



Goods and Services Tax in Southern India: Growth Patterns, Inter-State Disparities

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ABSTRACT

This study analyzes the trends, growth patterns, and inter-state disparities in Goods and Services Tax (GST) in India collections across the five southern states of India Karnataka, Tamil Nadu, Telangana, Andhra Pradesh, and Kerala over the period 2017–18 to 2025–26. The study adopts a descriptive and analytical research design based on secondary data sourced from the Economic Survey of India, the Reserve Bank of India, and publications of the GST Council. Analytical tools such as percentage analysis, trend analysis, and comparative analysis are employed to examine regional performance. The findings indicate that aggregate GST revenue in Southern India increased by over 117 percent, rising from Rs. 1,40,037 crore to Rs. 3,05,061 crore, while its share in national GST collections remained relatively stable at around 26 percent. Among the states, Karnataka emerged as the leading contributor, accounting for 9.86 percent of national GST in 2025–26, whereas Tamil Nadu, despite being the second-largest contributor, experienced a slight decline in its proportional share. The study identifies persistent inter-state disparities, compliance challenges, and structural complexities as key issues affecting GST performance. It recommends policy measures such as

GST rate rationalization, strengthening digital compliance systems, and providing targeted fiscal support to lower-performing states to ensure balanced and sustainable revenue growth.

Introduction

The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, represents a landmark reform in India's fiscal architecture, fundamentally restructuring the indirect taxation system. By subsuming multiple central and state-level taxes such as excise duty, service tax, and value-added tax (VAT), GST introduced a unified, destination-based tax regime aimed at eliminating cascading effects and enhancing economic efficiency (Government of India, 2017; Purohit, 2016). This reform marked a significant step toward the realization of a common national market, improving the ease of doing business and fostering greater tax compliance through digitization and transparency (Kelkar Committee, 2003; Economic Survey, 2023).

In the context of India's federal structure, GST embodies the principle of cooperative federalism, wherein both the central and state governments share taxation powers and revenues. The institutional mechanism of the GST Council has played a crucial role in harmonizing tax policies and resolving intergovernmental fiscal issues, thereby ensuring the smooth functioning of the GST regime (Government of India, 2017).

Southern India comprising Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, and Telangana occupies a prominent position in India's economic landscape. The region is characterized by a diversified economic structure, encompassing advanced manufacturing sectors, robust service industries, and high levels of urbanization and human capital development (Reserve Bank of India, 2022). These structural advantages have translated into a strong and consistent contribution to national GST revenues. As evidenced by the data presented in Table 1.1, Southern India's share in total GST collections has remained relatively stable at around **26 percent** between 2017–18 and 2025–26, underscoring its fiscal significance (Economic Survey, various issues).

A closer examination of state-level trends reveals notable disparities in GST performance. For instance, Karnataka has emerged as the leading contributor within the region, driven by its dominance in information technology and service sectors, while Tamil Nadu continues to exhibit strong performance due to its diversified industrial base. Meanwhile, states such as Telangana and Andhra Pradesh have demonstrated significant growth trajectories, reflecting rapid economic expansion and improved tax



compliance mechanisms. In contrast, Kerala maintains a relatively stable but moderate share, largely influenced by its consumption-driven economy.

Against this backdrop, the present study seeks to analyze GST collection trends in Southern India over the period 2017–18 to 2025–26, with a focus on revenue growth, inter-state variations, and changes in percentage contributions. By examining these dimensions, the study aims to provide insights into the relationship between taxation performance, economic structure, and regional development within the GST framework.

Background of the Study

The conceptual foundation of GST in India is rooted in the broader objective of reforming the indirect tax system to enhance efficiency, equity, and revenue productivity. Prior to its implementation, India's tax structure was characterized by fragmentation and inefficiencies arising from multiple taxes imposed at different stages of production and distribution. This resulted in cascading tax effects, increased compliance costs, and distortions in resource allocation (Bird & Gendron, 2007; Empowered Committee of State Finance Ministers, 2009).

The transition to GST was facilitated through the Constitution (101st Amendment) Act, which empowered both the central and state governments to levy and collect GST. The establishment of the GST Council as a constitutional body ensured a collaborative approach to tax governance, enabling consensus-based decision-making on tax rates, exemptions, and administrative procedures (Government of India, 2017). This institutional innovation has been widely recognized as a key factor in the successful implementation of GST in a federal polity like India.

