

GST Revenue Dynamics: A Comparative Study of Uttarakhand and Uttar Pradesh

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Abstract

As a core component of macroeconomic framework, the Indian taxation system plays a vital role in supporting economic growth, social welfare, and fiscal sustainability. It comprises both direct and indirect taxes, with indirect taxes playing a crucial role due to their broad coverage and steady revenue potential. However, for a long period, India's indirect tax regime remained fragmented, characterised by multiple central and state taxes that resulted in cascading effects, compliance complexities, and administrative inefficiencies.

Recognising these limitations, India introduced the Goods and Services Tax (GST) in July 2017 as a landmark reform of the indirect taxation system. GST subsumed a wide range of existing taxes into unified, destination-based framework with the objective of simplifying the tax structure, reducing cascading effect, improving compliance, and strengthening revenue mobilisation for both the Centre and the States. Despite having a uniform tax design, GST revenue performance has varied considerably across Indian states. These differences can be largely attributed to variations in economic structure, sectoral composition, level of industrialisation, and administrative capacity.

In this context, the present study undertakes a comparative analysis of GST revenue performance of Uttarakhand and Uttar Pradesh during the period 2017–18 to 2024–25. The two states represent contrasting economic environments in terms of scale and market size, with Uttarakhand reflecting a smaller but relatively concentrated economic base, while Uttar Pradesh represents a large and diversified economy with extensive consumption and transaction volumes.

The study is based on secondary data collected from official sources such as the Ministry of Finance, Ministry of Statistics and Programme Implementation, Reserve Bank of India, GST Council reports, state government publications and various online websites. Descriptive tools including growth rate analysis, Compound Annual Growth Rate (CAGR), coefficient of variation, correlation analysis with Gross State Domestic Product (GSDP) has been used to compare the revenue performance of both the states.

The findings indicate that Uttar Pradesh records higher GST revenue growth due to its large economic size and diversified consumption base, but also experiences greater revenue volatility. In contrast, Uttarakhand shows relatively lower growth but greater stability in GST collections. The study concludes that GST revenue performance is shaped not only by the size of the economy but also by sectoral composition and suggests that state-specific policy measures are essential for improving GST revenue efficiency.

Keywords: Goods and Services Tax, Revenue Growth Rate, GST Collection Trends, Sectoral GST Contribution, Inter – State Fiscal Comparison

Introduction

The past continues to influence the present and plays a crucial role in shaping the future. The history of Indian Taxation, for this reason, is not only crucial for understanding the current tax structure but also serves as a valuable guide for shaping future reforms. After nearly a decade of discussions and planning, India undertook a landmark tax reform post – independence by replacing the VAT system with the Goods and Services Tax (GST) on July 1, 2017. Envisioned as a “one nation, one tax” structure, GST replaced a complex web of Central and State taxes with a unified system aimed at improving tax compliance, reducing cascading effect and enhancing revenue efficiency. The primary objectives of GST were to simplify the tax system, reduce cascading effects, improve compliance, and strengthen revenue mobilisation for both the Centre and the States. Since its implementation, the GST framework has undergone several revisions. In September 2025, the GST Council implemented one of the most significant reforms since GST’s inception. Under the revised structure effective 22 September 2025, the GST rate slabs were streamlined primarily into four main rates — 5% aimed at merit (essential) goods, 18% aimed at standard goods and services with a higher 40% slab reserved for selective “sin” and luxury goods, including certain tobacco products and high-end vehicles, and continued 0% (nil) for basic essentials and life-saving items.

Further, it was envisaged that by eliminating differences in tax rates across states and enhancing inter – state trade, the GST would help reduce horizontal fiscal imbalances among Indian states. Although scholars and public finance experts were optimistic about the new tax regime, they also acknowledged the challenges that accompanied the transition. The shift from an origin-based VAT system to a destination-based GST was not expected to benefit all states uniformly.

