EXPLORING INTER-STATE DIFFERENCES IN GST REVENUE PERFORMANCE IN INDIA

Prof. Sudhakar Patra*
RBI Chair Professor, Department of Analytical and Applied Economics, Utkal University, Bhubaneswar, Odisha, India-751004
**Corresponding Author: sudhakarpatra65@gmail.com*
ORCID-0000-0002-1094-8132

Dr. Manisha Gupta
Research Associate, RBI Chair Unit, Department of Analytical and Applied Economics, Utkal University, Bhubaneswar, Odisha, India-751004
manisha_ra@utkaluniversity.ac.in

Abstract
This study examines the performance of Goods and Services Tax (GST) revenue in India by analysing temporal trends, regional disparities, and its relationship with inflation during the post-GST implementation period. The study is based on secondary data obtained from the Goods and Services Tax Network (GSTN), the Central Board of Indirect Taxes and Customs (CBIC), and the Consumer Price Index (CPI). Annual state-wise GST revenue data for 2017-18 to 2025-26 are used to assess growth performance through Annual Growth Rate (AGR), Compound Annual Growth Rate (CAGR), descriptive statistics, and regional trend analysis. The findings indicate a strong upward trend in GST collections following the post-pandemic recovery, although substantial regional disparities persist, with the Western and Southern regions contributing the highest share of revenue and the North-Eastern region recording the lowest collections. The study concludes that GST has strengthened revenue mobilisation but that regional inequalities remain significant, highlighting the need for targeted policy measures to improve tax capacity, compliance, and balanced regional economic development.
Keywords: *Goods and Services Tax (GST); Revenue Mobilisation; Regional Disparities*

1. Introduction

The design of an efficient indirect tax system is central to promoting economic growth, fiscal sustainability, and inclusive development. Among indirect tax reforms, the Value Added Tax (VAT) and the Goods and Services Tax (GST) have emerged as globally accepted instruments for broadening the tax base, reducing cascading effects, improving compliance, and enhancing revenue productivity (Musgrave & Musgrave, 1989; Ebrill et al., 2001; Bird & Gendron, 2007; Keen, 2009). More than 170 countries have adopted VAT/GST in various forms, reflecting its effectiveness in creating a neutral and destination-based consumption tax system that minimises distortions in production and trade while strengthening government finances (Cnossen, 1998; Tait, 1988; Keen & Lockwood, 2010). Empirical evidence suggests that a well-designed GST contributes to higher tax efficiency, improved resource allocation, and greater fiscal transparency, particularly in developing economies undergoing structural transformation (Bird & Gendron, 2007; Keen, 2009; OECD, 2022).

India introduced the Goods and Services Tax on 1 July 2017 as one of the most significant fiscal reforms since economic liberalisation in 1991. The reform replaced multiple indirect taxes levied by the Union and State Governments, including excise duty, service tax, value-added tax, entry tax, and several local levies, with the objective of establishing a unified national market and improving the efficiency of indirect taxation (Rao, 2009; Rao & Chakraborty, 2010; Purohit, 2010; Mukherjee, 2015; Rao & Mukherjee, 2019). The dual GST structure adopted in India reflects the country's federal framework by assigning concurrent taxation powers to the Centre and the States while preserving fiscal autonomy (Perry, 2010; Rao & Vaillancourt, 1994). The reform also aimed to improve tax compliance through digital administration, input tax credit mechanisms, and invoice matching, thereby expanding the formal economy and strengthening revenue mobilisation (Kelkar, 2009; Government of India, 2009; Rao & Mukherjee, 2019).

Since its implementation, GST has substantially transformed India’s indirect tax landscape, although its performance has been influenced by institutional, economic, and external factors. Initial implementation challenges, technological constraints, compliance costs, and frequent rate revisions affected revenue collections during the transition period (Rao, 2009; Purohit, 2010; Mukherjee, 2015). Subsequently, the COVID-19 pandemic disrupted production, consumption, and interstate trade, leading to a temporary decline in GST collections before a strong post-pandemic recovery driven by economic revival, digital compliance, and improved tax administration (Rao

& Mukherjee, 2019; OECD, 2022). Nevertheless, considerable differences persist in GST revenue across Indian States, reflecting variations in industrialisation, economic structure, urbanisation, consumption demand, export orientation, and administrative capacity (Bird, 2015; Rao & Mukherjee, 2019). These regional disparities have important implications for fiscal federalism, intergovernmental transfers, and inclusive regional development.

Although an expanding body of literature has examined the design, implementation, and macroeconomic implications of GST in India, most studies have concentrated on conceptual issues, sectoral impacts, tax compliance, inflation, business performance, and the ease of doing business (Rao, 2009; Purohit, 2010; Mukherjee, 2015; Rao & Mukherjee, 2019). Relatively fewer empirical studies have comprehensively assessed long-term state-level GST revenue performance and regional disparities using post-implementation data. This gap is particularly important because sustained revenue mobilisation determines governments' capacity to finance infrastructure, education, healthcare, and other welfare-enhancing public expenditures that underpin inclusive development (Musgrave & Musgrave, 1989; Stiglitz & Rosengard, 2015; OECD, 2022). Against this backdrop, the present study examines GST revenue performance across Indian States during 2017-18 to 2025-26 by analysing annual growth rates, compound annual growth rates, regional revenue shares, and temporal trends. By providing comprehensive evidence on interstate differences in GST performance, the study contributes to the literature on tax reform, fiscal federalism, and inclusive development while offering policy insights for strengthening revenue mobilisation and reducing regional fiscal disparities.

2. Objectives of the Study

The study is based on the following objectives:

- To examine the temporal trends and growth performance of Goods and Services Tax (GST) revenue across Indian States and Union Territories during the period 2017-18 to 2025-26.
- To analyse the state-wise and regional distribution of GST revenue and identify regional disparities in revenue mobilisation.

3. Sources of Data and Methodology

This study adopts a quantitative and descriptive research design to assess the performance of Goods and Services Tax (GST) revenue across Indian States and Union Territories. The analysis is based on secondary data obtained from *GST Statistics* published by the Goods and Services Tax Network (GSTN) and the Central Board of Indirect Taxes and Customs (CBIC), Government of India. Annual state-wise GST revenue data covering the period 2017-18 to 2025-26 are used to examine temporal trends and regional disparities.

To evaluate GST performance, descriptive statistical techniques, including the Annual Growth Rate (AGR), Compound Annual Growth Rate (CAGR), and state-wise share in total domestic GST revenue, are estimated. Trend analysis is further conducted across six geographical regions, Northern, Southern, Eastern, Western, Central, and North-Eastern India, to identify interstate and regional disparities in revenue mobilisation. The findings are presented through tables and graphs to provide empirical evidence on GST revenue performance and regional disparities.