Southern states have historically been at the forefront of economic development and fiscal contribution in India. Karnataka, often referred to as the “Silicon Valley of India,” has a strong base in information technology, biotechnology, and financial services, contributing significantly to GST revenues. Tamil Nadu is one of India's leading manufacturing hubs, with a well-developed industrial ecosystem encompassing automobiles, textiles, and electronics. Telangana has witnessed rapid urbanization and industrial growth, particularly in the pharmaceutical and IT sectors. Similarly, Kerala and Andhra Pradesh contribute through consumption-driven demand and emerging industrial activities (Reserve Bank of India, 2022; Economic Survey, various issues).

The period under study also encompasses significant macroeconomic disruptions, most notably the COVID-19 pandemic, which adversely affected economic activity and tax collections during 2020–21.



However, the post-pandemic recovery phase has been marked by robust growth in GST revenues, driven by factors such as increased digitization, the implementation of e-invoicing systems, data analytics-based enforcement, and improved compliance behavior (CBIC, 2022). These developments have contributed to a steady increase in GST collections across all southern states.

Furthermore, variations in GST performance across states can be attributed to differences in economic structure, industrial composition, consumption patterns, and administrative efficiency. For example, states with a higher concentration of service industries tend to generate higher GST revenues due to the broad tax base and higher compliance levels. Conversely, states with a predominantly agricultural economy may exhibit relatively lower GST collections.

Thus, the study of GST trends in Southern India provides a comprehensive understanding of how structural, institutional, and policy factors interact to shape revenue outcomes within a unified tax system.

Significance of the Study

The present study holds considerable significance from academic, policy, and practical perspectives, particularly in the context of India's evolving fiscal federalism and regional economic dynamics.

From an academic standpoint, the study contributes to the growing body of literature on indirect tax reforms by offering a region-specific empirical analysis of GST performance in Southern India. While existing studies have largely focused on national-level trends, this study emphasizes inter-state variations and regional disparities, thereby filling an important research gap (Rao, 2018). It enhances the understanding of how GST operates within diverse economic contexts and provides insights into the determinants of tax revenue performance.

From a policy perspective, the findings of this study are highly relevant for decision-makers, including the GST Council, the Ministry of Finance, and state governments. By identifying trends in revenue growth and shifts in state-wise contributions, the study offers valuable inputs for designing targeted policy interventions aimed at improving tax compliance, broadening the tax base, and enhancing revenue efficiency (Government of India, 2023). It also provides a basis for evaluating the effectiveness of GST in achieving its intended objectives of simplification, transparency, and revenue augmentation.

Moreover, the study is significant in assessing the role of GST in promoting economic integration and reducing regional imbalances. By analyzing the consistency of Southern India's contribution to national GST revenues, the study sheds light on the extent to which GST has facilitated a more equitable



distribution of tax resources across states (OECD, 2021). It also highlights the need for addressing structural disparities to ensure balanced regional development.

From a practical standpoint, the study is useful for researchers, academicians, and students in the field of public finance and economics. It provides a comprehensive framework for analyzing tax data and understanding the interplay between economic activity and revenue generation. Additionally, it serves as a reference for future empirical research on GST and related fiscal reforms.

Finally, the study contributes to evidence-based policymaking by identifying key challenges and opportunities in GST implementation. By examining long-term trends and regional patterns, it offers actionable insights for strengthening the GST system and enhancing its role in achieving sustainable and inclusive economic growth in India.

Review of Literature

The review of literature provides a comprehensive understanding of existing research on the Goods and Services Tax (GST) in India by integrating both theoretical and empirical studies. It examines key concepts, frameworks, and evidence to identify research gaps, support analysis, and establish a strong foundation for the present study.

Theoretical Literature Review

The theoretical underpinnings of the Goods and Services Tax (GST) in India can be explained through established economic theories that address taxation efficiency, fiscal governance, and distributional impacts.