Among the Northern Indian states, Uttarakhand and Uttar Pradesh present a particularly instructive contrast, while Uttar Pradesh is country’s most populous state with a vast and diverse economy, Uttarakhand is relatively smaller hill state with a specialized industrial base. The two states differ not only in size and demographics but also in economic structure, governance capacity and administrative mechanism – all of which significantly impact GST performance. Since the rollout of GST, both the states have experienced the considerable changes in revenue patterns, taxpayer behavior and tax base expansion. The ultimate aim of this research is to advance a theoretical literature on fiscal federalism by integrating macroeconomic and sectoral dimensions to understand the variations in GST revenue outcomes.

Literature Review

Numerous studies have analyzed GST’s impact on India’s fiscal federalism and revenue collection. Following studies have been reviewed for carrying out present research:

(Sharma, 2019) highlighted GST’s role in improving tax compliance but noted state wise disparities due to administrative differences.

(Singh & Kumar, 2021) analyzed GST collection trends in Northern states emphasizing the role of industrial composition.

(Bagchi & Rao, 2018) argue that GST was structurally favourable to manufacturing states with strong formal sectors – creating uneven revenue outcomes in Indian States.

(Rao & Chakraborty, 2019) emphasizes the role of state specific factors – such as industrial policy, digital

infrastructure & taxpayer education – in shaping the revenue performance under GST.

(Dash & Kakarlapudi, 2021) have presented the GST revenue performance of Kerala in a comparative perspective across India. This literature underscores how Kerala despite structured limitations demonstrate that compliance behavior and administrative innovation can significantly influence GST performance.

Research Gap

Despite growing research on GST, very few studies offer a side by side, statistically grounded comparison between states like Uttarakhand and Uttar Pradesh. Most studies rely on national aggregates or single state case studies. Additionally, there is a dearth of literature that uses non-econometric, purely statistical tools like trend analysis, Compound Annual Growth Rate (CAGR), Coefficient of Variation (CV) for state level GST comparison.

Objectives of the study

The specific objectives of the study are as follows -

- To analyze the trend of GST revenue collection in Uttarakhand and Uttar Pradesh
- To compare the stability and volatility in GST revenue collection of both the states.
- To analyze the relationship between GST revenue and Gross State Domestic Product.
- To study the share of sectoral composition on GST performance.
- To examine the contribution of Central Goods and Services Tax in shaping the overall GST revenue performance of Uttarakhand and Uttar Pradesh.
- To provide comparative insights and policy recommendations for improving GST revenue efficiency based on observed difference.

Research Methodology

Data Collection: This study is entirely based on secondary data sourced from GST revenue reports released by Ministry of Finance, Government of India, Handbook of Statistics on Indian states published by RBI, Economic survey, already published research papers, online websites and journals.

Research Design: This study adopts a descriptive and comparative research design focused on studying GST performance across two states and draws comparison to highlight differences in the growth and efficiency of GST revenue.

Period of Study: This study covers an eight year period i.e. 2017-18 to 2024-25.

Data Analysis Tool: The data has been analyzed using simple yet effective statistical tools such as percentage, growth rate, compound annual growth rate, coefficient of variation & coefficient of correlation.

Limitations of the study:

- This study is limited to Uttarakhand and Uttar Pradesh only.
- It does not use econometric modeling and forecasting techniques.

Results and Discussion:

