



## A Study of Economic Impact of Goods and Service Tax (Gst) After Its Implementation

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### Abstract

The purpose of this paper is to a degree the economic impact of Goods and Services Tax on the life of ordinary people in Thoothukudi district. The specific objectives of the study are

1. To study the socio-economic circumstances of the sample respondents in the study area.
2. To understand the occupational background of respondents
3. To analyse the household income of the respondents before and after the implementation of GST in the study area
4. To find out the satisfaction of GST after its implementation based on the gender of the respondents
5. To find out the awareness of people towards Goods and Service tax and level of satisfaction
6. To examine the economic impact of Goods and Services Tax on the life of ordinary people on consumer goods

The primary data obtained from the 250 respondents of Thoothukudi District using simple random sampling method. Secondary data are taken from research papers, journals, magazines and websites. For data analysis, percentage analysis, averages, standard deviation, Garret ranking method, Chi-square test, t test and probability analysis tools used. The data relates to May 2018. To attain the purposes of the study, the analysis is made to understand the level of satisfaction of the respondents on GST after its implementation. Government employee, housewife, student, unemployed, retired, self-employed, farmer and private employee covered, and valuable data have collected. The present study on GST is all about the awareness of people about GST. However, people perceived GST as not a good tax reform for India. People also have a keen perception that GST has increased the tax burden on ordinary people.

**Keywords:** Goods and Services Tax, electronic transmissions, financial system, Value added tax, monetary reform, tax reform, fiscal imbalances.



## Introduction

Tax system reform is fundamental to attain financial consolidation, reduce distortions in the cost-cutting measure and to craft and build a constant and conventional atmosphere for the markets to operate [Rao, 2005]. In many developing countries like India, the policies in taxes are directed to correct and filter the fiscal imbalances [Ahmad, 1991]. The Indian indirect tax system was likely a confusions system before and for resolving these issues and challenges government body proposed Goods and Services Tax [Gang, 2014]. Introduction of Value-added L.K Jha did tax as he was suggested on a motive to make an impact on indirect tax system [Kumar, 2014].

Goods and service tax in full form implemented in India on 2017 July 1st. GST exempts the taxes on alcohol and petroleum [Bagga, 2017]. Many sectors were experienced changes after GST mainly FMCG sectors [Pooja and Kawle, 2017]. The thirteenth financial commission and the empowered committee of the finance ministers of the country assure that the Goods and Service tax will create a massive change in the Indian Economy [Jayaram, 2017]. It is more like a transparent system. One of the primary intentions of the GST is to eliminate the surging effect of taxes during the production and distribution side [Singh, 2017].

GST is a general tax levy on manufacturing, sale and consumption of goods and services at a national level [The Economic Times, 2009]. Under this system, the customer pays the final tax, but an effective input tax credit system confirms that there is no cascading of taxes- a tax on tax paid on inputs that go into the manufacture of goods [GST India, 2015]. Modi Government's model for the Goods and Services Tax (GST) will not raise growth, will push up consumer prices inflation and may not result in increased tax revenue collections [Mehra, 2015].

E-commerce has been insulated against taxation under custom duty moratorium on electronic transmissions by the WTO Bali Ministerial Conference held in 2014 [Sardana, 2005]. The GST appears to be silent on whether telecommunication can consider under the category of goods or services. The entire issue of telecommunication sector assumes a severe proportion when India's rural teledensity is not even 50% [TRAI, 2015]. Asian countries which implemented GST all had witnessed retail inflation in the year of implementation [Patrick, 2015]. This paper intentions to assess the economic impact of Goods and Services Tax on the life of ordinary people in Thoothuthukudi district.



## **Review of literature**

Pinki et al. (2014) revealed that the new NDA government in India is favourable towards implementation of GST and it is beneficial for the central government, state government and as well as for consumers in the long run, if robust IT infrastructure backs its implementation. Kumar (2014) concluded that after implementation of GST in India much indirect tax system would be complete and there will be only one tax, i.e. GST which is expected to encourage a fair tax structure. Sehrawat and Dhanda (2015) exposed that due to dissent environment of India economy, time demands to implement GST. Chaurasia et al. (2016) decided that in overall GST will be obliged for the growth of Indian economy and this will also benefit in refining the Gross Domestic Products of the country more than two percent.

