

IMPACT OF GST ON INDIAN ECONOMY

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Abstract: GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. It is expected to remove all problems of indirect tax system and play important role in growth of India. This paper presents impact of Goods & Services Tax in Indian Economy. The impact of GST measured on overall economic indicators (GDP, Growth Rate, Import, Export, CPI and WPI) and four selected sectors like Agriculture, Manufacturing, Construction and Transportation. Paired T test has been conducted to measure the performance before and after introduction of GST. There is significant impact found in GDP, Growth Rate, Export, Agriculture, Manufacturing, and Construction whereas Import, CPI, WPI and transportation has no significant improvement after GST was introduced.

Keywords: Economic Indicator, GST, Indirect taxes

INTRODUCTION

GST is a blanket of Indirect Tax that will subsume several indirect state and federal taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more. GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India is also going to adopt it. After its implementation in India, India will become 166th nation to adopt it in India before 16 years, in 2000 Shri Atal Bihari Vajpy brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the finance minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by Finance Minister Arun Jaitely, on 19th December 2014, and passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8th September 2016. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax is paid which is GST. Goods and Services Tax (GST) will include one tax one nation; this statement was given by the honorable Prime Minister Mr. Miranda Modi of India. In today's scenario we pay 30% to 35% tax on different things but with GST it will be only 18%, which shows it will be beneficial and one main thing that GST will remain similar in all nation.

The GST is expected to change the whole scenario of current Indirect Tax. GST will merge all Indirect Taxes under an umbrella and will help in creation of smooth market. Experts say that GST will help in economic growth of the country. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and the Indian economy. Both the State and the Central Government will levy GST on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's tax structure, elaborate and create a similar market across states. GST will replace different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers and compliance cost will fall which will lead in getting life simpler.

REVIEW OF LITERATURE

Ehtisham Ahmed and Satya Poddar (2014) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2015) studied, "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India many indirect tax system will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

National council of applied economic research (2015) studied the impact of GST on India's growth rate and international trade. This report came with the conclusion that GST will positively impact our GDP and growth in exports. It will lead to efficient allocation of resources and bring down the overall price level.

Sandeepan Banerjee and Mona Banerjee (2016) conducted a study on prospects and challenges of GST implementation in India. They came with the conclusion that GST compliance would require reassessing of systems by business for tracking and capturing information and added that many of the concepts and practices existed today would fade away.

Pinki, Supriya Kama and Richa Verma (July 2016) studied, “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Chaurasia etal. (2016) Studied, “Role of Goods and Services Tax in the growth of Indian economy” and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

Poonam pandy (2017) had cleared that “GST would be a very important step in the field of indirect taxation.” The cascading and double taxation effects can be reduced by combing central and state taxes. Consumer’s tax burden will approximately reduce to 25% to 30% when GST is introduced. This taxation system would instantly encourage economic growth. GST with its transparent features will prove easier to administer. In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

Shefali Danni (2017) had proposed that “GST regime is a half-hearted attempt to rationalize indirect tax structure.” Approximately more than 150 countries have implemented GST concept. As per researcher government of India must study the GST regime set up by various countries and also their fallouts before implementing GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogamous tax system, only if there is a clear consensus over of threshold limit, revenue, and inclusion of petroleum product, electricity, liquor and real estate.

OBJECTIVE AND SIGNIFICANCE

The purpose of this paper is to measure the impact of GST (Goods & Services Tax) on Indian economy. The research question that this paper attempt to answer is whether the GST has any impact on different sectors or economy as a whole. This study is important for stakeholders to understand whether GST has made any positive impact on economy or different sectors of economy.

DATA AND METHODOLOGY

The data were collected from website of World Bank and Ministry of Finance. The data samples of GST were collected for the period of 1st Jan, 2017 31st Dec, 2017.

Statistical Analysis: Paired sample T test was used to perform analysis of data. Paired sample T test is to find the effect of GST on Indian economy before and after its implementation. This test measures the impact of tax structure on economy before six months of GST and after six months of implementation of GST. It means that does GST have contributed positively to the Indian economy.

