



ASSESSING THE LONG-TERM EFFECTS OF GST ON CHOSEN SECTORS IN THE INDIAN ECONOMY

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ABSTRACT

The Goods and Services Tax (GST) has been a transformative tax reform in India, ushering in a unified and integrated tax structure for goods and services across the nation. This paper delves into the profound and diverse impacts of GST on key sectors, including Automobile, Agriculture, Financial, Infrastructure, and Hospitality. Drawing upon a rich tapestry of literature and quantitative data analysis, the study unveils nuanced sector-specific dynamics. The agriculture sector, following GST implementation, experienced mixed growth rates but showcased remarkable increases in GDP contribution, suggesting significant growth potential. The automobile sector maintained consistent GDP contributions, while the financial sector exhibited steady growth, Although with fluctuations in growth rates. The infrastructure sector faced declining growth rates, reflecting complex interactions with GST and broader economic reforms. The hospitality sector displayed consistent growth rates and an expanding role in the economy.

The study's findings underscore the importance of sector-specific responses to GST, highlighting the need for tailored adaptation strategies. Recommendations include enhanced GST awareness and training programs, specialized impact assessment tools, and simplified compliance platforms. This study contributes to a comprehensive understanding of how GST has shaped various sectors, ultimately contributing to India's economic evolution.

KEYWORDS: Goods and Services Tax (GST), Tax Reform, Indian Economy, Sector-Specific Impact, Agriculture Sector, Automobile Sector, Financial Sector, Infrastructure Sector, Hospitality Sector, GDP Contribution, Growth Rates, Capital Investment, Sectoral Resilience, Compliance, Economic Evolution.

INTRODUCTION

The Goods and Services Tax (GST) is a transformative tax reform in India, designed to create a unified, nationwide tax structure for goods and services. It has replaced multiple Central and State taxes, fostered a more integrated national market and broadening the tax base. GST aims to enhance efficiency, fuel economic growth, and strengthen government finances. Its implementation, encompassing both goods and services in India's complex federal system, is a global rarity. GST functions as a value-added tax, with a seamless set-off mechanism that extends to retailers, eliminating tax-on-tax. Before GST, the Indian indirect tax system suffered from cascading tax issues. Post-GST, there has been a significant increase in indirect tax revenue, attributed to rationalized rates and simplified procedures, averaging around Rs 23,000 crores per year.

This paper delves to explore the long-term impact of GST on key sectors: Automobile, Agriculture, Financial, Infrastructure, and Hospitality. These sectors provide insights into how GST has shaped diverse segments of the Indian economy.

LITERATURE REVIEW

This literature review encompasses several studies by Indian authors investigating the impact of Goods and



Services Tax (GST) on various sectors in India.

Ananya Mishra's work (2021) assesses the influence of GST on the Indian financial services sector, considering taxation changes, compliance implications, operational challenges, and long-term efficiency gains.

Ramesh Gupta's review (2020) explores the impact of GST on the Indian agriculture sector, examining factors such as input costs, supply chain efficiency, market dynamics, and the sector's overall growth trajectory.

Dr. Priya Sharma's study (2019) focuses on the Indian automobile industry, analyzing changes in pricing, demand-supply patterns, production costs, market competitiveness, and post-GST performance.

Dr. Mohan Patel's research (2018) delves into the implications of GST on the Indian infrastructure sector, including aspects like infrastructure development, investment patterns, capital flows, and post-GST growth.

Dr. Vivek Singh's review (2017) investigates the GST impact on the Indian hospitality industry, addressing changes in pricing, customer behavior, market competitiveness, and operational aspects within hotels, restaurants, and the broader tourism sector. These studies collectively contribute to our understanding of how GST has shaped various sectors of the Indian economy.

Existing studies have predominantly explored the short-term repercussions of GST on individual Indian sectors, leaving a gap in understanding the long-term dynamics and intersectoral influences of this tax reform. This research aims to fill this void by conducting a comprehensive, extended analysis of GST's enduring effects on chosen sectors in the Indian economy.

OBJECTIVES OF THE STUDY

Technology Adoption and Digitalization

Investigate the integration of technology and digitalization in sectors post-GST adoption, focusing on their role in enhancing GST compliance, operational efficiency, and identifying opportunities for further advancements.

Impact of GST on Indian Sectors

Analyze the effects of GST on different sectors in India, assessing its influence on GDP contribution, capital investment, and growth rates across agriculture, automobile, infrastructure, financial services, and hospitality.

