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A Comparative Study Of SGST Collections Between Telangana And Andhra Pradesh From 2017-18 To 2024-25

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Abstract
This paper examines the trends in State Goods and Services Tax (SGST) collections in Andhra Pradesh and Telangana following the implementation of the Goods and Services Tax. Using secondary data for the period from 2017 to 18 to 2025 to 26, the study compares SGST collections, growth rates, and SGST as a percentage of Gross State Domestic Product to assess revenue performance across the two states. The analysis also examines the sectoral composition of Gross Value Added to understand the influence of economic structure on tax collections. Further, SGST collections are evaluated relative to Services Gross Value Added to isolate the role of tax efficiency from differences in economic size. The results show that although Telangana consistently records higher absolute SGST collections, both states display similar trends in SGST growth and SGST as a percentage of GSDP. Telangana's higher collections are largely explained by its service dominated economy, whereas Andhra Pradesh has a relatively larger agricultural sector, which contributes less to GST revenues. However, Andhra Pradesh records a marginally higher SGST to Services GVA ratio, indicating comparable or slightly better tax mobilization relative to the size of its service sector. The findings suggest that differences in SGST collections are driven primarily by variations in economic structure rather than significant differences in tax administration or tax efficiency.

Key Words: *SGST, GSDP, Sector Composition, Andhra Pradesh, Telangana*

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I. Introduction

The implementation of the Goods and Services Tax (GST) in 2017 marked a major structural reform in India's indirect tax system, replacing a complex web of central and state-level taxes with a unified, destination-based framework. One of the key objectives of GST was to create a harmonized tax structure across states, thereby improving compliance, enhancing efficiency, and broadening the tax base. However, despite the uniformity in tax design, variations in GST revenue performance across states have remained significant. This suggests that factors beyond the tax structure, particularly underlying economic characteristics, conntinue to play a critical role in determining revenue outcomes.

The introduction of GST shortly after the bifurcation provides a useful setting to assess whether a uniform tax regime can offset structural economic differences across states. By analyzing trends in GST collections, revenue performance relative to Gross State Domestic Product (GSDP), and sectoral composition, this paper explores the extent to which GST outcomes are shaped by underlying economic structures rather than the tax framework itself. After bifurcation of erstwhile Andhra Pradesh in 2014, the two states of Andhra Pradesh and Telangana evolved distinct economic trajectories. Telangana, with Hyderabad as a major urban and services hub, developed a more services-oriented economic structure, while Andhra Pradesh retained a relatively larger agricultural and industrial base. Therfore, in this paper, an attempt is made to examines the SGST collections between Telangana and Andhra Pradesh states from 2017-18 to 2024-25.

II. Objectives

1. To analyse the growth of SGST collections in Andhra Pradesh and Telangana from 2017- 18 to 2025-26.
2. To assess the share of SGST collections to GDP in Andhra Pradesh and Telangana.
3. To assess the GVA across sectors in Andhra Pradesh and Telangana.
4. To examine the SGST Efficiency between Andhra Pradesh and Telangana from 2017-18 to 2025-26.

III. Methodology

The study is based entirely on secondary data collected from the Comptroller and Auditor General (CAG) reports, Budget documents of the Governments of Andhra Pradesh and Telangana, Reserve Bank of

India publications, Ministry of Statistics and Programme Implementation (MoSPI) and Statistical Abstracts (various yeaars), Directorate of Economics and Statistics for Andhra Pradesh and Telangana.

The study focuses on a comparative analysis of SGST (State GST) collections in Andhra Pradesh and Telangana over the period from 2017–18 to 2024–25. SGST is used as the primary indicator as it reflects state-level consumption and is directly attributable to the respective state governments. The analysis relies primarily on SGST collections as a proxy for state-level GST activity.

This study uses State Goods and Services Tax (SGST) instead of total GST collections because the objective is to compare the tax revenues that directly accrue to the governments of Andhra Pradesh and Telangana. Total GST collections include Central GST (CGST), Integrated GST (IGST), and compensation related transfers, which are either collected by the Central Government or are influenced by inter state trade and settlement mechanisms. These components do not accurately reflect the revenue generated within a state's own tax base. In contrast, SGST represents the portion of GST that is retained by the respective state governments on intra state transactions and therefore provides a more appropriate measure for evaluating state level revenue performance. Since this study aims to compare the fiscal outcomes and revenue generating capacity of the two state governments, SGST serves as the most relevant and consistent indicator.

