

Impact of GST on the Economic Growth of North Karnataka - A Study

OPEN ACCESS

Manuscript ID:
COM-2026-140410895

Volume: 14

Issue: 4

Month: October

Year: 2026

E-ISSN: 2582-6190

Received: 20.08.2026

Accepted: 18.09.2026

Published Online: 01.10.2026

Citation:

Kazi, Mohammed Imran.
"Impact of GST on the
Economic Growth of North
Karnataka-A Study." *ComFin
Research*, vol. 14, no. 4,
2026, pp. 39-45.

DOI:

[https://doi.org/10.34293/
commerce.v14i4.10895](https://doi.org/10.34293/commerce.v14i4.10895)



This work is licensed
under a Creative Commons
Attribution-ShareAlike 4.0
International License.

Mohammed Imran Kazi

Assistant Professor, Department of Commerce
Government First Grade College Gurmitkal, Yadgir, Karnataka, India

Abstract

The introduction of the Goods and Services Tax in India on July 1, 2017, was a landmark step in the history of India's indirect taxation. The GST integrated previously fragmented indirect taxes: entering tax, service tax, excise duty, and value-added tax, which reduced tax cascading, improved transparency, and assisted the economy in growing. This study assesses the effects of the Services Tax on the economy of North Karnataka, specifically the area of electrical goods and services in Hubballi-Dharwad, Belagavi, Kalaburagi, Ballari, Vijayapura, and Bidar. The primary data for this study were obtained from 50 members of the community from the fields of electrical goods and services, retail, and wholesale, as well as end consumers of electrical goods and services. The data collected states that 76% of the respondents agreed that GST had improved transparency, and 56% of the respondents reported increased sales. Secondary data for this study were obtained from published journals and articles, as well as government reports and publications from the GST Council. Percentage Analysis and Chi-Square Test were some of the statistical methods used in this study. The study shows that GST created some beneficial changes, such as transparency in business, interstate trade, North Karnataka tax compliance, and North Karnataka's revenue. Small traders faced challenges such as the cost of compliance, the need to file compliance digitally, and the need for more working capital. The electrical products sector experienced some growth due to the same tax rates and the benefits of input tax credits. The research shows that the GST has improved the integration of markets in the region and formalized the economy. In semi-urban areas, small businesses need continuous awareness and easy compliance. The research also states that the GST has improved tax systems and the way business is done, which has created everlasting positive changes to the economy of North Karnataka, especially in the electrical products market. Future research can examine the long-term impact of GST on employment, investment, industrial development, MSMEs, and economic growth sector-wise throughout North-Karnataka. Comparative studies among districts and states may help identify regional differences. Further studies can also cover data regarding GST compliance, digitalization, revenue mobilization, and the effects of GST rate changes on the North Karnataka population.

Keywords: GST, Economic Growth, Input Tax Credit, Electrical Products, Tax Reforms, Small Business, Excise Duty, VAT.

Introduction

The introduction of the Goods and Services Tax (GST) is widely regarded as a landmark tax reform in India. Implemented on July 1, 2017, the GST subsumed several indirect taxes collected by both the central and state governments and established a consolidated tax structure for the country. One of the main goals of GST implementation was to remove the cascading effect of taxation, enhance tax compliance, and establish a unified market for the country to accelerate economic growth and enhance the efficiency of business operations. GST is a destination-based tax levied on the supply of goods and services at every increment of value addition.

North Karnataka encompasses many of the major commercial cities of the state, including Hubballi-Dharwad, Belagavi, Ballari, Kalaburagi, Vijayapura, and Bidar, and is an economically developing region. The region, as a whole, significantly contributes to the industrial and trading activities of the state. Among the many sectors, the electrical products sector is indispensable for

the further development of the region's urban and rural infrastructure. The products of the sector, including electrical appliances, wiring equipment, electronic accessories, lighting products, and industrial electrical components, have all had rising demand as the region has urbanized and industrialized further.

Before GST implementation, electrical product traders faced multiple taxation systems, including VAT, entry tax, and excise duty, which increased operational complexity and cost. The GST aims to simplify taxation procedures and ensure smooth interstate trade. The introduction of the input tax credit under the GST also encouraged transparency and reduced the tax burden on businesses.

