

IMPACT OF GST ON THE FINANCIAL PERFORMANCE

Rashmi V N, Savitha K P

Student, Assistant professor
Master of Business Administration,
The Oxford College of Engineering, Bommanahalli Bangalore, India

Abstract:

India being an emerging economy, Government has taken a lot of initiatives to motivate the assesses to file the income tax returns. GST is an important step in the indirect tax reforms and is an innovative approach towards the development of the economy. The main objective of this study is to know the cause and effect of Implementation of GST in financial performance of Muralidhar and Naveena Associates. GST being an innovative development in India, there are only just few researches done. Particularly there is an enormous break of observed and conduct educations on GST in India. Financial performance would be affected due to GST. There would be decrease in profits or in some situation the firms will be earning profits. Financial position of the firm is tested using statistical tools through Ratio Analysis, Trend Analysis and Forecast function to find how GST has its effect on the performance, profitability and growth of the firm. Schedules were framed and employees' opinions was collected to find out the impact after implementation of GST. Chi-Square test was conducted to test the hypothesis.

Key words: GST, Tax, Ratio analysis, Financial Performance, Trend analysis, Forecast function.

1. INTRODUCTION

M&N Associates believe that integrity has no substitute. It Provide Value addition to the client's business and provide timely services to accelerate the clients' needs in the most effective and efficient manner. The firm provides services in the fields of Income Tax, Indirect Tax, Business Advisory Services, Corporate and Secretarial Services and outsourcing services.

This study is carried out to know the impact of GST on the financial performance and to know firm's performance after implementation of GST. To know how GST as its effect on the growth of the firm.

2. REVIEW OF LITERATURE

DANIS RESEARCH ON AN IMPACT OF GST PROCEEDING INDIAN

GST help and improve the nation's monetary development. It is intriguing to comprehend why this proposed GST routine counteracts the development and improvement of the nation.

MONIKA SEHRAWAT & UPASANNA DHANDA (2017)

This paper gives an outline of the GST idea, depicting its highlights in India with its usage time. This paper is centered around the advantages of GST and India's difficulties.

RITESH SRIVASTAVA (2018) GST IMPLEMENTATION IN INDIA

After the execution of this work, we observe that the people of India are not giving a warm response to GST due to difficulty in implementing this scheme and confusion.

BENSTEN AND WILD (2000)

Financial performance defines the performance of financial data of an enterprise the financial statement is the financial report prepared by enterprise in an accounting period which is done in the quarterly and half yearly basis.

SUBRAMANYAM K R (2014)

The methods for investigation run from competition of ratio and income measures to profit decrease and cost valuation. He demonstrated how analysis tools and techniques finance uses decisions including company valuation and lending decisions.

3. OBJECTIVES

- To comprehend the importance of GST
- To inspect the Financial Performance of the organisation before and after implementation of GST
- To give suggestion to maximize the profit
- To forecast the future using forecast function.

4. METHODOLOGY

The study was conducted in Muralidhar & Naveena Associates using primary and secondary data. The sample size was 50. The primary data was collected through schedules and interview and secondary data was obtained from annual reports, organization website and past records. The statistical tools used for the research are

