

## GST - KEY SECTOR OF THE INDIAN ECONOMY

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### ABSTRACT

The Indian economy is the one that is growing the fastest in the modern, globalised world. Many foreign nations and their firms are interested in establishing our business in India with the aid of foreign direct investment. This research paper focuses on the GST concept and how it would affect the manufacturing sector of the Indian economy. When it comes to public taxes, taxes are known to be a significant source of governmental revenue. Direct taxes and indirect taxes are both included in the goods and services tax, but the indirect tax portion of public income is greater than the direct tax portion. As a result, the Central and State Governments eliminated several prior taxes and implemented the GST tax system in the 122nd Amendment to the State Constitution with effect from 1 July 2017. This was done since the country's indirect tax structure is increasingly complex and multifaceted. In the current research paper, "GST and its Impact on Key Sectors of the Indian Economy," I have attempted to take a close look at this GST notion. The GST will be implemented, which will greatly improve the efficiency and performance of the Indian industrial sector. Not just the manufacturing sector in India is impacted by worries. The manufacturing industry is crucial to the growth of a sustainable economy in a developing nation like India. because it improves people's social, cultural, and economic lives and gives a lot of people jobs.

**Keywords:** GST, Indian Economy, Manufacturing Sector, Sustainable Economy, Employment etc.

### INTRODUCTION

A consumption-based tax known as the "Goods and Service Tax" is forced on purchases of any goods or services. An indirect tax is the goods and services tax. It just has one tax. Various taxes, including Central Excise Duty, Luxury Tax, VAT, Entertainment Tax, Additional Customs Duty, Travel Tax, Sales Tax, Service Tax, etc. were in place in the past. These indirect taxes were all eliminated, and the GST tax was put in their place. India has adopted the "One Nation, One Tax" principle under the GST regime as of July 1, 2017. The country's GST was first approved by the state of Assam in 2016 before Jammu and Kashmir followed suit. Delhi serves as the location of GST's headquarters. The sale and purchase of products and services were subject to the GST rather than their creation. GST was imposed on both goods and services concurrently to central government and state governments. Canada was the country that originally popularised the GST idea worldwide. But the actual world's first GST installation had place in France. There are 160 nations in the world at the moment.

### OBJECTIVES OF THE RESEARCH STUDY

1. To study the conceptual background of GST and its effects on Indian Economy.

2. To study the manufacturing industry & its effects after the implementation of the Goods and Services Tax.
3. To study the formulating important conclusions and findings on the basis of primary and secondary data.

### RESEARCH METHODOLOGY

This research study is created on primary data have been used of relevant small and medium manufacturing industry. With a view to examining the role and relevance of GST in manufacturing industry and employability especially study area of Pune district; the researcher has selected 05 small and medium manufacturing industries from the study area of Pune District.

The researcher has randomly selected 55 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 sampling based on Simple Random Method 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 grounded on secondary data composed from the sources like available reports, internets, publications, papers, daily newspapers etc.

### RELEVANCE OF STUDY

GST has simplified the nation's tax collection process. Through the manufacturing sector, GST has raised tax revenue for the federal government and state governments. Therefore, GST has already made a number of difficult steps toward achieving the development of the Indian economy through manufacturing industries. The study's conclusions allow us to recommend a future plan of action for further development of the manufacturing sector in order to further the goal of improving goods and services in the studied area.

