



IMPACT OF GST ON ECONOMIC GROWTH.

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ABSTRACT :

The current work studies the interplay between GDP growth and tax revenue in India from 2010 to 2023, paying specific attention to the effects of structural reforms, mainly the implementation of the Goods and Services Tax (GST) in 2017. During the pre-GST and post-GST periods, noteworthy trends were identified, offering insights into the resilience of tax revenues amidst changing economic conditions. During the pre-GST period, GDP growth and tax revenue showed a mostly positive correlation, with an increasing trend of tax revenue due to economic growth and gradual increases in compliance towards tax filings and administrative mechanisms. The post-GST period represents a significant turning point, demonstrating the transformative impact of GST on broadening the tax base, enhancing compliance, and stabilizing revenue collection, even in the face of challenging economic conditions during contractions, such as the COVID-19 pandemic. Tax revenue during the demand shock on the economy during COVID-19 was an upward movement on a straight line, while GDP growth fluctuated widely. The study brings light to the importance of having a sound and resilient tax system to guarantee fiscal stability and allow public expenditure sustainability during negative economic conditions. This paves the way toward understanding how structural changes may make public finance resilient and sustain long-term economic stability.

Key Words :

GDP Growth: The percentage increase in a country's gross domestic product, indicating economic performance over a specific period.

Tax Revenue: The income generated by the government through taxation, used to fund public services and infrastructure..

Fiscal Policies: Government strategies involving taxation and spending to influence the economy and achieve economic goals.

Structural Reforms: Long-term changes in economic and institutional policies aimed at improving efficiency and productivity, such as the introduction of the Goods and Services Tax (GST).

Goods and Services Tax (GST): A unified indirect tax system replacing multiple taxes, aimed at simplifying the tax structure in India.

Pre-Pandemic: The time period before the onset of the COVID-19 pandemic.

Post-Pandemic: The time period following the main impacts of the COVID-19 pandemic, characterized by recovery efforts.

Economic Trends: Patterns and movements in economic indicators like GDP and tax revenue over time.

Descriptive Research: A research method focused on describing characteristics of a phenomenon rather than exploring cause-and-effect relationships.

Quantitative Data: Numerical information used for analysis, such as statistics on GDP and tax revenues.

Reserve Bank of India (RBI): India's central bank responsible for monetary policy and financial stability.

Ministry of Finance: The government department in charge of managing India's public finance and economic policy.

Indirect Taxes: Taxes levied on goods and services rather than directly on income, such as GST.

Tax Revenue Resilience: The ability of tax revenues to remain stable or grow despite economic challenges.

Economic Outcomes: The results or impacts of economic activities, policies, or events.

Tax Base: The total amount of assets, income, or economic activity subject to taxation.

Introduction :

Economic growth and fiscal stability are crucial indicators of a country's development and resilience. Gross Domestic Product (GDP) growth measures economic output and reflects the health of productive sectors, domestic consumption, and investments. Tax revenue is the very core of fiscal policy as it represents the ability of the government to generate resources to finance public goods, infrastructure, and social welfare programs. The understanding of the relationship between growth in GDP and tax revenues over time provides insight into an economy's ability to weather challenges, fund the essential expenditure, and sustain the process of development. GDP growth rates and tax revenue trends are analyzed from 2010 to 2023. The period has been marked by such significant economic events and structural changes. During the first phase (2010–2016), GDP growth moved erratically from 8.5% in 2010 to 8.3% in 2016, while tax revenues had risen steadily from ₹5.3 trillion to ₹6.8 trillion. In contrast, during the second phase, starting with 2017–2023, a rather volatile picture is seen in that GDP growth declined to 4.2% in 2019 and even contracted sharply to -5.8% in 2020 due to the COVID-19 pandemic. Despite this economic contraction, tax revenue showed remarkable resilience, rising from ₹7 trillion in 2017 to ₹10.5 trillion by 2023, with the impetus coming from fiscal reforms like the Goods and Services Tax (GST), digital taxation initiatives, and enhanced enforcement mechanisms. During the COVID-19 pandemic, the Indian government implemented several social welfare programs to support vulnerable populations. Most importantly, the Pradhan Mantri Garib Kalyan Yojana (PMGKY) was announced as a relief package of ₹1.7 lakh crore, equivalent to approximately \$22

