

Goods and Services Tax and Pilgrimage Tourism: An Analysis of the Kashi Vishwanath Corridor

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Abstract: The introduction of the Goods and Services Tax (GST) in India in 2017 significantly restructured the country's indirect taxation system by replacing multiple taxes with a unified framework. This study examines the impact of GST on pilgrimage tourism through a case study of the Kashi Vishwanath Corridor in Varanasi. Pilgrimage tourism is an important component of India's domestic travel economy, and the redevelopment of the corridor has substantially increased the inflow of pilgrims to the city. The research uses a mixed-methods approach, including pilgrim surveys, interviews with tourism stakeholders, and analysis of secondary data. Findings indicate that GST has improved transparency and encouraged the formalization of local tourism businesses. However, small vendors initially faced compliance challenges and documentation issues. The study also notes a perceived increase in service costs due to the input tax credit mechanism. Despite these challenges, increased pilgrim arrivals have generated employment, enhanced local incomes, and stimulated entrepreneurship, contributing to the overall growth of the pilgrimage tourism economy.

Keywords: GST, Pilgrimage Tourism, Kashi Vishwanath Corridor, Religious Tourism, Tax Reform.

Introduction

One of the major fiscal reforms in India was made in July 2017 with introduction of the Goods and Services Tax at the expense of the network of central and state tax levies, a single system of indirect tax is introduced (Sehrawat and Dhanda, 2015). GST was also devised to remove cascading taxes, national market, and facilitate ease of doing business through simplifying the compliance processes. The initial studies reported that GST could simplify the tax system and stimulate efficiency but they also predicted the difficulty in its implementation during the transition period (Sehrawat & Dhanda, 2015). It is in advance of these tax reforms that the tourism industry in India, which contributes approximately 9 percent of the GDP over the past few years (Abraham & Venkataramanaiah, 2020), is experiencing transformational growth. One genre that is highly critical is the religious tourism which involves millions of domestic travelers performing pilgrimages and visiting of temples. Actually, over 60 percent of the domestic tourists in India take a faith-based participative trip (Tripathi, 2025), hence pilgrimage tourism is a great source of local development and job creation. This is evidenced by Varanasi (Kashi), one of the oldest cities in the world, and the seat of Hinduism spirituality. The city also receives pilgrims throughout the year to its religious ghats, Ganga, and another temple, Kashi Vishwanath, which forms a local economy of ritual services, hospitality and cultural trade. Latest infrastructural projects will result in the Kashi Vishwanath Corridor, which opened in 2021, connecting the temple with the Ganges River and with the additions it will offer. This has greatly increased the flows of pilgrimage, as it has changed the tourism industry in Varanasi by improving the capacity and experience of the visitors (Mehrotra, 2025). The combined effort of a significant tax reform and a significant project of tourism infrastructure at the same time has created a special environment in which to analyze the effects of policy. The paper under consideration dwells upon the social-economic implications of GST on pilgrimage tourism in Varanasi, with Kashi Vishwanath Corridor as an example. Our three research questions are interconnected, and they are as follows: (1) How has GST impacted costs structure and pilgrimage-related services prices (e.g. accommodation, food, transport, offering holistic rituals)? (2) How has GST impacted on formalization of businesses and payment of taxes among local tourism businesses? (3) How has GST affected the pilgrimage tourism economy on employment, income generation and livelihoods? In answering these questions, we expect to shed light on how a national-level policy on taxes appeals to the local circumstances of a heritage tourism destination. In the sections that follow, we briefly survey the relevant literature on religious tourism and GST, outline the mixed-methods approach taken and thereafter sketch and discuss findings to Varanasi, and finally conclude concerning the implications of findings to policy-makers and tourism development scholars.

Literature Review

Pilgrimage and religious tourism have always been known to be economically and culturally important. The early typology of religious tourism was given by Rinschede (1992) who observed that pilgrimage may bring about significant local gains through constant inflows of visitors and related investment. Other studies have reported the socio-economic effects of pilgrimage traveling in other contexts. Indicatively, Sharpley and Sundaram (2005) studied ashram based tourism in India and established that the tourism has helped in providing employment and cultural exchange to the local people in the area branding it sacred tourism with spiritual and economic aspects. On the same note, smaller case studies of the region such as the one conducted by Mishra and Rout (2016) on Puri (Odisha) indicated that pilgrimage tourism can become a big source of income to host communities due to their lodging, food, guide, transport, and handcraft demands. Recent research supports these results: Srivastava et al. (2024) empirically testified that religious tourism is a multiplier of local development because it correlates with improvements in investment, infrastructure, and the growth of small businesses in the centres of Indian pilgrimage. All of these indicate that in proper management, the influx of pilgrims has the potential to spur more expansive growth, which can be applied to the experience of Varanasi following the completion of the corridor project.

