IJFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

GOODS AND SERVICES TAX: A STEP TOWARDS ACCELERATING GROWTH RATE IN INDIA

Preeti Singh

Research scholar, Department of Economics, University of Allahabad, Prayagraj.

Mr. Javed Akhtar

Associate Professor, Department of Economics, University of Allahabad.

Abstract

The Goods and Services Tax (GST) is a comprehensive tax system that would incorporate nearly all indirect taxes levied by state and federal governments. Even though many nations in the world still viewed it as the highest tax many years ago, India started to become active in the year 2000. The NDA government then established an empowered committee to create the model for the Goods and Services Tax (GST) and since then, numerous discussions have arisen regarding the implementation of GST in India. Ultimately, the Indian government promised to implement the GST by almost July 2017. We anticipate that the proposed GST will significantly alter the current indirect tax policy landscape.

The indirect tax regime known as the Goods and Services Tax was established to promote and support domestic economic growth. Taxation is essential for political and economic advancement in addition to increasing governmental revenue. A nation's progress must include tax system reforms. One of the main tools utilized to reduce extreme financial stress was tax policy. India's tax system has undergone numerous direct and indirect adjustments. In order to boost compliance, facilitate tax payments, enhance enforcement, and—most importantly—decrease tax evasion, India has enacted extensive reforms. Learning about GST and its benefits after implementation is the study's primary goal. According to the report, the GST will quicken economic growth in addition to increasing tax revenue. This paper aims to investigate the notion of goods and services tax (GST) and the timescale for its implementation in India. The study also seeks to determine its advantages and effects on the Indian economy.

Keywords: Indian economy, GST, Indirect taxes, Tax policy, Tax Reforms, Economic growth.

Introduction:

India has one of the most complicated tax systems in the world, with the federal government, individual states, and local governments all able to impose different kinds of taxes in order to raise money. At different levels, different kinds of taxes are imposed, such as indirect taxes like Value Added Tax (VAT) and service tax, corporate tax, and direct taxes like income tax and wealth tax that directly affect the people. The average person and businesses anticipate tax reforms from every budget. The average person anticipates higher income tax slabs, and businesses look for tax breaks across a range of industries. The government takes into account these requests in light of the necessity for money. In recent years, India's economy has grown at an unparalleled rate. Due to this expansion, the tax system needed to be reformed in order to make it easier to understand and more accessible for both domestic and foreign investors. Over the past ten years, the Indian tax system has undergone noteworthy reforms, including the simplification and rationalization of tax legislation, in an attempt to keep up with changes in the global economy.

While the government continues to increase tax collection and implement new tax reforms in an effort to include more individuals in the tax system, the GST is already knocking on the door. Goods and Services Tax is referred to as GST. With GST, all taxes are consolidated under one roof, saving manufacturers from having to deal with multiple tax regimes within the same nation and facilitating smooth goods movement. Let's examine why the GST bill is considered a significant one. And how many changes and alterations it had to undergo before receiving approval from both Houses of Parliament.

Many people believe that the Goods and Services Tax (GST) system will assist the administration in resolving the issue. According to the New York Times, this will facilitate cross-border corporate transactions and result in a more linked economy. It's long overdue and will make doing business easier, according to Milan Vaishnav, senior associate for the Carnegie Endowment for International Peace's South Asian program. The world will now be aware that India is bringing its economy into the twenty-first century.

One may view the Goods and Services Tax, or GST, as a comprehensive tax reform in India's indirect tax system. In India, the GST first gained attention in 2003. Under the direction of VIJAY KELKAR, the "Kelkar Task Force" made its initial recommendation that the GST be put into effect by 2009–2010.

Indirect Tax Reforms:-

India's first indirect tax reform took effect in 1986 when the Central Excise Duty was replaced with the Modified Value Added Tax (MODVAT). Through the Central Value Added Tax, it was progressively expanded to cover all commodities in 2002. (CENVAT). The government established the Tax Reforms Committee, which is led by Professor Raja Chelliah, in order to come up with a plan for changing the tax system in India. Three reports were released by this TRC in 1991, 1992, and 1993.

ISSN PRINT 2319 1775 Online 2320 7876
Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

The Chelliah Committee's recommendation sparked the start of the current tax reforms. The Vijay Kelkar Committee was formed by the government in 2002 to offer extra direction for the nation's tax changes.

Numerous indirect tax reforms have been put into effect, including the removal of customs charges, the use of CENVAT, and the substitution of central excise for MODVAT. There are now fewer distinct categories of duties. A notable further change was the implementation of a 7% service tax, which increased in tandem with the amount of taxable services, on a limited set of services between 1994 and 1995.