A comparative descriptive approach has been adopted to analyse SGST collections in Andhra Pradesh and Telangana. The analysis includes year on year growth in SGST collections, SGST as a percentage of GSDP, and SGST as a percentage of Services GVA. Sectoral shares in Gross Value Added have also been examined to explain differences in tax collections across the two states. Simple ratio analysis and trend analysis have been used to compare revenue performance over time and to identify the role of economic structure in determining SGST collections.

The study does not attempt to estimate causal relationships but instead provides a comparative assessment of post GST revenue trends and the role of economic structure in explaining differences in SGST collections between Andhra Pradesh and Telangana.

IV. Review Of Literature

The introduction of the Goods and Services Tax (GST) in 2017 has generated extensive discussion on fiscal federalism, revenue mobilization, and state-level fiscal autonomy in India. A large body of literature argues that GST represents one of the most significant fiscal reforms in independent India, aimed at creating a unified domestic market while simplifying the indirect tax structure. Several studies have examined GST from a fiscal federalism perspective. Joseph and Kumary (2023) argue that the institutional framework of GST, particularly the GST Council and the compensation mechanism, was designed to foster cooperative federalism and ensure revenue neutrality for states. However, they note that tax performance under GST has varied considerably across states, indicating that structural economic differences continue to shape revenue outcomes.

Mukherjee (2019) highlights concerns regarding the ability of states to sustain GST revenue growth over time, particularly after the expiration of the compensation framework. The study suggests that revenue performance depends not only on tax administration but also on the underlying economic capacity of states.

Paramasivam, et all (2026) states that the introduction of the Goods and Services Tax (GST) in India in 2017 was a major tax reform that improved tax compliance and increased government revenue. GST collections rose from ₹8,76,770 crore in 2017–18 to ₹16,75,697 crore in 2024–25, reflecting growth in registered businesses and taxpayers. The study examines the relationship between GST collections, GDP, consumption, trade, inflation, and compliance, and finds a strong positive association between GST revenue and economic growth. It also highlights regional differences in GST performance and concludes that GST plays an important role in India's economic development.

Santosh R. Et All (2026) observed that the Southern region in India remains the second-largest contributor to GST revenue, maintaining a strong and consistent performance over the years. Karnataka recorded notable growth, with its share rising from 8.93% to 9.86%, supported by the continued expansion of the IT and services sectors. In contrast, Tamil Nadu (8.40% to 7.91%) and Telangana (3.96% to 3.72%) registered marginal declines in their percentage shares, despite an increase in absolute GST collections. Andhra Pradesh (2.66% to 2.57%) and Kerala (2.01% to 2.03%) continued to make stable contributions. Overall, the region's diverse industrial structure, well-developed service sector, and strong consumption demand underpin its sustained and resilient GST revenue performance.

State Bank of India Research Study (2025) found that State-wise GST collections indicate a high concentration of revenue among a few major contributors. The top five states—Maharashtra, Karnataka, Gujarat, Tamil Nadu, and Haryana—together accounted for nearly 41% of the total gross GST revenue in FY25, highlighting their dominant role in India's tax collections. Maharashtra remained the largest contributor with a 16.3% share, followed by Karnataka (7.2%), Gujarat (6.2%), Tamil Nadu (5.9%), and Haryana (5.4%). Six states, including Uttar Pradesh, crossed the ₹1 lakh crore GST collection mark, reflecting sustained economic growth and improved tax compliance. While southern and western states continued to lead due to their strong industrial and service sectors, states such as Odisha, Bihar, and Assam recorded comparatively higher compound annual growth rates (CAGR), indicating expanding economic activity and a widening tax base. Overall, gross GST revenue increased from ₹7.41 lakh crore in FY18 to ₹22.09 lakh crore in FY25, registering a CAGR of 16.9%, which demonstrates the steady growth and strengthening performance of the GST regime across the country.

More recent state-level studies have reached similar conclusions. Sinha (2026), in a study of Tripura, finds that post-GST revenue growth has been supported largely through transfers and tax devolution rather than significant improvements in states' own tax revenues. The study emphasizes that fiscal outcomes remain closely linked to state-specific economic structures and fiscal capacities.

