

Original Research Article

Contribution of Goods and Services Tax (GST) Revenue: India's March towards \$5 Trillion Economy

Abstract:

~~The present~~This research ~~article~~ emphasises ~~on~~ GST's revenue ~~is~~ contribution ~~to~~ India's march towards \$ 5 trillion economy. GST is an indirect tax in nature and levied on goods and services except alcoholic liquors and petroleum products. The dream of \$ 5 trillion economy is too difficult ~~to~~ for India. While perceiving such dream, GST would contribute to achieve it. In this study we focused on monthly collection of GST revenue, GST revenue Y-o-Y, GDP growth Y-o-Y, payment of GST in last six years, ~~and the c~~Contribution to GST revenue from different ~~constitution~~ of business ~~constitutions~~. The GST slab rate of 18% and 28% are charged on luxuries goods and services will help to generate high revenue. After analysis, we found that the revenue of GST is increasing ~~in~~ every year. The revenue was Rs. 1.46 Trillion in the month November of F.-Y. 2022-23 and highly increased to Rs. 1.68 Trillion in the month November of F.-Y. 2023-24. It shows 15% growth from November 2022-23 to November 2024. The share of GST revenue is huge in the development of economy. ~~The GST brings more transparency in taxation system and increases GDP rate from 1% to 2% and reduces tax theft and corruption in country.~~ [1]

Keywords: GST slab rates, business constitution, GST registration, GST revenue, GDP, economy

Introduction:

~~The GST brings more transparency in taxation system and increases GDP rate from 1% to 2% and reduces tax theft and corruption in the country~~ [1]. GST is the biggest tax reform in India on July 1st July 2017 and has removed the cascading effect of tax on cost of goods and services and supported India to the position among fastest growing economy of the world [2]. ~~2~~ GST was first introduced by France in 1954 and now it is followed ~~ed~~ by 160 countries. Most of the countries followed unified GST but some of the countries follow a dual GST system where tax is imposed by ~~both the~~ central and states' ~~authorities~~ ~~both~~. India follows the dual GST model, i.e., CGST and SGST. CGST is levied and collected by Central government and SGST is levied and collected by state government. IGST is also levied and collected by central government [3]. ~~3~~ After implementation of GST few products prices were increased like mobile, luxurious cars, aerated drinks, internet, air tickets, etc. but this GST is on ~~only~~ luxurious goods and services and it has positive impact over GST revenue.

Many central and state taxes are subsumed under GST like Central Sales Tax (CST), Central Excise Duty, Custom Duty, State Value Added Tax (VAT), Services Tax, Entertainment Tax, Taxes on Betting, Taxes on Gaming, etc. However, it was complicated, therefore these ~~all~~ multiple taxes are replaced by GST, i.e., one nation one tax. It is for facilitating ~~the~~ common national

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market. The simplicity of tax will lead to easier ~~and~~ administration and enforcement [4]. 4) GST has reduced the customs duty ~~was~~ levied on the export of goods. The costs of production in the local markets also have decreased due to GST. All these factors have increased the rate of exports in the country. Companies are becoming more competitive when it comes to expanding their business globally [5]. 5)

The GST Mechanism is designed ~~and in such a way that it is~~ expected to generate a good amount of revenue for both central and state governments. It will be beneficial to corporate, businessmen, and service providers. It will bring transparency in the collection of indirect taxes benefiting to government and the people of India [6]. 6) The GST has a positive impact on over 150 countries across the globe and it has also a positive impact on the Indian economy. It will help to increase the GDP which can boost the economy ~~with~~. ~~With~~ the reduction in tax rates on various goods and services ~~has been reduced~~. When the products are available ~~on at~~ affordable prices, ~~which can and~~ lead to an increase the demand, ~~which is in turn it~~ would also increase ~~in~~ production and hence will make the economy grow faster [7]. 7)

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Research Method:

The present study used descriptive research design. It describes the situation or status of GST revenue and its contribution in Indian economy. The collection of GST ~~by is based on~~ charging ~~the~~ slab rates ~~of like~~ 5%, 12%, 18%, and 28% ~~were being considered~~ throughout the study. The data sourced from journal articles, newspapers, media reports, ~~and~~ websites, and other available data were extensively used for the study.

