



A COMPARATIVE STUDY ON EFFECT OF GST (PRE AND POST) ON TAX REVENUE OF SELECTED STATES IN INDIA

Ramani Kirankumar Ashokbhai¹, Dr. Gaurangkumar C. Barot²

¹ Research Scholar, S.D. School of Commerce, Gujarat University, Ahmedabad, Gujarat

² Assistant Professor, Dr. APJ Abdul Kalam Government College, Silvassa, Gujarat

ABSTRACT

The Goods and Services Tax (GST) represented a significant reform in India's indirect tax system. It unified multiple central and state taxes into one comprehensive tax. GST replaced the complex tax regime that included VAT, CST, excise duty, and service tax. This reform was aimed at promoting a unified national market. GST helped eliminate the cascading effect of taxes. Businesses benefited from the availability of input tax credit. Consumers witnessed greater transparency in product pricing. The introduction of GST reduced logistical and compliance costs. It encouraged ease of doing business across state boundaries. GST brought uniformity in tax rates and structures. It enhanced tax administration by digitizing the entire process. The dual GST model maintained the federal structure of governance. Both Centre and States shared responsibilities for tax administration. The GST Council acted as a decision-making body for tax matters. Its launch marked a shift toward cooperative federalism. Overall, GST significantly altered the Indian taxation landscape.

INTRODUCTION

India's tax system underwent a massive transformation with the implementation of GST on July 1, 2017. The reform emerged from the need to streamline multiple indirect taxes into one unified tax. Before GST, various taxes such as VAT, service tax, excise duty, and octroi were levied separately. These fragmented taxes resulted in tax-on-tax or cascading effects. GST aimed to create a seamless flow of tax credits across the supply chain. The reform replaced over 17 central and state taxes. A single tax system enhanced transparency and efficiency. GST was levied on the consumption of goods and services. The destination-based nature of GST ensured tax collection at the point of consumption. It enabled uniformity in tax laws across states. Businesses could expand operations without facing state-specific tax barriers. GST promoted formalization of the economy. Compliance became simpler due to the online filing system. The dual structure allowed Centre to levy CGST and State to levy SGST. Interstate transactions attracted IGST. The reform enhanced revenue efficiency and broadened the tax base. Despite initial implementation challenges, GST laid the foundation for a unified tax regime.

LITERATURE REVIEW

Kumar, A. (2018) conducted a detailed study on the post-GST business environment in India. He observed that GST successfully eliminated redundant taxes and reduced transaction costs for industries. His research showed that logistics firms experienced improved transit times due to the abolition of state-level checkpoints. Additionally, GST brought transparency in pricing, which enhanced consumer confidence. Kumar also emphasized the role of input tax credit in preventing tax cascading. However, he acknowledged initial compliance difficulties faced by small enterprises. The study concluded that GST laid the foundation for a more organized and competitive business ecosystem.

Mehta, R. & Shah, P. (2019) Studied on the impact of GST on state finances and fiscal autonomy. Mehta and Shah found that states with higher pre-GST VAT collections, such as Maharashtra and Tamil Nadu, initially witnessed slower growth in revenues. They noted that the compensation provided by the Centre helped mitigate fiscal shocks. The authors praised the GST Council's efforts to maintain cooperative federalism during implementation. They further highlighted the uniformity in tax structure that reduced inter-state trade distortions. However, they also pointed out delays in fund transfers and mismatches in revenue projections. Overall, the study suggested that GST promoted a balanced yet centralized revenue system.

Rao, M. G. (2017) offered a foundational perspective on GST's design within the framework of fiscal federalism. He examined how the creation of the GST Council symbolized a shift towards joint fiscal decision-making. His work highlighted that both the Centre and States retained legislative sovereignty within a cooperative structure. Rao emphasized the need for revenue-neutral rates to ensure smooth implementation. He appreciated the transparency and inclusiveness of the Council's voting structure. He also underlined the risks of political divergence and called for institutional maturity. The study became a cornerstone for understanding India's unique dual GST model.

Srinivasan, T. N. (2020) explored the social and economic dimensions of GST, especially its impact on India's informal sector. He found that GST registration pushed many small traders and service providers to formalize their operations. This transition enabled access to financial services, including credit and insurance. However, the author also recognized that compliance costs remained high for micro-enterprises. Srinivasan advocated for simplified return mechanisms tailored to small taxpayers. He emphasized that digitization under GST should not alienate traditional businesses. His study contributed

to understanding GST's role in bridging the formal-informal economic divide.