Comparative analyses across Indian states also reveal substantial disparities in GST collections. Industrialized and service-oriented states consistently report stronger GST performance than states with weaker economic bases, suggesting that the composition of economic activity plays a crucial role in determining tax collections.

The broader literature on regional economic development in India further supports this argument. Studies on economic complexity and state-level development show considerable variation in productive capabilities, industrial diversification, and income generation across states. Such structural differences are likely to influence GST collections even under a harmonized tax framework.

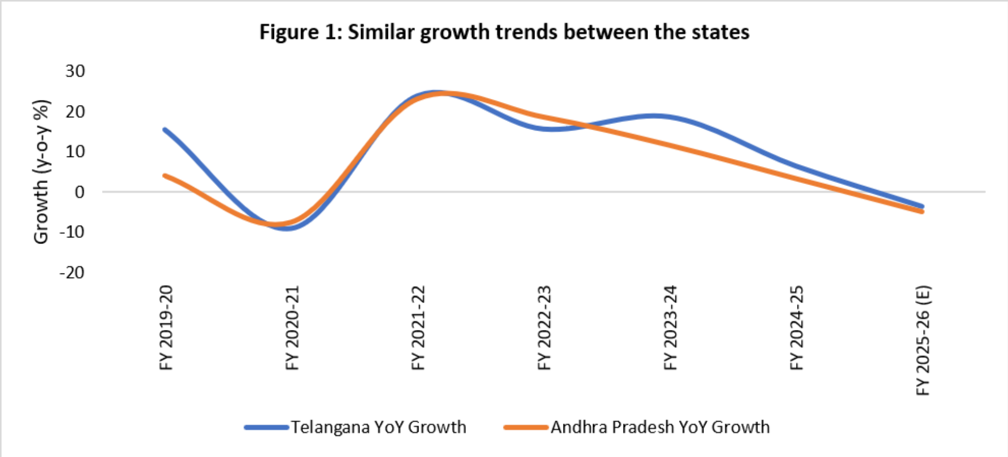
Despite the growing literature on GST and fiscal federalism, limited attention has been paid to the specific experience of Andhra Pradesh and Telangana. The bifurcation of the erstwhile Andhra Pradesh in 2014 created two states with a common institutional legacy but increasingly divergent economic structures. Telangana's economy became more concentrated around the services sector and the Hyderabad metropolitan region, while Andhra Pradesh retained a relatively larger agricultural and industrial base. This provides a unique setting to examine whether differences in GST performance are driven primarily by tax design or by the underlying structure of economic activity.

V. SGST Collections In Andhra Pradesh And Telangana

The SGST collections of both Telangana and Andhra Pradesh have exhibited a broadly similar growth trajectory since the implementation of the Goods and Services Tax, although the magnitude of collections differs considerably between the two states. In the initial year of GST implementation, collections remained relatively modest, reflecting the transition to the new indirect tax regime. This was followed by a substantial increase in 2018-19 due to the base effect, when Telangana recorded a growth of 72.0 percent while Andhra Pradesh registered a comparable increase of 75.3 percent (Table 1). The sharp rise during this period reflects the stabilization of the GST framework, improvements in compliance, and the expansion of the tax base following the initial adjustment phase.

The subsequent years witnessed a moderation in growth. During 2019-20, SGST collections continued to increase, although at a much slower pace, with Telangana recording a growth of 15.4 percent and Andhra Pradesh registering 4.1 percent. The slowdown was followed by a contraction in 2020 to 21 due to the severe disruption caused by the COVID 19 pandemic. SGST collections declined by 9.1 percent in Telangana and 7.4 percent in Andhra Pradesh, reflecting reduced economic activity, lower consumption demand, and restrictions on business operations across both states.

The recovery from the pandemic was evident in 2021-22 and continued into 2022-23. Telangana recorded growth rates of 23.8 percent and 15.6 percent, while Andhra Pradesh registered corresponding increases of 23.2 percent and 18.7 percent. The rebound was supported by the normalization of economic activity, improved tax compliance, and stronger consumption demand. In 2023-24, both states continued to report healthy growth, although the pace moderated compared to the immediate post pandemic recovery. During 2024-25, SGST collections continued to grow but at a considerably slower rate, indicating a gradual return to more stable growth levels. The provisional figures for 2025-26 indicate a decline in collections in both states, with Telangana recording a contraction of 3.6 percent and Andhra Pradesh registering a decline of 4.8 percent. Although these figures may be revised subsequently, they suggest a temporary moderation in tax collections during the year.