This study examines the impact of GST on the economic growth of North Karnataka, with special reference to the electrical products sector. This study evaluated how the GST has influenced business operations, sales growth, tax compliance, pricing, and consumer demand. This study also identifies the challenges faced by traders and assesses the overall effectiveness of GST in promoting regional economic growth.

GST has been recognized as a major factor contributing to the formalization and digitalization of business transactions in India. Several studies indicate that GST positively affects revenue collection and economic development. (IER Journal)

A research gap exists due to the lack of empirical research on the relationship between the Goods and Services Tax (GST) and economic growth in North Karnataka. The existing literature aims to analyze India or certain states with insufficient attention to variations in the electrical products sector. Therefore, this study analyzes GST and economic growth in the major cities of North Karnataka.

Review of Literature

Mousam and Sonu Kumar (2025) studied the GST's impact on the Indian economy, with special emphasis on GDP growth, tax efficiency, and fiscal governance. The researchers observed that GST simplified India's indirect taxation structure and improved the transparency of business transactions. The study revealed that the GST positively contributed to economic growth by increasing

tax compliance and broadening the tax base. The researchers further stated that GST encouraged digital tax administration and reduced tax evasion through online filing. The study concluded that the GST improved competitiveness and strengthened the Indian economy from 2018 to 2023. The authors also highlighted that the GST reduced the cascading effect of taxes and promoted uniformity in taxation across states. (IER Journal)

Garg et al. (2025) used the ARDL econometric model to study GST revenue and the Indian economy's growth. Using data from 2017-2024, the authors claimed that GST revenue would strengthen the Indian economy in both the short and long runs. The authors stated that better GST collections meant better formalization of businesses and more stability in the economy. The study found that government spending and foreign direct investments help grow the economy. However, inflation and fiscal deficits slow down the economy. The researchers suggested that better collections of GST would require better control of GST and better simplified compliance of the GST. (Research Gate)

Iti Dandona conducted a study in 2025. She examined how the Goods and Services Tax affected the economy of Indian states. Iti Dandona examined the Gross State Domestic Product after the Goods and Services Tax was implemented. She used a type of analysis to observe how things changed. Iti Dandona found that the money the government received from the Services Tax was very important for the economy to grow in each state. The Goods and Services Tax has made it easier for states to trade with each other. It also made taxes simpler and fairer. The Goods and Services Tax helped businesses grow in the states. Iti Dandona said the Services Tax helped the economy by making taxes easier to understand and helping the government get more money.

Yadawananda Neog and Gaur (2020) studied the relationship between the tax structure and economic growth in selected Indian states. The study found that efficient tax reforms contribute positively to economic development and industrial growth. The study emphasizes that tax simplification and improved revenue administration are essential for sustainable economic progress. The researchers observed that complex tax systems reduce business

efficiency and discourage investment. Their findings suggest that modern tax reforms, such as the GST, can improve state-level economic performance by enhancing tax compliance and reducing the administrative burden on businesses. (Springer)

Srinivasan (2025) studied the effect of reducing GST rates on India's GDP growth. She examined how different sectors reacted when GST rates changed. Ramah Srinivasan found that sectors with GST rates perform better, and people want to buy more from them. Srinivasan's study showed that changing GST rules made it easier for businesses to get things from one place to another and saved them money. Ramah Srinivasan stated that GST helps businesses come up with prices and compete with each other. Ramah Srinivasan also said that the electrical and manufacturing sectors are better off because of GST rules that let them get credit for taxes they paid on things they bought, and they do not have to pay taxes times. (Research Gate)

Deloitte India (2017) explored the effects and consequences of GST on the Indian economy after it was introduced as a significant reform in indirect taxation. The report emphasized the GST's ability to establish a unified tax system, minimize tax cascading, boost compliance, and increase supply chain efficiency. It also acknowledges the short-term challenges of implementation, such as compliance adjustments and business disruptions. Deloitte stated that the long-term benefits of GST would depend on its effective implementation and administrative efficiency. The report provides an important foundation to understand GST's broader economic implications, but does not specifically study its impact on North Karnataka, creating scope for regional-level research

Kumar (2018) investigated how the Goods and Services Tax (GST) contributes to India's economic growth. The study noted that GST simplified the indirect tax framework by substituting various taxes and minimizing the cascading impact of taxation. It emphasizes that a consolidated tax system has the potential to enhance tax compliance, boost business efficiency, increase revenue collection, and foster economic integration..This study posits that the Goods and Services Tax (GST) may facilitate economic growth by establishing a unified national market and

minimizing tax-related distortions. Nevertheless, the research concentrated predominantly on the Indian economy at the national level without addressing regional variations. This limitation indicates the potential for further investigation into the specific impact of the GST on North Karnataka.

