



Impact of GST: Good, Bad and the Ugly

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Abstract

Current Scenario

There have undoubtedly been concerns about how the GST will affect different areas of the Indian economy. The retail industry is particularly noteworthy since it not only involves a large number of transactions but also creates a lot of jobs in both the urban and rural areas. The research study is based on primary data analysis and convenience sampling method. The paper highlights a conceptual overview of GST in global and Indian perspective and concludes with Impact of GST.

Problem Statement

In accordance with global changes, the introduction of GST has compelled the retail sector to update its strategies, supply chains, costing, and systems in addition to adhering to quality requirements. Disorganized retailers have expanded more quickly than their organized retailers because of the cheaper cost structures brought about by tax savings. Retailers' compliance costs increased as a result of the Goods and Services Tax (GST) management bringing the majority of retailers within the indirect tax net for the first time. Currently, retailers find it somewhat difficult to comply with the GST.

Findings

All sector in India is either positively or negatively impacted by the implementation of GST. Goods and Service tax systems are more beneficial for the retailers. GST also improves India's economy in the long run. We believe that in the long run, it will be advantageous for small and medium-sized firms as well as for consumers.

Keywords: (GST, Impact, Awareness, Perception)

1. Introduction to GST

The word tax is derived from Latin word “taxare” which means to estimate. A tax is a compulsory financial charge or type of levy imposed upon a taxpayer by a government organization in order to find a failure to pay, along with evasion of or resistance to taxation is punishable by law. Indian taxation system comprises of Direct and Indirect Tax. A tax that is paid directly to the institution, generally government that is imposing it by an individual or an organization is known as a direct tax. A direct tax cannot be transferred to another person or organization whereas Indirect taxes are levied on products and services. It is a kind of tax here the entity that is taxed both directly and indirectly. With indirect tax, the taxpayer has the option of shifting the tax liability to another company or person.

In India's post-Independence history, the GST is the most notable indirect tax reform. GST aims to impose a single, uniform national tax on all goods and services in India. Numerous Central and State taxes have been replaced by GST, which has also increased India's level of national integration and increased the number of producer's subject to taxation. Goods and Services Tax

(GST) is a single tax levied on goods and services from manufacturing to consumption, eliminating all indirect taxes previously levied. In a GST, the tax paid on product is refunded along with the tax paid on input. GST eliminates the possibility of taxes cascading by requiring a person to pay tax on the value added at each level and no additional tax on tax.

GST came into effect on 1st July 2017, by amending the Constitution of India. It is the One hundred and first amendment introduced by the Government of India. GST was hailed as a significant tax reform of Independent India that will help streamline the taxation process and reshaping India's \$2.4 trillion economies.

1.1 Implementation of GST in India

The indirect tax regime of India was quite complex. Central and State Governments levy a large number of taxes such as Central Excise duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Luxury Tax etc. Each of these was an independent tax with separate compliance requirements and differing provisions. This used to create complexity and make it difficult for the taxpayers to adhere to the legal requirements. The different tax systems were not interconnected, due to which there were various avenues for tax evasion.

Thus, The Goods and Services Tax (GST) in India considered as one of the biggest reforms in indirect taxation. It has been implemented from 1st July 2017 and based on the principle of destination-based consumption taxation. The implementation of such a tax was introduced as a set-off relief mechanism for the seamless flow of input credit across the chain.

1.2 Benefits of GST implementation in India

- i. GST system helps to create a common national market that boosts foreign investment.
- ii. Helps to mitigate the cascading effect of taxation.
- iii. Uniformity in laws, rates of tax, and procedures across states.

- iv. Indian products would be more competitive in the international markets.
- v. The GST system is likely to improve the overall investment climate in India.
- vi. GST regime helps to boost manufacturing activities and exports which generate more employment and lead to the growth of the economy.
- vii. There are automated and a simplified method for processes such as registration, refunds, returns of GST, tax payments etc.
- viii. All interactions are handled by the common GSTN website.
- ix. GST is a simpler system of taxation with smaller number of exemptions.
- x. A huge segment of small-scale retailers is benefited from low tax rates based on the compounding scheme and consumers are also benefited as well.

2. Review of Literature

(S. Kumar, 2018) Have mention that India's online retail industry is still developing and still adjusting to the global economic landscape. Additionally, the traditional tax system was unable to accommodate all forms of e-commerce or provide a favourable environment for its development. With the introduction of the Goods and Services Tax, India's taxation system was transformed from a complicated system with 500 different types of levies to one with just three main tax categories. His exploratory, qualitative, non-empirical paper's goal was to examine and present the effects of the GST's implementation on the Indian economy, paying particular attention to the country's online retail sector.