billion, which gave instant relief. The scheme contained direct cash transfers to all, free food grains under the PMGKAY, and health workers working at the forefront of the fight against coronavirus. In addition, the government increased spending on social services, with an allocation increase of 10.2% in 2021–22 over 2020–21, which indicated a commitment to public welfare during the crisis. The period of the pandemic in 2020 is a critical turning point wherein the economy faced severe disruptions in production, consumption, and trade. However, a strong rebound in the economy was seen in 2021 with an impressive 9.7% growth rate in GDP, which actually reflected its resilience and that of the successful recovery-focused fiscal and monetary policies. Tax revenues were consistently on an upswing during this volatile period, from ₹8.4 trillion in 2020 to ₹10.5 trillion in 2023, which underlines the success of governments in strengthening tax compliance as well as broadening their revenue base. This study aims to analyze the trends and underlying factors contributing to the divergence between GDP growth and tax revenue, explore the role of fiscal policies in economic recovery, and assess the broader implications for long-term economic growth and stability. By examining these two critical indicators over 14 years, the research sheds light on how a developing economy can navigate structural challenges and external shocks while maintaining fiscal discipline and fostering economic resilience. The findings provide valuable insights for policymakers on the importance of effective taxation systems, fiscal reforms, and strategic investments in ensuring sustainable economic development.

Literature Review :

The implementation of GST has been widely studied in the context of its impact on tax compliance, revenue generation, and economic growth. Scholars like Mukherjee (2020) and Jain and Singh (2018) argue that GST has enhanced tax compliance by reducing evasion opportunities and broadening the tax base. They note that GST's design—featuring Input Tax Credit (ITC) mechanisms—has reduced the cascading tax effect, thereby lowered production costs and enhancing competitiveness.

Conversely, studies have highlighted the challenges faced by SMEs in transitioning to GST. Rao (2022) identifies the compliance burden as a significant issue, particularly in the early years of GST implementation. Similarly, Kumar (2019) points out that while personal income tax reforms have stimulated consumer spending, the initial disruptions caused by GST led to short-term economic slowdowns.

Empirical studies on GST's impact on GDP reveal mixed results. While the World Bank and IMF project long-term GDP gains due to improved tax efficiency, Ghosh (2021) emphasizes that the transition's costs—such as technological adaptation and compliance training—have temporarily offset these gains. Research on state-level impacts indicates disparities, with industrialized states benefiting more significantly than agrarian regions, highlighting the need for balanced implementation strategies.

Research Methodology :

This study adopts a descriptive research design, analyzing quantitative data sourced from credible institutions such as the Reserve Bank of India (RBI) and the Ministry of Finance. The key variables under consideration include GDP growth rates and tax revenue collections over the 14-year period from 2010 to 2023. The research examines trends in these variables to explore the relationship between GDP growth and tax revenue collection, particularly focusing on the impact of structural reforms like GST implementation and pandemic-related economic shocks. A case study approach is used to evaluate the resilience of tax revenues during economic slowdowns, with specific attention to pre-pandemic and post-pandemic periods. Additionally, a literature review of prior research, policy papers, and government strategies provides context and depth to the analysis, offering insights into how fiscal policies and structural reforms have influenced tax revenue collection and supported economic recovery.

Objectives

- To study GDP growth and tax revenue collections over the 14 years from 2010 to 2023.
- To examine the relationship between GDP growth and tax revenue collection during the study period.
- To analyse the impact of structural reforms in indirect taxes on tax revenue, even during economic slowdowns. To evaluate the effects of the COVID-19 pandemic and the role of fiscal policies in supporting economic recovery, mitigating downturns, and ensuring sustained public expenditures.

Scope

The scope of this research covers 14 years (2010–2023), a timeframe that encompasses both gradual economic stabilization and heightened volatility due to structural reforms and external shocks. The study focuses on two key economic indicators: GDP growth rates and tax revenue collections, which together reflect the health of the economy and the effectiveness of fiscal policy.

Geographically, the study is limited to a single developing economy, providing a country-specific analysis that highlights both challenges and successes in managing growth and revenue generation. The research examines the role of major fiscal reforms, particularly the implementation of GST, which streamlined indirect taxation, and the introduction of digital compliance systems, which improved tax collection efficiency. Additionally, the study explores the economic impact of the COVID-19 pandemic, which caused significant GDP contraction, and assesses how tax revenue continued to grow during this period.

