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GST in India: Identifying Positively and Negatively Affected Industries

A Sectoral Analysis of Post-Implementation Evidence (2017–2024)

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Abstract

The Goods and Services Tax (GST), implemented in India on July 1, 2017, is the most significant indirect tax reform since independence, consolidating over seventeen central and state levies into a unified, destination-based consumption tax. Despite well-documented macroeconomic benefits—elimination of cascading taxes, creation of a common national market, and improved fiscal efficiency—its distributional impact across industries has been markedly asymmetric. This paper provides a concise analytical review of GST's differential sectoral impact across ten major industries over 2017–2024, drawing on secondary data from the Ministry of Finance, Reserve Bank of India, MOSPI, and the GST Council. Sectors experiencing significant positive gains include logistics, Fast-Moving Consumer Goods (FMCG), automobiles, e-commerce, and organised manufacturing, primarily attributable to tax rationalisation, input tax credit (ITC) availability, and supply-chain optimisation. Conversely, MSMEs, textiles and handicrafts, real estate, telecommunications, and financial services confronted rate escalation, inverted duty structures, and elevated compliance burdens. Gross GST collections grew from INR 7.19 lakh crore in FY 2017–18 to a record INR 22.08 lakh crore in FY 2024–25, evidencing sustained formalisation. The paper concludes with targeted policy recommendations for rate rationalisation, MSME support, and structural resolution of inverted duty anomalies.

Keywords: Goods and Services Tax (GST); Sectoral Impact; Tax Reform; MSMEs; Input Tax Credit (ITC).

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Keywords: *GST; India; sectoral impact; tax reform; FMCG; MSME; logistics; inverted duty structure; indirect taxation; formalisation*

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1. Introduction

The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a watershed in India's fiscal history. Replacing a fragmented architecture of over seventeen central and state indirect taxes—including Central Excise Duty, Service Tax, and Value Added Tax—GST consolidated indirect taxation into a unified, multi-rate, destination-based system operating through Central GST (CGST), State GST (SGST), and Integrated GST (IGST). The reform aimed to eliminate cascading taxes, enable seamless input tax credit (ITC), and create a common national market. India thus joined approximately 160 countries with a GST or value-added tax framework, with government projections estimating a medium-term GDP growth boost of around two percentage points (Ministry of Finance, Government of India, 2017).

The fiscal results have been impressive. Gross GST collections rose from INR 7.19 lakh crore in FY 2017–18 to a record INR 22.08 lakh crore in FY 2024–25—a 9.4% year-on-year increase—driven by economic growth and widening formalisation (Press Information Bureau [PIB], 2025). The taxpayer base expanded from approximately 10 million registrants in 2017 to over 15 million by 2024. Yet the aggregate picture masks profound sectoral asymmetry. Industries previously burdened by cascading levies and interstate barriers benefited immediately; sectors characterised by pre-GST exemptions, inverted duty structures, or high compliance intensity bore disproportionate costs.

Existing literature has examined GST's effects largely at the macro level or within individual industries. Comprehensive cross-sectoral comparative analysis remains limited. This paper addresses that gap, synthesising evidence across ten major sectors over FY 2017–18 to FY 2023–24. The research objectives are: (1) to identify industries positively affected by GST; (2) to identify industries adversely affected; (3) to examine the causal mechanisms underlying sectoral differentials; and (4) to derive actionable policy recommendations.

2. Literature Review

2.1 Macroeconomic Effects

The theoretical rationale for destination-based GST rests on the elimination of tax cascading, the efficiency of the ITC mechanism, and reduction of inter-jurisdictional distortions (Keen & Lockwood, 2010). In India, Bindal and Gupta (2018) documented early compliance challenges alongside nascent revenue buoyancy in the first year of implementation. Kumar (2018) found that GST positively influenced GDP and employment in its initial phase while contributing to a modest inflation uptick. Shambharkar et al. (2024) confirmed that GST streamlined indirect taxation by replacing multiple taxes with a single system, contributing to greater transparency, increased government revenue, and a more structured taxation framework. Vaidyanathan and Saxena (2022), employing a SAP–LAP framework alongside Twitter sentiment analysis, found that while organised sector stakeholders responded positively, MSMEs and informal traders expressed predominantly negative sentiment, revealing a structural divide in reform beneficiaries.

