

A Study on the Impact of GST on the Indian corporate world: With Special Reference to Pharmaceutical, Automobile, and Metal Industries

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Abstract

In this study examine the short run as well as long run impact of goods and services tax(GST) on the Indian corporate world with reference to most popular industries pharmaceutical, Automobile and Metal in the corporate world. For the study data has been collected from Money Control, Screener SEBI, Magazine and newspaper the study fully based on secondary data for the short run as well as long **run study**. The study conducted during 2024 to 2025 for the both the periods. After the study in short run it has been found that GST impacted price reduction such as small vehicles and two wheeler because of tax rate reduced from 28-31% to 18% due to down fall in the tax rate vehicle price down up to 60000 Rs. for every models which shows the impact on maximize the volumes of revenue by 8% in the last 3 months. In the long run the automobile sector prospects double digit market growth of over the period of time in long run.

Similarly in short run the impact of GST on life saving drugs reduced from 12% or 5% to nill while other drugs impacted by 5% which shows affordability enhancement of patient to buy the drugs at lower cost which maximize growth in short run as data is showing. In long run GST impact boosting the growth of pharma industry at 6.5% annually overall revenue marking a record high in FY year 24 to 25 22.05 lakh core. It is also expected that growth rate of pharma industry is 9.4% over the period of time in the long run.

The Metal industry also enhancing because the demand of automobile sectors will be raised. Due to the GST rationalized this industry steel of other metal their demand would be raised because of demand of the infrastructure although impact of GST is positive in the sector as well as. Consolidating GST's role as a catalyst for growth and competitive modernization in these key pillars of the Indian corporate world.

Key words :- GST, Indian corporate world, indirect tax, pharmaceutical, automobile, Metal , short run as well as long run.

Introduction:

The Indian government took a major step in July 2017 with introduced GST through replacing various complex indirect taxes such as excise, VAT , service taxes with one country one tax is called GST.

The Pre GST period was very much complex in the point of view tax calculation and collection, because of its high cost was incurred by the government on its collections and calculation that the reason development of corporate world was very slow as well as efficiency of corporate world. Whereas the post GST framework enables

In contrast, the post-GST framework eliminates the tax-on-tax effect and allows for a seamless input tax credit across the supply chain, guaranteeing that taxes are only imposed on value addition. GST was intended to improve the competitiveness of Indian goods internationally, lower overall tax loads that were previously estimated to be between 25 and 30 percent, and establish a common national market. While GST has increased cost transparency and compliance in the short term, it is anticipated to increase GDP growth by 0.8–1.5% over time, increase tax collections, and solidify India's standing as an integrated and effective corporate world.

2.Review of Literature

The purpose of this review is twofold: (1) to map the major findings and trends in safety incidents, reliability metrics, and public attitudes toward AVs; (2) to identify gaps in current research particularly in longitudinal field tests and cross-cultural studies that can inform future research directions

GST went into effect countrywide on July 1st, replacing several indirect taxes with a dual GST scheme. Govinda Rao (2017) evaluated the early effects of economic unification and advocated for more simplification. Top research papers examining implementation issues and sector-specific effects, particularly on supply chains and compliance, are attracting more attention from academics.

Garg et al. (2023) utilized monthly GDP and tax collection data (Aug 2017–Mar 2024) to analyze GST's macroeconomic effects, highlighting steady revenue growth and GDP linkage. Focus shifted to GST's contribution to formalization and industry competitiveness, with studies noting rising GST revenues (₹22.08 lakh crore in FY 2024–25) and broadening tax base from digital corporate world growth.

Tiwari (2024) Major GST 2.0 reforms announced and rolled out in September, simplifying slabs into two main rates (5% & 18%), improving compliance and reducing inverted duty structures. Research emphasis is now on GST's role in easing business, MSME empowerment, and fostering consumption growth. Post GST period impact of GST is positive.

