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Exploring Trends and Disparities in Goods and Services Tax (GST) Revenue Growth: An In-Depth Analysis of State- Level Data in India

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Abstract

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a pivotal shift in the country's indirect tax framework, aiming to establish a unified market and enhance tax compliance standards. The ramifications of GST implementation have resonated throughout India, encompassing significant changes such as the consolidation of various indirect taxes, increased tax revenues, and the challenges associated with aligning tax rates and exemptions. The successful execution of GST necessitates ongoing collaboration and adaptability among stakeholders, including state authorities, businesses, and tax bodies. This study delves into an in-depth analysis of the GST landscape in India, focusing on variations in GST revenue aggregation and examining the state-specific growth patterns of GST revenue across the nation. Utilizing secondary data sources spanning from 2017-18 to 2023-24 sourced from the GST portal and the Reserve Bank of India, the research employs descriptive statistical methods to scrutinize the trajectory and evolution of GST revenue collections in the Indian fiscal realm. The empirical analysis reveals a compelling narrative of GST collections, escalating from 483,730 crores in 2017-18 to a substantial 1,390,610 öres in 2023-24, representing a remarkable growth of approximately 187%. This upward trend signifies the improving efficacy of the GST system, enhanced compliance, and increased economic activities contributing to the tax base. The consistency in annual growth rates underscores the resilience of GST revenue metrics, with states boasting vibrant industrial sectors showcasing the most significant escalations. Despite a decline in GST collections in 2020-21 due to the COVID-19-induced economic slowdown, subsequent years showcased a strong recovery. The analysis highlights the correlation between a state's economic development and its GST revenue, with states like Maharashtra, Gujarat, Karnataka, Tamil Nadu, and Delhi consistently leading in GST collections. The disparities in growth rates among states underscore the diverse economic landscapes in the country, depicting challenges and opportunities for enhancing revenue generation and economic growth.

Keywords: Goods and Services Tax, Trends, Growth, Disparities

Introduction

Goods and Services Tax (GST) in India is a comprehensive indirect tax system introduced in 2000, approved in 2015, aimed at streamlining taxation and boosting economic growth, though its implementation has faced significant opposition and concerns regarding its impacts. The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant shift in the country's indirect taxation system, aiming to create a unified market and enhance tax compliance. Characterized by a dual structure where both Central and State governments levy taxes on goods and services, GST operates under a dual system: Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST), with Integrated Goods and Services Tax (IGST) for

inter-state transactions (Suresha and Indumati). India adopted a five-rate structure, which has been criticized for its complexity compared to simpler models used in other countries. GST in India is a comprehensive tax reform replacing various indirect taxes, aiming for 'One Nation, One Tax'. However, Petroleum products remain outside GST framework, leading to revenue dependency issues for both central and state governments (Chotrani and Sharma).

GST has led to various trends and impacts across different states. The main key trends include the integration of multiple indirect taxes, increased tax collections, and challenges in harmonizing tax rates and exemptions. GST integrates multiple indirect taxes, simplifying the tax regime and reducing the cascading effect of taxation (Vasanthagopal). GST is expected to contribute positively to GDP growth by streamlining the tax structure and encouraging business activities (Nath). The simplified tax regime is particularly beneficial for Micro, Small, and Medium Enterprises (MSMEs), reducing compliance costs and enhancing transparency (Khan and Shadab). States have reported an increase in tax collections post-GST implementation, as the system minimizes tax leakage and enhances compliance (Mukherjee; Khan and Shadab). There are ongoing challenges regarding the harmonization of tax rates and exemptions across states, which affects uniformity in tax administration (Mukherjee; Nath). Revenue collection has fluctuated, particularly due to the COVID-19 pandemic, but has rebounded strongly (Suresha and Indumati).

The successful implementation of GST relies on continuous dialogue and adaptation among various stakeholders, including state governments, businesses, and tax authorities. The establishment of council has been crucial in addressing issues post implementation, as refines tax rates and resolves compliance disputes (Nagarkar and Chakravorty). Nonetheless, the system's complexity can significantly challenge for smaller that may the resources to navigate the regulatory landscape effectively. Therefore, ongoing training and support initiatives essential to empower these businesses, ensuring they can fully benefit from a unified tax structure while mitigating any adverse effects arising from transition. Ultimately, the pursuit of optimized

GST framework necessitate not only legislative adjustments but also cultural within the business community towards greater transparency and accountability.