Source: MoSPI
Note: E represents estimates.

Table 1: SGST Collections (Absolute, Growth, and as % of GDP) of Andhra Pradesh and Telangana

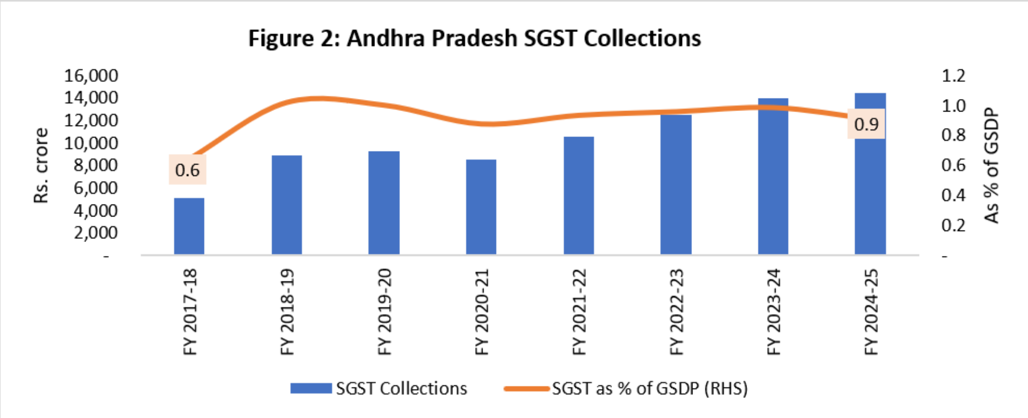
	Telangana				Andhra Pradesh			
Years	**SGST Collections (Rs. Crore)**	**GSDP (Rs. Crore)**	**SGST as % of GSDP**	**Growth (y-o-y %)**	**SGST Collections (Rs. Crore)**	**GSDP (Rs. Crore)**	**SGST as % of GSDP**	**Growth (y-o-y %)**
2017-18	6,537	7,50,050	0.9		5,076	7,86,135	0.6	
2018-19	11,243	8,57,427	1.3	72.0	8,897	8,73,721	1.0	75.3
2019-20	12,977	9,50,090	1.4	15.4	9,265	9,25,839	1.0	4.1
2020-21	11,796	9,43,078	1.3	-9.1	8,579	9,78,581	0.9	-7.4
2021-22	14,603	11,24,086	1.3	23.8	10,567	11,31,629	0.9	23.2
2022-23	16,877	13,10,721	1.3	15.6	12,542	13,09,464	1.0	18.7
2023-24	20,012	14,61,836	1.4	18.6	14,008	14,22,094	1.0	11.7
2024-25	21,292	16,40,901	1.3	6.4	14,488	15,93,062	0.9	3.4
2025-26 (E)	20,517			-3.6	13,796			-4.8