Hejase and Hejase [8] contend that giving data meaning leads to useful information. Furthermore, according to Hejase and Hejase [9], “descriptive statistics deals with describing a collection of data by condensing the amounts of data into simple representative numerical quantities or plots that can provide a better understanding of the collected data” (p. 272). Therefore, the primary data were coded and analyzed using frequencies and percentages and the results were presented in tables and graphs for simplicity. Hence, analysis and interpretation of study on the data is based on basis of monthly collection of GST revenue, GST revenue Y-o-Y, payment of GST in last six years, and C contribution to GST revenue from different constitution of business. In addition, data were analyzed by using the inferential statistical tools like frequency, correlation analysis, regression, and t-tests were scientifically used to test the proposed hypotheses. Moreover, logistic regression was used to know assess the reasons behind the growth of GST revenue. We used logistic regression to compare the variables of GST revenue Y-o-Y.

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Analysis and Results and Findings:

Table 1: Monthly GST Collection (Rs. in Trillion)

Month	2022-23	2023-24	Growth in %
April	1.67	1.87	11.97
May	1.41	1.57	11.35
June	1.45	1.61	11.03
July	1.49	1.65	10.74
August	1.44	1.59	10.42
September	1.48	1.63	10.13
October	1.52	1.72	13.16
November	1.46	1.68	15.07

Source: Ministry of Finance, August 2023 and Business Standard, Saturday, 2 December 2023

Significance difference between monthly GST Collection (Rs. in Trillion) (n=8)

H₀ There is no significant difference between monthly GST collections from F.Y. 2022-23 to 2023-24

H₁ There is significant difference between monthly GST collections from F.Y. 2022-23 to 2023-24

Table 2: t- test

Year	Mean±SD	t	t table value	p-value
2022-23	1.49±0.080	-3.963	2.977	0.001
2023-24	1.665±0.096			

SD: Standard deviation

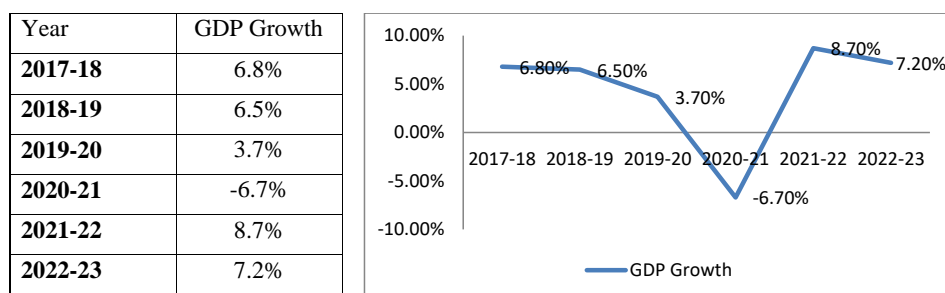
Table 2 shows that ~~As per above table,~~ the null hypothesis 1 was rejected and the alternative hypothesis was accepted showing a highly statistically significant ~~significance~~ difference was found between monthly GST collection (Rs. in Trillion) (p<0.01). As per mean GST collection in year 2023-24 it was higher than year 2022-23 (1.66 vs 1.49).

In the Indian economy, the GST collection surged 15 percent year on year (Y-o-Y) November – the steepest for any month of this financial year to Rs. 1.68 trillion. The growth ~~was slowed~~ down in the first quarter and slightly rose up in ~~between the~~ second quarter and suddenly rose up in the third quarter. Positive consumer sentiment was also palpable through the monthly sales figures for cars and two wheelers as both segments witnessed an annual uptick in GST revenue. The trends in GST collection of last F. Y. were at 1.67 trillion in April 2022 and 1.60 trillion in March 2023.

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But when we focus on the growth in the revenue for the month of April 2023 (Rs. 1.87 trillion) was higher than the GST revenues in the same month of April 2022 (1.67 trillion) ~~last-the year before~~. Therefore, ~~the above table~~ [Table 2](#) depicts that the continuous growth in the collection of GST revenue is remarkable to develop the economy.

