"IMPACT ASSESSMENT OF GST IMPLEMENTATION ON SMALL AND MEDIUM SCALE TRADERS"

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ABSTRACT

Implementing the Goods and Services Tax (GST) posed a significant challenge, particularly in educating India's population of 1.33 billion about the new system. This was especially difficult in regions where change is often met with resistance. In the post-GST period, many returns were mismatched, leading to technical difficulties for Indian taxpayers and further complicating the new tax system. Consequently, most dealers faced issues submitting reports and reclaiming Input Tax Credits (ITC). As a result, the World Bank has deemed GST as a complex tax system. This study aims to investigate potential issues arising from the implementation of GST. Data was collected from 275 respondents who operate businesses in and around the Coimbatore District using a questionnaire. Respondents were selected using a convenience sampling method. The data was then analyzed using simple percentage, ANOVA and T-test statistical tests. The findings of this study will benefit traders in enhancing their understanding of the GST concept. It will also guide them on how to avoid common errors when filing monthly returns and effectively claim common problems they may encounter under various circumstances.

Keywords:
Traders, GST, Small and Medium Traders, Tax

INTRODUCTION

The Goods and Services Tax (GST) is a significant indirect tax reform adopted by many countries, each implementing it uniquely. GST replaced all other indirect taxes in India, including state VAT, central excise duty, service tax, and central sales tax. GST is a value-added tax on goods and services that applies to every stage of the production process, benefiting all parties involved, from the producer or service provider to the ultimate consumer. GST has fundamentally transformed India's tax structure intending to create a unified Indian market by eliminating distortions in the cost of goods and services. India categorizes its goods and services into four sectors based on GST rates: 5%, 12%, 18%, and 28%. Overall, GST simplifies the tax payment process. Organizations registered for GST are required to submit monthly, quarterly, and annual returns via the Government of India's GST portal. They must disclose their purchases and sales of goods and services and the taxes collected and paid. As per Prime Minister Narendra Modi, businesspeople and traders with zero transactions, known as "Nil filers," can now file taxes via SMS (The Hindu, dated 30th June 2019). The MSME Act of 2006 was established to assist Micro, Small, and Medium Enterprises (MSMEs) in their initiation and expansion. It also enhances their competitiveness both domestically and internationally. Several modifications were recently made to simplify the GST returns filing process. On 30th October 2017, the Ministry of Micro, Small, and Medium Enterprises Development Act (MSME) launched MSME Samadhaan to support micro and small business owners nationwide. Specific funds are allocated for fostering enterprise competitiveness, with various programs and schemes available.

REVIEW OF LITERATURE

Ahmad et al. (2016) conducted a study to examine taxpayers' awareness, perceptions, and acceptability of the GST implementation. The findings indicated that public awareness of GST has not

yet reached an adequate level. This was evident from the general questions that respondents, as end users, should have been familiar with. Consequently, respondents' perceptions of the impact of GST introduction were predominantly negative.

Dani (2016) suggested that the Indian government should study other countries' GST regimes and their effects. She also emphasized the need to protect India's vast population from inflation resulting from GST implementation. Furthermore, she posited that GST would simplify the current indirect tax system and eliminate inefficiencies caused by the existing diverse tax structure.

Kumar (2017) investigated people's perceptions of the newly established tax system. He recommended that the government should issue proper guidelines to society on the procedures for GST implementation to ensure its efficient execution.

Lourdunathan and Xavier (2017) conducted a study to understand the challenges and examine the opportunities for GST adoption. They concluded that implementing GST in India would lead to a "One Nation, One Tax Market." They also found that GST positively impacts various industries and sectors. They suggested that the government should take necessary measures to strengthen GST, such as providing adequate training, seminars, and workshops.

