

GST - A TAXING STRATEGY TOWARDS ECONOMIC DEVELOPMENT

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Abstract—*GST is applicable on 'supply' of both Goods and Services. Previously, VAT was applicable on buying and selling of goods and Service Taxes on provision of service. GST has replaced the VAT and Service Taxes and has brought about a unified taxing system in all states of the nation. The aim of this measure is to bring about the overall development of the states by integrating their economies. The development of the states is expected to bring about the overall growth of the nation. This paper aims to study the consumers' knowledge about GST and their opinion about the impact of GST on Economic Growth.*

Keywords—*Consumers, Economic Development, GST, Revenue, VAT.*

INTRODUCTION

Tax policies play an important role on the economy as they have an impact on improving the efficiency in tax administration, tax compliance and tax payment. It also aims to bring about equity among all states leading to overall development and growth of the nation. A good tax system should endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. The tax laws should be such that they raise a given amount of revenue in an efficient, effective and equitable manner. GST is an indirect tax levied on domestic trade at a single rate (with only very few exemptions) which becomes a proportional tax on consumption. It is a destination based tax in the sense that the tax on a goods goes to the state in which the concerned consumer lives.

NEED FOR GST

GST is said to be a transparent tax law that is expected to result in higher tax compliance. Transparent in the sense that the payer of tax is clear about the rate of tax paid on the value of goods and the amount that is to be paid as tax and the amount of tax paid stated in the bill. It also aims to minimize any distortions in the economy caused by the existing tax policy and are framed to establish a tax system that is economically efficient. An efficient tax system should minimize the cost of tax compliance and should pave way for effective tax administration. The disparities in the economy could be removed if there is proportional tax payment system based on the spending of the individuals. The uniformity in the tax rates is to bring about free movement of goods along the state borders thus leading to better markets for goods. The delay in the entry of goods along the border line would be reduced. The destination-based value added tax on all goods and services is the most elegant method of eliminating disparities and the state that has the ultimate consumption of goods gets the tax revenue. The tax reform also aims at the reduction in cost of goods and services due to elimination of cascading effect of taxes thus increase in purchasing power and real income. With the reduction in the cost there would be increased saving among the consumers. The investments are expected to increase when the savings increase. The hike in the investment would lead to economic development as the productivity and output increasing making the nation Self-Sustaining.

BENEFITS OF GST

GST is intended to benefit the traders in the following ways:

- a) Reduction in multiplicity of taxes
- b) Mitigation of cascading/ double taxation
- c) More efficient neutralization of taxes especially for exports

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- d) Development of Common National Market or Common Economic Market
- e) Simpler tax regime with fewer rates and exemptions
- f) Increase in cost competitiveness for domestic industries with reduction in tax cost and also reduced cost of compliance

The benefits intended to the Government includes

- a) Simpler tax system
- b) Broadened tax base
- c) Improved compliance and revenue collections
- d) Efficient use of resources
- e) Investments out of savings by consumers - due to mitigation of cascading effect, contributes to increase in availability of funds out of savings of consumer - which may be used for financing developmental activities.

The Consumers are benefited in the following ways:

- a) Most favored tax base from both perspective of economic neutrality and ease of administration.
- b) Restricts tax burden to final consumption goods.
- c) No distinction drawn between capital goods and other inputs and no depreciation need to be computed.
- d) Consumption is argued to be a broad measure of the ability to pay taxes, much like income.
- e) It excludes savings from the base, hence does not discourage investment.

REVIEW OF LITERATURE

Pinki et al. (2014) studied, "Goods and Service Tax Panacea for Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Kumar (2014) studied, "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India many indirect tax systems will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

Sehrawat and Dhanda (2015) studied, "GST in India: A Key Tax Reform" and concluded that due to dissilent environment of India economy, it is demand of time to implement GST.

Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

OBJECTIVES OF THE STUDY

The following objectives are identified for the purpose of the study.

1. To study the demographic profile of the respondents.
2. To study the Knowledge of consumers about GST.
3. To elucidate the acceptance of consumers that GST will lead to economic growth.

SAMPLING

Primary data is collected from 50 respondents on a random sampling method belonging to various age, educational and income category using a structured questionnaire.

TOOLS USED

The following tools were used for the purpose of analysis data.

Percentage analysis

Chi Square test

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

The demographic profile of the respondents will help to identify the variances in attitude, opinion, interest and behaviour among them. The demographic variables taken for the study include age, gender, education qualification, occupation and income.

