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# Revisiting Ambedkar's Fiscal Federalism: Implications for Fiscal Consolidation in Post-GST India

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### ABSTRACT:

Dr. B. R. Ambedkar's fiscal vision laid the groundwork for India's federal financial architecture by playing a major role in crafting constitutional provisions governing taxation, intergovernmental transfers, and state financial safeguards. In the current setting of India's most extensive indirect tax reform, the Goods and Services Tax (GST), revisiting Ambedkar's principles is critical for assessing the consequences for both fiscal consolidation and cooperative federalism. This study critically investigates post-GST revenue performance, tax buoyancy patterns, and emerging intergovernmental fiscal relations, specifically determining whether GST has strengthened or harmed fiscal autonomy and sustainability among Indian states. This article uses a mixed-method research methodology that includes secondary data from the Reserve Bank of India, Comptroller and Auditor General reports, and state budget records, as well as qualitative insights from constitutional analysis, to identify various emerging concerns. These include ongoing salary reliance, inherent structural injustices, administrative inefficiencies, and growing regional budgetary disparities. The findings strongly imply that reiterating Ambedkar's philosophy of balanced fiscal federalism—based on equity, accountability, and strong institutional mechanisms—is critical to accomplishing long-term budgetary consolidation in the post-GST period. As a result, the study makes specific policy recommendations to improve revenue mobilization capability, revise the Finance Commission's transfer formula, and strengthen cooperative federalism in order to achieve shared prosperity and long-term financial stability.

### KEYWORDS:

Ambedkar, Fiscal Federalism, Goods and Services Tax (GST), Fiscal Consolidation, Cooperative Federalism, Revenue Mobilization.

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**JEL Classification:** H21, H30, H71, H77, H83, E62, O23.

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## Introduction

Fiscal federalism is the primary pillar of India's economic governance framework, systematically directing the distribution of financial authorities and duties between the Union and state governments. Dr. B. R. Ambedkar, who served as Chairman of the Constitution's Drafting Committee while also being a visionary economist, made significant contributions to conceptualizing a balanced federal financial framework capable of ensuring equitable development, governmental accountability, and national economic stability. His insistence on preserving fiscal autonomy for states while retaining a strategically strong Union continues to reverberate strongly in contemporary policy debates and intergovernmental talks.

The historic implementation of the Goods and Services Tax (GST) in July 2017 signaled an extraordinary paradigm shift in India's indirect taxation landscape, effectively replacing a complex and fragmented fiscal system with a single national market regime. GST, which was first promoted as an efficiency-enhancing instrument to avoid cascading taxing impacts and boost cooperative federalism principles, has fundamentally changed Centre-State financial ties through constitutional reform and institutional design. However, the post-implementation period has seen a slow evolution of issues, ranging from serious losses in revenue buoyancy, growing reliance on compensation grants, operational administrative inefficiencies, and worrying development of regional fiscal imbalances across states.

Given this complicated context, it is critical to carefully revisit Ambedkar's nuanced fiscal philosophy in order to objectively assess whether GST has actually helped or mistakenly hampered effective fiscal reduction and long-term public finance management in Indian states. Ambedkar constantly called for institutional safeguards such as independent Finance Commissions, constitutionally protected entities, and rule-based fiscal transfers that are especially meant to prevent financial centralization while maintaining equitable regional development. In the current context of slow tax performance and increasingly stressed state finances, his core concepts provide an extraordinarily essential analytical framework for completely evaluating the structural strengths and operational shortcomings buried within the GST framework.

This study systematically investigates GST's implications for fiscal

consolidation by meticulously tracking key performance indicators such as revenue deficits, fiscal deficits, subnational debt burdens, and tax buoyancy coefficients, which are supplemented by rigorous inter-state comparisons. This paper aims to advance a deeper awareness of India's evolving post-GST fiscal federalism by strategically integrating historical constitutional opinions, contemporary empirical financial data, and ongoing policy debates, as well as to propose constructive pathways for revitalizing both cooperative and competitive federalist principles.

### **Methodology**

This study adopts a thorough analytical framework that is primarily based on Dr. B. R. Ambedkar's unique view of fiscal federalism, with a focus on constitutional safeguards, equitable resource distribution mechanisms, and balanced Centre-State financial relations. Our methodology, guided by Ambedkar's founding principle that genuine political federalism is inextricably linked to substantive financial autonomy, effectively integrates qualitative constitutional analysis with an empirical assessment of critical fiscal indicators to assess the transformed post-GST landscape.

The qualitative dimension entails a thorough examination of primary historical documents such as Constituent Assembly Debates, Ambedkar's seminal economic writings such as "Administration and Finance of the East India Company" and "The Problem of the Rupee," as well as constitutional provisions and subsequent Finance Commission reports, in order to accurately interpret his vision for rule-based fiscal transfers and institutional impartiality in intergovernmental relations. Simultaneously, the quantitative component conducts rigorous statistical analyses of longitudinal changes in fiscal deficit, revenue deficit, tax revenue measurements, and intergovernmental transfer patterns throughout clearly defined pre- and post-GST implementation periods (2012-2024).

This empirical study employs comparative interstate datasets systematically sourced from authoritative entities such as the Reserve Bank of India, Comptroller and Auditor General reports, GST Council deliberations, and state government budget records. Furthermore, sophisticated qualitative content analysis techniques are used to critically examine GST's multifaceted impact on cooperative federalism practices, regional fiscal autonomy preservation, and vertical fiscal balance

maintenance, thereby determining whether modern fiscal governance mechanisms adequately support Ambedkar's fundamental goal of equitable and stable financial management. Through this comprehensive analytical lens, the study authoritatively assesses whether GST's operational reality coincides with or deviates from Ambedkar's basic values of fairness, accountability, and shared prosperity within India's federal framework.