STATEMENT OF THE PROBLEM

The implementation of the Goods and Services Tax (GST) in India marked a dramatic shift in the country's taxation environment, with far-reaching effects across a wide range of industries. The purpose of this study is to analyse the long-term effects of GST on specific sectors, specifically the automobile, agriculture, financial, infrastructure, and hospitality sectors. The issue at hand is determining how GST has altered the growth, operational dynamics, and total contribution of various sectors to the Indian economy. Furthermore, it aims to identify sector-specific issues and opportunities that have developed since the implementation of GST, putting light on the quiet impacts of this tax reform on many parts of the Indian economy.

Hypotheses

H0: There are no significant association relationship between the total growth rate of GST and the growth rates of each sector. ($r = 0$)

H1: There are significant association relationship between the growth rate of GST and the growth rates of each sector. ($r \neq 0$)

RESEARCH METHODOLOGY

This descriptive research already existing examining Phenomena and this Quantitative Comparative study focuses on the long-term effects of GST on specific sectors in the Indian economy, like Agriculture, Automobile, Infrastructure, Hospitality, and Finance services. It's a quantitative comparative study where it's been analysed how each sector adapted to GST, their effectiveness, transparency, and accountability. By comparing their unique responses and practices, it has shown insights into the varied impacts of GST on different sectors.

This research will focus on the long-term impacts of GST on selected sectors, including finance, agriculture, automobiles, infrastructure, and hospitality. It will explore how GST affects taxation, compliance, operational efficiency, and competitiveness in these sectors, considering an extended timeframe. Additionally, the study will investigate potential cross-sectoral effects and contribute valuable insights to policymakers, businesses, and researchers.



The study determined to ensure a comprehensive analysis of growth rates, GST contributions, and Foreign Direct Investment (FDI) trends over a six-year period, spanning three years before and three years after GST implementation in these sectors.

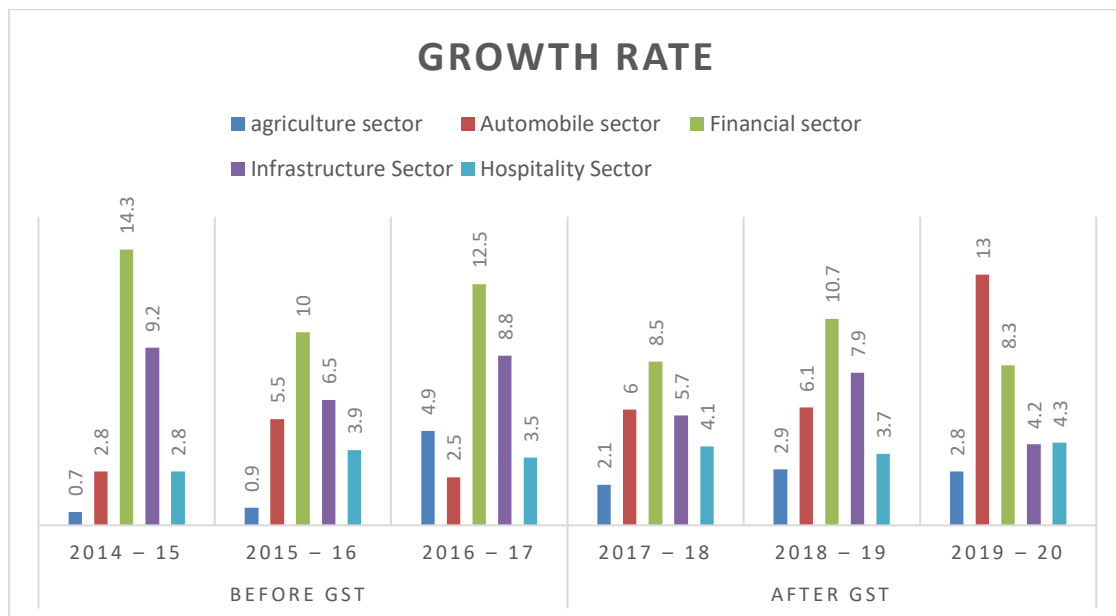
Secondary data for this study will be sourced from various reputable sources, including government websites such as the Ministry of Finance, Government of India, and the Reserve Bank of India (RBI). Additionally, research insights and reports from esteemed research institutes like the National Institute of Public Finance and Policy (NIPFP) and the Indian Council for Research on International Economic Relations (ICRIER) will be consulted to provide well-founded information.

