

Impact of GST Rate Cutdown on Corporate Strategy of Industrial Units in MIDC Amravati, Maharashtra

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Abstract

The Goods and Services Tax (GST) is one of the most significant indirect tax reforms introduced in India, aimed at simplifying the tax structure and improving economic efficiency. In recent years, the government has undertaken GST rate cutdowns to reduce the tax burden on industries and stimulate growth. This study examines the impact of GST rate cutdown on the corporate strategies of industrial units operating in MIDC Amravati. The research adopts a descriptive and analytical design and is empirical in nature. Primary data was collected from 50 officers of different industrial units using a structured questionnaire, supported by secondary data from journals, government reports, and industry publications. The study analyzes the influence of GST rate cutdown on key strategic dimensions such as cost of operations, pricing strategy, cost leadership, competitive position, profitability, cash flow, strategic decision-making, and long-term sustainability. The findings reveal that GST rate cutdown has significantly reduced operational costs, influenced pricing and cost leadership strategies, improved competitiveness, enhanced profitability and cash flow, and played an important role in strategic planning and growth decisions. The study concludes that GST rate cutdown functions as a critical external strategic determinant that shapes corporate strategy and supports sustainable industrial development. The paper offers policy-level and managerial suggestions to enhance the strategic benefits of GST reforms.

Keywords: GST Rate Cutdown, Corporate Strategy, Cost Leadership, Pricing Strategy, MIDC Amravati, Industrial Units

Introduction

Taxation policy plays a crucial role in shaping the business environment and influencing corporate decision-making. In India, the introduction of the Goods and Services Tax (GST) marked a major shift toward a unified indirect tax system, replacing multiple state and central taxes. GST was designed to eliminate cascading effects of taxation, improve transparency, and enhance ease of doing business. Over time, the government has introduced several GST rate rationalization measures, including rate cutdowns across various sectors, with the objective of reducing the tax burden on industries and promoting economic growth.

Corporate strategy refers to the long-term direction and scope of an organization, encompassing decisions related to cost management, pricing, competitiveness, investment, expansion, and sustainability. External environmental factors such as government policies, taxation reforms, and regulatory changes significantly influence corporate strategies. GST rate cutdown, therefore, is not merely a fiscal adjustment but a strategic factor that can affect firms' cost structures, pricing policies, competitive positioning, and overall growth strategies.

Industrial units operating in industrial clusters such as the Maharashtra Industrial Development Corporation (MIDC) play an important role in regional economic development. MIDC Amravati hosts a diverse range of manufacturing and service-oriented industrial units that are sensitive to changes in taxation policy. For these firms, GST rate cutdown can directly impact operational costs, profitability, working capital management, and strategic business decisions such as expansion, investment, and market entry.

Despite the importance of GST reforms, limited empirical research has been conducted at the micro-

level to examine how GST rate cutdowns influence corporate strategy, particularly in regional industrial clusters. Most existing studies focus on compliance, revenue implications, or macroeconomic effects, leaving a gap in understanding the strategic responses of firms to GST rate rationalization. This study attempts to bridge this gap by analyzing the perceptions of industrial officers in MIDC Amravati regarding the impact of GST rate cutdown on corporate strategy.

The present study is empirical in nature and is based on primary data collected through a structured questionnaire administered to officers of industrial units in MIDC Amravati. The research focuses on examining how GST rate cutdown affects cost efficiency, pricing strategies, cost leadership, competitiveness, profitability, cash flow management, strategic planning, and long-term sustainability. By linking taxation policy with strategic management, the study aims to contribute to both academic literature and practical policy discussions. The findings of the study are expected to be useful for policymakers, industry managers, and researchers in understanding the strategic implications of GST rate cutdowns and in formulating more effective tax and corporate strategies.

Objectives of the Study

- To analyze the impact of GST rate cutdown on the cost structure and pricing strategies of industrial units in MIDC Amravati.
- To examine the role of GST rate cutdown in supporting cost leadership and competitive positioning of industrial units.
- To assess the influence of GST rate cutdown on strategic business decisions, profitability, and cash flow management.
- To evaluate the contribution of GST rate cutdown to long-term sustainability and corporate strategic planning of industrial units in MIDC Amravati.