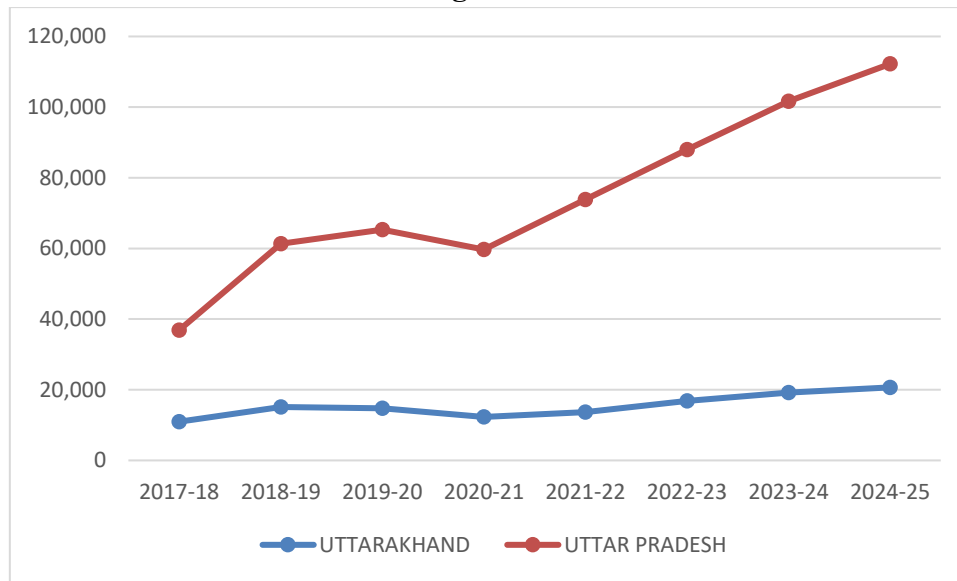
1. Trend Analysis of GST Revenue

Table 1 : GST REVENUE COLLECTION (in crores)

FINANCIAL YEAR	UTTARAKHAND	GROWTH RATE	UTTAR PRADESH	GROWTH RATE
2017-18	10,967	-	36,891	-
2018-19	15,150	38.1%	61,337	66.3%
2019-20	14,722	-2.8%	65,281	6.4%
2020-21	12,339	-16.2%	59,721	-8.5%
2021-22	13,680	10.9%	73,865	23.7%
2022-23	16,845	23.1%	87,970	19.1%
2023-24	19,231	14.2%	1,01,693	15.6%
2024-25	20,670	7.48%	1,12,212	10.34%

(Source : Economic Survey ; Statistical Appendix and wwwtaxguru.com)

Figure : 1



The trend analysis of GST revenue in Uttarakhand and Uttar Pradesh from 2017–18 to 2024–25 reveals a clear upward trajectory in both states, indicating sustained strengthening of tax mobilisation under the GST regime. In the initial phase, both states recorded robust growth, with particularly high expansion in 2018–19, reflecting the stabilisation of GST systems and widening of the tax base.

A moderation in growth is observed during 2019–20, followed by a sharp contraction in 2020–21, largely attributable to the economic disruptions caused by the COVID-19 pandemic. Uttarakhand’s GST revenue declined by 16.2 per cent, while Uttar Pradesh recorded a contraction of 8.5 per cent during this period.

The post-pandemic phase witnessed a strong recovery in both states from 2021–22 onwards. This recovery was supported by the revival of economic activity, improved compliance, enhanced enforcement measures, and increased digitalisation of GST administration. Growth rates peaked in 2022–23, especially in Uttarakhand (23.1 per cent), before moderating gradually in subsequent years.

Although the growth rates in 2023–24 and 2024–25 show a decelerating trend, GST revenues in absolute terms continued to rise in both states. This indicates a phase of consolidation rather than slowdown, suggesting that GST collections are stabilising at higher levels as the tax system matures.

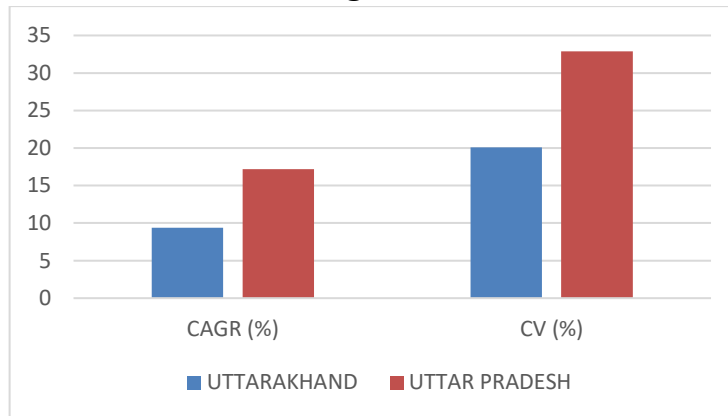
Overall, the positive trend lines for both Uttarakhand and Uttar Pradesh confirm a resilient and strengthening GST revenue trajectory. The recent moderation in growth rates reflects normalisation and structural maturity of the GST regime rather than any underlying weakness in revenue performance.