2.2 Positively Affected Sectors in Literature

The logistics and warehousing sector has received consistent recognition as among the most significant beneficiaries of GST. Shambharkar et al. (2024) documented that the elimination of state-level entry taxes and interstate check-post delays improved transport time by over 33%, enabling firms to consolidate previously fragmented, tax-driven state-specific warehouse networks into logistics-optimal hubs. The Reserve Bank of India (2024) reported that transportation costs declined proportionally and supply chain efficiency improved measurably across major freight corridors. Manufacturing, FMCG, automobiles, and e-commerce similarly benefited from the elimination of cascading taxes and the continuity of ITC across the value chain. Government projections at the time of implementation estimated GST would boost GDP by approximately 2%, and subsequent MOSPI (2025) National Accounts data confirms sustained real GDP growth of 6.4–8.2% across the post-GST period.

2.3 Negatively Affected Sectors in Literature

Vaidyanathan and Saxena (2022) extensively documented the challenges facing MSMEs, citing long refund time lags, adaptation difficulties with GSTN infrastructure, and an inability of the system to curb tax evasion as persistent pain points. Their Twitter

sentiment analysis revealed that negative comments outnumbered positive comments by more than two to one among stakeholders, reflecting widespread adaptation stress. The inverted duty structure in textiles, the loss of pre-GST exemptions for handicrafts, and the rate escalation in services—telecommunications moving from 14% to 18% and financial services from 14.5% to 18%—are documented in sectoral analyses cited in Shambharkar et al. (2024) as structurally disadvantageous outcomes of GST implementation.

2.4 Research Gap

A unified cross-sectoral analytical framework systematically classifying winners and losers across the full 2017–2024 period remains absent from the literature. This paper addresses that gap by evaluating ten sectors through a consistent four-dimensional model.

3. Data and Methodology

3.1 Data Sources

The study relies exclusively on secondary data from: the Ministry of Finance and PIB (GST Council notifications and collection data); MOSPI (national accounts and sectoral GVA); the Reserve Bank of India (sectoral credit and annual reports); and Scopus-indexed peer-reviewed journals published between 2017 and 2024. The study period spans FY 2017–18 to FY 2023–24, with pre-GST baseline data from FY 2014–15 to FY 2016–17 used for comparative purposes.

3.2 Analytical Framework

The study employs a structured qualitative-comparative framework. Four dimensions are assessed for each of ten sectors:

- Tax Rate Effect (ΔTR): direction and magnitude of change in effective incidence.
- ITC Effect (ΔITC): whether the ITC mechanism provided a meaningful or constrained offset.
- Compliance Effect (ΔCB): net change in filing and administrative burden.
- Supply Chain & Competitive Effect (ΔSCC): structural changes in logistics, market structure, and competitive dynamics.

The net Sectoral Impact is formalised as: $SI = f(\Delta TR, \Delta ITC, \Delta CB, \Delta SCC)$, where a positive SI denotes a net positive outcome and a negative SI a net adverse outcome. Table 1 presents key macroeconomic indicators across the study period.

Table 1

Key GST Revenue and Macroeconomic Indicators, India (FY 2017–18 to FY 2023–24)

Indicator	FY 2017–18	FY 2019–20	FY 2021–22	FY 2023–24	Source
Gross GST Collection (₹ Lakh Cr)	7.19	12.22	14.83	20.18	PIB (2025)
Avg Monthly GST (₹ Lakh Cr)	~0.90	1.02	1.24	1.68	PIB (2025)
Real GDP Growth Rate (%)	6.5	4.0	8.7	8.2	MOSPI (2025)
GST Taxpayer Base (million approx.)	~10	~12	~13	~15	GST Council

Note. FY = Financial Year (April–March). GDP growth figures sourced from MOSPI National Accounts Statistics (2025).