The literature on the Goods and Services Tax (GST) in India encompasses both theoretical and empirical perspectives that explain its economic rationale, implementation, and impact. Theoretical contributions provide a conceptual foundation for understanding GST as an efficient tax reform. The *Optimal Taxation Theory* (Ramsey, 1927) supports GST's broad-based structure aimed at minimizing welfare loss and reducing distortions in consumption and production. Similarly, the *Fiscal Federalism Theory* (Musgrave, 1959) explains GST's dual model, where both central and state governments share taxation powers through institutional mechanisms such as the GST Council. The *Tax Incidence Theory* (Marshall, 1890) highlights that GST, being a consumption-based tax, primarily shifts the burden onto consumers depending on elasticity conditions, while the *Laffer Curve Theory* (Laffer, 2004) justifies moderate tax rates and improved compliance to enhance revenue generation.



Overall, these theoretical perspectives collectively justify GST as an efficient, integrated, and revenue-enhancing fiscal reform, while emphasizing the importance of continuous policy refinement.

Empirical studies further validate and critically examine these theoretical propositions. Early analysis by Dani (2016) emphasized GST's potential to simplify the tax system and improve transparency, while cautioning against administrative complexities and inflationary pressures. Post-implementation studies reveal mixed outcomes. *Madan Mohan (2017)* identified GST as a transformative reform that improved compliance and revenue through the Input Tax Credit mechanism but caused short-term economic disruptions. Similarly, *Maruthi (2025)* observed an initial negative impact on GDP due to adjustment costs, followed by long-term growth supported by increased consumption demand.

Other studies highlight structural and governance implications. *Chauhan and Jaiswal (2025)* noted that GST strengthened cooperative federalism but reduced fiscal autonomy of states. *Sharma and Sharma (2023)* found improvements in supply chain efficiency, tax base expansion, and transparency, though compliance challenges persisted for small businesses. A systematic review by *Adesh et al. (2025)* concluded that GST enhanced tax buoyancy and economic integration while facing issues such as regional disparities and compliance burden.

Further empirical evidence suggests that GST has improved revenue mobilisation and efficiency, although its impact on the tax-to-GDP ratio remains largely neutral (*Kadakol & Sadhani, 2023*). Advanced econometric studies also indicate increased administrative costs and revenue uncertainties affecting fiscal transfers and policy stability (*Gour et al., 2025*).

Overall, the literature indicates that GST is a transformative yet evolving reform, requiring continuous policy refinement to achieve long-term economic efficiency and fiscal stability

Research Gap

Despite extensive literature on the Goods and Services Tax (GST) in India, key gaps remain. Most studies focus on national-level analysis, with limited attention to regional dynamics, particularly Southern India. There is a lack of comparative analysis across states such as Karnataka, Tamil Nadu, Telangana, Kerala, and Andhra Pradesh. Existing research emphasizes short-term impacts, neglecting long-term trends. This study addresses these gaps through a region-specific, comparative, and longitudinal analysis integrating theoretical and empirical perspectives.



Objectives of the Study

1. To examine the trend and growth pattern of GST collections in Southern India from 2017–18 to 2025–26
2. To analyse inter-state disparities in GST revenue performance across the five southern states.

Research Methodology

Research Design: The present study adopts a descriptive and analytical research design to examine the trends, growth patterns, and regional contribution of the Goods and Services Tax (GST) in India in Southern India. The study is descriptive in nature as it systematically presents GST revenue data, and analytical as it evaluates inter-state variations and temporal changes over the study period.

Nature and Sources of Data: The study is based entirely on secondary data from: Economic Survey of India (various issues); Ministry of Finance reports; GST Council publications; and Reserve Bank of India statistical reports. Data covers the five southern states for 2017–18 to 2025–26 (April–November for the terminal year, provisional).

Study Area: The study is confined to Southern India, encompassing the states of Karnataka, Tamil Nadu, Kerala, Andhra Pradesh, and Telangana. These states are selected due to their substantial contribution to India's GST revenue and their diverse economic structures, characterized by strong industrial, service, and consumption sectors.

Tools and Techniques of Analysis

To achieve the objectives of the study, the following statistical tools and techniques are employed:

- a) Percentage Analysis:** Used to determine the share of each state in total GST revenue and the contribution of Southern India to national GST collections.
- b) Trend Analysis:** Applied to identify long-term patterns and changes in GST collections over the study period.
- c) Comparative Analysis:** Used to compare GST performance among southern states and identify inter-state disparities.

