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An Impact of Goods and Servic Tax on Small Scale Business in Navi -Mumbai

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Abstract

The largest tax system put in place by the Indian government on July 1st, 2017, is the Goods and Services Tax (GST), an indirect tax imposed on the provision of goods and services. Many of India's earlier indirect tax legislation have been superseded by the GST Law. CGST, SGST, and IGST are the three levies that fall under GST. The GST was implemented with the intention of streamlining the complicated tax structure that was in place at the time. The cascading effect on the sale of goods and services will primarily be eliminated by GST. The cost of items will be immediately impacted if the cascading effect is eliminated. The study is based on primary data, was collected from 50 business man who are residing in Navi Mumbai city of Maharashtra. The results obtained after analysis revealed that businessman is aware about GST implementation and opined that it's a fair tax system, but need more clarity and simplification. The paper had tried to attempt the actual impact of GST as a boon and challenges faced by them. Suggestive measures have also been provided at the end of study.

Keywords: *GST, CGST, SGST, IGST, impact, challenges.*

Introduction

The Goods and Services Tax, which is also known as GST is a tax that people have to pay when they buy things or use services. The Goods and Services Tax is a change that is meant to make the tax system in India simpler. It is a tax that has taken the place of other taxes in India, such as the tax on goods that are made in factories the tax on things that people buy and the tax on services.

The law that created the Goods and Services Tax was passed by the Parliament on March 2017 and it started on 1st July 2017. The Goods and Services Tax help to stop people from paying taxes on taxes by giving them credit for the taxes they have already paid.

Before the Goods and Services Tax was introduced the tax system in India was not very good. People had to pay taxes on taxes when they bought things. The Goods and Services Tax has taken the place of taxes that the central government and the states used to collect.

Businesses have to get a number for the Goods and Services Tax in every state where they work. The Goods and Services Tax started in India on July 1st 2017. It is a system where both the states and the central government collect taxes on things or services.

This is the change to the tax system that has happened in India. There are three kinds of taxes, under the Goods and Services Tax: the tax that is collected by the government when things are sent from one state to another the tax that is collected by the central government and the tax that is collected by the state government. The Goods and Services Tax is a deal because it has changed the way that taxes are collected in India.

Need for the study

GST implementation in India is very challenging as India is a developing country which needs to focus on developing Small scale business, but due to GST implementation, The majority of small businesses suffer from high overhead costs, excessive labour and material waste, lack of performance monitoring, uncertain cash flow, and poor planning. especially for uncertain times and compliance with GST in India has seen a huge improvement since 2017.So there is a need to study positive& negative impact of GST on small scale business.

Literature Review

Kaur (2018): The purpose of study was pointing out the awareness among people about GST, and to find out the expectations of people after the implementation of GST. It also demonstrates the respondents' inability to identify the imposed slabs due to a lack of goods and services information.

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The study concluded that still people are not properly aware about GST and due to lack of proper information and knowledge they are having negative perception towards the act.

Chouhan et al. (2017): The study examined 148 Rajasthani small business owners' awareness. It determines the issues small business owners confront as a result of insufficient information and the act's reliefs. The main issues were that customers refused to pay GST, which made it difficult to file taxes. Another issue was that the use of technology in the process made respondents believe that taxes were difficult. The respondents' awareness levels were low to moderate, and they were largely unwilling to endorse the legislation.

Kumar (2017): The study analysed the previous Indirect tax system and GST, briefly explained the full concept of the GST, its rate and its comparison with the previous tax structure, the present GST system has removed many hurdles while filling the taxation. More information about how GST is applied to items and how it lessens the burden on small businesses and vendors is provided by the examples. The study concludes that the GST is easier than earlier tax system; it will provide more benefit to the manufactures and thus increase the competition in market.

