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GST Reforms in India: Fiscal Resilience in a VUCA World

Dr. Niharika Kumari¹

¹Assistant Professor, Department of Economics, A. N. College, Patna

Abstract

India is the fastest-growing economy with immense growth prospects. According to the World Bank, “India has achieved remarkable development over the past two decades. Since 2000, the economy has nearly quadrupled in real terms, and per capita income has almost tripled.” According to the Forbes India report on the world's GDP rankings for 2025, India ranked 5th. Along this developmental trajectory, the multifaceted challenges inherent in a VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) world warrant careful consideration. In an increasingly interconnected global economy, disturbances in any country have worldwide repercussions, reinforcing a VUCA environment. In this VUCA environment, fiscal resilience is crucial for coping with such situations. The Government of India always made policy changes to strengthen Fiscal resilience. In this series of transformations, the implementation of Goods and Services tax (GST) in 2017 was also an important milestone, helping the country strengthen Fiscal Resilience in this VUCA world. This paper explores the GST reforms' contributions to fiscal resilience in this dynamic economic environment. This study is descriptive and analytical in nature, based on secondary data from the Ministry of Finance (Govt. of India), GST Council, newspapers, Magazine articles, research papers, and analytical reports. The paper examines year-wise and state-wise GST contributions and analyses the policy changes in the special context of the VUCA world. Although the new generation GST 2.0 has simplified processes and reduced the number of tax slabs, there are still challenges, such as revenue shortfalls due to simplified tax slabs, compliance delays, and complexities and ambiguity arising from new technology and rule changes. But despite a few challenges, GST reforms have laid the foundation for fiscal resilience.

Keywords; VUCA World, GST Reforms, Fiscal Resilience, GST 2.0 with Next Generation Reforms.

INTRODUCTION

India is the fastest-growing economy with immense growth prospects. According to the World Bank, “India has achieved remarkable development over the past two decades. Since 2000, the economy has nearly quadrupled in real terms, and per capita income has almost tripled.” According to the Forbes India report on the world's GDP rankings for 2025, India ranked 5th. Along this developmental trajectory, the multifaceted challenges inherent in a VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) world warrant careful consideration. The U.S. Army War College has introduced the notion of VUCA to describe an uncertain, complex, and ambiguous multilateral world created by the end of the Cold War. (Singhwal, 2018). In an increasingly interconnected global economy, disturbances in any country have worldwide repercussions, reinforcing a VUCA environment. India has also encountered the ramifications of both the global financial crisis and the COVID-19 pandemic. Geopolitical upheavals—such as the conflict in Ukraine and different tariff regulations instituted by foreign countries have engendered significant supply-chain obstacles for India and precipitated fluctuations in global demand. Simultaneously, technological change and digitalisation are transforming economic processes. In this VUCA environment, fiscal resilience is crucial for

coping with such situations. The government's capacity to preserve its fiscal health by providing services smoothly in the face of economic shocks is known as Fiscal resilience. (Saikumar et al., 2025) The Government of India always made policy changes to strengthen Fiscal resilience. The new economic policy of 1991 attracted foreign investors and created global demand for Indian goods. Demonetization in 2016 was a bold step to eradicate corruption and strengthen financial transparency, which paved the way to digitalization. In this series of transformations, the implementation of Goods and Services tax (GST) in 2017 was also an important milestone, helping the country strengthen Fiscal Resilience in this VUCA world.

GST has brought many changes during the last 8 years. These transformations encompass the implementation of e-invoices, the expansion of the Goods and Services Tax (GST) network, the rationalization of tax slabs, faceless assessments, and the ongoing simplification of returns. GST reforms have undeniably streamlined the tax framework by mitigating complexities, enhancing tax collection, and contributing to the formalization of the economy. Nonetheless, these reforms have also resulted in several challenges, including an augmented compliance burden, technical and infrastructural issues, and disparities in revenue collections among states. To remove complexities and to make the process easier, the GST Council has restructured the tax framework in GST 2.0, launched on September 22, 2025. It simplified the previous four slab tax structure to three 5%, 12% and 40% (on luxuries/Singoods). If we analyze the overall effect of the GST, it clearly reveals the impact of the GST on fiscal resilience in this VUCA world.

