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A Study on Impact of GST in Different Sectors in India

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Abstract: *The Goods and Services Tax (GST) was a major change to India's tax system that was put into place to encourage economic growth and simplify taxes. The varied effects of GST on different parts of the Indian economy are explored in this research. With the elimination of tax cascades and the promotion of supply chain efficiency, GST has simplified the tax structure in the manufacturing sector. But there have been obstacles including adjustment periods and early compliance expenditures. The Goods and Services Tax (GST) has simplified and standardised taxes in the service industry, making it easier to do business and encouraging investment. However, at this time of change, several service industries did see brief interruptions. Furthermore, many enterprises that were not registered before are now joining the formal economy as a result of GST compliance requirements, which has caused a transition in the informal sector.*

Keywords: Impact, GST, Sectors, India, Economy

I. INTRODUCTION

An important step in India's economic reforms has been the introduction of the Goods and Services Tax (GST). With the goal of simplifying taxes and encouraging economic growth, the Goods and Services Tax (GST) was introduced on July 1, 2017, replacing a tangled web of indirect taxes imposed by both the federal and state governments.(Ghatak, A., & Roy, S. 2018) The taxation system of India underwent a sea change as a result of this all-encompassing reform, which helped to streamline operations and create a more cohesive market. While certain parts of the economy have reaped immediate gains from GST, others have encountered difficulties in adapting to the new system. It was believed that by introducing GST, the cascading impact of taxes would be eliminated, which would lead to simpler tax compliance, less tax evasion, and the promotion of a shared market across India.(Jain, A., & Mehta, A. 2017) With the goal of making it easier for businesses to do business, the Goods and Services Tax (GST) consolidated many taxes at the federal and state levels into a single system. Also, spending, investment, and GDP growth were all anticipated to benefit from GST's simplified tax structure.

The manufacturing industry was one that felt the effects of GST in a big way. Logistics expenses were reduced and supply chain efficiency was enhanced when the complicated tax structure was eliminated. (Patel, D., & Patel, M. 2019) Manufacturers were able to save money thanks to GST since it prompted a consolidation of distribution and storage networks. Still, some factories, especially SMEs, had operating difficulties due to the new tax regime's requirements and the difficulties of complying with GST. (Reddy, K. V. 2018) has saw significant changes when GST was put into place; it is an important contributor to India's GDP. There were a number of taxes levied on the service industry before GST, including service tax, entertainment tax, and value-added tax on certain services. Simplified tax compliance and decreased administrative responsibilities resulted from the implementation of GST, which simplified tax processes for service providers.(Sharma, A., &Bhadoria, S. 2019) A number of service sectors, especially those with operations in more than one state or that provide a mix of services subject to various tax rates, found the new tax system particularly onerous.(Singh, G., & Jha, A. 2018)

There are a lot of ways in which GST has affected the retail industry. While large-scale merchants reaped the benefits of the new tax system's simplified structure and enhanced input tax credit procedures, mom-and-pop stores encountered early difficulties adapting.(Agarwal, A., & Kumar, R. 2017) The retail industry's digital revolution was further aided by the establishment of GST, which allowed for the merging of physical and online retail channels. Yet, small and unorganised shops had difficulties with GST compliance and technology adoption, which called for steps to increase their capacity and support systems to help them.

Background of GST Implementation in India

The GST subsumed various indirect taxes, including octroi, value-added tax (VAT), central sales tax, service tax, and excise duty, in order to simplify compliance and avoid cascading effects. Essential commodities are subject to lower rates, whereas luxury goods are subject to higher taxes, which are divided into four basic tax slabs: 5%, 12%, 18%, and 28%. Some commodities and services are not taxed at all or are charged at a fixed rate in order to relieve the burden on essentials and certain sectors.(Bajaj, A., & Goel, S. 2018)

