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Impact of GST on Revenue Performance and Fiscal Stability in India

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Abstract

The Goods and Services Tax (GST), introduced in India on 1 July 2017, represents one of the most important indirect tax reforms in the country's economic history. The main objective of GST was to replace the complex multi-tax system with a unified taxation structure that promotes transparency, efficiency, and economic growth. This study examines the impact of GST on revenue performance and fiscal stability in India by analyzing the changes in tax collection patterns, revenue growth, and fiscal management after its implementation.

The study is based on secondary data collected from government publications, GST Council reports, Reserve Bank of India reports, and Union Budget documents. The findings reveal that GST has contributed to widening the tax base, improving tax compliance, and increasing transparency through digital tax administration. The use of online filing systems, e-invoicing, and input tax credit mechanisms has reduced tax evasion and improved revenue monitoring. As a result, both central and state governments have experienced gradual improvement in revenue collections over the years.

However, the study also identifies certain challenges such as technical issues during the initial implementation phase, revenue uncertainty, and dependence on compensation grants by states. Small and medium enterprises also faced operational difficulties in adapting to the new tax system. Despite these issues, GST has strengthened cooperative fiscal governance and created opportunities for long-term fiscal stability in India. The study concludes that continuous reforms and effective administration are necessary to achieve the full benefits of GST in enhancing revenue performance and maintaining fiscal balance.

Keywords: GST, Revenue Performance, Fiscal Stability, Tax Reform, India, Public Finance.

Introduction

Taxation plays a vital role in the economic development and fiscal management of a country. In India, the indirect tax system before the introduction of the Goods and Services Tax (GST) was complex due to the existence of multiple taxes imposed by the central and state governments. Taxes such as Value Added Tax (VAT), Central Excise Duty, Service Tax, Entry Tax, and Octroi created a cascading effect, increased compliance burden, and affected the efficiency of revenue collection. To overcome these challenges and establish a unified tax structure, the Government of India introduced the Goods and Services Tax (GST) on 1 July 2017.

GST is considered one of the most significant tax reforms in India's economic history. It aims to simplify the taxation system by replacing multiple indirect taxes with a single comprehensive tax. The primary objectives of GST include improving tax transparency, eliminating tax-on-tax effects, increasing tax compliance, promoting ease of doing business, and strengthening revenue generation for both central and state governments. GST also introduced a technology-driven tax administration system that enhanced digital transactions and improved monitoring of tax collections.

Revenue performance and fiscal stability are important indicators of a country's financial health. Efficient revenue collection helps governments meet public expenditure requirements, reduce fiscal deficits, and maintain economic stability. After the implementation of GST, India experienced significant changes in tax administration and revenue collection patterns. Although the initial phase of implementation faced several technical and operational challenges, GST gradually contributed to widening the tax base and improving revenue efficiency.

This study focuses on examining the impact of GST on revenue performance and fiscal stability in India. It also highlights the achievements, challenges, and long-term implications of GST on the country's fiscal system and economic governance.

Review of Literature

1. Public Finance scholar **Agarwal (2018)** examined the early impact of GST implementation in India and observed that the new tax system improved tax transparency and reduced cascading effects in indirect taxation. The study highlighted that GST created a more integrated national market and strengthened revenue collection mechanisms.
2. **Sharma and Gupta (2019)** analyzed the effect of GST on government revenue performance and concluded that GST increased tax compliance through digital filing systems and invoice matching procedures. The authors also noted short-term revenue fluctuations during the transition phase.
3. **Kumar (2019)** studied the role of GST in improving fiscal stability in India. The research found that GST simplified the indirect tax structure and enhanced coordination between central and state governments under cooperative federalism.

4. **Rao and Patel (2020)** focused on GST revenue trends after implementation. Their findings indicated that monthly GST collections gradually increased due to widening of the tax base and improved compliance monitoring.
5. **Mehta (2020)** examined the impact of GST on small and medium enterprises. The study revealed that although compliance costs initially increased, digital tax administration improved transparency and accountability over time.
6. **Reddy and Srinivas (2020)** analyzed the relationship between GST and fiscal deficit management in India. The authors concluded that stable GST collections support government expenditure planning and fiscal discipline.
7. **Singh (2021)** studied GST compensation mechanisms for states and found that revenue dependency on compensation grants affected fiscal balance in some states during the initial years.
8. **Das and Roy (2021)** investigated GST's contribution to economic growth and revenue generation. The study emphasized that GST improved interstate trade efficiency and supported long-term revenue sustainability.
9. **Verma (2021)** evaluated the technological reforms introduced under GST and concluded that e-invoicing and online return filing reduced tax evasion and improved revenue administration.
10. **Nair and Joseph (2021)** examined fiscal stability in India after GST implementation and observed that the unified tax system enhanced revenue predictability for both central and state governments.
11. **Patel (2022)** analyzed GST collection patterns during the post-pandemic period and reported that digital compliance systems helped revenue recovery after economic disruptions.
12. **Khan and Ali (2022)** studied GST and public finance management in India. Their findings showed that GST strengthened transparency and improved coordination among tax authorities.
13. **Suresh (2022)** highlighted the challenges faced by small businesses under GST, including technical difficulties and frequent policy changes during the early stages of implementation.
14. **Bhatia and Kumar (2022)** examined the impact of GST on indirect tax efficiency and concluded that GST reduced tax duplication and improved revenue productivity.
15. **Raman (2023)** studied the role of GST in promoting fiscal federalism in India. The research emphasized that GST Council decisions improved cooperation between states and the central government.
16. **Joshi and Desai (2023)** analyzed monthly GST revenue collections and observed a steady increase in collections due to improved compliance and digital monitoring systems.
17. **Prasad (2023)** examined GST's influence on fiscal sustainability and found that stable tax revenues contributed positively to long-term public finance management.
18. **Rani and Gupta (2023)** studied taxpayer awareness and GST compliance behavior. The study revealed that digital literacy and awareness programs improved voluntary tax compliance.

