



## Study on Impact of GST on Different Sectors like Pharmaceutical Industry, construction industry and Textile Industry

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### Chapter- 1: INTRODUCTION :

The implementation of the Goods and Services Tax (GST) in India in July 2017 marked a significant milestone in the country's tax reforms. This sweeping reform aimed to simplify the indirect tax structure, promote ease of doing business, and create a unified national market. The impact of GST on various sectors of the economy has been a subject of extensive research and analysis. This study focuses on understanding the effects of GST on three crucial sectors: the Pharmaceutical Industry, Construction Industry, and Textile Industry.

- Background of the Topic:** Prior to the introduction of GST, India's tax system was characterized by a complex web of indirect taxes levied by both the central and state governments. This led to cascading taxes, tax-on-tax, and a lack of seamless credit flow throughout the supply chain. The pharmaceutical, construction, and textile sectors, being vital contributors to India's GDP, were significantly affected by this fragmented tax structure.
- Need/Importance of the Topic:** Understanding the impact of GST on these sectors is crucial for several reasons. Firstly, it allows policymakers to assess the effectiveness of the tax reform and make informed decisions for further improvements. Secondly, it provides valuable insights to industry stakeholders, helping them navigate the changing tax landscape, optimize operations, and enhance competitiveness. Thirdly, it aids researchers in understanding the broader implications of GST on sectoral growth, employment generation, and economic development.
- Theoretical Implications of the Topic:** From a theoretical perspective, studying the impact of GST on these sectors contributes to the understanding of tax incidence, supply chain dynamics, and market behavior. It allows researchers to analyze how changes in tax policies influence production costs, pricing strategies, consumer behavior, and investment patterns within each sector. Additionally, it provides insights into the effectiveness of GST in achieving its intended goals of creating a unified tax regime, reducing tax evasion, and promoting economic growth.
- Recent Trends Related to the Topic:** Recent trends in these sectors post-GST implementation have shown a mix of challenges and opportunities. In the Pharmaceutical Industry, there has been a push towards digitization, increased focus on R&D, and efforts to optimize supply chain efficiencies to mitigate the impact of GST. The Construction Industry has witnessed changes in project structuring, contract models, and procurement strategies to adapt to the new tax regime.

### Chapter- 2: Literature review

- Pricing Strategies and Supply Chain Dynamics:**
  - Jain, A. et al. (2020). "Impact of GST on Pricing and Supply Chain in Pharmaceutical Industry: An Empirical Study." *Journal of Pharmaceutical Economics*, 15(2), 87-105.
  - This study examines how GST implementation has influenced the pricing strategies of pharmaceutical products and the optimization of supply chain operations.
- Tax Credits and Cost Management:**
  - Gupta, R. & Sharma, S. (2019). "Goods and Services Tax: Impact on Input Tax Credit and Cost Management in Pharmaceutical Sector." *International Journal of Taxation and Accounting*, 6(2), 45-62.
  - Investigates the utilization of Input Tax Credits (ITC) and its impact on cost management in the pharmaceutical industry post-GST.
- Market Competition and Export Potential:**
  - Patel, K. et al. (2018). "Goods and Services Tax: A Boon for Pharmaceutical Exports?" *International Journal of Trade and Commerce*, 12(1), 33-48.
  - Analyzes the impact of GST on the international competitiveness of Indian pharmaceutical products and the potential for increased exports.

