



IMPACT OF GST ON KEY SECTORS OF THE INDIAN ECONOMY

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ABSTRACT

The present research paper is conceptual in nature. As a researcher, I have tried to take a detailed study at this GST concept from the present research paper titled "Impact of GST on key sectors of the Indian Economy". In recent globalised world, Indian Economy is fastest growing economy in the world. With the help of foreign direct investment many outside countries and its businesses interested to establish our business in India. A researcher has focused in this research paper, the concept of GST and its impact of manufacturing sector in Indian Economy. Taxes are known to be a major fund of public revenue receipts when it comes to public taxes. Goods and Service Tax has a share of direct taxes and indirect taxes, but the share of Indirect taxes in the share of public income is more than the share of direct taxes. Hence, as the indirect tax system in the country is more difficult and composite, the Central and State Governments abolished many previous taxes and introduced the GST tax system in the 122nd Amendment to the State Constitution with effect from 1 July 2017. The application of GST will significantly increase the effectiveness and performance of the Indian manufacturing sector. India's manufacturing sector is not only affected by concerns about declining exports and infrastructure costs but also the burden of fulfilling with a complex indirect tax system.

KEYWORDS: GST, One Nation One Tax, Indian Economy, Manufacturing Sector.

INTRODUCTION

Goods and Service Tax has increased the tax collection of the government. India's manufacturing sector is not only concerned about declining export costs and infrastructure but also the burden of complying with a more complex indirect tax system. Many indirect tax laws have led to significant reductions in administrative costs, classification and measurement disputes and often hurt to do business more easily in the sector. The introduction of GST is more important and necessary to develop an already existing sector.

Goods and Service Tax is a tax levied on consumption based tax in respect of purchases of any goods or services. Goods and Service Tax is an Indirect Tax. This is a single tax. In the past, many types of taxes existed in the country such as Central Excise Duty, Luxury Tax, Value Added Tax, Entertainment tax, Additional customs duty, Travel tax, Sales Tax, Service tax etc. All these indirect taxes were removed and GST tax was introduced in its place. The concept of "One Nation One Tax" under GST regime has been implemented in India since July 1, 2017. Tax rates have been fixed at 0%, 5%, 12%, 18% and 28%. First, the state of Assam agreed to the GST in the year 2016, and lastly Jammu and Kashmir agreed to



the GST in the country. The head office of GST is situated in Delhi. Goods and service tax was levied not on production of goods and services but on sale and purchases. Central Government and State Government levied GST on goods and services simultaneously. In the world, the first introduced the GST concept in Canada. But actual first implementation of GST was in France in the world. There are currently 160 countries in the world with the implementation of GST.

OBJECTIVES OF THE RESEARCH STUDY

The objectives of said research study are as follows -

1. To study the concept of Goods and Service Tax and its effects on Indian Economy.
2. To study the manufacturing industry and its effects after the implementation of the Goods and Services Tax.
3. To study the formulating important findings and suggestions on the basis of primary and secondary data.

HYPOTHESIS OF THE RESEARCH STUDY

The following one major hypothesis of said research study -

1. In globalised world, Indian Economy is fastest growing economy in the world with the help of GST and its impact of manufacturing sector.

RESEARCH METHODOLOGY

The said research study is based on primary data have been used of relevant small and medium manufacturing industry. With a view to examining the role and relevance of goods and service tax in manufacturing industry and employability especially study area of Pune district; the researcher has selected 20 small and medium manufacturing industries from the study area of Pune District. The researcher has randomly selected 120 respondents for this research study. The researcher has selected major two sample respondents, business divisional manager and functional managerial staff on such selected manufacturing industry. The researcher has used the Simple Random Sampling Method for the selection of sample in the study area. The collection of data, the researcher has selected a technique of interview for getting primary information. This research study is also based on secondary data collected from the sources like published reports, internet, magazines, journals, daily newspapers etc.

IMPACT OF GST ON MANUFACTURING PRODUCTS

1. **State reasons** - The implementation of GST will also reflect the transition from the manufacturer's state tax system to an effective state tax system. Developed Countries will have a lower financial incentive to issue such permits, as GST will only be used in the where raw materials are used, as opposed to the current situation where the Manufacturer District is regarded as a tax on income from central areas. This can lead to the loss of income of developing countries and therefore those countries may not be able to continue providing those benefits, although there may be other strong reasons



such as labor production, infrastructure development, market establishment, etc. it seems that future benefits are not based on money.

