

Impact of Goods and Services Tax on Business Units in Dindigul District

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Abstract—No doubt, all economic analyses are interested to understand a tax system and the same time in a democratic system, the taxpayer's perception towards new taxation system, evaluation and compliance with tax rules and laws are of also equal importance. The study seeks to evaluate the impact of GST in Business owners and the problems facing by them towards GST. 140 business owners were selected for the present study and analysed in order impact of GST from Dindigul district in Tamil Nadu. The study has revealed that GST mostly impacted negatively in various business activities. The responses information collected by means of structured questionnaires were analysed with the help of Impact index, ANOVA, Chi-square test and multiple regression method to measure impact and variation in impact of GST. The results revealed in this study may be highly useful to tax authorities and tax payers.

Key words: Impact of GST, indirect tax, Goods and Services Tax, Business unites

I. INTRODUCTION

Tax is not a voluntary donation or payments it is imposed on a person's income, wealth, expenditure, etc. i.e., Income Tax, Wealth-Tax, Gift tax and Estate duty are some of the example for direct taxes. Indirect taxes are imposed on goods / services at various stages in product life cycle. Each and every product/ service have to pass multiple stages starting from purchasing raw material to product of final goods. In the next stage of product life cycle is warehousing of raw material, than sale of finished goods to the retailers than retailers sells to end consumer than manufacturing or production to the final sale. The government aims to create one indirect tax for the whole nation, there is a common market, preventing 'tax-on-tax' and making goods and services cheaper. To making one unified common a single tax should be charged on the supply of goods and secrecy between products and consumer. Hence, government abolished all these indirect taxes during the year 2017. Government has launched a new indirect tax scheme namely Goods and Services Tax (GST). Because of multiple types of indirect taxes being levied by both centre and state Govts the cost of most of the goods and services are laden these hidden taxes increasing a price of products now GST replaces nearly 17 types of existing indirect taxes with availabilities in put tax credits. The merging of different types of indirect taxes levied at various stapes plugging leakages, reducing the red tape and paving the way to trains parent indirect tax regime. Eliminating of cascading taxes is the main aim of GST the key features of GST is collecting

tax through a staged process. The goods or service reaches consumer by crossing supply chain and various business entities participate in the supply chain the elimination of tax on tax that is cascading effects will improve competitiveness significantly and impact to the grout of GST

Key Features of GST

The core feature of a GST is that the tax is collected through a staged process. The goods or service reaches consumer by crossing supply chain and various business entities participate in the supply chain. Each business entity in the supply chain takes part in the process of controlling and collecting tax, remitting proportion of tax corresponding to its value addition and margin, i.e. on the difference between the GST paid on its taxed inputs and the GST imposed on its taxed outputs. Thus, the tax is in principle and is collected on the "value added" at each stage of production and distribution chain.

Research Gap

The researcher have reviewed 30 studies, out of which some of the studies focused on indirect taxation methods, some other studies were made on problems implementation of GST, some other studies was a comparative study with existing indirect system with GST. As per the best knowledge of the researcher no one study was made on the impact of GST on business performance, especially small business units in Tamil Nadu, In order to fulfill this gap the present study proposed to undertake.

Need For the Study

In present days the for the study of GST is a very important topic for discussion in all the place. The one point single transition is a special feature of GST this feature provides more comforts and confidence to the business man and gives relates from worrying about some other taxation that may crop at last stage. All business units should be aware very well about different as aspects of GST because. For making decision regarding supply chain modalities in pricing to help the consumers being goods competitive in long run. There is a lack of awareness amongst the business units owners regarding the GST and its rules. Hence, studies needs to evaluate or business owners level of awareness the about GST, the impact of GST and difficulties they would face in problems of the current rules and regulation of GST.

Statement of problem

Under the existing taxation rules only manufactures having turnover more than Rs. 1.50 cores have to pay excise duty but under GST this limit of turnover has been

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reduced to Rs. 20 lakh due to this reduction the tax burden for many manufacture is increased. GST is a fully new tax system required high profession and technique assistance because these techniques the business units need to incur additional cost by making payments to experts and also incurred cost for giving training to employee and purchasing, new computer package etc. The system which are using by business units already incorporated accounting software or ERP for filing tax under VAT and service tax. Not all these software need to be changed as suitable for GST it leading it incused some additional costs. GST has only 4 proposed tax rates of 5%,12%,18%, 28%. Thus, for many se

Objectives of the Study

The main objective of this study is to highlight the needs of Goods and Services Tax in India and to study the impact fogs on performance business units.

To examine the impact of GST on Various aspects of business units in Dindigul district.

To provide suggestions and recommendations for improvement of GST practicing.

Significance of the Study

This study was highlighted problems associated with the role of GST in business units in Dindigul District. It will give information on the possible areas for improvement. Furthermore, the study was helped the business units as well as tax authorities to assess and appraisal tax liabilities. The various suggestions and recommendations made in this study will help to policy makers for assess the problems in existing one tax policies and to formulate new tax assessment policies. It was also help business entrepreneurs to make efficient preparation of their tax plan and request for tax returns. Academia and other researchers will use the study as a point of reference for further research.

