



## A Study of Impact of GST on Indian Economy with Reference to Pune Region

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## **A Study of Impact of GST on Indian Economy with Reference to Pune Region**

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### **Abstract**

In India, GST was realized on July 1<sup>st</sup>, 2017. GST, being the topic of national importance, had received fair share of attention since its introduction from tax experts, business communities, consumer bodies, politicians & wider public. Despite mixed reviews, GST had brought significant changes in countries tax administration & tax laws. Good & service tax is uniform leavy applied on all products and administrations across the nation. Recently executed assessment system has subsumed practically all circuitous expenses like excise duty, central sales tax & VAT etc. India is expecting GST to be comprehensive tax reform which would lead to economic growth and simplicity of working together in India. This investigation is pointed toward understanding effect of GST implementation on key economic parameters with special reference to selected sectors of Indian economy.

Keywords: GST, Indirect tax, Indian Economy.

### **Introduction**

Indian government proposed amendments to introduce goods & service tax for every transaction across the country. Newly implemented tax regime would provide a common national market for goods & services & would also remove cascading effect of taxes on them.

GST in India is administered by GST council, a zenith dynamic body for GST laws. Under the new duty system Goods and services are charged at different rates like 0%, 5%, 12% ,18% and 28%. Extraordinary GST rate of 3 % is charged on gold and 0.25 % on valuable and semiprecious stones. GST is seen as duty change established on the idea of "one country, one market, one tax".

Execution of GST has changed India into a brought together market of 1.3 billion clients. End customer would be profited as far as decrease in general expense burden on products. Likewise,

annihilation of a few assessments would further develop simplicity of working together for corporates. "Inflation will go down, charge aversion would be limited, India's GDP will be benefitted, and additional assets will be utilized for government assistance of more vulnerable segment," Finance Minister said at GST occasion in Parliament. It is normal that new tax system would have generous impact on each client and industry. GST is required to laydown establishment for monetary development by tending to escape clauses of current duty framework and guaranteeing simplicity of working together across India. GST being the uniform duty change, it is required to acquire uniform disentanglement circuitous assessment system in all states of country.

### **Need for study**

Goods & Service tax implementation is one of the major exercises in India starting 2017. GST, being the topic of national importance, had received fair share of attention from tax experts, business communities, consumer bodies, politicians & wider public. This study aim to ascertain effect of GST implementation on various economic parameters like Exports, Gross Domestic Product, Inflation, Foreign Exchange, etc.

Below details emphasizes the need for systematic study in this area.

- Success of implementation of GST has received mixed reviews from experts & tax professionals. Critical analysis is required to evaluate short term demerits vs long term paybacks of GST implementation.
- GST is uniform tax across the country. However, it's subsuming all state specific taxes & hence region wise detailed study is required to analyze effectiveness of GST implementation in specific region.
- GST, after implementation in India, had faced some implementation challenges. It is therefore essential to evaluate benefits of GST against short term implementation challenges.

### **Objectives**

- 1 To analyze impact of Goods & service tax on Indian economy.
- 2 To understand GST impact on goods VS services.
- 3 To understand difference between earlier indirect tax regime and GST.
- 4 To feature advantages and difficulties of GST on Indian economy.

### **Research Scope**

This study would explore effect of GST on Indian economy with reference to below selected areas of economic performance.

- Reshaping of Indirect Tax Structure
- Exports
- Gross Domestic Product
- Inflation
- Foreign Exchange

- Impact of GST on Make-in-India
- Unification of Market
- Credit to Manufactures/ Dealers

Samples selected for this study will be from following economic sectors

- FMCG- Fast moving consumer goods
- Entertainment Industry
- Automobile Industry (Passenger cars)
- Real Estate Industry
- Tourism & Hospitality

Geographical scope of this study is regions in Pune city.

### **Research Gap**

Earlier literature debates GST as a concept and illustrates its benefits theoretically. Through empirical observation, the impact of GST on economic growth, inflation, export, make in India initiative can be analyzed. This examination endeavors to address hole by observationally looking at the financial effect of GST on different key execution pointers of Indian economy. The investigation likewise gives a complete perspective on GST execution including transient difficulties as against long haul advantages of this cross-country change.

