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**Goods and Services Tax (GST) in India: Performance, Challenges and Economic Impact**

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**Abstract**

The Goods and Services Tax (GST) is one of the most significant indirect tax reforms introduced in India. Implemented on 1 July 2017, GST replaced multiple indirect taxes with a unified tax system aimed at creating “One Nation, One Tax.” During the financial year 2022–23, GST demonstrated strong revenue growth, improved compliance, and increased digitalization of tax administration. This research paper examines the performance of GST in India during 2022–23, its impact on the economy, major reforms, challenges, and future prospects. The paper also analyzes the role of GST in enhancing revenue generation, promoting formalization of the economy, and strengthening cooperative federalism.

**Keywords:** GST, Indirect Tax, Indian Economy, Tax Reforms, GST Collection, Digital Economy, Fiscal Policy, India 2022–23

**1. Introduction**

The Goods and Services Tax (GST) is a destination-based indirect tax levied on the supply of goods and services. Introduced through the 101<sup>st</sup> Constitutional Amendment Act, GST replaced various central and state taxes such as VAT, excise duty, service tax, and octroi. By 2022–23, the Indian economy had moved past the immediate disruptions of the pandemic. This year became a critical testing ground for the resilience of the GST system. The focus shifted from merely “stabilizing” the new tax regime to optimizing revenue and tightening compliance through technology. The defining feature of 2022–23 was the unprecedented surge in revenue. For the first time, monthly collections consistently crossed the ₹1.4 lakh crore to ₹1.5 lakh crore mark. This growth was not just a result of inflation but a reflection of a wider tax base, better data analytics to catch evasion, and a rebound in domestic demand.

The primary objectives of GST include:

Elimination of cascading taxes

Creation of a unified national market

Improvement in tax compliance

Enhancement of ease of doing business

Increase in government revenue

In the financial year 2022–23, GST collections reached record levels due to economic recovery after the COVID-19 pandemic, technological improvements, and better compliance measures. Gross GST collections for FY 2022–23 stood at approximately ₹18.08 lakh crore, showing a 22% growth compared to the previous year.

**2. Objectives of the Study**

To understand the concept and structure of GST in India.

To analyze GST performance during 2022–23.

To examine the economic impact of GST on businesses and government revenue.

To identify major challenges in GST implementation.

To provide suggestions for improving the GST system.

**3. Research Methodology**

This research paper is based on secondary data collected from:

Government reports

Ministry of Finance publications

Economic Survey 2022–23

Research journals

Newspaper articles

Online databases and policy papers

The study uses descriptive and analytical methods to evaluate GST performance in India.

#### 4. Structure of GST in India

GST in India consists of four components:

Type of GST

Description

CGST

Collected by Central Government on intra-state transactions

SGST

Collected by State Governments on intra-state transactions

IGST

Collected by Central Government on inter-state transactions

UTGST

Applicable in Union Territories

Essential goods are taxed at lower rates, while luxury and sin goods attract higher taxes.

#### 5. GST Performance in 2022–23

##### 5.1 Record GST Collections

GST collections in FY 2022–23 showed remarkable growth due to economic recovery and improved compliance systems. The period between 2022 and 2024 was a transformative era for India's fiscal landscape, as GST collections broke multiple records and crossed major psychological milestones.

The primary driver for this growth was a combination of robust domestic consumption, improved tax compliance through technology, and the widening of the tax base.

The growth rate of GST collections in 2022–23 was approximately 22% over the previous year.

##### 5.2 Monthly GST Trends

The average monthly GST collection crossed ₹1.5 lakh crore in FY 2022–23, indicating strong economic activity and better tax administration. The month of April 2023 recorded the highest-ever monthly GST collection of ₹1.87 lakh crore. ❖

##### 5.3 Reasons for Growth in GST Revenue

The major reasons for increased GST collections include:

Economic recovery after COVID-19

Increased consumption and business activity

Better digital compliance systems

E-invoicing and e-way bill mechanisms

Reduction in tax evasion

Improved taxpayer base

#### 6. Economic Impact of GST

##### 6.1 Impact on Economic Growth:

The impact of the Goods and Services Tax (GST) on the Indian economy has shifted from transitional “teething troubles” to a deep structural transformation. As of 2023, the data shows that GST has not only unified the national market but also significantly altered how businesses operate and how the government funds its developmental goals. The most visible impact is the positive correlation between GST revenue and GDP growth.

GDP Contribution:

Recent empirical studies indicate that for every ₹1 lakh crore rise in GST collection, there is an associated 0.32% to 0.35% increase in GDP. By 2024, GST had contributed to a 1%–2% increase in the manufacturing and services sectors' share of GDP.

### Tax Buoyancy:

Post-GST tax buoyancy (the responsiveness of tax revenue to GDP growth) has improved. Revenue nearly doubled in seven years, reaching over ₹20 lakh crore in FY 2023-24, providing the government with predictable fiscal space.

