



IMPLEMENTATION OF GST AND ITS IMPACT ON MANUFACTURING SECTOR

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Abstract:

The manufacturing sector stands to benefit significantly with the introduction of GST. The overall reduction of cascading effect of taxes, especially on the post-manufacture stage of the supply chain should have a positive effect on the cost of manufactured products in the hands of consumers. However, concerns remain on specific issues such as the additional 1% origin tax, increased cash flow issues on account of GST payable on stock transfers, and increased costs owing to exclusion of petroleum fuels from the ambit of GST. The Government should look into these issues in more detail if its keen to promote its 'Make in India' initiative. The conclusion is that GST will give more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which will result in widening of tax base and better tax compliance may also lead to lowering of tax burden on an average dealer in industry, trade and agriculture. The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports.

Key Words: Consumer, Cash Flow & Tax

Introduction:

The Goods and Service Tax framework is a proposed aberrant taxation framework which is assumed streamline the present tax framework and union it into a solitary taxation framework. It is being actualized through the 101st Constitution Amendment Act 2016. It is an utilization based tax. The essential guideline is to tax the value expansion at every exchange. The Tax paid on buys is permitted as a credit against risk on yield/pay. It will be required on all exchanges of services and goods. For intra state Sales, CGST and SGST will be required and the gathering will go to particular governments. At the point when exchanged inside a similar state, CGST and SGST will be imposed on expanded Sale Price and henceforth the tax obligation will increment, yet now the credit of information CGST and SGST will be accessible and just the rest of the taxes will go to the particular governments.

Statement of the Problem:

The manufacturing sector is a driving force for any country. India has been called an agricultural land and making manufacturing the main driver of economy seems far-fetched. India's complex tax structure can partly be blamed for the stagnant growth of this industry. As per the sources, the manufacturing industry in India has been close to stagnant for the last two decades but its share in GDP is increasing. The impact of GST on manufacturing industry is going to be huge and in addition, could lead to a paradigm shift in developing this sector. Hence the researcher has chosen the manufacturing sector to study the impact of GST.

Objectives of the Study:

Primary Objectives:

- ✓ To study the impact of GST towards manufacturing of sector in Coimbatore.

Secondary Objectives:

- ✓ To analyze the level of acceptance of the respondents towards GST based on the existing tax procedure in the industry.
- ✓ To compare the demographic profile of the respondents with level of acceptance to find out the relationship between the factors.
- ✓ To suggest the perception of public about implementation of GST with engineering sector.

Scope of the Study:

Compounding the structural or design deficiencies of each of the taxes is the poor or archaic infrastructure for their administration. Taxpayer services, which are a lynchpin of a successful self-assessment system, are virtually nonexistent or grossly inadequate under both central and state administrations. Many of the administrative processes are still manual, not benefiting from the efficiencies of automation. All this not only increase the costs of compliance, but also undermines revenue collection. The main scope of the study is that it will be useful for the government to know about the perception of people who are in to manufacturing so that they can change the amendments accordingly.

Limitations of the Study:

- ✓ The study is limited to six months and a deep study about the concept cannot be made.
- ✓ There is a chance of bias in collection of data.
- ✓ The sample size is limited to 200.

Research Methodology:

Research Design:

The researcher was concerned mainly with descriptive research design. The study was conducted in order to find out the impact of GST in manufacturing sector in Coimbatore district.

Sampling Design & Tools Applied:

Sampling Techniques:

Sampling Plan: One of the main elements in the research design is sampling plan which is further divided into sampling unit, sampling size, sampling type.

Sampling Unit: Sampling unit can be defined as the basic unit containing the manufacturers in Coimbatore.

Sampling Size: In this research, the sample size amount to Two hundred, which are surveyed from manufacturers in Coimbatore.

Sampling Type: The researcher adopted Convenience sampling in this research. It is a non-probability sampling and it is referred to selecting a sample based on convenience. And also, the statistical tools are applied viz.

Data Collection:

Primary Data: From the respondents were collected with a help of questionnaire schedule. The questionnaire was designed using the following types of questions.

Secondary Data: Secondary data were collected from the company profile, manuals, journals, magazines and newspapers etc.

Tertiary Data: The data were collected from the various literatures which are related to the subject of GST.

