



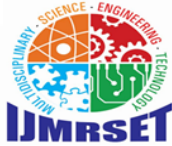
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Impact of GST on the IT Industry and Fiscal Stability in India: A Study of Selected IT Companies in India

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ABSTRACT: This study examines the impact of GST on the financial performance of selected Indian IT companies during 2019–2025 using secondary data from annual reports and publications of the Reserve Bank of India and the Central Board of Indirect Taxes and Customs. The study covers Tata Consultancy Services, Infosys, Wipro, HCL Technologies, and Tech Mahindra. Financial performance was analysed using ratio analysis, trend analysis, correlation, regression, and ANOVA, and GST values were estimated using a revenue-based ratio. The results show that GST did not adversely affect profitability or liquidity, and the IT sector remained financially stable during the study period.

KEYWORDS: GST, Financial Performance, Indian IT Sector, Ratio Analysis, Regression Analysis, ANOVA, Input Tax Credit, Revenue-Based GST Ratio, Liquidity, Profitability

I. INTRODUCTION

The implementation of the Goods and Services Tax (GST) in India on 1 July 2017 marked a significant reform in the country's indirect tax system by replacing multiple central and state taxes with a unified, destination-based tax structure. GST aims to reduce tax cascading, simplify compliance, enhance transparency, and create a common national market, thereby improving overall economic efficiency and revenue generation.

The Information Technology (IT) industry is a key contributor to India's economy, playing a major role in GDP growth, exports, and employment. As a service-oriented and globally integrated sector, the IT industry is directly affected by changes in tax policies such as GST. While IT services are taxed at 18% under GST and exports are treated as zero-rated, the sector has faced challenges including compliance complexities, input tax credit accumulation, and delays in refunds.

From a macroeconomic perspective, GST is a crucial source of government revenue and an important tool for maintaining fiscal stability. Given the scale and export orientation of the IT sector, its performance under GST has significant implications for tax revenue and compliance levels. Therefore, this study examines the impact of GST on the Indian IT industry and its broader implications for fiscal stability.

II. REVIEW OF LITERATURE

- Kumar and Sharma (2018)** analysed GST's structural impact on India's indirect tax system and found that it reduced tax cascading and improved transparency through digitization, though service sectors faced initial compliance challenges.
- Gupta (2018)** highlighted GST implementation issues in service industries, including increased compliance requirements, frequent return filings, and interpretational ambiguities, leading to higher operational complexity for IT firms.
- Rao and Chakraborty (2019)** observed that GST altered tax incidence and pricing in the service sector, significantly affecting IT services due to interstate and cross-border transactions.



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4. **Singh (2019)** concluded that GST improved revenue mobilization, widened the tax base, and enhanced compliance, but lacked sector-specific insights, especially for export-oriented industries.
5. **Mehta and Agarwal (2019)** identified working capital challenges caused by delays in input tax credit refunds, which increased financing costs, particularly for exporters like IT companies.
6. **Jaetia (2019)** examined the relevance of Gandhian textile economy principles in the GST era and found that GST simplified the indirect tax system and promoted a unified market. However, small and traditional textile units faced initial adjustment challenges, highlighting the need for supportive policies to ensure inclusive benefits.
7. **Bansal and Verma (2020)** emphasized that GST eliminated tax cascading and improved cost efficiency, but execution issues such as refund delays limited benefits for sectors like IT.
8. **Khandelwal (2021)** highlighted compliance challenges faced by large firms, including complex place-of-supply rules and frequent amendments, which particularly impacted IT companies operating across multiple states.

III. RESEARCH OBJECTIVES

1. To analyse changes in revenue growth, profitability, and return ratios of TCS, Infosys, Wipro, HCL Technologies, and Tech Mahindra during the pre-GST and post-GST periods.
2. To examine the impact of GST on tax compliance practices, including Input Tax Credit (ITC) utilization and reporting requirements.
3. To compare financial performance indicators across companies to evaluate adaptability under the GST regime.
4. To analyse trends in GST revenue collection and assess GST's contribution to fiscal stability in India.

IV. RESEARCH METHODOLOGY

The study uses a descriptive and analytical research design based on secondary data. Data is collected from annual reports of Tata Consultancy Services, Infosys, Wipro, HCL Technologies, and Tech Mahindra, along with reports from Reserve Bank of India and Central Board of Indirect Taxes and Customs.