(Alam, 2019) Highlighted Many companies in both the organized and unorganized sectors have adopted GST, which has replaced the current taxes structure with new taxation procedures that appear to be improving the Indian economy. The paper has described the broad perspective of GST in the current retail business situation and the implementation of GST across product categories in retail outlets with this backdrop in mind.

(Mahlawat, 2019) States that India is the most popular retail destination in the world, according to the current situation. The introduction of GST is anticipated to increase FDI in the retail sector, and the potential growth of the retail industry during the GST period will be a tremendous benefit over the long term. The research study was descriptive in nature and based on secondary data analysis. The study examined the effects of the GST as a government programmed on the retail sector. The study concluded views on the problems and prospects facing the Indian retail sector and emphasized a conceptual overview of GST from both a global and Indian perspective.

(Walikar, 2017) Indicates retail sector contributes about 10% of GDP. GST will bring about significant changes across a number of industries and sectors, and the retail sector is no exception. In India, organized retail still only makes up less than 20% of the market, with the 19 unorganized sector accounting for the vast majority of employment. Less than 7% of total retail sector sales in India are made through e-commerce.

(Sam, 2015) In order to comprehend how the Goods and Services Tax affects various economic sectors, the article focused on three key areas: providing an outline of the GST's rules, examining how GST affects the retail sector,

and examining how GST affects government income. The idea behind this transformation is to replace the current taxes (VAT, service tax, excise duty) with a consistent rate structure on goods and services through GST.gov in order to increase income and allow retailers to sell final goods at lower rates.

(Ms.N.Ramya, 2017) Have mention that the goal of the GST is to replace each of levies with a single comprehensive tax and bring everything under one roof. Tax on tax is intended to be eliminated. The paper discussed about the GST, its characteristics, and the effects it has on different industries. Goods and Service Tax is a comprehensive tax levy on manufacture, sale and consumption of goods and services. GST is termed as biggest tax reform In Indian Tax Structure. It will not be an additional tax; it will include central excise duty, service tax additional duties of customers at the central level, VAT, central sales tax, entertainment tax, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and services.

(Subathra, 2019) Analyse GST awareness among the general public. She examined the effects of the GST with a focus on shops in Nagercoil town. The study examined the effects of GST after its implementation and also highlighted the differences between indirect taxes currently in use and GST, as well as the advantages and difficulties that GST may encounter. She has mentioned that under GST various indirect taxes would be subsumed and hence it is going to result in simpler tax regime especially in retail sector. In this sector GST would have an impact on the pricing, working capital etc. The sale of retailers and the monthly budget of common people regarding fast moving consumer goods should have an impact of GST. Moreover, the concept of GST awareness among common man is an important matter to be analysed.

(Upashi, 2017) Highlight upon the benefits of GST in a comprehensive manner and its effect on different sectors of Indian economy. The paper concentrates on benefits of GST and its effects on different sectors like automobile, FMCG, banking, insurance, financial services, pharmaceutical sector, agriculture, real estate, Consumer durables, oil and gas, cement, telecom, real estate, airlines and gold. The findings of the paper revealed mixed effect on different sectors of the Indian economy. 20

(Sivakumar, 2017) Highlight that GST is a major move towards Indian Economy. He concluded GST is the biggest ever change in tax structure of India. While the cost of some commodities will decrease, the cost of other items and services will increase. And also, there is the risk of inflation, which could result in states having fewer financial resources. On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

(Dr. I. Siddiq, 2017) Examine the impact of GST on Small & Medium Enterprises. They concluded that GST would improve demand and competitiveness of 'Made in India' products. The Government's intention behind GST is to expand the taxpayers' base and not to enhance tax burden on business or individual tax payers. Goods and Service Tax (GST) likely to be beneficial for auto cement and organized retail sectors but will have a negative impact on oil and gas, and SME sectors. However, the impact would be broadly neutral for property, electricity, telecom, pharmaceutical and fertilizer sectors.