## **The objective of the study**

The specific objectives of the study are

- 1) To study the socio-economic situations of the sample respondents in the study area.
- 2) To understand the occupational background of respondents
- 3) To analyse the household income of the respondents before and after the implementation of GST in the study area
- 4) To find out the satisfaction of GST after its implementation based on the gender of the respondents
- 5) To find out the awareness of people towards Goods and Service tax and level of satisfaction
- 6) To examine the economic impact of Goods and Services Tax on the life of ordinary people on consumer goods

## **Methodology**

The research-based upon primary and secondary data both. The primary data collected through a questionnaire designed exclusively for the study. The primary data obtained from the 250 respondents of Thoothukudi District using simple random sampling method. Government employee, housewife, student, unemployed, retired, self-employed, farmer and private employee covered, and valuable data has collected. Secondary data are taken from research papers, journals, magazines and websites. For data analysis, percentage analysis, averages, standard deviation, Garret ranking method, Chi-square test, t test and probability analysis tools used. The data relates to May 2018.

### Analysis of the study

To realise the objectives of the study, the analysis is made to understand the level of satisfaction of the respondents on GST after its implementation.

#### Socio-personal characteristics of respondents (n=250)

Variable	Categories	Percentage
Area of Residence	Urban	71.33
	Rural	28.67
Gender	Male	87.2
	Female	12.8
Age	Below 30	23.33
	30-40	22.67
	40-50	34.33
	50 and above	19.67
Marital Status	Married	71.94
	Unmarried	22.30
	Widow/ Widower	5.76
Education	School level	16.67
	Graduate	23.89
	Post Graduate	26.67
	Professional	15.56
	Others	17.22
Housing	Own	52.52
	Rent	47.48
Family Size (members)	Less than 3	30.94
	3-5	28.06
	5 and above	41.00
Family Type	Nuclear Family	63.00
	Joint Family	37.00

Monthly Income (Rs.)	Below 10000	4
	10000-20000	20
	20000-30000	10
	Above 30000	66
Occupation	Government employee	6.32
	Housewife / student / unemployed/ retired	3.16
	Self-employed	9.47
	Farmer	8.42
	Private employee	72.63
Problems of travel	Most rash and negligent driving	
	Inadequate services	
	Poor conditions of buses	
	Unreasonable waiting time at bus stops	
	Worse seating arrangement	
	Total	100

Source: Primary Data

## Results and Discussion

The socio-economic characteristics of respondents were analysed and presented in the above table. It is evident from the results that 71.33% of the respondents reside in the rural area and 28.67% of the respondents reside at urban area. It shows that a majority of 87.2 percent is male and the remaining 12.8 percent are female.

It is clearly understood from the above table that out of 250 sample respondents, majority of 34.33 percent of the respondents fall under the age group of 40 to 50 years followed by 19.67 percent, 23.33 percent and 22.67 percent of the respondents under the age of 50 years and above, 30 to 40 years and below 30 years respectively. The mean age of the family worked out to be 31.01 years, and the standard deviation was 26.33 in the study area.

It depicts that, a majority of 71.94 percent are married followed by 22.30 percent who are unmarried and the remaining 5.76 percent are widows/widowers respectively. Out of the total

defendants taken for the study, 16.67% of the respondents had school education, about 15.56% had professionals, 23.89% of the respondents are graduation and 26.67% of the respondents are postgraduate.

It is evident from the table, majority of 41.00 percent of the respondents have a large size family that is five members and above, and 30.94 percent and 28.06 percent of the respondents have a small size family and medium size family respectively.

The study indicates, a maximum of 63 percent of the respondents have the nuclear family, and the rest of the 37 percent have the traditional pattern of the joint family system. It is evident that a majority of 52.52 percent have their own houses and the remaining 47.48 percent are reported to be living in rented houses.

Regarding the occupational background of sample respondents, 6.32 percent as a Government employee, 8.42 percent of the respondents have a background of farmers, and 72.63 percent of the respondents have a background of a private employee. Besides, 3.16 percent of the respondents have a background of unemployed/ retired/ students/ housewife, and 9.47 percent of the respondents are self-employed.

The study disclosed that 4% of the respondents are earning an income up to Rs.10000, 20% of the respondents are earning Rs.10000-20000 monthly, 10% of the respondents are earning Rs.20000-30000 monthly, and the others 66% of the respondents are earning above Rs.30000 respectively. The average monthly income of the respondent's family is Rs.28400.

#### **Income inequality between the respondents**

Gini coefficient ratio	Before implementation of GST	After implementation of GST
G	0.1301	0.1184

The Gini ratio was estimated to analyse the distribution of household income of the respondents before and after the implementation of GST in the study area. The estimated values of Gini ratio before and after the implementation of GST indicate that there is no perfect equality among the respondents household income. However, the decrease in the value of Gini ratio from 0.1301 to 0.1184 shows that the income inequality between the respondents has decreased since the implementation of GST.