Conversely, scholars have warned that the high rate of development in tourist sites on sacred cities should be moderated to include preservation of heritage and the welfare of the locals. Risks taken include over-commercialization and depopulation of traditional residents (Mehrotra, 2025). The development of Kashi Vishwanath Corridor is one such example and has been examined from the standpoint of cultural and psychological influence on residents - showing nostalgia and alienation mixed with the economic benefits (Mehrotra, 2025). The presented findings illustrate the compromise in the complex tourism development, making sensitive and inclusive planning in heritage areas promising.

With this background of the dynamics of religious tourism, we address the literature about GST and its interaction with tourism and hospitality industry. By streamlining taxes, it was anticipated that the GST reform will have a positive impact on the tourism industry by reducing some taxation levels as well as streamlining the taxation code. Renuka (2018) described that GST may present great opportunities to the tourism industry in that various cascading tax rates will be removed, and the cost of conducting business will decrease. The initial calculations projected a 10-15 percent reduction in the hotel and restaurant billing savings as a result of input tax credit and unified rates. Theoretically, a simplified GST system would enable hospitality companies to be more efficient and allocate part of the savings to consumers, increasing demand. Nevertheless, empirical research identifies a finer effect. Sharma (2019) discovered that upscale hotels have gained through input tax credit under GST but numerous mid-range hotels were negatively affected by the situation where the GST rate regime initially excluded selected credits. This had an impact on pricing and competitiveness among the small operators (Sharma, 2019). Saxena (2022) criticised the loopholes in applying GST in the tourism sector saying that there were no special provisions (such as low-slab or composition scheme) allowing small hotels and operators to develop inclusive growth in the industry. As a matter of fact, without the isolated treatment of the market specificities, all hospitality services were united in the nature of a single framework, and this approach enhanced the transparency of the industry, yet it failed to capture the heterogeneity of its range (Saxena, 2022). Rationalization began to take place with time, e.g., in 2019 the GST levies on medium-tier hotel rooms have been lowered to 5% due to the issues with affordability (Abraham and Venkataramanaiah, 2020). As Abraham and Venkataramanaiah (2020) remark, this set of rate decreases and sustained policy changes were likely to yield beneficial results in the tourism sector by 2020, as corrected slabs minimized the expenses and triggered the travel demand.

Formalization of businesses; specifically, by means of computerized tax pay was another Page5 promise of GST. Small and medium enterprise which are mostly informal in the tourism value chain were either encouraged or forced to declare under GST to access the input credits and serve the bigger clients. Mukherjee and Rao (2019) noted that in a couple of years of the introduction of GST, the number of registered taxpayer increased considerably, meaning that most of the informal business enterprises shift to the tax bracket. Nevertheless, they also emphasized such compliance issues as smaller firms did not cope with the complexity of submitting regular online returns and reconciling the invoices, at least during the initial stages of the reform. The on-the-ground treatment of the GST was offered by Ghosh (2020), who conducted a survey of MSMEs, and compliance burden was a frequently mentioned challenge since the introduction of GST, as well as related problems as delayed refunds. Some micro enterprises were initially not digital ready to the new system (Ghosh, 2020). Later studies indicate that the case has been slowly getting better. Investigating enterprise-level performance, Ghosh (2022) revealed that GST already started to formalise the informal in India: many small businesses switched to digital record keeping and started to pay taxes as well, which improved their market linkages in exchange. Nevertheless, Ghosh (2022) warns against hasty formalization when it lacks adequate support because the small companies it may impose, according to some in her research, included losing

customers who are not registered or increase in operating expenses during the process. This literature shows that though GST may lead to a cleaner and more structured business climate - which is related to the overall development agenda - the allocation of costs and benefits of the program to tourism stakeholders (between street vendors and hotel chains) is a subject to be considered closely.

