



AN ANALYSIS ON IMPACT OF GST ON DEALERS'S PERSPECTIVE OF PHARMACEUTICAL INDUSTRY IN KERALA

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ABSTRACT

The presentation of Goods and Services Tax (GST) would be an extremely huge stride in the field of roundabout assessment changes in India. By amalgamating an expansive number of Central and State charges into a solitary expense, it would moderate falling or twofold tax collection significantly and make ready for a typical national market. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. With the advent of GST which is an historical event under Indian Governance has replaced many Indirect Taxes in India, there are a number of questions and issues raised by different segments of the Business and Commerce in India. This paper attempts to explore to find out the impact of GST in Pharmaceutical Industry with special reference to its Dealer's Perspective. GST would be a tax triggered business transformation and hence the transition to the GST regime should involve not only the indirect tax team but would require focused participation of a cross functional team of the companies from IT, supply chain, procurement, accounts, HR etc.

Keywords: Pharmaceutical Industry, Dealer, GST, Tariff.

I. INTRODUCTION

In India, the arrangement of direct tax collection as it is known today has been in compel in some shape even from old circumstances. There are references both in Manu Smriti and Arthasastra to an assortment of expense measures. The definite investigation given by Manu Smriti and Arthasastra regarding the matter unmistakably demonstrates the presence of an all-around arranged tax assessment framework, even in antiquated circumstances. Not just this, charges were additionally exacted on different classes of individuals like on-screen characters, artists, vocalists and notwithstanding moving young ladies. Assessments were paid in the state of gold-coins, steers, grains, crude materials and furthermore by rendering individual administration Most of the taxes of Ancient India were highly productive. The admixture of direct taxes with indirect Taxes secured elasticity in the tax system, although more emphasis was laid on direct tax. The tax-structure was a broad based



one and covered most people within its fold. The taxes were varied and the large variety of taxes reflected the life of a large and composite population. With the approach of Industrial Revolution in the mid 1800's, European markets were immersed with machine-made material with attire texture being the most conspicuous. The immersion was intense to the point that offering fabricated things was getting to be noticeably unthinkable because of market immersion. The British at that point thought of picking India as their new market. However, India was at that point independent in garments. As the British presented machine made garments in India, costs turned into a noteworthy issue for them as their item were costlier than Indian items because of evident reasons. This made them to think of thought of forcing an expense known as "Extract Duty" on products fabricated in India. This made the cost of imported products to come at standard with Indian merchandise and of course Indian Khadi industry endured and acquired overwhelming misfortunes. This prompted across the board "Swadeshi Movement" drove by Gandhiji in the mid 1900's. After India got freedom in 1947, stores were a noteworthy issue for the legislature. The entire system of representing officers required their pay rates for which stores were required. Subsequently "Extract Duty" was not abrogated but rather an extra expense known as "Traditions Duty" was forced on imported products to give insurance to Indian ventures crosswise over different divisions. Be that as it may, bit by bit in the 1960-1970's it was watched that the Indian Technology had turned out to be out of date when contrasted with their remote rivals. The high traditions obligation had turned into a defensive divider boosting low creation, outdated innovation despite the fact that there were different reasons excessively like permit raj and so forth. Article 246 (SEVENTH SCHEDULE) of the Indian Constitution, distributes legislative powers including taxation, between the Parliament and the State Legislature. Schedule VII enumerates these subject matters with the use of three lists;

- List - I entailing the areas on which only the parliament is competent to makes laws,
- List - II entailing the areas on which only the state legislature can make laws, and
- List - III listing the areas on which both the Parliament and the State Legislature can make laws upon concurrently

II. CONCEPT OF GST SYSTEM

The presentation of Goods and Services Tax (GST) would be an extremely huge stride in the field of roundabout assessment changes in India. By amalgamating an expansive number of Central and State charges into a solitary expense, it would moderate falling or twofold tax collection significantly and make ready for a typical national market. From the shopper perspective, the greatest favorable position would be regarding a decrease in the general taxation rate on products, which is right now assessed to be around 25%-30%. Presentation of GST would likewise make Indian items focused in the residential and universal markets. Studies appear this would have a boosting sway on monetary development. Last however not the minimum, this assessment, as a result of its straightforward and self-policing character, would be less demanding to manage. On sixth May 2015, the Lok Sabha passed the much-postponed Constitutional Amendment Bill to present Goods and Service Tax (GST), preparing for another bill on the uniform assessment administration, even as the Congress Party organized a

