

STUDY THE IMPACT OF GST (GOODS & SERVICE TAX) IN MANUFACTURING UNITS OF ALIGARH DISTRICT OF UTTAR PRADESH

Anita (Research Scholar)
Raja Mahendra Pratap Singh State University,
Aligarh, Uttar Pradesh, India

Abstract

“One Nation One Tax” GST was implemented on July 1st, 2017, following the One Hundred and First Amendments of the Indian Constitution by the Government of India. Goods and Services Tax is increasing competitiveness and performance in India’s manufacturing sector. This study investigates the effects of the Goods and Services Tax (GST) implementation on manufacturing units in Aligarh, Uttar Pradesh, focusing on its impact on operational and performance aspects. The primary objective was to assess how GST influences manufacturing operations, tax compliance, and overall business profitability within this region. Data was collected through a structured questionnaire from 70 owners of manufacturing industrial units, chosen randomly. The analysis was conducted using simple percentage evaluations and bar diagrams to interpret the responses. The findings reveal a predominantly positive sentiment toward GST among the respondents. A significant majority acknowledged that GST has simplified tax compliance processes, reduced complexities associated with tax filings, and enhanced operational efficiencies. The study also highlights a strong consensus on the reduction of tax evasion and the overall beneficial impact of GST on the local manufacturing landscape. However, a minority of the participants reported challenges, including increased complexity in certain aspects of tax compliance, higher costs related to GST implementation, and adverse effects on cash flow. This research underlines the transformative potential of GST for improving business operations and supports continued efforts to refine this taxation framework to bolster the manufacturing industry's growth and development in the region.

Keywords: GST, Manufacturing, Compliance

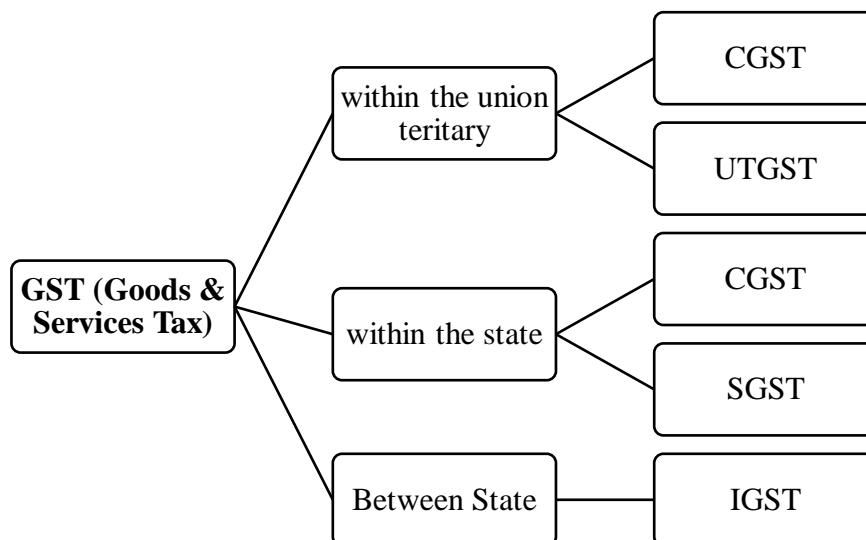
Introduction

On July 1, 2017, India implemented a crucial indirect tax reform known as the Goods and Services Tax (GST). Goods and Services Tax (GST) is a comprehensive indirect

tax levied on the supply of goods and services across India. It replaced multiple indirect taxes levied by the central and state governments, streamlining the taxation system and creating a unified national market. GST is designed to be a destination-based tax, meaning it is levied at the point of consumption rather than the point of origin. Under the GST regime, goods and services are classified into different tax slabs: 0%, 5%, 12%, 18%, and 28%. Certain essential items may be taxed at a lower rate or exempted altogether. GST is levied at each stage of the supply chain, with tax credits available for taxes paid on inputs, allowing for the avoidance of tax cascading.

GST is administered through a dual model, with both the central and state governments having the authority to levy and collect GST on intra-state (within the state) and inter-state (between states) supplies. The tax revenue collected under GST is shared between the central and state governments based on a pre-determined formula.