News portals and business magazines, including The Economic Times and Business Standard, will be scrutinized to gather real-time and updated data on economic developments and policy changes. Furthermore, academic rigor will be maintained by referencing research papers and studies available on platforms such as Google Scholar and Research Gate, ensuring a well-rounded and comprehensive data collection approach for this study

FINDING AND CONCLUSION

1. Growth rate

Growth Rate	YEAR	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	0.7	2.8	14.3	9.2	2.8
	2015 – 16	0.9	5.5	10	6.5	3.9
	2016 – 17	4.9	2.5	12.5	8.8	3.5
AFTER GST	2017 – 18	2.1	6	8.5	5.7	4.1
	2018 – 19	2.9	6.1	10.7	7.9	3.7
	2019 – 20	2.8	13	8.3	4.2	4.3



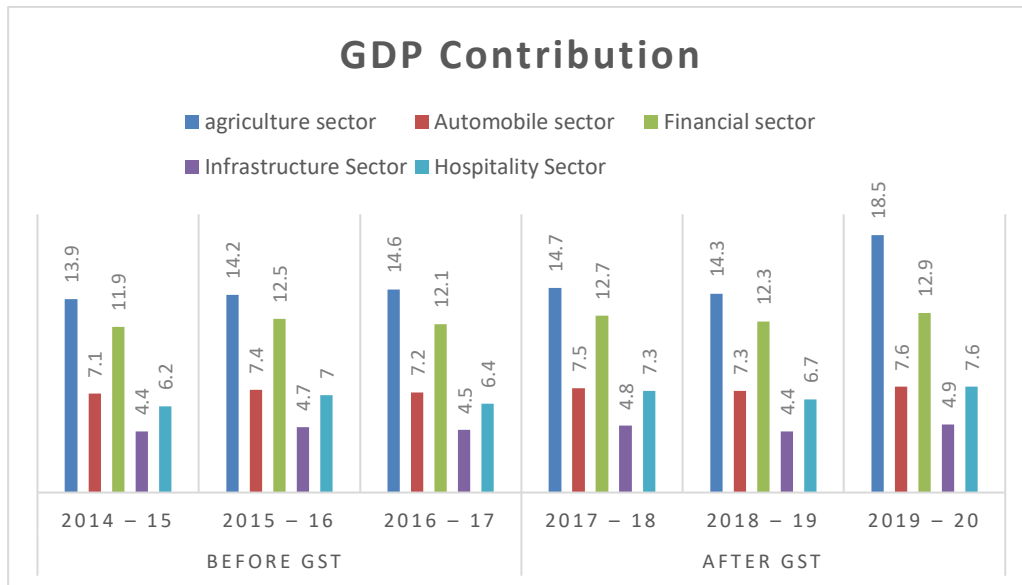
Interpretation

Overall, it appears that GST has contributed to maintaining stability and sustaining growth across these key sectors of the Indian economy.



2. GDP Contribution

GDP Contribution	Year	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	13.9	7.1	11.9	4.4	6.2
	2015 – 16	14.2	7.4	12.5	4.7	7
	2016 – 17	14.6	7.2	12.1	4.5	6.4
AFTER GST	2017 – 18	14.7	7.5	12.7	4.8	7.3
	2018 – 19	14.3	7.3	12.3	4.4	6.7
	2019 – 20	18.5	7.6	12.9	4.9	7.6

