

GST AND ITS IMPACT ON THE ECONOMY

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Abstract

GST is an indirect tax paid by customers all over India. It was implemented by the Government of India on 1st July 2017. GST is a single taxation system which is levied on all goods and services. GST will help the economy grow in many ways but also has some positive and negative barriers. The GST rates levied are of four different rates such as 0%, 5%, 12% and 18%. After the implementation of GST, the rates of a few products and services have increased and in the same manner, the rates of a few products and services are decreased. The taxes collected by the Government are of three forms CGST, SGST, and IGST. The rates levied on GST are acceptable by the people for a few products but they feel it is too high for some products. This paper focuses on the perception of GST by the customers and its impact in Thoothukudi district. It also helps to analyze whether the concept of GST is understood by every citizen of the country in Thoothukudi District.

Keywords: GST, taxation, products, services, economy.

1. Introduction

The first introduction of GST was in the budget session during the year 2007-2008. In 2014, the proposal for implementing GST was approved by the Union Cabinet Ministry. Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. All the indirect taxation system has been replaced by GST. It has made every person register the business which they conduct with the government. All taxpayers are required to file tax returns by submitting all the details of their business. GST applies to all the goods and services where the price of the goods, and tax to be levied are included. CGST and SGST which are paid are accountable to the Central and State governments. IGST is levied on the Inter-State supply of goods and services. A seller has to maintain separate records of utilizing or refunding Input Tax Credit of CGST, SGST, and IGST.

1.1.GOODS AND SERVICE TAX (GST):

GST is known as the Goods and Services Tax. It is an indirect tax that has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. Goods and Services Tax (GST) is an indirect federal sales tax that is applied to the cost of certain goods and services. The business adds the GST to the price of the product, and a customer who buys the product pays the sales price inclusive of the GST. The GST portion is collected by the business or seller and forwarded to the government. It is also referred to as value-added tax (VAT) in some countries.

2. Literature review:

Bhavana Sharma (2017), states in her study "Impact of GST on Indian economy" that, Multiple taxes are eliminated and there is only a single tax. GST will make taxation easy

for industries. Customers will also benefit as the overall tax burden on goods and services is reduced. GST will also make Indian products competitive in the global markets. GST will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

Litty Vincent, Lakshmi Priya MR (2020), states that the Goods and Services Tax is considered to be an important tax reform in the country. The study seeks to understand the customer perception towards Goods and Service tax and their views on the new taxation system. Common people are more affected by the Goods and Service tax and the effects were adverse at the time of the introduction of GST. The study finds that GST is not that beneficial to customers because of its complexity in understanding and increased legal formalities. However, it increased the tax collection of the government but had no positive impact on the savings of common people.

Dr. N.O. Ameen (2020), concluded that based on the analysis of the perception of consumers it is clear that the majority of the consumers believe that the GST rates must be reduced since they are too high in the restaurant sector. It is the need of the hour to conduct regular awareness programs regarding the GST rates in restaurants to prevent consumers from being exploited. It is evident from the study that consumers are most of the time restrained from going to restaurants due to high GST rates in many restaurants. Hence it is concluded that either the rates of GST should be reduced or the rates should be paid by the owners and should not pass on to the consumers.

3. Statement of the problem:

The Government introduced GST in India on 1st July 2017, to replace all indirect taxes levied on goods and services. About 6 years have passed since the implementation of GST in the country. But there is a big question of whether there is an awareness about GST among the customers to the fullest or not. Most of the customers are unaware of GST applicability on various goods and services and they also don't know the tax rates before and after GST. Some retailers are engaged in cut practices and fooling the customers by charging GST on MRP-based products. MRP includes GST but retailers are taking advantage of customers' confusion over GST. Hence, there is a need to provide awareness to the customers on GST rates. Hence the researcher has attempted to find the impact of GST in Thoothukudi District. This study helps to find the awareness level and perception of the customers towards GST.

4. Objectives of the study:

- 1) To study the customers' awareness of GST.
- 2) To analyze the customers' perception towards GST.
- 3) To find out the customers' level of satisfaction about GST.
- 4) To identify the problems faced by customers due to GST.

5. Research Methodology:

The study is based on primary data which was collected through questionnaires and secondary data through journals, articles, and magazines. The sample size used in the study is 60 in Thoothukudi District.

5.1.AWARENESS OF THE RESPONDENTS ABOUT GST

GST is a transparent tax and also reduces the number of indirect taxes. The Government has introduced the GST system to smoothen tax processes and bring businesses into a formal economy. GST is aimed at reducing corruption and sales without receipts. The respondent's awareness of GST is analyzed and stated.

Table 5.1
AWARENESS ABOUT GST

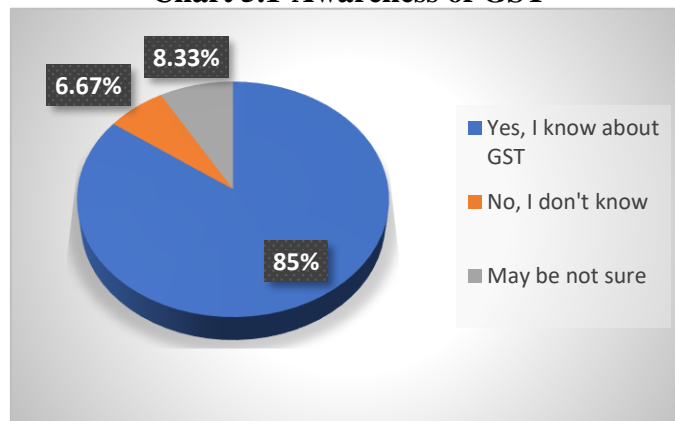
S. No.	Opinion	No. Of Respondents	Percentage (%)
1.	Yes, I know about GST	51	85

2.	No, I don't know	4	6.67
3.	May be not sure	5	8.33
TOTAL		60	100

Source: Primary data

Table 5.1 displays that 85% of the respondents have an awareness about GST, 8.33% of the respondents are not sure about their awareness of GST and 6.67% of the respondents do not have any awareness about GST. The majority of the respondents have an awareness of GST.