In short, previous studies confirm: (a) the economic significance of pilgrimage tourism and its ability to stimulate local development; (b) the possibly cultural and social effects of intensive tourism growth in heritage cities; and (c) the positive and negative effects of GST on the tourism/hospitality industry in terms of simplification and formalization advantages and compliance expenses. Yet, the observed false gap in incorporating these strands is the awareness of how systemic tax attempt of GST is going to work in the local setting of pilgrimage tourism hotspots. The proposed case study of the Kashi Vishwanath Corridor is intended to address this gap by analyzing the hard-copy evidence of Varanasi, therefore, contributing to the literature of the tourism policy and local development in GST.

Need of the Study

The study is needed to understand how major tax reforms influence the functioning of pilgrimage tourism economies in India. With the rapid growth of tourism around the Kashi Vishwanath Corridor in Varanasi, it becomes important to assess the socioeconomic effects of Goods and Services Tax on local businesses, vendors, and pilgrims. The study helps policymakers understand compliance challenges, pricing impacts, and opportunities for sustainable tourism development while ensuring inclusive benefits for small entrepreneurs and the local community.

Objectives of the Study

1. To examine the impact of the Goods and Services Tax (GST) on pilgrimage tourism activities in Varanasi.
2. To analyze the effect of GST on pricing, business formalization, and revenue patterns of local tourism-related enterprises around the Kashi Vishwanath Corridor.
3. To assess pilgrims' expenditure patterns and perceptions regarding tourism services after the implementation of GST.

Methodology

This study adopts a mixed-methods case study approach to examine the influence of the Goods and Services Tax (GST) on pilgrimage tourism in Varanasi, focusing particularly on the Kashi Vishwanath Corridor. The mixed-methods design combines quantitative and qualitative techniques to obtain both measurable data and in-depth insights from stakeholders. This approach enables a more comprehensive understanding of economic and social changes than a single research method.

Primary data were collected from two major respondent groups: pilgrims visiting the Kashi Vishwanath Temple and tourism-related businesses operating in the surrounding area. A structured questionnaire survey was administered to 250 pilgrims, including 200 domestic pilgrims and 50 international visitors. Convenience sampling was used at different times of the day within the corridor area to capture respondents from diverse demographic and regional backgrounds. The questionnaire collected information on expenditure patterns such as accommodation, food, transportation, and religious offerings, as well as perceptions of price changes and service quality after GST implementation.

In addition, surveys were conducted with 100 local tourism-related businesses, including guesthouse operators, ritual priests (purohits), street-food vendors, boatmen, auto-rickshaw drivers, and shopkeepers selling religious items. These respondents were mainly micro and small entrepreneurs. The survey focused on GST registration status, compliance costs, pricing strategies, and revenue changes over the past five years.

Qualitative data were collected through semi-structured interviews with 20 stakeholders, including 12 business owners and 8 officials such as a tax consultant, tourism department officer, temple trust representative, and traders' association leader. Each interview lasted approximately 30–45 minutes and was recorded with consent.

Secondary data were obtained from government tourism statistics, GST policy documents, and reports from the Ministry of Finance and Ministry of Tourism. Quantitative data were analyzed using descriptive statistics and cross-tabulation, while qualitative responses were examined through thematic analysis. Triangulation of survey results, interview insights, and secondary data enhanced the reliability and validity of the study findings.

Analytical Context

The implementation of the Goods and Services Tax (GST) has significantly reshaped the taxation structure of India's service sector, including tourism and hospitality. Pilgrimage tourism, which represents a substantial proportion of domestic travel in India, is closely linked with local economies, informal markets, and religious institutions. The redevelopment of the Kashi Vishwanath Corridor in Varanasi has accelerated tourism growth in the city, making it an appropriate case for analyzing the intersection between tax reform and tourism development.

The findings of this study reveal that GST has produced both opportunities and challenges for the pilgrimage tourism economy. While the new tax structure has introduced transparency and formalization into the local tourism ecosystem, it has also created short-term compliance difficulties for small enterprises and informal vendors. At the same time, the rapid growth in pilgrimage tourism following the development of the corridor has generated employment opportunities and increased economic activity in the region.