4. RESULTS AND DISCUSSION

4.1 Positively Affected Industries

4.1.1 Logistics, Transportation, and Warehousing

Logistics is the most transformatively benefited sector. Pre-GST, inter-state freight faced entry taxes, octroi, and check-post inspections causing delays of up to 20 hours at state boundaries. GST abolished these barriers, and the digital e-way bill system streamlined transit, improving transport time by over 33% on key freight corridors (PIB, 2025). Firms consolidated tax-arbitrage-driven, state-specific warehouse networks into logistics-optimal distribution hubs, substantially reducing inventory carrying costs. The sectoral SI is strongly positive: ΔTR neutral, ΔITC positive, ΔCB improved, ΔSCC transformatively positive (Shambharkar et al., 2024).

4.1.2 Fast Moving Consumer Goods (FMCG)

Most FMCG products were slotted at 5–18% under GST, below the 22–26% blended pre-GST incidence for personal care and household goods. More significantly, mandatory digital invoicing and ITC availability brought millions of unregistered informal producers into the tax net, eroding their pricing advantage over organised players. The Reserve Bank of India (2024) noted that CPI-based inflation moderated by approximately 20 basis points following GST implementation, reflecting net price reductions on essential FMCG categories. SI is positive.

4.1.3 Automobile Industry

The automobile industry's pre-GST effective tax burden ranged from 30–45%, encompassing Central Excise, VAT, road tax, and other levies. GST rationalised these into a 28% + cess structure for most vehicles—a substantial net reduction, especially for mass-market two-wheelers and entry-level cars. The continuous ITC chain from raw materials through assembly to dealerships reduced embedded production costs, enabling manufacturers to improve margins while passing savings to consumers (Ministry of Finance, Government of India, 2017). SI is strongly positive.

4.1.4 E-Commerce and Organised Retail

E-commerce operators benefited from a uniform national tax framework replacing the patchwork of state VAT and Central Sales Tax that had constrained cross-state online commerce. GST's tax-collected-at-source mechanism for e-commerce platforms improved market transparency and levelled compliance requirements between online and offline competitors. Organised multi-state retail chains similarly benefited from standardised return filing across states, reducing administrative complexity and multi-state compliance overhead (Shambharkar et al., 2024). SI is positive.

4.1.5 Organised Manufacturing

The elimination of cascading across the full manufacturing value chain—subsuming Central Excise, Countervailing Duty, and Special Additional Duty under GST—lowered effective production costs across industries. Businesses, particularly in manufacturing and logistics, benefited from reduced operational costs and simplified processes (Shambharkar et al., 2024). Reduced import costs of raw materials and capital goods enhanced competitiveness both domestically and in export markets, reinforcing the Make in India initiative. SI is positive.

4.2 Negatively Affected Industries

4.2.1 Micro, Small and Medium Enterprises (MSMEs)

MSMEs are the most comprehensively documented casualty of GST. Pre-GST exemption thresholds were significantly more generous, and compliance requirements minimal. GST imposed monthly GSTR-1 and GSTR-3B filings, mandatory digital invoicing, and a complex multi-rate structure on firms with limited accounting capacity. Vaidyanathan and Saxena (2022) documented that negative stakeholder sentiment toward GST was more than double positive sentiment among MSME operators, citing delayed refunds,

GSTN technical failures, and inadequate IT literacy support as major pain points. While the composition scheme offers relief, its exclusion of inter-state suppliers and service providers limits coverage. SI is negative.