Chart 5.1-Awareness of GST



5.2.GST HAS INCREASED THE PRICE OF GOODS AND SERVICES

The customers' perception of whether the price of goods and services has increased only after the implementation of GST is analyzed in this table.

Table 5.2

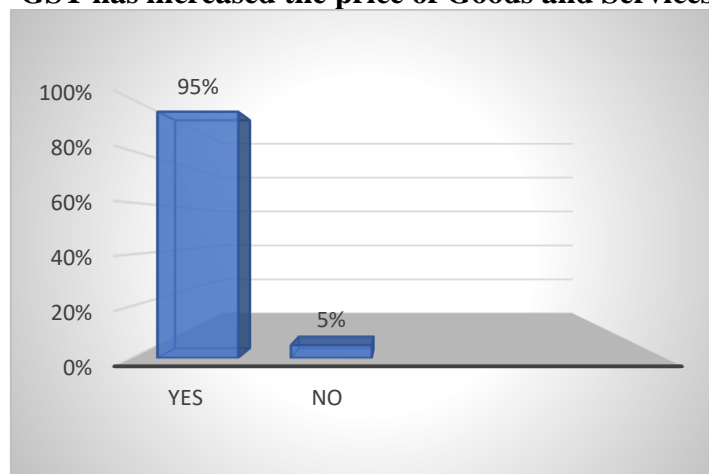
S. No.	Opinion	No. of Respondents	Percentage (%)
1.	GST has increased the price	57	95
2.	GST has not increased the price	3	5
TOTAL		60	100

Source: Primary Data

Table 5.2 states that 95% of the respondents have an opinion that, GST has increased the price of goods and services and 5% of the respondents have an opinion that, GST has not increased the price of goods and services. The majority of the respondents feel that GST has increased the price of goods and services.

Chart 5.2

GST has increased the price of Goods and Services



5.3.CUSTOMER'S SATISFACTION ABOUT GST RATES

GST rates are levied in four forms 0%, 5%, 12%, and 18%. The satisfaction of these rates on different products and services by the customers is analyzed in this table.

Table 5.3

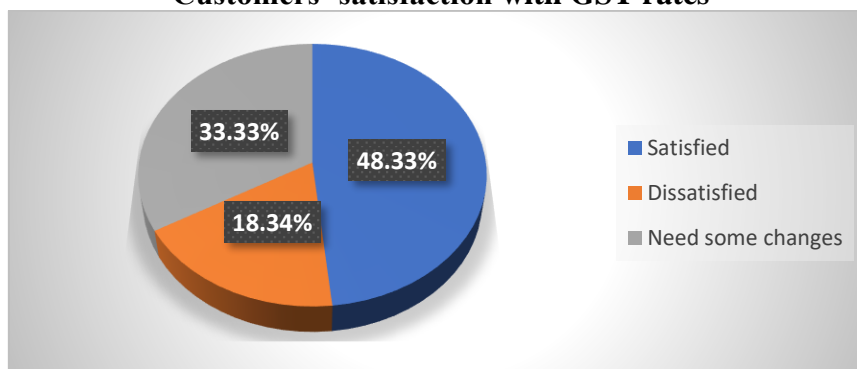
S. No.	SATISFACTION	NO. OF RESPONDENTS	PERCENTAGE (%)
1.	Satisfied	29	48.33
2.	Dissatisfied	11	18.34
3.	Need some changes	20	33.33
TOTAL		60	100

Source: Primary Data

From Table 5.3, it is found that 48.33% of the respondents are satisfied with the GST slab rates, 33.33% of the respondents need some changes in GST slab rates and 18.34% of the respondents are dissatisfied with the GST slab rates. The majority of the respondents are satisfied with the GST slab rates.

Chart 5.3

Customers' satisfaction with GST rates



5.4.DRAWBACKS OF GST

Garrett's ranking is used in this study, to rank the drawbacks of GST according to the customers' perception.

Table 5.4

DRAWBACKS OF GST

S. No.	PARTICULARS	GARRETT MEAN SCORE	RANK
1.	GST scheme has increased the cost of Operation	52.7	I
2.	Increase tax liability on SMBS	49.33	III
3.	Enhance the burden of compliance	47.5	IV
4.	Penalties for Non-GST compliance firms	51.47	II

Source: Primary data

Table 5.4, states the respondent's opinion on the drawback of introducing GST using Garrett Ranking. Most of the respondents feel that the GST scheme has increased the cost of operation and is ranked first followed by other factors like penalties for non-GST compliant firms, Increased Tax Liability on SMBS, and Enhanced burden of compliance.

Conclusion

GST may be hard to accept by all the customers in the initial stage but it will make taxation easy in the upcoming years. From the study, it is clearly understood that many

customers know about GST as it has been followed for the past 6 years. GST will also make Indian products competitive globally in the future years. Since GST is a single taxation system that has eliminated multiple taxes, it will be easy for the industries also. Thus, GST will bring growth to the Indian economy in the upcoming years.

References

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