**Goods and Services Tax (GST) in Southern India**

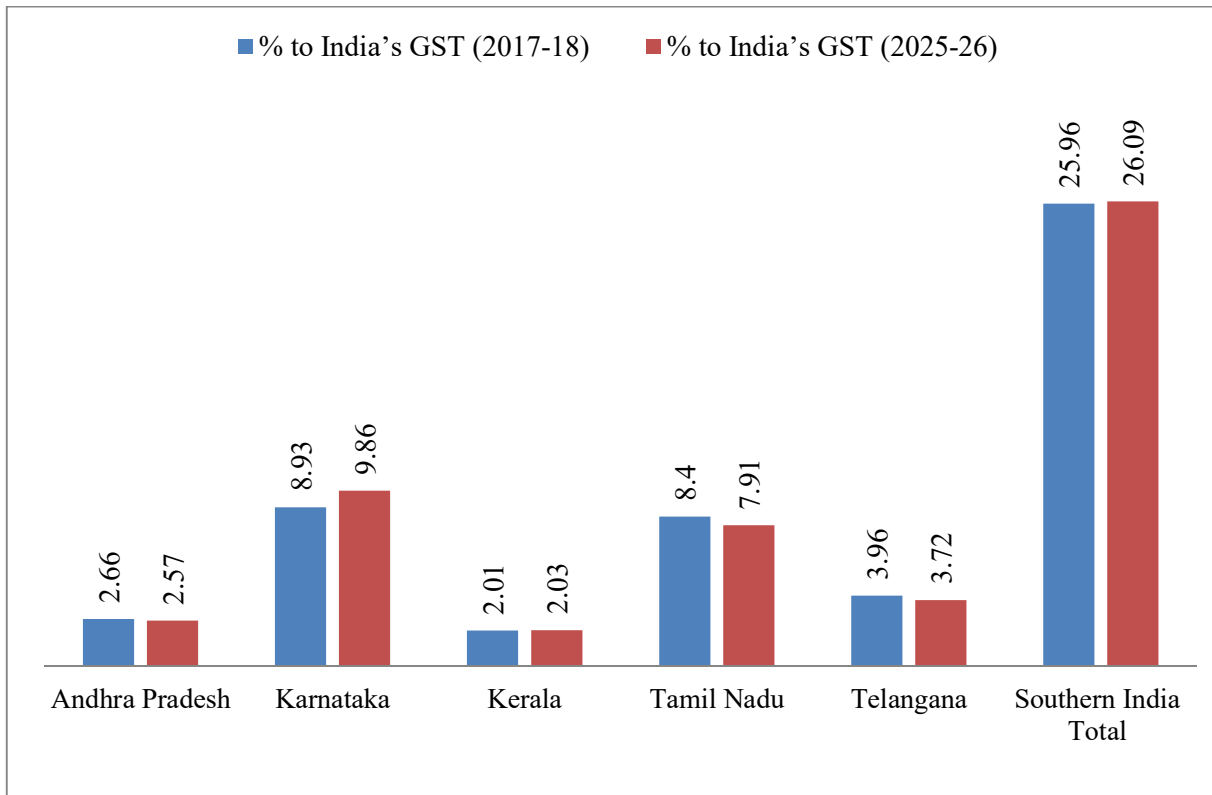
The analysis of Goods and Services Tax (GST) collection data across various states and union territories in India from 2017-18 to 2025-26 reveals significant trends and patterns in revenue generation. The data, presented in Table 1.1, shows the GST collection in Rs. Crores for each fiscal year, allowing for a comprehensive examination of the financial performance and growth trends in different regions.

Table – 1.1: GST Collection Trends and Regional Contribution in Southern India (2017-18 and 2025-26): Total Revenue and Percentage Share by States (in Crore)

States/Union Territories	2017-18	% to India's GST	2025-26*	% to India's GST
Andhra Pradesh	14327.3	2.66	30042.1	2.57
Karnataka	48160	8.93	115294.72	9.86
Kerala	10872.2	2.01	23694.04	2.03
Tamil Nadu	45322.2	8.4	92485.62	7.91
Telangana	21355.1	3.96	43544.59	3.72
Southern India Total	140036.8	25.96	305061.07	26.09
India	539601	100	1169091.92	100

Source: Economic Survey of India Various Issues * 2025-26 (April to November)

Graph – 1.A: GST Collection Trends and Regional Contribution in Southern India (2017-18 and 2025-26): Total Revenue and Percentage Share by States (in Crore)



Source: Table – 1.1

Results and Discussion

The data on GST collections reveals a significant increase in revenue across Southern India between 2017–18 and 2025–26 under the Goods and Services Tax (GST) in India framework. The total GST revenue of Southern India increased from Rs. 140,036.8 crore in 2017–18 to Rs. 305,061.07 crore in 2025–26, representing a growth of more than 117 percent. Similarly, India's total GST collection rose from Rs. 539,601 crore to Rs. 1,169,091.92 crore, indicating overall expansion in tax revenue and improved compliance.