4. Results and Discussion

4.1 Analysis of Annual Growth Rate of GST Revenue Collection

Table 1 shows substantial variation in the annual growth of GST revenue across States and Union Territories during 2018-19 to 2025-26, reflecting differences in regional economic activity, tax compliance, and policy shocks. In the initial year (2018-19), most states recorded exceptionally high growth, largely due to the stabilisation of the newly introduced GST regime and improvements in taxpayer registration and compliance. However, growth moderated in 2019-20 and turned negative for most states in 2020-21, coinciding with the COVID-19 pandemic, which severely disrupted production, trade, and consumption. A strong recovery is evident in 2021-22, with Odisha (48.56%), Jharkhand (35.99%), Maharashtra (31.87%), and Gujarat (30.68%) registering robust growth, reflecting the revival of economic activity and improved tax collections. Growth remained positive but gradually moderated during 2022-23 to 2024-25, indicating a transition towards a more stable revenue trajectory. In 2025-26, several states again recorded marginal declines, possibly reflecting slower economic momentum. At the national level, gross GST revenue followed a similar pattern, highlighting the close association between GST collections and overall macroeconomic conditions.

Table 1: Annual Growth Rate of GST Revenue collected from States and UTs

States & UTs	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Jammu and Kashmir	63.46	5.74	-9.04	28.64	11.80	27.80	7.02	-3.01
Himachal Pradesh	43.01	4.84	-11.37	13.73	9.41	13.42	3.98	-8.93
Punjab	44.95	9.00	-8.68	32.29	13.82	14.85	11.06	3.44
Chandigarh	51.99	11.78	-16.97	19.87	19.55	17.16	5.19	4.74
Uttarakhand	38.14	-2.82	-16.19	10.87	23.14	14.16	7.49	-7.03
Haryana	50.03	7.83	-7.84	24.14	27.19	18.75	15.98	1.44
Delhi	50.67	10.83	-17.19	26.48	20.74	18.99	15.89	4.44
Rajasthan	66.39	6.83	-3.12	21.02	18.14	10.37	9.19	-1.65
Uttar Pradesh	66.38	6.45	-8.52	23.68	19.10	15.60	10.34	-10.96
Bihar	94.45	17.52	-7.93	16.29	22.26	8.90	12.14	-0.74
Sikkim	61.68	17.24	0.82	24.05	12.25	17.47	9.60	-10.78
Arunachal Pradesh	230.97	45.88	11.99	9.07	44.14	27.83	-8.17	27.20
Nagaland	117.16	39.77	22.60	8.06	34.82	25.65	-4.19	23.91
Manipur	152.70	40.72	-9.86	40.57	11.56	8.96	4.38	6.64
Mizoram	219.89	38.89	-13.33	23.24	32.40	19.41	2.47	-12.12
Tripura	82.14	22.25	7.64	6.12	13.74	19.22	13.29	9.73
Meghalaya	111.17	11.22	-12.15	31.94	17.67	8.85	-3.00	6.32
Assam	80.90	15.96	-3.77	19.71	14.19	13.79	11.63	-4.01
West Bengal	70.49	9.06	-8.51	20.67	21.21	7.84	6.83	-2.49
Jharkhand	68.87	-4.47	-10.35	35.99	14.95	8.49	6.05	-20.25
Odisha	81.48	10.13	0.56	48.56	11.52	10.73	11.29	-15.61
Chhattisgarh	76.28	5.36	1.07	21.10	8.11	9.09	6.62	-19.03
Madhya Pradesh	65.23	10.40	-4.76	15.74	15.92	16.40	6.87	-13.46
Gujarat	59.98	7.47	-5.80	30.68	17.57	9.58	9.25	-0.97
Daman and Diu	19.86	4.57	-73.56	-98.34	-42.32	-6.83	-34.43	-82.68
Dadra and Nagar Haveli	41.10	5.32	29.80	33.72	20.03	14.90	1.74	3.73
Maharashtra	61.89	9.18	-11.09	31.87	24.02	18.41	12.41	0.53
Karnataka	63.62	5.90	-9.29	26.79	28.04	18.27	9.84	-0.84
Goa	48.02	4.31	-23.61	33.48	26.49	17.29	10.36	-2.73
Lakshadweep	185.03	-0.20	-32.74	32.31	17.31	117.24	-54.14	22.31
Kerala	50.53	17.69	-9.80	28.33	22.94	12.08	7.93	8.57
Tamil Nadu	55.70	5.48	-7.13	23.69	22.09	16.24	8.07	-0.66
Puducherry	46.07	-2.76	-12.01	10.79	30.13	11.08	8.69	-7.20
Andaman and Nicobar Island	83.07	21.40	-29.26	29.99	12.37	14.76	12.69	18.62
Telangana	70.56	9.37	-8.72	24.03	14.97	15.65	5.08	-3.41
Andhra Pradesh	76.81	7.01	-3.49	25.02	23.00	10.11	1.19	-5.42
Ladakh	-	-	2179.71	81.38	61.13	44.52	13.32	-1.16
Other Territory	347.02	-29.44	-23.72	18.88	64.14	0.21	-5.43	12.05
CBIC	624.88	72.98	53.65	37.62	-8.48	29.15	30.64	37.05
Grand Total	62.35	7.71	-8.32	26.76	20.72	14.96	10.01	-2.62
IGST and CESS on Import - All India	49.87	-7.60	-2.43	42.36	25.13	2.55	7.71	11.66
Gross Revenue (all India)	58.97	3.80	-6.98	30.48	21.87	11.65	9.44	0.83

Source: Authors’ calculations based on data from GST Statistics, Government of India

4.2 Analysis of State-wise Share in Total Domestic GST Revenue

Table 2 presents the percentage share of States and Union Territories in India’s total domestic GST revenue from 2017-18 to 2025-26. The distribution of GST collections remains highly concentrated, with a few economically advanced states accounting for a substantial proportion of total revenue. Maharashtra consistently emerged as the largest contributor, increasing its share from 19.48% in 2017-18 to 22.17% in 2025-26, reflecting its dominant industrial, commercial, and service sectors. Karnataka and Gujarat also maintained significant contributions, accounting for around 9-10% and 8-9% of total GST revenue, respectively. In contrast, states such as Arunachal Pradesh, Nagaland, Mizoram, Tripura, and the Andaman and Nicobar Islands each contributed less than 0.1%, highlighting the relatively smaller scale of their economic activities. Among the major states, Haryana exhibited a gradual increase in its revenue share, whereas Uttar Pradesh, Tamil Nadu, Telangana, and Chhattisgarh experienced modest declines over the study period. Odisha's share rose steadily from 2.75% to above 4% during 2021-22 before moderating to 3.15% in 2025-26. The results indicate persistent regional disparities in GST revenue generation, largely reflecting differences in industrialisation, economic size, consumption patterns, and the level of formal economic activity across Indian states.