Source: RBI Handbook
Note: E denotes Estimates

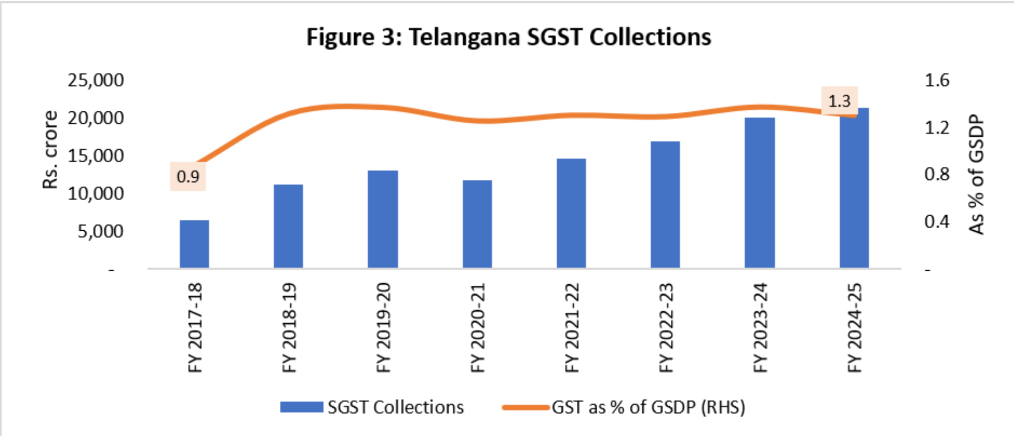
Divergence in Absolute Collections

Despite substantial differences in the absolute value of SGST collections, Telangana and Andhra Pradesh exhibit a remarkably similar pattern when SGST collections are expressed as a percentage of Gross State Domestic Product. Throughout the study period, Telangana consistently generated higher SGST collections than Andhra Pradesh. The absolute SGST collections in Telangana increased by 3.3 times during the period from 2017–18 to 2024–25(Table 1), whereas those in Andhra Pradesh increased by 2.9 times over the same period. The difference reflects Telangana's relatively stronger economic base, higher level of urbanization, greater concentration of service sector activities, and larger consumption market. However, when collections are normalized by the size of the respective state economies, the differences become considerably smaller.

The absolute collections of SGST in Telangana had increased 3.3 times during 2017-18 to 2024-25, while in Andhra Pradesh, they have increased by 2.9 times during the same period. The SGST to GSDP ratio in Telangana increased from 0.87 percent in 2017 to 18 to around 1.30 to 1.37 percent during the subsequent years, indicating a stable level of tax mobilization relative to the size of the state economy. Andhra Pradesh displayed a comparable trend, with the ratio increasing from 0.65 percent in 2017 to 18 to approximately 0.90 to 1.02 percent in the following years. Although Telangana consistently maintained a slightly higher ratio, both states demonstrated similar movements over time. The ratio increased during the early years of GST implementation, experienced a modest decline during the pandemic year, recovered alongside economic activity, and remained broadly stable thereafter.



Source: MoSPI, RBI



Source: MoSPI, RBI

Sector-wise Composition of GVA of Andhra Pradesh and Telangana

The similarity in the SGST to GSDP ratios suggests that both states have achieved comparable levels of tax effort relative to their economic size despite differences in their economic structures and revenue capacities. The stable nature of these ratios also indicates that SGST collections have broadly expanded in line with the growth of state output. This finding implies that variations in absolute SGST collections are primarily driven by differences in the scale of economic activity rather than significant differences in tax productivity or revenue mobilization efficiency.

The sectoral composition of Gross Value Added in Andhra Pradesh indicates an increasing dependence on the Agriculture and Allied sector, as shown in Table 2. Its share rose from 30.4 percent in 2014 to 15 to 34.1 percent in 2023 to 24 and is estimated to reach 35.3 percent in 2024 to 25. In contrast, the Industry sector declined from 25.5 percent to 23.2 percent, while the Services sector moderated from 44.1 percent to 41.5 percent over the same period. These trends suggest that agriculture has gained greater importance in the state's economic structure.

Telangana continues to be a service driven economy as can be seen in Table 3. The share of the Services sector increased from 61.3 percent in 2014 to 15 to 65.7 percent in 2023 to 24, while the shares of Agriculture and Allied activities and Industry declined from 19.5 percent to 18.0 percent and from 19.2 percent to 16.4 percent, respectively. This reflects the increasing contribution of high value service activities to the state's economic growth.

Table 2: Sector-wise Composition of GVA of Andhra Pradesh (%)

Years	Agriculture & Allied Sectors	Industrial Sector	Service Sector
2014-15	30.4	25.5	44.1
2015-16	31.1	24.1	44.7
2016-17	33.8	24.1	42.2
2017-18	35.7	23.5	40.8
2018-19	34.6	23.6	41.8
2019-20	36.0	22.0	42.0
2020-21	37.7	24.5	37.8
2021-22	36.7	24.5	38.7

2022-23	35.3	24.3	40.4
2023-24	34.1	24.3	41.6
2024-25 (AE)	35.3	23.2	41.5

Source: Socio Economic Survey, Andhra Pradesh
Note: AE denotes Advanced Estimates

Table 3: Sector-wise Composition of GVA of Telangana (%)

Years	Agriculture & Allied Sectors	Industrial Sector	Service Sector
2014-15	19.47	19.22	61.31
2015-16	17.50	20.34	62.16
2016-17	18.11	18.26	63.63
2017-18	18.32	18.75	62.92
2018-19	19.00	19.18	61.82
2019-20	21.17	17.68	61.15
2020-21	22.78	17.81	59.42
2021-22	20.38	17.39	62.23
2022-23	19.18	16.64	64.18
2023-24 (AE)	17.95	16.36	65.69