This section presents a systematic analysis of the findings under four key themes: pricing and taxation impacts, business formalization, economic growth and employment generation, and broader socio-cultural implications of tourism expansion under a new tax regime.

Costs, Pricing Structure, and the GST Regime

One of the most immediate impacts of GST on pilgrimage tourism relates to changes in pricing structures across tourism-related services. Prior to GST, the taxation system for hospitality and tourism services consisted of multiple indirect taxes, including service tax, luxury tax, and value-added tax (VAT). The introduction of GST consolidated these taxes into a single unified framework, thereby simplifying the taxation process.

Transparency and Standardization in Pricing

The introduction of GST created greater uniformity and transparency in the pricing of tourism services such as accommodation, food services, and transportation. Businesses now operate under standardized tax rates, which has reduced confusion among tourists and improved billing practices.

Large hotels and established tour operators generally adapted to the GST framework more easily than smaller enterprises. These businesses benefited from the Input Tax Credit (ITC) mechanism, which allows them to claim credit for taxes paid on goods and services used in business operations. For instance, hotels could offset GST paid on food supplies, maintenance services, or operational inputs against their tax liabilities on room tariffs.

Interviews with hotel operators revealed that after adjusting for input tax credits, their effective tax burden remained similar to that under the previous tax regime. Consequently, many medium and large hospitality providers did not experience significant cost escalation.

Pilgrims also appreciated the transparency introduced by GST. Instead of encountering multiple hidden charges or unclear service taxes, they now receive bills that display a single GST rate. In the survey conducted for this study, a majority of respondents indicated that pricing had become easier to understand during the GST period.

Some establishments have also adopted GST-inclusive pricing strategies, where the displayed price already includes tax, making it easier for pilgrims to anticipate expenses.

Perception of Price Increases

Despite the advantages of transparency and tax simplification, the research findings also reveal perceptions of rising prices during the early stages of GST implementation. Survey results indicate that approximately 45 percent of domestic pilgrims and 52 percent of international pilgrims believed that accommodation and food costs had increased slightly after GST was introduced. These perceptions were supported by insights from supply-side stakeholders.

Many small vendors and micro-enterprises initially struggled with GST compliance requirements, including registration, digital filing, and accounting procedures. As a result, some vendors transferred part of the compliance cost to consumers through marginal price increases.

For example:

- Budget guesthouses and dharamshalas (pilgrim lodging facilities) that previously operated below taxable limits were eventually required to register for GST due to increased business turnover following the corridor development.
- Once registered, these establishments were required to apply GST on room tariffs, typically around 5 percent for budget accommodations.

- Since many small establishments operate with narrow profit margins, they responded by slightly increasing room prices.

Similarly, some street food vendors who registered under GST had to add tax to their product prices. While the increase was generally small, it contributed to the perception that pilgrimage costs had risen slightly.

In addition, the removal of input tax credit for certain small restaurants under the 5 percent flat GST scheme increased effective operational costs. Many vendors compensated for this by making small adjustments to menu prices.

Impact on Pilgrim Spending Behavior

Despite these minor price increases, most pilgrims reported that the additional cost did not significantly affect their decision to undertake pilgrimage travel. Pilgrimage tourism often has strong emotional, religious, and cultural motivations, which makes demand relatively less sensitive to small price fluctuations.

Several respondents noted that although meals or offerings might be slightly more expensive than in previous years, the increase was modest and did not discourage them from visiting the temple.

This suggests that while taxation policies may influence short-term perceptions of cost, the broader spiritual significance of pilgrimage destinations can sustain demand even when prices rise marginally.

Formalization of the Pilgrimage Tourism Economy

A major objective of GST was to bring informal economic activities into the formal taxation system. The findings of this study indicate that the tax reform has indeed accelerated the formalization of the pilgrimage tourism sector in Varanasi.

Expansion of the Tax Base

Before GST, many small tourism-related enterprises operated outside formal regulatory structures. Transactions were often undocumented, and tax compliance was limited.

The introduction of GST required businesses exceeding the turnover threshold to register and maintain formal financial records. As a result, several previously informal enterprises entered the tax system.

Local tax consultants interviewed in the study observed that even small vendors who traditionally operated without invoices have begun issuing GST bills. This shift represents a broader cultural transformation in business practices within the pilgrimage tourism ecosystem.