Research Methodology

Research Design

The research employs a descriptive as well as analytical research design. The descriptive approach is used to describe the perceptions of industrial officers regarding GST rate cutdown, while the analytical approach examines its impact on corporate strategy

variables such as cost leadership, pricing strategy, competitiveness, profitability, and long-term growth.

Nature of the Study

The study is empirical in nature, as it is based on primary data collected directly from industrial officers of MIDC Amravati to analyze the strategic implications of GST rate cutdown.

Sources of Data

The study draws upon primary as well as secondary data sources. Primary data was collected through a structured questionnaire, while secondary data was obtained from research journals, books, government reports, GST Council notifications, industry publications, and relevant websites.

Sample Size and Sampling Technique

The sample size for the study consists of 50 officers from different industrial units located in MIDC Amravati. A convenience sampling technique was adopted due to accessibility and willingness of respondents to participate in the study.

Research Instrument

Data for the study were collected using a structured questionnaire as the research tool. The questionnaire included Likert-scale and multiple-choice questions designed to measure the impact of GST rate cutdown on various dimensions of corporate strategy.

Data Collection Method

Data was collected through personal administration of the questionnaire to the respondents. The purpose of the study was explained to ensure clarity and accuracy of responses, and confidentiality was assured.

Tools of Data Analysis

The collected data was analyzed using simple statistical tools such as percentage analysis and descriptive interpretation. The results were presented in tabular form and interpreted to draw meaningful conclusions related to the research objectives.

Findings of the Study

- The study finds that GST rate cutdown has led to a noticeable reduction in the overall cost of operations for most industrial units in MIDC Amravati, thereby improving cost efficiency.

- GST rate cutdown has significantly influenced corporate pricing strategies, with firms either reducing prices to enhance competitiveness or improving profit margins.
- The findings indicate that GST rate cutdown strongly supports the adoption of cost leadership strategies, enabling firms to operate more efficiently in price-sensitive markets.
- A majority of respondents reported improvement in their firm's competitive position due to GST rate cutdown, either fully or to some extent.
- The study reveals that GST rate cutdown has influenced key strategic business decisions such as expansion of production capacity, changes in pricing policy, increased investment, and market entry.
- Improved profitability and enhanced operating margins were observed by most industrial units following the GST rate reduction.
- GST rate cutdown has positively impacted cash flow and working capital management, improving financial flexibility for strategic execution.
- Most respondents perceive GST rate cutdown as a significant factor in corporate strategic planning rather than merely a tax compliance issue.
- The study finds that GST rate cutdown contributes positively to long-term sustainability and growth strategies of industrial units in MIDC Amravati.

Conclusion

The study concludes that GST rate cutdown has a substantial and positive impact on the corporate strategies of industrial units operating in MIDC Amravati. The reduction in GST rates has not only lowered operational costs but has also influenced core strategic dimensions such as pricing, cost leadership, competitiveness, investment decisions, and long-term growth planning. The findings clearly demonstrate that GST rate cutdown functions as an important external strategic determinant, shaping how firms align their corporate strategies with market dynamics and policy changes. By improving profitability, cash flow, and financial stability, GST rate cutdown enables industrial units to pursue sustainable growth and maintain competitive advantage. Therefore, the study establishes that rationalization of GST rates plays a crucial role in strengthening strategic decision-making and industrial development.

Suggestions

- **Further Rationalization of GST Rates:**
The government should consider further rationalization and stabilization of GST rates, especially for manufacturing-intensive industries, to strengthen cost leadership strategies.
- **Policy Stability:**
Consistency and predictability in GST policy should be ensured to help firms plan long-term corporate strategies with greater confidence.
- **Simplification of GST Compliance:**
Although rate cutdown has strategic benefits, simplifying return filing and compliance procedures would further enhance operational efficiency.
- **Strategic Utilization by Firms:**
Industrial units should strategically utilize GST savings for investment in technology, process innovation, and capacity expansion to achieve sustainable competitive advantage.
- **Support for MSMEs:**
Special GST incentives and support mechanisms should be provided to small and medium industrial units to enhance their strategic resilience.
- **Awareness and Training Programs:**
Government and industry associations should conduct regular GST awareness and strategic planning programs to help firms effectively integrate tax policy changes into corporate strategy.

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