Literature Review

(Mukherjee) emphasized that the implementation of the Goods and Services Tax (GST) regime in India presents several challenges that demand immediate attention from the government. Key issues highlighted include the necessity for a robust and efficient design and structure of the GST system, the importance of achieving consensus on revenue neutral rates (RNRs) to ensure balanced revenue generation without unduly burdening taxpayers. Furthermore, there is a critical need for harmonization of GST rates across different states to promote consistency and fairness, along with a clear definition of excluded goods and services to prevent ambiguity. Lastly, the establishment of clear thresholds for mandatory GST registration is deemed essential to enhance compliance and streamline administration processes. Addressing these challenges is imperative for optimizing the GST system and ensuring its efficacy in establishing a unified market and enhancing tax compliance.

(Suresha and Indumati) conducted an analysis of India's GST implementation and revenue trends spanning from 2017-18 to 2023-24, revealing a substantial growth in GST revenue from 5,39,601 crores to 15,18,127 crores. The study identified fluctuations in revenue patterns attributed to the impact of the COVID-19 pandemic and provided recommendations for targeted interventions and policy adjustments to mitigate the effects. The research underscored the enhanced tax compliance and broadened tax base observed in India over the specified period.

In a study by (Dandona et al.), an examination of GST dynamics in India was undertaken, focusing on state revenue trends, the impact on GDP, and the economic resilience post-GST implementation. The findings indicated that Maharashtra emerged as a leader in GST collections, with all states experiencing significant positive growth in revenue following the implementation of GST. The study also revealed fluctuations in GST collections, a

pronounced positive impact on government revenue growth, and a robust correlation between GST and GDP, suggesting implications for policy responses to regional variations.

(Dubey and Dubey) provided insights into GST, its benefits, and the trend of GST collection in India. The analysis showcased a positive upward trend in GST revenue collections, with FY 2022 collections marking a 17% increase compared to FY 2021. Notable growth was observed in states like Maharashtra and Arunachal Pradesh, reflecting improved compliance measures and effective government actions against tax evasion.

In the study by (Dhotre et al.), the research delves into the impact of Goods and Services Tax (GST) revenue on India's progression towards a \$5 trillion economy. The analysis scrutinizes monthly GST collections, year-on-year growth rates, and the contribution of GST revenue to the country's Gross Domestic Product (GDP). The study reveals a consistent upward trajectory in GST revenue in India, with figures escalating from Rs. 1.46 trillion in November 2022-23 to Rs. 1.68 trillion in November 2023-24, signifying a notable 15% boost in revenue from the fiscal year 2022-23 to 2023-24.

Statement of the Problem

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant shift in the country's indirect tax system. Designed to streamline the tax structure and enhance revenue collection, GST aimed to replace multiple cascading taxes with a single, unified tax. However, the implementation and subsequent performance of GST have been subjects of extensive debate and analysis. Despite initial optimism, the trends in GST revenue have exhibited considerable fluctuations, raising concerns about the stability and efficiency of the tax system. This research seeks to analyse the trends and growth in GST revenue collection in India since its inception. By examining the patterns of GST revenue, this study aims to provide insights into the effectiveness of GST as a revenue-generating mechanism and offer recommendations for policy adjustments to enhance its performance. The findings of this research will contribute to a better understanding of the challenges and opportunities

associated with GST implementation in India, informing future tax policy decisions.

Research Objectives and Methodology

This study aims to understand the Goods and Services Tax (GST) in India by analysing variations in GST revenue collection and evaluating the state-wise growth rate of GST revenue collection across the country. The research relies on secondary data sources spanning from 2017-18 to 2023-24, with data collected from the GST portal and the Reserve Bank of India websites. Descriptive statistical tools are employed to assess the status and growth of GST revenue collections in India. The study provides insights into how GST has impacted revenue collection at both the central and state levels, highlighting trends and variations over the specified period. By examining state-wise data, the research identifies patterns and disparities in revenue growth, offering a comprehensive overview of GST's performance and its implications for fiscal policy.