Table 2: Share of States and UTs in the Total Domestic GST Revenue (in %)

States & UTs	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Jammu and Kashmir	0.43	0.43	0.42	0.42	0.43	0.40	0.44	0.43	0.43
Himachal Pradesh	0.98	0.87	0.84	0.81	0.73	0.66	0.65	0.62	0.58
Punjab	1.79	1.59	1.61	1.61	1.68	1.58	1.58	1.59	1.69
Chandigarh	0.22	0.20	0.21	0.19	0.18	0.18	0.18	0.17	0.19
Uttarakhand	2.03	1.73	1.56	1.43	1.25	1.27	1.26	1.23	1.18
Haryana	6.82	6.30	6.31	6.34	6.21	6.54	6.76	7.12	7.42
Delhi	4.90	4.54	4.68	4.22	4.21	4.21	4.36	4.60	4.93
Rajasthan	3.42	3.50	3.48	3.67	3.51	3.43	3.29	3.27	3.30
Uttar Pradesh	6.82	6.99	6.91	6.90	6.73	6.64	6.68	6.70	6.12
Bihar	1.02	1.23	1.34	1.34	1.23	1.25	1.18	1.21	1.23
Sikkim	0.22	0.22	0.24	0.26	0.26	0.24	0.24	0.24	0.22
Arunachal Pradesh	0.02	0.05	0.06	0.08	0.06	0.08	0.09	0.07	0.09
Nagaland	0.02	0.03	0.03	0.04	0.04	0.04	0.05	0.04	0.05
Manipur	0.02	0.04	0.05	0.05	0.05	0.05	0.04	0.04	0.05
Mizoram	0.01	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Tripura	0.06	0.06	0.07	0.08	0.07	0.07	0.07	0.07	0.08
Meghalaya	0.12	0.16	0.16	0.15	0.16	0.16	0.15	0.13	0.14
Assam	0.92	1.03	1.10	1.16	1.09	1.03	1.02	1.04	1.02
West Bengal	4.32	4.54	4.59	4.58	4.36	4.38	4.11	3.99	4.00
Jharkhand	2.62	2.73	2.42	2.37	2.54	2.42	2.28	2.20	1.80
Odisha	2.75	3.07	3.14	3.45	4.04	3.73	3.59	3.64	3.15
Chhattisgarh	2.41	2.62	2.56	2.82	2.69	2.41	2.29	2.22	1.85
Madhya Pradesh	2.88	2.93	3.00	3.12	2.85	2.73	2.77	2.69	2.39
Gujarat	8.50	8.38	8.36	8.59	8.85	8.62	8.22	8.16	8.30
Daman and Diu	0.17	0.13	0.12	0.04	0.00	0.00	0.00	0.00	0.00
Dadra and Nagar Haveli	0.23	0.20	0.19	0.27	0.29	0.28	0.28	0.26	0.28
Maharashtra	19.48	19.42	19.69	19.09	19.86	20.40	21.02	21.47	22.17
Karnataka	8.91	8.98	8.83	8.74	8.74	9.27	9.54	9.52	9.70
Goa	0.51	0.47	0.45	0.38	0.40	0.42	0.43	0.43	0.43
Lakshadweep	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kerala	2.01	1.86	2.04	2.00	2.03	2.07	2.01	1.98	2.20
Tamil Nadu	8.39	8.05	7.88	7.98	7.79	7.88	7.97	7.82	7.98

Puducherry	0.24	0.22	0.20	0.19	0.17	0.18	0.17	0.17	0.16
Andaman and Nicobar Island	0.03	0.03	0.04	0.03	0.03	0.03	0.03	0.03	0.04
Telangana	3.95	4.15	4.22	4.20	4.11	3.91	3.94	3.76	3.73
Andhra Pradesh	2.65	2.89	2.87	3.02	2.98	3.04	2.91	2.67	2.60
Ladakh	0.00	0.00	0.00	0.01	0.02	0.03	0.03	0.03	0.03
Other Territory	0.10	0.28	0.19	0.15	0.14	0.20	0.17	0.15	0.17
CBIC	0.01	0.07	0.11	0.18	0.19	0.15	0.16	0.20	0.28

Source: Authors' calculations based on data from GST Statistics, Government of India

4.3 Analysis of Compound Annual Growth Rate (CAGR) of GST Revenue

Table 3 presents the compound annual growth rate (CAGR) of GST revenue across States and Union Territories during 2017-2026, highlighting the long-term growth performance of GST collections. Maharashtra recorded the highest CAGR (2.99%), followed by Karnataka (2.63%), Gujarat (2.55%), Haryana and Tamil Nadu (2.53% each), indicating sustained expansion in tax collections driven by their diversified industrial base, strong service sectors, and high levels of formal economic activity. Uttar Pradesh (2.41%), Delhi (2.36%), West Bengal (2.26%), Telangana (2.24%), and Odisha (2.21%) also registered relatively strong growth, suggesting continuous improvement in economic activity and GST compliance. Most other major states exhibited moderate CAGR values ranging between 1.5% and 2.1%, reflecting stable but comparatively slower growth in revenue collections. In contrast, several smaller northeastern states and Union Territories recorded lower growth rates, while Daman and Diu was the only region with a negative CAGR (-3.13%), indicating a persistent decline in GST collections during the study period. Overall, the findings suggest that long-term GST revenue growth has been concentrated in India's economically advanced and industrialised states, whereas smaller and less developed regions have experienced comparatively modest gains.