(Singh, 2018) Indicates the Indian market is projected to be worth more than US\$ 600 billion. Greater transparency, increased credit flow, and less trade barriers are anticipated outcomes of the upcoming introduction of the Goods & Services Tax (GST), from a tax perspective, GST is considered as a destination-based consumption tax, in which the consumption states are liable for revenues as the origin states is likely to get 1% additional tax for at least 2 years. It is considered to be a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, the new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country. The implementation of GST will increase the tax revenue for the Government and it would end the distortions of differential treatments of manufacturing and service sector

(Dr. Seema Agnihotri, 2018) Highlight the various Economic Reforms such as Demonetization, Goods and Services Tax, Labour Reforms, Organized Retailing. They concluded that Economic Reforms are essential to the expansion of India's retail industry. The most pressing necessity of a developing country is for gradual systemic reforms to keep up with changing times and Reforms allow a bracket for improvisation of the flaws in the current prevailing structure of the economy. She concluded that economic reforms play a very crucial role in growth of the retail sector in India. Progressive changes in the system with changing times are the utmost 21 need of a developing nation. Reforms allow a bracket for improvisation of the flaws in the current prevailing structure of the economy.

(M. Karthikeyan, 2020) Examine how the GST will affect shops in south Chennai. The study used a descriptive research design to characterize the characteristics of the population under study and data were gathered by means of convenience sampling. A total of 155 stores were contacted, and 110 were selected as the true sample size. Percentage analysis and correlation analysis were employed as statistical tools to determine the relationship between the variables. It was found that the retailers are affected by the GST tax system implemented by government.

(Jadhav, 2017) In her paper titled 'the impact of GST on E-commerce' examined different aspect including the absence of a GST registration threshold, the lack of any benefits from the composition scheme, and marketplace operators' source tax collection. Finally, she concluded One Country and one tax will ultimately aid in the rapid expansion of the Indian economy. Goods and Service Tax or GST as it is known is all set to be a game changer for the Indian economy. Overall, it is known to be beneficial to both the consumer, business and the Government

(Joseph, 2018) The main objective to conduct the study is to examine the factors like awareness, expectation, preparedness and issues and challenges faced by the retailers in Kerala upon the implementation of Goods and Service Tax. They have used quantitative approach with a descriptive research design. According to the analysis, most shops are aware of the fundamental aspects of GST. However, they lack more in-depth understanding in a number of areas pertaining to this new taxing structure. The majority of retailers are not happy with the support and education given by the tax authorities. The survey showed that merchants are having a lot of difficulties as a result of GST implementation-related doubts, complication, and transitional concerns.

3. Research Methodology

3.1 Objectives of the Study

- i. To know the level of awareness about GST among consumers.
- ii. To understand the consumer's perception on GST implementation.

3.2 Data Collection method

Primary data was collected with the help of questionnaire. In this strategy, the researcher sends a questionnaire to the individual in question, with the request that they answer the questions and return the questionnaire. A questionnaire is made up of a group of questions that are printed or typed in a specific order on a form or set of forms. The questionnaire is distributed to respondents, who are expected to read and comprehend the questions before responding in the space provided in the questionnaire.

3.3 Sampling Techniques

When conducting a questionnaire survey, it would be impractical to investigate the entire population. Therefore, Sampling is the process of selecting a group of individuals from a population, to study them and characterize the population as a whole. There are two types of sampling techniques: Probability Sampling and Non-Probability Sampling.

Probability sampling is a sampling method where sample of a larger population is chosen at random, and the likelihood that all of the responses from the sample will be representative of the entire population is then estimated.

3.4 Sample size

The number of items to be chosen from the population to form the sample for the study is known as the sample size. A sample should accurately reflect the population. For this study, 40 respondents have been chosen as a sample.

3.5 Tools and Techniques of the Study

The tool used for collecting information is structured questionnaire consisting of 20 questions. Respondents received a questionnaire, replied by filling it out, and the information was then incorporated into the final report.

Basic tools which are used for project from statistics are-

- Tables
- Bar Charts
- Pie-Charts
- Chi-Square Test

3.6 Variables of the Study

- **Independent Variable:** In a scientific experiment, an independent variable is a variable that is altered or under control. It symbolizes the root cause or motivation behind a result. The variables

that the investigator modifies to test their dependent variable are known as independent variables. The dependent variable changes as a direct result of changes in the independent variable. It is assessed and recorded how the influence affects the dependent variable.

- **Dependent Variable:** Dependent Variable is a variable which value depends on that of another. It depends upon independent variable. The study examines major impact of GST on citizens of India in a research framework

3.7 Hypothesis

Null: There is no significant relationship between Awareness and Effectiveness of GST in India.