DATA ANALYSIS

Performance of Economic Indicators before and after GST (Figures in %)

MONTH	GDP	GROWTH	IMPORT	EXPORT	CPI	WPI
Before implementation of GST						
January	7.9	7	10.7	4.3	3.2	5.2
February	7.1	6.9	13.7	2.5	3.7	6.5
March	7.1	6.5	10.2	4.7	3.8	5.7
April	7.3	5.3	15.5	3	3	3.9
May	7.2	5.7	18.4	4.1	2.2	2.2
June	7.4	6.1	19	4.4	1.5	0.9
After implementation of GST						
July	5.5	4.3	15.4	3.9	2.4	1.9
August	5.7	4.9	21	10.3	3.4	3.2
September	5.7	5.3	18.1	15.7	3.3	2.6
October	5.8	4.3	15.1	14.6	3.6	3.6
November	6.3	5	19.6	20.5	4.9	3.9
December	6.5	5.9	19.8	20.8	5.1	4.1

Ho: There is no change in Economic Indicators after GST.

H₁: There is change in Economic Indicators after GST.

Indicators	Mean	Standard deviation	T	Sig.
GDP	1.41667	.54924	6.318	.001
Growth Rate	1.30000	.90774	3.508	.017
Import	-3.58333	3.54932	-2.473	.056
Export	-10.46667	6.27970	-4.083	.010
CPI	-.88333	1.83893	-1.177	.292
WPI	.85000	2.83813	.734	.496

From this table, it seems that P value of GDP, Growth Rate and Export is less than 0.05 so we reject the null hypothesis at 5% level of significance. So we can say that there is significant change in GDP, Growth Rate and Export after GST in Economics Indicator. For the other factor i.e. (Import, CPI, WPI) p value is greater than 0.05 so we can reject the null hypothesis at 5% level of significance. So we can say that there is no significant change in Import, CPI and WPI After GST in Economics indicators.

Performance of Agriculture Sector before and after GST (Figures in %)

MONTH	GDP	GROWTH	IMPORT	EXPORT
Before implementation of GST				
January	15.1	6	25.9	33.87
February	15.1	4.4	24.6	35.9
March	15.1	4.4	23.8	30.17
April	15.1	4.4	18.5	34.1
May	15.2	4.9	16.7	31.7
June	15.2	4.9	14.6	29.6
After implementation of GST				
July	15.2	3.9	12.26	20.5
August	15.2	3.7	15.8	18.7
September	15.2	3	18.6	19.7
October	15.2	2.3	20.7	21.9
November	15.2	2.9	23	22
December	15.2	3	23.7	22.4

Ho: There is no change in Agriculture Sector after GST.

H₁: There is change in Agriculture Sector after GST.

Indicators	Mean	Standard Deviation	T	Sig.
GDP	-.06667	.05164	-3.162	.025
Growth Rate	1.70000	.55498	7.503	.001
Import	1.67333	8.95622	.458	.666
Export	11.69000	3.43660	8.332	.000

From this table, it seems that P value of GDP, Growth Rate and Export is less than 0.05 so we reject the null hypothesis at 5% level of significance. So we can say that there is significant change in GDP, Growth Rate and Export after GST in Agriculture Sector. For the Import, p value is greater than 0.05 so we can reject the null hypothesis at 5% level of significance. So we can say that there is no significant change in Import After GST in Agriculture Sector.

Performance of Manufacturing Sector before and after GST (Figures in %)

MONTH	GDP	GROWTH	IMPORT	EXPORT
Before implementation of GST				
January	18	8.3	18.9	26.8
February	18	7.7	18.9	25.5
March	18	7.7	15.5	25.5
April	18	7.7	14.7	24.1

May	18.2	7.9	11.1	24.8
June	18.2	7.9	10.63	18.61
After implementation of GST				
July	18.2	4.9	10.60	17.1
August	18.2	4.6	9.8	17.1
September	18.2	3.6	8.9	16.8
October	18.2	4.6	7.8	16.8
November	18.2	5.7	7.8	15
December	18.2	6.1	7.9	15.9

Ho: There is no change in Manufacturing Sector after GST.