Data Analysis and Interpretation

Goods and Services Tax (GST) is a vital revenue source for both the central and state governments in India. This tax is levied on the consumption of goods and services, creating a steady and dependable income flow. The dual structure of GST guarantees that both levels of government receive a portion of the tax revenue, supporting fiscal federalism. For the central government, GST represents a significant part of its overall tax earnings, playing a crucial role in financing numerous developmental initiatives and meeting the country's financial requirements. The central government utilizes GST proceeds to back various public services and infrastructure projects, thereby stimulating economic growth and progress. Likewise, state governments profit from GST collections, enabling them to fund public services, infrastructure ventures, and other essential operations. Revenue-sharing mechanism under GST is formulated to harmonize the interests of the central and state governments, reinforcing the collaborative federalism model. As a consumption-based tax, GST ensures that income is generated where goods and services are consumed, promoting equity and fairness in resource distribution among states.

Table 1 State wise GST Revenue Collections in India (In Crores)

Name of the State	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Jammu and Kashmir	2273	3750	4052	3588	4638	5178	6618
Himachal Pradesh	5299	7578	7979	7045	8006	8758	9935
Punjab	9556	13823	15446	13739	18184	20609	23683
Chandigarh	1164	1774	2001	1640	1964	2343	2751
Uttarakhand	10822	14910	14912	12249	13593	16721	19100
Haryana	34020	51344	63231	51074	63165	80637	95873
Delhi	25699	38773	45254	35680	45231	54820	65133
Rajasthan	17319	29205	34291	30289	36608	43957	48322
Uttar Pradesh	29277	49059	78043	48811	61216	73734	86137
Bihar	4237	8832	14703	9961	11594	14543	15978
Sikkim	1185	1915	2250	2265	2810	3155	3706
Arunachal Pradesh	119	396	583	649	708	1021	1306
Nagaland	102	218	327	383	406	522	664
Manipur	121	308	437	390	549	612	667
Mizoram	67	212	297	256	316	418	499
Tripura	299	553	682	729	775	881	1050
Meghalaya	622	1347	1527	1333	1755	2057	2236
Assam	4652	8520	10902	9721	11604	13082	14569
West Bengal	21056	35882	47381	36440	44404	53809	58010
Jharkhand	10831	18756	28058	15911	22423	26247	27799
Odisha	10608	21307	35400	23646	36495	40568	45380
Chhattisgarh	8911	16443	30331	18550	22710	24927	27166
Madhya Pradesh	12361	20744	33880	21475	24975	29226	34620
Gujarat	43445	69465	83511	69525	90892	107554	117143
Daman and Diu	922	1105	1155	305	5	3	3
Dadra and Nagar Haveli	1216	1717	1811	2347	3137	3760	4326
Maharashtra	97580	158847	197430	156356	203901	250439	296888
Karnataka	41519	68683	92854	68139	86458	109480	128414
Goa	2753	4074	4313	3251	4343	5481	6433
Lakshadweep	7	20	20	13	18	21	45
Kerala	10786	16279	19354	17270	22184	27296	30620
Tamil Nadu	41070	63394	80324	63535	78416	96326	112582
Puducherry	1311	1918	1878	1642	1819	2365	2628
Andaman and Nicobar Island	162	296	362	254	332	372	426
Telangana	17557	29911	46320	31185	38771	45350	53393
Andhra Pradesh	14173	25058	28645	24050	30349	36438	40900
Ladakh	-	-	8	112	206	332	480
Other Territory	547	2484	1753	1337	1590	2609	2615
CBIC	80	580	1003	1541	2121	1941	2507
Total	483730	789481	1032710	786690	998667	1207595	1390610

Source: Data compiled from the GST portal

GST Collection Trends (2017-18 to 2023-24)

The above table outlines the GST collections for various states and Union Territories in India for the period from 2017-18 to 2023-24. The following are the key trends and findings from the data: India has experienced significant growth in GST collections over the years. From an overall GST collection of 4,83,730 crores in 2017-18, the total collection increased steadily to 13,90,610 crore in 2023-24, marking a growth of approximately 187%. This indicates the improving effectiveness of the GST system, enhanced compliance, and greater economic activities contributing to the tax base. From 2017-18 to 2023-24, the GST collections exhibited consistent annual growth. The sharpest growth is observed in states with robust industrial and economic activities. The year 2020-21 saw a slight dip in the GST collection figures due to the economic slowdown caused by the COVID-19 pandemic, but subsequent years (2021-22 to 2023-24) showed a strong recovery.

