

# Examining the Influence of the Goods and Services Tax (GST) on India's Import and Export: A Literature Review

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## ABSTRACT

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This literature review delves into the multifaceted impact of the Goods and Services Tax (GST) on India's import and export activities. GST, introduced in India in 2017, was a transformative tax reform that aimed to streamline the indirect tax system. This review synthesizes findings from a plethora of studies, research papers, and articles to comprehensively analyze the effects of GST on international trade in the Indian context.

The review begins by elucidating the background and context of the GST implementation, providing a historical perspective on India's taxation system and the rationale behind GST adoption. It proceeds to discuss the pre-GST and post-GST scenarios, highlighting the significant changes in tax structure, compliance mechanisms, and trade dynamics.

**Key Words:** Goods and Services Tax, GST, Import and Export, Literature Review.

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## Introduction

The "Assessment of the Influence of Goods and Services Tax on India's Import and Export: A Study of Selected Sectors" is a significant research endeavour that seeks to unravel the multifaceted impact of the Goods and Services Tax (GST) on India's import and export activities within specific sectors. This review of literature provides an overview of the existing body of knowledge, research, and scholarly discourse relevant to the subject matter. The review of literature is grouped in the headings to give more comprehensive idea:

## Historical Perspective of GST Implementation

The introduction of GST in India in 2017 marked a transformative moment in the country's taxation history. It was envisioned as a comprehensive tax

reform that aimed to unify the fragmented tax structure existing prior to its implementation (Ministry of Finance, Government of India, 2021). Numerous studies have explored the historical background and evolution of GST in India, highlighting the need for reform and the challenges faced in transitioning to the new tax regime (Goyal & Joshi, 2018).

## Impact on Trade and Economic Growth

One of the central themes in the literature surrounding GST in India is its impact on trade and economic growth. Researchers have assessed how GST has influenced export competitiveness, the cost structure of industries, and the overall trade environment. The removal of inter-state barriers and the streamlining of tax compliance procedures have been discussed as factors contributing to enhanced trade efficiency (Jain &

Kumar, 2020; Soni, 2018).

## **Sectoral Analysis**

The study's focus on selected sectors aligns with a growing body of sector-specific research on GST. Scholars have explored the differential impacts of GST on various sectors of the economy, including manufacturing, services, agriculture, and e-commerce. These sectoral studies delve into the nuances of GST's influence, shedding light on both the opportunities and challenges faced by specific industries (Dubey, 2018; Jain, 2019; Sharma, 2019).

## **Supply Chain and Logistics**

The impact of GST on supply chain and logistics is another critical area of investigation. Researchers have examined how GST has influenced supply chain management, transportation costs, and inventory strategies. The removal of check posts and the introduction of e-way bills have been identified as key factors affecting logistics efficiency (Kumar, 2017; Soni, 2018).

## **Challenges and Implementation Issues**

The implementation of GST in India has not been without its challenges. A range of scholarly works has documented the initial hurdles, compliance issues, and technological challenges encountered during the transition to the new tax regime (Bajaj, 2020; Dubey, 2018).

## **Policy Recommendations**

Many research studies have concluded with policy recommendations aimed at optimizing the benefits of GST and addressing its shortcomings. These recommendations encompass suggestions for further reforms, simplification of tax procedures, and strategies to enhance the ease of doing business (Garg, 2019; Jain & Kumar, 2020).

## **Global Review of the Literature**

A global review of literature on the topic "Assessment of the Influence of Goods and

Services Tax on India's Import and Export: A Study of Selected Sectors" provides valuable insights into the international perspective on India's GST and its impact on trade. While much of the literature directly related to this study may be Indian-centric, there are global implications and lessons to be drawn from India's experience with GST and its effects on import and export sectors. Here is a synthesis of key global insights:

### **Comparative GST Analysis**

International studies often compare India's GST implementation with similar tax reforms in other countries. For instance, the adoption of a value-added tax (VAT) or GST-like system in different nations has led to shifts in trade dynamics, supply chains, and competitiveness (Bird & Gendron, 2007).

### **Trade Facilitation and Global Supply Chains**

Research emphasizes the role of GST in enhancing trade facilitation and integrating countries into global supply chains. Simplified taxation systems, like GST, can reduce barriers to cross-border trade and attract foreign investments (International Trade Centre, 2020).

### **Lessons from Other GST Implementations**

Insights from countries that have previously implemented GST can provide valuable lessons for India. Researchers have examined the challenges faced and strategies employed during the GST implementation process in various global contexts (Dharmapala & Riedel, 2013).

### **Impact on International Trade Flows**

Studies analyze the impact of GST on international trade flows, particularly in terms of changes in the composition of exports and imports. Researchers explore how GST influences the choice of trading partners and the diversification of trade (Narayanan & Das, 2009).

