

## AN ANALYSIS OF THE INFLUENCE OF GOODS AND SERVICES TAX ON THE MANUFACTURING INDUSTRY: A THOROUGH EVALUATION

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### Abstract

*Goods and Service Tax is dynamic and legitimate step taken in the Indian tax reforms structure which has helped every industry and every business and service sector, as well this is also helped the government departments and the other sectors including the intermediate, exporters and importers. Everyone whether person is consumer or professional or basic normal shopkeeper also impacted by the goods and service tax. GST has provided a roundabout taxation assessment system in India and providing the assessment Framework which is easy and comfortable. It proposed various favourable circumstances of expenses adjustments and help in decreasing the fake charges and provided simplicity in working of State Government and Central Government together. This is how it will work and it turns to be a very perfect system of indirect taxation even for the manufacturing sector. The manufacturing sector in India contributes around 16% of total GDP. There exists a possibility to make a very high development in this manufacturing sector, considered one of the highest GDP sectors. The make in India program of hon'ble Prime Minister Mr. Narendra Modi has make it a very genuine effort by offering GST as the driving force. A report of PWC has suggested that in India the GST will help to make it the 5th biggest manufacturing country soon among the world countries. Goods and Service Tax is undoubtedly approaches for providing changes that create the foundation for manufacturing sector. The study has been directed with intention to finding out those factors which could have an impact on Goods and Service Tax on the financial performance of the manufacturing sector. In the current scenario and today's business world price of any product is vital and protuberant factor for the success of any business.*

**Keywords:** *Manufacturing, Professional, Importers, Economy, International, Taxation, Service.*

### Introduction

Major two benefits which has been provided in Goods and Service Tax mechanism the one is cascading effect was removed which was already removed in CENVAT and VAT system of taxation and the second is the credit of taxes paid at the time of purchase of goods and services by a customer who is not actually A final consumer. This is called input credit and in this mechanism the purchaser if purchase good for the further sale or for the processing will get the credit of tax paid by him on the raw material or good purchased by him. However, the final consumer needs to pay the tax on goods purchase these objectives or purposes for which the goods and service tax was introduced and by this the goods and service tax became a very simplified and integrated mechanism of taxation for the country as a whole. Since the GST was at the Central level and integrating the all taxes imposed by Central Government as well as the state governments hence it was very important and necessary to give freedom to state governments to put indirect tax on certain services on which they were providing or levying the tax before GST or otherwise Central government has to obtain permission of States

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before putting or including those services into the Ambit of GST. That is why only the services which were taxable by the central government before GST has been included in the GST and the services which was taxable by the state government before GST has been left to be taxed by the state government. The Manufacturing Sector is expected to have the highest benefit of the introduction of the Goods and Service Tax, because presently the manufacturing sector is subject to various taxes on different stages of production which makes it complicated, and difficult, as well as the cost also increases substantially.

### **Objective of Study**

It is highly probable that economic situation of India will take boost and various benefits with introduction of Goods and Service Tax in both the market that is organised or unorganised. It is absolutely a New Taxation Reform of indirect taxes which is greatly impacting every kind of business including manufacturing. There are various unexplored opportunities which need to be explored in context of Goods and Service Tax. Various Industries could have a positive side and impact of implementation of GST. Manufacturing sector got vital position and important role in Indian economy. That is why this proposed research work will be a landmark in showing the impact of Goods and Service Tax on financial performance of manufacturing sector undertakings in India. Financial Performance of any industry is one of the criteria that judges the effectiveness of Goods and Service Tax in Indian manufacturing sector. The research will definitely help the possible solutions as well as benefits of introduction of "Goods and Service Tax" in Indian context and this will also prove that GST not introduced only for compliance with formalities. The research is also providing various suggestions and ways forward to policy makers for developing and improving scratch of GST in manufacturing sector.

### **Review of Literature**

**Abhishek A. Rastogi & Aditya Kumar (2009):** in their study on GST a new phase in of taxes regime in India they studied the character of "goods and service tax" their study was also including the features of GST law in India the covered the very key impact of goods and service tax on few factors of economy of India they also deliberated the various provisions of other countries GST such as GST of UK and their alignment with Indian goods and service tax valued the GST of Canada which is almost equivalent to GST in Indian scenario the reason being the same political structure the study also talk about preparedness of the Government of India from the technology and infra- structural part for implementation of GST.

