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GST Impact on State Revenues with Special Reference to Karnataka

Dr. Raghavendra NR
Assistant Professor, Department of Studies & Research in Commerce, Vijayanagara Sri Krishnadevaraya University, Jnanasagara Campus, Ballari, India

Corresponding Author: **Dr. Raghavendra NR**

Abstract
GST stands for Goods and Services Tax, a comprehensive, multi-stage, destination-based indirect tax imposed on the supply of goods and services. GST is introduced in the year 2017 on July 1 in India. The objective of the study is to know the GST Revenue Collection of South Indian States of last 8 years as well as GST Impact on State Revenues with special reference to Karnataka. The study includes secondary data which is collected from Government Websites. The Study covers a span of 8 years after the implementation of GST in India. Growth rates were calculated and analyzed with the help of statistical tools like Average etc. Among the South Indian states GST Revenue collection is more in the state of Maharashtra with an Average of ₹ 2,24,376 Crores in last 8 years. (Rank 1). Karnataka places Rank 2 (Average of ₹ 1,01,193 crores). Among the average of 8 years Total Tax Revenue (₹ 1,28,690 crores) of the Karnataka Govt, Commercial taxes including GST constitute major portion of ₹ 76,338 crores (59%). The average GST growth rate is more (13.49%) compared to other taxes. Karnataka Govt need to take necessary action in this regard to increase its GST revenue through a greater number of GST registration and offering more concessions to the existing registered dealers.

Keywords: GST, Karnataka, Tax Revenue

Introduction
GST is introduced in the year 2017 on July 1. The major objective of the introduction of GST is reducing the Cascading effect, provide Input tax credit to the traders and ultimately reduce the price of the products, which will be beneficial for the ultimate consumers. After the introduction of GST, some State Governments lose their tax revenue especially manufacturing states suffered a lot. Hence, a Study has been conducted to know the GST Impact on State revenues with special reference to Karnataka.

Meaning of GST
GST stands for Goods and Services Tax, a comprehensive, multi-stage, destination-based indirect tax imposed on the supply of goods and services. Implemented to replace numerous central and state taxes (like VAT, excise duty, and service tax), it aims to create a unified national market by taxing only the value added at each stage, with the final burden borne by the consumer.

Objectives of the Study
1. To know the GST Revenue Collection of South Indian States of last 8 years.
2. To know the GST Impact on State Revenues with special reference to Karnataka.

Review of Literature
1. **Dr. Raghavendra R.H (2018)** emphasized some critical observations with respect to center-state relations for sharing the tax revenue, tax impact on manufacturers and ultimate consumers, impact on financial federalism of our country, and impact on vibrant automobile, agro, aerospace, textile & garment, biotech and heavy engineering industries states like Karnataka. Study revealed that many States, including Karnataka's major concern about the revenue of the state govt. whether it is an addition in revenue or any decrease in revenue from the existing tax structures and the powers of the state or central in levying the different rate of taxes for different commodities. Study concludes that there are many issues on

which negotiations are necessary to reach a hassle-free business environment between center and states.