### **Literature Review**

#### **1. Introduction**

GST is making India one brought together normal market as it's a tax for entire country. Products and Service charge is an aberrant duty applied on assembling, deal and utilization of merchandise and administrations. In the whole inventory network, GST is a solitary duty applied on supply of items and administrations.

For a given product GST is charged at a similar rate for same product both at national as well as state level. GST is always paid at supply of goods & hence it is considered as destination-based tax.

Various categories of taxes considered under GST are as follow.

Three categories of levies in GST are

1. Central GST- CGST
2. State GST - SGST/ Union territory GST- UTGST
3. IGST- Integrated goods & service tax

Nidhi Parashar, Deepa Joshi, and P. K. Chopra in their study “Exploring the influence of transition to GST on consumer behavior related to FMCG in India” confirms the view that taxes are inseparable part of purchasing experience. In FMCG area, price is the key decision-making factor when consumer decides to buy a product. In their research, researchers found that customers are aware about taxes they paid on purchases in FMCG sector, however focus less attention on the breakup of tax details.

Dr. R. Vasanthagopal indicated in his study, “GST in India: A Big Leap in the Indirect Taxation System” that switching to GST from current indirect tax system will help Indian economy to prosper in long term future.

Chaurasia et al. highlighted in his study in 2016, “Role of Goods and Services Tax in the growth of Indian economy” that GST implementation will not only help India for development of economy but also for improving GDP of country by more than two percent.

Ehtisham Ahmed and Satya Poddar (2009) examined, "Products and Service Tax Reforms and Intergovernmental Consideration in India" and featured that GST will guarantee less complex and further developed tax assessment framework, notwithstanding, its advantages are firmly connected with plan of GST law.

Nitin Kumar (2014) considered, "Goods and Service Tax-A Way Forward" and showed that GST will be the most helpful framework to eliminate financial mutilation and to guarantee uniform and straightforward duty framework across country.

Nishita Gupta affirms in her particular investigation “Goods and service tax: its impact on Indian Economy” that GST will end up being an incredible duty framework for India and it can possibly further develop nations charge assortments. New assessment system will be a huge advance in circuitous duty changes in India.

Dr. Ambrish states in his paper “Goods and Service Tax and Its Impact on start-ups“ confirms that goods & service tax will remove currently imposed multiple taxes & unite the whole nation economically under one tax system.

Dr. R. Vasanthagopal, affirm in his investigation "GST in India: A Big Leap in the Indirect Taxation System", that positive result of GST charge system is to a great extent subject to objectivity of plan and adjusting of revenue of different partners. Further the exploration affirms, GST would be a major leaf in the roundabout assessment framework and would likewise give another stimulus to India's monetary change.

It's now over a long time since Goods and administration charge was carried out in India, subsuming 17 aberrant duties and numerous cesses. During these three years, assumption from GST were fluctuated. Organizations expected lower charges, less desk work, straightforward guidelines and simple accounting rehearses. Purchasers then again expected to address lesser costs and assessments for merchandise and Services. Citizens were searching for less and more advantageous methods of consistence. During this period, government basically proposed to get more organizations in the expense ambit along these lines expanding government income and lessening pace of tax avoidance and exploitative.

GST has blended reaction and nice achievement in present moment. Nation has seen some powerful short and medium-term gains. In June 2018, GST income assortment rose to INR 95,610 crore. Consistence rate was around 70 %. This is a solid number to accomplish during initial not many long stretches of execution thinking about the size and nature of businesses in India. As we face not many more years, this study will investigate what GST has truly meant

for India's economy by fundamentally dissecting key execution markers of monetary development.

## **2. Short Term Impact of GST**

Like some other key change, GST additionally confronted some underlying difficulties. Early-stage problems went from reception to execution. Indian economy is generally a pen and paper economy and thus attempted to embrace advanced stages for tax collection framework. Additionally, considering the far and wide tax avoidance among Indian organizations, opposition from business firms was a significant obstacle in GST execution. Such beginning difficulties are step by step being managed and prone to proceed in months to come.

Notwithstanding confronting starting difficulties, momentary effect of GST has been positive. In present moment, GST eliminated various roundabout charges and falling impacts of expenses. Because of the lower weight of assessments, in general creation cost has diminished with expanded creation. This likewise in a roundabout way decreased weight on the end purchaser. Changes like E-way bill have brought more control and straightforwardness and thus false practices and tax avoidance have decreased. Likewise, government income shown climb with broadened charge base and in this way lead to sound financial viewpoint.