Source: Socio Economic Survey, Telangana
Note: AE denotes Advanced Estimates

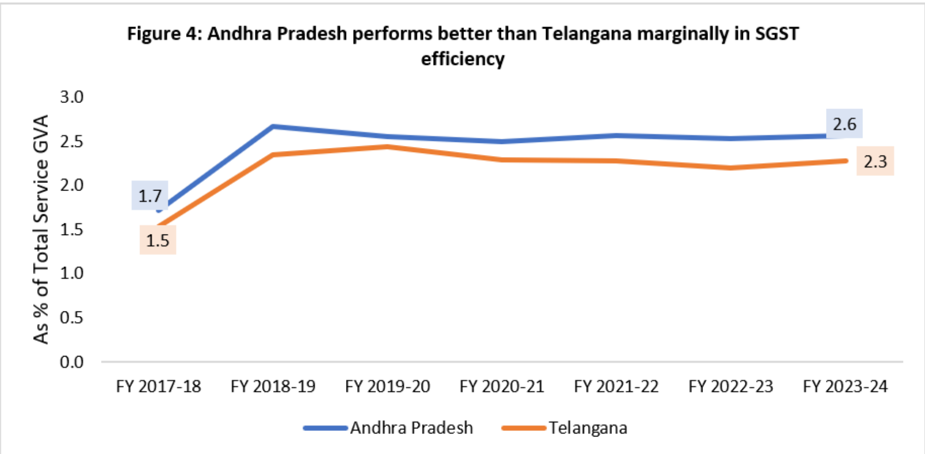
SGST Efficiency in Andhra Pradesh and Telangana

To examine tax efficiency after accounting for differences in economic structure, SGST collections were compared as a percentage of Services GVA. The results indicate that Andhra Pradesh consistently recorded a slightly higher ratio than Telangana throughout the study period (Table 4). Andhra Pradesh's ratio increased from 1.7 percent in 2017-18 to 2.6 percent in FY2023-24, while Telangana's ratio rose from 1.5 percent to 2.3 percent. The similar movement in the ratios suggests that both states experienced comparable improvements in SGST collections relative to the size of their service sectors following the implementation of GST. However, the consistently higher ratio in Andhra Pradesh indicates that, relative to the value added generated by its service sector, the state mobilized slightly higher SGST revenues than Telangana. This suggests that the higher absolute SGST collections observed in Telangana are primarily attributable to its larger service sector rather than substantially higher tax efficiency.

Table 4: Efficiency of SGST Collections in Andhra Pradesh and Telangana

SGST as % of Total Services Sector GSDP		
Year	**Andhra Pradesh**	**Telangana**
2017-18	1.7	1.5
2018-19	2.7	2.3
2019-20	2.6	2.4
2020-21	2.5	2.3
2021-22	2.6	2.3
2022-23	2.5	2.2
2023-24	2.6	2.3

Source: RBI



Source: RBI

VI. Conclusion

The analysis highlights that the post GST revenue performance of Andhra Pradesh and Telangana has been shaped by both economic growth and the structural composition of their economies. While Telangana consistently generates higher SGST collections, both states exhibit similar patterns in annual SGST growth and maintain relatively stable SGST to GSDP ratios over time. This indicates that GST revenues in both states have broadly expanded in line with economic growth. The comparison of sectoral composition reveals that Telangana's economy is predominantly service oriented, whereas Andhra Pradesh has a relatively larger dependence on agriculture and allied activities. Since services constitute a major component of the GST tax base, Telangana's economic structure provides greater revenue generating potential under the GST framework. This explains the persistent difference in absolute SGST collections between the two states.

At the same time, the analysis of SGST collections relative to Services GVA shows only a small difference between the two states, with Andhra Pradesh recording a slightly higher ratio throughout the study period. This suggests that once differences in the size of the service sector are accounted for, the efficiency of SGST mobilization is broadly comparable across the two states. Therefore, the evidence indicates that Telangana's higher SGST collections are primarily the outcome of its larger and more service intensive economy rather than superior tax efficiency. The findings emphasize the importance of economic structure in determining state level GST revenues and suggest that sustained growth in formal service sector activities will remain an important driver of indirect tax collections in the future.

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