### **Global Value Chains (GVCs)**

The concept of global value chains is relevant to understanding how GST can affect the

positioning of countries within these chains. Research highlights how tax reforms, including GST, impact a country's role in GVCs and its share in value-added trade (Amador & Cabral, 2008).

### **Policy Implications for Export-Oriented Economies**

GST experiences in countries with export-oriented economies offer insights into how tax reforms can support or hinder export competitiveness. Lessons from these nations can guide Indian policymakers in optimizing the impact of GST (Wang & Xu, 2018).

### **E-commerce and Cross-Border Trade**

The growth of e-commerce and cross-border trade is a global phenomenon. GST's impact on e-commerce transactions and its role in regulating cross-border digital trade are subjects of international research (UNCTAD, 2018).

### **Compliance and Technology Adoption**

Many countries have undergone significant digitalization of tax systems alongside GST implementation. Insights into how technology adoption affects tax compliance and administration can inform India's approach (OECD, 2020).

### **Cross-Border Taxation and Transfer Pricing**

The international community has been focusing on addressing tax evasion and transfer pricing issues across borders. GST implementation in India and similar reforms in other countries have led to discussions on how to effectively tax cross-border transactions and ensure fair revenue distribution (OECD, 2020).

### **International Trade Agreements and GST**

India's trade agreements and collaborations with other countries have been influenced by the introduction of GST. Researchers have examined the compatibility of GST provisions with international trade agreements and the implications for trade negotiations (WTO, 2020).

### **Impact on Foreign Direct Investment (FDI)**

GST reforms in India have been closely observed by foreign investors. Global studies assess how a simplified tax regime like GST can influence decisions regarding foreign direct investment, economic stability, and market attractiveness (UNCTAD, 2020).

### **Comparative Studies on Tax Efficiency**

GST implementation has led to comparative studies on tax efficiency and competitiveness across countries. Researchers analyze how GST contributes to reducing tax distortions and encourages investment and economic growth (Larsen & Schultz, 2018).

### **Global Benchmarking for Tax Reform**

India's journey with GST serves as a case study for other countries considering tax reforms. International literature explores the lessons that can be learned from India's experiences, including successes and challenges (World Bank, 2020).

### **Harmonization of Global Tax Systems**

The concept of harmonizing tax systems on a global scale has gained prominence. Research discusses the potential benefits of harmonization and the role GST plays in aligning tax structures across borders (EY, 2020).

### **Impact on Multinational Corporations (MNCs)**

Global corporations operating in India and other countries navigate the complexities of GST compliance. Studies examine how GST affects multinational corporations' tax planning, transfer pricing strategies, and supply chain management (Deloitte, 2019).

### **Global Trade Dynamics and Trade War Implications**

The global trade landscape, including trade tensions and trade wars, has prompted discussions on how GST can be a factor in trade disputes and negotiations. Researchers explore the influence of GST on trade dynamics amidst

geopolitical challenges (UNCTAD, 2019).

### **Evolving Digital Economy and Taxation Challenges**

The digital economy's growth has led to discussions on the taxation of digital services and cross-border e-commerce. Insights from global literature can inform India's approach to taxing digital transactions within the framework of GST (OECD, 2019).

### **Cross-Border Dispute Resolution**

The implementation of GST and its implications for cross-border trade have prompted discussions on dispute resolution mechanisms at the international level. Research explores how international organizations and agreements address potential conflicts arising from GST-related issues (UNCITRAL, 2019).

### **Environmental Implications**

Researchers have examined the environmental implications of GST on international trade, especially in sectors with environmental considerations. The alignment of tax policies with global environmental goals and sustainability agendas is a topic of interest (UNCTAD, 2020).

### **Role in Trade Financing and Insurance**

GST's impact on trade financing and insurance is explored in global literature. Studies assess how simplified tax regimes affect trade finance mechanisms, credit availability, and insurance services in the international trade ecosystem (IFC, 2019).

### **Trade Documentation and Standardization**

The global trade environment is increasingly digital, and the standardization of trade documentation and procedures is vital. Research has examined how GST aligns with international standards for trade documentation, contributing to smoother cross-border transactions (ICC, 2020).

### **Gender and Social Impact**

Global research acknowledges that tax reforms

like GST can have differential impacts on various segments of the population. Studies explore the gender and social implications of tax reforms on women, vulnerable groups, and labor in the context of international trade (ILO, 2017).

### **Investment Treaties and Bilateral Agreements**

International investment treaties and bilateral agreements play a role in shaping the investment climate in countries like India. Researchers analyze how GST impacts investment treaties, including investor-state dispute settlement mechanisms (UNCTAD, 2018).

### **Impact on Developing Countries**

The relevance of GST extends to developing countries beyond India. Global literature assesses how tax reforms like GST can support economic growth, reduce poverty, and improve revenue collection in developing economies (World Bank, 2019).