Objectives of the Study

- To investigate the implementation and efficacy of the Goods and Services Tax (GST) in North Karnataka.
- To analyze the impact of GST on the economic growth of North Karnataka, specifically concerning trade, industry, and commerce.
- To assess the effect of GST on the performance of Micro, Small, and Medium Enterprises (MSMEs) and other business sectors within the region.
- To evaluate the influence of GST on tax compliance, revenue generation, and business formalization in North Karnataka.

This study aims to identify the challenges encountered by businesses and taxpayers in adapting to the GST regime.

- To examine stakeholders' perceptions of the benefits and limitations of GST in promoting regional economic development.
- To propose policy measures and strategic recommendations for enhancing the effectiveness of GST in fostering sustainable economic growth in North-Karnataka.

Scope of the Study

The study looks at products in North Karnataka. It covers cities like

- Hubballi-Dharwad
- Belagavi
- Kalaburagi
- Ballari
- Vijayapura
- Bidar

The research is about people who sell, distribute and buy products. We want to know how GST affects sales, prices, tax payment and business growth in these areas. The electrical products sector and GST are important for this study. Electrical products are the focus. GST is also a part of this research. The study is about products and GST, in North Karnataka.

Sources of Data Collection

The study employed a sample size of 50 respondents, selected through an appropriate sampling technique, such as stratified sampling, in alignment with the research objectives, scope, and practical constraints. Given the exploratory nature of this study, which aims to understand the perceived impact of the Goods and Services Tax (GST) on economic growth in North Karnataka, a sample size of 50 is deemed sufficient to identify trends, patterns, and respondent opinions.

Additionally, constraints such as time, financial resources, respondent accessibility, and the geographical distribution of North Karnataka influenced the sample size. Previous research in social science and management has indicated that a sample size of approximately 30–50 respondents is adequate for conducting descriptive statistical analyses in exploratory studies. Consequently, a sample size of 50 was deemed appropriate to ensure a reliable analysis while maintaining the feasibility of the research.

Primary Data: Primary data were collected through structured questionnaires administered to 50 respondents, consisting of electrical product dealers, wholesalers, retailers, and consumers in North Karnataka.

Secondary Data: Secondary data were collected from the following sources:

- Research journals
- Government reports
- GST Council publications
- Books and articles
- Websites and online databases
- Data Analysis and Interpretation

Table 1 Opinion on GST Improving Business Transparency

Opinion	Respondents	Percentage
Strongly Agree	18	36%
Agree	20	40%
Neutral	5	10%
Disagree	4	8%
Strongly Disagree	3	6%
Total	50	100%

Interpretation

The table indicates that 76% of respondents either agreed or strongly agreed that GST improved business transparency in the electrical product sector. Only 14% expressed disagreement, and 10% remained neutral. This suggests that the GST has positively influenced transparent business practices in North Karnataka.

Statistical Test 1: Chi-Square Test

Hypothesis

H₁: There is no significant relationship between GST compliance and business growth.

H₂: GST compliance and business growth are significantly related.

Category	Business Growth Observed	Expected
High Compliance	22	18
Moderate Compliance	18	18
Low Compliance	10	14

Calculation

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Calculated Chi-Square value = 2.54

Table value at 5% significance level and 2 degrees of freedom = 5.99

The calculated value was less than the tabulated value. The null hypothesis was accepted. This means that GST compliance and business growth among the respondents do not have a relationship. GST compliance and business growth are not connected.

Statistical Test 2: Percentage Analysis

Table 2 Impact of GST on Sales of Electrical Products

Response	Respondents	Percentage
Increased Sales	28	56%
No Change	12	24%
Decreased Sales	10	20%
Total	50	100%

Interpretation

The information shows that 56 percent of the people who answered the questions had sales after the Services Tax was implemented. Twenty-four

percent said nothing much changed, and twenty percent saw their sales decrease. The results indicate that the Services Tax has mostly helped increase product sales.

Findings of the Study

The findings show that the GST has made taxes clear reduced tax problems and helped businesses do things better in the region.