Analysis of Key Trends

The analysis of key trends in GST collections reveals a strong correlation between a state's economic development and its GST revenue. States with advanced industrial sectors and thriving service industries, such as Maharashtra, Gujarat, Karnataka, Tamil Nadu, and Delhi, consistently report higher GST collections due to their robust economic activities and larger consumer bases. Conversely, states with predominantly agricultural economies or lower industrialization levels, like Uttar Pradesh, Bihar, and Odisha, face challenges in generating tax revenue from the informal economy. The introduction of GST has significantly improved tax Compliance and formalized the economy, particularly benefiting the service and manufacturing sectors. States like Karnataka, Maharashtra, and Gujarat have seen growth in GST collections due to better

compliance mechanisms and improved tax collection infrastructure. The COVID-19 pandemic temporarily contracted GST collections in 2020, especially in states reliant on manufacturing, hospitality, and retail sectors. However, by 2021-22, GST collections rebounded, reflecting economic resilience and effective government stimulus measures. Regional disparities in GST collections highlight the need for targeted reforms in states with lower contributions to enhance industrial growth, improve compliance, and promote economic diversification. Future efforts should focus on industrial growth, infrastructure development, and expanding the formal tax base to boost state revenues.

The analysis of GST revenue growth in various states reveals several key observations. States such as Jammu and Kashmir, Maharashtra, Punjab, Uttarakhand, and Bihar have demonstrated robust growth, particularly in 2021-22 and 2022-23, indicating a significant post-pandemic recovery phase. The impact of the COVID-19 pandemic is evident, with most states experiencing a decline in GST collections in 2020-21 due to the economic slowdown. However, there has been a swift recovery starting from 2021-22. Smaller Union Territories like Daman and Diu, Lakshadweep, and Andaman and Nicobar Islands have shown slower growth or stagnation, attributed to their smaller economies and limited tax bases. On the other hand, states such as Maharashtra, Gujarat, Karnataka, Tamil Nadu, and Uttar Pradesh have displayed economic resilience, with steady growth post-pandemic. Larger states like Uttar Pradesh, Haryana, and Rajasthan have sustained strong growth in GST collections, indicating a gradual and stable increase year-on-year. Overall, the data underscores the varying economic performances and recovery trajectories of different states and territories in the aftermath of the COVID-19 pandemic.

Table 2 State Wise Growth Rate of GST Revenue Collection in India

State / UT	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Jammu and Kashmir	65%	8%	-11%	29%	12%	28%
Himachal Pradesh	43%	5%	-12%	14%	10%	13%
Punjab	44%	11%	-11%	32.4%	13%	15%
Chandigarh	52%	13%	-18%	20%	19%	17%