Alternative: There is significant relationship between Awareness and Effectiveness of GST in India.

3.8 Scope of the Study

The study will be helpful in explaining the views and awareness about GST. It has covered the opinions of consumers. The study is more relevant to understand the concept of GST and how the GST system, which uses a uniform tax rate and eliminates all tax barriers between states, is more likely to accelerate India's economic growth and development.

4. Data analysis

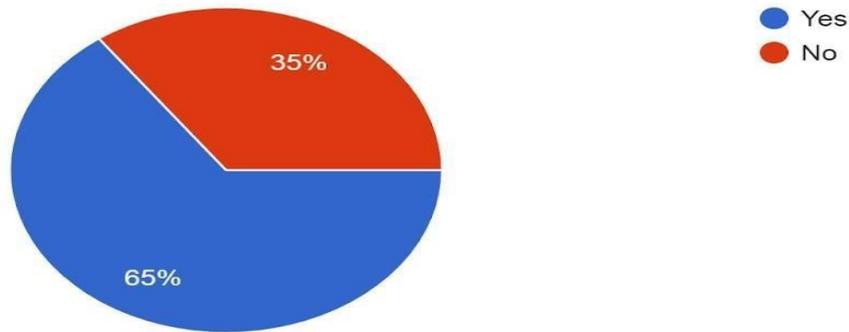
Table 1: Indicating the Frequency of Awareness about Present Rates of GST.

S. N	Frequency of Awareness	Responses	Frequency Percentage
1	Yes	26	65%
2	No	14	35%

Chart 1: Indicating the Frequency of Awareness about Present Rates of GST.

Are you aware about present rates of GST?

40 responses

**Analysis**

From the above we can analyze that 65% of the total respondents are aware about the present rates of GST while the rest 35% of them are unaware about the present rates of Goods and Services Tax (GST).

Interpretation

By analyzing the above information, we can interpret that maximum of the respondents being 65% of them have awareness about the present rates of GST i.e. various GST rates such as 0% GST slab, 5% GST slab, 12% GST slab, 18% GST slab and 28% GST slab while the least of the total being 35% are unaware about it.

H₀: There is no significant relationship between Awareness and Effectiveness of GST in India.

H_A: There is significant relationship between Awareness and Effectiveness of GST in India.

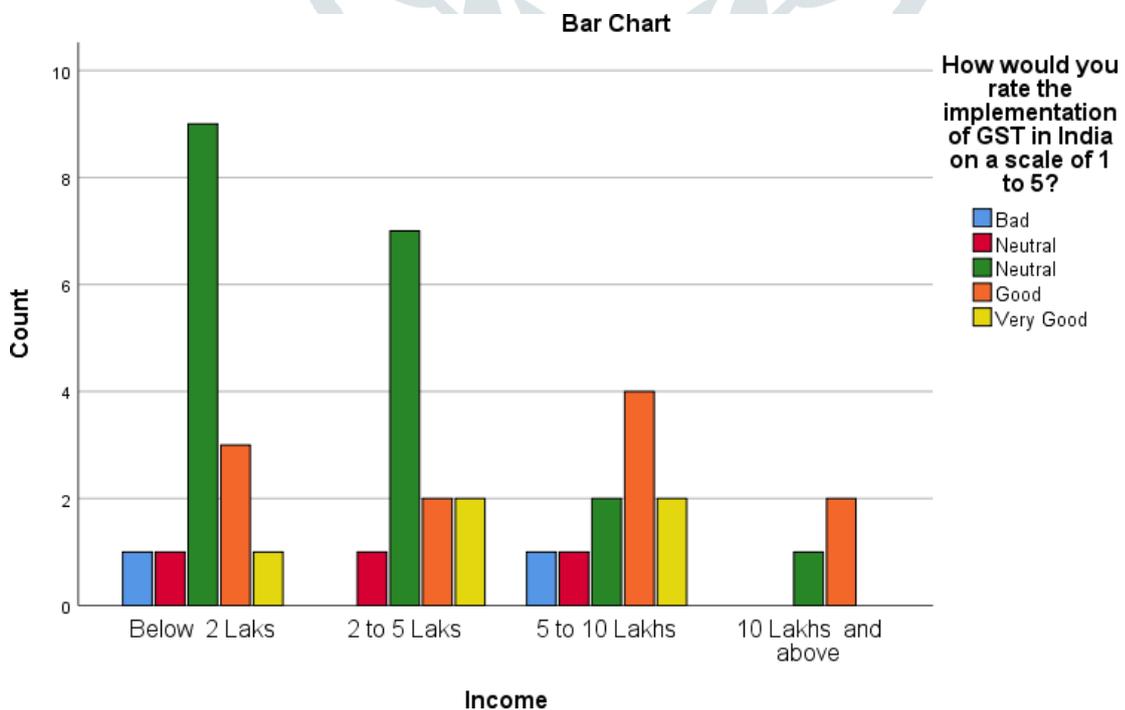
Table 2: Indicating Relationship between Awareness and Effectiveness of GST in India.