2. Growth rate and Stability Analysis

Table 2 : Growth Rate and Coefficient of Variation

STATE	CAGR (%)	CV (%)
UTTARAKHAND	9.4	20.1
UTTAR PRADESH	17.2	32.9

Figure 2



Uttar Pradesh’s GST revenue has shown strong growth, with a compound annual growth rate (CAGR) of 17.2%. However, its relatively high coefficient of variation (CV) of 32.9% indicates that this growth has been quite uneven, with significant year-to-year fluctuations, possibly due to economic changes or policy adjustments. In comparison, Uttarakhand’s GST revenue has grown more slowly, with a CAGR of 9.4%, but with a lower CV of 20.1%, reflecting more stable and predictable collections. Overall, while Uttar Pradesh demonstrates rapid but variable revenue growth, Uttarakhand shows slower yet more consistent fiscal performance.

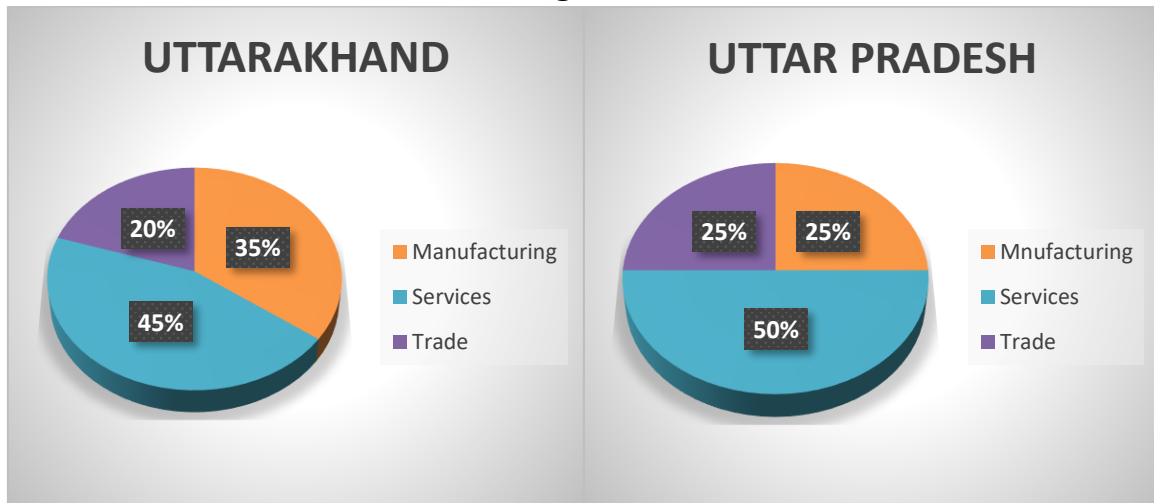
3. Sectoral Contribution and Inference

Table 3: SECTOR WISE GST CONTRIBUTION (as of 2023-24)

SECTOR	UTTARAKHAND (%)	UTTAR PRADESH (%)
Manufacturing	35	25
Services	45	50
Trade	20	25

(Source : GST Council Sectoral Report 2024)

Figure 3



The sectoral composition of GST revenue highlights differences in the economic structures of Uttarakhand and Uttar Pradesh. In Uttarakhand, services contribute 45%, manufacturing 35%, and trade 20%, indicating a relatively diversified base with significant industrial activity that may provide stable, predictable revenue. In Uttar Pradesh, services dominate at 50%, with trade and manufacturing at 25% each, reflecting greater reliance on consumption-driven sectors. Economically, this suggests that Uttarakhand’s revenue is supported by both industry and services, offering resilience, whereas Uttar Pradesh’s revenue is more sensitive to fluctuations in service demand and trade activity.