**Bagchi Amresh (2005):** In accordance with the research conducted by him it is not found appropriate to impose a single or uniform taxation system. The reason behind it that it is against the principal of independence of States. Perhaps he is the only researcher who has given his views against the introduction of goods and service tax. He said that by introducing GST, strength of the states will not improve rather it will hurt their freedom Foundation and in no case the freedom and federalism of country should be hurt. However, he is supporting the uniform rate of taxation for all the businesses.

**Chaturvedi & Asokan (2005)** Their book contains the total history of history of state sales tax laws and the wet system of taxation and comparison of state sales taxes and wet system of taxation with goods and service tax in India they also covered the procedural aspects which need to be complied in goods system of taxation such as self-assessment and filing of the return.

**Deepak kumar Adhana (2015)** The word GST denotes the things and Enterprises tax. It was introduced with the intention to removing mischievous evaluation or assessment on collection and use of those taxes along with their Association with other national level taxation authorities. It will help in overriding each kind of taxation system on confident things and services imposed by the government, whether state or central government.

**G. Raghuram (2015)** The research is not of beam towards detailing out the goods and service tax and introducing the points of different views of various importance. The goods and service tax is an inclusion of all the indirect taxes and a single evaluation and assessment system has been Incorporated in this is somewhere kind of benefit to the final consumer that he did not fall into the juggling of different taxes existing in the country.

**Sacchidananda M & R. Kavita Rao (2014)** In their working paper named exploring policy options has included in their study showing that Petroleum, Fuel and Electricity added to the regime of good and service tax in India. They mention in the study that crude oil, fuels and other petroleum products including electricity added to in "GST" otherwise their exclusion will cause of cascading effect over the entire country and all the sectors.

**Mahima Tiwari (2016)** indirect taxation among countries have added as taxation structure which is the very basic needful film of Fiscal requirements so that expenditures of government can be meeting out. The present revenue structure of India; broadly classified in two different parts which is the direct taxation and in direct taxation. After various changes two or three reformatory measures have been adopted to make indirect taxation structure reasonable and adoptable in the country.

#### **Rational of Study**

In the Indian business scenario, the manufacturing sector place a very important role. In every country the government provides some kind of financial aid to the manufacturing sector because of its prominent role in growth of a nation. The Goods and Service industry is customer oriented. Hence it is duty of indirect taxation mechanism that financial an authority to understand the customers wants. The Indian Goods and Service industries presently undergoing various changes gradually. They are coming out from its conservatism approach and the demand of 21st century. It is accepting the existing research has been getting it out various dimensions of Goods and Service Tax on manufacturing sector. It will definitely unable to explore the strength of Manufacturing Sector with the development of good relationship with customers resulting in growth of business and better profitability. That is how it's also been set out that how Indian Economy will integrate with the whole global economy where goods and services are operating in the similar manner as in the existing world. As changing scenario is coming up because of impact of globalisation and privatization in the present taxation system and with the increased use of GDP in the manufacturing sector, this study mainly focusing on various aspects of Goods and Service Tax in manufacturing sector and finding out how far it is profitable for manufacturing sector.

#### **Hypothesis for Study**

**H<sub>0</sub>1: Null Hypothesis:** No Distinction: Activity position before and after GST

**H<sub>0</sub>2: Null Hypothesis:** No Distinction: Profitability position before and after GST.

**H<sub>0</sub>3: Null Hypothesis:** There is difference in Liquidity position before and after GST.

#### **Research Methodology**

The research methodology is a way to find out answer of the research problems. Similarly, research methodology is a view of studying the research problem and finalizing solution scientifically and systematically. In the process of determining the answers to research questions, statistical methods are used.

### Source of Data

Primary data collection for this study was accomplished via the use of questionnaires. The questionnaire has been used primarily for the data collection through a self-administered close ended questionnaire. The secondary has been collected through reports published by government departments or public sector organisations, annual reports of Companies, websites, journals, magazines, newspapers and others.