Table 3: GDP Growth year wise:



[Figure 1](#): GDP Growth year wise

~~The above table and chart~~ [Table 3 and Figure 1](#) reveal the position of GDP from 2017-18 to 2022-23. In 2017-18, there was a slight dip in GDP growth to 6.8%, indicating a slowdown in economic growth. This might be due to the implementation of GST in India. The trend continues in 2018-19, it was further decreases to 6.5%. In 2019-20, the GDP rate 3.7% was very low and in 2020-21 it was ~~in minus negative~~ ~~it indicating es~~ an economic contraction or recession due to the [COVID-19 Covid](#) pandemic. However, in 2021-22 there is a high GDP growth rate of 8.7% and in 2022-23 it was at 7.2%, indicating a strong recovery.

Table 4: Payments of GST from July 2017 to March 2023 (figures in crore)

Month/year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
CGST	1,18,876	2,02,444	2,27,442	2,09,916	2,70,701	3,23,923
SGST	1,71,803	2,78,817	3,09,231	2,72,827	3,46,186	4,10,251
IGST*	3,87,355	5,98,739	5,86,698	5,65,720	7,63,632	9,45,220
Domestic	1,93,092	3,08,244	3,19,422	3,03,947	3,86,676	4,73,421
Imports	1,94,264	2,90,496	2,67,277	2,61,773	376,956	4,71,799
Comp Cess*	62,614	97,369	98,745	88,338	1,07,708	1,28,286
Domestic	56,319	87,289	88,304	79,153	98,918	1,17,390
Imports	6,264	10,079	10,443	9,185	8,790	10,896
Total	7,40,648	11,77,369	12,22,116	11,36,801	14,88,227	18,07,680

Source: A statistical report on completion of 6 years of GST, Goods and Services Tax Network, June 2023.

Note: IGST/Cess includes payments on both domestic supplies and imports

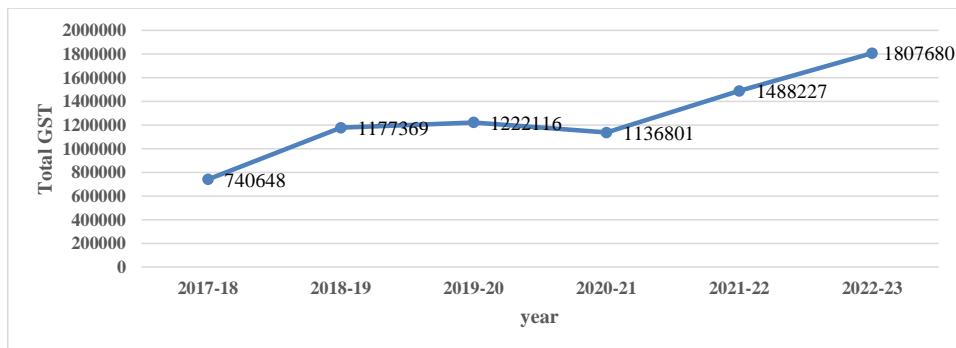


Figure 2: Payments of GST from July 2017 to March 2023 (figures in crore)

The GST is governed by a GST council. Under a GST act, the goods and services are taxed at the following rates 0%, 5%, 12%, 18%, and 28%. The above rates of tax are imposed on the sale of goods or services under the CGST, SGST and IGST acts. Small businesses having annual turnover Rs. 1.5 crore have to pay GST between 1% to 6% rates. The scheme encourages to SME's sector to get exemption in GST and to grow their businesses at initial stage [10]. Figure 2 shows that the payment of GST was rising in last six years except the F. Y. 2020-21. The payment was decrease in F. Y. 2020-21 to Rs. 11,36,801, crore due to Covid-19, the consumption of goods and services were slow down. After Covid-19 again the payment is rose at Rs. 14,88,227 in F. Y. 2021-22 and hike at Rs. 18,07,680 in F. Y. 2022-23 which were the highest payment of GST in last six years. The payment of GST is continuously increasing year-over-year which may influence the economic growth of India.