2. Objectives

- To analyse the role of GST reforms in enhancing India's fiscal resilience in a VUCA world.
- To analyse the structural and institutional features of GST that enhance adaptability and resilience (e.g., digitalisation, compliance, central-state coordination).
- To identify the challenges and to offer policy recommendations for strengthening GST's role in building fiscal resilience in India.

3. Literature Review

There have been numerous studies on different components of VUCA economics and fiscal resilience. Many authors have also examined the GST's macroeconomic, administrative, and other problems. Literature reviews of both sections are mentioned below-

VUCA and Fiscal Resilience

The VUCA demands strategic decision-making from the Managers. The decision-making process is extremely difficult for Businesses as they operate in a turbulent economic environment and face many challenges at every step. Therefore, to sustain and increase productivity, the Managers need to use a well-defined decision-making process. They pointed out that managers make decisions in an uncertain business environment and supported the EBP decision systems for managers in the VUCA world. One decision made by a single person will have a ripple effect throughout the entire organization. (Minciu et al., 2020). As it applies to businesses, it is also true for the nation. When the government changes policies, it has an overall effect on the economy.

Focusing on the concept of VUCA environment and its relevance in the capital market, Khare (2020) developed a new meaning of VUCA as Visualization, Understanding, Calculative and allocation of assets.

Eden et al. (2021) recognized that responses by governments to global shocks will vary in substance and in the rate of success in this VUCA world. They argued that with high-quality evidence-based policy making (EBP), policymakers can make better decisions.

Pradhan et al. (2026) examined Odisha's fiscal transition over the post-FRBM period (2005–06 to 2024–25) using an integrated framework encompassing fiscal sustainability, fiscal resilience, fiscal space, and expenditure efficiency. They found that Odisha achieved significant fiscal consolidation, with the debt-to-GSDP ratio declining from 42.84% in 2005-06 to 11.56% in 2023-24.

Impact of GST reforms

After the imposition of GST reforms in India, many scholars have attempted to study its impact on the Indian economy, its pros and cons and suggested policy recommendations to make it more suitable for the economy.

Nayyar & Singh (2017) acknowledged that tax policies have a direct impact on a country's progress and accepted GST as one of the biggest tax reforms in India, which will bind the entire nation under a single taxation system rate. In their article, they discussed the entire journey of Indirect taxation in India, the major turning points, till the implications of GST in 2017.

Bhattarai (2017) used a dynamic computable general equilibrium model to evaluate micro and macro impacts of GST reform. With this model, he evaluated the GST impact specially on the income and employment growth, resource allocation efficiency and redistribution of income.

To analyse the impact of the introduction of GST on tax revenue in India, Paliwal et al. (2019) conducted a regression analysis and found that after the introduction of GST, the tax revenue has become less responsive to changes in GDP.

In his study, Manoj (2019) argues that the implementation of GST would pave the way for a simple and understandable tax structure and help in avoiding evasion at any level.

Rao & Road (2022) in their study made recommendations for future reforms on the GST to use its full potential. They agreed that “the introduction of the goods and services tax (GST) in India is a remarkable achievement and a unique experiment in cooperative federalism. The GST combines as many as 11 different domestic trade taxes levied at the Central, State, and local levels.

Hayat & Jain (2025) analysed the use of technology in digital infrastructure for GST management. The findings support the positive effects of technology in enhancing transparency, increasing efficiency in tax collection and reducing complications in the compliance process.

Dalvi (2025) analysed GST revenue collection from 2017 to 2025 and found a significant increase except during the COVID-19 pandemic. He also discussed the recent changes in GST 2.0.