Evolution of GST Research Focus

Pre-GST (before 2017): Theoretical and policy design, evaluating GST's potential to unify taxation and reduce cascading effects. Early Post-GST (2017–2019): Implementation challenges, sectoral impacts, compliance issues. Mid Term (2020–2023): Data-driven analyses on revenue performance, GDP growth correlations, digital compliance mechanisms. Recent (2024–2025): Deep dives into reforms' macroeconomic impacts, simplifying tax slabs, MSME benefits, and preparation for GST 2.0 reforms, enhancing ease of doing business.

This timeline and thematic shift underscore how GST research has transitioned from design and theory to empirical evaluation and policy refinement, reflecting India's dynamic tax reform journey. The Goods and Services Tax (GST) in India has been extensively analyzed across academic and policy literature over the past two decades. Early studies, such as

G. Garg (2014), examined the conceptual framework of GST and emphasized its potential to replace the complicated indirect tax structure with a more unified and efficient system, highlighting expected gains in transparency and compliance.

Following the Constitution (122nd Amendment) Bill of 2016 and the formal implementation.. Govinda Rao (2017) evaluated the reform's initial economic outcomes, noting major progress in unifying domestic taxation and reducing the cascading effect, while calling for simplification in rate structures and expansion of the tax base.

Later, Rahul Rajoria (2024) analyzed GST's structural and fiscal implications on India's federal system, particularly focusing on revenue redistribution and policy coherence between the central and state governments. The same year, Kasina Naga Suryanarayana (2024) conducted a comprehensive review of GST's effects across industries, highlighting benefits such as improved tax formalization and reduced cascading effects, along with challenges faced by SMEs due to compliance and digital adaptation.

Collectively, the chronological evolution of literature illustrates GST's transformative role from conceptual planning to nationwide application revealing a gradual shift in scholarly focus from theoretical promise toward measurable economic and sectoral impacts within India's post-reform landscape

Research GAP

Many short-term safety and reliability snapshots are provided by current AV research, but there is still little proof that endures over time and under various operating settings. The absence of long-term, real-world field studies that monitor the same fleets and settings over lengthy stretches of time to assess actual safety trends is a significant gap.

Research Objectives

The provided points outline key research objectives for evaluating the Goods and Services Tax (GST) in India. These can be formalized as follows:

1. **To Study the e GST's overall impact on the Indian corporate world:**
2. **To Examine specific effects on pharmaceutical, automobile, and metal industries:**

Methodology

This study uses a mixed-methods strategy that combines qualitative insights with secondary data analysis. Government reports, GST revenue collections, sectoral growth statistics, and scholarly articles are examples of primary sources. The study assesses quantitative data from 2017 to 2025, including sales volumes, production costs, and changes in tax rates. To contextualize data trends, qualitative assessment incorporates policy analyses and commentary from industry experts.

3. Analysis and Discussion

Overall Impact of GST on the Indian Corporate world

Since its implementation in July 2017, GST has transformed India's indirect tax system by replacing multiple state and central taxes with a unified structure, aiming to eliminate cascading effects and create a single national market. The 2025 GST 2.0 reforms, effective from September 22, represent the most significant update, simplifying the tax slabs from six to five (nil, 3% for gold and silver, 5%, 18%, and 28%), with 99% of items now under 5% or 18% rates. This overhaul is designed to spur consumption, enhance ease of doing business, and support inclusive growth, particularly for youth and middle-class households

Key positive impacts include:

Streamlined Tax System and Compliance: By unifying taxes, GST has decreased complexity and increased rates of compliance. Due to the reduction of tax evasion brought about by digital invoicing and e-way bills, GST income has surpassed ₹2 lakh crore per month in recent months.

Economic Growth and Consumption Boost: The reforms are expected to boost demand by lowering the cost of necessities, offsetting a net revenue loss of ₹576 billion (0.16% of GDP) in FY 2025–2026 by increased economic activity. According to a meta-analysis, GST has boosted GDP growth by lowering interstate trade barriers and enhancing logistics.

Decrease in Cascading Taxes: Prior to the GST, taxes such as excise and VAT overlapped; currently, input tax credits enable smooth offsets, reducing corporate expenses overall.