GST Structure



Applicability of GST in the Manufacturing Sector

GST has significantly impacted the manufacturing sector, influencing various stages of the production cycle. Here's an overview of its relevance:

1. Procurement of Raw Materials and Inputs:

- **GST Applicability:** Manufacturers are obligated to pay GST on the acquisition of raw materials, inputs, and capital goods.
- **Input Tax Credit (ITC):** Manufacturers have the provision to claim Input Tax Credit (ITC) for the GST paid on their inputs. This mechanism enables

them to reduce their tax liability by offsetting the GST on inputs against the GST collected on their final products.

2. Manufacturing and Production:

- **GST Applicability:** Manufacturers are liable to pay GST on the value addition that occurs during the manufacturing process.
- **GST Rate:** The applicable GST rate for manufacturing and production activities varies depending on the type of product being manufactured, typically falling within 5%, 12%, or 18% categories.

3. Sale of Manufactured Products:

- **GST Applicability:** Manufacturers are mandated to collect GST on the sale of their products.
- **GST Rate:** The GST rate for selling manufactured products is determined based on the product category and the HSN (Harmonized System of Nomenclature) code assigned to it.

4. Export of Goods:

- **GST Applicability with Refund:** Manufacturers engaged in exporting goods are subject to GST; however, they are eligible to claim a refund of the GST paid. This ensures that exported goods are zero-rated for GST purposes.

Goods and Services Tax (GST) has had a profound impact on the manufacturing sector since its implementation in India. Before GST, the manufacturing sector grappled with a complex and fragmented tax structure characterized by multiple indirect taxes levied by both the central and state governments. This system often led to tax cascading, where taxes were levied on top of already taxed inputs, resulting in increased production costs and reduced competitiveness. With the introduction of GST on July 1, 2017, India witnessed a significant overhaul of its indirect tax regime. GST aimed to create a unified national market by subsuming various central and state taxes into a single tax system. This consolidation eliminated the cascading effect of taxes, thereby promoting efficiency and reducing the tax burden on manufacturers.

One of the key benefits of GST for the manufacturing sector lies in its simplification of tax compliance procedures. Previously, manufacturers had to navigate through a maze of tax laws and regulations, leading to administrative complexities and compliance challenges. GST streamlined these processes by introducing a uniform tax rate structure and a centralized online portal for tax filing and payment. This simplification has helped

manufacturers save time and resources, enabling them to focus more on their core business activities.

Moreover, GST has facilitated seamless inter-state movement of goods, removing barriers to trade and fostering a more integrated supply chain network. The abolition of entry taxes and the implementation of a unified tax system have resulted in smoother logistics operations and reduced transportation costs for manufacturers. This has led to enhanced market access and improved distribution efficiencies, benefiting manufacturers across various industries.

Manufacturing in Aligarh

The manufacturing sector in Aligarh, a city located in the Indian state of Uttar Pradesh, plays a pivotal role in the region's economic landscape. Renowned for its rich cultural heritage and historical significance, Aligarh has emerged as a significant industrial hub, particularly in the manufacturing domain. With a diverse range of industries spanning from traditional crafts to modern manufacturing facilities, Aligarh boasts a vibrant and dynamic manufacturing sector. Aligarh has established itself as a prominent manufacturing hub in India.

With over 3,000 manufacturing units, the city's industrial landscape boasts diversity and dynamism. The metalware industry, particularly brass products, has earned Aligarh the title of "The Brass City." Similarly, the lock and hardware manufacturing sector in Aligarh is globally recognized for its craftsmanship and innovation.

Employing over 100,000 people directly and indirectly, the manufacturing sector in Aligarh contributes significantly to employment generation and economic growth in the region. The city's strategic location, skilled workforce, and supportive business environment have attracted investments from both domestic and international players, further fueling the sector's expansion and development.

Furthermore, Aligarh hosts a robust small and medium-sized enterprises (SMEs) ecosystem, fostering entrepreneurship and industrial growth. These SMEs, along with established industrial units, contribute significantly to the city's manufacturing output and employment generation.

In recent years, Aligarh has witnessed infrastructural developments and policy initiatives aimed at bolstering its manufacturing sector, attracting investments, and enhancing competitiveness. With its strategic location, skilled workforce, and

supportive business environment, Aligarh continues to thrive as a prominent manufacturing destination in India.