2. **KiranKumar G (2021)** [4]**,** focused on giving an exact analysis about goods and services tax revenue collection during the pre and post pandemic situation. This study aims at analyzing the GST revenue collection in the Karnataka state before and after lockdown period. This study is based on the secondary data from various websites and journals. The study found that Karnataka state has unfavorable results in the GST collection in the pandemic situation compared to normal course of life and the findings from this study stated that there is a decline of 8% in the GST revenue collection compared to pre pandemic conditions.
3. **Ravikiran D (2022)** made a Study about the analysis of GST Collection in India. Study has been conducted to understand a working feature and differentiating existing tax system (VAT and others Vs GST) and to find out the construction level in GST collection from Karnataka state, Tax Revenue Collection by Government during April 2018 to March 2022. Study found that though the structure might not be a perfect one but once in place, such a tax structure will make India a better economy favorable for foreign investments. It is a much accepted and appreciated regime because it does away with multiple tax rates by Centre and States.
4. **Chikkanna (2023)** [6]**,** examines the multidimensional impact of the Goods and Services Tax (GST) on the economy of Karnataka since its implementation in July 2017. GST, a unified indirect tax reform, aimed to simplify the previous multiplicity of taxes, increase compliance, enhance competitiveness, and improve state and national economic performance. This analysis evaluates revenue performance, sectoral effects (service, manufacturing, and FMCG), consumer and business responses, compliance challenges, and broader socio-economic implications for Karnataka, one of India's most dynamic states.
5. **Khoosbu Gosai (2025)** [7]**,** assesses the impact of GST on different Indian states between 2018 and 2024, focusing on the trends in tax collections and the implications for state economies. By analyzing GST revenue data and comparing it with state GDP figures, the research highlights key patterns, disparities, and challenges in implementing GST across diverse regions. The findings reveal a clear divide in GST performance between industrialized states like Maharashtra, Karnataka, and Tamil Nadu, which consistently contribute high revenues, and smaller states and union territories, such as Mizoram and Manipur, where collections remain modest. The high industrialized states are known to enjoy the benefits of strong manufacturing and service sectors, whereas less-industrialized states have a hard time due to fewer economic activities and logistic issues. The study further identified the COVID-19 pandemic as a critical factor that temporarily disrupted GST collections though most states showed strong recovery post-2021.
6. **Ruchira Chaturvedi (2025)** [8]**,** written on the edifice of the Goods and Service Tax (GST) introduced in India through 101st Constitutional Amendment marking a significant reform in the country's indirect tax system. This study comparatively analyzed the pre-GST and post-GST revenue trends across major states. The findings indicated that while GST has led to an overall increase in tax revenue for most states, the magnitude of impact varies significantly. The study highlights the need for further research to assess the long-term implications of adopted GST model on state finances and to strategize enhancement of revenue stability and equity in the GST regime.
7. **Anand Mallikarjun (2025)** undertook a comparative analysis of state-level GST revenue collection from 2017 to 2023. The analysis identifies Maharashtra, Gujarat, Karnataka, and Tamil Nadu as leading contributors, while states like Bihar, Odisha, and Assam exhibit relatively weaker collections. The findings highlight how industrialized states with strong service sectors benefit disproportionately, while agrarian states remain dependent on central transfers and compensation mechanisms. The paper also examines the role of digital compliance systems, Goods and Services Tax compensation cess, and the expiration of compensation grants in 2022, which pose new fiscal challenges for states. The study concludes that while Goods and Services Tax has stabilized national revenue, it has yet to achieve equity across states. Targeted reforms in compliance, administrative efficiency, and fiscal transfers are essential to bridge these disparities and ensure that GST delivers on its promise of a truly unified tax regime for India.
8. **Dr. Kavitha Vani S.D (2025)** [10]. The study aims to assess the impact of GST on compliance, the economy in general, revenue generation and settlement of IGST, focusing on the State of Karnataka. The impact of GST on economic parameters was assessed using secondary data. Descriptive statistics, Correlation, and Regression techniques were used. The study finds that GST has no impact on the selected parameters of inflation and GDP in a group predictor, whereas the individual predictor model indicates the presence of the influence of GST on GDP during the study period. The overall trend of settlement of IGST by Centre to the State of Karnataka representing a coefficient of variation of 41.14% reflects moderate to high inconsistency, suggesting timing of fund transfers between the Centre and State.

Research Gap

Review of Literature shows that various studies were conducted relating to center-state relations for sharing the tax revenue, tax impact on manufacturers and ultimate consumers, GST revenue collection during the pre and post pandemic situation, the multidimensional impact of GST on the economy of Karnataka, impact of GST on different Indian states, comparative analysis of the pre-GST and post-GST revenue trends across major states, state-level GST revenue collection, the impact of GST on compliance, the economy revenue generation and settlement of IGST in Karnataka. But the study relating to Impact of GST on the revenue of Karnataka Govt compared to other taxes is very less. Hence, a study has been conducted to know the GST Impact on State Revenues with special reference to Karnataka.