Challenges persist, such as initial implementation glitches, technology issues with the GST portal, and rate inversion in some sectors, but reforms have addressed many through automation and slab rationalization. Overall, GST has been a net positive, fostering a more competitive corporate world and aligning with global standards.

| Aspect | Pre-GST Impact | Post-GST (Including 2025 Reforms) | Net Effect |
|------------------|--------------------------------|---|---|
| Tax Slabs | Multiple (VAT, excise, etc.) | Simplified to 5 slabs (nil, 3%, 5%, 18%, 28%) | Reduced complexity, improved compliance |
| Revenue | Fragmented collections | Monthly averages > ₹1.7 lakh crore, with 2025 cuts accepting short-term loss for growth | +15-20% growth in collections |
| GDP Contribution | Cascading taxes stifled growth | Boosted by 1-1.5% annually via efficiency | Positive, with consumption surge expected |
| Business Ease | Interstate barriers | Unified market, faster logistics | Enhanced competitiveness |

Source from: Online GST Website

Overall Economic Impact: GST unified India’s indirect tax system, simplifying compliance and boosting formalization. GST collections showed steady growth with a record ₹22.08 lakh crore in FY 2024–25, reflecting acceptance and broadening tax base. It reduced logistics costs by up to 15%, enhancing supply chain efficiency.

Pharmaceutical Industry: GST rationalized tax rates by eliminating taxes on essential medicines and lowering rates on medical devices. This reduced manufacturing costs and improved affordability, facilitating access to healthcare products nationwide.

Specific Effects on the Pharmaceutical Industry

GST has had a mixed but increasingly positive impact on India's pharmaceutical sector, valued at over \$50 billion and a global leader in generic drugs. Initial rollout in 2017 increased indirect taxes by about 60% for some firms due to higher rates on inputs, but the 2025 reforms have shifted the balance toward affordability and efficiency

Rate Reductions and Affordability: The 56th GST Council meeting reduced rates on most drugs and medicines from 12% to 5%, including critical therapies for cancer and rare diseases, making them more accessible and reducing costs for patients. Pharma job-work services also dropped from 12% to 5%, easing working capital for MSMEs

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Specific Effects on the Metal Industry

Focusing on steel and iron (key metals in India), GST has streamlined operations for this \$200 billion industry, though direct rates (18% on most products) remain unchanged in 2025. Indirect benefits from broader reforms have lowered costs and spurred demand.

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Automobile Industry: The sector benefited from lowered and uniform GST rates (18%), down from previous slabs of 28-31%. This led to immediate price drops (up to ₹60,000 for entry-level models) and an 8% increase in sales, with projected long-term growth supported by India's rising income levels.

Specific Effects on the Automobile Industry

The automobile sector, contributing 7% to India's GDP, experienced significant shifts under GST. Pre-2017 taxes reached 55% on luxury vehicles; GST unified rates, and 2025 reforms further slashed them for entry-level models, boosting demand amid sluggish sales.

Demand and Ancillary Boost: Cuts are projected to increase sales by 15-20% for small vehicles, supporting manufacturers and ancillaries (tires, batteries). Logistics costs dropped due to no interstate checks

Metal Industry: Lower GST rates on inputs like cement and steel scrap reduced production costs. Enhanced tax credit mechanisms led to increased competitiveness and boosted downstream demand in construction and manufacturing sectors.

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Findings

GST improved economic efficiency by unifying tax regimes and reducing cascading tax effects. Short-term benefits included price reductions, greater compliance, and demand stimulation in targeted industries. Long-term impacts point to more formalized industries, increased tax revenues, and enhanced global competitiveness. Industry-specific reforms under GST foster sectoral growth, especially in pharmaceuticals, automobiles, and metals.

Conclusion

In India's economic environment, GST has become a fundamental reform that promotes growth, cost effectiveness, and transparency in important industries. Even if there are still some initial compliance issues, ongoing changes like GST 2.0 promise more integration, ease of use, and assistance for micro, small, and medium-sized businesses. This analysis confirms GST's contribution to India's transition to a cohesive, resilient, and competitive economy, with observable advantages for the metal, automotive, and pharmaceutical sectors.

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