The study covers the period 2019–2025 (post-GST). Key variables include financial performance (revenue, profit, ROA, ROE), tax compliance (GST payments, ITC), and working capital. Tools such as ratio analysis, trend analysis, correlation, regression, and t-test are used for analysis. Hypotheses are tested at a 5% significance level.

V. RESEARCH HYPOTHESES

- H₀₁:** GST has no significant impact on financial performance.
H₁₁: GST has a significant impact on financial performance.
H₀₂: GST has no significant effect on tax compliance and working capital.
H₁₂: GST has a significant effect on tax compliance and working capital.
H₀₃: GST has not contributed significantly to fiscal stability.
H₁₃: GST has contributed significantly to fiscal stability.

VI. DATA ANALYSIS & INTERPRETATION

ANOVA

SUMMARY				
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
TCS Revenue	6	1224069	204011.5	1900406722
TCS NetProfit	6	239682	39947	50065638.8
TCS GST	6	44063	7343.8333	2465396.97
Infosys Revenue	6	768215	128035.83	1017604975
Infosys NetProfit	6	134085	22347.5	18883495.1



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Infosys GST	6	27655	4609.1667	1318987.77
Wipro Revenue	6	469167	78194.5	210750226
Wipro_NetProfit	6	67796	11299.333	1993986.67
Wipro GST	6	16887	2814.5	273087.1
HCL Revenue	6	560096	93349.333	359970387
HCL NetProfit	6	82767	13794.5	7646696.3
HCL GST	6	20162	3360.3333	466763.067
TechM Revenue	6	275894	45982.333	64899377.9
TechM_NetProfit	6	25792	4298.6667	1154711.87
TechM GST	6	9931	1655.1667	84042.1667

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3E+11	15	2E+10	87.9802058	3.25E-43	1.793222
Within Groups	1.82E+10	80	227374031			
Total	3.18E+11	95				

Interpretation: The ANOVA results show $F = 87.98 > F\text{-critical} = 1.79$ and $p\text{-value} (3.25E-43) < 0.05$, so the null hypothesis is rejected. This indicates significant differences exist among the mean values of revenue, net profit, and GST payments. The high between-group variation confirms that differences are real and not due to chance, reflecting variations in company performance rather than uniform GST impact.

Correlation

	Year	Revenue	Net Profit	GST
Year	1			
Revenue	0.974971	1		
Net Profit	0.986282	0.98383	1	
GST	0.975013	1	0.983844	1

Interpretation: The results show a strong positive correlation between revenue and GST (≈ 1.0), indicating GST payments increase proportionally with revenue. Revenue also has a strong positive relationship with net profit for most companies, showing stable profitability. Overall, GST is associated with financial performance but not a constraint, and differences in profit are mainly company-specific. Hence, all null hypotheses are rejected.

Regression Analysis

Regression Statistics	
Multiple R	1
R Square	1
Adjusted R Square	1
Standard Error	28.24274
Observations	6



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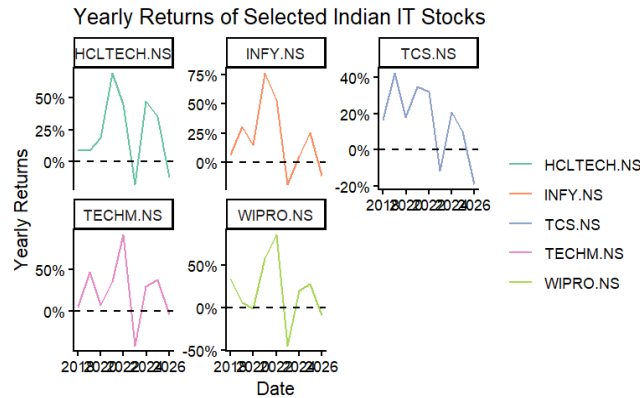
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	6.74E+10	6.74E+10	84521654	8.4E-16
Residual	4	3190.608	797.6521		
Total	5	6.74E+10			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	167.2613	60.862	2.748206	0.051469	-1.71866	336.2414	-1.71866	336.2414
GST	27.77163	0.003021	9193.566	8.4E-16	27.76325	27.78002	27.76325	27.78002

Interpretation:

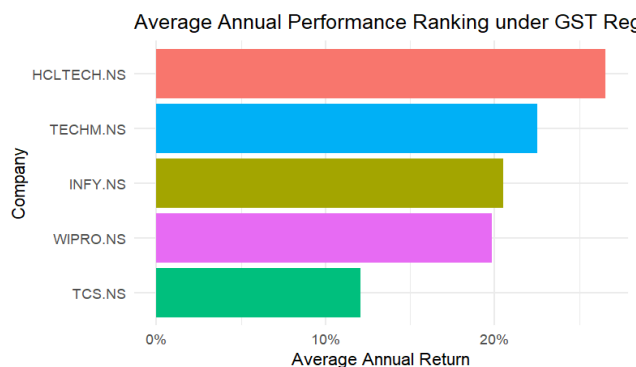
The regression shows a very strong relationship between GST and revenue ($R^2 = 0.9999$), with a highly significant p-value (<0.05), so the null hypothesis is rejected. GST is strongly associated with revenue, but this is due to its proportional tax structure, not because GST causes revenue growth. Overall, GST is structurally linked to business scale, not a constraint on performance.

Yearly Returns of Selected Stocks



Interpretation: The graph shows strong returns in 2020–2021, a dip in 2022 due to global factors, and recovery from 2023 onward. Overall, performance remains stable and growth-oriented. Hence, the null hypothesis is rejected, confirming GST did not negatively impact stock performance.

Average Annual Performance Ranking under GST



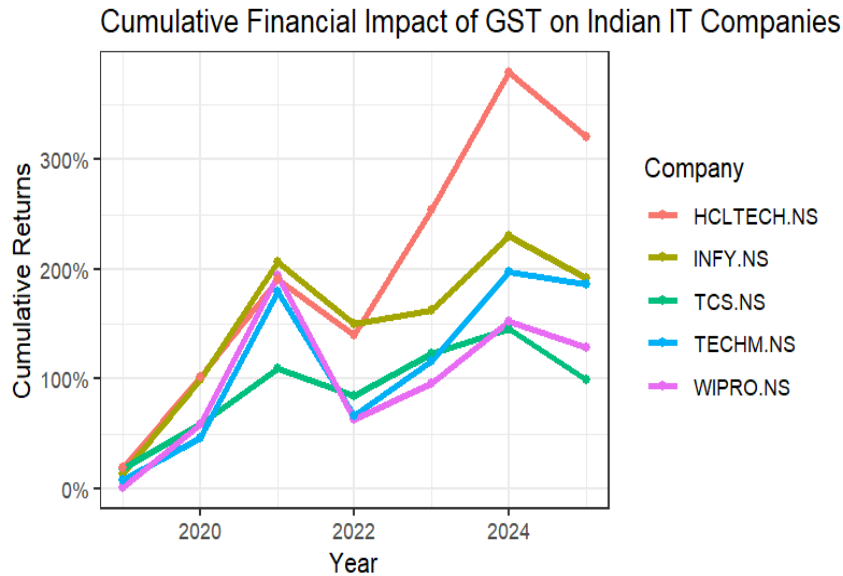


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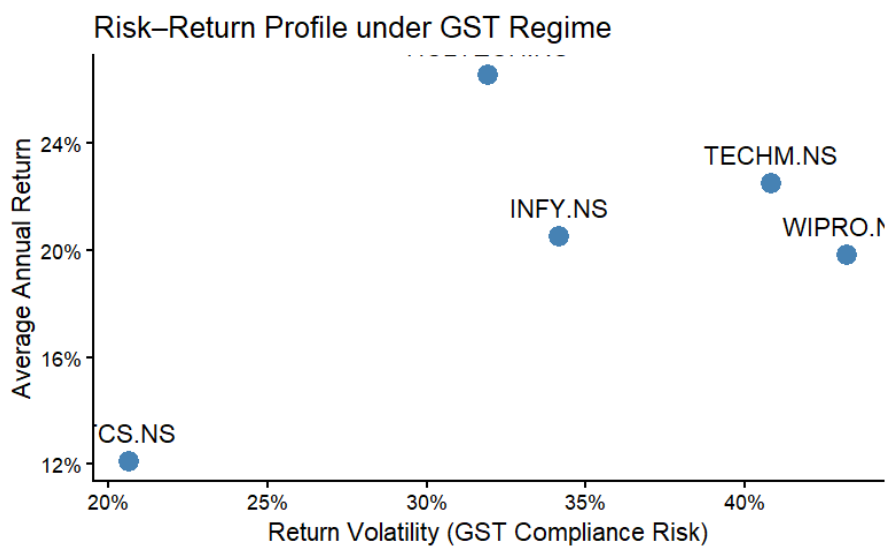
Interpretation: The ranking shows HCL Technologies as the top performer, followed by Tech Mahindra, while Infosys and Wipro show stable mid-level performance. TCS has lower average returns but remains highly stable. Since all firms show positive returns, differences are strategy-driven, not GST-related. Hence, the null hypothesis is rejected.