The findings of this study are relevant to policymakers, economists, and researchers seeking to understand the dynamics of GDP growth and tax revenue in developing economies. The scope also includes an evaluation of fiscal policies and government interventions aimed at stabilizing revenue collections during economic downturns. By focusing on both the pre-pandemic and post-pandemic periods, the research highlights key lessons for building resilient economic and fiscal systems capable of withstanding future crises.

Ultimately, this study aims to provide actionable insights and policy recommendations that contribute to strengthening fiscal resilience, improving tax revenue mobilization, and fostering sustainable economic growth. The scope also opens pathways for further research into comparative analyses with other developing economies and deeper explorations of sectoral tax contributions.

Justification

This study is justified by the critical need to understand the relationship between GDP growth and tax revenue performance in a developing economy, especially in the face of structural reforms and external shocks. The research spans a significant period (2010–2023) that includes economic stabilization, policy-driven changes such as the introduction of the Goods and Services Tax (GST), and the unprecedented disruptions caused by the COVID-19 pandemic. Understanding how tax revenue continued to grow despite fluctuations in GDP provides insights into the effectiveness of fiscal reforms, tax compliance measures, and government strategies. Moreover, this study emphasizes the importance of tax revenue as a resilient source of funding for public investments and essential services during economic downturns. It addresses a gap in the existing literature by highlighting how fiscal policy can cushion the economy during crises, offering valuable lessons for policymakers aiming to build stronger, more resilient economic systems in similar contexts.

Limitations :

While this research provides meaningful insights, there are certain limitations. The study relies predominantly on secondary data, which may be subject to reporting inconsistencies, revisions, or data gaps over the 14 years. Additionally, the analysis is limited to a single developing economy, which restricts the generalizability of the findings to other countries or contexts with differing economic structures and fiscal systems. The study focuses on aggregate GDP growth and total tax revenue, without delving into sector-specific tax contributions or regional disparities, which could provide a more granular understanding of revenue performance. Furthermore, while the research identifies key policies like GST implementation and digital reforms, it does not conduct a micro-level analysis of their individual effects on revenue collection. Lastly, external factors such as global economic conditions, inflationary pressures, and exchange rate volatility are acknowledged but not exhaustively explored, as they fall outside the scope of this study. Despite these limitations, the research provides a robust foundation for understanding the interplay between economic growth and tax revenue performance in developing economies.

Tables

Table 1: Economic Indicators (Pre-GST: 2010–2016)

This table highlights GDP growth rates and tax revenue before the implementation of GST. Tax revenues grew steadily, reflecting consistent economic activity in the pre-GST era.

Year	GDP Growth (%)	Tax Revenue (Trillion INR)
2010	8.50%	5.3
2011	6.60%	5.5
2012	5.50%	5.7
2013	6.40%	6
2014	7.40%	6.2
2015	8.00%	6.4

Over the period from 2010 to 2015, India's GDP growth and tax revenue generally showed a positive relationship. As the economy expanded, tax revenues also increased, although the correlation wasn't strictly linear. This suggests that while GDP growth is a significant driver of tax revenue, other factors such as tax policies and collection mechanisms also contributed to changes in revenue.

In 2010, India's GDP grew by 8.5%, the highest during this period, and tax revenue was 5.3 trillion INR. The strong growth likely resulted in higher incomes and corporate profits, which contributed to the revenue. However, the increase in tax revenue was somewhat modest, suggesting that tax collection systems may not have been fully optimized at that time.

In 2011, GDP growth slowed to 6.6%, but tax revenue increased slightly to 5.5 trillion INR. This uptick in tax revenue, despite slower economic growth, may indicate improvements in tax collection mechanisms, such as better compliance or more efficient systems. The government likely focused on improving tax infrastructure during this period to ensure stable revenue generation, even with a decelerating economy.

The year 2012 saw a further slowdown in GDP growth to 5.5%, but tax revenue continued to rise, reaching 5.7 trillion INR. This increase in revenue despite slower economic performance reflects the effectiveness of the government's tax policies and the continued strengthening of the tax system. It suggests that improvements in administration and compliance played a key role in boosting revenue, even when growth was weak.

In 2013, GDP growth rebounded to 6.4%, and tax revenue rose to 6 trillion INR. This period of recovery in economic performance likely led to higher corporate earnings, income levels, and consumption, all of which contributed to the increase in tax revenue. The increase in tax revenue also points to the continued effectiveness of the government's efforts to improve tax collection systems.