II. METHODOLOGY & RESULTS

Nature of Data

In this present study, the researcher proposed to use both primary and secondary data.

Sampling Technique and Procedure

As far as sampling procedures is concerned, multi-stage sampling technique proposed to use. In the first stage Dindigul district in Tamil Nadu was selected purposively as the study area. In the second stage Dindigul district is topographically divided into three revenue divisions namely Dindigul, Palani and Kodaikanal, all these three revenue division was selected. There are four Taluks in dindigul revenue division Dindigul, Natham, Attur and Nilakattai, out of which two Dindigul and Natham Taluks were selected. There are three Taluks in Palai revenue division namely Palai, Oddanchatram and Vedasandur, out of which two Palai, and Oddanchatram were selected for the present study. At final stage 50 business units from each revenue division which were filing returns in past years were selected for the present study. Hence 140 business units were a sample size for the present study.

Statistical Tools Used

The ultimate object of the study is to assess to what extent GST impact the business enterprises in Dindigul district. In order to study the perception towards GST simple percentage, chi-square test and Z- test, correlation, ANOVA and multiple regression proposed to employed. In order to analysis the impact of GST on small enterprises performance student t test was employed. To arrive at possible solutions simple percentages was used in the study.

Analysis the Impact of GST

Measuring the influence of GST in different business activities is very essential for every business units. If taxation system does not create any positive change in business transactions, all the resources such as money, time and efforts spent on formulation of taxation policies will go in vain.

Researcher analyze data of responses by giving rank such as 10, 0 and -10. It means those who undecided will get zero. If GST system make any positive changes will get 10 while GST make any negative impact will get -10. Then, all over percentage calculated as if all the respondents have positive impact of an attribute of the GST the total rank score will be 1,400 (140 x 10=1,400) and analysis was made. Researcher wants to discuss each and every question one by one as follows.

Impact of GST on the Pricing of the Products and Services

This study analyzes and attempts to identify the various reasons “How” people buy “How much” and “when”. There is an overall objective to understand whether consumers purchase product because of the price of the products and services. Researcher is intending to get assessment the impact of GST on the price of the products and services. The responses are presented in Table 1

Table 1
Impact of GST on the Pricing of the Products and Services

Particulars	Impact of GST on Price			Total	Mean
	Increased	Remained unchanged	Decreased		
Response	67 (47.9)	21 (15.0)	52 (37.1)	140 (100.00)	1.07
Rank Score	670	0	520	150	
Type of Impact	Positive Impact 44.85%	No Impact 0	Negative Impact 37.14%	Overall Impact +7.71%	

Source: Computed from Primary Data

The analysis above Table 1 shows that out of 140 respondents 47.9 per cent of the respondents agreed that the GST has increased the price of the products and services, while 15 per cent were undecided and 37.1 per cent were said that the GST has decreased the price of the products and services. From result it can be sum up that GST having 44.85 per cent positive impact and 37.14 per cent negative impact on pricing of product and services and overall results shows a positive impact 7.71 per cent only. It means prices increased by GST at moderately to buy products and services. From this analysis, Researcher found the GST makes small positive impact and that increase the price and impact on decreasing the level of purchase.

Impact of GST on the Demand of the Products and Services

Whether the GST make the customers to switch over one product to another product or not? From this questions researcher was intended to know the potential impression of GST on the demand of the product and services. An analysis was made to analysis the impact of GST on demand of products and make customers to switch over to other products and result is presented in Table .2

Table 2
Impact of GST on the Demand of the Products and Services

Particulars	Nature of Impact			Total	Mean
	Positively	No impact	Negatively		
Response	42 (30.0)	30 (21.4)	68 (48.6)	140 (100.00)	1.857
Rank Score	420	0	680	-260	
Type of Impact	Positive Impact	No Impact	Negative Impact	Overall Impact	
	30%	0	45.57%	-15.57%	

Source: Computed from Primary Data

The analysis above Table 2 shows that out of 140 respondents 30 per cent of the respondents agreed that the GST has increased the demand of the products and services, while 21.4 per cent were undecided and 48.6 per cent were said that the GST has decrease the demand of the products and services. From result it can be sum up that GST having 30 per cent positive impact and 45.57 per cent negative impact on demand of product and services and overall results shows a negative impact by -15.57 per cent only. It means demand has decreased by GST at moderately. From this analysis, researcher found the GST makes small negative impact and that decrease the demand and reduced the level of purchase.