Methodology

The study includes the secondary data which is collected from Government Websites. The Study covers a span of 8 years after the implementation of GST in India. Growth rate were calculated and analyzed with the help of statistical tools like Average etc.

Economic Profile of Karnataka state

Karnataka is located in the south of India. It is surrounded by the Arabian Sea on the west, Goa on the northwest, Maharashtra on the north, Andhra Pradesh on the east, Tamil Nadu on the southeast, and Kerala on the southwest. Karnataka has a vibrant automobile, agro, aerospace, textile and garment, biotech, and heavy engineering industries. The state has sector-specific Special Economic Zone (SEZs) for key industries such as IT, biotechnology, engineering, food processing and aerospace etc. Karnataka is the IT hub of India & home to the fourth-largest technology cluster in the world. Karnataka boasts of diverse flora and fauna and a 320 km natural coastline, which makes it a nature tourist's paradise.

Economy of Karnataka

Total exports from the state stood at Rs. 1,04,354 crore (US$ 11.81 billion) in FY26 (April-July 2025). Electronic Goods were the top exported item from Karnataka, accounting for 25.75% of the total exports in FY25, followed Engineering Goods by 23.88%. The state's GSDP increased at a CAGR of 11.38% between FY16 and FY26. Bengaluru, the state capital, serves as a global IT hub, hosting numerous major tech companies such as Infosys, TCS, and Wipro, that significantly contribute to the state's GDP. According to the Department for Promotion of Industry and Internal Trade (DPIIT), the state's cumulative FDI inflow stood at Rs. 5,59,273 crore (US$ 63.34 billion) between October 2019-June 2025, the second highest in the country after Maharashtra, and accounted for 21% of India's cumulative FDI inflows.

Industries In Karnataka

Karnataka has a diverse and dynamic industrial landscape. Key industries in the state include aerospace, automotive, and textiles. Some of the major companies in these sectors are Hindustan Aeronautics Limited (HAL), Toyota Kirloskar Motor, and Raymond. Karnataka is also a key player in the mining industry, boasting abundant reserves of iron ore and other minerals. The state has a strong presence in the handicrafts and cottage industries as well, reflecting its rich artisanal heritage. This varied industrial landscape, coupled with the state's strategic location and well-developed infrastructure, makes Karnataka a preferred destination for domestic and international investors.

Data Analysis and Interpretation

Table 1: Post GST Revenue Collection of South Indian States during Financial Year 2017-18 to -2024-25 (Rs. in Crore)

S. No	State	2017-18	2018 -19	2019-20	2020- 21	2021- 22	2022- 23	2023- 24	2024- 25	Average
1	Maharashtra	1,05,186	1,70,289	1,85,917	1,65,308	2,17,993	2,70,346	3,20,117	3,59,855	**2,24,376**
2	Karnataka	48,138	78,762	83,408	75,660	95,926	1,22,822	1,45,266	1,59,564	**1,01,193**
3	Tamil Nadu	45,318	70,562	74,430	69,121	85,492	1,04,377	1,21,329	1,31,115	**87,718**
4	Telangana	21,346	36,408	39,820	36,346	45,081	51,831	59,942	62,987	**44,220**
5	Andhra Pradesh	14,327	25,331	27,108	26,163	32,710	40,232	44,298	44,825	**31,874**
6	Kerala	10,857	16,343	19,234	17,349	22,264	27,371	30,677	33,109	**22,151**
7	Goa	2,772	4,103	4,280	3,270	4,364	5,520	6,475	7,146	**4,741**

Source: Goods and Service Tax, Government of India 2017-2026

Table 2: Karnataka Govt Tax Revenues of Last 8 years (₹ in Crores)