Mukherjee (2025) assessed the revenue performance of states in the GST between 2018-19 and 2023-24. He finds that a few states faced a revenue shortfall even after receiving the compensation. Therefore, new and innovative areas of taxation should be searched.

Saikumar et al. (2025) conducted a comprehensive examination of the ramifications of the COVID-19 pandemic on Karnataka's Integrated Goods and Services Tax (IGST) collections. The study advocates for diversification of revenue streams, enhancement of digital tax infrastructure, and introduction of sector-specific support mechanisms to cultivate fiscal resilience.

Research Gap

Although many authors have studied the Impact and challenge of the GST and VUCA world concept separately. But limited attempts have been made to analyse the impact of GST in strengthening Fiscal resilience in the VUCA world. This paper aims to fill this gap by analysing the extent to which the GST reform in India enhanced India's fiscal resilience in a VUCA world.

4. Research Methodology

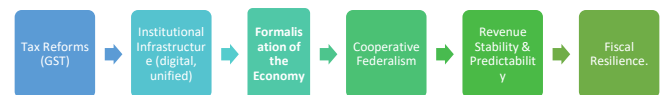
This study is descriptive and analytical in nature and uses both quantitative trends in GST collections and qualitative institutional analysis to analyse its role in bringing Fiscal resilience in the VUCA world. This study is based on secondary data taken from official websites, the Ministry of Finance (Govt. of India), GST Council, newspapers, Magazine articles, research papers, and analytical reports.

Data Sources

- Monthly and annual data on Gross GST collections from the Ministry of Finance, Government of India
- Time-series data on state-wise GST contributions
- Literature, policy documents, and institutional reports on GST design and implementation.

Conceptual Framework-

Tax Reform (GST) → Institutional Infrastructure (digital, unified) → Formalisation of the economy → Cooperative Federalism → Revenue Stability & Predictability → Fiscal Resilience.



5. Analysis and Discussion

GST reforms have instigated structural modifications within the taxation system. Under the previous taxation framework, a multitude of indirect taxes—such as Value Added Tax (VAT), excise duty, octroi, and service tax—were levied. This framework was fraught with numerous issues, including unpredictable revenue, compliance challenges, inefficiencies, and disparities across states. The introduction of GST established a unified tax regime by integrating 17 indirect taxes and 13 cesses. It has strengthened revenue consistency, reduced volatility, and fostered a more structured and predictable tax foundation, thereby mitigating

uncertainty. The adoption of a single tax structure and digitalised platforms also reduced complexity and ambiguity. The role of GST reforms in fiscal resilience can be analysed under the following headings/points.

5.1 Revenue Performance and Stability

Revenue collection is an essential part of the smooth running of a country. The enforcement of the GST acts as a major driver of revenue generation within the Indian economy. The fundamental aim of GST is to foster stability in indirect taxation through the consolidation of multiple volatile state taxes. Before the GST regime, revenue generation was mainly dependent on Production through excise duty. But after GST, the revenue base is broader and includes the value added across the economy. The following table indicates the growth of GST collection from 2017 to 2024.

Table: 1 GST Collection in previous years (2017 onwards up to Feb. 2025)

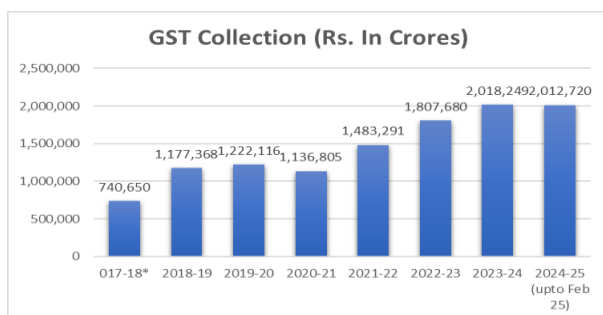
Year	GST Collection (Rs. In Crores)	% Growth (y-o-y)
017-18*	7,40,650	
2018-19	11,77,368	\$
2019-20	12,22,116	3.80%
2020-21	11,36,805	-7.00%
2021-22	14,83,291	30.50%
2022-23	18,07,680	21.90%
2023-24	20,18,249	11.60%
2024-25 (upto Feb 25)	20,12,720	\$

