

Prospects and Challenges of GST in Stimulating Economic Growth in India

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Abstract: GST (Goods and Service Tax) was implemented in India on July 1, 2017. It is an indirect tax which subsumes 17 central and state taxes including service tax, VAT, octroi, duties and other charges across the country to create a common market in the \$ 2.6 trillion economy with 1.3 billion people. The study was conducted to study the problems and challenges of GST after its implementation. It was an exploratory study of the perceptions of the tax payers towards GST and an analysis of the genesis of the tax structure, implementation of GST in India and its impact on the economy. The primary data was collected from a sample of 20 tax-payers each in the sectors of Retail (Telecom), Hospitality and Automobile sector across National Capital region comprising New Delhi, Noida and Gurugram. The relation among the sectors in their response to GST was also analysed using the descriptive statistics, Chi-square and Probability (P) value. The findings of the study reveal that the sectors of the economy that were studied have the perception that GST is challenging. Majority of the traders found difficulties on compliance and had to hire accountants, advisors or other professionals for becoming GST compliant. Majority of the traders across the three sectors have the perception that there is decrease in the demand of their goods/products due to GST. But, the positive signal from across the three sectors is that they have faith that GST is going to be beneficial for our economy in the long run. They hope that government should facilitate the traders by simplifying the various rates of GST and reduce the complexities.

Keywords: GST, Economic Growth, Prospects, Challenges

1. Introduction

Goods and Services Tax (GST) is a comprehensive indirect tax levied on manufacture, sale and consumption of goods as well as services at the national level. GST, one of the most significant reforms introduced in the history of the Indian fiscal evolution, came into effect on 1st July, 2017. It has replaced all indirect taxes levied on goods and services by the Central and State Governments. GST is expected to have a far reaching impact, much beyond taxes on business, economy and the society. The study was conducted to examine the problems and challenges of GST after its implementation and will suggest the measures for government and policy makers for effective implementation of GST. The main objectives of the study were to understand the conception of GST and its features in India. The study aimed to explore the challenges of the present GST model in India and suggest the measures to meet the challenges of GST implementation in India. The delimitation of the study is that it was limited to a sample size of 20 traders in each sector of the Retail (Telecom), Hospitality and Automobile sector and it was limited to the National Capital Region comprising New Delhi, Noida and Gurugram.

2. Methodology

This research is exploratory in nature. It is based on primary data collected from traders and business and analysis of secondary data taken from journals, articles, newspapers, internet, research papers. Keeping in view the objectives of the study the research design is descriptive and analytical in nature. The questionnaire 'The Impact of GST on Businesses' (Survey Form) was designed for collection of data. It has 11 questions pertaining to GST in India. The sample was drawn from traders and business of Retail (Telecom), Hospitality and Automobile sector across National Capital region comprising New Delhi, Noida and Gurugram.

3. Analysis

The perception of the traders and business Retail (Telecom), Hospitality and Automobile sector towards GST were compared based on their responses. The relation among the sectors in their response to GST was also analysed. Besides the descriptive statistics, Chi-square and Probability (P) value were calculated using Epi Info™ a public domain suite of interoperable software tool to test the hypotheses related to the relation among the Retail (Telecom), Hospitality and Automobile sectors in their response to GST was also analysed. Accordingly, the relevant statistical techniques like tally, percentage, chi-square and P were worked out for testing of the hypotheses. The data was tabulated and the graphical representation was done with the help of pie-charts.

Table 1: Showing the 'p' value of relation among the retail (telecom), hospitality and automobile sectors in their response to GST

	Retail (Telecom) × Hospitality P	Retail (Telecom) × Automobile P	Hospitality × Automobile P
Q1.	0.043	0.45	0.024
Q2.	0.23	0.83	0.84
Q3.	0.86	0.005	0.72
Q4.	1	0.71	0.09
Q5.	0.02	0.33	0.02
Q6.	0.03	0.23	0.03
Q7.	0.03	0.47	0.009
Q8.	0.04	0.04	0.009
Q9.	0.23	0.02	0.07
Q10.	0.005	0.009	0.02
Q11.	0.03	0.005	0.02

* The boxes highlighted in blue depict the values of "P" that are significant.

4. Findings

The detailed analysis of the 'P' values reveals the relation among the perceptions of the traders and business towards the prospect and challenges of GST in the sectors under study as listed below:

1) Retail (Telecom) × Hospitality are significantly related to each other on the following aspects

- GST is difficult to comply with.
- Face problem in submitting your GST report to the authority.
- Company's cash flow been affected after the introduction of GST.
- Face problems in categorizing goods and services under different tax slabs.
- Hired accountants, advisors or other professionals for becoming GST compliant.
- Project a decrease in the demand for goods/products due to GST.
- GST is going to be beneficial for our economy in the long run.

2) Hospitality × Automobile are significantly related to each other on the following aspects

- GST is difficult to comply with.
- Face problem in submitting your GST report to the authority.
- Company's cash flow been affected after the introduction of GST.
- Face problems in categorizing goods and services under different tax slabs.
- Hired accountants, advisors or other professionals for becoming GST compliant.
- Project a decrease in the demand for goods/products due to GST.
- GST is going to be beneficial for our economy in the long run.

3) Retail (Telecom) × Automobile are significantly related to each other on the following aspects

- Total working time increased on GST compliance.
- Have hired accountants, advisors or other professionals for becoming GST compliant.
- Customers readily agree to pay GST.
- There is decrease in the demand of their goods/products due to GST.
- GST is going to be beneficial for our economy in the long run.

5. Discussion of the Result

The findings of the study reveal that the sectors of the economy that were studied have the perception that GST is challenging. Majority of the traders found difficulties on compliance and had to hire accountants, advisors or other professionals for becoming GST compliant. Majority of the traders across the three sectors have the perception that there is decrease in the demand of their goods/products due to GST. But, the positive signal from across the three sectors is that they have faith that GST is going to be beneficial for our economy in the long run. They hope that government should

facilitate the traders by simplifying the various rates of GST and reduce the complexities.

6. Suggestions for Ease of GST

- Procedure of filing GST return should be made simple and number of GST forms should be less or a simple one-page form should be there to file the returns.
- Automatic tax calculation procedure should be there in IT software of GSTN so that taxpayer may not confuse about amount of tax. GST slabs should be reduced to one or two.
- No state should be allowed to levy local/state tax on GST goods on the name of revenue loss as central government is already compensating the loss for first 5 years.

7. Conclusions

With the proposed changes in the GST, it addresses the key concerns that were raised by the traders as was found out in the findings of this study. GST is at the initial stage of implementation in Indian economy. GST will not only generate good revenue for both central and state government it will give the desired boom to the Indian economy. Regarding corporate, businessmen and service providers it will be beneficial in long run to all sectors of the economy and the consumer as well. It will bring transparency and accountability in collection of indirect taxes benefiting both the Government and the people of India. Once the teething trouble of GST are over and it is implemented successfully, the country will experience the advantages of having a unified tax system, easy input credits and reduced compliance and will become a single market where goods can move freely and India will take a step forward towards ease of doing business.

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