STATEMENT OF THE PROBLEM

Today marks the commencement of the world's most extensive indirect tax system, effectively eliminating all barriers to interstate trade. Implementing GST promises clear rules for filing tax returns and streamlined bookkeeping, offering benefits to producers and dealers. Furthermore, it has been demonstrated that GST can reduce overall compliance costs for small-scale producers and traders, who might otherwise have to price their goods higher. The introduction of GST has significantly impacted the Indian economy in several ways. For instance, it has simplified the tax structure, making it more understandable and manageable for businesses. It has also fostered a more competitive market by eliminating cascading taxes and promoting fairness in the taxation of goods and services. However, implementing such a large-scale tax reform is not without its challenges. It requires substantial changes in business processes, systems, and working practices. Despite these challenges, the potential benefits of GST for the Indian economy are significant. This study aims to understand how traders perceive this new tax reform. By examining their experiences and attitudes towards GST, we can gain valuable insights into its impact on small and medium traders. This information is crucial as it can guide future policy decisions and help refine the GST system for better compliance and ease of business. In conclusion, while GST implementation has brought about significant changes in the Indian tax landscape, its long-term benefits for economic growth and ease of business are undeniable. Through continuous learning and adaptation, traders can leverage this new system.

OBJECTIVES OF THE STUDY

The following are the objectives of the study:
1. To identify the socio-economic profile of the traders.
2. To examine the concerns that may arise as a result of the GST implementation.

RESEARCH METHODOLOGY

Both primary and secondary data underpin this study. Primary data was collected through interviews with 275 small and medium-sized business owners in the Coimbatore District, using a convenience sampling. These interviews provided firsthand insights into the experiences and perceptions of these business owners regarding the implementation of GST. Secondary data was gathered from government and the income tax office annual reports. Additionally, journal articles, bulletins, and online resources were reviewed to provide a broader context and deeper understanding of the topic. This combination of primary and secondary data ensures a comprehensive analysis of the impact of GST on small and medium traders. The collected data was then analyzed using Percentage Analysis , ANOVA and T-

Test statistical methods. These methods were chosen for their ability to effectively handle the type of data collected and answer the research questions posed in this study.

LIMITATION OF THE STUDY

1. The Coimbatore District is the only area of the study. The data analysis statistical tools have their limits.
2. The opinions offered by small and medium-sized traders could be swayed. Consequently, while generalizing the result, care must be exercised.

FINDINGS OF THE STUDY

Table 1 shows the classification of respondents based on the socio-economic profile of the traders.

Table 1 Socio-Economic Profile of the Traders

Variables	Frequency & Percentage
Area of Residence	
Urban	**163 (59.3)**
Rural	82 (29.8)
Semi-Urban	30 (10.9)
Gender	
Male	202 (73.5)
Female	73 (26.5)
Age (in Years)	
Under 30	29 (10.5)
31-40	**111 (40.4)**
41-50	83 (30.2)
Above 50	52 (18.9)
Educational Qualification	
Upto Higher Secondary	83 (30.2)
UG	**140 (50.9)**
PG	39 (14.2)
Others	13 (4.7)
Nature of Family	
Joint Family	36 (13.1)
Nuclear Family	**239 (86.9)**
Monthly Income	
Up to ₹ 1,00,000	39 (14.2)
₹1,00,000 – ₹3,00,000	**112 (40.7)**
₹3,00,000- ₹5,00,000	84 (30.5)
Above ₹5,00,000	40 (14.5)
	Annual Income
Below ₹2,50,000	84 (30.5)
₹2,50,000- ₹ 5,00,000	**86 (31.3)**
₹5,00,000- ₹ 7,50,000	52 (18.9)
Above ₹ 7,50,000	53 (19.3)
Total	**275 (100.0)**

Table 1 reveals that the majority of respondents reside in urban. This is likely due to the greater availability of resources, ongoing infrastructure development, and increased commercialization in these areas. The majority of respondents are men, which could be attributed to the general tendency of

women to be more risk-averse than men. Most respondents fall within the age range of thirty-one to forty, a group often characterized as emerging leaders and risk-takers.