S. No	Type of Taxes	2017-18	2018 -19	2019-20	2020- 21	2021- 22	2022- 23	2023- 24	2024- 25	Average
1	Commercial Tax including GST	58100	67804	74281	54,883 (Excld GST compcess)	70,492	81,991	93,150	1,10,000	**76,338**
	Growth Rate	13.4%	16.7%	9.6%	-8.2%	28.4%	16.3%	13.6%	18.1%	**13.49%**
2	Excise Duty	17949	19944	21584	23,332	26,378	29,920	34,500	38,525	**26,517**
	Growth Rate	8.9%	11.1%	8.2%	8.1%	13.1%	13.4%	15.3%	11.7%	**11.23%**
3	Motor Vehicle Tax	6209	6568	6763	5,607	6,915	10,611	11,400	13,000	**8,384**
	Growth Rate	11.0%	5.8%	3.0%	-17.1%	23.3%	53.4%	7.4%	14.0%	**12.60%**
4	Stamps and Registration duty	9024	10775	11308	10,576	14,020	17,726	20,000	26,000	**14,929**
	Growth Rate	15.6%	19.4%	5.0%	-6.5%	32.6%	26.4%	12.8%	30.0%	**16.91%**
5	Other Taxes	2096	2494	2924	2,654	2,934	3,454	1,253	2,368	**2522**
	Growth Rate	13.97%	18.98%	17.24%	-9.13%	10.6%	17.7%	-63.7%	89.0%	**11.83%**
6	**Total Tax Revenue**	**93376**	**107584**	**116860**	**97,053**	**1,20,739**	**1,43,702**	**1,60,303**	**1,89,893**	**1,28,690**
	Growth Rate	**12.56%**	**15.21%**	**8.62%**	**5.2%**	**24.4%**	**19.0%**	**11.6%**	**18.5%**	**14.39%**

Source: Medium Term Fiscal Plan 2002-06 to 2022-26 Government of Karnataka, retrieved on 27.02.2026

Interpretation: The Table 1 describes the Post GST Revenue collection of South Indian States during the financial year 2017-18 to 2024-25. Among the South Indian states GST Revenue collection is more in the state of Maharashtra with an Average of ₹ 2,24,376 Crores in last 8 years. (Rank 1). Karnataka places Rank 2 (Average of ₹ 1,01,193 crores). Goa is in the last Rank 7 with an average collection of ₹ 4,741 crores. Depending on the population of the states the GST Revenue collection also varies. Maharashtra has a huge population, but Goa is a small state having a smaller number of population.

Interpretation: Table 2 describes the Tax revenues of the Karnataka Government in last 8 years. Among the average of 8 years Total Tax Revenue (₹ 1,28,690 crores) of the Karnataka Govt Commercial taxes including GST constitute major portion of ₹ 76,338 crores (59%). The average GST growth rate is more (13.49%) compared to other taxes.

Commercial taxes revenue increased from ₹ 58,100 crores in the year 2017-18 to ₹ 1,10,000 crores in the year 2024-25. Growth rate has been declined in the year 2019-20 (9.6%) and 2020-21 (-8.2%) due to the reason of Covid-19 Pandemic in the country. Excise Duty Average growth rate is 11.23%, Motor Vehicles tax growth rate is 12.60%, other taxes growth rate is 11.83% which is less than GST growth rate. An average growth rate of 16.91 % is recorded in stamps and Registration duty is noticed.

Findings and Suggestions

1. Among the South Indian states GST Revenue collection is more in the state of Maharashtra with an Average of ₹ 2,24,376 Crores in last 8 years. (Rank 1). Karnataka places Rank 2 (Average of ₹ 1,01,193 crores). Hence, study suggests that Karnataka Govt needs to take necessary action in this regard to increase its GST revenue through more GST registration and offering more concessions to the existing registered dealers.
2. Among the average of 8 years Total Tax Revenue (₹ 1,28,690 crores) of the Karnataka Govt, Commercial taxes including GST constitute major portion of ₹ 76,338 crores (59%). The average GST growth rate is more (13.49%) compared to other taxes.

Conclusion

The implementation of GST in India is impacted more on the revenue collection of the various Governments. Especially Karnataka, which is a bigger state having more Industries and commercial sectors getting major revenue from the GST sources itself. Karnataka Govt need to take necessary action in this regard to increase its GST revenue through more GST registration and offering more concessions to the existing registered dealers.

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