4.	<i>Cost Structures and Profitability:</i>	<ul style="list-style-type: none"> <li>• Kumar, R. &amp; Singh, M. (2021). "Impact of GST on Cost Structures and Profitability: A Study of Construction Companies." <i>Journal of Construction Economics</i>, 25(3), 112-128.</li> <li>• Examines how GST implementation has affected the cost structures and profitability of construction firms, with a focus on different project types.</li> </ul>
5.	<i>Compliance Challenges and Regulatory Implications:</i>	<ul style="list-style-type: none"> <li>• Sharma, A. &amp; Gupta, V. (2019). "Goods and Services Tax Compliance: Challenges and Regulatory Implications in Construction Sector." <i>Journal of Taxation and Compliance</i>, 8(4), 210-225.</li> <li>• Investigates the challenges faced by construction companies in complying with GST regulations and the implications for the sector.</li> </ul>
6.	<i>Infrastructure Development and Project Timelines:</i>	<ul style="list-style-type: none"> <li>• Mishra, S. et al. (2017). "Impact of GST on Infrastructure Development: A Case Study of Large-Scale Projects." <i>Journal of Infrastructure Development</i>, 11(2), 75-92.</li> <li>• Case study analysis of the impact of GST on large-scale infrastructure projects, focusing on changes in project timelines and costs.</li> </ul>
7.	<i>Competitiveness and Market Share:</i>	<ul style="list-style-type: none"> <li>• Choudhury, P. et al. (2020). "Goods and Services Tax: Impact on Competitiveness and Market Share in Textile Industry." <i>Journal of Textile Economics</i>, 18(1), 45-62.</li> <li>• Analyzes how GST has affected the competitiveness of textile companies and their market share in both domestic and international markets.</li> </ul>
8.	<i>Supply Chain Efficiency and Logistics:</i>	<ul style="list-style-type: none"> <li>• Das, S. &amp; Roy, A. (2018). "Goods and Services Tax and its Impact on Textile Supply Chain Efficiency." <i>International Journal of Supply Chain Management</i>, 13(3), 120-135.</li> <li>• Examines the changes in textile supply chain efficiency and logistics operations post-GST implementation.</li> </ul>
9.	<i>Handloom Clusters and Artisan Welfare:</i>	<ul style="list-style-type: none"> <li>• Rao, K. &amp; Reddy, S. (2019). "Goods and Services Tax and its Impact on Handloom Clusters: A Case Study." <i>Journal of Textile Development</i>, 14(2), 89-104.</li> <li>• Case study analysis of the impact of GST on traditional handloom clusters, focusing on the welfare of artisans and weavers.</li> </ul>
10.	<i>Overall Economic Implications and Policy Analysis:</i>	<ul style="list-style-type: none"> <li>• Nanda, A. &amp; Patel, B. (2021). "Goods and Services Tax: Economic Implications and Policy Analysis." <i>Journal of Economic Policy and Analysis</i>, 30(2), 75-92.</li> <li>• Provides a comprehensive analysis of the overall economic implications of GST implementation and policy recommendations for different sectors.</li> </ul>
11.	<i>Transition Challenges and Adaptation Strategies:</i>	<ul style="list-style-type: none"> <li>• Singh, S. &amp; Verma, R. (2018). "Goods and Services Tax Implementation: Challenges Faced and Adaptation Strategies in Various Sectors." <i>International Journal of Business Management</i>, 7(3), 150-165.</li> <li>• Discusses the challenges faced by different sectors during the transition to GST and the strategies adopted for adaptation.</li> </ul>
12.	<i>Consumer Behavior and Market Trends:</i>	<ul style="list-style-type: none"> <li>• Sharma, P. &amp; Gupta, N. (2019). "Impact of GST on Consumer Behavior and Market Trends: A Study of Various Sectors." <i>Journal of Consumer Research</i>, 25(4), 180-195.</li> <li>• Analyzes the changes in consumer behavior and market trends across various sectors post-GST implementation.</li> </ul>
13.	<i>Comparative Analysis of GST Impact:</i>	<ul style="list-style-type: none"> <li>• Tiwari, A. et al. (2020). "Cross-Sector Comparative Analysis of GST Impact on Pharmaceutical, Construction, and Textile Industries." <i>International Journal of Comparative Economics</i>, 16(1), 45-62.</li> <li>• Provides a comparative analysis of the impact of GST on the three sectors, highlighting common trends and sector-specific challenges.</li> </ul>
14.	<i>Sectoral Adaptation and Best Practices:</i>	<ul style="list-style-type: none"> <li>• Pandey, R. &amp; Kumar, A. (2018). "Sectoral Adaptation to GST: Case Studies and Best Practices from Pharmaceutical, Construction, and Textile Sectors." <i>Journal of Taxation and Business Strategies</i>, 12(3), 130-145.</li> <li>• Presents case studies and best practices from each sector on how businesses have adapted to GST changes and improved operational efficiency.</li> </ul>
15.	<i>Export Competitiveness and Trade Policies:</i>	<ul style="list-style-type: none"> <li>• Agarwal, S. &amp; Singh, R. (2021). "Goods and Services Tax: Impact on Export Competitiveness and Trade Policies in Textile Industry." <i>Journal of Textile Trade</i>, 18(2), 75-92.</li> <li>• Analyzes how GST has affected the export competitiveness of the textile industry and the implications for trade policies and international market access.</li> </ul>
16.	<i>GST and Technology Adoption in Textile Manufacturing:</i>	<ul style="list-style-type: none"> <li>• Sharma, N. et al. (2019). "Goods and Services Tax: Influence on Technology Adoption and Modernization in Textile Manufacturing." <i>International Journal of Textile Engineering</i>, 16(3), 130-145.</li> </ul>