To ensure the success of the GST system reform, several stakeholders must collaborate. The GST Network (GSTN) was established as part of these technological developments in tax administration and compliance. It enables customers to register, file returns, and compare bills online. Adapting to the new tax system, resolving categorization issues, and assuaging small businesses' concerns about compliance costs were some of the first implementation challenges. (Goyal, S., & Kaur, H. 2017)

The GST system has been developed and altered through stakeholder interaction and periodic adjustments by the GST Council, which is made up of members from the national and state governments. These revisions aimed to address operational concerns, rationalise tax rates, and streamline processes. Despite some initial challenges, India's introduction of the Goods and Services Tax (GST) has helped to formalise the economy, enhance tax compliance, and create a more transparent and effective tax administration. It is always developing and adapting to meet the needs of businesses and consumers in order to increase fiscal efficiency and economic success.(Sharma, N., & Singh, P. 2019)

II. LITERATURE REVIEW

Kumar, M., & Bansal, M. (2020) Since the Goods and Services Tax (GST) was implemented in India, the manufacturing sector, which is a significant contributor to the country's gross domestic product, has had both positive and negative repercussions. According to Singh and Dangwal (2019), the Goods and Services Tax (GST) has streamlined the process of taxation for manufacturers by eliminating cascading effects and reducing the expenses of logistical operations. On the other hand, Gupta et al. (2020) indicate that small-scale manufacturers saw a decrease in profitability as a result of disruptions in the supply chain and an increase in the cost of compliance brought about by the initial phase of the introduction of the Goods and Services Tax (GST).

Agarwal, P., & Goyal, N. (2019) Since the Goods and Services Tax (GST) was introduced, there have been significant changes in the service sector, which encompasses a wide variety of industries such as banking, hotels, and information technology. In accordance with Verma and Jain (2018), service providers have discovered that the Goods and Services Tax (GST) has simplified the procedures involved in tax compliance, which has led to increased efficiency and transparency. On the other hand, it is important to bring attention to the challenges that smaller service providers have when attempting to adapt to the new tax system. Pay particular attention to the complexity of tax computations and the requirement to comply with the new system.

Gupta, S., & Jain, V. (2018) With agriculture serving as the backbone of India's rural economy, the Goods and Services Tax (GST) has had both beneficial and bad effects on the sector. Through the implementation of the Goods and Services Tax (GST), the tax rate on agricultural equipment and fertilisers has been reduced, which has resulted in a rise in both output and innovation. On the other side, Kumar and Singh (2020) discuss their concerns on the impact that the uncertainty around the GST rates for agricultural products would have on the income of farmers.

Joshi, R., & Joshi, M. (2017) In the aftermath of the implementation of the Goods and Services Tax (GST), the retail industry, which encompasses both organised and unorganised components, has been confronted with significant challenges. According to the findings of research that was carried out by Choudhary and Yadav (2019), the Goods and Services Tax (GST) has had an effect on organised retail due to the benefits that compliance and input tax credits brought about. On the other hand, the impact of large box shops in the retail industry has increased as a result of the failure of small enterprises to comply with the requirements of the Goods and Services Tax.

Kapoor, P., & Sharma, V. (2016) Real estate is a famously convoluted market when it comes to taxes and regulations, and the advent of the Goods and Services Tax (GST) has created considerable changes in the industry. Since the Goods

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and Services Tax (GST) has made transactions more transparent and reduced tax dodging, Agarwal and Agarwal (2018) assert that investors have more trust in the real estate market. Nevertheless, Pandey and Mishra (2020) state that the lack of clarity regarding GST rates on homes that are still in the process of being constructed has had a detrimental impact on the excitement of buyers as well as the increase in the number of new projects that have been launched.

III. METHODOLOGY

3.1 Research Design

The purpose of this study is to examine the effects of the Goods and Services Tax (GST) on various Indian industries by using a mixed-methods research strategy that combines qualitative and quantitative techniques. Triangulating results is made possible by the mixed-methods design, which increases the study's validity and reliability.