4.2.2 Textiles and Handicrafts

The textiles sector faces a structural inverted duty problem: man-made fibre inputs attract higher GST than the finished fabrics they produce, preventing manufacturers from fully claiming ITC and embedding an effective cost increase absent in the pre-GST regime. The handicraft sub-sector additionally lost generous state-level exemptions, with complex multi-slab classification disputes across 0%, 5%, and 12% slabs creating compliance uncertainty for artisan cooperatives wholly unprepared for digital tax administration. The net impact represents a structural deterioration relative to the pre-GST position (Shambharkar et al., 2024). SI is strongly negative.

4.2.3 Real Estate

Real estate—contributing approximately 7.3% of GDP—confronted significant GST-induced distortions. Under-construction property was initially taxed at 12% with ITC, then revised to 5% without ITC in March 2019, generating transitional disruption for ongoing projects. The exclusion of stamp duty and land value from the GST framework, combined with 18% GST on construction materials and services, produced an implicit net cost escalation difficult to pass through in a demand-constrained environment. The RBI (2024) noted that real estate sector growth remained subdued in the medium-term post-GST period despite marginal competitive gains for large organised developers. SI is negative.

4.2.4 Telecommunications

The telecommunications sector experienced a 400 basis-point rate increase, from approximately 14% service tax to 18% GST. In a market with intense price competition, this additional tax was substantially passed on to subscribers, constraining data consumption upgrades. Restrictions on ITC for certain telecom infrastructure inputs further limited the offsetting benefit for operators. The increased cost of telecommunications services had downstream effects on digital connectivity, with implications for India's broader digital economy ambitions (Shambharkar et al., 2024). SI is negative.

4.2.5 Financial Services

Banking and insurance services faced a rate escalation from 14.5% to 18%, raising the cost of financial intermediation and insurance premium burden. This adversely affected credit accessibility and insurance penetration at a time when India was prioritising financial inclusion (Reserve Bank of India, 2024). The 18% GST on life insurance premiums was particularly contentious, as it disproportionately affected lower-income households seeking basic life cover—precisely the demographic targeted by financial inclusion programmes. The net impact on the cost of financial services was negative for end consumers and constrained the sector's contribution to deepening formal finance. SI is negative.

Table 2

GST Sectoral Impact Scorecard (2017–2024)

Sector	ΔTR	ΔITC	ΔCB	ΔSCC	Net SI
Logistics & Transport	Neutral	Positive	Improved	Strongly +ve	**Strongly Positive (+)**
FMCG	Slightly +ve	Positive	Improved	Positive	**Positive (+)**
Automobile	Strongly +ve	Positive	Improved	Positive	**Strongly Positive (+)**
E-Commerce / Retail	Neutral	Positive	Improved	Positive	**Positive (+)**
Organised Manufacturing	Slightly +ve	Positive	Improved	Positive	**Positive (+)**
MSMEs	Mixed	Constrained	Worsened	Negative	**Negative (–)**
Textiles & Handicrafts	–ve (inverted)	Constrained	Worsened	Negative	**Strongly Negative (–)**
Real Estate	Mixed/–ve	Restricted	Worsened	Mixed	**Negative (–)**
Telecommunications	–ve (+400bps)	Constrained	Mixed	Neutral	**Negative (–)**
Financial Services	–ve (+350bps)	Partial	Mixed	Neutral	**Negative (–)**

Note. ΔTR = change in effective tax rate; ΔITC = change in ITC availability; ΔCB = change in compliance burden (Improved = reduced burden); ΔSCC = supply chain and competitive conditions; SI = net sectoral impact. bps = basis points.