Mishra (2018): It tosses glance on the impact of GST, on pharmacy, agriculture, textile, mobile and accessories, telecommunication sector, real state, FMCG, automobiles, banking, financing. The study comes to the conclusion that a single tax system will encourage more manufacturers to enter the market. The individuals will also get benefit as the prices of the products will decreases and consumption will increase which will lead to the increase in GDP. The increased GDP will attract the foreign investment which will directly or indirectly create the employment opportunity.

Mr Budanur Suresh: study the impact of GST on Indian SSIs. SSIs play a significant role in the Indian economy, accounting for 65% of job possibilities, 42% of exports, and almost 40% of the nation's industrial production. It made an attempt to address the impact of GST implementation on SSIs. It signifies benefits of GST on SSIs, and problems faced by SSIs by the implementation of GST.

Ms. Deepti Daga (2019): This study examines the impact of GST on micro, small, and medium enterprises (MSMEs). GST will primarily eliminate the cascading effect on the sales of goods and services. Elimination of the cascading effect will directly influence the cost of products.

This document provides insights into GST in India and its effect on the Indian economy. The paper has attempted to address the issues encountered previo usly and how businesses are coping in the aftermath of the GST. The document chiefly examines the historical and curr ent impact of GST on business entities and entrepreneurs

Objectives of the study

1.To examine and analyse the effect of GST on small scale business.

2.To analyse the positive & negative impact of GST on small scale business.

3. To study Challenges faced by small scale business.

4. To provide suitable suggestions in concern of Small-Scale Business.

Research Methodology

The research paper is based on a survey conducted on a sample of small-scale businesses across different sectors, such as manufacturing, services, and trading. The sample size is 50 small scale businesses, selected through random sampling. The survey questionnaire consists of both open-ended and closed-ended questions and is designed to elicit information on the impact of GST on small scale businesses and the challenges faced by them, it covered aspects such as the impact of GST on business operations, compliance costs, and overall business performance. Particularly this paper discovered positive outcomes of GST implementations in India i.e., benefits towards SSIs in India. Further this study also revealed negative impact of GST implementation on SSBs in India.

Impact of GST on SSB as a Boon

1. **Simplified Taxation**: GST has simplified the taxation process by replacing several indirect taxes with a single unified tax, thereby reducing the compliance burden on small scale businesses.
2. **Increased Compliance**: GST has made it easier for small scale businesses to comply with tax regulations as they now have to file only one tax return instead of multiple returns for different taxes. This has led to increased tax compliance among small businesses.
3. **Reduced Tax Burden**: GST has reduced the tax burden on small scale businesses by providing them input tax credit for taxes paid on their purchases. This has led to lower costs for businesses, which in turn has helped them become more competitive.
4. **Increased Transparency**: GST has increased transparency in the taxation system by providing a single platform for tax payments and reducing the scope for tax evasion. This has helped small scale businesses build trust with their customers and suppliers.
5. **Expansion of Market**: GST has enabled small scale businesses to expand their market by reducing inter-state trade barriers and allowing them to sell their products and services across India without facing additional taxes.

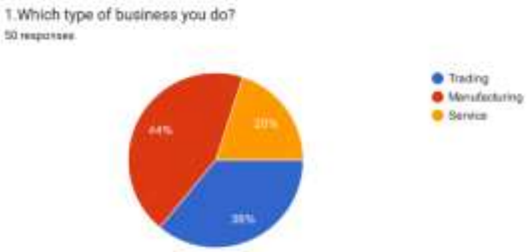
Challenges faced by SSB

1. **Compliance burden:** Small businesses may find it difficult to comply with the various requirements of GST, such as maintaining detailed records, filing regular returns, and reconciling invoices.
2. **Increased costs:** Small businesses may face increased costs due to the need to invest in new

technology or hire additional staff to manage GST compliance.