Challenges in Compliance

Despite the long-term benefits of formalization, the transition process created several challenges for micro-enterprises.

Key difficulties included:

- Lack of digital literacy
- Limited knowledge of tax filing procedures
- Compliance costs related to accounting and documentation
- Dependence on external tax consultants

Many vendors reported that the online GST portal initially seemed complicated and difficult to navigate. However, over time, government awareness programs and assistance from tax professionals helped businesses gradually adapt to the system.

The experience in Varanasi illustrates that policy reforms must be accompanied by capacity-building initiatives to ensure smooth implementation.



Source: Self-Generated

Tourism Growth and Economic Expansion

Perhaps the most significant finding of this study is the dramatic increase in pilgrimage tourism following the opening of the Kashi Vishwanath Corridor.

Official statistics from the Uttar Pradesh Tourism Department show that tourist arrivals in Varanasi increased dramatically in recent years.

- In 2017, the city received approximately 3.2 million pilgrims.
- In 2021, tourist numbers were limited due to pandemic-related restrictions.
- By 2022, pilgrim arrivals exceeded 7 million.
- By 2024, annual footfall reached nearly 110 million visitors.

This rapid growth reflects the combined effects of infrastructure development, improved connectivity, and national promotion of religious tourism.

Employment Generation and Income Growth

The surge in tourism has had substantial economic benefits for the local community.

Growth in Business Revenues

Survey results indicate that:

- 88 percent of GST-registered businesses reported revenue growth in the years following the corridor development.
- 72 percent of micro-vendors also experienced significant increases in income.

Increased tourist demand has benefited a wide range of stakeholders, including:

- flower sellers
- priests performing rituals
- food vendors
- boat operators
- transport providers
- souvenir shop owners

For example, one flower vendor reported that daily sales had increased from around 200 garlands per day to more than 500.

Job Creation in the Tourism Supply Chain

The expansion of pilgrimage tourism has also generated new employment opportunities. Many businesses have hired additional staff to manage increased customer demand. A street food vendor interviewed

in the study stated that he expanded his workforce from one assistant to three employees in response to higher tourist traffic.

Tourism is a labor-intensive sector, meaning that growth in visitor numbers translates directly into job creation. Employment opportunities extend beyond tourism businesses to include:

- transport services
- handicraft production
- agriculture supplying food products
- local service providers

This multiplier effect spreads economic benefits across multiple sectors of the local economy.

Governance, Tax Revenue, and Economic Integration

Another important outcome of GST implementation is the improvement in tax compliance and revenue generation.

Local officials reported that GST collections in Varanasi district have increased since the opening of the corridor. While it is difficult to quantify the exact contribution of pilgrimage tourism to this increase, the expansion of registered businesses suggests that tourism growth has strengthened the local tax base.

This outcome highlights the role of tax reforms in integrating local economic activities into formal governance systems.

Socio-Cultural Considerations and Sustainability

While the economic benefits of tourism expansion are evident, the growth of pilgrimage tourism also raises important socio-cultural questions.

Some stakeholders expressed concerns about the commercialization of sacred spaces. As religious services become increasingly organized within a formal economic structure, there is a risk that spiritual experiences may be overshadowed by commercial activities. Local priests and community members noted that excessive commercialization could alter the traditional character of pilgrimage practices.

Balancing economic development with cultural preservation therefore remains a key challenge.

Policy Implications

The findings of this study suggest several policy recommendations.

First, GST compliance procedures should be simplified for micro-enterprises operating in pilgrimage destinations. A simplified composition scheme or reduced documentation requirements could help small vendors participate in the formal economy without excessive administrative burden.

Second, training programs should be expanded to improve digital literacy and tax awareness among small entrepreneurs.

Third, policymakers could consider concessional GST rates for essential pilgrimage services, such as budget accommodation or temple canteens, to maintain affordability for low-income pilgrims.

Fourth, a portion of tourism-related tax revenue could be reinvested into heritage conservation and local community development.

Such initiatives would ensure that the economic gains from tourism contribute to the sustainability of pilgrimage destinations.

Infrastructure Development and Policy Synergy

The case of Varanasi demonstrates the importance of combining infrastructure development with policy reform.