4.3 Aggregate Fiscal Impact and Formalisation

Aggregate fiscal outcomes have been unambiguously positive. Monthly average GST collections grew from approximately INR 0.90 lakh crore in FY 2017–18 to INR 1.68 lakh crore in FY 2023–24, and further to a record INR 1.84 lakh crore in FY 2024–25 (PIB, 2025). FY 2023–24 marked the first year total gross collections exceeded the INR 20 lakh crore threshold, reaching INR 20.18 lakh crore—an 11.7% rise over the previous

year. This trajectory reflects genuine economic formalisation: the registered taxpayer base expanded from approximately 10 million registrants in 2017 to over 15 million by 2024, broadening the indirect tax net by 50% in absolute terms. The Trade Receivables Discounting System (TReDS), which leverages GST filing history to enable MSME invoice discounting by banks and NBFCs, illustrates how formalisation can generate secondary dividends in credit access (PIB, 2025). MOSPI (2025) has incorporated GST Network transaction data as a primary indicator in National Accounts compilation, embedding the reform's data infrastructure dividend into India's statistical system.

4.4 Cross-Cutting Observations

Several cross-cutting patterns emerge from the ten-sector analysis. First, firm size is a stronger predictor of net GST impact than sector per se: within any given industry, larger, better-capitalised firms with in-house accounting departments adapted more readily and captured ITC benefits more fully than smaller counterparts. This dynamic was most evident in FMCG, retail, and automobile dealerships, where GST functioned as a formalisation accelerator shifting market share toward organised players. Second, the ITC mechanism is the pivotal structural variable: sectors where ITC flowed freely—logistics, manufacturing, automobiles—realised the theorised efficiency gains, while sectors with restricted or inverted ITC—textiles, real estate, certain services—bore disproportionate costs. Third, digital readiness determined adaptation speed: sectors with existing ERP and accounting systems absorbed filing requirements with manageable friction, while artisan communities, small traders, and informal service providers lacked the readiness to comply without substantial external assistance (Vaidyanathan & Saxena, 2022).

5. Conclusion

This paper has provided a systematic cross-sectoral analysis of GST's differential impact across ten major Indian industries over 2017–2024. The central finding is that GST's distributional effects are profoundly asymmetric. Logistics, FMCG, automobiles, e-commerce, and organised manufacturing have emerged as clear beneficiaries—each gaining from tax rationalisation, ITC continuity, supply chain optimisation, or formalisation-driven competitive advantage. MSMEs, textiles and handicrafts, real estate, telecommunications, and financial services have borne the primary costs—experiencing rate escalation, inverted duty anomalies, restricted ITC, and disproportionate compliance burden.

At the macroeconomic level, GST has delivered unambiguous revenue success, with collections growing nearly threefold between FY 2017–18 and FY 2024–25 (PIB, 2025), and the formalised taxpayer base expanding substantially (MOSPI, 2025). These outcomes validate the structural rationale for the reform. Yet the persistence of sectoral distortions, unresolved inverted duty structures, and MSME compliance challenges indicate that the GST architecture remains a work in progress requiring continuous refinement (Bindal & Gupta, 2018).

Policy Recommendations:

- Resolve Inverted Duty Structures: Conduct a systematic review of all sectors with significant inverted duty anomalies—textiles, footwear, and agricultural processing are priority cases—and align input and output rates to restore ITC neutrality.
- Expand MSME Composition Scheme: Extend the scheme to inter-state suppliers and service providers, and reduce return-filing frequency for taxpayers below INR 2 crore turnover.
- Mandate Expedited ITC Refunds: Establish a statutory 30-day maximum for ITC refund processing, eliminating working capital blockages for exporters, textile manufacturers, and construction firms.
- Rationalise Service Tax Rates: Review GST on telecommunications, insurance, and banking services toward the 12% slab to reduce the cost of connectivity and financial inclusion.
- Integrate Real Estate Transactions: Develop a medium-term roadmap to integrate stamp duty within a rationalised GST framework, removing the current split-incidence distortion in property transactions.

Future research should employ firm-level panel data with difference-in-differences or synthetic control methodologies to isolate GST's causal effects from confounding events —demonetisation in 2016 and the COVID-19 pandemic in 2020. Detailed subsectoral analysis of MSMEs across states, integrating GST Network administrative data, would substantially advance understanding of compliance dynamics.

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