### GST ON MANUFACTURING PRODUCTS

- 1. Location-based reasons** - Production units benefit from tax advantages for big investments, location in arrears, and more. Regarding the administration of the location-based arrangements, the GST Act is unclear. Due to this uncertainty, businesses must make their case to the government in order to get fair remuneration for the parts of those ideas that aren't used.
- 2. State reasons** - The current scenario where the Manufacturer District is seen as a tax on income from core areas, developed countries will have less financial incentive to provide such licences. Developing nations may not be able to continue offering these benefits as a result of this, even though there may be other compelling factors such as labour output, infrastructure development, market establishment, etc. It appears that future rewards are not contingent on financial resources.
- 3. Discounts** - According to the GST Act, postal discounts must be subtracted from the transaction price if they are recognised during or before the delivery time and are included with the invoices for that delivery. When the discount rate is uncertain at the supply level, businesses may need to examine discounts and incentive programmes. For instance, volume discounts, second market promotion programmes, etc.
- 4. MRP rating** - Currently, the prices of the various products that are pre-packaged for sale are based on a portion of the retail price (MRP) printed on the packaging rather than the original factory price of the goods. The higher MRP that emerges from this tax increase raises consumer expenses. In accordance with the GST system, the manufacturer is charged GST based on the value of the service, and all subsequent vendors up to the final consumer are also charged GST. Similar to this, the MRP state's excessive taxation will no longer be necessary.
- 5. Free goods** - The existing indirect tax structure exempts the free supply of products from VAT. Certain transactions without consideration are to be treated as assets, according to the GST Act. Ideally, GST would apply to free samples, raising the overall cost.

Let's say the manufacturer began production of one product and had everything he needed to make it. In order for the thing to reach the end-users, also known as customers, the manufacturer must have a group of societies known as Manufacturer, Wholesaler, Retailer, and Customer are the links in the

supply chain for goods and services. The following appropriate example is used to illustrate the effects of GST both with and without it. The cost of a product that is delivered to the client on one item before and after the implementation of GST is displayed below.

**Goods and Services distribution channel from Retailer to Consumer**

Particulars	Without GST	With GST
Production Cost	200	200
Add:- Manufacturer Margin	100	100
<b>Manufacturing Price</b>	<b>300</b>	<b>300</b>
Add:- Excise Duty (12%)	36	–
<b>Total</b>	<b>336</b>	<b>300</b>
Add:- VAT @ 12.5%	42	–
Add:- <u>CGST &amp; SGST @ 28%</u>	–	84
<b>Invoice Price</b>	<b>378</b>	<b>384</b>

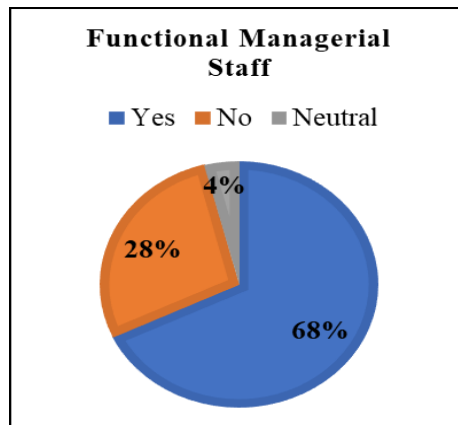
**ANALYSIS AND INTERPRETATION**

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 GST in manufacturing industry and employability especially study area of Pune district; the researcher has selected 05 small and medium manufacturing industries from the study area of Pune District. The 55 respondents had given their opinion regarding the involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy, effectiveness of application of GST in Manufacturing Industry in study area are as follows –

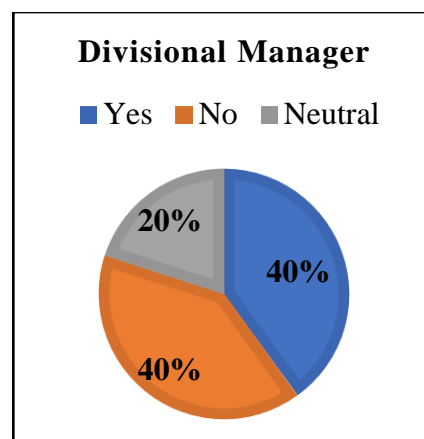
**A) Selected respondent’s opinion regarding involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy– Yes/No/Neutral**

Sr. No.	Respondent detail	Selected respondent	Yes	No	Neutral
1.	Divisional Manager	05	3	1	1
2.	Functional Managerial Staff	50	34	14	2

(Source : Primary Data, in the year 2022)



From the above explanation, the respondents have selected 55 randomly samples like 05 Business Divisional Manager and 50 Functional Managerial Staff, 60% 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 40% business divisional manager respondents have no any opinion regarding such question or opinion as neutral.