Uttarakhand	38%	0.01%,	-18%	11%	23%	14%
Haryana	51%	23%	-19%	24%	28%	19%
Delhi	51%	17%	-21%	27%	21%	19%
Rajasthan	69%	17.5%,	-12%	21%	20%	10%
Uttar Pradesh	68%	59%	-38%	26%	20%	18%
Bihar	109%	66%	-33%	16%	26%	9%
Sikkim,	62%	17.4%,	1%	24%	12%	18%
Arunachal Pradesh	233%	47%	11%	9%	44%	28%
Nagaland	114%	49.8%,	17%	6%	29%	27%
Manipur	155%	42%	-11%	41%	12%	9%
Mizoram	216%	40.2%,	-14%	23%	32%	19%
Tripura	85%	23%	7%	6%	14%	19%
Meghalaya	117%	13%	-13%	32%	17%	9%
Assam	83%	28%	-11%	19%	13%	11%
West Bengal	71%	32%	-23%	22%	21%	8%
Jharkhand	73%	50%	-43%	41%	17%	6%
Odisha	101%	66%	33%	54%	11%	12%
Chhattisgarh	85%	85%	-39%	23%	10%	9%
Madhya Pradesh	68%	63%	-37%	16%	17%	19%
Gujarat	60%	20%	-17%	31%	19%	9%
Daman and Diu	20%	5%	-74%	-98%	-40%	0%
Dadra and Nagar Haveli	41%	6%	30%	33%	20%	15%
Maharashtra	62%	24%	-21%	30%	23%	19%
Karnataka	66%	35%	-27%	27%	26%	17%
Goa	48%	6%	-25%	34%	26%	17%
Lakshadweep	186%	0%	-35%	39%	17%	114%
Kerala	51%	19%	-11%	28%	23%	12%
Tamil Nadu	54%	27%	-21%	23%	23%	16%
Puducherry	46%	2%	-13%	11%	30%	11%
Andaman and Nicobar	83%	22%	-30%	31%	12%	15%
Telangana	70%	55%	-33%	24%	17%	18%
Andhra Pradesh	77%	14%	-16%	26%	20%	12%
Ladakh	-	-	1300%	83%	61%	44%
Other Territory	354%	-30%	-24%	19%	64%	0.2%
CBIC	625%	72%	54%	38%	-8.5%	29%
Total	63%	31%	-24%	27%	21%	15%

Source: Authors calculations

The table highlights the growth rates of Goods and Services Tax (GST) revenue collections in various states and union territories of India from 2018-19 to 2023-24. The data encapsulates a diverse spectrum of economic performance and fiscal trends across different regions.

From the analysis, it is evident that the growth rates of GST revenue collection vary significantly among states and territories over the specified period. States like Arunachal Pradesh, Nagaland, and Maharashtra consistently exhibit positive growth rates, indicating robust revenue collection

and economic activity. Conversely, territories like Daman and Diu and Ladakh experience fluctuations and negative growth rates in certain years, reflecting economic challenges or policy impacts. The disparities in growth rates across regions underscore the heterogeneous economic landscapes within the country. States such as Bihar and Jharkhand show fluctuating growth rates, suggesting potential economic challenges or policy changes affecting revenue generation. On the other hand, territories like Kerala and West Bengal demonstrate varying growth rates, reflecting fluctuations in economic activity or compliance levels.

The data also reveals the impact of economic factors and policy decisions on GST revenue growth. States with stable growth patterns may signify effective economic policies and revenue management practices, resulting in consistent revenue generation. Conversely, states with volatile growth trends may require closer monitoring and targeted policies to stimulate revenue generation and economic growth. Overall, the table provides valuable insights into the economic dynamics and fiscal performance of states and union territories in India. By identifying trends, disparities, and influencing factors, policymakers can formulate targeted strategies to bolster revenue generation, promote economic growth, and ensure sustainable fiscal management at both regional and national levels.

Conclusion

The evolution of Goods and Services Tax (GST) collections in India from 2017-18 to 2023-24 has showcased a notable upsurge across several states and Union Territories, albeit with discernible repercussions stemming from the COVID-19 pandemic in 2020-21. This comprehensive study underscores the intrinsic nexus between industrialization, urbanization, and tax compliance in propelling the growth trajectory of state-level revenue. The GST framework has emerged as a cornerstone in augmenting India's overall tax revenue, positioning itself as a pivotal instrument in orchestrating regional equilibrium and fortifying fiscal resilience through sustained reform initiatives. The resiliency exhibited by India's economic landscape, as mirrored by the escalating GST collections, underscores the latent

opportunities for further expansion as the economic panorama convalesces and burgeons.

States such as Maharashtra, Karnataka, and Tamil Nadu have demonstrated notable growth trajectories, accentuating their resilient economic underpinnings. Nonetheless, there exists a compelling necessity for other states to reconfigure their economic frameworks, rectify disparities in tax collection, and mitigate divergences in growth rates. Despite the robust recovery narrative post-2020 observed in many states, regions characterized by limited industrial expansion have encountered hurdles in advancing their growth trajectories. A strategic imperative to foster consistent growth models across all regions mandates significant investments in infrastructure development, formulation of strategic industrial policies, and enhancement of the tax base in underperforming states. It is only through such targeted initiatives that India can envision the realization of a more balanced and prosperous economic landscape.

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