### Sampling Technique

The sampling Technique used in the research is descriptive in nature and probability sampling as it helps in selecting the sample in an unbiased manner.

### Sampling Design

For the aim of our research, we have selected a sample consisting of a variety of manufacturing enterprises from a variety of different industries. These are Coal India (From Coal Sector), Mahindra & Mahindra, Maruti Suzuki, (Both from Automobile Sector) Power Grid Corporation (from Power Sector) and Tata Steel (From Steel Sector).

### Results and Analysis

This study belongs majorly to check and analyse those factors and information which is still in transitional phase. Hence no technical analysis is required. That is why in this study MS Excel has been used prominently. To study, information relevant and connected to industry was collected, which is normally used to calculate for the probable impact of GST on manufacturing industry has been collected. The effect of GST is evaluated using statistical methods such as Arithmetic Mean, ANOVA, Post Hoc multiple comparison, and Standard Deviation.

#### Multiple Comparisons

Company (I)	Company (J)	Mean Difference	Std. Error	Sig.	Result
		(I - J)			H0
Coal India	Mahindra & Mahindra	- 4144645.45631	3910111.4172	0.298	Accepted
	Power Grid	- 31353356.37276	3910111.4172	<b>0.001</b>	<b>Rejected</b>
	Tata Steel	2815499.768	3910111.4172	0.246	Accepted
Mahindra & Mahindra	Coal India	-13873561.7635*	3910111.4172	<b>0.001</b>	<b>Rejected</b>
	Power Grid	-41860157.59787*	3910111.4172	<b>0.000</b>	<b>Rejected</b>
	Tata Steel	-5921518.654	3910111.4172	0.067	Accepted
Power Grid	Coal India	-26081491.65896*	3910111.4172	<b>0.002</b>	<b>Rejected</b>
	Tata Steel	6812312.1	3910111.4172	0.077	Accepted
Tata Steel	Coal India	23058727.65137*	3910111.4172	<b>0.001</b>	<b>Rejected</b>

Sources: Calculated by Researchers using Statistical Methods

### Interpretation

To determine if there is a statistically significant difference between the effects of GST on each of the chosen enterprises, the results of Post Hoc multiple comparisons were defined in the table above at a significance level of 5%. With respect to the nine comparisons conducted from all, in 4 cases null hypothesis has been accepted and in remaining it is rejected. Hence, research found that chosen companies are having an impact of GST on their overall profitability performance during the period of study. The results indicate that there is a discernible disparity in Profitability and liquidity position before and after GST.

## Conclusion

In the manufacturing sector the GST has been found to be good from compliances point of view. When VAT system of taxation was existing, there was different compliance structure in different states which has been now replaced with a single system of compliances in all the states. As we discussed earlier that multiple taxes have been included to single tax which is GST, including all taxes namely, "entry tax", "service tax", "excise duty", etc. Impact of GST on manufacturing sector has been considered positive in overall manner because in some of the cases the tax liability has reduced and customers are getting benefit of it. Before GST there was various Taxes including motor vehicle tax, registration duty, sector tax, etc. were imposed. The all have been merged into one tax. Reduced GST on the automobile sector in the manufacturing business has reduced transportation expenses, lowering final product prices. The purchase price of vehicle is also reduced resulting into lower depreciation and lower interest on loan taken to purchase the vehicle. This all will get benefit into the final price. In nutshell the overall impact of goods and service tax on manufacturing division is positive. GST has also enhanced the manufacturing growth of manufacturing industry with the least compliances and easy method. The Indian government is still planning to make Goods and Service Tax better and to use it as a tool for increasing the revenue collection. After the implementation of Good and Service Tax the face of Indian manufacturing division has changed and the continuous efforts of the government with the better acute method of text Calculation and collection will definitely improve the face of economy. The findings of the study are showing that people still need a lot of awareness about the benefits of Goods and Service Tax. This may be due to the lack of knowledge about GST. For this reason, the government should conduct various educational programs to increase the knowledge of GST among the general public. The government shall also put efforts in delivering the information about GST to educate the people, so they can make a positive image of goods and service tax in their mind.

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