GST: A Game Changer for Indian Economy

The GST would establish a single, unified national market that will promote foreign investment and the "Made in India" campaign. It will reduce costs and prevent taxes from spiraling out of control, increasing aggregate demand. As a result, laws, procedures, and tax rates will all be uniform. As a result of this program, higher GDP, more jobs, and increased export and industrial activity are all anticipated. Through the creation of more jobs and financial resources, this will eventually contribute to the eradication of poverty. One approach to achieve this is to increase the competitiveness of Indian exports by more effectively neutralizing taxes, especially those on exports. A more advantageous environment for investments will support national economic expansion. Reducing pricing arbitrage between adjacent states and between intrastate and interstate supplies helps to lessen e-commerce avoidance. Because lower prices encourage more spending, which in turn generates more output, firms should see a decrease in their average tax burden. This ought to promote economic growth in numerous industries. This will turn India into a manufacturing powerhouse.

Review of Literature

In their research paper titled "Goods and Services Tax—panacea for indirect tax system in India," Gupta, N. (2014). came to the conclusion that the NDA government in India is more interested in implementing the GST and that, in the long run, it will be advantageous for both the central and state governments as well as for consumers if it is supported by a strong IT structure.

Ahmad, J. (2021). Used a comparison of the GST and the current tax structure to illustrate the effects of the GST on the Indian economy. Furthermore, he came to the conclusion that manufacturers, entire sellers, and retailers may readily recoup input taxes in the form of tax credits following the implementation of the GST.

Nayyar and Singh (2017), "This article looks into the growth of the tax system in India, the concept of GST, a comparison of the Indian GST rate with other countries, and a detailed

ISSN PRINT 2319 1775 Online 2320 7876
Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

analysis of the advantages and difficulties of GST after it was implemented. According to the report, GST will have an effect on all economic sectors, including manufacturing, services, small enterprises, and autos.

Priyadharshini, J., & Selladurai, M. (2018). This article aims to differentiate the indirect tax system before and after the establishment of the Goods and Services Tax (GST) by examining the effects, advantages, and difficulties associated with its implementation. Secondary data was used in the study's analysis of the findings. The federal, state, and municipal GST models were examined in the study. The report claims that the implementation of GST will streamline India's indirect tax system and provide numerous benefits to the average citizen by doing away with several taxes. Additionally, the study found that GST is essential to the growth and development of the nation.

Deswal, S. (2019). came to the conclusion that while the GST has improved in efficiency following changes to a few aspects of its original design, a significant amount of misleading content still exists and has to be fixed.

S. Mukherjee (2020). In "Goods and Services Tax Efficiency across Indian states: Panel Stochastic Frontier Analysis," discovered that the size and structural makeup of a state's economy determines its GST capacity. He concluded that the introduction of GST has decreased a state's GST capacity.

Khan, R., & Khan, S. (2022). Concentrated on analysing the Goods and Services Tax (GST) collection, composition, and businesswise contribution in India. The main goal of the study is to present a thorough analysis of the GST system, taking into account the different business sectors' unique contributions as well as the patterns of collection and the makeup of those collections. In order to collect data, the author most likely used a mixed-methods strategy, integrating qualitative and quantitative research procedures. The gathered data may have been analysed using statistical tests like regression analysis or descriptive statistics. The study's conclusions seek to shed light on the subtleties of GST collections, their makeup, and the varying contributions from various business categories. As a result, they will provide insightful knowledge for researchers, businesses, and policymakers who are interested in comprehending and improving the efficacy of India's GST framework.

Rao, M. G. (2022). sought to examine how the Goods and Services Tax (GST) affected Indian state finances. The main aim of this study is to evaluate how the introduction of GSTs will affect state revenue. In order to obtain pertinent data, Mukherjee most likely used a mixed-methods strategy that included both qualitative and quantitative studies. Economic indicators, GST collection statistics, and state-level financial reports may have all been carefully examined

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

as part of the data collection process. Although the precise statistical tests used are not specified, they most likely involve trend analysis and comparative evaluations in order to quantify the association between the adoption of the GST and state revenue. The study's conclusions offer insightful information about how the GST has affected the revenue dynamics of Indian states, giving stakeholders and policymakers the knowledge they need to make well-informed decisions about taxes and fiscal planning.

Objective of the Study

- To assess the indirect tax reforms, paying particular attention to the GST.
- To examine the problems and obstacles associated with the Goods and Services Tax's implementation in India
- To recommend changes to the current Goods and Services Tax to improve its effects on the Indian economy.

Research methodology

This research paper's includes secondary sources. The nature of the research is conceptual. Reputable sources have provided the data for this study, which aims to determine the effects of GST. Both a qualitative and quantitative analysis has been conducted, following a logical and chronological order.