2. **Location-based reasons** - Production units enjoy tax exemptions based on their location in arrears, large investments, and more. There is no clarity under the GST Act regarding the administration of those location-based agreements. As a result of this uncertainty, companies have to make representations to the Government to obtain appropriate compensation for the unused portion of those proposals.
3. **Increased operating costs** - The impact on operating costs may be significant in the manufacturing sector. Under the current tax regime, the transfer of stock is not subject to taxation. However, under the GST regime, stock transfers are considered a provider and are subject to GST. Although the GST paid in this category will be available as credit, the fulfillment of this GST will only take place once the final contribution has been finalized. This may result in restrictions on entry and exit and companies will need to rethink their supply chain management strategies to minimize the impact on their cash flow.
4. **MRP rating** - Currently, the various products pre-packaged for sale are based on the sale of goods not in the original factory price but a certain percentage of the retail price (MRP) printed on the package. The MRP-based rate (which is usually between 30% -35% of the MRP) in most cases, is much higher than the previous industry commercial level leading to higher tax debt than it would otherwise be. This tax increase, in turn, results in higher MRP, leading to higher costs for consumers. Under the GST scheme, GST is paid to the manufacturer by the value of the service and is included in all subsequent vendors up to the final buyer. Similarly, the unnecessary tax burden of the MRP state will no longer apply
5. **Response rate** - Offering under the GST Act includes items that you provide such as stock transfers and branch transfers. However, the GST Act does not provide measurement rules for those assets and therefore further clarification is required.

Suppose, the manufacturer, started production for one product, he had all the necessary things to manufacture the product. Now, the Manufacturer must be having certain people known as wholesalers and further wholesalers will have retailers, so that item reaches the end-users that are known as customers. Accordance with the supply chain of goods and services, Manufacturer, Wholesaler, Retailer and Customer, showing the impact with and without GST of the following suitable example. Following shown, the cost of product reach to the customer on one product item before and after implementing of GST -

Goods and Services distribution channel from Retailer to Consumer

Particulars	Without GST	With GST
Cost of Production	400	400
Add:- Manufacturer Profit Margin	200	200
Manufacturer Price	600	600
Add:- Excise Duty (12%)	72	-
Total	672	600



Add:- VAT @ 12.5%	84	–
Add:- CGST & SGST @ 28%	–	168
Invoice Value	756	768

From the above example researcher it is clear that, on one item, the customer pay extra amount of Rs.12, on applying GST, this is we wish to continue with the current taxation system according to Goods and Services Tax Act, 2017.

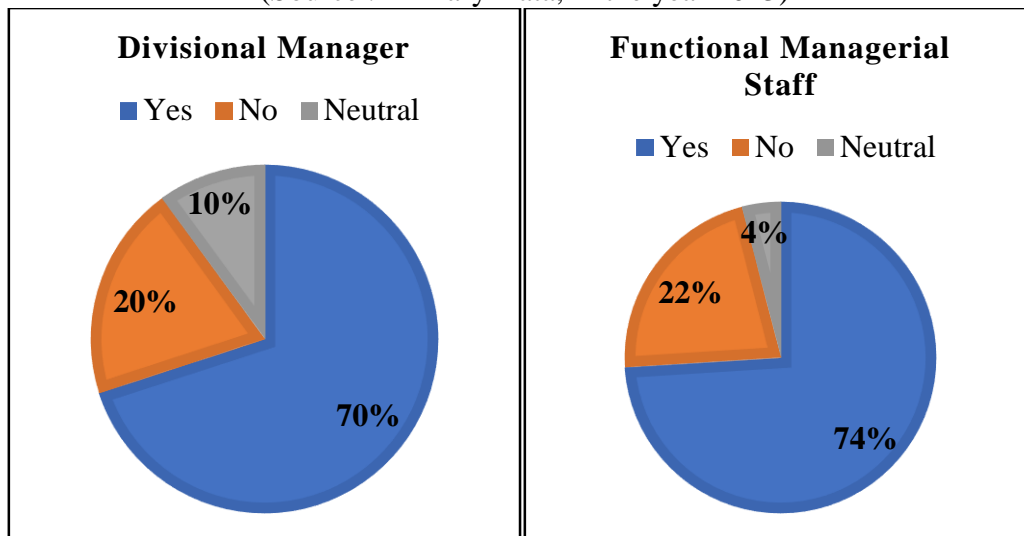
ANALYSIS AND INTERPRETATION OF PRIMARY DATA

The said research study is based on primary data have been used of relevant small and medium manufacturing industry. With a view to examining the role and relevance of goods and service tax in manufacturing industry and employability especially study area of Pune district; the researcher has selected 20 small and medium manufacturing industries from the study area of Pune District. The 120 respondents had given their opinion regarding the involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy, effectiveness of implementation of Goods and Services Tax in Manufacturing Industry in the study area are as follows –

A) Selected respondent’s opinion regarding involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy – Yes/No/Neutral

Sr. No.	Respondent detail	Selected respondent	Yes	No	Neutral
1.	Divisional Manager	20	14	4	2
2.	Functional Managerial Staff	100	74	22	4

(Source : Primary Data, in the year 2023)



From the above explanation, the respondents have selected 120 randomly samples like 20 Business Divisional Manager and 100 Functional Managerial Staff, 70% business divisional manager respondents opinion has given their answer yes regarding involvement