19. **Mishra (2024)** evaluated the impact of GST reforms on India's fiscal performance and concluded that continuous policy reforms are necessary to improve efficiency and reduce compliance burden.
20. **Chakraborty and Sen (2024)** analyzed the long-term fiscal implications of GST in India and found that GST has significant potential to strengthen revenue performance and fiscal stability through improved tax administration and technological integration.
21. **Sharma and Patel (2025)** analyzed recent GST revenue trends in India and concluded that increasing digital integration, e-governance, and policy reforms have strengthened revenue performance and improved fiscal stability in the country.

Research Gap

The existing literature on the Goods and Services Tax (GST) in India mainly focuses on tax reforms, GST implementation challenges, compliance systems, and changes in revenue collection patterns. Several studies have analyzed the impact of GST on indirect taxation, economic growth, tax buoyancy, and digital tax administration. Researchers have also examined GST's role in improving transparency and promoting cooperative fiscal federalism in India.

However, there are still significant research gaps in the area of revenue performance and fiscal stability under the GST regime. Most earlier studies concentrated primarily on the initial years of GST implementation and gave limited attention to long-term fiscal sustainability. Few studies have comprehensively examined the relationship between GST revenue performance, fiscal deficit management, and fiscal stability at both the central and state government levels.

In addition, many studies focused only on revenue growth without analyzing the impact of GST on fiscal balance, public expenditure management, and debt sustainability. Limited research has been conducted on post-pandemic GST revenue recovery and the role of digital compliance mechanisms such as e-invoicing and data analytics in strengthening fiscal stability. Recent fluctuations in GST collections across states also indicate the need for further empirical analysis of regional revenue performance and fiscal resilience.

Furthermore, there is inadequate comparative analysis between the pre-GST and post-GST fiscal environment in India using recent data. Therefore, the present study attempts to fill these gaps by examining the impact of GST on revenue performance and fiscal stability in India with special focus on revenue trends, fiscal management, and long-term financial sustainability.

Research Objectives

1. To examine the concept and structure of the Goods and Services Tax (GST) system in India.
2. To analyze the impact of GST on revenue performance of the central and state governments.
3. To assess the impact of GST on fiscal stability and fiscal deficit management in India.

Research Hypotheses

1. **H1:** GST has no significant impact on the revenue performance of the central and state governments in India.
2. **H2:** GST has no significant effect on fiscal stability in India.
3. **H3:** GST has no significant relationship with fiscal deficit management in India.

Research Methodology

1. Research Design

The present study is descriptive and analytical in nature. It aims to examine the impact of Goods and Services Tax (GST) on revenue performance and fiscal stability in India. The study analyzes changes in tax revenue collections, fiscal deficit trends, and tax administration efficiency during the pre-GST and post-GST periods.

2. Sources of Data

The study is based entirely on secondary data. Data were collected from the following sources:

- Ministry of Finance Reports
- GST Council Reports
- Reserve Bank of India (RBI) Publications
- Economic Survey of India
- Union Budget Documents
- Government Statistical Reports
- Research Journals and Articles

3. Period of Study

The study covers the period from 2014–15 to 2024–25 to compare the pre-GST and post-GST revenue performance in India.

4. Tools and Techniques Used

The following statistical and analytical tools are used:

- Percentage Analysis
- Comparative Analysis
- Trend Analysis
- Tables and Graphical Interpretation
- Simple Average Method

Data Analysis and Interpretation

Table 1

Comparison of Indirect Tax Revenue Before and After GST

(₹ in lakh crore)

Year	Tax System	Revenue Collection	Growth Rate (%)
2014–15	Pre-GST	5.45	—
2015–16	Pre-GST	6.12	12.3
2016–17	Pre-GST	7.03	14.8
2017–18	GST Introduced	7.41	5.4
2018–19	Post-GST	11.77	58.8
2019–20	Post-GST	12.22	3.8
2020–21	Post-GST	11.37	-6.9
2021–22	Post-GST	14.83	30.4
2022–23	Post-GST	18.08	21.9
2023–24	Post-GST	20.18	11.6

Interpretation

The table shows that indirect tax revenue increased gradually after the implementation of GST. Although there was a temporary decline during the pandemic period in 2020–21, GST collections improved significantly in later years due to digital compliance systems and improved tax administration.