2014 marked a significant improvement in GDP growth, which rose to 7.4%, and tax revenue increased to 6.2 trillion INR. The strong economic growth likely generated higher taxable income, which contributed to the rise in tax revenues. The consistent increase in revenue, alongside improving economic performance, suggests that the government's tax policies and collection systems were becoming more effective.

In 2015, India's GDP growth reached 8%, and tax revenue rose slightly to 6.4 trillion INR. Although GDP growth was high, the increase in tax revenue was relatively modest compared to previous years. This may indicate that despite a strong economy, factors like inefficiencies in the tax collection system or lower compliance might have limited revenue growth.

In conclusion, the period from 2010 to 2015 shows a trend of increasing tax revenue in line with GDP growth, though not perfectly so. The data suggests that improvements in tax collection mechanisms and compliance were important factors in revenue growth, alongside overall economic expansion. This highlights the significance of a robust tax system in generating revenue, even when economic growth is slower.

Table 2: Economic Indicators (Post-GST: 2017–2023)

This table outlines the GDP growth rates and tax revenue following GST implementation. The post-GST era demonstrates enhanced tax compliance and increased government revenues.

Year	GDP Growth (%)	Tax Revenue (Trillion INR)
2017	6.80%	7
2018	6.50%	7.8
2019	4.20%	8.3
2020	-5.80%	8.4
2021	9.70%	9
2022	7.20%	10
2023	8.20%	10.5

Over the period from 2017 to 2023, India's GDP growth and tax revenue again displayed a generally positive correlation, with tax revenue increasing alongside economic expansion. However, there were a few instances where the relationship between GDP growth and tax revenue growth was not as direct, reflecting the complex factors at play in the Indian economy.

In 2017, India's GDP grew by 6.8%, and tax revenue stood at 7 trillion INR. This year marked a period of moderate economic growth, and the tax revenue growth was relatively steady. The increase in revenue suggests that the government's tax collection systems were improving, contributing to an increase in tax compliance and revenue generation.

In 2018, while GDP growth slowed slightly to 6.5%, tax revenue rose more significantly to 7.8 trillion INR. This jump in tax revenue, despite a slight decrease in economic growth, indicates that improvements in tax administration and perhaps an expansion of the tax base helped to generate additional revenue. This could also reflect higher tax compliance and efficiency in revenue collection mechanisms.

In 2019, the GDP growth further slowed to 4.2%, but tax revenue continued to rise to 8.3 trillion INR. Despite the slowdown in economic growth, the steady increase in tax revenue suggests that the government's efforts to strengthen the tax infrastructure and widen the tax base were yielding results. It also indicates that non-GDP-related factors, such as reforms or more stringent tax collection practices, may have supported this growth in government revenue.

The year 2020 saw a sharp contraction in GDP, with a -5.8% decline due to the COVID-19 pandemic, but tax revenue still grew to 8.4 trillion INR. The pandemic's impact on the economy resulted in negative growth, yet tax revenue slightly increased. This could be attributed to the government's implementation of tax reforms like the Goods and Services Tax (GST), as well as possibly more robust collection efforts in sectors that were less impacted by the pandemic.

In 2021, the Indian economy rebounded with a remarkable 9.7% GDP growth, and tax revenue increased to 9 trillion INR. The sharp recovery in GDP translated into a higher increase in tax revenue, as economic activities resumed and corporate profits, income levels, and consumption rose. This period also likely benefitted from ongoing tax reforms, which further boosted the tax base.

In 2022, GDP growth was 7.2%, and tax revenue rose to 10 trillion INR. This continued growth in tax revenue indicates that the government's fiscal measures, along with a recovery in economic activities, were successful in sustaining higher levels of revenue generation. The rise in both GDP and tax revenue highlights the effectiveness of the tax reforms and a robust economic recovery.

In 2023, GDP growth was 8.2%, and tax revenue increased to 10.5 trillion INR. This year marked another period of strong economic performance and a corresponding increase in tax revenue. The continued growth in both economic output and tax revenue suggests that the Indian government's tax system became more efficient, with ongoing reforms and broader tax base contributing to steady revenue growth.