Research Tool: Structure self administered questionnaire had been used as a research tool for collecting data

Statistical Tools: Percentage analysis, Chi square analysis, Factor analysis, Anova, Descriptive statistics

Data Analysis and Interpretation:

Type of Organisation	No. of Respondents	Percentage
Sole Trader	114	57
Partnership	29	14.5
Private Limited Company	26	13
Public Limited Company	31	15.5
Total	200	100

The above table shows the type of organisation of the respondents where out of 200 respondents 57% are sole traders, 14.5% are in the form of partnership firms, 13% are running a private limited company and 15.5% come under the category of public limited company

Factor Analysis for Factors Related to Acceptance Towards GST:

A total of 30 variables were identified for the purpose of collecting acceptance towards GST. In order to reduce the number of variables and to identify the key factors contributing towards acceptance towards GST, factor analysis is performed. KMO and Bartlett's test is conducted to identify the sampling adequacy.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.589
Bartlett's Test of Sphericity	Approx. Chi-Square	2.707E3
	Df	435
	Sig.	0

KMO of sampling adequacy value for the acceptance towards GST is 0.589 and it indicates that the sample is adequate to consider the data as normally distributed. The common factors above 0.5 are taken for the decision making process of the study. The factors are acceptance towards GST aiming to make the tax system more efficient, acceptance towards not understanding how GST would be implemented with the industry, acceptance towards GST having destination based taxation for the products manufactured, acceptance towards GST having a dual administration – centre and state for engineering products, acceptance towards GST having state wise determination of taxable person – no more centralized registration, acceptance towards GST providing seamless credit amongst goods and services, acceptance towards uniform E- Registration process based on PAN of entity, acceptance towards uniformity of rates especially in the neighboring states, acceptance towards government rationalizing and simplifying the tax structure, acceptance towards difficult to do business in India, acceptance towards current duties causing effective tax rate to be high and the differences across states, acceptance towards service tax structure increasing the overall cost for consumers and acceptance towards GST broadening the tax base.

Chi-Square Test:

Period of Experience in the Field Between Factors Related to Acceptance Towards GST:

H₀: There is no relationship between period of experience in the field and factors related to acceptance towards GST

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.843E2 ^a	153	0.043

Interpretation:

The above table shows the relationship between the period of experience in the field and factors related to acceptance towards GST. The level of significance is at 0.043 which is lesser than 0.05. Hence H₁ is accepted. It shows that there is a relationship between period of experience in the field and factors related to acceptance towards GST.

Multiple Regressions:

Comparison Between Type of Organisation and Factors Related to GST:

It reveals that the acceptance level of the manufacturing industry account for 10.4% of variance towards factors related to GST. It could be found that the variable, factors related to acceptance towards GST explains -66.8% and Factors related to aspects of GST administrative machinery explains 2.8% of the dependent variable (i.e) the type of organisation.

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.852	1.35		2.855	0.005
	Factors related to acceptance towards GST	-0.668	0.478	-0.109	-1.398	0.164
	Factors related to aspects with regard to the GST administrative machinery	0.028	0.182	0.012	0.153	0.878
a. Dependent Variable: Type of organisation						
R				0.104		
R square				0.011		

The factors related to GST found to be significant with type of organisation. The result of the regression model has been tested using ANOVA and the F value (1.087) was found to significant at 5% level of significance. Therefore, the regression model is found to be fit. Further, it can be seen that significance is less than 0.05 (i.e) 0.038 which means that the relationship is directly proportional.

One Way Anova:

Comparison Between Period of Experience in the Field and Factors Related to GST:

H₀₁: There is no significant relationship between period of experience in the field and factors related to acceptance towards GST

Descriptive:

Factors	Experience	N	Mean	Std. Deviation	Std. Error	F value	Sig
Factors related to acceptance towards GST	Less than 10 years	117	3.1356	0.18885	0.01746	5.359	0.001
	10- 20 years	25	2.9952	0.21762	0.04352		
	21 - 30 years	25	3.0424	0.13761	0.02752		
	More than 30 years	33	3.0745	0.14479	0.0252		
	Total	200	3.0964	0.18653	0.01319		
Factors related to aspects with regard to the GST administrative machinery	Less than 10 years	117	3.1376	0.4931	0.04559	2.686	0.048
	10- 20 years	25	2.8376	0.43513	0.08703		
	21- 30 years	25	3.0796	0.39104	0.07821		
	More than 30 years	33	3.1142	0.53938	0.09389		
	Total	200	3.089	0.48912	0.03459		

Interpretation:

H₀₁: There is a significant relationship between period of experience in the field and factors related to acceptance towards GST as the level of significance is at 0.001 which is lesser than 0.05. It reveals that the companies having experience of less than 10 years have higher impact towards factors related to acceptance towards GST.