### **Theoretical Foundations of Ambedkar's Fiscal Federalism**

Dr. B. R. Ambedkar's intellectual contributions to India's fiscal framework laid the groundwork for a visionary model of balanced federalism, in which financial powers and responsibilities were meticulously distributed to ensure national economic integrity while robustly protecting state autonomy. Ambedkar argued passionately that meaningful political democracy must be supported by substantive fiscal democracy, emphasizing the constitutional imperative of equal distribution of resources, transparent rule-based transfers, and strong institutional safeguards, as exemplified by the Finance Commission mechanism.

His intellectual perspective held that without sufficient financial independence, states would ultimately devolve into simply administrative extensions of the central government, eroding the political autonomy promised by the federal constitution. In the post-independence era, these fundamental principles greatly influenced India's fiscal architecture, significantly influencing constitutional mechanisms of taxation sovereignty, grants-in-aid provisions, borrowing controls, and intergovernmental revenue sharing arrangements that still govern Centre-State financial relations.

### **GST Implementation and Federal Balance**

Against this conceptual backdrop, the introduction of the Goods and Services Tax (GST) in 2017 was the most transformative reform in India's indirect taxation history, combining multiple central and state levies into a unified fiscal structure with the goal of simplifying compliance, improving economic efficiency, and promoting cooperative federalism. However, its implementation has significantly altered pre-existing financial relations between the Union and state governments, with complex implications for fiscal federalism.

The post-GST period has seen widely disparate revenue performance across states, raising real worries about long-term budgetary consolidation

and sustainability. Although GST was supposed to increase tax buoyancy and significantly extend the tax base, several states have witnessed erratic income trends, particularly since the constitutionally required GST compensation system was discontinued in 2022. The succeeding pandemic period increased fiscal stress by considerably widening subnational budget deficits and increasing reliance on market borrowing.

Critical analysis reveals that states such as Punjab, Kerala, and Rajasthan have faced significant fiscal pressure, whereas industrially advanced states such as Maharashtra, Tamil Nadu, and Karnataka have demonstrated relatively stronger revenue resilience, highlighting underlying structural and administrative imbalances within the federal system.

### **Institutional Realities and Emerging Challenges**

The GST regime has essentially shifted considerable taxation authority from individual state legislatures to the GST Council, resulting in heated intellectual and political arguments about the potential erosion of subnational fiscal autonomy. Ambedkar's prescient warnings about the dangers of excessive financial power concentration undermining federal harmony have disturbing resonance in current disputes over compensation delays, rate restructuring decisions, and Council voting mechanisms, all of which indicate emerging tensions within the cooperative framework.

Institutional study indicates that GST has effectively moved significant fiscal decision-making authority from constitutionally designated authorities to a novel council-based bargaining mechanism. Although sophisticated consensus-based voting rules have been carefully developed to maintain federal parity, practical operational experience has revealed troubling trends of increasing central influence, raising fundamental questions about the actual balance of fiscal authority in India's federal structure.

Ambedkar consistently emphasized the importance of impartial institutions capable of managing fiscal transfers without electoral bias a principle that has gained critical importance in the current context of Finance Commission recommendations, centrally sponsored schemes, and evolving borrowing controls. Concurrently, it is intellectually honest to acknowledge that GST has introduced valuable administrative innovations such as digital tax filing platforms, electronic invoicing systems, and technologically enabled anti-evasion mechanisms, collectively contributing

to the long-term enhancement of India's tax administration infrastructure, though implementation gaps persist across states.

### **Conclusion and Policy Imperatives**

A thorough examination of India's post-GST fiscal situation through the analytical prism of Ambedkar's vision reveals both revolutionary advances and significant fundamental difficulties. Ambedkar emphasized that federalism could only genuinely thrive if states had genuine budgetary sovereignty supported by transparent and fair resource allocation methods. While the GST was created with lofty goals of improving cooperative federalism, decreasing tax inefficiencies, and promoting fiscal consolidation, its implementation has produced markedly diverse results across states.

The politically contentious withdrawal of GST compensation, combined with fluctuating revenue performance and increased reliance on central transfers, has heightened intergovernmental tensions while raising legitimate concerns about fiscal centralization—a development that runs counter to Ambedkar's principle of balanced financial power. The stark gaps in GST revenue capacity and administrative readiness between states highlight the critical need for reforms that clearly recognize structural and regional inequalities within India's federal system. To effectively strengthen fiscal consolidation while respecting Ambedkar's vision of balanced federal powers, officials must fix structural inadequacies in GST and thoughtfully examine cooperative federalism arrangements. Improving transparency in GST Council decision-making procedures, rethinking revenue volatility compensation systems, enhancing state fiscal autonomy, and fine-tuning Finance Commission transfer formulas could all contribute to the restoration of balanced financial relations.

Simultaneously, strategic investments in technical infrastructure, subnational tax administration capacity building, and GST rate structure rationalization would greatly help to improve revenue performance across all states. Finally, reaffirming Ambedkar's timeless principles of equity, accountability, and institutional integrity is critical to transforming GST into a true catalyst for inclusive growth and stable fiscal federalism, ensuring that India's federal structure remains both economically strong and democratically vibrant in the coming decades.

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