

## **A Comparative Study On Impact Of GST With Reference To Selected Sectors In India**

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### **ABSTRACT**

The beginning of the presentation of GST in the nation was set down in the notable Budget Speech of 28th February 2006, wherein the Finance Minister set down first April, 2010 as the date for the presentation of GST in the nation. From that point, there has been a consistent undertaking for the presentation of the GST in the nation whose perfection has been the presentation of the Constitution (122nd Amendment) Bill in December, 2014. A common refrain in the popular discussions is what is the need for the introduction of GST? To answer that question, it is important to understand the present indirect tax structure in our country. Presently the Central Government levies tax on manufacture (Central Excise duty), provision of services (Service Tax), interstate sale of goods (CST levied by the Centre but collected and appropriated by the States) and the State Governments levy tax on retail sales (VAT), entry of goods in the State (Entry Tax), Luxury Tax, Purchase Tax, etc. It is clearly visible that there are multiplicities of taxes which are being levied on the same supply chain. There is cascading of taxes, as taxes levied by the Central Government are not available as setoff against the taxes being levied by the State governments. Even certain taxes levied by State Governments are not allowed as set off for payment of other taxes being levied by them.

### **1. INTRODUCTION**

All the taxes mentioned earlier are proposed to be subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level.

So, basically any tax that is presently being levied by the Central or State Government on the supply of goods or services is going to be converted into GST. GST is proposed to be a dual levy where the Central Government will levy and collect Central GST (CGST) and the State will levy and collect State GST (SGST) on intra-state supply of goods or services. The Centre will also levy and collect Integrated GST (IGST) on inter-state supply of goods or services. Thus GST is a unifier that is going to integrate various taxes being levied by the Centre and the State at present and provide a platform for forging an economic union of the country.

- Central Goods and Services Tax
- State Goods and Services Tax
- Integrated Goods and Services Tax
- Union Territory Goods and Services Tax

### **CGST FULL FORM IS CENTRAL GOODS AND SERVICES TAX.**

CGST refers to the Central GST tax that is levied by the Central Government of India on any transaction of goods and services tax taking place within a state. It is one of the two taxes

charged on every intrastate (within one state) transaction, the other one being SGST (or UTGST for Union Territories). CGST replaces all the existing Central taxes including Service Tax, Central Excise Duty, CST, Customs Duty, SAD, etc. The rate of CGST is usually equal to the SGST rate. Both taxes are charged on the base price of the product. See the example below to understand it better. e.g. – In the example above, when Suresh sales a product to Pradeep in the same state (Rajasthan), he has to pay two taxes. CGST is for the central government while SGST is for the state. The rate of CGST is 9%, same as SGST. After the application of CGST (9% of Rs 10,000), the final cost of the product will become Rs 11,800. As you can probably guess, all the taxes in all the conditions above are borne by the end consumer in the final cost, not by the manufacturer or the dealer of the product or service. Since GST is levied on consumption, the state where the product is originally manufactured is not entitled to the tax collected. If the manufacturing state levies a tax, the same will be transferred to the consuming state through the Central government.

### **SGST FULL FORM IS STATE GOODS AND SERVICES TAX.**

SGST (State GST) is one of the two taxes levied on every intrastate (within one state) transaction of goods and services. The other one is CGST. SGST is levied by the state where the goods are being sold/purchased. It will replace all the existing state taxes including VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses and Surcharges on any kind of transaction involving goods and services. The State Government is the sole claimer of the revenue earned under SGST. Let's understand this with an example.e.g. – Suresh from Rajasthan wants to sell some goods to Pradeep in Rajasthan. The product, originally priced at Rs 10,000, will attract GST at 18% rate comprising of 9% CGST rate and 9% SGST rate. The SGST tax amount here is Rs 900 (9% of Rs 10,000) which is fully claimed by the Rajasthan State Government. The rate of the product after SGST will be Rs 10,900.