Table 3: CAGR of States' and UTs GST Revenue from 2017-2026

States & UTs	CAGR
Jammu and Kashmir	1.55
Himachal Pradesh	1.52
Punjab	1.97
Chandigarh	1.31
Uttarakhand	1.72
Haryana	2.53
Delhi	2.36
Rajasthan	2.20
Uttar Pradesh	2.41
Bihar	1.90
Sikkim	1.38
Arunachal Pradesh	1.24
Nagaland	1.08
Manipur	1.04
Mizoram	0.94
Tripura	1.16
Meghalaya	1.28
Assam	1.83
West Bengal	2.26
Jharkhand	1.92
Odisha	2.21
Chhattisgarh	1.95
Madhya Pradesh	2.06
Gujarat	2.55
Daman and Diu	-3.13
Dadra and Nagar Haveli	1.46
Maharashtra	2.99
Karnataka	2.63
Goa	1.53
Lakshadweep	0.38
Kerala	2.08
Tamil Nadu	2.53
Puducherry	1.23
Andaman and Nicobar Island	0.95
Telangana	2.24
Andhra Pradesh	2.12
Ladakh	1.01
Other Territory	1.35

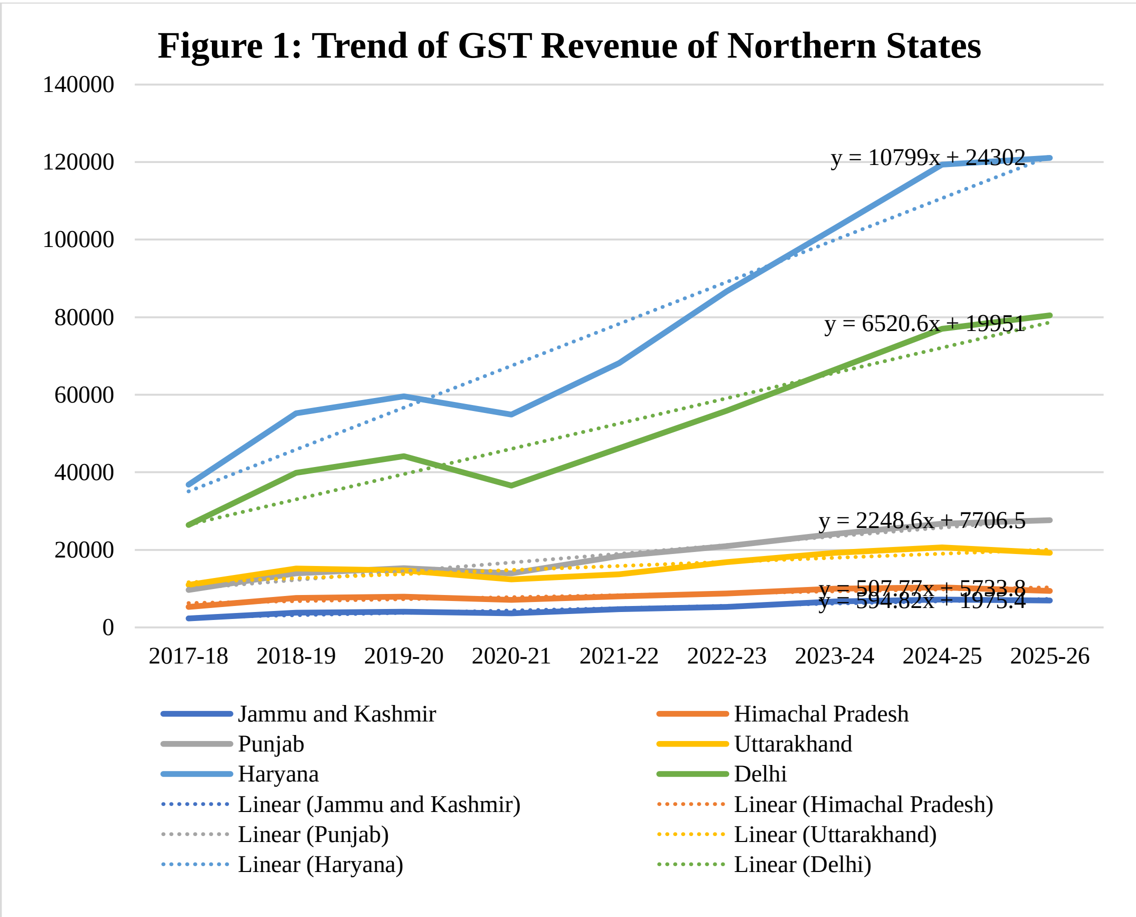
Source: Authors' calculations based on data from GST Statistics, Government of India

4.4 Region-wise GST Revenue of Different States from 2017-18 to 2025-26

Table 4 presents the descriptive statistics of GST revenue across six regions of India during 2017-18 to 2025-26. The Western region recorded the highest average GST revenue (₹382,174.6 crore), followed by the Southern (₹302,766.2 crore) and Northern regions (₹178,891 crore), reflecting their stronger industrial and commercial bases. The North-Eastern region registered the lowest mean revenue (₹19,686.26 crore), indicating relatively limited economic activity and a narrower tax base. The Western region also exhibited the highest standard deviation, suggesting greater fluctuations in collections over time. Negative kurtosis values across all regions indicate flatter distributions, while skewness values close to zero suggest relatively balanced revenue distributions with limited asymmetry.

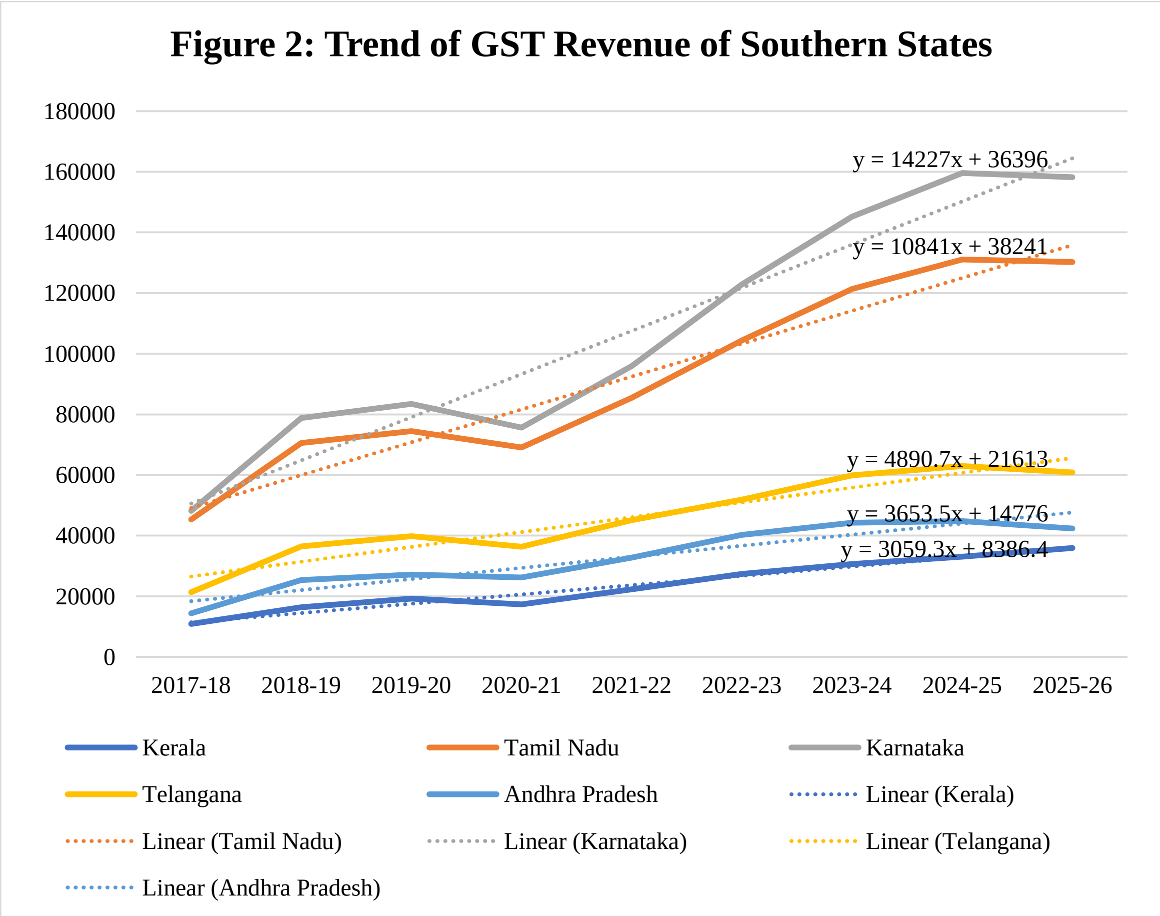
Table 4: Descriptive Statistics of the GST Revenue of Different States from 2017-18 to 2025-26 (in Rs. Crores)