		How would you rate the implementation of GST in India on a scale of 1 to 5?					Total
		Bad	Neutral	Neutral	Good	Very Good	
Income	Below 2Lakhs	1	1	9	3	1	15
	2 to 5 Lakhs	0	1	7	2	2	12
	5 to 10 Lakhs	1	1	2	4	2	10
	10 Lakhs and above	0	0	1	2	0	3
Total		2	3	19	11	5	40
		Value		d	Asymptotic Significance (2-sided)		
Pearson Chi-Square		8.636 ^a		12	.734		

Likelihood Ratio	9.824	12	.631
Linear-by-Linear Association	1.257	1	.262
N of Valid Cases	40		

		Value	Asymptotic Standard Error	Approximate	Approximate Significance
Interval by Interval	Pearson's R	.180	.147	1.125	.268 ^c
Ordinal by Ordinal	Spearman Correlation	.223	.152	1.410	.167 ^c
N of Valid Cases		40			

Chart 2: Indicating Relationship between Awareness and Effectiveness of GST in India.



Interpretation

The respondents were asked to give rating on Implementation of GST in India. There are 15 respondents who are earning below 2 lakhs out of which majority of the respondents have neutral opinion regarding implementation of GST in India. 12 people are earning under the income category of 2 to 5 lakhs among which also majority of the respondents have neutral opinion regarding such. 10 people are earning between 5-10 lakhs in which majority of people think that implementation of GST in India is good. Out of 3 respondents who are earning 10 lakhs and above, one respondent has given neutral rating and two respondents have given good rating. Therefore, we can interpret that out of the total 40 responses, majority of the respondents have rated 3 being neutral to the GST implementation in India following the number of people who have rated 4 indicating that GST implementation is good.

As per the Pearson Chi-square Test, the value is 0.734 which is more than the level of significance i.e. 0.05. Therefore, we accept the alternative hypothesis and reject the null hypothesis. It means, there is significant relationship between Awareness and Effectiveness of GST in India. According to person's correlation we can see that, the calculated value is 0.180. It means that, there is positive correlation between Awareness and Effectiveness of GST.

5. Findings

- Among the total population, majority of the respondents think that GST rates have to be reduced. Around 77.5% of the respondents think that GST rates has to be reduced whereas 22.5% of the respondents are okay with present rates of Goods and Services Tax (GST).
- The highest number of respondents from the population sample found that after the implementation of GST it has increased the economic growth of the country. It means, GST has created a positive impact in a country.
- Majority 40% of the respondents have given 3 rating which means they are neutral about the implementation of GST in India. They do not find much difference in earlier taxation system and present indirect taxation system.

6. Suggestions and Conclusion

The government should concentrate on tax rates under GST which will be more favourable for taxpayers. Large numbers of people are not fully aware about GST and its function. Therefore, it is suggested to government to provide literacy and awareness about the GST. Since majority of the individuals gave their opinion that GST has increased the prices of the products, government should take necessary steps in reducing the tax rates of goods and services. The government should try to protect India's sizable poor population from the expected inflation brought on by the implementation of GST. It is advised that GST needs to be much clearer and easier while merging all goods and services into one GST. The central government must fund a campaign to educate taxpayers or raise public awareness. Public seminars, workshops, and training sessions on the GST must be held by the state governments of each state. All sector in India such as Retail sector, FMCG sector, Manufacturing, Service sector, Telecom sector, Automobile sector and Small SMEs are either positively or negatively impacted by the implementation of GST. Goods and Service tax systems are more beneficial for

the retailers. GST also improves India's economy in the long run, and it will also be helpful in reducing tax burden. GST has helped in bringing transparency in the taxation system and also removed double taxation. Introduction of The Goods and Services Tax (GST) was anticipated as a critical step toward a thorough indirect tax reform in the nation, which would drive India's economic growth and development.

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