### Impact on Inflation and Consumers

The long-term effect on prices has been a "stabilizing" one, though the journey was non-linear. By removing the cascading effect (where tax was calculated on the previous tax paid), the base cost of many manufactured goods has dropped. While initial years saw mild inflationary pressure due to rate adjustments, the long-term impact has moderated price levels for essentials. By 2023-24, inflation in GST-governed goods settled toward **4.0%**, aided by the zero-rating of basic food items.

### Revolutionizing Logistics and Supply Chains

Before GST, India's logistics were hampered by "cascading taxes" and state-border checkpoints. Removal of Checkpoints: The dismantling of state-level 'octroi' and entry tax booths has reduced transportation transit times by up to 20%.

### Warehouse Consolidation:

Companies no longer need to maintain small warehouses in every state for tax avoidance. Instead, they have moved toward a "Hub and Spoke" model, setting up large, efficient regional distribution centers (e.g., in Nagpur or Guwahati), which has cut overall logistics costs by an estimated 30%.

### Formalization of the Economy

GST has acted as a powerful tool for bringing the "shadow economy" into the formal fold. The number of registered taxpayers grew from approximately 0.65 crore in 2017 to 1.5 crore by 2024. The "Digital Trail": The requirement for Input Tax Credit (ITC) forces businesses to buy from registered suppliers to claim tax offsets. This "self-policing" mechanism has integrated millions of small and medium enterprises (SMEs) into the formal supply chain. GST encouraged businesses to register under the tax system to claim input tax credit. The number of active GST taxpayers increased significantly after implementation. Smaller businesses increasingly joined the formal economy.

### GST contributed to:

The "GST contribution" can be understood through three lenses: its role in the national economy (GDP), the contribution of different states, and the specific impact of various business sectors. In the 2023-24 fiscal year, India crossed a historic milestone, with total gross GST collections surpassing the **₹20 lakh crore** mark. By replacing multiple taxes with a unified system, GST reduced barriers to interstate trade and improved market integration.

### 6.3 Digital Transformation

GST accelerated digital governance in taxation through:

Online GST portal

E-filing of returns

E-way bills

E-invoicing systems

AI-based analytics

These reforms improved transparency and reduced tax leakages.

#### 6.4 Cooperative Federalism

The GST Council became an important institution for coordination between the central and state governments. Tax decisions are jointly made through consensus and consultation. The relationship between GST and Cooperative Federalism is often described as the “Crown Jewel” of India’s constitutional reforms. It represents a unique power-sharing agreement where both the Union and the States voluntarily surrendered their exclusive rights to tax—manufacture and services for the Center, and sales for the States—to create a unified national market.

### 7. Major Reforms and Technological Measures in 2022–23

The government introduced several reforms to strengthen GST administration:

#### 7.1 E-Invoicing System

Mandatory e-invoicing reduced fake billing and improved invoice matching.

#### 7.2 E-Way Bill Integration

E-way bills improved monitoring of movement of goods and reduced tax evasion.

#### 7.3 Aadhaar Authentication

Aadhaar verification was introduced for new GST registrations to prevent fraudulent registrations.

#### 7.4 AI and Data Analytics

Artificial intelligence and machine learning tools were used for:

Risk assessment

Fraud detection

Compliance monitoring

These measures improved tax efficiency and collection.

### 8. Challenges of GST in India

Despite improvements, several challenges remained in FY 2022–23.

#### 8.1 Complexity of Tax Slabs

Multiple GST slabs create confusion among businesses and consumers.

#### 8.2 Compliance Burden on Small Businesses

Small and medium enterprises face:

High compliance costs

Frequent filing requirements

Technical difficulties

#### 8.3 Technical Issues

Although improved, the GST portal occasionally faced:

Server issues

Return filing errors

Delays in refunds

#### 8.4 Tax Evasion and Fake Invoicing

Cases of fake input tax credit claims and fraudulent invoicing continued to affect revenue collection.

#### 8.5 Compensation Issues with States

Some states raised concerns regarding delays in GST compensation payments after the pandemic period.

### 9. GST and Indian Economy in 2022–23

GST emerged as a major contributor to India’s fiscal stability during 2022–23. Strong collections improved government revenue and supported public expenditure on:

Infrastructure

Welfare schemes

Health and education

Economic recovery programs

The growth in GST revenue reflected increased formalization, improved compliance, and strengthening economic activity.

### 10. Suggestions for Improvement

Simplify GST rate structure by reducing the number of tax slabs.

Improve refund mechanisms for exporters and MSMEs.  
Strengthen digital infrastructure and portal efficiency.  
Enhance taxpayer awareness and training programs.  
Increase coordination between central and state authorities.  
Strengthen anti-evasion measures using advanced technology.  
Provide greater compliance support for small businesses.

#### 11. Conclusion


The Goods and Services Tax has significantly transformed India's indirect taxation system. During FY 2022–23, GST collections reached record levels, demonstrating improved compliance, economic recovery, and effective policy measures. GST contributed to formalization of the economy, digital governance, and increased revenue generation.

However, challenges such as complex tax structures, compliance burdens, and tax evasion still require attention. Continued reforms, technological innovation, and policy simplification can further strengthen GST and enhance its contribution to India's economic development.


GST remains a landmark tax reform that plays a critical role in building a transparent, efficient, and integrated economy in India.

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