	Northern States	Northeastern States	Eastern States	Central States	Western States	Southern States
Mean	178891	19686.26	131138.8	137487.3	382174.6	302766.2
Standard Deviation	61739.71	6886.421	41663.99	40829.09	138093.5	103715.9
Kurtosis	-1.31475	-0.61676	-0.73741	-0.45115	-1.35486	-1.32776
Skewness	0.27485	-0.37573	-0.40921	-0.30271	0.040752	-0.04286
Minimum	91498.57	7521.829	57874.75	65409.86	172326.5	139985.6
Maximum	264750.1	27957.19	184869.8	194467.2	558533.5	431599



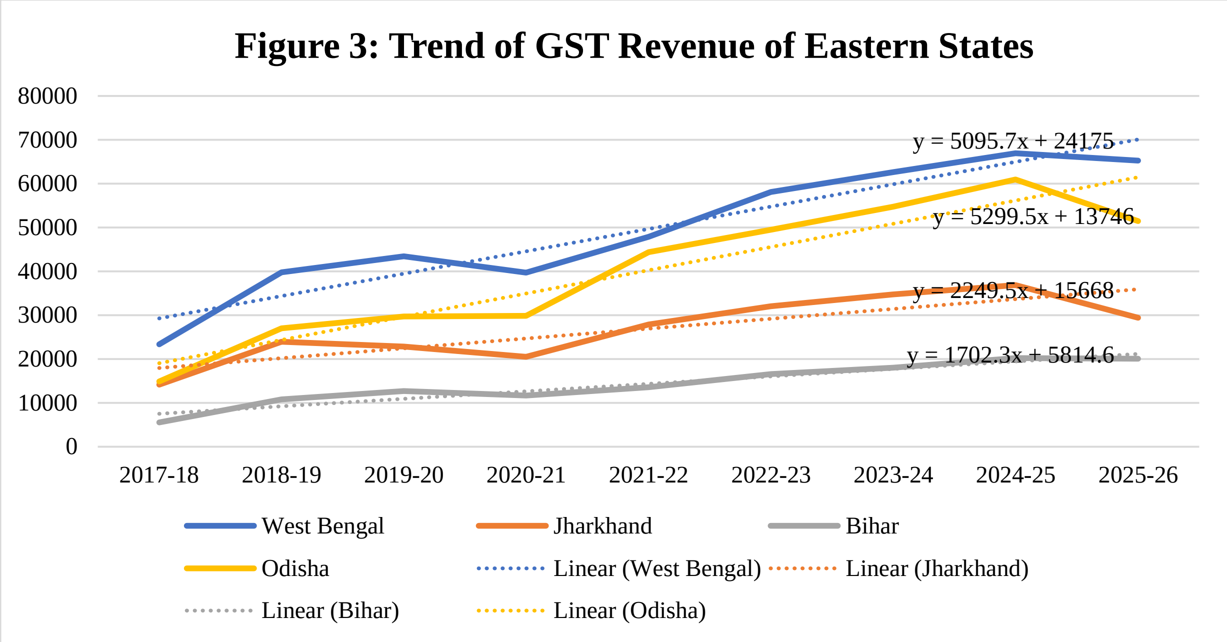
Source: GST Statistics, Government of India

Figure 1 depicts the trend in GST revenue across the Northern states from 2017-18 to 2025-26. Haryana consistently records the highest GST collections, increasing from about ₹36,000 crore in 2017-18 to over ₹1.20 lakh crore in 2025-26, with the highest growth rate reflected by its trend equation (y = 10799x + 24302). Delhi ranks second, with GST revenue rising steadily from nearly ₹26,000 crore to ₹80,000 crore, indicating robust growth in commercial and service-sector activities. Punjab shows moderate growth, with collections increasing from around ₹11,000 crore to ₹27,000 crore. Uttarakhand and Himachal Pradesh exhibit gradual but consistent increases, reaching approximately ₹19,000 crore and ₹9,500 crore, respectively, by 2025-26. Jammu and Kashmir records the lowest GST revenue but demonstrates a positive upward trend throughout the period. All states experienced a temporary decline in 2020-21 due to the COVID-19 pandemic, followed by a strong recovery from 2021-22 onwards. The positive linear trends indicate sustained improvement in GST collections, reflecting expanding economic activity, greater tax compliance, and increasing formalization of the regional economy.



