

Goods and Service Tax and Its Impact on Entrepreneurs and Customers

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Abstract: *GST is the major tax reform in India highlighted on the slogan of “Unique tax, Unique market, one nation” is finally here. The moment that the central government was waiting for a many years has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. . The main aim of this study is to know about the Impact of GST over Entrepreneurs and Customers. The data were collected through well structured questionnaire. The source of data was both primary and secondary and the Sample size was 200. Data analysis has been done with a statistical tool like a chi - square test.*

Keywords: *GST (CGST) Bill, Integrated GST (IGST) Bill, Union Territory GST (UTGST) Bill, The GST (Compensation to States) Bill.*

I. INTRODUCTION

On 1st July 2017 at midnight, the President of India, Sir Pranab Mukherjee and Prime Minister Sir Narendra Modi launched GST all over India including Jammu & Kashmir. However, there have been many changes made to the rates of GST, the latest being on 18th January 2018.

In a short span of time, all the states approved their State GST (SGST) laws. Union territories with legislatures, i.e., Delhi and Puducherry, have adopted the SGST Act and the other 5 union territories without legislatures have adopted the UTGST Act.

The idea of introducing GST was first proposed by the then Union Finance Minister, P. Chidambaram in his Budget for 2006-07. The discussion on GST took specific decision with the introduction of the Constitutional Bill (122nd Amendment), 2014. The Bill was passed by the Parliament on 8 August 2016. This was followed by the approval of the Bill by more than 15 states. On 12 April 2017, the Central Government enacted four GST bills:

- Central GST (CGST) Bill
- Integrated GST (IGST) Bill
- Union Territory GST (UTGST) Bill
- The GST (Compensation to States) Bill

Why was GST Introduced in India?

In the Indian economy, the service sector contributes to over 55%. Separate taxation of goods and services is neither viable nor desirable. GST in India had been introduced to reduce the tax burden that's on both companies and consumers. In the previous system, there were multiple taxes added at each stage of the supply chain, without taking credit for taxes paid at

previous stages. As a result, the end cost of the product does not clearly show the actual cost of the product and how much tax was applied. The tax structure was complex. GST integrated most of the taxes into one single tax, where the consumers are benefited. This method provides Input Tax credit paid on the purchase of goods and services, which can be offset with the tax to be paid on the supply of goods and services. As a result, this reduces the overall cost, with the end customer paying less.

II. OBJECTIVES

1. To know opinion of Entrepreneurs and customers regarding impact of GST on economy
2. To know opinion of Entrepreneurs and customer regarding Existing service tax laws
3. To know opinion of Entrepreneurs and customer regarding clarification of GST.
4. To know opinion of Entrepreneurs and customer regarding transparency of GST.
5. To know about expenditure of various goods

III. RESEARCH METHODOLOGY

This paper is based on two sources like 1) Primary data 2) secondary data

1. Primary Data:

Primary data is that kind of data that is collected by the investigator himself for the purpose of the specific study. The data such collected is original in character. The advantage of this method of collection is authentic. A set of Questions were put together in the form of Questionnaire.

2. Secondary Data:

Secondary data refers to the use of information already collected and published or unpublished. The source is basis journal, reports etc.

Sample Size and Sampling Technique:

The sample method or plan is the procedure or way in which the sampling has been done. As no project or research can be done taken to consideration the whole of the population or universe, the concept of sampling is used. As per the concept of sampling, only some sample is taken from the universe in order to find out the result. Convenience method is taken as the sampling method. The analysis was conducted with sample size of 100 Entrepreneurs and 100 Customers

Analysis:

The data analysis has been done with chi-square test.

IV. DATA ANALYSIS AND INTERPRETATION

1) H_0 : There is an association between opinion of Entrepreneurs and customers regarding impact of GST on economy

H_1 : There is no association between opinion of Entrepreneurs and customers regarding impact of GST on economy

TABLE I Category * Options Crosstabulation

			Options				Total
			Less impact	Medium impact	High impact	No impact	
Category	Entrepreneurs	Count	15	30	49	6	100
		Expected Count	25.0	40.5	30.0	4.5	100.0
		% within Category	15.0%	30.0%	49.0%	6.0%	100.0%
	Customers	Count	35	51	11	3	100
		Expected Count	25.0	40.5	30.0	4.5	100.0
		% within Category	35.0%	51.0%	11.0%	3.0%	100.0%
Total		Count	50	81	60	9	200
		Expected Count	50.0	81.0	60.0	9.0	200.0
		% within Category	25.0%	40.5%	30.0%	4.5%	100.0%

TABLE II Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	38.511 ^a	3	7.815
Likelihood Ratio	40.763	3	.000
Linear-by-Linear Association	28.685	1	.000
N of Valid Cases	200		
a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 4.50.			

Analysis

From the above table it is observed that calculated value(X_1) = 38.511 tabular value (p) = 7.815 so (X_1) > (p) therefore alternative hypothesis H_1 is accepted.