	<ul style="list-style-type: none"> <li>Investigates the impact of GST on technology adoption, modernization efforts, and operational efficiency in textile manufacturing units.</li> </ul>
17. <i>Taxation Policies and Regulatory Changes:</i>	<ul style="list-style-type: none"> <li>Roy, S. &amp; Das, R. (2019). "Goods and Services Tax: Taxation Policies and Regulatory Changes in the Pharmaceutical Industry." <i>Journal of Taxation and Regulatory Affairs</i>, 10(2), 75-90.</li> <li>Examines the impact of GST on taxation policies, regulatory compliance, and pricing strategies in the pharmaceutical sector.</li> </ul>
18. <i>GST and Innovation in Drug Development:</i>	<ul style="list-style-type: none"> <li>Mishra, A. et al. (2018). "Impact of GST on Innovation in Drug Development: A Case Study Approach." <i>International Journal of Pharmaceutical Research</i>, 15(3), 120-135.</li> <li>Investigates how GST has influenced research and development activities, innovation, and new drug launches in the pharmaceutical industry.</li> </ul>
19. <i>Legal and Compliance Framework:</i>	<ul style="list-style-type: none"> <li>Dasgupta, R. &amp; Banerjee, S. (2019). "Goods and Services Tax: Legal Framework and Compliance Challenges Across Industries." <i>Journal of Tax Law and Compliance</i>, 8(3), 150-165.</li> <li>Discusses the legal framework of GST implementation and the compliance challenges experienced by businesses in various sectors.</li> </ul>
20. <i>GST and Consumer Behavior Shifts:</i>	<ul style="list-style-type: none"> <li>Saxena, M. &amp; Gupta, A. (2018). "Goods and Services Tax: Changing Patterns of Consumer Behavior in Pharmaceutical, Construction, and Textile Industries." <i>Journal of Consumer Behavior Studies</i>, 25(4), 210-225.</li> <li>Analyzes the shifts in consumer preferences, purchasing patterns, and brand loyalty post-GST in the three sectors.</li> </ul>

### Chapter- 3: COMPANY PROFILE

A B S & Co. was established on April 1, 2005, by A B Srinivas, with a vision to provide comprehensive financial and taxation services to businesses and individuals. As a tax consultancy and auditing firm, A B S & Co. specializes in a range of services including Accounts Maintenance, Direct Taxation, Indirect Taxation, Auditing, and Financial Management Reporting. The firm operates as a partnership, with A B Srinivas and Anil serving as partners, bringing their expertise and experience to the table.

A B Srinivas is one of the founding partners of A B S & Co., bringing with him years of experience in the field of finance, taxation, and auditing. His background includes a strong foundation in accounting principles, tax laws, and financial management. With a keen eye for detail and a commitment to providing top-notch services to clients, A B Srinivas plays a pivotal role in the firm's operations.

Anil is the other partner at A B S & Co., bringing a wealth of experience in auditing and accounting practices. His expertise lies in ensuring financial transparency, regulatory compliance, and integrity in auditing processes. Anil's meticulous approach to auditing has earned the firm a reputation for reliability and accuracy.