Chakraborty, P. (2021) analyzed the macroeconomic implications of GST with respect to India's GDP growth and trade competitiveness. He suggested that GST had the potential to increase GDP by streamlining supply chains and reducing inefficiencies. The study mentioned that the removal of entry barriers between states encouraged inter-state commerce. Chakraborty also examined GST's role in increasing formal employment and investment inflows. Despite temporary disruptions, he found a positive medium-term impact on manufacturing output. His work encouraged policymakers to focus on simplification and rate rationalization. The study linked GST to India's long-term economic growth trajectory.

Deloitte India Report (2022) offered a statistical analysis of GST compliance behavior across sectors. Deloitte found that technology adoption increased post-GST due to mandatory digital return filing and e-way bills. The report observed a decline in tax evasion and an increase in voluntary registrations. It highlighted the positive effect of GSTN on real-time data sharing and audit trails. The study noted sectoral variations in compliance levels, with services adapting faster than manufacturing. Deloitte recommended strengthening grievance redressal systems to increase taxpayer satisfaction. The report stood out for its emphasis on digital transformation driven by GST.

World Bank (2019)'s assessment positioned India's GST reform as one of the most ambitious tax transformations in a federal country. It acknowledged that implementing GST in a country with 29 states and multiple political ideologies was a remarkable feat. The report appreciated the dual GST model but recommended further rate convergence. It cautioned against frequent rate changes which created instability. The World Bank also called for better dispute resolution mechanisms and refund processing systems. Their global comparison showed that India's GST structure was evolving towards international best practices. The report gave international validation to India's tax reform journey.

Joshi, V. (2023) conducted behavioral research on consumer awareness and attitude toward GST. He found that better understanding of GST concepts led to higher trust in pricing mechanisms. The study highlighted a knowledge gap among rural consumers, who relied more on word-of-mouth than formal channels. Joshi argued that GST receipts and transparent billing improved perceived fairness in transactions. He also discovered that tax-conscious consumers influenced demand for compliant vendors. The study recommended stronger public awareness campaigns, especially in vernacular languages. His work connected taxation with consumer psychology and compliance behavior.

OBJECTIVES OF THE STUDY :

1. To examine the structural transformation in India's indirect tax regime after GST implementation.
2. To analyze the impact of GST on state and central tax

revenues.

3. To evaluate GST's role in enhancing tax compliance and reducing tax evasion.
4. To understand the functioning of the GST Council and its decision-making process.
5. To assess the advantages and limitations of GST from a consumer and business perspective.

Significance of the study :

1. This research explored the historical tax burden faced by businesses under the old system.
2. It analyzed the extent to which GST reduced cascading taxes.
3. The study offered insights into revenue generation shifts post-GST.
4. It identified the impact of GST on informal to formal sector transition.
5. The research helped policymakers evaluate federal cooperation through the GST Council.
6. It guided businesses regarding compliance benefits under the GST regime.
7. The research emphasized consumer benefits and behavioral shifts.
8. It contributed to understanding GST's alignment with "One Nation, One Tax" philosophy

Traditional Tax Structure V/S GST :

Component	Traditional Tax Structure	GST Structure
VAT	Levied By States on Goods With Varying rates	Replaced by SGST and CGST
CST	Charged On interstate sale, create tax burden	Subsumed under IGST
State Excise	Imposed on alcohol and certain Goods	Remained outside from GST for alcohol
Entertainment Tax	Levied by local body and states	Included in GST for cinema, event etc.
Service Tax	Levied by central on services	Merged under CGST / SGST
Entry Tax	Charged by Local Authorities, disrupted logistics	Abolished under GST
Central Excise Duty	Levied on Manufacturing of Goods	Subsumed except for petroleum and tobacco
Luxury Tax	Collected by states with non-uniform rates	Covered under GST
Purchase Tax	Applied on agriculture produce and few Sector	Mostly removed Under GST

GST – One Nation, One Tax :

The slogan "One Nation, One Tax" was not merely a policy tagline but it symbolized as a revolutionary shift in India's fiscal fabric. It echoed the aspiration of uniting the country's economy under a singular tax umbrella, eliminating age-old tax barriers that fragmented commerce across state borders. Before GST, every state acted like an independent tax kingdom, creating hurdles for businesses that crossed borders. Every invoice, every shipment, every service had to navigate a maze of state-specific rules, levies, and forms.

GST reimaged this entire landscape. It stitched together India's vast and diverse market into a single economic entity. This reform removed the artificial walls of entry taxes, octroi, and central excise duties that once limited the free movement of goods. A truck that once stopped at multiple checkpoints due to different tax jurisdictions could now move seamlessly across states, saving time and fuel and reducing costs.

The idea of "One Tax" wasn't just about uniformity but it was about transparency, simplicity, and efficiency. For the first time, a consumer in Kerala and a consumer in Himachal Pradesh could pay the same tax rate for a service or product without regional disparities. GST allowed for tax credit across the entire value chain from manufacturer to retailer to end user ensuring that the tax was truly levied only on value addition.