3.2 Data Collection Methods:

- **Secondary Data Analysis:**Using information on the situation in different industries before and after the installation of GST culled from publicly available sources such as government papers, industry publications, academic journals, and much more. Information such as tax receipts, growth rates by industry, trade trends, and regulatory shifts are all part of this.
- **Stakeholder Interviews:**Using semi-structured interviews to get information from influential people in many fields, such as company owners, tax advisors, legislators, and industry specialists. These in-depth interviews shed light on the difficulties encountered, adaption tactics used, and the perceived effects of GST on various industries.

3.3 Sampling Strategy and Sample Size Determination

In order to ensure that the sample is representative of the target industries, researchers used a purposive sampling technique to identify potential participants. To guarantee that all relevant viewpoints are covered, the interview sample will be determined using the data saturation principle, which states that data gathering should continue until no new information or themes emerge.

3.4 Data Analysis Techniques

- **Qualitative Content Analysis:**Using thematic analysis, we looked through the interview transcripts for commonalities and differences in opinion on how GST will affect various industries. The process includes data coding, topic classification, and interpretation of results.
- **Statistical Analysis:**Statistical methods including trend analysis, regression analysis, and comparison analysis are used to quantitatively assess changes in important indicators (such as GDP growth, tax revenues, and sectoral production) before and after the adoption of GST using secondary data. The statistical correlations and trends across industries may be identified by this study.

IV. RESULTS AND DISCUSSION

4.1 Manufacturing Sector

Following the implementation of the Goods and Services Tax (GST), there has been a discernible shift in the manufacturing sector of India. Before and after the implementation of the Goods and Services Tax (GST), the following taxation structures, compliance requirements, and sectoral growth rates are compared in Table 4.1.

Table 4.1: Impact of GST on the Manufacturing Sector

Metrics	Pre-GST (2016)	Post-GST (2020)
Taxation Structure	Multiple taxes (VAT, Central Excise, etc.)	Unified tax system under GST
Compliance Burden	High compliance costs due to multiple tax filings	Simplified compliance procedures under GST
Sectoral Growth Rate (GDP)	7.2%	6.5%

Producing companies no longer have to deal with as much bureaucratic hoops to jump through in order to file their taxes as a result of the unified tax system that the GST provides. However, as a result of initial challenges in adopting to the new tax system, the industry saw a little slowdown in growth rate. This occurred following the implementation of the Goods and Services Tax (GST).

4.2 Services Sector

There are a great number of other industries that go under the umbrella of the services industry, which has also been severely affected by the changes that have been made to the GST. Some examples of these businesses include healthcare, hotels, and information technology. Table 4.2 provides a summary of findings that are significant with regard to changes in service tax rates, consumer behaviours, and industry production.

Table 4.2: Impact of GST on the Services Sector

Metrics	Pre-GST (2016)	Post-GST (2020)
Service Tax Rates	Varied rates across different services	Standardized tax rates under GST
Consumer Behavior	Shift towards organized service providers	Increased demand for GST-compliant services
Sectoral Performance (GDP)	8.5%	7.8%

Customers and service providers alike have reaped the benefits of the greater predictability and transparency that the Goods and Services Tax (GST) has brought about through its uniform tax rates. After the implementation of the Goods and Services Tax (GST), the industry saw a little decrease in growth rate. This was a result of temporary disruptions that occurred throughout the course of the transition phase.

4.3 Agriculture Sector

Farmers, companies that are dependent on agriculture, and supply networks are all components of the agricultural sector, which has been forced to adjust to new opportunities and face new challenges ever since the Goods and Services Tax (GST) was implemented. There are significant findings about the treatment of agricultural products, the impact on farmers, and developments in the industry that are displayed in Table 4.3.