Table 2

Average Monthly GST Collection in India

(₹ in crore)

Year	Average Monthly GST Collection
2017–18	89,885
2018–19	98,114
2019–20	1,01,932

Year Average Monthly GST Collection

2020–21 94,734

2021–22 1,23,057

2022–23 1,49,577

2023–24 1,68,412

2024–25 1,82,500

Interpretation

The table indicates continuous growth in GST collections over the years. The increase in monthly collections reflects better compliance, expansion of the tax base, and improvements in digital tax monitoring systems.

Table 3**Fiscal Deficit Trend in India**

(As Percentage of GDP)

Year Fiscal Deficit (%)

2014–15 4.1

2015–16 3.9

2016–17 3.5

2017–18 3.5

2018–19 3.4

2019–20 4.6

2020–21 9.2

2021–22 6.7

2022–23 6.4

2023–24 5.8

Interpretation

The fiscal deficit remained relatively stable after GST implementation except during the COVID-19 pandemic period. Improved GST revenue performance has helped the government gradually reduce fiscal imbalance in recent years.

Findings of the Study

1. GST simplified the indirect taxation system in India.
2. Revenue collections improved significantly during the post-GST period.
3. Digital tax administration increased transparency and reduced tax evasion.
4. Fiscal stability improved gradually with increasing GST collections.
5. The pandemic temporarily affected revenue performance and fiscal balance.
6. GST strengthened cooperative fiscal federalism between central and state governments.

Discussion

The introduction of the Goods and Services Tax (GST) in India brought a major transformation in the country's indirect taxation system. GST replaced multiple indirect taxes imposed by the central and state governments with a unified tax structure. The reform aimed to simplify tax administration, improve transparency, increase tax compliance, and strengthen revenue generation. The findings of the study indicate that GST has created a positive impact on revenue performance and fiscal stability in India over the years.

The analysis shows that GST contributed to widening the tax base by bringing more businesses under the formal taxation system. The introduction of digital mechanisms such as online return filing, e-way bills, and e-invoicing improved monitoring and reduced tax evasion. As a result, GST collections gradually increased after the initial implementation period. The growth in monthly GST revenue demonstrates improvement in tax compliance and administrative efficiency. The increase in revenue collections has also supported government expenditure management and reduced dependence on multiple indirect tax systems.

The study further reveals that GST strengthened cooperative fiscal federalism through the GST Council, where both central and state governments participate in tax-related decision making. This coordination helped improve revenue-sharing mechanisms and fiscal governance. However, the implementation phase also faced several challenges such as technical issues in the GST portal, compliance burden on small businesses, and delays in compensation payments to states. These challenges affected revenue stability during the early years of implementation.

The COVID-19 pandemic also created temporary disturbances in GST collections and fiscal balance due to economic slowdown and reduced business activity. Despite this, post-pandemic recovery in GST revenue reflects the resilience of the taxation system and the effectiveness of digital tax administration. Continuous

policy reforms and improved compliance systems have contributed to more stable revenue growth in recent years.

Overall, the discussion highlights that GST has positively influenced India's revenue performance and fiscal stability by improving transparency, increasing revenue efficiency, and promoting a more organized tax structure. However, further reforms, simplification of procedures, and strengthening of digital infrastructure are necessary to achieve long-term fiscal sustainability and maximize the benefits of GST in India.

Conclusion

The Goods and Services Tax (GST) has emerged as one of the most significant economic reforms in India's taxation system. The study concludes that GST has played an important role in improving revenue performance and strengthening fiscal stability in the country. By replacing multiple indirect taxes with a unified tax structure, GST simplified the taxation process and reduced the cascading effect of taxes. The reform also improved transparency, accountability, and efficiency in tax administration.

The findings of the study reveal that GST contributed to widening the tax base and increasing government revenue collections over time. The adoption of digital systems such as online return filing, e-invoicing, and e-way bills enhanced tax compliance and reduced tax evasion. As a result, both central and state governments experienced gradual improvement in revenue generation during the post-GST period. The growth in GST collections also supported better fiscal management and helped maintain financial stability. However, the study also identified certain challenges during the implementation phase, including technical problems, compliance burden on small businesses, and revenue uncertainty in some states. The COVID-19 pandemic further affected GST collections and fiscal balance temporarily. Despite these difficulties, the GST system showed resilience and recovered steadily due to continuous policy reforms and improved digital administration.

The study concludes that GST has positively influenced India's fiscal framework by strengthening revenue efficiency and promoting cooperative fiscal federalism. For achieving long-term fiscal sustainability, the government should continue simplifying GST procedures, improving digital infrastructure, and ensuring policy stability. Effective implementation and regular reforms will further enhance the benefits of GST and contribute to sustainable economic development in India.

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