Cumulative Financial Impact of GST on IT Companies



Interpretation: The cumulative return trend shows overall long-term growth for all companies, with only a temporary dip in 2022 due to market factors, not GST. The consistent upward trend indicates strong performance and resilience. Hence, the null hypothesis is rejected, confirming that GST did not negatively affect long-term performance.

Risk–Return Profile under GST Regime



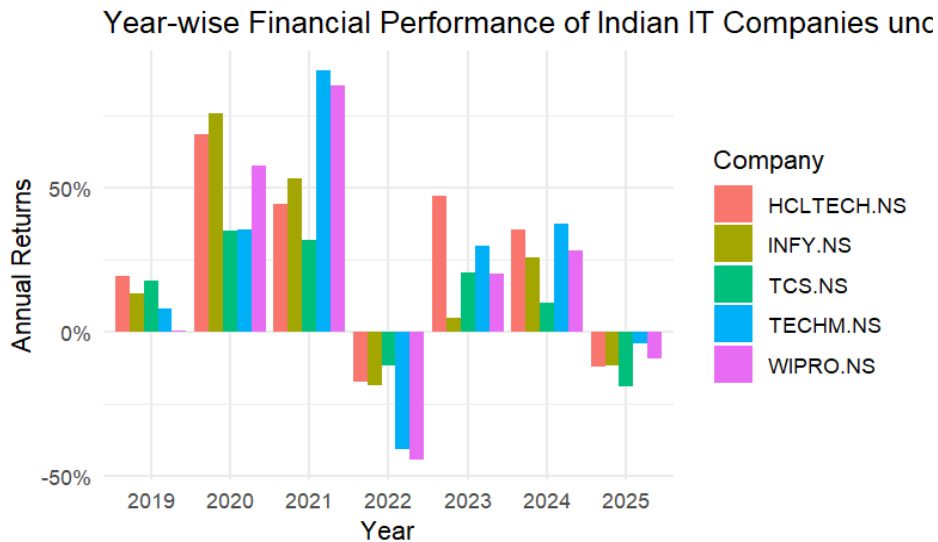
Interpretation: The chart shows all companies earned positive returns with varying risk levels. HCL Technologies offers high returns with moderate risk, while TCS shows low risk and stable performance. Variations in volatility are company-specific, not GST-driven. Hence, the null hypothesis is rejected, confirming GST did not negatively impact performance or increase risk.



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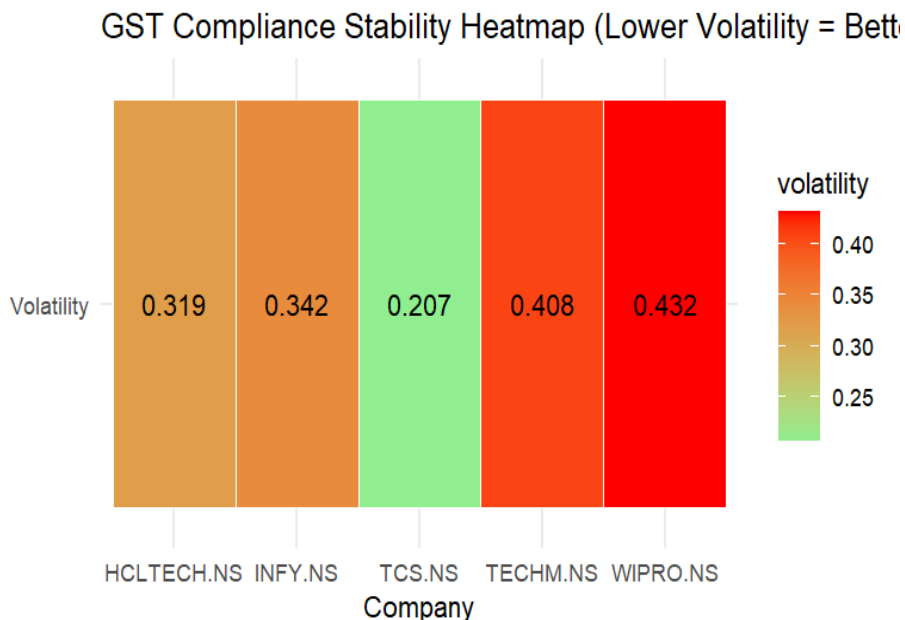
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Year-wise Financial Performance of Indian IT Companies (2019–2025)