3. **Lack of awareness**: Many small businesses may not be aware of the various rules and regulations of GST, and may struggle to understand how to comply with them.
4. **Cash flow issues**: Small businesses may face cash flow issues due to the requirement to pay GST on their sales, even if they have not yet received payment from their customers.
5. **Inefficient IT infrastructure**: Small businesses may face challenges in upgrading their IT infrastructure to be compatible with the GST portal, which can lead to delays and errors in filing returns.
6. **Complex GST rates**: Small businesses may find it difficult to understand the complex GST rates, which vary depending on the type of goods or services provided. This can make it challenging to determine the correct tax liability for their sales.

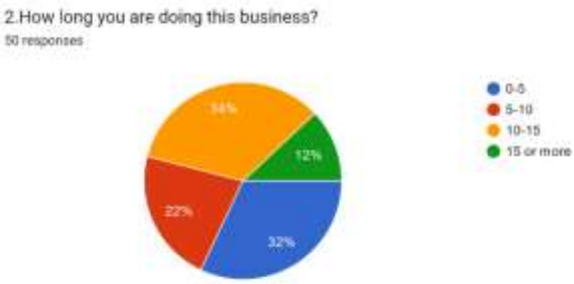
Data Interpretation and Analysis



Interpretation

From the above chart, we can tell that 44% of business type are of manufacturing. 36% of business type are of trading and 20% of business type are of service.

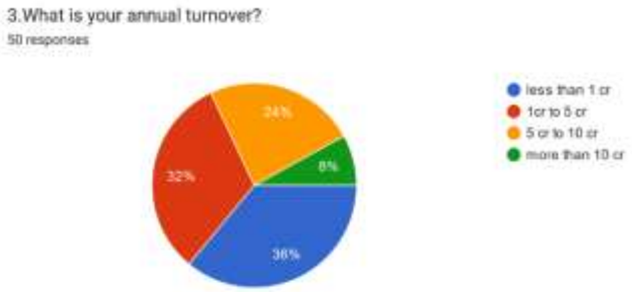
Business Type	Respondent	Percentage
Manufacturing	22	44%
Trading	18	36%
Service	10	20%



Interpretation

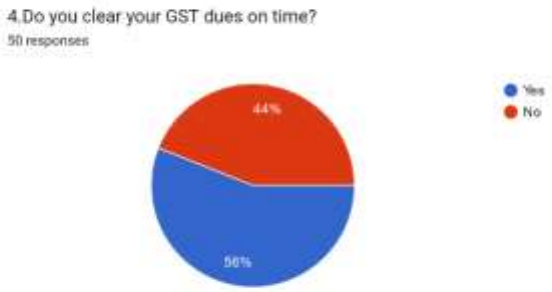
Here we can tell that 32% of the respondent falls under the category of 0-5 years. 22% of the respondent falls under the category of 5-10 years. 34% respondent falls under the category of 10-15 years and 12% of the respondent falls under the category of 15 or more.

Year	Respondent	Percentage
0-5	16	32%
5-10	11	22%
10-15	17	34%
15 or more	6	12%



Interpretation
It is evident from this that 36% of respondents fell into the less than 1 cr category.32 % of the respondent fall under the category of 1cr to 5cr. 24% of the respondent fall under the category of 5cr to 10 cr and remaining 8% fall under the category of more than 10 cr.

Annual turnover	Respondent	Percentage
Less than 1 cr	18	36%
1cr to 5 cr	16	32%
5cr to 10cr	12	24%
More than 10 cr	4	8%



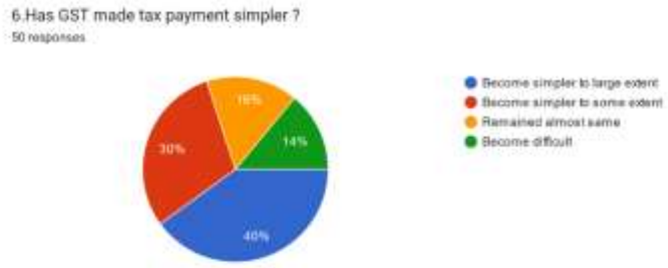
Interpretation
From the above pie chart, we can see that 56 % of the respondent says yes that they clear GST dues on time and on the other hand 44% of the respondent says no.

