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### GST and Economic Transformation in India, Barriers to Achieving Viksit Bharat 2047

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#### Abstract

India's vision of Viksit Bharat targets a transition to a developed economy by 2047. This goal depends on steady economic expansion, inclusive growth, and strong governance systems. Fiscal reforms play a central role in this process, with the Goods and Services Tax introduced in 2017 marking a major shift in India's taxation framework. GST replaced a fragmented indirect tax structure with a unified, destination-based system, improving efficiency and transparency. It strengthened tax compliance, enhanced revenue mobilization, and supported the integration of domestic markets. This study examines the role of GST in advancing India's development by focusing on its impact on fiscal capacity, market efficiency, formalization of the economy, and cooperative federal relations. Despite these gains, implementation issues still limit its ability to fully support inclusive and sustainable growth.

**Keywords:** GST, Viksit Bharat, Fiscal Reform, Economic Growth, Tax System.

#### Introduction

The vision of Viksit Bharat encapsulates India's aspiration to achieve developed nation status by 2047. This comprehensive agenda encompasses not just economic growth, but also social inclusion, institutional efficiency, and global competitiveness. Realizing this vision demands sustained economic expansion, which in turn requires a robust and efficient fiscal system capable of mobilizing resources for infrastructure, social welfare, and human capital development.

The introduction of GST marked a watershed moment in India's fiscal evolution. Before GST, the indirect tax landscape was fragmented across numerous central and state-level taxes, creating cascading effects, administrative bottlenecks, and barriers



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that hindered seamless market operations. GST emerged as a solution to these challenges, embodying the principle of "One Nation, One Tax" and creating a unified national market. Beyond its revenue mobilization function, GST carries significant implications for economic formalization, digital governance, and cooperative federalism, positioning it as a cornerstone reform in India's long-term development strategy.

### **Statement of the problem**

While GST is widely acknowledged as a transformational fiscal reform, its implementation journey has not been without obstacles. The existence of multiple tax slabs, complex compliance requirements, technological glitches in the GST Network, and concerns about revenue stability for states have raised important questions about its efficiency and inclusiveness. Although GST has enhanced transparency and broadened the tax base, its benefits have not been uniformly experienced across different sectors, regions, and enterprise sizes. As India pursues the Viksit Bharat vision, it becomes essential to critically examine whether GST has adequately strengthened the country's fiscal and economic framework, or whether further reforms are necessary to amplify its developmental impact.

### **Objectives of the study**

1. To examine the role of GST reforms in India's fiscal and economic development
2. To identify the principal challenges in GST implementation within the context of Viksit Bharat

### **Significance of the study**

This study contributes to the existing literature by analyzing GST reforms through the lens of Viksit Bharat's broader framework. It illuminates GST's role as a strategic fiscal instrument that influences governance quality, economic integration, and inclusivity. The insights generated are valuable for policymakers, academics, and researchers working in public finance and development studies.

### **Research methodology**

This study employs a descriptive and analytical research design to examine GST reforms in India's journey towards Viksit Bharat.

**Nature of the Study:** The research is exploratory and analytical, treating GST as a long-term structural reform rather than merely a short-term fiscal adjustment.

**Data Source:** The study draws exclusively on secondary data from authenticated sources including GST Council reports, Reserve Bank of India documents, Economic Surveys by the Ministry of Finance, publications from the National Institute of Public



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Finance and Policy, peer-reviewed academic journals, and government policy documents.

**Data Analysis:** A qualitative analytical approach examines GST's multidimensional impact across four key dimensions: fiscal transformation, market integration, economic formalization, and cooperative federalism. Content analysis and comparative assessment techniques evaluate GST's contribution to India's development objectives while identifying implementation challenges.

**Scope:** The study examines GST reforms from 2017 onwards, analyzing their implications for the Viksit Bharat 2047 vision, with coverage extending to recent policy developments through 2024.

**Analytical Framework:** The study integrates perspectives from public finance theory, fiscal federalism literature, and development economics to provide a comprehensive assessment of GST reforms within India's broader developmental context.

#### **Review of Literature**

Kumar and Sharma (2020) analyzed how GST restructured India's indirect tax system, finding that the reform reduced tax cascading and improved supply chain efficiency. Their work highlighted GST's contribution to market integration and tax administration rationalization, though they noted that compliance complexity remained challenging for small and medium enterprises. They stressed the importance of continuous procedural simplification.

**Rao and Chakraborty (2021)** examined GST through the lens of fiscal federalism and governance, highlighting the GST Council as a significant institutional innovation that promotes cooperative federalism through shared decision-making between central and state governments. However, they raised concerns about revenue autonomy and the sustainability of compensation mechanisms, suggesting that long-term success hinges on strengthening fiscal trust among federal units.

**Banerjee and Sood (2022)** focused on GST's role in promoting economic formalization. Their findings showed that GST's digital compliance framework expanded the formal tax base and improved business transaction transparency. They concluded that increased formalization enhances revenue sustainability and governance efficiency, though excessive compliance costs might discourage smaller firms from full participation.