- Ratio Analysis
- Trend Analysis
- Future Forecast Function

The hypothesis of the study is

- H₀₁ : There is no Significant Impact of GST on pricing of service

5. ANALYSIS AND RESULTS

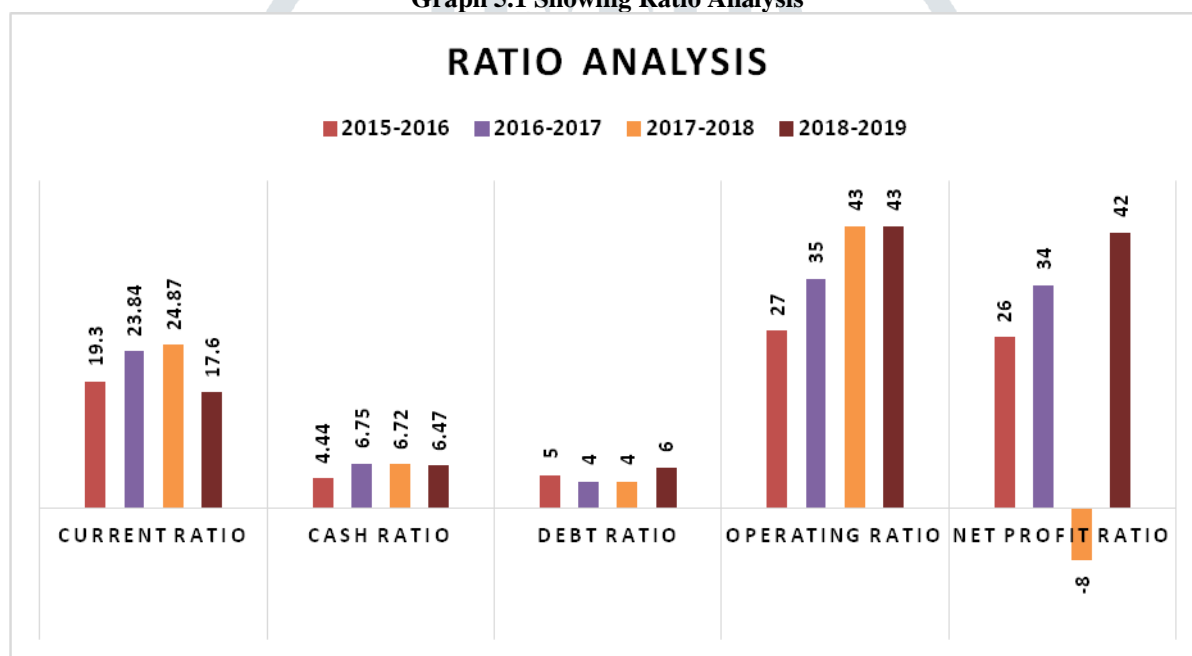
5.1 Ratio Analysis

Ratio Analysis is a quantitative method of gaining insight into a company liquidity, operational efficiency and profitability by comparing information contained in its financial statements.

Table 5.1 Showing Ratio Analysis

PARTICULARS	2015-2016	2016-2017	2017-2018	2018-2019
Current Ratio	19.3	23.84	24.87	17.6
Cash Ratio	4.44	6.75	6.72	6.47
Debt Ratio	0.05	0.04	0.04	0.06
Operating Ratio	0.27	0.35	0.43	0.43
Net Profit Ratio	0.26	0.34	-0.08	0.42

Graph 5.1 Showing Ratio Analysis



5.2 Trend Analysis

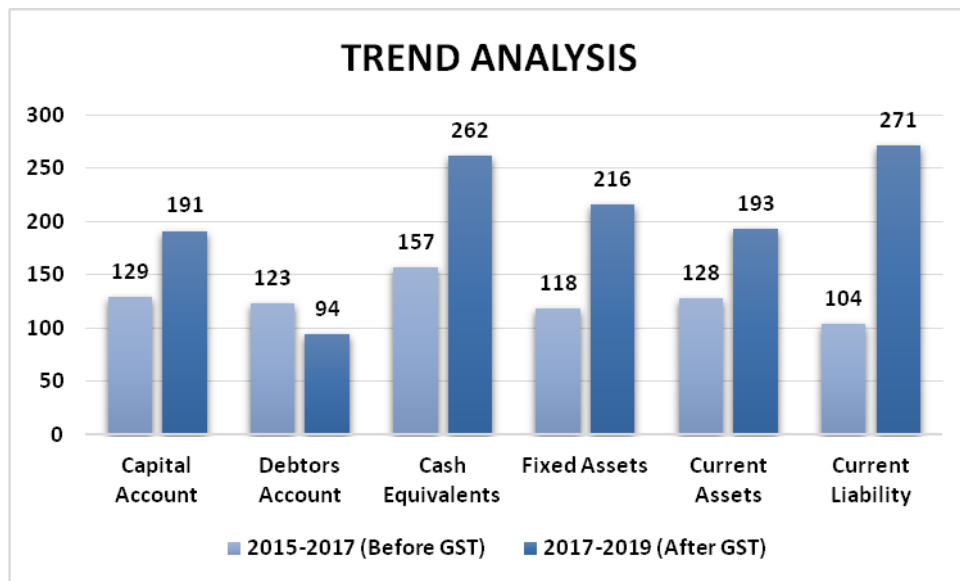
Trend Analysis of balance sheet involves calculation of percentage change in the balance sheet items for number of successive years. This is carried out by taking the items of the past financial year used as a base year and items of the year are expressed as percentage of the base year.

$$\text{Trend Analysis} = \frac{\text{Running Year}}{\text{Base year}} * 100$$

Table 5.2 Showing Trend Analysis

PARTICULARS	2015-2017 (Before GST)	2017-2019 (After GST)
Capital Account	129	191
Debtors Account	123	94
Cash Equivalent	157	262
Fixed Assets	118	216
Current Assets	128	19
Current Liability	104	271