Clear dues on time	Respondent	Percentage
Yes	28	56%
No	22	44%

Interpretation

Here ,15.2% of the respondent not filing the return on time because of lack of money. 27.3% of the respondent not filing the return on time because of lack of awareness/ manpower.30.3% of the respondent not filing the return on time due system failure and in others include 15.2%.

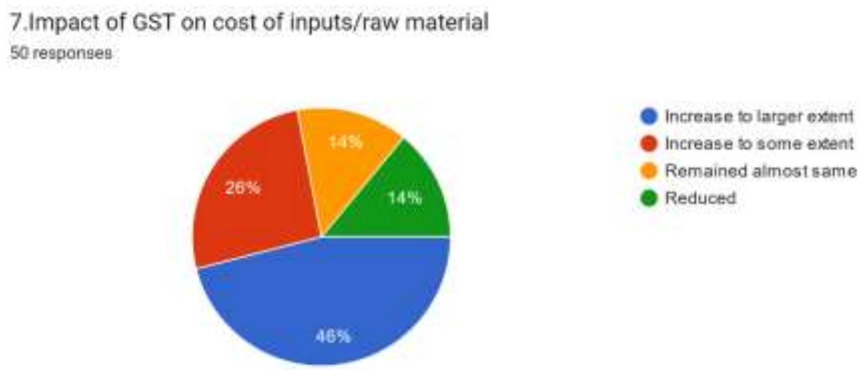
Reason	Respondent	Percentage
Lack of money	5	15.2%
Lack of awareness/manpower	9	27.3%
System failure	10	30.3%
other	9	27.3%



Interpretation

Here, 40% of the respondents say GST made tax payment simpler to large extent.
30% of the respondent says GST made tax payment simpler to some extent.
16% of the respondent says payment of tax remained almost same and only 14% of the respondent says payment of tax become difficult.

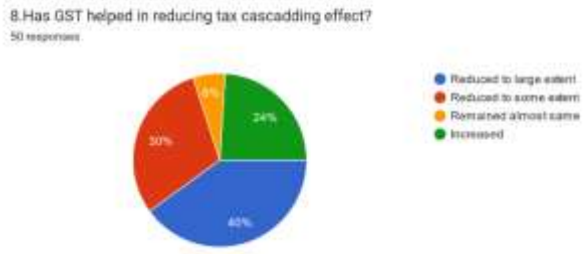
Tax payment	Respondent	percentage
Simpler to large extent	20	40%
Simpler to some extent	15	30%
Remained almost same	8	16%
Difficult	7	14%



Interpretation

Here, 46% of the respondent says cost of input/raw material increase to larger extent,26%says it increases to some extent. 14% says it remained almost same and only 14% says it reduced the cost of inputs/raw material.

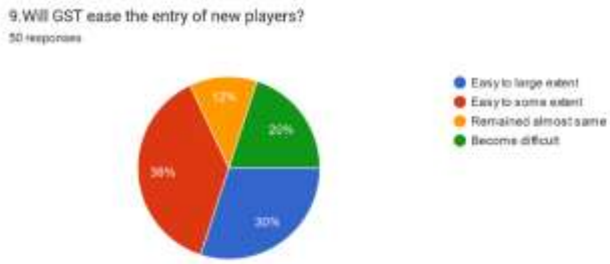
Impact on cost	Respondent	Percentage
Increase to large extent	23	46%
Increase to some extent	13	26%
Remained almost same	7	14%
Reduced	7	14%



Interpretation

According to 40% of respondents, the GST significantly reduced the tax cascade effect. 30% of the respondent says GST helped in reducing tax cascading effect to some extent. 24% of the respondent says GST increased the cascading effect and only 6% of the respondent says cascading effect remained almost same.