H₁: There is change in Manufacturing Sector after GST.

Indicators	Mean	Standard deviation	T	Sig.
GDP	-.13333	.10328	-3.162	.025
Growth Rate	2.95000	.83126	8.693	.000
Import	6.15500	2.60418	5.789	.002
Export	7.76833	2.64318	7.199	.001

From this table, it seems that P value of all the factor is less than 0.05 so we reject the null hypothesis at 5% level of significance. So we can say that there is significant change in GDP, Growth Rate, Import and Export after GST in Manufacturing Sector.

Performance of Construction Sector before and after GST (Figures in %)

MONTH	GDP	GROWTH	IMPORT	EXPORT
Before implementation of GST				
January	7.9	2.7	3.8	2.9
February	7.9	3.1	4.3	2.9
March	7.9	3.1	4.3	2.9
April	7.9	3.1	3.9	3
May	8	3.7	5.8	3
June	8	3.4	5.8	3.9
After implementation of GST				
July	8	2.7	3.5	2.1
August	8	2.7	3.9	2.1
September	8	1.7	2.1	1.9
October	8	3	2.9	1.9
November	8	3.5	3.8	2.5
December	8	4.5	4.1	3.1

Ho: There is no change in Construction Sector after GST.

H₁: There is change in Construction Sector after GST.

Indicators	Mean	Standard deviation	T	Sig.
GDP	-.06667	.05164	-3.162	.025
Growth Rate	.16667	.80166	.509	.632
Import	1.26667	.81894	3.789	.013
Export	.83333	.20656	9.882	.000

From this table, it seems that P value of GDP, Import and Export is less than 0.05 so we reject the null hypothesis at 5% level of significance. So we can say that there is significant change in GDP, Growth Rate and Export after GST in Construction Sector. For the Growth Rate, p value is greater than 0.05 so we can reject the null hypothesis at 5% level of significance. So we can say that there is no significant change in Growth Rate After GST in Construction Sector.

Performance of Transportation Sector before and after GST (Figures in %)

MONTH	GDP	GROWTH	IMPORT	EXPORT
Before implementation of GST				
January	19.1	7.2	11	20
February	19.1	7.3	11.5	20.9

March	19.1	7.3	12.1	19.8
April	19.1	7.3	12.1	18.7
May	19.2	7.8	12.8	18.9
June	19.2	7.8	12.9	18.1
After implementation of GST				
July	19.2	7.8	10.1	17.5
August	19.2	8	10.2	16.4
September	19.2	8.7	11.8	18.9
October	19.2	8.2	12.7	19
November	19.2	7.2	13.1	19.1
December	19.2	6.1	13.9	19.1

Ho: There is no change in Transportation Sector after GST.

H₁: There is change in Transportation Sector after GST.

Indicators	Mean	Standard Deviation	T	Sig.
GDP	-.06667	.05164	-3.162	.025
Growth Rate	-.21667	1.14790	-.462	.663
Import	.10000	.89219	.275	.795
Export	1.06667	2.07910	1.257	.264

From this table, it seems that P value of GDP is less than 0.05 so we reject the null hypothesis at 5% level of significance. So we can say that there is significant change in GDP after GST in Transportation Sector. For the Growth Rate, Import and Export, p value is greater than 0.05 so we can reject the null hypothesis at 5% level of significance. So we can say that there is no significant change in Growth Rate, Import and Export After GST in Transportation Sector.

CONCLUSION

The researcher has studied on Impact of GST on Indian Economy to measure the impact of Goods and Services Tax on different sectors. The data sample of GST was collected from 1st January 2017 to 31st December 2017. Paired T test has been conducted for this purpose. Researcher concludes that there is significant change in overall GDP, Growth Rate and Export after GST and no impact found in Import, CPI and WPI as Economics Indicator. There are significant positive changes of three economic indicators (GDP, Growth Rate and Export) in Agriculture, Manufacturing and Construction Sectors while no significant changes in transportation sector.

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