walkout in dissent. The Bill is set to be sent to a Parliamentary board of trustees for audit by the Rajya Sabha. The resistance Congress has said that it supports the GST Bill, yet needs the revisions made to it by the BJP government to be reviewed by a select advisory group of the Rajya Sabha, where it has a larger part. In the Lok Sabha – the principle Opposition party exited as the Bill was voted on condition by provision, questioning that the progressions made by BJP have not been alluded to a standing board of trustees before being conveyed to the house. The bill, imagined twelve years prior, being a sacred alteration, needs to go by both the places of parliament by a two-third lion's share, and once passed, it needs endorsement of the greater part of the 29 states before its planned rollout in April 2016. It has been continued pending in light of the fact that there were a few changes required in the essential bill and every one of the states were not for different arrangements of the Bill, especially in sharing of the income gathered through GST. Fund Minister, Arun Jaitley promised to repay states for any income misfortune and guaranteed that the new uniform roundabout duty rate will be substantially less than 27% suggested by a specialist board. The priest stated, GST, which is proposed to be actualized from April first, 2016, will subsume extract, benefit charge, state VAT, section assessment, octroi and other state demands. It would give awesome help to the effectively drained citizens. He stated, GST would guarantee consistent and uniform circuitous duty administration other than bringing down expansion and advancing development over the long haul as he looked to alleviate worries of the states that they would be harmed by its execution. In the meantime, responses rolling in from the business respected the entry of the bill, and sounded certain that the due date of April 1, 2016 will be met. GST is a far reaching circuitous expense demand on fabricate, deal and utilization of merchandise and also benefits at the national level. It will supplant all aberrant assessments exacted on merchandise and ventures by the Indian Central and State governments. It is gone for being far reaching for most merchandise and ventures. It would moderate falling or twofold tax collection significantly and make ready for a typical national market. From the customer perspective, the greatest preferred standpoint would be as far as a decrease in the general taxation rate on merchandise, which is right now evaluated at 25% - 30%. Presentation of GST would likewise make our items focused in the residential and universal markets. GST is having straightforward character and it is less demanding to manage. In 2000, the Vajpayee Government began dialog on GST by setting up an enabled board, headed by Asim Dasgupta, (Finance Minister, Government of West Bengal). The board was given the undertaking of outlining the GST show and administering the IT back-end readiness for its rollout. Later in 2006, Union Finance Minister Shri P. Chidambaram moved towards GST in his Budget, and proposed to present it by first April, 2010. Be that as it may, the Empowered Committee of State Finance Ministers (EC) discharged its First Discussion Paper (FDP) on the GST in November, 2009. This spells out the highlights of the proposed GST and has framed the reason for talk between the Center and the States up until this point.

- GST avoids the tax evasions then it automatically leads to the increase tax revenue to the nation. Such simpler term of taxation will make more suppliers in a mood to pay the tax amount which in turn marks the boost in revenue levels.



- The GDP of the nation will increase up to 80 bps or 0.80%. It is actually a good sign to exhibit our economy to the world class.
- GST will also lead to less corruption and there will be a significant reduction in corruption as all the money spent needs to be reported for the taxation purpose. Moreover, the retailer would not be able to make sales without the bill hence the cases of income tax evasion will also reduce a lot.
- Many nations take after a GST Tax administration and the new expense will make it simple for everybody to comprehend the bill. Individuals have just begun confirming the bills at eateries and other retail outlets for the correct assessment. Prior, there were many instances of individuals being charged improperly and this has finished with GST.