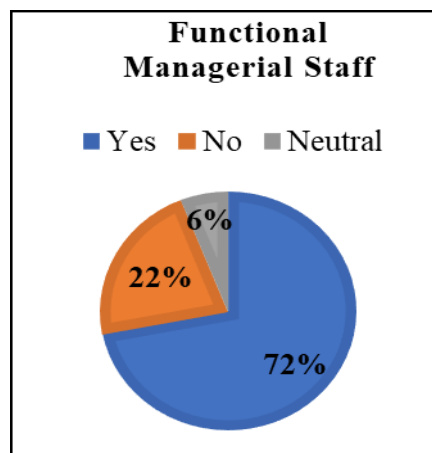
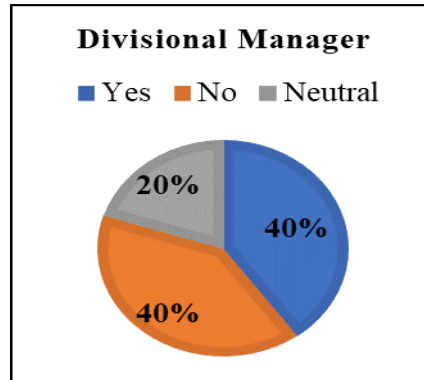
The based on above interpretation, 68% functional managerial staff respondents opinion has given their answer yes regarding involvement GST in Manufacturing Industries and such effect for improvement of Indian Economy and 32% functional managerial staff respondents have no any opinion regarding such question or opinion as neutral.

**B) Selected respondent’s opinion regarding effectiveness of operation of GST in Manufacturing Industry in the study area – Yes/No/Neutral**

Sr. No.	Respo- ndent detail	Sele- cted respo- ndent	Yes	No	Neu- tral
	Divis- ional Man- ager	05	2	2	1
.	Funct- ional Mana- gerial Staff	50	36	11	3

Source : Primary data (Year 2022)

In the above analysis conclude that, 40% business divisional manager respondent’s opinion has given their answer yes regarding effectiveness of application of GST in Manufacturing Industry in the study area and 60% business divisional manager respondents have no any opinion regarding such question or opinion as neutral.



The based on above interpretation, 72% functional managerial staff respondents opinion has given their answer yes regarding effectiveness of application of GST in Manufacturing Industry in the study area and 28% 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, 60% business divisional manager respondent’s opinion and 68% 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, 40% business divisional manager respondent’s opinion and 72% functional managerial staff respondent’s opinion has given their answer yes regarding effectiveness of implementation of GST in Manufacturing Industry in the study area.

**SUGGESTIONS FOR IMPROVEMENT UNDER GST**

1. Processes must be streamlined to enable company to function effectively for the benefit of the populace and to promote economic expansion. Some GST applications may require a lot of time to complete, even though nobody would actually have to work.

2. Rates should be rationalised and lowered to increase India's manufacturing competitiveness, as well as for economic growth and compliance. Only a few goods should fall into the 28% slab, and the highest rate should remain at 18%. Daily necessities like soaps, cremes, cinema tickets, and electrical goods shouldn't be subject to a 28% tax.
3. The sole recourse available is a refund in the event that Integrated GST is paid in place of Central GST and State GST, and vice versa. In such circumstances, assesses should be permitted to self-adjust.
4. The government should have made more information about the GST regime and tax structure in the manufacturing of items available to the public.
5. Among the urgent needs for GST improvements in the interest of the country as a whole are the clarification of GST rates, the elimination of unnecessary processes, the development of efficiencies, and the elimination of disputed issues. Our prices must be competitive with those across the world in order for India to become a sought-after competitive location, which will support the "Make in India" drive.

### **CONCLUSION**

According to the research paper mentioned above, the entrepreneur has profited economically and monetarily ever since the GST was applied in India's manufacturing sector in 2017. Cost of manufactured goods in the hands of consumers should be positively impacted by the overall reduction of the lowering effect of taxes, particularly on the after-production stage of the supply chain.

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