- 2) H_0 : There is an association between opinion of Entrepreneurs and customers regarding “Existing service tax laws better than GST”

H_1 : There is no association between opinion of Entrepreneurs and customers regarding “Existing service tax laws better than GST”

TABLE III Category * Options Crosstabulation

		Options				Total	
		completely agree	partially agree	disagree	partially disagree		
Category	Entrepreneurs	Count	4	36	45	15	100
		Expected Count	12.0	25.5	51.0	11.5	100.0
		% within Category	4.0%	36.0%	45.0%	15.0%	100.0%
	Customers	Count	20	15	57	8	100
		Expected Count	12.0	25.5	51.0	11.5	100.0
		% within Category	20.0%	15.0%	57.0%	8.0%	100.0%
Total		Count	24	51	102	23	200
		Expected Count	24.0	51.0	102.0	23.0	200.0
		% within Category	12.0%	25.5%	51.0%	11.5%	100.0%

TABLE IV Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	22.856 ^a	3	7.815
Likelihood Ratio	24.133	3	.000
Linear-by-Linear Association	2.284	1	.131
N of Valid Cases	200		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.50.			

Analysis

From the above table it is observed that calculated value(X_1) = 22.856 tabular value (p) = 7.815 so (X_1) > (p) therefore alternative hypothesis H_1 is accepted

- 3) H_0 : There is an association between opinion of Entrepreneurs and customers regarding “Clarification GST”

H_1 : There is no association between opinion of Entrepreneurs and customers regarding “Clarification GST”

TABLE V Category * Options Crosstabulation

			Options			Total
			Satisfactory	Need more clarity	Partially satisfactory	
Category	Entrepreneurs	Count	3	52	45	100
		Expected Count	1.5	46.0	52.5	100.0
		% within Category	3.0%	52.0%	45.0%	100.0%
	Customers	Count	0	40	60	100
		Expected Count	1.5	46.0	52.5	100.0
		% within Category	0.0%	40.0%	60.0%	100.0%
Total		Count	3	92	105	200
		Expected Count	3.0	92.0	105.0	200.0
		% within Category	1.5%	46.0%	52.5%	100.0%

TABLE VI Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.708 ^a	2	5.991
Likelihood Ratio	7.879	2	.019
Linear-by-Linear Association	5.759	1	.016
N of Valid Cases	200		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.50.

Analysis

From the above table it is observed that calculated value(X_1)=6.708 tabular value (p)=5.991 so (X_1) > (p) therefore alternative hypothesis H_1 is accepted

- 4) H_0 : There is an association between opinion of Entrepreneurs and customers regarding “GST be effective in improving the taxation system of the country and bringing more transparency.

H_1 : There is no association between opinion of Entrepreneurs and customers regarding “GST be effective in improving the taxation system of the country and bringing more transparency”.

TABLE VII Category * Options Crosstabulation

			Options				Total
			Very effective	Effective	Will be depending upon implementation	Won't make any difference	
Category	Entrepreneurs	Count	2	11	51	36	100
		Expected Count	5.5	6.5	52.5	35.5	100.0
		% within Category	2.0%	11.0%	51.0%	36.0%	100.0%
	Customers	Count	9	2	54	35	100
		Expected Count	5.5	6.5	52.5	35.5	100.0
		% within Category	9.0%	2.0%	54.0%	35.0%	100.0%
Total		Count	11	13	105	71	200
		Expected Count	11.0	13.0	105.0	71.0	200.0
		% within Category	5.5%	6.5%	52.5%	35.5%	100.0%

TABLE VIII Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.785 ^a	3	7.815
Likelihood Ratio	11.777	3	.008
Linear-by-Linear Association	.295	1	.587
N of Valid Cases	200		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.50.

Analysis

From the above table it is observed that calculated value(X_1)=5.785 tabular value (p)=7.815 so (X_1)< (p) therefore alternative hypothesis H_0 is accepted

5) H_0 : There is no association between opinion of Entrepreneurs and customers regarding “Expenditure of following good effected by GST”

H_1 : There is no association between opinion of Entrepreneurs and customers regarding “Expenditure of following good effected by GST”.

TABLE IX Category * Options Crosstabulation

			Options			Total
			Necessary goods	Luxury goods	Entertainment	
Category	Entrepreneurs	Count	39	55	6	100
		Expected Count	28.5	47.0	24.5	100.0
		% within Category	39.0%	55.0%	6.0%	100.0%
	Customers	Count	18	39	43	100
		Expected Count	28.5	47.0	24.5	100.0
		% within Category	18.0%	39.0%	43.0%	100.0%
Total		Count	57	94	49	200
		Expected Count	57.0	94.0	49.0	200.0
		% within Category	28.5%	47.0%	24.5%	100.0%

TABLE X Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	38.399 ^a	2	5.991
Likelihood Ratio	42.153	2	.000
Linear-by-Linear Association	31.673	1	.000
N of Valid Cases	200		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 24.50.			

Analysis

From the above table it is observed that calculated value(X_1) =38.399 tabular value (p)=5.991 so (X_1)> (p) therefore alternative hypothesis H_1 is accepted

V. CONCLUSION

Tax policies plays vital role on the Indian economy through their impact on both equity & efficiency. A fair tax system should keep in view issues of wealth generation on public services and infrastructure development. The present tax regulations on moving to a GST would impact the national economy, foreign trade, companies and the customers. By the above discussions one can reach following conclusion:- The impact of Goods & Services Tax is significant in terms of current account effects, growth effects, price effects, and the effect on the budget balance. In developing open economy with growing service sector, a change in the tax mix from income to consumption-based taxes is likely to provide a fruitful source of revenue. The proposed structure will simplify the procedure which will end up with equal opportunity for all the markets and in other hand will leads reduced tax evasion.

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