* 9 months only as GST implemented w.e.f. 1st July, 2017

\$ Y-o-Y growth not comparable

Source: https://taxguru.in/goods-and-service-tax/gst-revenue-growth-compliance-measures-2017-2025.html#google_vignette

Figure: 1 GST Collection in previous years (2017 onwards till Feb 2025)



Source: Prepared by the author using data from https://taxguru.in/goods-and-service-tax/gst-revenue-growth-compliance-measures-2017-2025.html#google_vignette

The table and figure indicate an increase in GST collections from ₹7.40 lakh crore in 2017–18 to ₹20.18 lakh crore in the financial year 2023–24. The outbreak of the pandemic in 2020–21 resulted in a notable decline in GST revenue collection. Nevertheless, following this downturn, revenue collections experienced a rapid recovery, thereby assisting the economy in managing the existing volatility. It can be observed that a major factor in the post-pandemic recovery was the increase in capital expenditure, accompanied by private expenditure. According to The Times of India (2025), GST collections in the fiscal year 2024–25 reached ₹22.08 lakh crore, which is almost double compared with the pandemic year (2020–21). The increase in revenue certainly supported fiscal resilience during the pandemic shock.

5.2 Formalisation of the economy

In the pre-GST era, a variety of indirect taxes were imposed, creating a cascading effect and resulting in a higher overall burden on consumers. GST has instituted the Input Tax Credit (ITC) mechanism, whereby tax is levied solely on the value added at each stage, and businesses are entitled to claim credit for taxes already disbursed on inputs. This mechanism involves the comparison of supplier GSTIN, recipient GSTIN, invoice number, invoice date, taxable value, and tax amount prior to the approval of ITC claims. To ensure accuracy in ITC and prevent tax evasion, the GST portal provides an automated process for invoice matching. It compares the supplier GSTIN, the recipient GSTIN, the invoice number, the invoice date, the taxable value, and the tax amount before allowing ITC claims. The use of e-way bills and e-challans has also reduced complications. These processes have made the economy formal, thereby making it more capable of absorbing shocks. An informal economy finds it difficult to sustain during shocks in a VUCA world.

The formalisation of the tax structure has broadened the tax base and improved the predictability of revenue, thereby countering uncertainties. Table 2 gives the number of active taxpayers as of 30th June 2025.

Table-2 Active Taxpayers (as on 30th Jun 2025)

Types of taxpayers	No. of Taxpayers
Normal Taxpayers	1,34,52,270
Composition Taxpayers	14,79,938
Input Service Distributor	22,522
Tax Collector at source	22,970

Tax Deductor at source	3,77,162
Others	3954
Total	1,53,56,323
Migrated from Pre-GST	40,75,501

Source: Statistical Report on 8 Years of GST, Goods & Services Tax (GST) | Returns

A broader tax base is always good for revenue predictability and it also distributes fiscal risks. A broad tax base enhances revenue predictability and helps distribute fiscal risks.