Literature Review

Usha, N. & Venkatesh, S. (2022) research offers a thorough examination of how the Goods and Services Tax (GST) has influenced the manufacturing sector in Karnataka, India. It underscores the favorable outcomes of GST, such as enhanced cash flows, simplified tax procedures, and lowered production expenses, which collectively elevate the operational efficiency and profitability of manufacturing enterprises. Utilizing a robust methodology involving surveys and statistical analyses, the study establishes a significant and positive link between GST implementation and enhanced manufacturing performance. It asserts that GST effectively addresses the shortcomings of the previous indirect tax regime, resulting in a more streamlined and lucrative manufacturing sector.

Singh, B., Dutt, S., & Thimmaiah, N. B. (2021) research paper delves into the Goods and Services Tax (GST) as a pivotal tax reform initiative in India, aimed at simplifying the complex indirect tax structure through consolidation. With a focus on the manufacturing sector, the research investigates the challenges encountered by employees following the implementation of GST, based on a sample size of 400 industry workers. Moreover, the study suggests that GST has fostered a more conducive business environment. Ultimately, the paper concludes that GST, as a unified indirect tax, holds promise in streamlining business processes, alleviating compliance burdens, and fostering economic growth in India.

Dahal & Das, (2021) study investigates the effects of three significant governmental initiatives—Make in India, Demonetization, and the implementation of GST—on the stock market performance of the Indian Manufacturing sector through event study methodology. It reveals that Make in India led to positive security returns, while Demonetization resulted in negative impacts on security prices, and GST implementation had no notable effect. Emphasizing the importance of sector-specific analysis in comprehending market responses to macroeconomic events, the study suggests that announcements with immediate financial implications tend to depress the market, whereas those geared towards economic advancement can uplift it.

Sarkar & Rani (2020) research paper explores the consolidation of indirect taxes into a unified system, aimed at simplifying tax structures and stimulating economic growth.

Noteworthy positive impacts of GST are highlighted in sectors such as logistics, e-commerce, pharmaceuticals, and telecommunications, while concerns in areas like the food industry and small-scale enterprises are also addressed. The authors conclude that GST, with its streamlined tax payment procedures and potential to curb tax evasion, represents a significant stride towards enhancing India's manufacturing prowess and overall economic reform. Drawing from a variety of sources, the paper presents a well-researched and balanced perspective on GST's influence on the manufacturing sector.

Beemabai, K., and Krishnakumar, K. (2019) research paper titled *"Impact of Goods and Service Tax (GST) on MSMEs in India"* a comprehensive examination of GST's effects on the Micro, Small, and Medium Enterprises (MSMEs) sector in India. It underscores the sector's pivotal role as a driver of growth and employment while addressing both positive and negative consequences of GST implementation on MSMEs. Drawing from various secondary sources, the study evaluates the sector-wise contribution to GDP post-GST and scrutinizes the challenges confronting MSMEs. While acknowledging benefits like reduced tax rates and simplified business initiation processes, the paper also delineates hurdles such as heightened working capital demands and the absence of tax distinctions for luxury items, potentially impacting the global competitiveness of MSMEs.

Netaji, S. P., & Maheswaran, G. (2018) paper titled *"A Study on Impact of GST Towards Sales Volume with Reference to Manufacturing Sector"* offers an in-depth examination of how the Goods and Services Tax (GST) influences India's manufacturing industry. It emphasizes the potential advantages of GST, such as mitigating tax cascading and boosting the global competitiveness of Indian products. Nevertheless, the paper also delves into concerns like the additional 1% origin tax and the exclusion of petroleum fuels from GST coverage. Employing a meticulous methodology involving surveys and statistical analysis, the study presents insights into the manufacturing sector's reception of GST and its effects on investment and production costs. Despite acknowledging some hurdles, the paper concludes that GST, coupled with the 'Make in India' campaign, is poised to positively impact the manufacturing sector.

