FY2023–24 outturn, and sectoral data suggest that construction and factory manufacturing subsectors enjoyed the most from invoice linked input-tax-credit chains and curtailed interstate friction, with the consumer facing services performing more tame growth rates. Policy implications are clear: to lift buoyancy above unity without harming activity, priority should be given to continued base widening, rate/ITC rationalisation, faster refunds, and steady compliance enforcement measures consistent with your study's methods and interpretive framework.

Future scope

Extend the analysis from association to causation using quasi-experimental designs (e.g., policy-threshold DiD and event studies), add high-frequency/state-level GST and GSTN datasets to model buoyancy and refund frictions by sector/MSME size, benchmark India with VAT-gap methods against peer GST/VAT regimes to simulate slab/rate rationalisation, and build a reproducible nowcasting dashboard that links GST flows to growth/deficit paths for real-time policy testing.

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