Impact of GST on the Quantity Procured

Whether the GST impresses the buyers to increase or decrease the quantity of product purchase? From this questions researcher was intended to know the potential impression of GST to determine the quantity products going

to be purchased. An analysis was made to measure the impression of GST and result is presented in Table 3

Table 3
Impact of GST on the Quantity Procured

Particulars	Nature of Impact			Total	Mean
	Increase	No impact	Reduce		
Response	41 (29.3)	30 (21.4)	69 (30.0)	140 (100.00)	2.0
Rank Score	410	0	690	280	
Type of Impact	Positive Impact	No Impact	Negative Impact	Overall Impact	
	29.28%	0	49.29%	-20.01%	

Source: Computed from Primary Data

The analysis above Table 3 shows that out of 140 respondents 30 percent of the respondents agreed that GST has reduce the quantity purchased but 21.4 percent could not decided and 29.3 percent of the respondents agreed that GST has increase the quantity purchased. From result it can be sum up that GST having 29.28 per cent positive impact and 49.29 per cent negative impact on quantity purchased and overall impact shows negatively by 20.01 per cent. It means customers are reduced the quantity of products due to GST. From this analysis, researcher concludes that the GST makes buyers to reduce to quantity of purchase of products.

Impact of GST on Freight and Other Procurement Cost

The researcher interested to know about whether GST has any impact on the freight and other procurement cost asked the respondent and the result is presented in the following table 4.

Table 4
Impact of GST on Freight and Other Procurement cost

Particulars	Nature of Impact			Total	Mean
	Reduce	No impact	Increase		
Response	34 (24.3)	29 (20.7)	77 (55.0)	140 (100.00)	3.071
Rank Score	340	0	770	-430	
Type of Impact	Positive Impact	No Impact	Negative Impact	Overall Impact	
	24.29%	0	55%	-30.71%	

Source: Computed from Primary Data

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The analysis above Table 4 shows that out of 140 respondents 24.3 percent of the respondents agreed that GST has reduce the freight and other procurement cost another 20.7 percent said no impact was made and 55 percent of the respondents agreed that GST has increase the freight and other procurement cost. From result it can be sum up that GST having 24.29 per cent positive impact and 55 per cent negative impact on freight and other procurement cost and overall impact shows negatively by 30.71 per cent. It means customers are affected by increase in freight and other procurement cost due to GST. From this analysis, researcher concludes that the GST makes increase the freight and other procurement cost of products and services.

Impact of GST on Exports

The researcher interested to know about whether GST has any impact on the exports asked the respondent and the result is presented in the following table 5.

Table 5
Impact of GST on Export

Particulars	Nature of Impact			Total	Mean
	Positively	No impact	Negatively		
Response	81 (57.9)	29 (20.7)	30 (21.4)	140 (100.00)	3.643
Rank Score	810	0	300	510	
Type of Impact	Positive Impact	No Impact	Negative Impact	Overall Impact	
	57.86%	0	21.43%	-36.43%	

Source: Computed from Primary Data

The analysis above Table 5 shows that out of 140 respondents 57.9 per cent of the respondents agreed that the GST has positive impact on the exports, while 20.7 per cent were said that GST has no impact on the exports and 21.4 per cent were said that the GST has negative impact the export. From above analysis it can be sum up that GST having 57.86 per cent positive impact and 21.43 per cent negative impact on export and overall results shows a negative impact by -36.43 per cent. From this analysis, researcher found the GST makes small impact and that decrease the exports.

Impact of GST on Generation of Employment:

The researcher interested to know about whether GST has any impact on the generation of employment asked the respondent and the result is presented in the following table 6.

Table 6
Impact of GST on Generation of Employment

Particulars	Nature of Impact			Total	Mean
	Positively	No impact	Negatively		
Response	47 (33.6)	18 (12.9)	75 (53.6)	140 (100.0)	2

				0)
Rank Score	470	0	750	-280
Type of Impact	Positive Impact	No Impact	Negative Impact	Overall Impact
	33.57%	0	53.57%	-20%

Source: Computed from Primary Data

The analysis above Table 6: shows that out of 140 respondents 33.6 per cent of the respondents agreed that the GST has positive impact on the generating of employment, while 12.9 per cent said that GST has n impact on the employment generation and 53.6 per cent were said that the GST has negative impact on the generating of employment. From result it can be sum up that GST having 33.57 per cent positive impact and 53.57 per cent negative impact on generating of employment and overall results shows a negative impact by 20 per cent. From this analysis, researcher found the GST makes negative impact on the employment generation.

Summary of GST Impact

S. No.	IMPACT		
	VARIABLES	POSITIVELY	NEGATIVELY
1.	Impact of GST on the Pricing of the Products and Services	7.71%	—
2.	Impact of GST on the Demand of the Products and Services	—	15.57%
3.	Impact of GST on the Quantity Procured	—	20.01%
4.	Impact of GST on Freight and Other Procurement Cost	—	30.71%
5.	Impact of GST on Exports	—	36.86%
6.	Impact of GST on Generation of Employment:	—	20%

Source: Arranged from above analysis

It could be understood that GST has negatively impacted in many variables selected for this study. Hence negatively impact is more that positive impact of GST in variables business aspects.

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