Table 3: Comparing India's GDP growth rates pre-GST (2010–2016) and post-GST (2017–2023): Here's a table combining pre-GST (2010–2016) and post-GST (2017–2023) GDP Growth Rate (%) and Tax Revenue (Trillion INR) values based on both uploaded tables and graph:

Year	GDP Growth (%)	Tax Revenue (Trillion INR)
2010	8.50%	5.3
2011	6.60%	5.5
2012	5.50%	5.7
2013	6.40%	6
2014	7.40%	6.2
2015	8.00%	6.4
2016	8.30%	6.8
2017	6.80%	7
2018	6.50%	7.8
2019	4.20%	8.3
2020	-5.80%	8.4
2021	9.70%	9
2022	7.20%	10
2023	8.20%	10.5

The period from 2010 to 2023 in India reflects a dynamic relationship between GDP growth and tax revenue, shaped by both economic performance and governmental fiscal policies. The growth trajectory of tax revenue suggests that while economic expansion is a primary driver of revenue, other factors, such as government reforms, economic slowdowns, and administrative improvements, have played significant roles in shaping tax collection outcomes. In 2010, India experienced an impressive GDP growth rate of 8.5%, yet tax revenue was 5.3 trillion INR, suggesting that while the economy was expanding, the tax collection system might not have been fully optimized at that time. The relatively modest tax revenue despite strong growth highlights that the tax infrastructure was still in development, and greater efforts were likely needed to improve tax compliance and collection mechanisms.

In the following year, 2011, the GDP growth rate slowed to 6.6%, but tax revenue saw a slight increase to 5.5 trillion INR. This could reflect improvements in tax administration, possibly stemming from better enforcement and more efficient processes within the tax system. Despite slower growth, the rise in tax revenue suggests that the government may have been improving its ability to capture economic activities in the formal tax base.

The period from 2012 to 2014 shows a steady increase in tax revenue, even as GDP growth remained relatively moderate. In 2012, the GDP growth slowed to 5.5%, but tax revenue rose to 5.7 trillion INR, continuing the trend of gradual improvement. By 2013, as the economy grew by 6.4%, tax revenue reached 6 trillion INR, and in 2014, with a stronger GDP growth of 7.4%, tax revenue increased further to 6.2 trillion INR. These years reflect a period where tax reforms and better compliance mechanisms likely began to take hold. The government's efforts to improve the tax system, such as broadening the tax base and strengthening the Goods and Services Tax (GST) system, likely contributed to this steady growth in tax revenue, even as the economy experienced fluctuations.

2015 saw a moderate GDP growth of 8% and a corresponding rise in tax revenue to 6.4 trillion INR. This year marked a continued improvement in tax collection, likely driven by ongoing reforms and the recovery of key sectors of the economy. The growth in tax revenue, despite the economic volatility seen in some sectors, suggests that the government's policy focus on fiscal consolidation and expanding the tax net was beginning to show results.

In 2016, the GDP growth rate reached 8.3%, and tax revenue increased to 6.8 trillion INR. This period likely saw the implementation of significant reforms, such as the introduction of the Goods and Services Tax (GST) in 2017, which could have contributed to an improved tax collection system, even though the reform was officially launched in 2017. The growth in tax revenue was reflective of stronger economic conditions and the early effects of tax reforms in bringing more economic activities into the tax fold.

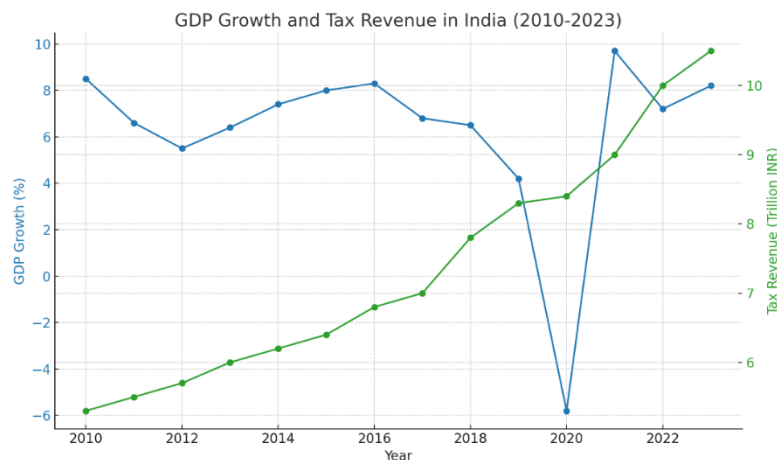
The years from 2017 to 2019 show a continued upward trend in tax revenue, with modest fluctuations in GDP growth. In 2017, India's economy grew by 6.8%, and tax revenue rose to 7 trillion INR. This year marks the beginning of the implementation of the GST, a landmark reform that aimed at simplifying the indirect tax system and expanding the tax base. Despite a slowdown in GDP growth in 2018 (6.5%) and 2019 (4.2%), tax revenue continued to increase, reaching 7.8 trillion INR in 2018 and 8.3 trillion INR in 2019. This suggests that the GST and other reforms were having a lasting impact on tax revenue collection, even as the economy faced challenges. The sustained revenue growth during a period of slowing economic growth indicates that tax reforms were helping to offset the negative effects of lower economic expansion.