## **3. Long Term Impact of GST**

In medium to long term, it is normal that GST would be improved, and execution would be upgraded. Across globe, numerous nations previously carried out GST and profited with a few rates. India has picked five rate structure of GST for example items are categorized under five categories for GST rates. Over the long haul as falling impact disappears, swelling will go down, accordingly prompting a superior customer viewpoint. With ascend in charge income, financial shortfall would improve

Worldwide business local area previously gave positive input on changing standpoint of Indian tax assessment and business and noticed that GST would assist with drawing in FDI's in India and would further develop simplicity of working together and fares.

## **4. Upcoming initiatives- Plans for brighter economy**

Capacity building & digital adoption are among the quick difficulties of GST execution in India. As a prompt subsequent stage, government need to resolve issue of Capacity building in MSME's in India. In general consistence cost should be brought down in future and innovation ought to be utilized proficiently. Moving backhanded tax assessment framework on a computerized stage is a decent beginning for more brilliant economy however needs significant speculation from both government and industry to make this drive a triumph. The key help regions likewise incorporate directing administrations and direction to document GST returns.

## **Sampling Design:**

### **Universe:**

All the people in and around Pune region whose age group was above 25 years were considered as part of universe for this study. Sample size of 200 is selected for the purpose of this study.

### **Sampling Unit:**

Here unit belonging to the people whose age group is above 25 were treated as sample unit.

### **Sampling Frame:**

Selected areas of Pune City like Dhayari, Sinhgad Road, Sadashiv Peth and Ravivar Peth is considered as sample frame.

### **Type of Data Used:**

This examination utilized both primary & secondary information for investigation. Essential information is gathered by meeting the respondents with the assistance of exploration poll. An organized inquiry set was utilized for information assortment which was a blend of different open and shut inquiry and numerous decision questions. The words utilized were basic and planned for keeping away from disarray and misjudging among the respondents.

### **Data Analysis:**

Data Analysis of response obtained from customers & industry persons was done after conducting a survey with the sample size of 200. The questionnaire containing 25 questions was prepared to obtain the desired information and the method of personnel interview was also adopted for those respondents who were not interested in filling the questionnaire.

## **Research Findings**

Findings of research study connecting to impact on Indian economy can be summarized with reference to below key performance parameters.

- **Redesign of Indirect Tax Structure:** GST will redesign indirect tax system by replacing majority of indirect taxes by a uniform goods & service tax. This tax reform will improve ease of doing business significantly.
- **Exports:** GST removing cascading effect of taxes would positively influence export of goods & services in India. Also, features like input tax credit would make export industry in India competitive internationally.
- **Gross Domestic Product:** GST would result in cost reduction in products & on capital inputs. This would result in economic growth of approx. 2% in short to medium term. As per the study conducted by National Council of Applied research, GST would boost Indian GDP by 1.0 to 1.7 % in long run.

- **Inflation:** Implementation of GST in India revealed some upturn in inflation in short run. However, in long run GST would ensure negligible Inflation.
- **Foreign Exchange:** Implementation of GST in India resulted in increase FDI's and a narrow current account deficit. This would help Indian currency to outpace other developing business nations monetary forms.
- **Manufacturing & new services in country:** GST tax reform plays a vital role in attracting FDI's & making India a world class manufacturing hub.
- **Unification of Market:** GST being uniform tax reform would result in unification of market & would ensure seamless movement of goods across states.
- **Credit to Dealers & Manufactures:** Design of GST had ensured credits for input taxes paid during goods/service chain. This would help businesses to keep product cost low & competitive.

### **Conclusion:**

Taxation system like GST will minimize the complexity of taxation and will encourage new entrepreneurs to generate employment opportunities across sectors. GST is uniform tax across country & hence will minimize tax distortion based on geographical locations in India. Dual benefit of GST will include decrease in commodity prices in long run & increased consumption of goods which will also boost economic growth & GDP for the country. GST implementation will increase investment in FDI's & will positively affects foreign exchange of the country. Finally, new tax system like GST will promote startups in India due to its uniform tax structure & business friendly tax laws.

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