Table 5: Contribution to GST Revenue from different constitution of business:

Constitution of business	No. of taxpayers who has entry in cash ledger against R3B/R4	% of tax payers	Collection	% of collection
Public Limited company	84513	0.52	1937533	34.40
Private Limited company	1000266	6.11	1589707	28.23
Proprietorship	13172419	80.41	750373	13.32
Public sector undertaking	3159	0.02	559996	9.94
Partnership	1693314	10.34	409578	7.27
Others	34655	0.21	111461	1.98
Society/ Club / Trust / AOP	144170	0.88	78711	1.40

Limited liability of partnership	130351	0.80	72374	1.29
Government department	8755	0.05	51815	0.92
Statutory body	1133	0.01	21500	0.38
Foreign company	1957	0.60	20554	0.36
Hindu undivided family	98461	0.05	13909	0.25
Local authority	7971	0.00	13312	0.24
Unlimited company	122	0.00	543	0.01
Foreign limited liability partnership	137	0.00	165	0.00
Any other body notified by the committee	87	0.00	15	0.00
Grand total	16381470	100	5631547	100

Source: A statistical report on completion of 6 years of GST, Goods and Services Tax Network, June 2023.

The Public Limited companies ~~has~~ have a huge share of contribution to GST revenue, i.e., 34.40% which is followed by private limited companies at 28.23% (see Table 5). The public and private limited companies have been mostly working in manufacturing and service industries and therefore can earn revenues in trillions which contributes to ~~raise-raising~~ GST revenue than other constitutions of business. Proprietorship, public sector undertaking, and partnership are growing rapidly but have less contribution to GST revenue compared to the above two constitutions of business. Statutory ~~body~~ bodies, foreign companies, and local authorities have very low contributions to GST revenue because they are very ~~less-few~~ in numbers. ~~Government-The government~~ department has only a 0.92% share of contribution to GST revenue which is very low. This is how different constitutions of business generate and contribute to GST revenue which is ~~reflecting-reflected to~~ in the growth and development of the economy.

DiscussionConclusion:

The single taxation system would encourage new business entrepreneurs to engage in the service and manufacturing sectors. GST is levied on consumption of goods and services therefore it minimizes the complexities in taxation and leads to a better economy. When the GST prices ~~are~~ goes go down, ~~to GST that will increase~~ the consumption of goods increases and ~~its-this will lead~~ impact on to an increase in the GDP. In such a situation, the GST will push and increase the investments in FDI which increases the foreign exchequer of the country and indirectly increases the employment opportunities. It will also promote new ~~starts up~~ start-ups in India for its business friendly business-friendly tax structure [11]. ~~9~~ Every business has to get GST registered itself if it crosses the threshold limit and it has an impact ~~over-on~~ the payment of GST. The GST registration threshold limit of Rs. 40 lakhs and Rs. 20 lakhs for normal category states, Rs. 20

lakhs and Rs. 10 lakhs for special category states, if the supplier crosses the above limit it is made compulsory to get GST registration and liable to pay GST. Therefore, it clears that every registered dealer has to file GST return and ~~making-make~~ payments of GST which can contribute ~~in-to~~ GDP. ~~The supplier those~~ Suppliers who have below ~~the~~ threshold limit can enjoy exemption under GST and this will encourage ~~them~~ to expand their business. The ~~Indian~~ unorganized sector ~~of India~~ and ~~the~~ portion of industry ~~those who~~ are enjoying the exemption will also contribute significantly to the growth of ~~the~~ Indian GDP [12]. ~~10)~~

On the other hand, the impact of GST on GDP is negative, as it increases the rate of inflation is increases, as the tax rate increases the cost of certain products and services will increase such as pharmacy products, telecom services, dairy products, and automobiles, etc., the compliance cost is also increased due to GST. Due to this, the product is not affordable to buy for consumers therefore it may ~~have negative impact on hurt~~ sales and production ~~about of~~ the above goods and services. There is ~~a~~ need to analyze ~~the~~ positive and negative aspects while evaluating of GST impact in India [13]. ~~11)~~ Although GST has ~~a~~ few disadvantages ~~but~~ it has many advantages and plays a major role in the contribution of revenue. The GST slab rate 18% or 28% or more than that ~~is applicable~~ ~~applies~~ to luxurious goods and services which can make a good contribution to GST revenue.