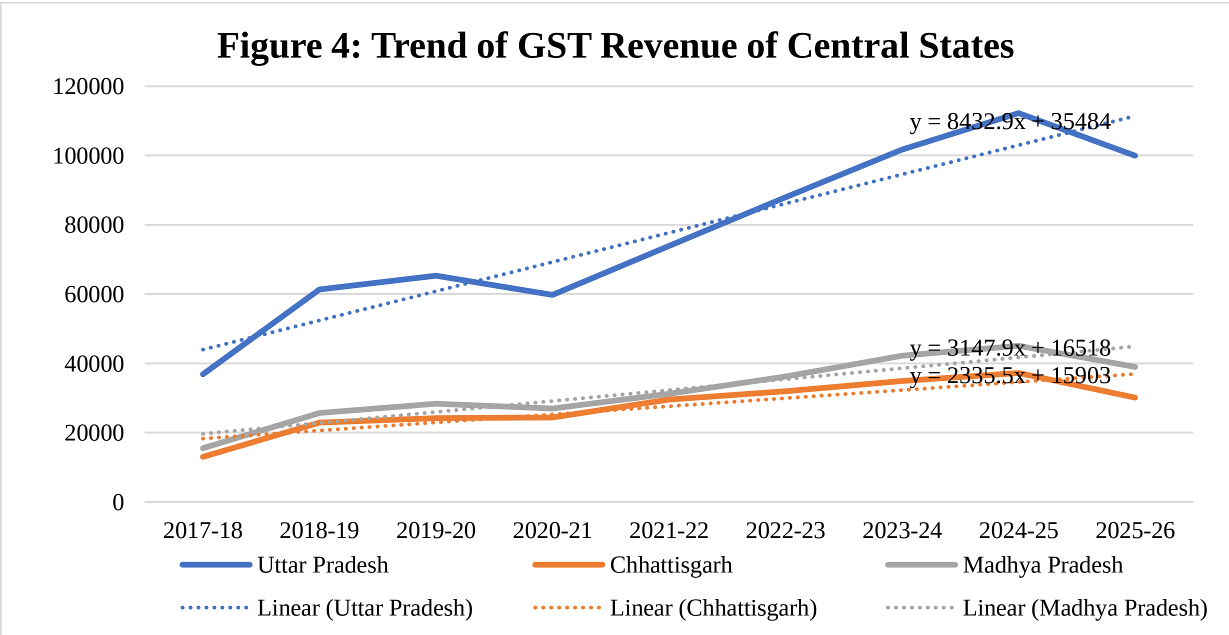
Source: GST Statistics, Government of India

Figure 2 illustrates a steady increase in GST revenue across the Southern states between 2017-18 and 2025-26, reflecting the region's strong economic base and expanding formal sector. Karnataka records the highest GST collections, rising from around ₹49,000 crore to nearly ₹1.6 lakh crore, supported by its thriving IT industry, manufacturing sector, and vibrant service economy. Tamil Nadu follows closely, with collections increasing from about ₹46,000 crore to ₹1.3 lakh crore, driven by its diversified industrial base, automobile production, and exports. Telangana also exhibits strong growth, reaching nearly ₹60,000 crore, benefiting from rapid urbanization and expanding business activities in Hyderabad. Andhra Pradesh shows moderate but consistent improvement, while Kerala records comparatively lower GST collections despite steady growth, reflecting its service-oriented economy and limited industrial expansion. Although all states experienced a temporary decline during 2020-21 due to the COVID-19 pandemic, GST revenues rebounded sharply thereafter. Overall, the positive trends highlight the resilience of Southern states, where industrialization, urban development, digital tax compliance, and expanding economic activity have collectively strengthened GST revenue generation over time.



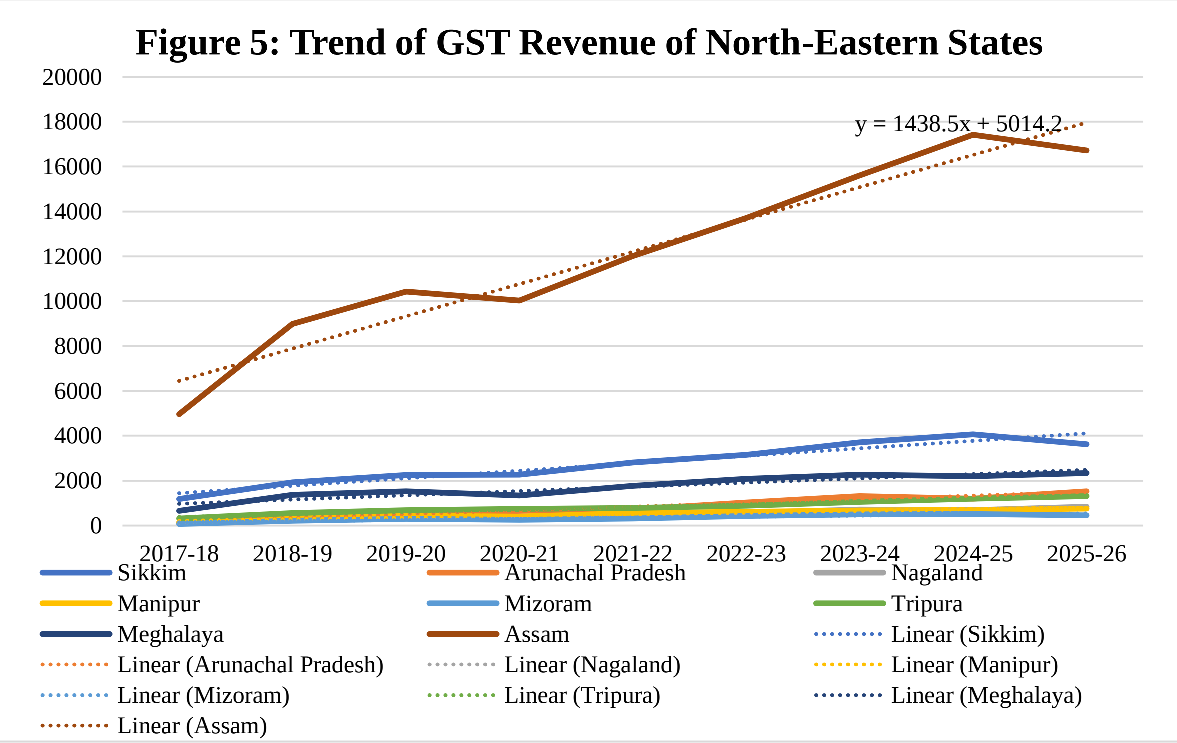
Source: GST Statistics, Government of India

Figure 3 presents the trend in GST revenue across the Eastern states from 2017-18 to 2025-26, showing a consistent rise in tax collections despite temporary disruptions during the COVID-19 pandemic. West Bengal records the highest GST revenue throughout the period, increasing from around ₹23,000 crore to nearly ₹66,000 crore, reflecting its diversified industrial base, strong trade network, and large consumer market. Odisha follows closely, with collections rising from approximately ₹15,000 crore to ₹55,000 crore, supported by mining, metals, manufacturing, and port-based economic activities. Jharkhand exhibits moderate growth, with GST revenue increasing from about ₹14,000 crore to nearly ₹28,000 crore, driven primarily by mining and industrial production. Bihar records the lowest GST collections, although revenues increased steadily from around ₹6,000 crore to ₹20,000 crore, indicating gradual expansion of the formal economy and improved tax compliance. The dip observed in 2020-21 across all states reflects the adverse impact of pandemic-related restrictions on economic activity. However, the strong recovery in subsequent years highlights the resilience of the regional economy, with rising industrial output, expanding consumption, and enhanced digital tax administration contributing to sustained growth in GST revenue.