Scope of the study

This study focused on the current indirect taxes, the actions taken by the central government to enact the Goods and Services Tax in India, and the effects of these actions on the country's GDP and economy. The many committee reports, working papers and their recommendations, economic surveys, the change of the Constitution to enact the Goods and Services Tax in a federal country, India, and the latest advancements in this field have also been highlighted.

Sources of Data Collection

A variety of reliable sources, including official websites from the Ministry of Finance, the Government of India, and the Reserve Bank of India (RBI), will provide secondary data for this study. To ensure accurate information, reputable research institutes such as the Indian Council for Research on International Economic Relations (ICRIER) and the National Institute of Public Finance and Policy (NIPFP) will also be engaged for research insights and reports.

Data Analysis and Interpretation

The long-term effects of GST on a few key industries, such as finance, agriculture, cars, infrastructure, and hospitality, will be the main topic of this study. Taking a longer view, it will investigate the effects of GST on taxation, compliance, operational effectiveness, and

ISSN PRINT 2319 1775 Online 2320 7876
 UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

competitiveness in these industries. The project will also look into any cross-sectoral effects and provide insightful information to firms, scholars, and policymakers.

Testing of Hypothesis

H: There is significant relationship between GST growth rate and the growth rates of each sector.

Growth rate

Growth Rate	YEAR	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	0.7	2.8	14.3	9.2	2.8
	2015 – 16	0.9	5.5	10	6.5	3.9
	2016 – 17	4.9	2.5	12.5	8.8	3.5
AFTER GST	2017 – 18	2.1	6	8.5	5.7	4.1
	2018 – 19	2.9	6.1	10.7	7.9	3.7
	2019 – 20	2.8	13	8.3	4.2	4.3

Interpretation

In general, it seems that GST has supported growth and stability in these important areas of the Indian economy. Business owners and investors are becoming more interested in the Indian economy as a result of increased trade and growth. Now that the GST has been implemented, businesses will also find it easier to pay their taxes because more people will likely abide by the regulations. This increased the amount of money available to the government, estimated to be between 1% and 1.5% of GDP. India has become a cleaner place to live thanks to GST, and the economy has benefited from a decrease in tax evasion.

GDP Contribution

GDP Contribution	Year	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	13.9	7.1	11.9	4.4	6.2
	2015 – 16	14.2	7.4	12.5	4.7	7
	2016 – 17	14.6	7.2	12.1	4.5	6.4
AFTER GST	2017 – 18	14.7	7.5	12.7	4.8	7.3
	2018 – 19	14.3	7.3	12.3	4.4	6.7
	2019 – 20	18.5	7.6	12.9	4.9	7.6

Interpretation

Overall, the GST looks to have had a favourable impact on the agriculture industry while maintaining relatively consistent GDP contributions in other sectors, indicating a stable economic impact in all of these areas. The tax system has become more practical, resulting in

ISSN PRINT 2319 1775 Online 2320 7876
Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

fewer tax files and duplication, and making doing business easier. Macro economically speaking, business and the government anticipated that the GST would play a key role in lessening economic inefficiencies, which would then give the economy the boost it needs to grow.

India's GDP grew by 7.7% in 2017–18 as opposed to 7.1% in 2016–17, according to the Ministry of Statistics and Programme Implementation. Given the extent of changes it brought about in business and tax administration, modest improvement was anticipated during the first phase of the GST implementation. This increase is only anticipated to last temporarily, as the decrease of initial ambiguity is predicted to cause the GDP to stabilise in the region of 7% to 7.5% in 2018–19.

By lowering transaction costs and creating a favourable business environment, GST sought to stimulate economic growth. A conducive environment for investment and entrepreneurship was created by streamlining tax laws, removing interstate barriers, and promoting ease of doing business, all of which eventually led to GDP growth.

Capital Investments

Capital Investment	Year	Agriculture sector	Automobile sector	Financial sector	Infrastructure Sector	Hospitality Sector
BEFORE GST	2014 – 15	9.1	9.2	12.5	6	15
	2015 – 16	10.5	9.2	11.11111	5.454545	13.04348
	2016 – 17	7.3	12	10	5	11.53846
AFTER GST	2017 – 18	6.9	10.9	9.090909	4.615385	10.34483
	2018 – 19	7.5	11.1	8.3	4.285714	9.375
	2019 – 20	9	7.4	7.692308	12.5	8.571429

Interpretation

The data shows that with the introduction of the GST, capital investments changed in most industries, however certain sectors saw a decline. The financial and infrastructure sectors had discernible drops in capital investments, whereas the agriculture and hotel sectors shown greater consistency. Despite being stable before to the GST, the automotive industry experienced a little decline in capital investments following the tax reform.