Graph 5.2 Showing Trend Analysis



5.3 Future Forecast Function

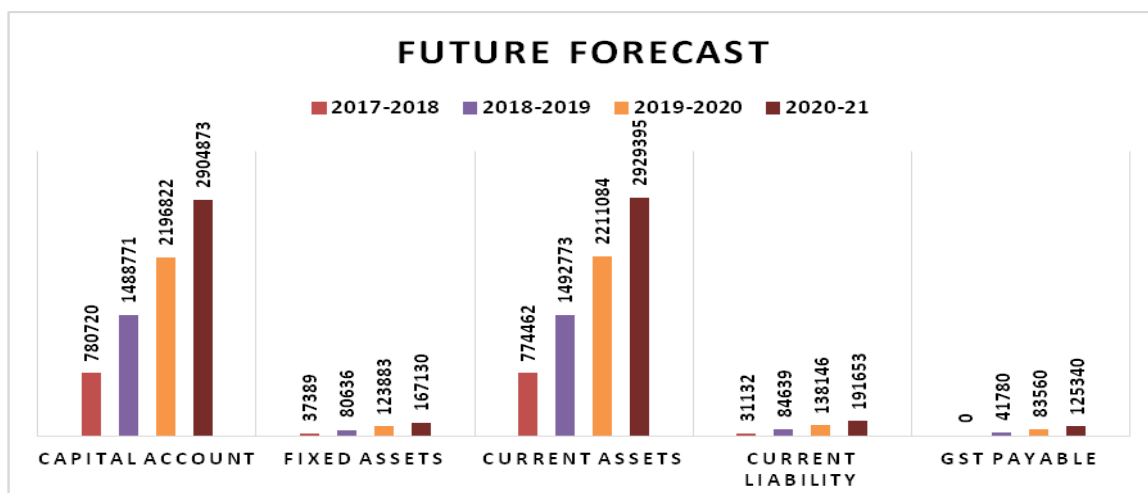
The forecast function is used in the study to predict the future position of the firm, based on the profit of four years. The forecast function can be done by using this formula.

Formula = FORCAST(x values, known y values, known x values)

Table 5.3 Showing Future Forecast Function

PARTICULARS	2017-2018	2018-2019	2019-2020	2020-21
Capital Account	780720	1488771	2196822	2904873
Fixed Assets	37389	80636	123883	167130
Current Assets	774462	1492773	2211084	2929395
Current liability	31132	84639	138146	191653
GST Payable	0	41780	83560	125340

Graph 5.3 Showing Future Forecast Function



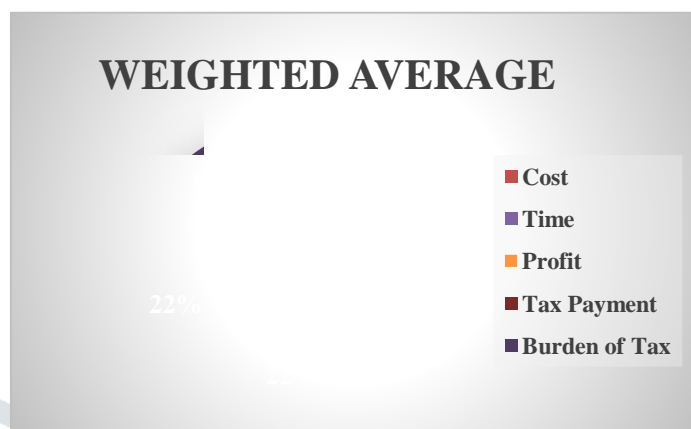
5.4 Weighted Average

The factors Cost, Time, profit, tax payment and burden of tax was rated after implementing of GST was tested using weighted average method

Table 5.4 showing calculation of weighted average

Graph 5.4 showing weighted average on factors of GST

PARTICULARS	5	4	3	2	1	WEIGHTED MEAN	AVERAGE
cost incurred is high	18	12	15	5	0	193	1.93
time taken to complete work as reduced	15	15	5	10	5	175	1.75
is there direct impact on profit after GST	25	15	10	0	0	215	2.15
increase in tax payment of clients	30	13	7	0	0	223	2.23
burden for tax compliance as decreased	19	13	10	5	3	190	1.9



5.5 CHI- Square Test

H0: There is no significant impact of GST on pricing of Service

Table 5.5 showing the calculation of Chi-Square Test

Particulars	Observe Occurrence (O)	Expected Frequency (E)	O-E	(O-E) ²	(O-E) ² /E
Increase	25	16.66	8.34	69.55	4.17
Neutral	20	16.66	3.34	11.15	0.66
-Decrease	5	16.67	-11.67	136.18	8.16
Total	50	50			31.48