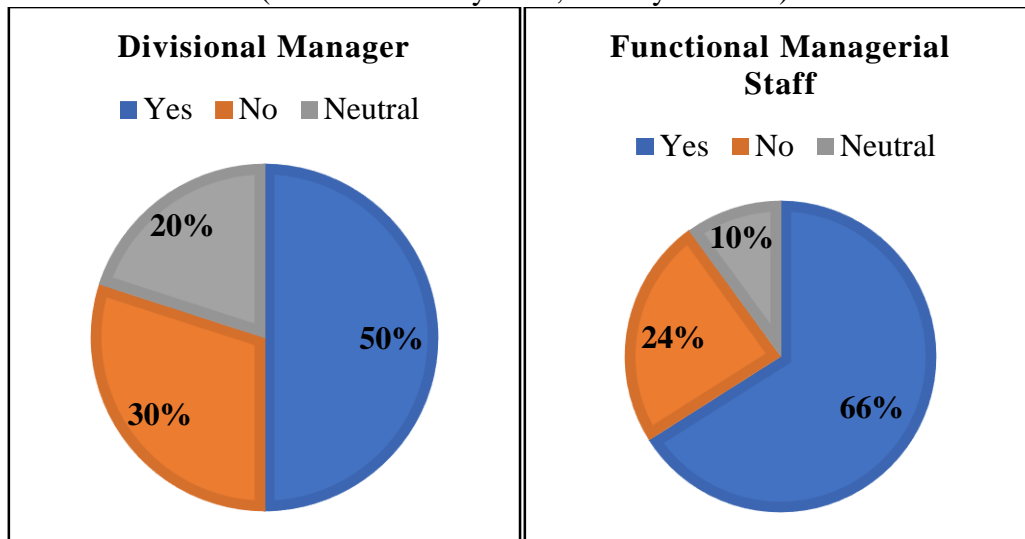
GST in Manufacturing Industries and such effect for improvement of Indian Economy and 30% business divisional manager respondents have no any opinion regarding such question or opinion as neutral.

The based on above interpretation, 74% functional managerial staff respondents opinion has given their answer yes regarding involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy and 26% functional managerial staff respondents have no any opinion regarding such question or opinion as neutral.

B) Selected respondent’s opinion regarding effectiveness of implementation of Goods and Services Tax in Manufacturing Industry in the study area – Yes/No/Neutral

Sr. No.	Respondent detail	Selected respondent	Yes	No	Neutral
1.	Divisional Manager	20	10	6	4
2.	Functional Managerial Staff	100	66	24	10

(Source : Primary Data, in the year 2023)



In the above analysis conclude that, 50% business divisional manager respondent’s opinion has given their answer yes regarding effectiveness of implementation of Goods and Services Tax in Manufacturing Industry in the study area and 50% business divisional manager respondents have no any opinion regarding such question or opinion as neutral.

The based on above interpretation, 66% functional managerial staff respondents opinion has given their answer yes regarding effectiveness of implementation of Goods and Services Tax in Manufacturing Industry in the study area and 34% functional managerial staff respondents have no any opinion regarding such question or opinion as neutral.



MAJOR FINDINGS

From the above analysis and interpretation of primary data, the researcher has noticed the following major findings -

1. In the above analysis, the researcher found that, 70% business divisional manager respondent's opinion and 50% functional managerial staff respondent's opinion has given their answer yes regarding involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy.
2. From the above interpretation, 74% business divisional manager respondent's opinion and 66% functional managerial staff respondent's opinion has given their answer yes regarding effectiveness of implementation of Goods and Services Tax in Manufacturing Industry in the study area.

SUGGESTIONS FOR IMPROVEMENT UNDER GST

1. Government should have provided much more information related to the awareness of GST regime and tax structure in manufacturing products are grown in globalised world.
2. In case IGST is paid instead of CGST and SGST, and vice-versa, the recourse available is only refund. Assesses should be allowed to self-adjust in such cases.
3. Single cash ledger concept should be used instead multiple cash ledgers i.e. separate cash ledger for CGST, SGST, IGST, interest, penalty etc. Further it is suggested to allow partial / period payment of offset of tax so that an assessee can bear interest only on the short payment.
4. Composition scheme should also be provided to small scale service providers.
5. To promote sales, free sample distribution is required to be made by the business entities. Restriction is imposed on input tax credit relating to free samples under GST Act, 2017.
6. One Nation One Tax must be implemented for improvement under GST.
7. Reduction in Number of Tax Slabs Rates, In short, there is a need for a simplified tax structure of only three tax slabs. Either we need to merge 12% & 18% or 5% & 12% slabs into one.

CONCLUSION

In this research paper, the researcher has focused that to study the concept of GST and its effects on Indian Economy. Also researcher has studied the manufacturing industry and its effects the implementation of the GST. From the above research paper, it can be seen that since 2017, when did goods and services tax come into force in the manufacturing sector of India, it has benefited the entrepreneur economically and financially. The manufacturing sector stands to benefit significantly from the introduction of GST. The overall reduction of the falling effect of taxes, especially on the post-manufacture stage of the supply chain should have a positive effect on the cost of manufactured products in the hands of consumers. The researcher has formulated some important conclusions and suggestions on the basis of primary and secondary data.



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