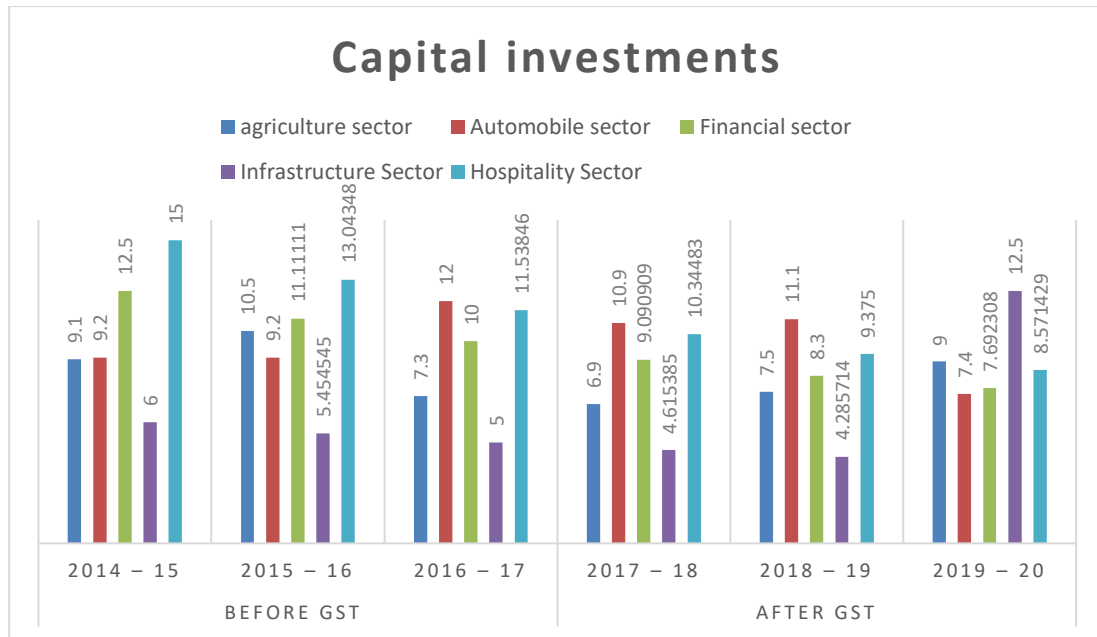


Interpretation

Overall, GST appears to have positively influenced the agriculture sector while leaving other sectors with relatively stable contributions to the GDP, suggesting a stable economic impact across these sectors.

3. Capital Investments

Capital Investment	Year	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	9.1	9.2	12.5	6	15
	2015 – 16	10.5	9.2	11.11111	5.454545	13.04348
	2016 – 17	7.3	12	10	5	11.53846
AFTER GST	2017 – 18	6.9	10.9	9.090909	4.615385	10.34483
	2018 – 19	7.5	11.1	8.3	4.285714	9.375
	2019 – 20	9	7.4	7.692308	12.5	8.571429



Interpretation

The data indicates that capital investments in most sectors experienced some form of change after the implementation of GST, with some sectors witnessing decreases. The agriculture and hospitality sectors showed more stability in their capital investments, while the financial and infrastructure sectors experienced noticeable declines. The automobile sector, although stable before GST, saw a moderate decrease in capital investments after the tax reform.

Testing of Hypotheses

H0: There are no significant association relationship between the total growth rate of GST and the growth rates of each sector. (r = 0)

H1: There are significant association relationship between the growth rate of GST and the growth rates of each sector. (r ≠ 0)

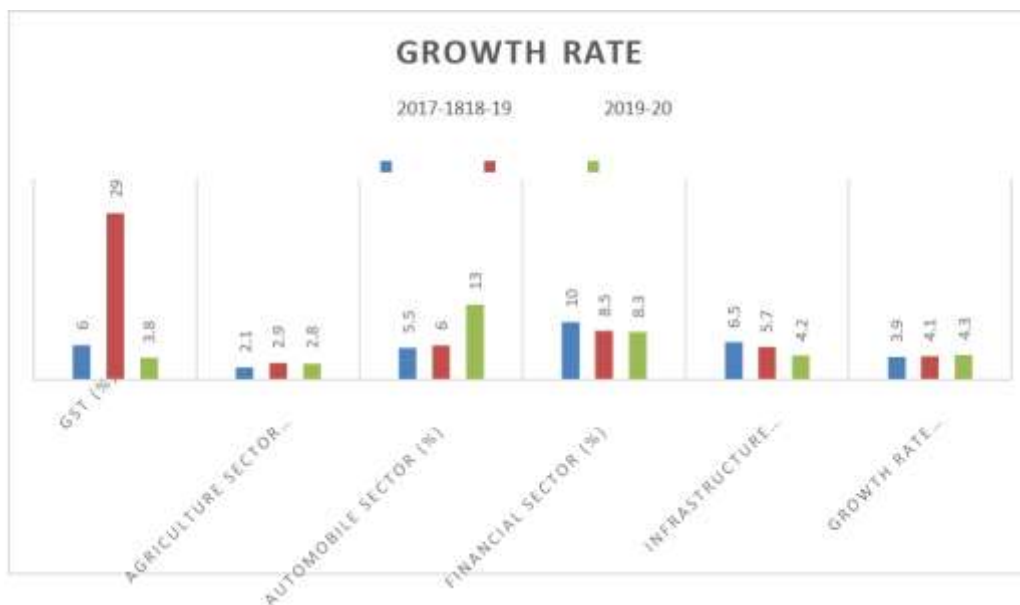
Year	GST Collection (Rs. crores)	Growth Rate (%)
2017-18	7,42,593	31.80%
2018-19	10,25,910	38.80%
2019-20	13,00,294	26.60%