Mr. Sanjay Kumar Agrawal (chairman of CBIC) expresses confidence in ~~the~~ surprising budgetary target for central GST collection in 2023-2024. In the current financial year 2023-2024, GST collections have consistently crossed Rs. 1.6 trillion marks ~~on monthly basis~~ ~~monthly~~. In April 2023, a record collection of Rs. 1.87 trillion, ~~this~~ ~~demonstrates~~ buoyancy in revenue growth compared to the previous year-on-year growth rate of 10.3%. If ~~one you~~ considers ~~the~~ GST buoyancy ~~in relation to with~~ GDP, it stands at 1.43% so far, indicating a tremendous increase in compliance levels. CGST collections between April and August total of 3.9 trillion, which is 40.8% of the total budgetary estimates, moreover, the tax collection as a ratio of nominal, GDP in the first quarter of F.Y. 2023-2024 is 3.32%, compared to 3.22% in quarter of F.Y. 2022-2023. It is anticipated that collection figures will ~~raise-rise~~ further during the festival season due to ~~an~~ ~~increased-~~ ~~increase~~ in consumption. ~~GST revenue collections will remains~~ robust [14]. ~~12)~~ The manufacturing sector gathered pace last month on the back of increasing demand and easing of pricing pressure, with the Purchasing Managers Index (PMI) climbing to 56, according to the survey released by S&P Global, United Payment Interface (UPI) transactions clocked a fresh peak in value in November by hitting Rs. 17.40 trillion, up 1.4 percent compared to Rs. 17.16 trillion in October. Driven by strong festival sales and increased production amid improved semiconductor chip availability, domestic passenger vehicle (PV) wholesales rose 3.9 percent Y-o-Y to 335354 units in November. On the other hand, India's leading four two-wheeler companies – Hero MotoC~~e~~orp, Honda Motorcycle and Scooter India (HMSI), TVS Motor, and Bajaj Auto – posted Y-o-Y wholesales growth ranging between 19 percent and 77 percent, owing to a glittery festival season [15]. ~~13)~~

~~When we look~~ Looking after at the benefits, GST reduces the burden of tax on manufacturers and producers through more production. Government revenue increased after the implementation of GST. Overall revenues of the government would increase GST as it would promote export, raise employment and growth. Some sectors like Auto Commercial Vehicles, consumer goods, footwear, cigarettes, building materials, and logistics, ~~may~~ ke grow due to the reduction of taxes on different items under GST. Electronic processing of tax returns, refunds, and tax payments through the GST portal without human intervention will reduce corruption and tax evasion [16]. 14)

Our research is very significant to know the contribution of GST revenue to India's march towards a \$ 5 trillion economy, the current status of the economy is \$ 3.75 trillion in 2023-24. These findings can be useful to know the importance of GST collection and the contribution of GST revenue ~~in to the~~ economic development of the country. ~~At In~~ in the end, it can be concluded that the GST revenue has tremendous growth year-on-year. GST revenues ~~generate~~ are generated through various constitutions of business, but the maximum revenue is collected from the public and private limited companies ~~like~~ 34.40% and 28.23% respectively. Manufacturing and services industries are spreading over across the India and it has a high contribution to ~~raise~~ raising GST revenue. GST is a comprehensive indirect tax in nature therefore it is levied on the manufacture, sale, and consumption of other goods and services at the national level and contributes ~~it towards~~ to India's GDP. This is remarkable, the gross GST revenue collected in the month of July 2023 was Rs. 1,65,105 crore (1.65 trillion), and the gross GST collection has ~~been~~ crossed the 1.60 crore (1.6 trillion) mark five times in the current F. Y. of 2023-2024. The revenue for the month of July was 11% higher than the GST revenues in the same month of last year and for the month of November was 15% higher than the same month in the last year, The hike ~~of in~~ GST payment is Rs. 18,07,680 crore (more than 18 trillion) i.e. how GST can contribute towards India's \$ 5 trillion economy [17]. 15) The overall data ~~clears~~ shows that GST will give the Indian economy a strong and smart tax system for the economic development of the country. Including some exempted goods and services like alcoholic liquor, petroleum products, oil, and gas will help to generate more revenue. GST is all set to integrate ~~states~~ states' economies and boost overall growth. But ~~for~~ gaining to gain those benefits, the country will need to build a strong mechanism [18]. 16) GST will affect many sectors ~~in positive or negative manner~~ positively or negatively. As per government estimates, GST will boost India's GDP by around 2% [19]. 17)

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