Source: GST Statistics, Government of India

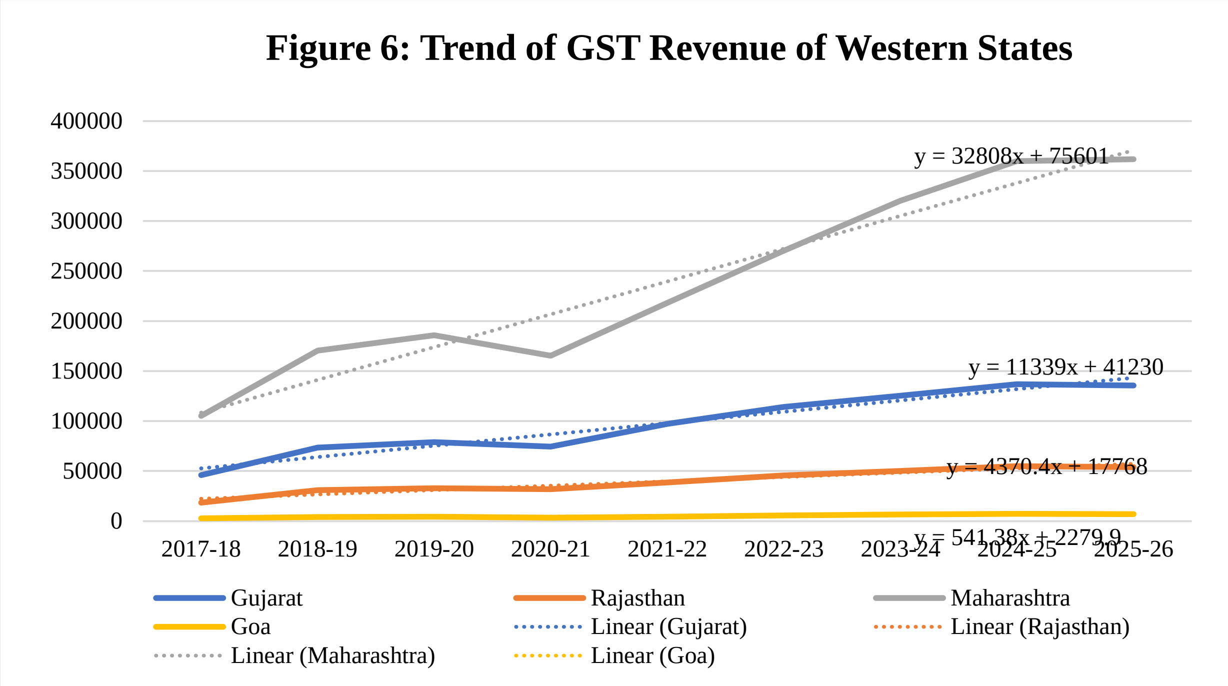
Figure 4 shows the trend in GST revenue across the Central states from 2017-18 to 2025-26, indicating an overall increase in tax collections despite temporary fluctuations during the pandemic. Uttar Pradesh consistently records the highest GST revenue, rising from around ₹37,000 crore in 2017-18 to nearly ₹1.0 lakh crore in 2025-26. The state's large population, expanding manufacturing base, growing service sector, and rising consumer demand have significantly strengthened its GST performance. Madhya Pradesh follows with a steady increase from approximately ₹18,000 crore to ₹40,000 crore, supported by industrial growth, agriculture-based industries, and improving tax compliance. Chhattisgarh also records sustained growth, with GST collections increasing from around ₹13,000 crore to ₹30,000 crore, driven largely by mining, steel production, and power generation. A noticeable decline in 2020-21 reflects the economic slowdown caused by the COVID-19 pandemic, while the slight moderation in Uttar Pradesh and Chhattisgarh during 2025-26 may indicate cyclical economic adjustments. Overall, the positive trend demonstrates that expanding industrial activity, higher consumption, and continued improvements in GST administration have strengthened revenue generation across the Central region.



Source: GST Statistics, Government of India

Figure 5 shows a steady rise in GST revenue across the North-Eastern states from 2017-18 to 2025-26, reflecting gradual economic expansion and improved tax compliance. Assam leads the region, with GST collections increasing from about ₹5,000 crore to nearly ₹17,000 crore, driven by its oil, tea, trade, and service sectors. Sikkim ranks second, supported by tourism, pharmaceuticals, and hydropower, while Meghalaya also records consistent growth. Arunachal Pradesh, Tripura, Nagaland, Mizoram, and Manipur exhibit moderate but sustained increases from relatively smaller revenue bases. Most states experienced a temporary decline in 2020-21 due to the COVID-19 pandemic, followed by a strong recovery. Overall, the upward trends reflect better GST administration, increasing formalization of economic activities, and gradual diversification of the regional economy, although limited industrialization and smaller markets continue to constrain revenue growth compared with other regions of India.

Figure 6 illustrates the GST revenue trends of the Western states from 2017-18 to 2025-26, showing sustained growth across the region. Maharashtra dominates GST collections, increasing from approximately ₹1.07 lakh crore to over ₹3.6 lakh crore, reflecting its position as India's leading industrial, financial, and commercial hub. Gujarat ranks second, with collections rising from around ₹47,000 crore to nearly ₹1.4 lakh crore, supported by strong manufacturing, exports, and port-based industries. Rajasthan records steady growth from about ₹18,000 crore to ₹58,000 crore, driven by industrial expansion, tourism, and infrastructure development. Goa contributes the lowest GST revenue due to its relatively small economic size, although collections show gradual improvement over time. Despite a temporary slowdown during 2020-21, all states recovered strongly, indicating resilient economic activity, improved GST compliance, and continued formalisation of the regional economy.



Source: GST Statistics, Government of India

Discussion

The descriptive statistics demonstrate substantial regional disparities in GST revenue mobilisation across India during 2017-18 to 2025-26. The Western and Southern regions recorded the highest average GST collections, whereas the North-Eastern region exhibited the lowest revenue performance. These findings reflect the uneven distribution of economic activity, industrial concentration, urbanisation, and consumption patterns across Indian states. States such as Maharashtra, Gujarat, Karnataka, and Tamil Nadu possess a broader manufacturing and service base, higher per capita income, and greater tax compliance, enabling them to generate relatively higher GST revenues.

The present findings are consistent with the observations of Rao (2019), who argued that although GST has unified India's indirect tax system, interstate disparities in revenue mobilisation continue due to differences in economic structure, production capacity, and administrative efficiency. Similarly, the Fifteenth Finance Commission (Government of India, 2020) noted that states with stronger industrial and service sectors tend to achieve higher GST collections because of larger consumption markets and better tax administration. The Organisation for Economic Co-operation and Development (OECD, 2020) also emphasised that the effectiveness of value-added tax systems largely depends on the size of the formal economy, institutional capacity, and taxpayer compliance, resulting in significant regional variations in tax performance.