#### **Significant differences in satisfaction of GST after its implementation based on the gender of**

**the respondents**

Gender	N	Mean	S.D	't'Value	Interpretation
Male	218	39.74	13.01	0.3821	Not Significant
Female	32	8.42	2.66		

Source: Computed from Primary Data

To find out the substantial difference in satisfaction of GST after its implementation among the respondents based on gender, the 't' value calculated, and the calculated 't' value was found to be 0.3821 which is lower than the table value 1.97 which is significant at 0.05 level. Therefore the null hypothesis is accepted and concluded that there is no significant difference in satisfaction of GST after its implementation among the respondents between sex of the respondents.

**Awareness towards Goods and Service tax and level of satisfaction**

(Percentage)

Awareness	Satisfied	Dissatisfied
Reduce inequality of income	12.51	87.49
Good tax reform	14.44	85.56
Reduce tax evasion	27.56	72.44
Augmented tax burden	86.89	13.11
Difficult to understand	68.67	31.33
Price decrease	12.44	87.56
Increase tax revenue	79.86	20.14
Affecting small business	72.03	27.97
Increase online transaction	42.51	57.49

Source: Computed from Primary Data

The table presents the peoples' awareness about the Goods and Services Tax. It has inferred that the out of 250 respondents a maximum of 86.89 percent respondents reveal that Goods and Services tax has increased the tax burden followed by 79.86 percent respondents disclose GST will increase the tax collection of the government. It is well-known from the above table that 72.03 per cent satisfied and 27.97 per cent dissatisfied about Goods and Services tax affecting small business. It reveals that 42.51 per cent satisfied and 57.49 per cent dissatisfied about Goods and Services tax

increase online transaction. It exposes that 12.44 per cent satisfied and 87.56 per cent dissatisfied with the Goods and Services tax increase price level. It noted that 68.67 per cent satisfied and 31.33 per cent dissatisfied about Goods and Services tax challenging to understand. It is noticeable that 12.51 per cent satisfied and 87.49 per cent dissatisfied with Goods and Services tax reduces inequality of income. It is evident that 27.56 per cent satisfied and 72.44 per cent dissatisfied with Goods and Services tax reduces tax evasion. It is evident that 14.44 per cent satisfied and 85.56 per cent dissatisfied with Goods and Services tax good tax reform.

To find out whether there is any correlation in the awareness towards Goods and Service tax of the respondents and their level of satisfaction, chi-square test has been applied. The results of the Chi-square test are furnished below.

Calculated value of Chi-square = 102.11

Table value at 5 per cent level = 15.51

Degrees of freedom = 8

As the calculated value of Chi-square is greater than the table value at 5 per cent level of significance, there is a relationship in the awareness towards Goods and Service tax of the respondents and their level of satisfaction in the study area.

#### The economic impact of GST on consumer goods

Economic impact	Average Score	Rank
Durable goods	59.82	III
Readymade Garments	62.91	II
Jewellery	34.26	X
Home appliance	40.83	IX
Baby Foods	43.71	VIII
Medicines	53.09	V
Paste, soaps and detergents	57.46	IV
LPG	51.64	VI
Petrol	46.15	VII
Package Products	68.43	I

Source: Computed from Primary Data.





The table records the economic impact of GST on consumer goods perception by the sample respondents. By using Garrett's score the first rank assigned to package products such as milk, cake, biscuits, vegetable oil, tea bag, etc., followed by readymade garments. The third and fourth prioritised impact of GST is durable goods such as refrigerators, cars, television etc. and paste, soaps and detergents. The fifth rank was given to medicines followed by LPG, petrol, baby foods, home appliances and jewellery respectively.

### **Conclusion**

The growth of the nation depends on the overall inclusiveness of India's rural side in the overall growth of the country as out of around 1.3 billion people, 60% lives in rural areas. GST is a significant reform that will unite 1.3 billion people into a single market. The present study on GST is all about the awareness of people about GST. However, people perceived GST as not a good tax reform for India. People also have a keen perception that GST has increased the tax burden on ordinary people.

People confirm their perception that GST will increase the inflation in the country. It will increase the tax collection of the government and also is going to affect the small business very badly. People have accepted that GST is tough to understand. The government should try to make people understand more about GST and GST complexities. The government should communicate with the communities through various online and offline platforms and must conduct an open talk about GST. Further, the government will be able to provide more funds for rural development programmes as a tax to GDP ratio will increase because GST will cover the informal sector also under the tax regime.

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