5.3 Cooperative Federalism

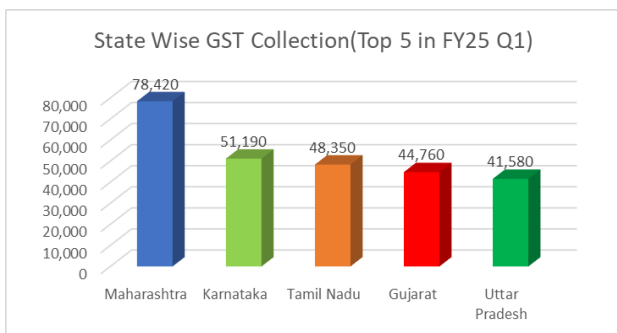
In the context of Cooperative Federalism, both the central and state governments collaborate to fulfil developmental objectives. The implementation of GST in India exemplifies Cooperative Federalism, as it amalgamated numerous central and state taxes into a singular, uniform tax structure. The establishment of the GST Council enables states to exert influence over national tax policy. Revenue sharing is delineated such that states receive 100% of the State GST collection and approximately 50% of the Integrated GST (IGST). The cooperation between the centre and the state strengthens the federal structure and enhances the fiscal resilience, making the country capable of surviving in this VUCA world. The following are the top 5 states in GST collection as per the first quarter of the fiscal year 2025.-

Table-3 State-Wise GST Collections (Top 5 in FY25 Q1)

State	Q1 FY25 (₹ Cr)	YoY Growth (%)
Maharashtra	78,420	+4.6%
Karnataka	51,190	+6.2%
Tamil Nadu	48,350	+5.8%
Gujarat	44,760	+3.9%
Uttar Pradesh	41,580	+5.3%

Source: 8 Years of GST: ₹20 Lakh Crore Collected, Compliance Hits Record High, Digital Push Reshapes Tax System - srkanalytics.com

Figure: - 2



Source: Prepared by the author using data from 8 Years of GST: ₹20 Lakh Crore Collected, Compliance Hits Record High, Digital Push Reshapes Tax System - srkanalytics.com

5.4 Digital Governance Resilience:

The digital infrastructure is one of the most significant features of the GST regime, as it enhances transparency and reduces complexity and ambiguity. The implementation of e-invoicing, online return submissions, and the Goods and Services Tax Network (GSTN) has enhanced the transparency and efficiency of the tax procedure, thus reducing revenue leakages (Jain, 2025). The GSTN portal functions as a comprehensive platform for the purposes of registration, return filing, payments, and refunds. Unique Invoice Reference Numbers (IRN) reduce fraud and ensure accurate, real-time transaction reporting. The system also employs modern technologies such as Artificial Intelligence (AI), Machine Learning (ML), API-based frameworks, and blockchain for automation and security.

The generation of an e-way bill is mandatory for the movement of goods valued at over ₹50,000. It helps reduce tax evasion by generating real-time data on the movement of goods. E-way bill generation in different financial years from 2018 to 2025 is presented in Table 4-

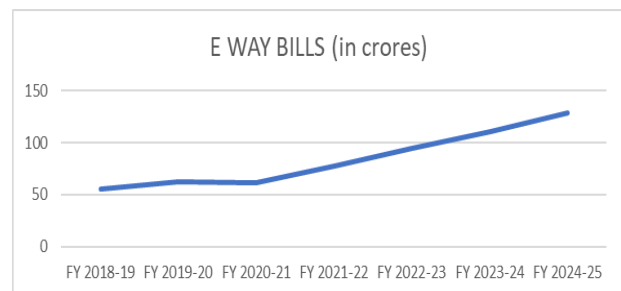
Table No.-4

E-Way Bills Generated (In Crores)

Year	E WAY BILLS (in crores)
FY 2018-19	55
FY 2019-20	62
FY 2020-21	61
FY 2021-22	77
FY 2022-23	95
FY 2023-24	111
FY 2024-25	129

Source: - <https://ewaybillgst.gov.in/>

Figure No.-3 E-Way Bills Generated (In Crores)