Of the 275 respondents, 140 (50.9%) pursued undergraduate studies, believing it would aid in developing their soft skills such as responsibility, time management, accountability, and emotional intelligence. Many respondents reported a monthly income between ₹1,00,000 and Rs 3,00,000 and an annual income between ₹2,50,000 and ₹5,00,000. This income bracket is indicative of the economic status of the majority of the respondents.

DETERMINANTS OF LEVEL OF IMPACT ON IMPLEMENTATION OF GST (ANOVA AND T-TEST)

In order to ascertain the level of impact on the implementation of GST and the variables that determine the impact of the implementation of GST by using ANOVA and T-Test.

Table 2 Determinants of Level of Impact on Implementation of GST (ANOVA and T-Test)

	N	Mean	Std. Dev.	Result
Area of Residence				
Urban	163	47.2195	5.76781	**ANOVA =**1.695
Rural	82	46.3558	6.58098	P=.186
Semi-Urban	30	44.9000	5.56064	P>0.05 Not-Significant
Gender				
Male	202	45.5990	6.51539	**T-Test =22.741** P=.000
Female	73	48.8219	3.38847	P<0.05 **Significant**
Age				
Under 30	29	47.4483	5.97965	**ANOVA =4.163**
31-40	111	47.7387	5.04293	P=.007
41-50	83	45.3735	5.94838	P<0.05
Over 50	52	44.8846	7.38216	**Significant**
Educational Qualification				
Up to Higher Secondary	83	44.2169	7.39322	**ANOVA =5.969**
UG	140	47.2286	5.43416	P=.055
PG	39	47.9487	3.73426	P>0.05
Others	13	47.9231	3.92559	Not- Significant
Nature of the Family				
Extended Family	36	46.9444	6.68022	**T-Test =0.230**
Nuclear Family	239	46.3808	5.92117	P=.632 P>0.05 Not-Significant
Monthly Income				
Up to ₹1,00,000	39	46.2821	5.47698	**ANOVA =0.051**
₹1,00,000 - ₹ 3,00,000	112	46.6071	5.79897	P=.985
₹3,00,000 - ₹ 5,00,000	84	46.3095	6.36439	P>0.05
Above ₹ 5,00,000	40	46.5000	6.55548	Not-Significant
Annual Income (₹)				
Below ₹2,50,000	84	46.8810	4.88026	**ANOVA =2.610**
₹2,50,000 - ₹5,00,000	86	44.9884	6.45982	P=.052
₹ ₹5,00,000 - ₹ 7,50,000	52	47.2308	6.69098	P>0.05

	N	Mean	Std. Dev.	Result
Above ₹ 7,50,000	53	47.3962	5.93341	Not-Significant
Form of Organization				
Sole Proprietorship	215	45.6093	6.36476	**T-Test =21.371** P=.000 P<0.05 **Significant**
Partnership Firm	60	49.4833	3.03366	
Nature of Business				
Textiles	33	47.9394	3.63953	**ANOVA =1.033** P=.399 P>0.05 Not-Significant
Fast-moving consumer goods	107	46.5794	5.58981	
Pharmaceuticals	29	46.6552	9.23996	
Electronic goods	68	46.1176	5.99136	
Construction/Hardware	26	46.0385	4.87016	
Automobile	12	43.5833	7.41569	
Age of Business				
Under 5	55	47.1636	5.81725	**ANOVA =6.748** P=.000 P<0.05 **Significant**
5 – 10	112	47.9643	5.13686	
10 – 15	82	44.4024	4.72986	
Over 15	26	44.9231	3.58394	
Member of Trade Union				
Yes	221	46.7783	5.79347	**T-Test =0.687** P=.408 P>0.05 Not-Significant
No	54	45.1296	6.74899	
Annual Turnover				
Below ₹ 1 crore 50 Lakhs	165	45.4909	6.61725	**ANOVA =3.686** P=.013 P<0.05 **Significant**
Above ₹1 crore 50 Lakhs and Below ₹ 2 crores	69	48.0435	4.84293	
Above ₹2 crore and below ₹5 crore	27	47.8148	3.73175	
Above ₹5 crore	14	47.3571	5.47171	
Supply of Goods				
Intra state	207	46.3527	5.42077	**ANOVA =0.425** P=.654 P>0.05 Not-Significant
Inter-State	54	47.0556	8.29507	
Both	14	45.6429	3.77455	
Nature of GST Registration				
Regular Scheme	220	46.4636	6.07890	**T-Test =0.036** P=.850 P>0.05 Not-Significant
Compounding Scheme	55	46.4182	5.81088	
Type of Customer				
Business to Business	193	47.1865	5.32745	**ANOVA =11.069** P=.000 P<0.05 **Significant**
Business to Consumer	67	45.7761	6.93655	
Both	15	40.0667	6.23889	
Sources of Updating GST-Related Information				
Newspaper	45	48.5778	5.69086	**ANOVA =9.414**