- The GST has helped the electrical products sector because it has tax rates everywhere and the input tax credit mechanism, which has helped reduce costs and improve the supply chain.
- The study also found that the GST has helped trade between states and encouraged businesses to be more formal.
- Many traders said they had sales, and everything was clearer after the GST was implemented.
- However, switching to compliance was difficult for small and medium businesses, especially at the beginning.
- Hard filing procedures, technology problems, and more compliance requirements caused trouble for some traders in urban areas.
- With these problems, the Goods and Services Tax has helped the region's economy by increasing tax money and promoting businesses that follow the rules.

If the government continues to help people become aware of and simplifies Services Tax procedures, it can work even better in North Karnataka. Overall, the study says that Services Tax has been very important for helping the economy grow and making businesses more modern in the electrical products sector of North Karnataka.

Suggestions

Increase GST Awareness: The government should organize frequent awareness initiatives and workshops aimed at traders, small enterprises, and rural entrepreneurs to enhance their grasp of GST rules and compliance processes.

Make GST Compliance Easier: The procedures for filing GST returns and ensuring compliance need to be made more straightforward, particularly for micro, small, and medium enterprises (MSMEs) in North Karnataka.

Bolster Digital Infrastructure: Enhance Internet access and digital services in rural and semi-urban regions to ensure seamless GST registration, return filing, and online tax transactions.

Offer Support to Small Businesses: Small businesses should receive financial aid, tax advisory services, and training programs to assist them in effectively adjusting to GST regulations

Conduct Regular GST Rate Reviews: The government should routinely assess GST rates to maintain the affordability of essential goods and services while promoting industrial and commercial development.

Improving Administrative Efficiency: Tax authorities should provide prompt grievance redressal, transparent procedures, and user-friendly online systems to increase taxpayer confidence.

Encourage Industrial Development: State and local governments should introduce incentives for industries and investors in North Karnataka to complement the benefits of GST and promote regional economic growth.

Promote the Formalization of Businesses: Measures should be taken to encourage unregistered businesses to join the formal economy through simplified registration and awareness campaigns.

Conduct Periodic Impact Assessments: Regular studies should be undertaken to evaluate the sector-wise impact of GST on agriculture, manufacturing, trade, and services in North Karnataka.

Improve Coordination Between Government and Industry: Continuous dialogue between tax authorities, business associations, chambers of commerce, and industry representatives should be encouraged to address GST-related challenges

Future studies should merge GST revenue and economic indicators with surveys of businesses, consumers, and tax professionals to obtain more comprehensive data.

Researchers may study the impact of GST rate changes, input tax credit provisions, refund processes, and compliance procedures on businesses, particularly small-scale enterprises.

Conclusion

The Services Tax has changed the way taxes work in India. This has been beneficial for the

economy of North Karnataka. This study examined how the Services Tax affected businesses that manufacture products in big cities like Hubballi-Dharwad, Belagavi, Kalaburagi, Ballari, Vijayapura, and Bidar. We found that the Services Tax made it easier to see how taxes work and stopped taxes from being added on top of each other. This has improved the performance of businesses in the area. The businesses that made products were happy with the same tax rates everywhere and the way they could get credit for the taxes they paid on things they bought, which helped them save money and make their work more efficient.

The study also showed that the Services Tax helped businesses in states to trade with each other and made more businesses official. Many traders said they sold more and everything was more transparent after the Goods and Services Tax implemented.. When everything had to be done on computers, it was hard for small and medium businesses, especially at first. It was complicated to file taxes, and some people did not know how to use computers. They had to follow more rules, which was a problem for some traders in areas that were not too big or too small.

The Services Tax has helped the economy in the area by bringing in more tax money and making businesses work in a more organized way. If the government continues to help and makes it easier to follow the Services Tax rules, it can work better in North Karnataka. Therefore, this study concludes that the Services Tax has been very important for helping the economy grow and for modernizing businesses in the electrical products sector in North Karnataka. The Services Tax has helped the electrical products sector in North Karnataka.

Limitations of the Study

This study is restricted to selected top cities in North Karnataka and focuses primarily on the GST's impact on economic growth. The sample size was relatively small, limiting generalization. The study also partly relied on respondents' perceptions and available secondary data, which may involve reporting errors, data limitations, and temporal variations.