Despite this substantial growth, the regional share of Southern India remained relatively stable, increasing marginally from 25.96 percent to 26.09 percent. This suggests that while revenue has increased significantly, the proportional contribution of Southern India to national GST has remained consistent, reflecting balanced growth across regions.

At the state level, Karnataka recorded the highest GST collection in both periods, increasing from Rs. 48,160 crore to Rs. 115,294.72 crore. Its share in national GST also rose from 8.93 percent to 9.86 percent, indicating strong economic performance and improved tax efficiency. Tamil Nadu remained the



second-largest contributor, with revenue increasing from Rs. 45,322.2 crore to Rs. 92,485.62 crore; however, its percentage share declined slightly from 8.4 percent to 7.91 percent, suggesting relatively slower growth compared to the national average.

Telangana and Andhra Pradesh also showed notable increases in GST revenue, but their percentage shares declined marginally, indicating that their growth was not as rapid as that of leading states. In contrast, Kerala exhibited a stable performance, with a slight increase in both revenue and share, reflecting a steady consumption-based tax structure.

Overall, the analysis indicates that GST collections have grown significantly across all southern states, demonstrating the effectiveness of GST in enhancing revenue mobilisation. However, inter-state disparities persist, with Karnataka and Tamil Nadu dominating the region. The stability of Southern India's overall share highlights its continued importance in India's fiscal structure, even during periods of economic disruption such as the COVID-19 pandemic.

Policy Suggestions

Based on the analysis of Goods and Services Tax (GST) in India trends in Southern India, the following policy measures are suggested:

1. Rationalize GST rates by reducing multiple tax slabs to simplify the system and improve efficiency.
2. Strengthen compliance mechanisms through enhanced digital systems, e-invoicing, and monitoring by the GST Council.
3. Reduce inter-state disparities by providing targeted support to lower-performing states such as Kerala, while sustaining growth in leading states like Karnataka.
4. Ensure stable state revenues through effective compensation mechanisms and transparent fiscal coordination.
5. Promote taxpayer awareness to enhance voluntary compliance, especially in rural areas.

Limitations of the Study

- The study is based solely on secondary data, which may have inherent limitations in accuracy and consistency.



- Data for 2025–26 is provisional (April–November) and may not reflect the full fiscal year.
- The study focuses only on Southern India, limiting generalization to other regions.
- External factors such as policy changes, economic shocks, and compliance variations are not quantitatively modeled.

Scope of the Study

The study provides a regional analysis of GST performance, offering insights into revenue trends, state-wise contributions, and fiscal dynamics in Southern India. It is useful for policymakers, researchers, and academicians in understanding the effectiveness of GST as a fiscal reform.

Conclusion

The implementation of the Goods and Services Tax (GST) in India marks a significant milestone in India's fiscal reform process, aiming to create a unified and efficient indirect tax system. The analysis of GST collections in Southern India from 2017–18 to 2025–26 reveals a substantial increase in revenue, reflecting improved tax compliance, economic expansion, and the effectiveness of the GST framework.

Southern India has consistently contributed around 26 percent to India's total GST revenue, highlighting its strong fiscal significance. Among the states, Karnataka and Tamil Nadu have emerged as leading contributors, driven by their industrial and service sector strengths. Other states such as Telangana, Andhra Pradesh, and Kerala have shown steady growth, although with relatively smaller shares. Despite challenges such as initial implementation issues and disruptions caused by the COVID-19 pandemic, GST has demonstrated resilience and adaptability. The stability in the region's contribution indicates balanced growth and sustained economic performance.

However, inter-state disparities, compliance challenges, and structural complexities remain key concerns. Addressing these issues through policy reforms, improved governance, and technological advancements is essential to maximize the benefits of GST.

In conclusion, GST has emerged as a transformative fiscal reform with significant potential to enhance revenue efficiency, promote economic integration, and support sustainable development. Its continued success depends on adaptive policymaking, cooperative federalism, and effective implementation strategies.



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