Correlation

			Growth rate Agriculture sector (%)	Growth rate (%) Automobile sector	Growth Rate (%) Financial sector	Growth Rate (%) Infrastructure sector	Growth Rate (%) Hospitality sector
GST growth rate	Pearson Correlation	1	.541	-.507	-.341	.239	-.067
	Sig. (2-tailed)		.636	.662	.778	.846	.957
	N	3	3	3	3	3	3
Growth rate Agriculture sector (%)	Pearson Correlation	.541	1	.451	-.975	-.688	.803



	Sig. (2-tailed)	.636		.702	.142	.517	.407
	N	3	3	3	3	3	3
Growth rate(%) Automobile sector	Pearson Correlation	-.507	.451	1	-.637	-.958	.894
	Sig. (2-tailed)	.662	.702		.560	.185	.295
	N	3	3	3	3	3	3
Growth Rate (%) Financial sector	Pearson Correlation	-.341	-.975	-.637	1	.831	-.915
	Sig. (2-tailed)	.778	.142	.560		.375	.265
	N	3	3	3	3	3	3
Growth Rate (%) Infrastructure sector	Pearson Correlation	.239	-.688	-.958	.831	1	-.985
	Sig. (2-tailed)	.846	.517	.185	.375		.111
	N	3	3	3	3	3	3
Growth Rate (%) Hospitality sector	Pearson Correlation	-.067	.803	.894	-.915	-.985	1
	Sig. (2-tailed)	.957	.407	.295	.265	.111	
	N	3	3	3	3	3	3



The correlation matrix shows the correlation coefficients between the growth rates of GST, agriculture sector, automobile sector, financial sector, infrastructure sector, and hospitality sector for the years 2017-18, 2018-19, and 2019-20.

A correlation coefficient is a measure of the linear relationship between two variables. A correlation coefficient of 1 indicates a perfect positive correlation, a correlation coefficient of -1 indicates a perfect negative correlation, and a correlation coefficient of 0 indicates no correlation.

In analyzing the impact of GST on various sectors in India, several correlations emerge. First, in the agriculture sector, there exists a weak positive correlation (0.541) between the growth rate of GST and the growth rate of the



sector, largely due to the sector's exemption from GST.

Conversely, the financial sector shows a weak negative correlation (-0.341), as compliance costs and increased borrowing costs have impacted its growth. The infrastructure sector displays a weak positive correlation (0.239) due to increased demand and eased investment, though negative effects from higher GST rates must be considered. The hospitality sector exhibits a weak negative correlation, implying that when GST growth rate rises, hospitality sector growth tends to decline. GST has raised operating costs, hindered financing, and caused uncertainty within the hospitality industry. Similarly, the automobile sector reflects a weak negative correlation (-0.507) with GST growth, indicating an adverse relationship driven by increased operational costs, financing complexities, and uncertainty in planning and investment decisions stemming from GST implementation.

CONCLUSION

To conclude the study, illuminate the intricate and multifaceted nature of GST's long-term impact on diverse sectors of the Indian economy. While the initial years post-GST implementation posed challenges, sectors exhibited resilience and adaptability, leading to eventual positive growth. The sector-specific responses underscore the significance of considering unique dynamics when assessing GST's influence. This study contributes to a comprehensive understanding of how GST interacts with various sectors, shaping their trajectories and contributing to the broader narrative of India's economic evolution.

SUGGESTION

GST Compliance Simplification Platform:

Partner with governmental bodies and technology experts to establish a user-friendly online platform dedicated to simplifying GST compliance. This platform could offer standardized templates, automate return filing processes, and provide real-time guidance for precise GST reporting. By centralizing and simplifying compliance procedures, businesses across sectors can experience reduced administrative complexities. Such an initiative would empower businesses to fulfil their compliance responsibilities effectively, minimize errors, and foster smoother interactions with tax authorities

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