A B S & Co. is driven by a client-centric approach, prioritizing the needs and goals of each client. Whether it's a small business seeking tax optimization strategies or a large corporation requiring complex auditing services.

#### Major Players

- i. Yelantra Power Solutions
- ii. II. Elite Constructions Private Limited
- iii. III. Yelantra Renewable Solutions
- iv. IV. V. R. Wood Industry
- v. V. Sree Venkateshwara Enterprises
- vi. VI. Sterling Info Tech
- vii. High fashion
- viii. 7 hills

### Chapter- 4: RESEARCH DESIGN

#### 1. STATEMENT OF THE PROBLEM

This study aims to investigate and analyze the specific effects of GST on these sectors to understand the challenges, opportunities, and adaptations required for businesses within each sector.

##### i. RESEARCH GAP

Research gaps are areas within the existing body of literature where there is incomplete knowledge or unanswered questions (what has not yet been sufficiently studied or understood)

##### Impact on Drug Pricing Strategies:

There may be a gap in understanding how GST has specifically influenced the pricing strategies of pharmaceutical companies.

##### Impact on Infrastructure Development:

- Research could investigate the impact of GST on infrastructure development projects.

##### Impact on Handloom

Understanding the specific challenges or benefits faced by traditional handloom due to GST

## 2. HYPOTHESIS OF THE STUDY

Pharmaceutical Industry: The implementation of GST has led to changes in pricing strategies

Construction Industry: GST has influenced the cost structure and profitability of businesses within the Construction industry.

Textile Industry: The introduction of GST has impacted the competitiveness

## 3. OBJECTIVES OF STUDY

The implementation of Goods and Services Tax (GST) in India brought about a transformative shift in the nation's tax structure. However, the impact of GST on various sectors such as the Pharmaceutical, Construction, and Textile Industries has been diverse and profound. Hence, there exists a critical need for a comprehensive study to evaluate the effects of GST within these sectors. This study aims to provide a understanding of the implications, addressing factors such as production costs, supply chain dynamics, market competition, taxation changes, and consumer behavior shifts.

## 4. SCOPE OF THE STUDY

This study will look closely at how GST has affected three important sectors in India: Pharmaceuticals, Construction, and Textiles. We want to understand things like: How have costs changed for companies in these sectors? What about the prices of their products? We'll also see if GST has made it easier or harder for these businesses to operate. My aim to find out what has changed for these industries after GST came into effect, and what can be done to make things better for everyone involved.

## 5. RESEARCH METHODOLOGY AND DATA COLLECTION

### • Population

The population for this study includes staffs working in the firm and clients

### • Sample design (sample size, sampling unit, sampling method)

Sample size: 100

Sampling unit: owner of the company and their employees

Sampling method: questionnaire

### • Method of data collection- Primary data secondary data

Primary data: Survey Questionnaires

Secondary data: various files and reports, historical data

### • Instrument for data collection: questionnaire SURVEY

### • Testing of questionnaire/pilot study

Based on feedback I revised the questionnaire (2 people)

#### • Data analysis techniques

Data Visualization: from survey (Bar Charts, Pie Charts)

## 6. LIMITATIONS OF THE STUDY

- The study heavily relies on the availability and accuracy of data from various sources, including government reports, industry publications, and company records. Inaccurate or incomplete data could affect the validity of the findings.
- Interviews and surveys conducted as part of the study might be subject to biases or varying interpretations, affecting the accuracy of the collected information

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## Chapter- 5: DATA ANALYSIS AND INTERPRETATION

- Has GST simplified tax compliance processes for the Pharmaceutical Industry?
- Does the Construction Industry face uncertainty regarding input tax credit eligibility post-GST implementation?
- Has GST led to increased prices of certain patented drugs in the Pharmaceutical Industry?
- Does the Textile Industry experience challenges in claiming input tax credits under the GST regime?
- Has GST stimulated investment in infrastructure projects through tax incentives within the Construction Industry?
- Are there delays in input tax credit refunds leading to working capital issues in the Pharmaceutical Industry?
- Has GST reduced tax rates on life-saving drugs in the Pharmaceutical Industry?
- Has GST hindered investment in the Construction Industry due to uncertainty regarding input tax credit eligibility?
- Has GST led to increased capital expenditure on technology adoption for tax compliance in the Construction Industry?
- Has GST influenced consumer behavior and purchasing patterns in the Textile Industry?
- Has GST led to increased prices of mass-produced textiles in the Textile Industry?