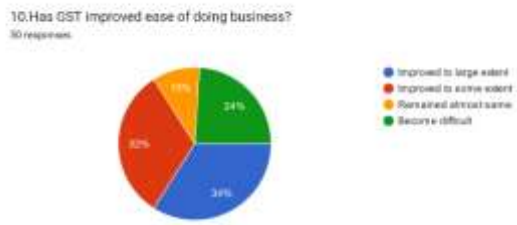
Tax cascading effect	Respondent	Percentage
Reduced to large extent	20	40%
Reduced to some extent	15	30%
Remained almost same	3	6%
Increased	12	24%



Interpretation

According to 38% of respondents, GST will significantly facilitate new players' entry. 30% of the respondent says entry of new player is easy to some extent. 12% of the respondent says entry of new player will remain almost same and 20% of the respondent says GST made the entry of new player difficult.

Ease the entry of new players	Respondent	Percentage
To large extent	15	30%
To some extent	19	38%
Remained almost same	6	12%
Become difficult	10	20%



Interpretation

Here, 34% of the respondent says GST improved ease of doing business to large extent ,32% of the respondent says GST improved doing business to some extent. 24% of the respondent find difficult in doing a business and only 10% of the respondent says it remained almost same.

Ease of doing business	Respondent	Percentage
To large extent	17	34%
To some extent	16	32%
Remained almost same	5	10%
Become difficult	12	24%

Suggestions

1. GST council should work towards simplification of GST procedure.
2. The rates implemented should be modulated.
3. Government must create awareness regarding rules, regulations, and compliances of GST by arranging workshops, seminars, conferences to educate proprietors of SSIs.
4. Government must take initiative measures to reduce compliance cost. This will help to lower their product prices.
5. Government must ensure easy compliances of GST because that reduces errors and confusions in the minds of traders of SSIs.
6. Government must extend the time limit for payment of GST.

Findings

1. More than 40% of the business don't clear their dues on time, because of many reasons such as lack of awareness, lack of manpower, lack of money, system failure.
2. More than 40% of the business find payment of tax simpler to larger extent on the other hand 14-16% find little difficult.
3. More than 40% of the business find the cost of input/raw material high at larger extent.
4. 40% of the business find GST helping in reducing the tax cascading effect.
5. 68% of the business find ease in entry of new players in the competitive business world.
6. More than a 65% of the business find GST improving the ease of doing business but only14% find difficult.

The results imply that the GST has had conflicting effects on India's small companies. On the other hand, the GST has reduced the compliance burden and streamlined tax administration. Small-scale businesses have reported that the GST has simplified the tax system and reduced the paperwork required for tax compliance. However, the initial transition phase was challenging for many small-scale businesses. Small-scale businesses faced challenges in terms of adjusting to the new tax regime, managing compliance requirements, and understanding the new tax laws.

Conclusion

In order for India to compete internationally in the age of globalization, a strong and organized tax system was required. In addition to increasing openness, the GST will make things easier. In the past, each state imposed its own tax rates, which were confusing and raised the cost of goods through a cascade effect that also discouraged foreign direct investment. The new ordinance that allows taxes to be filed online has reduced paperwork and saved a significant amount of time. The majority of respondents thought that doing business was made easier by GST. New players can now enter with ease. The GST Council should keep working to strengthen the Indian economy. According to the study, GST has had varying effects on small enterprises in India. Some firms have found it difficult to adjust to the new system, even though the introduction of GST has simplified the tax structure and decreased compliance costs. In India, small enterprises have generally benefited from the Goods and Services Tax (GST). Small firms have grown and become more competitive thanks to the streamlined taxation procedure, improved compliance, lower tax burden, greater transparency, and market expansion. The implementation of the Goods and Services Tax (GST) has also contributed to the simplification of the tax system and decreased opportunities for tax evasion.

Nonetheless, small firms continue to confront certain difficulties, such as the expense of compliance and the requirement for increased knowledge of the advantages of GST. All things considered, GST has been a major step toward a more effective and transparent tax system and has positively impacted the expansion of small enterprises in India.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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