Mehta, Y., & Rajan, A. J. (2017) paper delves into India's economic transition from agriculture to services, focusing on the recent resurgence of interest in manufacturing for its potential in job creation and economic advancement. It underscores the

significance of infrastructure and governmental policies, spotlighting initiatives like 'Make in India' and infrastructure enhancements as pivotal catalysts. By examining manufacturing growth across states, it acknowledges successes in states such as Gujarat and Andhra Pradesh while addressing challenges linked to education and infrastructure deficiencies elsewhere. Ultimately, the paper anticipates India's ascent as a global manufacturing powerhouse, propelled by policy reforms, infrastructure enhancements, and strategic endeavors like industrial corridors, with 'Make in India' and GST poised to redefine manufacturing and logistics, fostering a promising trajectory for the Indian economy.

Mahender (2017) study evaluates the impact of the Goods and Services Tax (GST) on India's manufacturing sector, examining its effects on tax collection efficiency and potential revenue growth. It provides a sector-specific analysis encompassing industries such as cement, automobile, consumer goods, IT, telecom, banking, pharmacy, textile, and media, outlining the repercussions of tax rate adjustments. Additionally, the study presents hypotheses regarding GST's alignment with the Make in India initiative and its implications for risk management and revenue distribution between state and central governments. It concludes that while industries like cement and automobile may experience advantages from GST, others such as IT, telecom, and textiles could encounter obstacles, highlighting the varied impact of GST across different segments of the manufacturing sector.

Singh (2017) this study explores how the Goods and Services Tax (GST) has impacted India's manufacturing sector. It underscores the transition from indirect to direct taxation, highlighting the hindrances to economic growth posed by the previous tax system's cascading effects. By examining GST's potential to streamline taxation, lower production expenses, and enhance cash flows, the paper suggests a potential shift towards a manufacturing-driven economy. It also delves into the challenges of GST implementation, including heightened working capital needs and the necessity for supply chain adjustments. Overall, the paper offers an extensive analysis of how GST affects India's manufacturing industry.

Thowseaf, S., & Ayisha Millath, M. (2016) research examines the anticipated impact of the Goods and Services Tax (GST) on Indian industrial sectors and exports. It highlights that while GST could streamline tax compliance and foster economic growth, it may not be favorable for the agricultural sector due to the new imposition of taxes on

previously exempt goods. The paper suggests that the successful implementation of GST would require liberalization of tax policies on essential commodities like agricultural products to mitigate potential price increases. Overall, the paper posits that GST, if implemented with certain exemptions, could enhance revenue transparency, reduce tax evasion, and contribute positively to India’s economy and standard of living.

Objective Of Study

To investigate and analyze the effects of GST implementation on manufacturing units located in Aligarh, Uttar Pradesh, to understand its impact on various aspects of their operations and overall performance.