The year 2020 marked a significant economic contraction due to the COVID-19 pandemic, with GDP falling by 5.8%. However, tax revenue still increased to 8.4 trillion INR. This counterintuitive outcome can be attributed to the government's focus on maintaining tax collection systems despite the economic shutdowns and the expansion of digital tax filing and compliance mechanisms. The increase in tax revenue during a period of negative growth demonstrates the resilience of India's tax infrastructure and the effectiveness of online tax filing and e-Governance initiatives that allowed the government to maintain some level of revenue despite the crisis.

In 2021, following a strong recovery, India's GDP grew by 9.7%, and tax revenue increased to 9 trillion INR. This sharp increase in both GDP and tax revenue can be attributed to the post-pandemic recovery, which led to higher corporate profits, consumption, and incomes. The increase in tax revenue also likely reflects the continuation of structural reforms in the tax system, which helped capture a larger share of the economy's growth.

In 2022, with a GDP growth rate of 7.2%, tax revenue reached 10 trillion INR, marking a significant milestone. This growth in tax revenue, coupled with a robust GDP performance, indicates the effectiveness of sustained tax reforms and stronger economic recovery. The increase in both tax revenue and GDP reflects a growing economy with a tax system that was becoming more efficient at capturing revenue from a wide range of economic activities.

Finally, in 2023, with GDP growing by 8.2%, tax revenue rose to 10.5 trillion INR. This continued growth suggests that the Indian government's focus on strengthening the tax system—through digitization, improved compliance, and policy reforms—was paying off. The rise in tax revenue, even in the face of global economic uncertainties, points to the resilience of India's fiscal structure.



The graph depicts the trends in GDP growth rates and tax revenue in India from 2010 to 2023, showcasing the interplay between economic activity and fiscal outcomes. During the first phase (2010–2016), GDP growth exhibited relative stability, beginning at 8.5% in 2010 and fluctuating slightly before

stabilizing above 7% by 2016. This period was characterized by steady economic expansion, driven by robust domestic demand and supportive policies. Tax revenue mirrored this growth trajectory, rising from ₹5.3 trillion in 2010 to ₹6.8 trillion in 2016, reflecting a positive correlation between economic activity and the government's revenue generation capacity. In the second phase (2017–2020), the trends diverged significantly. GDP growth declined steadily from 6.8% in 2017 to 4.2% in 2019, reflecting structural challenges and economic headwinds. The year 2020 marked a sharp contraction of -5.8% in GDP growth, triggered by the COVID-19 pandemic and the resulting economic disruptions. Interestingly, tax revenue continued its upward trajectory during this period, growing from ₹7 trillion in 2017 to ₹8.4 trillion in 2020. This resilience in revenue despite economic downturns highlights the impact of significant fiscal reforms, such as the implementation of the Goods and Services Tax (GST), increased digitization of tax processes, and enhanced compliance measures. The post-pandemic recovery phase (2021–2023) portrays a striking rebound in GDP growth, with a peak of 9.7% in 2021, followed by a gradual normalization to 7.2% in 2022 and 8.2% in 2023. Tax revenue growth accelerated in tandem, reaching ₹10.5 trillion in 2023. The consistent rise in tax revenue, even during periods of economic volatility, underscores the effectiveness of India's fiscal framework and its ability to sustain public finance in challenging times.

Overall, the trends highlight the evolving relationship between GDP growth and tax revenue, reflecting the dynamic interplay of economic cycles, fiscal policy interventions, and structural reforms in shaping India's economic trajectory.