### **IGST FULL FORM IS INTEGRATED GOODS AND SERVICES TAX.**

Integrated GST (IGST) is applicable on interstate (between two states) transactions of goods and services, as well as on imports. This tax will be collected by the Central government and will further be distributed among the respective states. IGST is charged when a product or service is moved from one state to another. IGST is in place to ensure that a state has to deal only with the Union government and not with every state separately to settle the interstate tax amounts. Let's try to understand IGST with an example.e.g., – Rakesh is a manufacturer in Rajasthan who sold goods worth Rs 10,000 to Sudheer in chennai. Since it is an interstate transaction, IGST will be applicable here. Let's assume the GST rate is 18% for the particular item. So, the IGST amount charged by the Central Government will be Rs 1800 (18% of Rs 10,000), and the refined rate of the product will be Rs 11,800.

### **NEED FOR THE STUDY**

The present research focuses on GST. It is an issue, if people are still unaware Or confuse with the tax system of GST and become worst when people ignore and boycott not to pay the tax. So this study has been undertaken to concentrate on understanding GST and its impact on the select sectors in India. This study is focusing on the awareness and knowledge on GST among the students.

**2. OBJECTIVES OF THE STUDY**

- To study about the impact of GST on select sectors in India.
- To gain an in depth understanding of GST taxation system evaluation.

**3. METHODOLOGY**

This study is descriptive in nature and it used the exploratory technique. The method used in this research is percentage method. The data for the study were gathered from both the primary data and secondary data. Primary data was collected information over phone with the experts and secondary data was collected through journals, articles published online and offline on various newspapers and websites.

**SCOPE OF THE STUDY**

GST, after implementation will bring uniformity with tax rates and will also overcome lots of shortcomings in the Indian taxation system with regard to indirect taxation. The GST would surely be highly advantageous for major areas of Indian Economy. This study provides a detailed information about GST among select sectors in the India. In this study, Researcher has considered the following sectors Automobile and Manufacturing sector.

**LIMITATIONS OF THE STUDY**

- This study is restricted to select sectors.
- This study is restricted to choose companies.
- This study has under taken within a short duration.

**FINDINGS**

- Quick Ratio of Tata motors and Raymond group was decreased after implementation of GST, Whereas Mahindra and Mahindra Ltd and Godrej Group Quick Ratio was increased after GST. Mahindra and Mahindra Ltd, Raymond group and Godrej group companies EBT Margin was increased after the implementation of GST which results in raise in Net Sales, whereas Tata Motors sales were gradually decreased before GST and after GST its sales were increasing slowly.
- Tata Motors Net Profit Margin was decreased drastically before GST but after GST it is slowly increasing its Net Profit Margin. Raymond group and Godrej group Net Profit Margin also increased after GST. However, Mahindra is performing outstanding when compared to other select companies.
- After the implantation of GST, Mahindra and Mahindra Ltd Return on Equity was increased from 12.3 to 20.42 that means high ROE is capable of generating good profit. Raymond group and Godrej group ROE was also raised after GST except Tata Motors, its ROE was decreased from 12.83 to 9.41.
- All the select companies were utilizing its Assets in profitable manner after implantation of GST except Tata Motors.
- Debt Equity Ratio of all the select companies after GST were less than 1 and hence indicates less levered and closer to being fully equity financed.