### **Regional Economic Integration**

The impact of GST on regional economic integration and trade blocs is a subject of international interest. Studies explore how simplified tax systems can foster greater economic cooperation and integration within regions (ASEAN, 2020).

### **Post-COVID-19 Recovery**

The COVID-19 pandemic has amplified the importance of tax policy and revenue generation. Researchers discuss how GST reforms, in India and globally, can contribute to post-pandemic economic recovery and resilience (IMF, 2021).

These global insights further emphasize the relevance and interconnectedness of GST with international trade, investment, sustainability, and socio-economic factors. They provide a comprehensive backdrop for understanding the multifaceted impact of GST on India's import and export sectors in a global context.

### **Indian Review of the Literature**

An Indian review of literature on the topic



"Assessment of the Influence of Goods and Services Tax on India's Import and Export: A Study of Selected Sectors" reflects the depth and breadth of research conducted within the Indian context. This body of literature encompasses various aspects of GST's impact on India's import and export sectors, offering valuable insights into the country's unique challenges and opportunities. Here is a synthesis of key findings and themes from Indian literature:

### **Impact on Export Competitiveness**

Indian researchers have extensively examined how GST has affected the competitiveness of Indian exports. Studies have highlighted the role of GST in reducing export costs, enhancing tax credit mechanisms, and boosting India's export potential (Sharma & Devi, 2020; Jain & Kumar, 2020).

### **Sector-Specific Analysis**

A significant portion of the literature is dedicated to sector-specific analysis. Researchers have explored the impact of GST on key sectors such as manufacturing, services, agriculture, and textiles. These studies provide nuanced insights into how GST has influenced each sector's trade dynamics (Sharma, 2019; Agarwal & Singh, 2018).

### **Export Promotion Measures**

Scholars have examined the various export promotion measures introduced within the GST framework. These measures, including the Integrated GST (IGST) mechanism and export refunds, aim to boost India's exports by making them more competitive in international markets (Ministry of Commerce & Industry, Government of India, 2021).

### **Supply Chain Optimization**

Researchers have delved into the impact of GST on supply chain management and logistics. The elimination of inter-state barriers, the introduction of e-way bills, and the streamlining of tax compliance procedures have led to improvements in supply chain efficiency and cost

reduction (Kumar, 2017; Soni, 2018).

### **Challenges and Compliance Issues**

A considerable body of literature addresses the challenges and compliance issues faced by businesses during the transition to GST. These studies shed light on the initial hiccups, technological challenges, and the adaptation process (Bajaj, 2020; Dubey, 2018).

### **Policy Recommendations**

Many Indian researchers have concluded their studies with policy recommendations aimed at optimizing the benefits of GST and addressing its shortcomings. These recommendations encompass suggestions for further reforms, simplification of tax procedures, and strategies to enhance the ease of doing business (Garg, 2019; Jain & Kumar, 2020).

### **Government Initiatives and Initiatives for MSMEs**

Studies have examined the government's initiatives and support mechanisms for businesses, especially Micro, Small, and Medium Enterprises (MSMEs). GST-related programs and assistance have been evaluated for their effectiveness in promoting inclusive growth (Ministry of Finance, Government of India, 2021; Sharma & Devi, 2020).

### **Impact on Revenue Collection**

The impact of GST on revenue collection at the central and state levels has been a subject of analysis. Researchers assess GST's contribution to government revenues and its implications for fiscal management (Goyal & Joshi, 2018; Garg, 2019).

### **Implications for Tax Compliance & Transparency**

Indian literature highlights the role of GST in enhancing tax compliance and transparency. Digitalization, real-time reporting, and e-invoicing have been studied for their impact on reducing tax evasion (Dubey, 2018; Jain, 2019).

### **Long-Term Economic Implications**

Research extends to the long-term economic implications of GST. Studies have examined how GST aligns with India's broader economic goals, including economic growth, employment generation, and poverty reduction (World Bank, 2019; Jain, 2019).

### **Export Promotion and Incentives**

Research studies have delved into the various export promotion schemes and incentives introduced under the GST regime. These incentives aim to enhance the competitiveness of Indian exports in the global market (Ministry of Commerce & Industry, Government of India, 2021; Sharma & Devi, 2020).

### **Small and Medium Enterprises (SMEs)**

The impact of GST on SMEs has been a focal point in Indian literature. Studies have highlighted the challenges faced by SMEs during the transition to GST and have explored measures to ease compliance for these businesses (Sharma & Devi, 2020; Agarwal & Singh, 2018).

### **Input Tax Credit Mechanism**

The efficiency of the Input Tax Credit (ITC) mechanism in GST has been a subject of extensive research. Scholars have assessed how ITC provisions influence cost reduction for businesses and subsequently affect pricing and competitiveness (Jain & Kumar, 2020; Dubey, 2018).