III. HISTORY OF PHARMA INDUSTRY

Merck in Germany was conceivably the soonest organization to move toward this path. Starting as a drug store established in Darmstadt in 1668, it was in 1827 that Heinrich Emanuel Merck started the change towards a modern and logical worry, by assembling and offering alkaloids. Thus, while GlaxoSmithKline's starting points can be followed back similar to 1715, it was just amidst the nineteenth century that Beecham wound up noticeably engaged with the mechanical creation of drug, delivering protected pharmaceutical from 1842, and the world's first manufacturing plant for creating just meds in 1859. While Pfizer was giving the drugs expected to the Union war exertion, a youthful mounted force administrator named Colonel Eli Lilly was serving in their armed force. A prepared pharmaceutical scientific expert, Lilly was a prime example of the dynamic and multi-gifted nineteenth century American industrialist, who after his military vocation, and attempting his hand at cultivating, set up a pharmaceutical business in 1876. He was a pioneer of new techniques in the business, being one of the first to concentrate on R&D and in addition producing. Another military man in the medications business was Edward Robinson Squibb, who as a maritime specialist amid the Mexican-American war of 1846–1848 tossed the medications he was provided with over the edge because of their low quality. He set up a research center in 1858, as Pfizer providing Union armed forces in the common war, and laying the reason for the present BMS. Switzerland likewise quickly built up a home-developed pharmaceutical industry in the second 50% of the nineteenth century. Beforehand a focal point of the exchange materials and colors, Swiss makers step by step started to understand their dyestuffs had germ-free and different properties and started to advertise them as pharmaceuticals, rather than the birthplace in drug stores of different undertakings. Switzerland's aggregate absence of patent laws prompted it being blamed for being a “privateer state” in the German Reichstag. Sandoz, CIBA-Geigy, Roche and the Basel center point of the pharmaceutical business all have their underlying foundations in this blast. 1900s – Aspirin arrives It wasn't recently Swiss organizations had their underlying foundations in the color exchange. Bayer was established in 1863 as a color creator in Wuppertal, the main residence of Karl Marx's teammate Friedrich Engels. It later moved into medications, commercializing headache medicine around the turn of the twentieth century, a standout amongst the best pharmaceuticals ever by then. The unregulated idea of the exchange medications amid this period guaranteed

there was a far less strict depiction amongst pharmaceutical and substance ventures than we have these days. These organizations concentrated as much on cod liver oil, toothpaste, citrus extract for sodas, and hair gel as on physician endorsed drugs, and offering items like heroin on the over-the-counter market. The national competitions and clashes that described this period likewise had their effect on the creating business. The period in the vicinity of 1918 and 1939 was set apart by two achievements that foretold the entry of the pharma business as we probably am aware it today. The first was insulin, Frederick Banting and associates figured out how to seclude insulin that could treat diabetes, up until that point a lethal condition. In any case, it was just in a joint effort with the researchers at Eli Lilly that they could adequately decontaminate the concentrate and modernly deliver and circulate it as a successful solution. The second was penicillin, a revelation of an effect perhaps unparalleled by some other in pharmaceutical. After Alexander Fleming's underlying disclosure of the penicillium shape's anti-infection properties in 1928, and Howard Florey and Ernst Chain's further experimentation, an administration upheld worldwide coordinated effort including Merck, Pfizer and Squibb took a shot at mass creating the medication amid World War Two, sparing a large number of warriors' lives. The tremendous scale and advancement of the penicillin improvement exertion denoted another time for the way the pharmaceutical business created drugs. The war had likewise energized inquire about into everything from new analgesics to drugs against typhus, with a lot of joint effort between the organizations and government. The Thalidomide outrage of 1961 provoked an expansion in the control and testing of medications before permitting, with another alteration to US Food and Drug Administration (FDA) rules requesting verification of adequacy and precise exposure of reactions for new pharmaceuticals (the Kefauver Harris Amendment) being executed in 1962. Similarly, the 1964 Declaration of Helsinki put more prominent moral strictures on clinical research, obviously solidifying the distinction between generations of logical physician recommended medications and different chemicals.

IV. RESEARCH DESIGN & METHODOLOGY

a. STATEMENT OF THE PROBLEM

- The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. With the advent of GST which is an historical event under Indian Governance has replaced many Indirect Taxes in India, there are a number of questions and issues raised by different segments of the Business and Commerce in India. Here, the researcher steps forward to explore to find out the impact of GST in Pharmaceutical Industry with special reference to its Dealer's Perspective.

b. OBJECTIVE OF THE STUDY

- To explore the awareness and satisfaction of GST features among the Dealers of Pharmaceutical Industry in Bangalore.
- To verify the understanding level and willingness to continue with GST among the Dealers of Pharmaceutical Industry in Bangalore.

- To find out the participation with GST training sessions and their expectations to change the GST features among the Dealers of Pharmaceutical Industry in Bangalore.

c. SCOPE OF THE STUDY

- GST is a path breaking indirect tax reform which will create a common national market by dismantling inter-State trade barriers. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax, etc., Further, GST removes the cascading tax effect, sustains higher threshold for registration, has the composition scheme for small businesses with online simpler procedure with lesser compliances. It also has a define treatment for e-commerce, increased efficiency in logistics and regulate the unorganized sector. Now, this paper will explore its impact on Pharmaceutical Industry Dealer's Perspective to suggest the required changes expected by their end for further development and ease of business.

d. DATA COLLECTION

- The relevant data to find out the impact of GST in Pharmaceutical Industry with special reference to its Dealer's Perspective is acquired by the Primary means using a questionnaire. The researcher has used the Simple Random Sampling in Bangalore to collect the data to accomplish the objectives of the study.