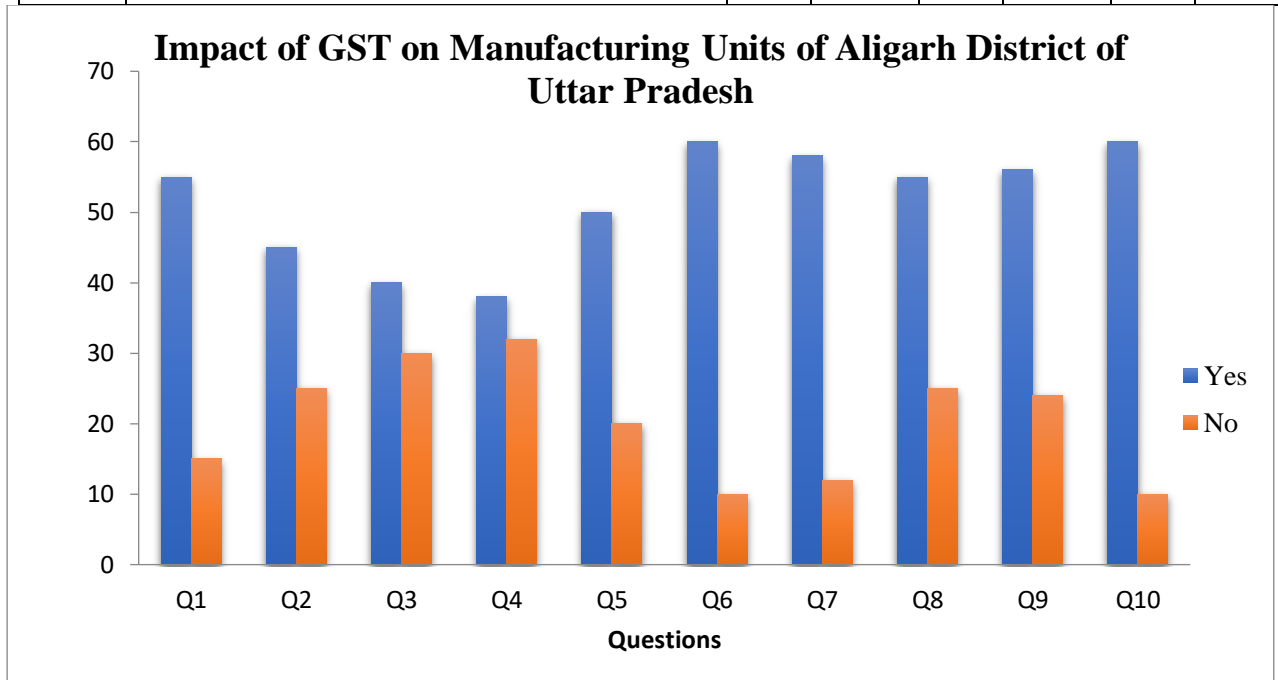
Research Methodology

The data for the study was gathered mainly from primary sources. The present study is conducted in Aligarh District of Uttar Pradesh state of India. The owners of manufacturing industrial units were selected randomly and data were gathered from 70 owners of manufacturing industrial units. To study how GST affects the manufacturing units of Aligarh district, a structured questionnaire was created, and personalized interaction with respondents to collect data in yes or no options. A simple percentage and bar diagram was used for the analysis of data.

Impact of GST on manufacturing units of Aligarh district

Code	Questions	Yes		No		Total	
Q1.	Has the implementation of GST simplified your tax compliance processes?	55	78.57 %	15	21.43 %	70	100 %
Q2.	Do you believe that GST has reduced the complexity of tax filings for your manufacturing unit?	45	64.28 %	25	35.72 %	70	100 %
Q3.	Have you noticed any increase in operational efficiency within your manufacturing unit since the introduction of GST?	40	57.14 %	30	42.86 %	70	100 %
Q4.	Has GST led to a reduction in logistical hurdles for your manufacturing operations?	38	54.28 %	32	45.7 %	70	100 %
Q5.	Do you think GST has improved the transparency and accountability of tax payments for your manufacturing unit?	50	71.42 %	20	28.6 %	70	100 %

Q6.	Has GST resulted in a decrease in tax evasion within the manufacturing sector?	60	85.71 %	10	14.3 %	70	100 %
Q7.	Has GST made it easier for your manufacturing unit to claim input tax credits?	58	82.85 %	12	17.1 %	70	100 %
Q8.	Do you feel that GST has had a positive impact on your manufacturing unit's profitability?	55	78.57 %	25	21.4 %	70	100 %
Q9.	Has GST influenced your decision-making processes regarding product pricing and market strategies?	56	80%	24	20%	70	100 %
Q10.	Overall, do you believe that GST has been beneficial for your manufacturing unit?	60	85.71	10	14.3 %	70	100 %



Positive Impacts of GST

The data suggests a generally positive sentiment towards GST. A majority of respondents agreed that GST has:

- Simplified tax compliance processes (78.57%)
- Reduced the complexity of tax filings (64.28%)
- Improved operational efficiency (57.14%)
- Reduced logistical hurdles (54.28%)

- Improved transparency and accountability of tax payments (71.42%)
- Made it easier to claim input tax credits (82.85%)
- Had a positive impact on profitability (78.57%)
- Influenced decision-making regarding product pricing and market strategies (80%)

Strongly Positive Responses

Some of the most positive responses were in regards to:

- Reduction in tax evasion (85.71%)
- Overall benefit to the manufacturing unit (85.71%)
- Easing the process of claiming input tax credits (82.85%)

Negative Impacts of GST

There is a minority who disagrees with these positive aspects. The table doesn't show the reasons behind these dissenting views, but some respondents may have experienced:

- Increased complexity in some areas of tax compliance
- Higher costs associated with implementing GST
- Negative impacts on cash flow

Scope for Further analysis

It would be beneficial to conduct further analysis or surveys to understand the reasons behind the dissenting views. This could help to identify areas where GST could be improved to better meet the needs of manufacturing units. Overall, the data suggests that GST has had a positive impact on manufacturing units in India. However, some minorities have experienced negative impacts. Further analysis is needed to understand the reasons behind these dissenting views.