Source: Prepared by the author using data from <https://ewaybillgst.gov.in/>

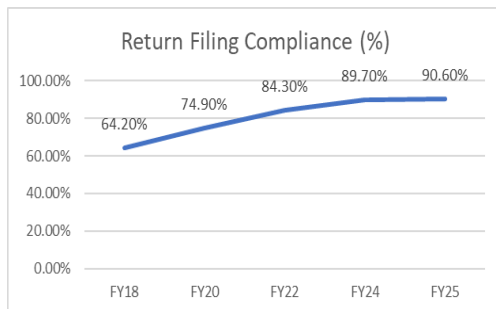
The table and figure indicate a continuous increase in the number of e-way bills generated. This reduces tax evasion and promotes compliance, thereby strengthening fiscal resilience. The digitalisation of the taxation structure has also improved the compliance process. GST registration, invoicing, tax payment, return filing, and record-keeping are important aspects of GST compliance. Compliance rates over the years are shown in the following table.

Table No.-5 Compliance Rates Over the Years

Year	Return Filing Compliance (%)
FY18	64.2%
FY20	74.9%
FY22	84.3%
FY24	89.7%
FY25	90.6%

Source: 8 Years of GST: ₹20 Lakh Crore Collected, Compliance Hits Record High, Digital Push Reshapes Tax System - srkanalytics.com

Figure No.-4 Compliance Rates Over the Years



Source: Prepared by the author using data from 8 Years of GST: ₹20 Lakh Crore Collected, Compliance Hits Record High, Digital Push Reshapes Tax System - srkanalytics.com

The reason behind the increase in return filing compliance is auto-reconciliation tools, QRMP filing facility, and penal provisions for delay. Proper and timely compliance enhances credibility, avoids penalties, ensures transparency, and enables timely tax credits, thereby benefiting the overall financial health of the economy.

6. Findings and Policy Recommendation

The introduction of Goods and Services Tax (GST) in July 2017 was one of the most transformative fiscal reforms in independent India. It marked the structural shift from a fragmented indirect tax regime to a unified destination-based taxation system. GST 2.0 has made indirect tax imposition in India more revenue-generating, simpler and user-friendly. GST reforms have supported fiscal resilience

in many ways. For Fiscal resilience, the economy needs stability in Revenue, with Institutional and informational stability. GST reforms have broadened the revenue base by including consumption-based taxes, which are less fluctuating. The GST council worked as an institutional stabiliser by reducing policy conflicts, thereby reducing uncertainty and ambiguity. The Digital framework provides the government with quick data, bringing Informational stability. Therefore, GST reforms help India to maintain Fiscal resilience even during economic disruptions. Although the new generation GST 2.0 has simplified processes and reduced the number of tax slabs, there are still challenges, such as revenue shortfalls due to simplified tax slabs, compliance delays, and complexities and ambiguity arising from new technology and rule changes. But despite a few challenges, GST reforms have laid the foundation for fiscal resilience.

Policy Recommendations:

Based on the analysis, a few policy recommendations are as follows-

1. For long-term fiscal resilience, expansion of the GST base will be helpful. It is a long-time demand to include petroleum products and alcohol.
2. Better dispute resolution is also required. This can be done by strengthening the inter-state council.
3. To reduce disparities among States, GST collection capacity building for states with weaker tax infrastructure should be done.
4. Due to the rate change in GST 2.0, the SMEs are facing a compliance burden that needs to be addressed.
5. Small businesses must be supported with technical assistance.
6. A seamless input tax credit mechanism is necessary to reduce fraud and strengthen compliance.
7. Monitoring the fiscal impact through periodic rate review and reassessment of the tax slab will help ensure revenue sufficiency.
8. Use of modern technology will strengthen the GST administration, which will further reduce the complexities and help in realising the full gain from the GST reforms.

CONCLUSION

In strengthening fiscal resilience in a VUCA world, GST reforms have served as an important policy instrument. They unified the indirect tax structure, created a digital infrastructure, improved Centre-State settlement mechanisms, enhanced compliance, and broadened the revenue base, thereby increasing India's shock-absorbing

capacity. The GST 2.0, with its new features, has further reduced many operational complications. We hope the new features adopted in GST 2.0 will help the economy to reap the full financial resilience gains.

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