**Mehta and Nair (2024)** assessed GST reforms in relation to India's development goals and the Viksit Bharat vision. They found that GST has improved revenue buoyancy and tax compliance, contributing positively to public finance and



development spending. However, they emphasized the need for tax rate rationalization and procedural simplification to maximize GST's developmental contribution.

### **Research Gap**

Most existing studies on GST concentrate on revenue outcomes, compliance mechanisms, and federal fiscal issues. Limited research examines GST within the broader framework of India's long-term development vision of Viksit Bharat. A holistic analysis linking GST reforms with fiscal transformation, market integration, economic formalization, and governance outcomes remains scarce. This study addresses this gap by analyzing GST as a strategic fiscal instrument supporting India's development trajectory.

### **Justification of The Study**

This study is justified because it situates GST reforms within India's broader development objectives rather than viewing them purely as tax policy measures. By connecting GST with Viksit Bharat, the study offers an integrated perspective useful for policymakers, academics, and researchers. It also identifies areas where GST reforms can be strengthened to better support inclusive and sustainable growth.

### **GST Reforms and India's Developmental Framework**

**GST and Fiscal Transformation:** GST has fundamentally reshaped India's fiscal structure by replacing a fragmented indirect tax regime with a unified, destination-based system. The consolidation of multiple taxes has reduced inefficiencies and improved compliance, thereby strengthening revenue mobilization. Enhanced revenue buoyancy increases the government's capacity to finance infrastructure and social sector investments that are central to Viksit Bharat's goals.

**GST and Market Integration:** One of GST's most significant achievements has been creating a unified national market. The elimination of inter-state trade barriers and check posts has reduced logistics costs and improved supply chain efficiency. Market integration fosters competition, productivity, and investment—all essential for sustaining long-term economic growth and enhancing global competitiveness.

**GST and Economic Formalization** GST has accelerated the formalization of India's economy by encouraging businesses to register and comply with tax regulations. Digital mechanisms such as online return filing and e-invoicing have enhanced transparency and accountability. Formalization broadens the tax base, strengthens governance, and supports inclusive growth by bringing informal enterprises into the mainstream economy. **GST and Cooperative Federalism** GST represents a unique experiment in cooperative federalism through the institutional framework of the GST



Council. Consensus-based decision-making has improved fiscal coordination between central and state governments. However, concerns about revenue stability and fiscal autonomy of states persist, highlighting the need for continued institutional strengthening to ensure balanced regional development.

### **Challenges in Leveraging Gst For Viksit Bharat**

Despite its achievements, GST faces several challenges that limit its developmental impact. The multiplicity of tax slabs increases compliance complexity and administrative costs, particularly for small and micro enterprises. Technological issues related to the GST Network affect ease of compliance, while revenue uncertainties raise concerns about fiscal sustainability for states. Addressing these challenges is essential for GST to effectively support India's long-term development goals.

### **Policy Recommendations**

To enhance GST's contribution to India's journey towards Viksit Bharat, the following policy interventions are recommended:

1. Consolidate multiple tax slabs into a simplified three-tier structure to reduce compliance complexity
2. Streamline return filing procedures and reduce filing frequency for small and medium enterprises
3. Strengthen the GST Network portal infrastructure to ensure seamless and error-free operations
4. Conduct regular capacity-building programs for tax officials and taxpayers
5. Establish GST facilitation centers in rural and semi-urban areas with multilingual support
6. Ensure transparency in GST Council deliberations and develop sustainable revenue sharing mechanisms
7. Create long-term fiscal frameworks to replace temporary compensation mechanisms for states
8. Implement risk-based audits rather than universal scrutiny to ease compliance burden
9. Address sector-specific and regional concerns through targeted policy interventions
10. Conduct periodic evidence-based impact assessments and align policies with Viksit Bharat objectives.

### **Limitations Of The Study**

1. The study relies solely on secondary data



2. The analysis is qualitative and does not employ econometric techniques
3. Sector-wise and region-wise impacts of GST are not examined in detail
4. As GST is an evolving reform, findings may change with future policy developments

### **Conclusion**

This study highlights the pivotal role of GST reforms in advancing India's vision of Viksit Bharat by reshaping the fiscal system, integrating markets, promoting formalization, and strengthening cooperative federalism. By replacing a fragmented indirect tax regime with a unified, destination-based structure, GST has reduced tax cascading, lowered logistics costs, expanded the formal tax base through digital compliance, and institutionalized collaborative governance through the GST Council. Despite these achievements, challenges such as multiple tax slabs, compliance burdens for small enterprises, technological issues, and center-state fiscal tensions continue to limit GST's full potential. In the context of Viksit Bharat 2047, sustained simplification, rate rationalization, technological strengthening, and improved fiscal coordination remain essential. With continuous reform and strong political and administrative commitment, GST can remain a cornerstone of India's transition towards a developed, inclusive, and globally competitive economy.

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