Table 1: Demographic Profile of the Respondents

<i>Demographic Variables</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Age		
20 – 30	10	20
30 – 40	19	38
40 – 50	9	18
Above 50	12	24
Gender		
Male	31	62
Female	19	38
Educational Qualification		
Under graduate	18	36
Post graduate	19	38
Diploma/ ITI	13	26
Occupation		
Private employee	7	14
Government employee	11	22
Business	10	20
Students/Job Seekers	8	16
House Wife	9	18
Retired Persons	5	10
Income (in Rs.)		
Below 20000	10	20
20000-40000	15	30
40000-60000	12	24
above 60000	13	26

The table above indicates that more respondents are in the age group of 30 -40 years and the number of male respondents is more. With regard to educational qualification more respondents are post graduates. It is also identified that more respondents are government employees and a higher percentage of respondents fall in the income group of Rs.20,000 to 40,000.

KNOWLEDGE ABOUT GST

The consumers' knowledge about GST will determine their acceptance as their efficiency to analyse the pros and cons GST will be more when their knowledge is more. So, the knowledge of the consumers about GST is identified on a three-point scale.

Table 2: Knowledge about GST

<i>Level of Knowledge</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Low	11	22
Medium	25	50
High	14	28
Total	50	100

Source: Primary Data

From the table it is inferred that 50 percent of the respondents have medium level of knowledge about GST. However, 28 percent of the respondents have high about level of knowledge of GST. Nearly 22 percent of the respondents have a low level of knowledge about GST.

SOURCE OF INFORMATION

An information source is a person, thing, or place from which information comes, arises, or is obtained. A source of information helps one to gain knowledge. Consumers' might have gained knowledge about GST through various sources and the most influencing source is identified.

Table 3: Source of Information

<i>Source</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Television	7	14.0
Print Media	7	14.0
Public talks / Educational Programs	9	18.0
Discussions with friends/ relatives	5	10.0
Retailers	13	26.0
Auditors	9	18.0
Total	50	100

Source: Primary Data

It is identified from the table that consumers' get more information from retailers. Public talks/educational programs and information from auditors is more influencing source.

GST FOR ECONOMIC GROWTH

GST implementation is expected to benefit traders/manufacturers, consumers and the Government. The overall development of the nation will be indicated by its economic growth. The tax policies of the nation will determine its revenue structure and development.

Table 4: GST For Economic Growth

<i>Level of Agreement</i>	<i>No. of Respondents</i>	<i>Percentage</i>
Strongly Disagree	4	8
Disagree	9	18
Neutral	9	18
Agree	13	26
Strongly Agree	15	30
Total	50	100

Source: Primary Data

It is inferred from the above table that 30 and 26 percent of the respondents have strongly agreed and agreed that GST will lead to economic growth. Nearly 18 percent of the respondents have a neutral opinion and disagreement that GST will lead to economic growth.

DEMOGRAPHIC VARIABLES AND OPINION ABOUT GST FOR ECONOMIC GROWTH

The opinion that GST will lead to economic growth may differ among consumers with different demographic profile. In order to identify them the Chi- Square test is applied with regard to gender, age, education, occupation and income.

H₀: There is no significant difference in the opinion among respondents that GST will lead to Economic growth with regard to gender, age, education, occupation and income.

Table 5: Demographic Variables and Opinion about GST for Economic Growth

<i>Variables</i>	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>	<i>Significance</i>
Gender	30.882 ^a	12	0.002	Highly significant
Age	20.055 ^a	20	0.454	Not Significant
Education	16.068 ^a	8	0.041	Significant
Occupation	15.941 ^a	12	0.194	Not Significant
Income	7.236 ^a	4	0.124	Not Significant

Source: Computed

It is identified from the table that there is highly significant difference in the opinion that GST will lead to economic growth with regard to different gender category. Moreover, the difference in opinion is also significant with regard to respondents with different educational qualification. However, the difference is not significant with regard to age, occupation and income.

RESULTS

The results of the study indicate that more respondents are in the age group of 30 -40, more respondents are male and are post graduates. It is also identified that more respondents are government employees and a higher percentage of respondents fall in the income group of Rs.20,000 to 40,000. The analysis about the knowledge of GST among respondents indicates that more respondents (50 percent) have medium level of knowledge. Retailers are the important source of gaining knowledge about GST, followed by public talks/educational programs and through auditors. With regard to the opinion that GST will lead to economic growth more respondents have strongly agreed. And this opinion is significantly varying among gender category and varies among respondents with different level of education.

SUGGESTIONS

The results of the study lead to the following suggestions:

1. Retailers can provide more information to the customers about GST and so measures can be taken to educate retailers.
2. More educational programs can be organized to give more knowledge to consumers on GST.
3. Majority of the respondents have agreed that GST will lead to Economic growth and so Government can adopt adequate strategies so that the benefits of GST are creped by both traders and consumers.

CONCLUSION

Taxes are the only means for financing the public goods because they cannot be priced appropriately in the market. A good tax system should keep in view the issues of income distribution and, at the same time, also endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. GST is expected to create a business-friendly environment to control price levels and thus curbing the inflation rates overtime as a uniform tax rate is applied. It will also improve government's fiscal health as the tax collection system would become more transparent, making tax evasion difficult. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. This is expected to boost up the economic development of the nation.

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