Findings And Conclusion

The findings of the study on the impact of GST implementation on manufacturing units in Aligarh district reveal a predominantly positive sentiment towards the tax reform. The data suggests that a significant majority of respondents perceive GST to have simplified tax compliance processes, reduced the complexity of tax filings, and improved operational efficiency within their manufacturing units. Additionally, a majority of respondents believe that GST has led to a reduction in logistical hurdles, improved transparency and accountability of tax payments, and facilitated easier claiming of input tax credits. These findings indicate that GST has positively influenced

decision-making processes regarding product pricing and market strategies, ultimately contributing to the overall profitability of manufacturing units in the region.

Notably, the study highlights strong positive responses regarding the reduction in tax evasion and the perceived overall benefit of GST to manufacturing units. However, there remains a minority of respondents who express dissenting views. While the specific reasons behind these dissenting opinions are not delineated in the data, it is conceivable that some respondents may have encountered increased complexity in certain areas of tax compliance, higher implementation costs, or negative impacts on cash flow. Despite these challenges, the overall conclude that there is a significant positive impact of GST on the manufacturing sector in Aligarh district, indicating its role in streamlining processes, enhancing transparency, and contributing to the economic growth of the region.

References

- Beemabai, K., & Krishnakumar, K. (2019). Impact of goods and service tax (GST) onMSMEs in India. *International Journal of Innovative Technology and Exploring Engineering*, 8(9 Special Issue 3), 1235–1240. <https://doi.org/10.35940/ijitee.i3273.0789s319>
- DAHAL, M., & DAS, J. (2021). Governmental Announcements and Indian Stock Market: Evidence from Indian Manufacturing Sector. *The Review of Finance and Banking*, 13(2), 135–146. <https://doi.org/10.24818/rfb.21.13.02.04>
- Mahender, P. (2017). GST Effect on Manufacturing Industry - India. *International Journal of Managerial Studies and Research*, 5(1), 28–30. <https://doi.org/10.20431/2349-0349.0501007>
- Mehta, Y., & Rajan, A. J. (2017). Manufacturing Sectors in India: Outlook and Challenges. *Procedia Engineering*, 174, 90–104. <https://doi.org/10.1016/j.proeng.2017.01.173>
- Nayaka, B. (2021). A Study on Impact of Goods and Services Tax (GST) on Cement Industry in India. *SSRN Electronic Journal*, 7(4), 1834–1839. <https://doi.org/10.2139/ssrn.3834940>
- Netaji, P. S. (2022). *a Study on Impact of Gst Towards Sales Volume With Reference*

To Manufacturing Sector. March, 137–146.

Sarkar, P., & Rani, T. S. (2020). The impact of GST on manufacturing sector in India. *Journal of Economic & Social Development, 11(7)*, 560-565.

Singh, B., Dutt, S., Thimmaiah, N. B. (2021). Impact of GST on manufacturing organisations. *Journal of Xi'an Shiyou University, September*, 214–227. <https://doi.org/10.17605/OSF.IO/64GTK>

Singh, P. K., & Agrahari, S. K. (2017). The Impact of GST on Indian Manufacturing Sector. *International Journal of Marketing and Management Research, 8(7)*.

Thowseaf, S., & Millath, D. M. A. (2016). A Study on GST Implementation and its Impact on Indian Industrial Sectors and Export. *International Journal of Management Research and Social Science (IJMRSS), 3(2)*, 27–30.

Usha, N., & Venkatesh, S. (2022). A Study on Impact of Goods and Services Tax (GST) on Manufacturing Sector in Karnataka. *International Journal of Mechanical Engineering, 7(4)*, 1834-1839.