	N	Mean	Std. Dev.	Result
Television / Radio	5	43.3500	1.67332	P=.000
Internet / Websites	30	49.3000	4.42680	P<0.05
Friends / Relatives	10	48.7000	2.83039	**Significant**
Social Media	65	47.8615	4.69666	
Seminar / Lecture	20	45.9500	3.73427	
Auditors	100	51.6000	6.69445	
Frequency of Updating GST-Related Information				
Hourly	13	45.0580	2.07550	**ANOVA =5.376**
Daily	28	49.5357	3.61563	P=.001
Weekly	69	49.8462	5.70574	P<0.05
Monthly	165	46.2485	6.41112	**Significant**
Ways of maintaining the accounts				
Manual	41	44.0244	8.38894	**ANOVA =4.674**
Computerization	165	47.1636	5.12917	P=.010
Outsourcing	69	46.2029	6.01121	P<0.05
				Significant
Mode of Filing GST Return				
Monthly	220	46.4636	6.07890	**T-Test =0.036**
				P=.850
Quarterly	55	46.4182	5.81088	P>0.05
				Not-Significant
GST Filing personnel				
Self	41	46.9697	7.20459	**ANOVA =1.545**
Chartered Accountant	165	45.5122	4.65705	P=.215
Tax Practitioner	69	45.7826	7.83257	P>0.05
				Not-Significant
Mode of Using Mail ID/ Mobile Number				
Self	24	46.9810	6.97186	**T-Test =3.835**
Auditor	210	43.4583	5.53887	P=.051
				P>0.05
				Not-Significant
Mode of Filing GSTR 3B Return				
Payment of Tax	84	47.1071	4.83217	**T-Test =4.553**
Carryforward of Input Tax Credit	191	46.1675	6.45904	P=0.034
				P<0.05
				Significant

ANOVA and T-Test reveal that out of twenty-two variables, eleven variables exhibit a significant difference in the level of impact on the implementation of GST. These variables include gender, age, form of organization, age of business, annual turnover, types of customers, frequency of updating GST-related information, sources of updating GST-related information, methods of maintaining accounts, and the mode of filing the GSTR 3B return. This suggests that these factors play a crucial role in successfully implementing and understanding GST.

CONCLUSION OF THE STUDY

For decades, the country has implemented various taxes at different stages of business. While this system provided more options for honest taxpayers, it also gave dishonest taxpayers more significant

opportunities to exploit the system. To address this issue, the government introduced the Goods and Services Tax (GST) to simplify the nation's tax structure. In January 2022, India collected the second-highest gross GST, amounting to ₹1,38,394 crore, marking a 15% increase from the previous year (as reported on 1st February 2022). This indicates the effectiveness of GST in enhancing tax compliance and revenue collection. However, the implementation of GST has elicited mixed responses from the public. According to a survey, 42.20% of the 116 respondents believe introducing GST will have a moderate impact. This suggests that while some see GST as a positive reform, others may have reservations or face challenges adapting to the new system. The government must continue educating taxpayers about GST and provide the necessary support to ensure a smooth transition and compliance. This will not only help in maximizing the benefits of GST but also in building public trust and acceptance towards this significant tax reform.

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