4. Relationship between GST Revenue and Economic Growth

Table 4 : GST REVENUE vs GSDP

FINANCIAL YEAR	UTTARAKHAND			UTTAR PRADESH		
	GSDP (₹ Lakh)	GSDP growth rate (%)	GST growth rate (%)	GSDP (₹ Lakh)	GSDP growth rate (%)	GST growth rate (%)
2017-18	2,20,22,212	-	-	14,76,37,450	-	-
2018-19	2,30,32,744	4.6	38.1	16,21,72,625	9.9	66.3
2019-20	2,39,26,290	3.9	-2.8	17,45,13,119	7.6	6.4
2020-21	2,25,61,676	-5.7	-16.2	16,82,94,255	-3.6	-8.5
2021-22	2,54,96,648	13	10.9	20,28,03,029	20.6	23.7
2022-23	2,92,66,994	14.8	23.1	22,95,76,318	13.2	19.1
2023-24	3,32,99,788	13.7	14.2	26,42,87,702	15.1	15.6
2024-25	3,78,24,453	13.55	7.48	29,78,22,351	12.7	10.34

(Source : Handbook of Statistics on Indian States, RBI)

The correlation between GSDP growth and GST growth is **0.52 for Uttarakhand** and **0.38 for Uttar Pradesh**, indicating a weak but positive relationship. This suggests that higher economic growth generally supports GST collections, but the link is not strong. GST revenue is influenced by multiple factors beyond GSDP growth, such as tax compliance, administration efficiency, and sectoral composition. These low

correlations highlight that GST growth does not automatically follow economic expansion, emphasizing the need for effective fiscal policies and administration.

Recommendations

- **Strengthen GST Compliance and Enforcement:** Improve monitoring, audits, and timely filing to ensure GST collections accurately reflect economic activity. Focus on sectors and regions with lower compliance to widen the tax base.
- **Tailor Policies to Sectoral Realities:** Promote manufacturing and industrial growth in Uttarakhand to diversify revenue, while formalizing trade and service sectors in Uttar Pradesh to reduce dependence on consumption-driven collections.
- **Stabilize Revenue Collection:** Introduce measures such as advance payments, periodic revenue forecasts, and smoothing mechanisms to reduce fluctuations and make GST inflows more predictable.
- **Leverage Technology and Digital Tools:** Expand e-filing, automated tracking, and data analytics to improve compliance, detect leakages, and monitor sectoral performance in real time.
- **Align Fiscal Policy with Economic Growth:** Regularly evaluate the impact of GST rate rationalization and structural reforms. Ensure that emerging sectors and economic activities are effectively captured in the GST net to strengthen long-term revenue growth.
- **Promote Economic Diversification:** Encourage balanced growth across services, manufacturing, and trade to make GST revenue more resilient to sector-specific shocks and economic cycles.
- **Strengthening GST Awareness:** Effective implementation of GST requires a well-informed public. Regular awareness campaigns should be conducted by GST authorities to educate taxpayers and consumers about GST provisions, rate structures, compliance procedures, and recent reforms.
- **Encouraging active public participation:** Public participation should be strengthened by involving taxpayers and stakeholders in consultative processes. Surveys can also help policymakers understand ground-level challenges faced by businesses and consumers.

Conclusion

This study examined the trends, growth patterns, sectoral composition, and the relationship between GST revenue and economic growth in Uttarakhand and Uttar Pradesh. The analysis shows that while GST has emerged as a significant and reliable source of state revenue, its performance varies across states depending on economic structure, stability, and administrative efficiency. The experience of both states suggests that GST revenue growth cannot be ensured solely through economic expansion; instead, it requires strong compliance mechanisms, effective tax administration, and sector-sensitive policy support. The temporary decline in recent years highlights the impact of policy adjustments and external shocks, underscoring the need for adaptive and responsive fiscal strategies. Overall, the study concludes that strengthening institutional capacity, promoting balanced sectoral development, and aligning GST policy with state-specific economic realities are essential for achieving sustainable and stable revenue mobilisation under the GST framework.

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