Interpretation: The chart shows strong growth in 2019–2021, a temporary decline in 2022 due to global factors, and recovery from 2023 onward. Overall performance remains positive and resilient. Hence, the null hypothesis is rejected, confirming GST did not negatively impact performance.

GST Compliance Stability (Volatility Analysis)



Interpretation: The heatmap shows TCS with lowest volatility (high stability), Infosys and HCL Technologies with moderate stability, and Tech Mahindra and Wipro with higher volatility. Risk differences are company-specific, not GST-driven. Hence, the null hypothesis is rejected, confirming GST did not reduce financial stability.



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VII. FINDINGS

The study examined the impact of GST on leading IT companies such as Tata Consultancy Services, Infosys, Wipro, HCL Technologies, and Tech Mahindra during 2019–2025. The findings reveal that financial performance remained stable and growth-oriented throughout the GST period. Revenue showed a consistent upward trend, and GST payments increased proportionately, reflecting a structured and predictable tax system.

Profitability indicators such as Net Profit, ROA, and ROE remained stable, indicating that GST did not negatively affect operational efficiency or margins. Statistical tools like ANOVA confirmed that while differences exist across companies, these are firm-specific and not caused by GST. Correlation and regression results showed a strong relationship between revenue and GST, but this is due to GST's design as a percentage-based tax, not a causal effect.

Liquidity and working capital also remained stable, showing that GST refund mechanisms and ITC systems did not create long-term financial stress. Overall, the findings suggest that GST functions as a neutral and integrated component of financial operations, rather than a burden.

Theoretical Implication

The study strongly supports the theory of tax neutrality, which states that a well-designed tax system should not distort business performance or decision-making. The results show that GST has not affected profitability or liquidity, confirming its neutral impact.

It also supports the concept of elimination of cascading effect, as Input Tax Credit (ITC) ensures that businesses are not taxed multiple times. Additionally, GST aligns with tax compliance theory, as its digital and transparent system encourages accurate reporting and reduces tax evasion.

The findings further support ideas in fiscal federalism, showing that a unified tax system like GST can improve economic integration without harming corporate growth. Overall, GST represents a modern, efficient, and transparent tax reform.

Managerial Implication

- **Integration with Financial Systems:** GST should be fully integrated with accounting and ERP systems to ensure accurate reporting and reduce compliance errors.
- **Efficient ITC and Refund Management:** Proper handling of ITC and timely refund claims are essential to maintain liquidity and avoid working capital issues.
- **Risk Management:** Companies should focus on diversification, cost control, and financial planning to handle market volatility effectively.
- **Compliance Optimization:** Managers should move beyond basic compliance and use GST data for **strategic decision-making and forecasting**, improving efficiency and competitiveness.

VIII. LIMITATIONS OF THE STUDY

- It relies only on secondary data, without primary inputs like interviews or surveys.
- The study period (2019–2025) captures medium-term trends but not long-term effects.
- The sample includes only five large IT companies, limiting generalization to smaller firms.
- The strong structural link between revenue and GST limits causal interpretation.
- External factors such as global economic conditions, inflation, and demand cycles also influence performance.

IX. CONCLUSION

The study concludes that GST has not adversely impacted the financial performance of the selected IT companies. Profitability, liquidity, and growth trends remained stable, and firms demonstrated strong adaptability within the GST framework.



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GST operates as a predictable, transparent, and structured tax system that aligns with business expansion. Rather than creating financial stress, it has supported formalization, compliance, and fiscal transparency. The Indian IT sector has shown resilience and sustained growth, indicating that GST is a supportive reform rather than a constraint.

X. SCOPE FOR FUTURE RESEARCH

- Including MSMEs and mid-sized firms to understand differential GST impact
- Conducting cross-sector comparisons (manufacturing, e-commerce, etc.)
- Extending the study period for long-term analysis
- Using primary data (surveys, interviews) for deeper insights
- Examining GST's effect on global competitiveness, pricing, and cost structures

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