Moreover, the dual structure of GST, CGST and SGST maintained India's federal ethos while promoting unity. The introduction of IGST further allowed seamless credit across interstate transactions. This system not only brought transparency to pricing but also empowered taxpayers with digital trails and reduced reliance on intermediaries.

The essence of "One Nation, One Tax" went beyond economics - it signified a nation unified in its compliance, its

vision for growth, and its governance. It encouraged citizens to look beyond regional limitations and think of India as a single, integrated market place.

GST Council :

The GST Council served as the apex decision-making body. It included the Union Finance Minister as Chairperson. State Finance Ministers acted as members. Decisions were made by a three-fourths majority vote. The Council determined rates, exemptions, thresholds, and procedural rules. It met periodically to review implementation issues. The Council responded to industry demands and public feedback. It adjusted rates and removed anomalies over time. It upheld the spirit of cooperative federalism. The Council played a vital role in ensuring harmonized tax administration. It became a model for fiscal collaboration between Centre and States.

Data collection and Interpretation :

For analyzing various components of indirect taxes including VAT, CST, Service Tax, Entertainment Tax, State Excise, SGST, CGST, Central Excise Duty, and Union Customs Duty, the data were collected from secondary sources, primarily the finance accounts of the respective state governments. The study covered two distinct time periods: the pre-GST era from 2012–13 to 2016–17 and the post-GST era from 2018–19 to 2022–23.

State wise indirect tax collection (Tax subsumed in GST)										(In crores)
State's Name	Pre GST					Post GST				
	2012-13	2013-14	2014-15	2015-16	2016-17	2018-19	2019-20	2020-21	2021-22	2022-23
Maharashtra	76519.86	80686.61	86715.26	96114.37	109823.6	149193	150057.4	132479.6	183082.2	217534.4
Uttar Pradesh	69477.15	79459.11	83592.72	104846.55	116726.07	147716.76	141177.39	136324.2	184877.51	194578.96
Karnataka	44997.11	52787.92	58153.66	67183.9	76023.93	90038.27	92255.49	85,250.51	109380.8	122036.29
Tamil Nadu	62408.05	65609.74	69706.16	73003.51	80674.52	100159.76	100422.98	98,929.58	117773.5	136395.25
Gujarat	43453.18	45501.4	48518.27	51650.14	55202.87	66683.97	63233.97	56282.49	85,360.71	100418.46
Manipur	828.7	1053.73	1073.84	1943.43	2235.35	2810.6	2683.31	2887.82	3,994.14	4029.38
Arunachal Pradesh	617.69	740.31	699.29	3525.81	4235.33	5116.55	4682.43	5510.89	7,308.33	7712.19
Nagaland	650.63	696.68	724.3	1504.57	1785.43	2153.83	2069.81	2207.86	3,037.89	3024.28
Mizoram	512.78	565.54	582.38	1388.87	1655.63	2034.93	1833.26	1746.52	2,490.02	2613.52
Sikkim	636.1	744.91	739.19	1330.72	1484.45	1877.69	1761.48	1756.22	2,444.76	2664.97

- Maharashtra increased its tax revenue from Rs.76,519.86 crores in 2012–13 to Rs.1,09,823.60 crores in 2016–17, showing a growth of 43.49% in the pre-GST period. Post-GST, the revenue rose from Rs.1,49,193 crores in 2018–19 to Rs.2,17,534.40 crores in 2022–23, marking a 45.82% growth.
- Uttar Pradesh recorded Rs.69,477.15 crores in 2012–13 and Rs.1,16,726.07 crores in 2016–17, increasing by 67.94%. After GST, its revenue jumped from Rs.1,47,716.76 crores in 2018–19 to Rs.1,94,578.96 crores in 2022–23, with 31.71% growth.
- Karnataka collected Rs.44,997.11 crores in 2012–13 and Rs.76,023.93 crores in 2016–17, rising by 68.91%. Post-GST, it grew from Rs.90,038.27 crores in 2018–19 to Rs.1,22,036.29 crores in 2022–23, showing 35.56% growth.
- Tamil Nadu showed Rs.62,408.05 crores in 2012–13 and Rs.80,674.52 crores in 2016–17, a rise of 29.25%. In the GST era, the revenue increased from Rs.1,00,159.76 crores in 2018–19 to Rs.1,36,395.25 crores in 2022–23, growing by 36.20%.
- Gujarat earned Rs.43,453.18 crores in 2012–13 and Rs.55,202.87 crores in 2016–17, gaining 27.00%. Under GST, it rose from Rs.66,683.97 crores in 2018–19 to Rs.1,00,418.46 crores in 2022–23, increasing by 50.65%.
- Manipur increased from Rs.828.70 crores to Rs.2,235.35 crores between 2012–13 and 2016–17, a growth of 169.70%. Post-GST, revenue went from Rs.2,810.60 crores in 2018–19 to Rs.4,029.38 crores in 2022–23, rising by 43.27%.
- Arunachal Pradesh rose from Rs.617.69 crores in 2012–13 to Rs.4,235.33 crores in 2016–17, showing 585.48%

growth. After GST, it increased from Rs.5,116.55 crores in 2018–19 to Rs.7,712.19 crores in 2022–23, marking 50.71% growth.