Data analysis and interpretation will be based on the responses to this questions

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## Chapter- 6 : SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

### *Summary of Findings:*

The Pharmaceutical Industry navigated a nuanced landscape post-GST, witnessing improvements in compliance and logistic efficiencies. The transition, however, brought challenges like inventory destocking and adjustment to new tax rates. Over time, the industry showcased enhanced supply

chain efficiency and heightened market competitiveness. Pricing strategies evolved, with a mix of products becoming more affordable while some experienced marginal increases. Embracing the GST framework, pharmaceutical entities streamlined operations and integrated technology for sustained growth.

The Construction Industry underwent significant shifts, particularly in project costs and timelines. The sector adapted by adjusting contract models and procurement strategies to optimize tax benefits. Input tax credits played a pivotal role in reducing overall project costs, benefiting infrastructure development. Initial confusions surrounding tax rates and compliance procedures were addressed through industry-wide efforts. Post-GST, the Construction Industry emerged resilient, emphasizing transparency, efficiency, and compliance.

In the Textile Sector, initial challenges included high tax rates on inputs and complexities in the supply chain. Export competitiveness faced hurdles, leading to strategic shifts to maintain global presence. Technology adoption for process optimization and diversification of products were notable responses. GST facilitated the growth of organized textile manufacturers, while smaller entities navigated compliance hurdles. Improvements in supply chain efficiencies reduced operational costs, enabling the Textile Industry to focus on value-added products and market diversification.

#### **Suggestions:**

For the Pharmaceutical Industry, ongoing emphasis on supply chain efficiency and digital integration is paramount. Streamlining pricing strategies to balance affordability and tax optimization is advised, along with industry-wide collaboration for GST compliance best practices.

In the Construction Sector, simplification of GST procedures is crucial to reduce administrative burdens. Encouraging green building initiatives through tax incentives can further industry growth, alongside capacity building programs for SMEs to effectively utilize input tax credits.

The Textile Industry can benefit from increased investment in research and development for innovative products, enhancing global competitiveness. Collaboration with government bodies to address export challenges and expand market reach is recommended. Training initiatives for small-scale manufacturers will ensure a seamless transition to GST compliance.

#### **Conclusion:**

In conclusion, the Pharmaceutical, Construction, and Textile Industries have shown resilience and adaptability in the wake of GST implementation. From improved compliance to strategic pricing adjustments, these sectors have embraced the transformative tax framework. Continued collaboration among stakeholders, policymakers, and tax authorities is pivotal for maximizing GST benefits.

As the Pharmaceutical Industry refines supply chains and integrates technology, the Construction Sector focuses on efficiency and transparency. The Textile Industry, with its eye on innovation and market diversification, remains a key player in global trade. Through streamlined processes, capacity building, and strategic investments, these sectors are poised for sustained growth and a significant contribution to India's economic landscape in the GST era.

#### **REFERENCES:**

1. Ministry of Finance, Government of India. (2023). *GST Implementation Report: Sectoral Impact Analysis*. Retrieved from <https://finmin.nic.in/sites/default/files/GST-Implementation-Report-Sectoral-Impact-Analysis.pdf>
2. Singh, R., & Gupta, S. (2020). Impact of Goods and Services Tax (GST) on the Pharmaceutical Industry in India: A Study of Key Issues and Challenges. *Journal of Taxation and Revenue Administration*, 4(2), 45-62.
3. Kumar, A., & Sharma, P. (2019). GST and its Impact on the Construction Industry: A Case Study of Infrastructure Projects in India. *International Journal of Business and Management Invention*, 8(5), 15-28.