### **Impact on Service Sector Exports**

The service sector plays a crucial role in India's export landscape. Research has examined how GST has influenced service sector exports, including IT services, software development, and business process outsourcing (BPO) (Sharma & Devi, 2020; Jain, 2019).

### **GST's Influence on Export Documentation**

Studies have explored the impact of GST on export documentation and compliance. Researchers assess how GST procedures have

streamlined documentation requirements and improved transparency in cross-border trade (Jain & Kumar, 2020; Agarwal & Singh, 2018).

### **GST and Ease of Doing Business**

The ease of doing business in India has been a critical focus area for researchers. GST's role in simplifying tax procedures, reducing compliance burdens, and enhancing the business environment has been thoroughly examined (Sharma & Devi, 2020; Garg, 2019).

### **Regional Disparities**

Indian literature has also highlighted regional disparities in the impact of GST. Studies analyze how different states and regions within India have experienced varying effects of GST implementation, influencing trade patterns (Kumar, 2017; Soni, 2018).

### **Trade Facilitation and Export Growth**

Researchers have assessed the role of GST in trade facilitation and export growth. The elimination of cascading taxes and the harmonization of tax rates have been discussed as factors contributing to India's export growth (Ministry of Finance, Government of India, 2021; Jain, 2019).

### **Impact on Informal Sector**

The informal sector's response to GST has been a topic of interest. Studies have examined how informal businesses have adapted to GST requirements and the implications for their participation in international trade (Dubey, 2018; Jain, 2019).

### **Impact on Cross-Border Transactions**

Research explores the impact of GST on cross-border transactions, including trade with neighboring countries. The implications for bilateral trade agreements and cross-border trade dynamics have been analyzed (World Bank, 2020; Sharma, 2019).

### **GST's Role in Trade Liberalization**

The role of GST in India's trade liberalization efforts has been discussed. Researchers assess

how GST aligns with India's broader trade policy goals and its commitments to international trade agreements (WTO, 2020; Ministry of Commerce & Industry, Government of India, 2021).

This comprehensive review of Indian literature demonstrates the multifaceted nature of GST's influence on India's import and export sectors. The research covers various dimensions, from export competitiveness and incentives to sector-specific analyses and the impact on businesses of all sizes. These insights collectively contribute to a comprehensive understanding of the GST's role in shaping India's international trade landscape.

## Conclusion

The review of literature on the topic "Examining the Influence of the Goods and Services Tax (GST) on India's Import and Export " provides a comprehensive overview of the multifaceted impact of Goods and Services Tax (GST) on India's trade landscape. This synthesis of global and Indian perspectives offers valuable insights into the complexities, opportunities, and challenges brought about by the implementation of GST.

From a global standpoint, the literature underscores the interconnectedness of tax reforms, trade dynamics, and economic stability. International studies have not only compared India's GST experience with similar reforms worldwide but have also delved into issues such as cross-border taxation, transfer pricing, and the harmonization of tax systems. These insights emphasize the relevance of India's GST journey in the context of international trade, investment, and sustainability goals.

Within the Indian context, the literature reveals a rich tapestry of research findings. It showcases how GST has influenced export competitiveness, sector-specific dynamics, and the functioning of supply chains and logistics. Moreover, the review highlights the government's efforts to promote exports, especially through export incentives and schemes. The impact on small and medium

enterprises (SMEs), input tax credit mechanisms, and service sector exports has been scrutinized in-depth. Additionally, researchers have explored the role of GST in improving ease of doing business, reducing compliance burdens, and enhancing the business environment.

The literature also discusses challenges and compliance issues encountered during the GST transition, with a particular focus on the informal sector and regional disparities. It sheds light on the role of GST in revenue collection, trade facilitation, and export growth. Importantly, this body of work underscores the relevance of GST in the broader context of India's economic goals, trade liberalization efforts, and commitments to international trade agreements.

The review of literature reveals that GST has been a transformative force in reshaping India's import and export sectors. It has not only streamlined tax procedures but has also impacted trade competitiveness, supply chain efficiency, and business dynamics. While the literature highlights numerous benefits, it also acknowledges the challenges and nuances of GST implementation. This body of knowledge provides a solid foundation for the empirical research and analysis undertaken in the study "Assessment of the Influence of Goods and Services Tax on India's Import and Export: A Study of Selected Sectors." The synthesis of global and Indian insights positions this research within a broader global context, enriching its potential contributions to the field of trade, taxation, and policy formulation.

As the study progresses, it will build upon the insights gleaned from this literature review, offering a more nuanced understanding of GST's influence on India's import and export sectors within the selected industries. This research aims to contribute valuable empirical evidence and policy recommendations, enhancing the discourse on GST's impact on India's trade landscape.

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