The findings indicated that variations in GST revenues have a significant and quantifiable impact on GDP, which measures total economic production. This finding can be interpreted by policymakers and analysts as empirical evidence that changes to GST policies, rates, or

ISSN PRINT 2319 1775 Online 2320 7876
Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

collections are linked to noticeable changes in the overall state of the economy. The magnitude of this effect emphasizes how crucial it is to take GST dynamics into account when developing economic policy because these adjustments may have repercussions for the whole economy.

Conclusion:

Thus, the introduction of the Goods and Services Tax (GST) will result in increased employment prospects, commercial benefits, and overall economic development that will raise the nation's GDP. It is important to emphasize that by giving the manufacturing and service sectors distinct treatment under the GST, India will have a world-class tax structure. However, these will heavily rely on the GST's impartial and sensible design.

In addition to being seen as a game-changer for the Indian economy, the introduction of the Goods and Services Tax (GST) is also seen as the most sensible and important move India has made to enhance its indirect tax system since independence. It has made tax compliance easier and brought India into compliance with global tax norms. As a result, the Input Tax Credit continues to flow, further bringing down the price of products and services. It is expected to enhance national economic growth and integrate the economies of the several states in the union. The introduction of GST is anticipated to increase tax revenues since it will have a wider tax base and fewer exemptions. The imposition of a single tax rate unites India. It is anticipated that the introduction of GST will contribute to the rationalization and simplification of the tax code as well as its compliance. Concurrently, it is imperative that the government implement measures to augment direct taxes, so contributing to the enhancement of India's tax structure's progressiveness.

The GST will eliminate the issue of different taxes being imposed at the same time and create a uniform tax structure across the country. Confusion resulted from the introduction of many taxes at the same time. Currently in place of VAT, GST will be a unified system across all states. India will become a single market with convenience for all forms of investment and trade. Since GST would be applied to all goods and services until they are purchased by the final consumer, tax avoidance will decrease. As they will only be required to pay tax on the labour or contribution they actually perform, traders will also benefit. All things considered, this will help the average person, who bears the brunt of all indirect taxes. India has long needed a system like the Goods and Services Tax (GST).

References

ISSN PRINT 2319 1775 Online 2320 7876

Research paper UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022

1. Abraham, A., & Mathew, T. (2019). A study on the impact of goods and services tax reform on hotels in Kerala. *Int J Manag Stud VI*, *54*.
2. Ahmad, J. (2021). Goods and services tax: Benefits and its impact on indian economy. *International Journal Of Engineering And Management Research*, *11*(4), 132-138.
3. Deb, R. (2018). Tax Reforms and GST: A Systematic Literature Review. *Journal of Commerce and Accounting Research*, *7*(1), 40.
4. Deshmukh, A. K., Mohan, A., & Mohan, I. (2022). Goods and services tax (GST) implementation in India: A SAP–LAP–Twitter analytic perspective. *Global Journal of Flexible Systems Management*, *23*(2), 165-183.
5. Deswal, S. (2019). GST: A revolutionary step towards tax reforms in India. *International Journal of Research and Analytical Reviews (IJRAR)*, *6*(1), 1-5.
6. Gupta, N. (2014). Goods and Services Tax: it's impact on Indian Economy. *International Research Journal of Commerce Arts and Science*, *5*(3), 130-137.
7. Gupta, R. (2017). Goods and Service Tax-A positive reform in Indian taxation system. *International Journal of Management Research and Reviews*, *7*(6), 674.
8. Khan, R., & Khan, S. (2022). Reform of Indirect Taxes in India through the Plexus of Goods and Services Tax (GST); A post-COVID 19 Fiscal Stimulus. *International Journal of Multidisciplinary: Applied Business and Education Research*, *3*(6), 1011-1016.
9. Priyadharshini, J., & Selladurai, M. (2018). Basic concepts and features of good and service tax in India. *Journal of Management and Science*, *8*(2), 205-210.
10. Rahang, K. (2017). Goods and Service Tax: A Comprehensive Indirect Tax Reform in India. *International Journal of Research in Social Sciences*, *7*(2), 460-476.
11. Rao, M. G. (2022). *Evolving issues and future directions in GST reform in India*. Madras School of Economics.
12. Shaik, S., Sameera, S. A., & Firoz, M. S. C. (2015). Does goods and services tax (GST) leads to Indian economic development. *IOSR journal of business and management*, *17*(12), 01-05.
13. Sidhu, T. S., & Sareen, S. (2020). GST-The Most Awaited Reform in Indian Taxation System! Is really Good or Bad?. *Journal of Commerce and Management Thought*, *11*(1), 13-22.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper **© 2012 IJFANS. All Rights Reserved**, **UGC CARE Listed (Group -I) Journal Volume 11 ,Iss 11 Nov, 2022**

14. Sindhura, K. (2018). Tax reform Goods & Service Tax (GST) and its Impact on Common man. *Review Research International Journal of Multidisciplinary*, *3*(01), 11-15.