Findings :

A careful analysis of India's GDP growth and tax revenue collection since 2010 and up to 2023 reveals that there had been some key shifts preceding and following the implementation of GST in 2017. Between 2010 and 2016, the Indian economy saw an uptrend in growth relative to earlier years with GDP growth rates flailing between 6.5% and 8.5%. Tax revenue was clearly going steadily, from ₹5.3 trillion in 2010 to ₹7.8 trillion in 2016. From the same period, support to India's economic growth was given by favourable conditions of domestic demand, by rising foreign investment as well as modest reform in policy. However, the general system of tax was inefficient along many counts, having the number of indirect taxes in thousands created complexity in compliance and its collection. Although the growth rate in GDP was healthy, the tax structure was too complicated, resulting in some leakage of revenues. Tax collection was also not optimized. The launch of GST in 2017 was to simplify this taxation system by consolidating the various indirect taxes that exist into one structure to strengthen revenue collection, reduce evasion, and improve the overall tax structure. However, the immediate post-GST period did witness moderate GDP growth, with rates of 6.8% in 2017 and 6.5% in 2018, depicting the teething problems faced while switching to a new tax regime. Despite these challenges, tax revenues began to show a marked increase from ₹6.8 trillion in 2017 to ₹7.8 trillion in 2018. This increase in revenue reflected the fact that GST reforms had begun to take the right turn and produce good results, leading to improved tax compliance and widening the tax base. The economic slowdown at 4.2% GDP growth in 2019 exposed vulnerabilities of the economy to both global and domestic factors. However, the tax revenues have risen continuously by as much as ₹8.3 trillion, showing the positive side of GST reforms undertaken. The COVID-19 pandemic during 2020 led to a sharp contraction of GDP to -5.8%, thereby leading to significant disturbances in economic activities. Despite the fall, tax revenues have gone upwards slightly to ₹8.4 trillion. This resilience in tax revenue during a period of negative GDP growth can be attributed to the ongoing implementation of GST, enhanced digitization of the tax system, and government efforts to maintain fiscal inflows through compliance measures even amidst economic disruptions. In the post-pandemic period from 2021 to 2023, India's economy showed a strong recovery, with GDP growth rebounding to 9.7% in 2021, followed by moderate growth in 2022 and 2023. Tax revenues mirrored this recovery, reaching ₹10 trillion in 2022 and ₹10.5 trillion in 2023, reflecting both the economic rebound and continued improvements in tax administration. Such a situation wherein tax revenue growth continues unabated despite fluctuations in the growth of GDP demonstrates that structural reforms like GST have been successful, and the government has also enhanced the mechanisms of tax collection mainly through digitalization and enhanced monitoring. That the tax revenues increased even in times when economic growth slowed down was evidence that tax reforms led to a more robust fiscal system, which would permit sustained revenue generation at such economic times. Summing it all, the contrast of pre-GST and post-GST period shows that during pre-GST period, growth rates of GDP were just a bit higher, whereas during post-GST periods, tax system was so ineffectively fragmented. In contrast, the post-GST period, which is also experiencing economic distress due to the pandemic and other slowdowns in the global economy, has a much stronger tax collection system because of the structural reforms, compliance improvements, and the widening of the tax base. This analysis reveals that tax revenues in India have grown increasingly resilient and have continued to grow even during periods of economic slowdown, and the GST reform has played a critical role in stabilizing and enhancing tax revenue collections.

Conclusion :

The previously presented analysis on the GDP growth and the tax revenues of India from 2010 to 2023 highlights the extent of structural reforms in the country, particularly with regards to the fiscal environment in the country with the introduction of GST. Quite the opposite, prior to the implementation of GST in India, growth in the economy was good but the tax system was ineffective, overly complex, and noncompliant, thus restricting maximum revenue generation possible. In the time period following the introduction of GST, the two problems that were responsible for weakened tax collection, complexity in the tax structure and poor management, were resolved leading to increased tax collection during periods of economic slowdown and during the disruptions caused by Covid-19. In fact, even in the year 2020, when there was a steep downfall in the economy, the government managed to raise the levels of tax revenue despite the economic recession, which again indicates how effective the GST was in ensuring stability in economic flows. This resilience was further bolstered by the boost in the use of electronic platforms for the purposes of tax administration, collection and enforcement which increased tax compliance and broadened the tax net. The subsequent years tax revenue increase notwithstanding the reduction in the GDP growth rate lends credence to the assertion that the long term objectives of GST and the fiscal discipline of the government in managing the economy are indeed working.

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