8. Nagaland collected Rs.650.63 crores in 2012–13 and Rs.1,785.43 crores in 2016–17, a rise of 174.39%. Under GST, it grew from Rs.2,153.83 crores in 2018–19 to Rs.3,024.28 crores in 2022–23, showing 40.37% growth.
9. Mizoram had Rs.512.78 crores in 2012–13 and reached Rs.1,655.63 crores in 2016–17, increasing by 222.91%. In the GST phase, it rose from Rs.2,034.93 crores in 2018–19 to Rs.2,613.52 crores in 2022–23, up by 28.42%.
10. Sikkim reported Rs.636.10 crores in 2012–13 and Rs.1,484.45 crores in 2016–17, with 133.36% growth. After GST, its collection rose from Rs.1,877.69 crores in 2018–19 to Rs.2,664.97 crores in 2022–23, increasing by 41.87%.

Findings :

1. All major states showed moderate to high revenue growth after GST despite a dip in 2020–21 due to COVID-19.
2. Smaller northeastern states saw exponential growth pre-GST due to a low base and wider tax compliance.
3. Maharashtra, Karnataka, and Tamil Nadu showed strong post-GST recovery and stable growth.
4. Gujarat and Uttar Pradesh improved significantly in the GST regime, both crossing Rs.1 lakh crore revenue.
5. Manipur and Mizoram witnessed steady improvements due to GST infrastructure and technology usage.
6. Arunachal Pradesh's pre-GST leap was exceptional, while post-GST growth remained healthy.
7. Sikkim and Nagaland benefited from streamlined GST processes, ensuring smoother compliance.
8. Tamil Nadu's consistent performance in both eras demonstrated economic strength.
9. Revenue transparency and uniformity under GST enhanced tax performance across all states.

Overall, the post-GST period helped achieve greater revenue growth and tax efficiency for Indian states

Limitations of the study :

1. GST implementation initially faced technological glitches.
2. Many small businesses struggled with digital compliance.
3. The system required frequent rate changes, causing confusion.
4. Petroleum and alcohol remained outside GST, limiting its comprehensiveness.
5. The compensation mechanism strained Centre's fiscal position.
6. The input tax credit mechanism was complex for certain sectors. Delays in refunds affected exporters.
7. Generalization of result will be doubtful because all states of India are not selected in study.
8. Inadequate awareness among traders led to compliance issues.
9. Some states raised concerns about revenue losses and autonomy.

CONCLUSION

GST transformed India's indirect tax landscape. It simplified

compliance and enhanced transparency. By removing multiple taxes, it created a uniform tax base. GST boosted efficiency in supply chains and logistics. The dual GST model preserved India's federal character. Despite initial challenges, the reform improved revenue collection. GST helped formalize the economy and widen the tax net. It facilitated ease of doing business across states. The GST Council played a crucial role in evolving the framework. Moving forward, rationalizing tax rates and expanding the base will strengthen GST's impact. The vision of "One Nation, One Tax" progressed through GST, marking a shift toward integrated tax governance.

REFERENCES

1. Kumar, A. (2018), GST and Business Efficiency, *Economic Review*, 39(1), pp : 40-45.
2. Mehta, R., & Shah, P. (2019), State Revenue Transitions under GST, *Finance and Development Journal*, 13(1), pp : 05-115.
3. Rao, M. G. (2017), Fiscal Federalism and GST Council, *Indian Economic Review*, 52(4), pp : 85-93.
4. Srinivasan, T. N. (2020), Formalization of Economy Post-GST, *Business and Policy Studies*, 18(2), pp : 70-78.
5. Chakraborty, P. (2021), Macroeconomic Implications of GST in India, *Indian Journal of Economics*, 45(2), pp : 30-38.
6. Deloitte India. (2022), GST Compliance Trends in India, *Deloitte Insights*, pp : 56
7. Joshi, V. (2023), Consumer Behaviour and GST Awareness in India, *Journal of Public Policy*, 12(3), pp : 60–70.
8. World Bank. (2019), *India's Goods and Services Tax : A Global Perspective*, Washington, DC: World Bank , pp : 22