H₀₂: There is a significant relationship between period of experience in the field and factors related to aspects with regard to the GST administrative machinery as the level of significance is at 0.048 which is lesser than

0.05. It reveals that the companies having experience of less than 10 years have higher impact towards factors related to GST administrative machinery.

Findings:

Percentage Analysis:

- ✓ Majority (57%) of the respondents taken for study are sole traders
- ✓ Majority (58.5%) of the respondents are having experience of less than 10 years.
- ✓ Majority (57%) of the respondents have invested less than Rs.5, 00,000.
- ✓ The acceptance and non-acceptance level towards implementation of GST as one of the strategic reforms in line with Make in India to simplify manufacturing procedures are equally distributed.
- ✓ The acceptance and non-acceptance level towards new GST regime triggering a transformational shift from a complex multi-layered indirect taxation system to a unified indirect taxation system are equally distributed.
- ✓ Majority (52.5%) of the respondents are not satisfied towards availability of legislations in relation to the proposed GST as they expect more clarity.
- ✓ Majority (65%) of the respondents agree towards the clear distinction between Central and State sales tax on each item bought.
- ✓ Majority (62%) of the respondents agree towards the fact that GST enables hassle free supply of goods within the country.
- ✓ Majority (58%) of the respondents said agree towards the availability of input tax credit on inter-state sale of goods and services leading to greater cost benefits.
- ✓ Majority (61%) of the respondents disagree towards credit of import duties making imports cheaper for retailers.
- ✓ The calculated value is lesser than table value, and the result is significant. So h_1 is accepted. Hence there is a relationship between the period of experience in the field and the factors related to acceptance towards GST.
- ✓ The calculated value is greater than table value, and the result is not significant. So H_0 is accepted. Hence there is no relationship between the period of experience in the field and the factors related to the GST administrative machinery.
- ✓ The calculated value is greater than table value, and the result is not significant. So H_0 is accepted. Hence there is no relationship between the type of organisation and the factors related to acceptance towards GST.
- ✓ The calculated value is greater than table value, and the result is not significant. So H_0 is accepted. Hence there is no relationship between the type of organisation and the factors related to the GST administrative machinery.
- ✓ The calculated value is greater than table value, and the result is not significant. So H_0 is accepted. Hence there is no relationship between the amount invested in the industry and the factors related to acceptance towards GST.
- ✓ The calculated value is greater than table value, and the result is not significant. So H_0 is accepted. Hence there is no relationship between the amount invested in the industry and the factors related to GST administrative machinery.
- ✓ The factors related to GST are directly proportional to type of organisation. While taking decision on GST the factors related to type of organisation can be taken for decision making process of the study.
- ✓ There is a significant relationship between period of experience in the field and factors related to acceptance towards GST.
- ✓ There is a significant relationship between period of experience in the field and aspects related to the GST administrative machinery.

Suggestions:

For smooth functioning, it is important that the GST clearly sets out the taxable event. The rules should be more refined and free from ambiguity.

The GST is a destination based tax, not the origin one. In such circumstances, it should be clearly identifiable as to where the goods are going. This shall be difficult in case of services, because it is not easy to identify where a service is provided, thus this should be properly dealt with.

More awareness about GST and its advantages have to be made, and professionals like us really have to take the onus to assume this responsibility.

The Indian political system needs to be adjustable to and mature to understand the cause of the nation rather than vote bank and petty political gains which has plagued the nation till now.

Conclusion:

The conclusion is that GST will give more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which will result

in widening of tax base and better tax compliance may also lead to lowering of tax burden on an average dealer in industry, trade and agriculture. The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports.

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