However, the findings contrast with the theoretical objective of GST as a destination-based tax intended to promote greater fiscal neutrality and reduce interstate tax distortions (Kelkar & Shah, 2019). The persistence of regional imbalances suggests that structural differences in economic development continue to outweigh the harmonising effects of GST. Furthermore, Ebrill et al. (2001) argued that while value-added tax systems improve revenue efficiency, they cannot eliminate regional inequalities arising from disparities in income, production, and market size. Therefore, the observed differences in GST revenue are likely to reflect broader variations in economic development rather than weaknesses in the GST framework itself. The findings indicate that GST has strengthened revenue mobilisation in economically advanced regions but has not fully addressed regional fiscal disparities. Strengthening digital tax administration, expanding the formal sector, improving compliance, and promoting balanced regional economic development remain essential for achieving a more equitable distribution of GST revenue across Indian States and Union Territories.

5. Conclusion

This study examined the performance of Goods and Services Tax (GST) revenue in India by analysing temporal trends and regional disparities. The findings reveal a sustained upward trend in GST collections since its introduction in July 2017, despite the temporary contraction during the COVID-19 pandemic. The analysis of annual growth rates and compound annual growth rates (CAGR) indicates a robust recovery in GST collections after 2020-21, reflecting improved tax compliance, economic revival, and continued digitalisation of tax administration. Region-wise analysis demonstrates significant interstate disparities, with the Western and Southern regions consistently contributing the largest share of GST revenue, while the North-Eastern and some Central and Eastern states continue to exhibit relatively lower revenue mobilisation. The descriptive statistics further confirm substantial variations in average collections and volatility across regions, highlighting persistent differences in economic structure, industrialisation, and tax capacity. The study concludes that GST has substantially strengthened India's indirect tax system and enhanced revenue mobilisation; however, the benefits have not been distributed uniformly across states and regions. To reduce regional disparities and improve revenue performance, policymakers should strengthen digital tax infrastructure, enhance compliance mechanisms, broaden the tax base in economically weaker states, improve taxpayer awareness, and provide targeted fiscal and administrative support to low-performing regions. Simultaneously, promoting balanced regional industrialisation, investment, and formalisation of economic activities would contribute to more equitable GST revenue mobilisation and reinforce India's long-term fiscal sustainability.

Acknowledgement

The present research study is carried out with the financial support of RBI Endowment Fund to the Professional Chair, Utkal University, Bhubaneswar. The views expressed are of the authors and not of RBI.

References

1. Bird, R. M. (2015). Improving tax administration in developing countries. Journal of Tax Administration, 1(1), 23-45.
2. Bird, R. M., & Gendron, P.-P. (2007). The VAT in developing and transitional countries. Cambridge University Press.
3. Central Board of Indirect Taxes and Customs. (n.d.). GST statistics. Ministry of Finance, Government of India. https://www.cbic.gov.in/gst
4. Cnossen, S. (1998). Global trends and issues in value added taxation. International Tax and Public Finance, 5(3), 399-428. https://doi.org/10.1023/A:1008688226421
5. Ebrill, L., Keen, M., Bodin, J. P., & Summers, V. (2001). The Modern VAT. International Monetary Fund.
6. Goods and Services Tax Network. (n.d.). Goods and Services Tax (GST) portal. Government of India. https://www.gst.gov.in
7. Government of India. (2009). First discussion paper on goods and services tax in India. Empowered Committee of State Finance Ministers.
8. Government of India. (2020). Report of the Fifteenth Finance Commission for 2021-2026 (Vol. I). Fifteenth Finance Commission.
9. Keen, M. (2009). What do (and don't) we know about the value added tax? Journal of Economic Literature, 47(1), 159–170. https://doi.org/10.1257/jel.47.1.159
10. Keen, M., & Lockwood, B. (2010). The value added tax: Its causes and consequences. Journal of Development Economics, 92(2), 138-151. https://doi.org/10.1016/j.jdeveco.2009.01.012
11. Kelkar, V. (2009). Report of the Thirteenth Finance Commission. Government of India.
12. Kelkar, V., & Shah, A. (2019). In Service of the Republic: The Art and Science of Economic Policy. Penguin Random House India.
13. Ministry of Statistics and Programme Implementation. (n.d.). Consumer Price Index (CPI) database. Government of India. Consumer Price Index (CPI) Database
14. Mukherjee, S. (2015). Present state of goods and services tax (GST) reform in India (Working Paper No. 06/2015). National Institute of Public Finance and Policy.
15. Musgrave, R. A., & Musgrave, P. B. (1989). Public finance in theory and practice (5th ed.). McGraw-Hill.
16. OECD. (2022). Consumption tax trends 2022: VAT/GST and excise, core design features and trends. OECD Publishing. https://doi.org/10.1787/152def2d-en
17. Organisation for Economic Co-operation and Development. (2020). Consumption Tax Trends 2020: VAT/GST and Excise Rates, Trends and Policy Issues. OECD Publishing. https://doi.org/10.1787/152def2d-en
18. Perry, V. (2010). The theory and practice of VAT. International Monetary Fund.
19. Purohit, M. C. (2010). Issues in the introduction of goods and services tax. Economic and Political Weekly, 45(5), 12–15.

20. Rao, M. G. (2009a). Feasibility of introducing GST in April 2010. Economic and Political Weekly, 44(29), 10-13.
21. Rao, M. G. (2009b). Goods and services tax: Some progress towards clarity. Economic and Political Weekly, 44(51), 8-11.
22. Rao, M. G. (2019). Goods and Services Tax in India: Progress, Performance and Challenges. Economic and Political Weekly, 54(26-27), 36-42.
23. Rao, M. G., & Chakraborty, P. (2010). Goods and services tax in India: An assessment. National Institute of Public Finance and Policy.
24. Rao, M. G., & Mukherjee, S. (2019). Introduction. In M. G. Rao & S. Mukherjee (Eds.), The evolution of goods and services tax in India (pp. 1-22). Cambridge University Press.
25. Rao, M. G., & Vaillancourt, F. (1994). Inter-state tax disharmony in India: A comparative perspective. Publius: The Journal of Federalism, 24(4), 99-114.
26. Stiglitz, J. E., & Rosengard, J. K. (2015). Economics of the public sector (4th ed.). W. W. Norton & Company.
27. Tait, A. A. (1988). Value added tax: International practice and problems. International Monetary Fund.