| YEAR              |  |                  | RATIO                       | AUTOMOBILE SECTOR | MANUFACTURING SECTOR |
|-------------------|--|------------------|-----------------------------|-------------------|----------------------|
|                   |  | Tata Motors( TM) | Mahindra and Mahindra(M& M) | Raymond           | Godrej               |
| Current ratio     |  |                  |                             |                   |                      |
| 2019              |  | 0.95             | 1.2                         | 1                 | 0.9                  |
| 2018              |  | 1                | 1.22                        | 1.06              | 0.96                 |
| 2017              |  | 1.03             | 1.2                         | 1.32              | 0.98                 |
| 2016              |  | 1.01             | 1.18                        | 1.4               | 1.17                 |
| 2015              |  | 1.04             | 1.44                        | 1.58              | 1.19                 |
| Quick ratio       |  |                  |                             |                   |                      |
| 2019              |  | 0.66             | 1.01                        | 0.53              | 0.51                 |
| 2018              |  | 0.70             | 1.00                        | 0.60              | 0.38                 |
| 2017              |  | 0.72             | 0.95                        | 0.78              | 0.39                 |
| 2016              |  | 0.72             | 0.93                        | 0.80              | 0.44                 |
| 2015              |  | 0.74             | 1.13                        | 0.91              | 0.48                 |
| EBT Margin        |  |                  |                             |                   |                      |
| 2019              |  | 3.61             | 4.58                        | 0.69              | 0.53                 |
| 2018              |  | 1.45             | 3.37                        | 0.56              | 0.59                 |
| 2017              |  | 2.38             | 2.50                        | 0.76              | 0.45                 |
| 2016              |  | 2.99             | 5.62                        | 0.89              | 0.42                 |
| 2015              |  | 2.73             | 5.89                        | 0.65              | 0.49                 |
| Net Profit margin |  |                  |                             |                   |                      |
| 2019              |  | 2.24             | 7.43                        | 2.48              | 2.62                 |
| 2018              |  | 2.31             | 3.76                        | 1.04              | 1.37                 |
| 2017              |  | 4.66             | 3.57                        | 1.47              | 1.04                 |
| 2016              |  | 5.35             | 3.60                        | 2.17              | 4.14                 |
| 2015              |  | 6.05             | 5.84                        | 2.08              | 3.73                 |
| Return on Equity  |  |                  |                             |                   |                      |
| 2019              |  | 9.41             | 20.42                       | 7.42              | 10.77                |
| 2018              |  | 12.83            | 12.43                       | 1.52              | 8.02                 |
| 2017              |  | 14.66            | 11.88                       | 5.17              | 5.35                 |
| 2016              |  | 24.86            | 12.14                       | 7.31              | 12.47                |
| 2015              |  | 21.33            | 20.03                       | 7.34              | 11.93                |
| Return on Assets  |  |                  |                             |                   |                      |
| 2019              |  | 2.71             | 5.47                        | 2.20              | 2.65                 |
| 2018              |  | 2.72             | 3.22                        | 0.48              | 1.68                 |
| 2017              |  | 4.33             | 3.12                        | 1.72              | 1.12                 |
| 2016              |  | 5.86             | 3.30                        | 2.41              | 2.98                 |
| 2015              |  | 6.35             | 5.28                        | 2.42              | 2.91                 |
| Debt equity Ratio |  |                  |                             |                   |                      |
| 2019              |  | 0.64             | 0.92                        | 0.37              | 0.24                 |
| 2018              |  | 1.04             | 1.01                        | 0.38              | 0.47                 |
| 2017              |  | 0.64             | 0.89                        | 0.57              | 0.52                 |
| 2016              |  | 1.00             | 0.86                        | 0.62              | 0.54                 |
| 2015              |  | 0.69             | 1.09                        | 0.76              | 0.42                 |

## SUGGESTIONS

Overall Findings shows that there's a positive impact of GST on select sectors and there is a negligible adverse impact is there and thus all the select companies need to re-look and action must be taken on the following areas to reduce the adverse impact of GST.

- Business restructuring/ Transaction restructuring needs to be assessed and implemented.
- Assessing the capacity building to meet the needs of GST.
- Strategizing the right pricing to create right balance between margins and volumes.

- Understanding the impact on various business departments including procurement sales and marketing, finance and Accounts, IT, Administration and HR etc., and restructuring the same to suit the needs of GST.
- Ensure original entries are verified, keep evidences of tax payments etc.,

#### **4. CONCLUSION**

At the outset, the research highlighted the impact of new tax regime recently introduced in the name of GST which directly influences the core industries like Automobile and Manufacturing sectors. Overall the impact of GST on select sectors is considered as a positive thing as it will promote ease of doing businesses, help in reduction of transaction costs to businesses, boost manufacturing of goods and supply of services, increase price-cost margins of manufactures, generate employment opportunities for the vast pool of young population with enhanced production possibility frontiers and push overall GDP .

#### **5. REFERENCES**

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#### **6. WEBSITES**

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