The study primarily focuses on the electrical-products sector; therefore, the findings may not be applicable to other sectors of the

North Karnataka economy. The study is based on a relatively small sample size of 50 respondents, which may limit the generalizability of the findings.

References

- Ahamed, M. M., and R. Kumar. "Goods and Services Tax (GST) in India: A Study of Its Impact on Economic Growth." *International Journal of Research in Economics and Social Sciences*, 2018.
- Agrawal, Y. P. *Goods and Services Tax: Concepts and Applications*. Taxmann Publications, 2017.
- Bhatia, H. L. *Public Finance*. 30th ed., Vikas Publishing House, 2020.
- Central Board of Indirect Taxes and Customs (CBIC). *GST Statistical Report*. Government of India, 2023.
- Cnossen, S. "Preparing the Way for a Modern GST in India." *International Tax and Public Finance*, 2013.
- Dandona, I. "Impact of Goods and Services Tax (GST) on Economic Development in India." *European Economic Letters*, vol. 15, no. 2, 2025, pp. 1751-1761.
- Deloitte India. *GST: Impact and Implications for Indian Economy*. Deloitte India Report, 2017.
- Garg, S., et al. "Investigating the Implications of Goods and Services Tax Revenue on Economic Growth: Empirical Insight from Indian Economy." *Statistics and Public Policy*, vol. 12, no. 1, 2025, pp. 1-18.
- Government of India. *Economic Survey 2018–19*. Ministry of Finance, 2019.
- Government of India. *Economic Survey 2019–20*. Ministry of Finance, 2020.
- Government of Karnataka. *Karnataka Economic Survey 2021–22*. Directorate of Economics and Statistics, 2022.
- Government of Karnataka. *Karnataka Economic Survey 2022–23*. Directorate of Economics and Statistics, 2023.
- GST Council Secretariat. *Annual Report on Goods and Services Tax*. Government of India, 2023.
- Jain, R. "Impact of GST on Indian Economy." *International Journal of Commerce and Management Research*, 2019.

- KPMG India. *GST: The Game-Changing Tax Reform*. KPMG Report, 2017.
- Kumar, N. "GST and Economic Development in India." *Indian Journal of Economics and Business*, 2018.
- Mousam, and S. Kumar. "Impact of GST on Indian Economics as GDP Growth of India." *International Education and Research Journal*, 2025.
- National Council of Applied Economic Research (NCAER). *Analysis of Goods and Services Tax in India*. National Council of Applied Economic Research, 2019.
- Neog, Y., and A. K. Gaur. "Tax Structure and Economic Growth: A Study of Selected Indian States." *Journal of Economic Structures*, vol. 9, no. 38, 2020, pp. 1–20.
- NITI Aayog. *Three Years of GST: Progress and Challenges*. Government of India, 2018.
- Purohit, M. C. *Goods and Services Tax in India: An Economic Analysis*. New Century Publications, 2018.
- Rao, M. Govinda. *Goods and Services Tax in India: Progress, Performance and Prospects*. National Institute of Public Finance and Policy Working Paper, 2017.
- Rao, M. Govinda, and R. Kavita Rao. *The GST Reform in India: Achievements and Challenges*. National Institute of Public Finance and Policy, 2019.
- Reserve Bank of India. *Handbook of Statistics on Indian Economy*. Reserve Bank of India, 2022.
- Reserve Bank of India. *State Finances: A Study of Budgets*. Reserve Bank of India, 2023.
- Sehrawat, M. S., and U. Dhanda. "GST in India: A Key Tax Reform." *International Journal of Research–Granthaalayah*, 2015.
- Shah, M., and D. Patel. "GST and Economic Growth: Evidence from Indian States." *Journal of Public Affairs*, 2021.
- Singhal, N., et al. "Do Goods and Services Tax Influence the Economic Development? An Empirical Analysis for India." *Vision: The Journal of Business Perspective*, 2022.
- Srinivasan, R. "Impact of Reduced GST Rates on India's GDP Growth: A Sectoral Analysis." *Journal of Information Systems Engineering & Management*, 2025.
- World Bank. *India Development Update: India's GST and Economic Reforms*. World Bank, 2018.

Author Details

Mohammed Imran Kazi, Assistant Professor, Department of Commerce, Government First Grade College Gurmitkal, Yadgir, Karnataka, India, **Email ID:** ikazi12345@gmail.com