The success of the Kashi Vishwanath Corridor cannot be attributed solely to GST or tourism promotion policies. Instead, it reflects the interaction between:

- improved infrastructure
- tourism marketing
- tax reform
- governance improvements

Infrastructure investments attract tourists, while tax reforms create an institutional framework for managing economic activity.

When these elements operate together, they generate stronger economic outcomes than when implemented independently.

Conclusion

Conclusion and Suggestions

The present study examined the interaction between the implementation of the Goods and Services Tax (GST) and the development of pilgrimage tourism in Varanasi, with particular reference to the Kashi Vishwanath Corridor. The findings indicate that the introduction of GST has produced a multifaceted impact on the local tourism economy. Overall, the outcomes appear largely positive, especially when viewed alongside the rapid growth in pilgrimage tourism following major infrastructure development.

One of the major conclusions of the study is that GST has enhanced transparency and standardization in the tourism sector. The new tax regime simplified the taxation structure by replacing multiple indirect taxes with a unified system. This standardization improved price clarity for pilgrims and reduced confusion regarding service charges in accommodation, transport, and food services. While some service providers initially adjusted prices slightly to incorporate GST, the overall impact on pilgrimage affordability remained limited. As the tourism market stabilized and tax rates were rationalized, competitive market conditions helped maintain reasonable prices for visitors.

Another important outcome of GST implementation has been the gradual formalization of local tourism-related businesses. In areas surrounding the Kashi Vishwanath Temple, a large number of small vendors, shopkeepers, and service providers have transitioned from informal operations to registered GST entities. This transition has encouraged better record-keeping, transparent billing practices, and improved compliance with taxation norms. As a result, the local tourism economy has become more organized and integrated into the formal economic system. The formalization process has also contributed to fairer competition among businesses by reducing the advantages previously enjoyed by informal operators who avoided taxes.

The study also highlights the strong relationship between tourism infrastructure development and economic growth. The development of the Kashi Vishwanath Corridor significantly increased the number of pilgrims visiting Varanasi, leading to higher demand for hospitality, transportation, retail trade, and religious services. This surge in tourist inflow generated new employment opportunities and increased income levels for many local residents, including priests, guides, vendors, and transport workers. The expansion of tourism activity has therefore strengthened the city's local economy and reinforced the importance of religious tourism as a driver of regional development.

Despite these positive developments, the study recognizes certain challenges. Many micro and small enterprises initially faced difficulties in adapting to the GST compliance system, particularly in areas such as digital filing, tax documentation, and understanding regulatory requirements. These challenges indicate that while GST promotes formalization, the transition process requires continuous support, training, and policy flexibility for small entrepreneurs who depend heavily on tourism for their livelihoods.

Suggestions

Based on the findings of the study, several policy recommendations can be proposed to strengthen the positive relationship between GST and pilgrimage tourism development. First, policymakers should consider providing special support mechanisms for small tourism-related enterprises. Increasing the GST registration threshold or expanding simplified tax schemes, such as the composition scheme, could help micro businesses comply with taxation requirements without facing excessive administrative burdens. This would ensure that small vendors and service providers remain part of the formal system while protecting their economic sustainability.

Second, the government should periodically review GST rates applicable to tourism services. Maintaining competitive and affordable tax rates is important in pilgrimage destinations where a large number of visitors come from middle-income or lower income backgrounds. Balanced taxation policies will help maintain affordability for pilgrims while ensuring stable revenue generation for the government.

Third, a portion of the tax revenue generated from tourism should be reinvested in local infrastructure and community development. Improvements in sanitation, heritage conservation, public transport, and crowd management around the Kashi Vishwanath Temple area can enhance the overall pilgrimage experience and sustain long-term tourism growth.

Finally, continuous stakeholder engagement and capacity-building programs should be implemented. Training initiatives on digital literacy, GST compliance, and tourism management can help local entrepreneurs adapt to the evolving economic environment. Collaboration between government authorities, temple management institutions, and tourism associations will be essential for creating inclusive and sustainable growth in pilgrimage destinations.

In conclusion, the experience of Varanasi demonstrates that effective tax reform and strategic tourism development can work together to generate broad socio-economic benefits. When supported by appropriate

policies and infrastructure investment, GST can contribute not only to improved governance and transparency but also to the sustainable growth of pilgrimage tourism and local livelihoods.

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