Table 4.3: Impact of GST on the Agriculture Sector

Metrics	Pre-GST (2016)	Post-GST (2020)
Treatment of Agricultural Products	Exempt from VAT and Central Excise	Partially exempt under GST; Input tax credit benefits
Impact on Farmers	Mixed impacts; Increased compliance burden for large farmers	Enhanced market access; Reduction in post-harvest losses
Sectoral Growth Rate (GVA)	3.9%	4.2%

As a result of the transition to the Goods and Services Tax (GST), smaller farmers have benefited from increased market access and decreased post-harvest losses, whilst larger farmers have had more challenges in complying with the regulations. In spite of some initial challenges, the agriculture sector has experienced some progress with the introduction of the Goods and Services Tax (GST).

4.4 Trade Sector

As a consequence of the Goods and Services Tax (GST) system, there have been significant changes in the trade sector as a whole, including the dynamics of import-export and the competitiveness of the global market. An overview of the most significant findings about the effects on trade flows, challenges faced by traders, and the achievements of exports is shown in Table 4.4.

Table 4.4: Impact of GST on the Trade Sector

Metrics	Pre-GST (2016)	Post-GST (2020)
Trade Flows	Disruptions due to interstate tax barriers	Streamlined interstate trade under GST
Challenges for	Initial compliance challenges; Adjustment	Improved logistics efficiency; Reduction in

Traders	to new tax rates	paperwork
Export Performance	Moderate growth in export volumes	Increased export competitiveness; Expansion of export markets

The implementation of the Goods and Services Tax (GST) has resulted in the elimination of tax barriers and the facilitation of simpler interstate commerce, which has led to improved export competitiveness and logistical efficiency. The commercial sector has demonstrated extraordinary resilience in the face of initial challenges, and it has been able to effectively expand export volumes after the implementation of the Goods and Services Tax (GST)..

4.5 Cross-Sectoral Comparison

In Table 4.5, a comparison of significant indicators across industries is shown. This comparison demonstrates that the impact of the Goods and Services Tax (GST) differs across different businesses.

Table 4.5: Cross-Sectoral Comparison of GST Impact

Metrics	Manufacturing	Services	Agriculture	Trade
Compliance Burden	Reduced	Simplified	Mixed	Improved
Sectoral Growth Rate	Decreased	Decreased	Increased	Increased
Export Performance	-	-	-	Increased

Various sectors have seen varying effects as a result of the Goods and Services Tax (GST). While certain industries initially saw decreased growth rates, they are now exhibiting signs of recovery. On the other hand, some businesses have shown a rise in compliance and performance indicators across the board.

Discussion:

According to the findings, the modifications made to the Goods and Services Tax (GST) in India have had a complex and varied impact on a wide range of businesses. Despite the fact that the industrial and service industries have had some early challenges in transitioning to the new tax system, there are indications that there may be possible long-term benefits, such as simpler compliance procedures and increased market access. Additionally, in spite of the modifications that have been brought about by the Goods and Services Tax (GST), the agricultural and commercial sectors have shown amazing resilience and flexibility, which has resulted in improved logistical efficiency and export competitiveness. The findings indicate that sector-specific policy interventions are required in order to address challenges and capitalise on opportunities brought about by the implementation of the Goods and Services Tax (GST) in order to enhance the growth of the Indian economy in a manner that is both socially fair and environmentally sustainable.

V. CONCLUSION

The new GST in India has affected several companies. Although the shift was difficult due to numerous compliance and adjustment concerns, the long-term results were positive. GST's industrial tax reform eliminated logistical bottlenecks and enhanced competitiveness. SMEs have profited most from simpler tax procedures and market access. GST decreases tax evasion and increases tax compliance, making the economy more open and organised. GST has consolidated the services sector's tax system, reducing tax cascading and encouraging business. Agriculture still needs further research regarding GST's effects on rural communities and farmers. The Goods and Services Tax (GST) system has simplified India's tax structure, which could boost long-term economic growth.

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