Expected Frequency (E) - number of respondents /numbers of option - 16.66

Degree of Freedom (3-1) (2-1) - 2

Level of Implication - 5%

Table value - 5.99

Calculated value - 31.48

6. DISCUSSION

RATIO ANALYSIS

- Current Ratio is having a fluctuating trend, which shows the difference between assets and Liabilities
- Cash ratio is stable.
- Debt Ratio was stable but after implementation of GST it as increased
- Operating ratio is following an increasing trend which is good for the firm's growth
- Net Profits had decreased but current year it as increased in an increasing rate which shows the performance of the firm

TREND ANALYSIS

- Capital Account, Cash Equivalents, and Current Assets as increased after implementation of GST, which reflects on the performance and growth of the firm.
- After GST the company has bought more fixed assets. This portrays that the firm is increasing.
- Debtors Account as decreased, clients have paid of their debts which if reflected on increasing in cash
- Current liability as increased.
- The firm has increase in its short-term resources. This is good for the firm as they can pay off their term obligations and can utilize the rest for investment or expansion purpose.

FUTURE FORECAST FUNCTION

- All the components i.e., Capital Account, Fixed Assets, Current Assets, Current Liability and GST Payable will increase in future Years.
- Firm can utilize the assets and can invest for long term.
- The forecast predicts that the firm would invest its profits in permanent assets. This tells us that the firm will either expand or it would invest in different avenues.
- Increase in current resources shows us that the firm will have lot of current incomes and it will have to increase in its current resources.
- The firm has increased its current obligations. It portrays that the firm would have to pay for income tax or it has to pay its other taxes due to increase in earning of profits.

WEIGHTED AVERAGE

The factors are tested using weighted average and it can be inferred that there is a direct impact of GST on tax payment of the firm as well as the client and then profits of the firms has been increasing after GST implementation.

It is found that GST has a major impact on tax payment, profit, cost incurred, burden of tax compliance and then time taken to complete work.

SCHEDULES

- Number of clients after implementation of GST has been increased in a higher rate at approximate to 100-150.
- Through the questionnaire collected from the employees it is known that Price is impacted at an increasing rate due to GST implementation.
- The main factor influencing the pricing decision was GST rate and tax credits.
- Few factors were rated after considering GST are as follows:
 - i. Cost incurred for implementation of GST was high
 - ii. Time taken to complete the work had reduced since implementation of GST
 - iii. There is a direct impact on the profits of the firm after GST
 - iv. Over all tax payments of the clients as well as firm has increased.
 - v. Burden of tax compliance of clients has been decreased.

CHI-SQUARE TEST

The table value is less than calculated value that is 5.99 less than 31.48 Null hypotheses is rejected and Alternative hypotheses is accepted. Hence, it is inferred that GST and pricing of the services are dependent on each other.

7. CONCLUSION

The current study on implementation of GST had revealed that the overall Financial Performance of the firm is stable. The scrutiny conducted on the company i.e., Ratio Analysis, Trend Analysis, Forecast Function reveals fact about the company financial performance over the years. GST improves tax compliance, extend tax base, eliminating existing unhealthy competition in states and building burdens based on taxation between production and services.

After implementation of GST we can observe that business concerns and business men are filing taxes through the firm. It is suggested that the management should make changes in the functioning so that it can achieve more clients, more profits and can expand its horizon. After the analysis the required changes are suggested to the company to take changes regarding few drawbacks as well as strengths of the firm.

It is suggested to the firm that it should get on board with audits of different sectors like MNC auditing, Bank Audit, Insurance audit, internal audit and audit of public sector undertakings. The prices of services rendered should not be impacted due to the implementation of GST. Price should be independent factor dependent on the service rendered but not on the GST rate.

Firms target should be to increase number of clients, through word of mouth. It is a strong way of advertisement for the firm. To achieve that the firm should engage customer retention and should always aim to total customer satisfaction.

It is advised to the firm to conduct seminars for various categories of people, businessmen as well as accounting schools. The seminar should be able to inspire the public to pay off their taxes to the government so that the tax is returned to him in different schemes.

8. BIBLIOGRAPHY

- Dani S, Impcat of Goods and Service Tax (GST) on Indian Economy, B.E. Journal VII, Edition 2016
- Sehrawat Monika & Dhanda Upasana, GST in India, Edition 2017
- Analysing Public Sentiment on GST Implementation in India, Nandini Tomar ; Ritesh Srivastava ; J. K. Verma, 28-29 Sept. 2018,
- Bensten and Wild 2000 In this announcement in the salary explanations subtleties are incorporated in to the last advance. (42) 2000, 420 – 450.
- Subramanyam K. R (2014) Financial Statement analysis 10TH edition. 657 pg.no.