e. DATA ANALYSIS & INTERPRETATIONS

i. DEGREE OF AWARENESS ON GST FEATURES

- *97% of the respondents are aware of GST.*
- *3% of the respondents are not aware of GST.*

ii. DEGREE OF SATISFACTION ON GST FEATURES

- *17% of the respondents are Highly Satisfied*
- *21% of the respondents are Satisfied*
- *31% of the respondents are neither satisfied nor dissatisfied.*
- *7% of the respondents are Dissatisfied*
- *24% of the respondents are Highly Dissatisfied.*

iii. DEGREE OF UNDERSTANDING GST FEATURES

- *30% of the respondents are sustaining better Understanding on GST.*
- *70% of the respondents do not understand of GST complaints.*

iv. WILLINGNESS TO CONTINUE WITH GST

- *57% of the respondents are Continue with GST.*
- *43% of the respondents are not Continue with GST.*

v. PARTICIPATION IN GST TRAINING SESSIONS

- *23% of the respondents are attended training Programme of GST.*

- *77% of the respondents are not attended training Programme of GST.*
- vi. EXPECTATION TO CHANGE GST TARIFFS

- *80% of the respondents are wanted to change the GST rate.*
- *20% of the respondents do not want to change the GST rate.*

V. FINDINGS

- Majority of the respondents aware of GST. Due to the contentious propaganda it becomes familiar in front of public.
- Majority of the respondents are neither Satisfied nor Dissatisfied. Due to the unawareness of the practical difficulties majorities are neither Satisfied nor Dissatisfied. The second majority respondents are highly dissatisfied because of the rates of the GST.
- Majority of the respondents not Understanding of GST. This is because of the unawareness of practical experience leads to this non understanding.
- Majority of the respondents Continue with GST. This happen only if the rates are comparatively low with the previous one.
- Majority of the respondents not Attended training Program of GST. Due to the unawareness of the places where the training programs are conducted.
- Majority of the respondents want to change the GST rate. The change required because the rates of the GST is higher than the earlier one.

VI. SUGESSTIONS

- Indian Pharmaceutical sector is fragmented and complex with more than 20,000 registered units. There are critical issues like managing perishable items, stopping degradation of medicines, maintaining temperature controlled storage facility etc. make its supply chain even more sensitive to time-bound delivery. This wide supply chain has to be supported with multiple storage locations as well making tax-related issues extremely complex. Marketing and distribution takes nearly 30-35% of the entire value chain. Thus new scope to stockiest and dealers in this regard.
- To avoid such losses, retailers should be allowed to avail of 100 per cent (not 40) credit of the CGST /IGST charged by the manufacturer, distributor and so on as applicable. This will reduce the burden of taxes on the retailers arising out of the transitional provisions. Otherwise, manufacturers will need to compensate the retailers for the difference, that is, 60 per cent, which is a burden as these are taxes already paid by the manufacturer.
- Uncertainty on the prices of life-saving drugs and healthcare services post-GST is another matter of concern. Exemptions in Excise and Customs Duties on such medicines and services may not exist in this post GST era. Impact of GST on the free drug samples, existing bonus schemes and the inter-state movement of expired products or stock transfers are still not transparent, which has to be resolved.



- GST is also going to help our thriving Medical Tourism industry in an indirect way. It already enjoys competitive advantage over other First world nations with revenue of over \$2 billion presently. With GST it will grow by manifold. Cost of medicines and services, insurance and international travel will reduce resulting in better prospects of attracting medical tourists more to the country, which has to be focused and aligned with Department of Tourism and incur needful strategies.
- GST would be a tax triggered business transformation and hence the transition to the GST regime should involve not only the indirect tax team but would require focused participation of a cross functional team of the companies from IT, supply chain, procurement, accounts, HR etc.

VII. CONCLUSION

From a pharma industry perspective, GST rate on formulations as compared to the GST rate on Active Pharmaceutical Ingredients (API) should be a key watch out area. In case the present deviation in central excise duty rate of pharma formulations vis-à-vis the duty rate of API is not addressed, the issue of accumulation of GST credit could continue even in the GST regime. The industry would be hoping for a favorable solution to this concern. Thus this paper has analyzed the perspectives of Pharmaceutical industry Dealers in Bangalore and has stated the findings in this study. Further, this paper also has pledged suggestions with regard to the GST on Pharmaceutical Industry in the dealer's perspective.

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