

Impact of GST on Small Scale Industries with Special Reference to Thanjavur City - A Study

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Abstract

A tax is an unavoidable monetary charge or certain other type of duty levied upon a tax spender (an individual or other legal entity) by a legitimate business in order to fund numerous public expenditures. A failure to pay, beside with evasion of or resistance to taxation, is punishable by law. Taxes comprise of direct or indirect taxes and may be paid in cash or as its labour equivalent.

Most of the countries have a tax structure in place to pay for public or common or granted national requirements and government functions: some levy a flat proportion rate of taxation on individual annual income, some on a scale based on yearly income amounts, and some countries execute almost no taxation at all, or a very low tax rate for a convinced area of taxation. All the countries charge a tax both on commercial revenue and dividends; this is frequently stated to as double taxation as the discrete stockholder(s) getting this imbursement from the business will also is charged some tax on that individual income. GST is a extensive of Indirect Tax that will include numerous indirect state and national taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Dominant Supplements, Amusement Tax, Indulgence Tax and numerous more. The investigator has tried to make an effort to analyses the impact of GST on Small Scale Industries & discuss the problem faced back then & still how the businesses are handling after the result of the GST.

Keywords: *indirect tax, income, legitimate business, proportion national taxes*

Introduction

The GST is estimated to change the complete setting of current Subsidiary Tax. GST will combine all Subsidiary Taxes under a one umbrella and it will help in establishment of smooth market. Specialists say that GST will support in economic development of the nation. It is projected that GST will support in formation of single, uniform market that will assist both corporate sector and the Indian economy. Both the State and the Central Government will charge GST on nearly all goods and services formed in India or imported into the nation. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's levy structure, extravagant and make a similar market across states. GST will replace different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entrance Tax, Tax and Duties on power, Tax on Goods and Customers and agreement cost will fall which will lead in receiving life simpler. This procedure will assistance to rise India's tax-to-gross domestic product ratio.

Small Scale industries play an important role in the development of Indian economy. Forthcoming government idea to introducing GST bill should additional boost the ease of doing business in India.

SMEs are the main provider in encouraging balanced monetary development. It negates the effects of huge enterprises and delivers all round development for the country. They have helped in

industrializing the rural and backward areas by providing employment and other opportunities to reduce regional imbalance that has assured an equal distribution of income.

Statement of the problem

India has been gradually attempting to change towards a levy structure that is simple, reasonable, coherent and easy to manage and conform with. At the essential level, the move has been to bring down the charges – both excise and customs, reduce the number of rates, accurate differences, get clear of the difficulties in the scheme and on the whole reduce the interface with the government. In addition to ancillary taxes levied by the centre, states are authorized to levy certain secondary taxes and sales tax procedures major part of revenue for almost all states.

There was wide difference in sales tax rates of the same commodity in different states. In the prevailing sales tax structure, there are difficulties of double taxation of commodities and multiplicity of taxes, resulting in a cascading tax burden.

The viable solution found was to shift to estimations based GST. Revenue growth is the most important aspect by which to judge the success of GST in India in general and Small Scale industries in Thanjavur city in particular. To measure the impact of GST, it is essential to study the various manufacturing sectors and the impact on the profitability of the sectors.

This study helps to identify the strengths and weaknesses of implementation on GST in SSI units.

Objectives of the study

- 1) To analyze the effect of GST on SSI
- 2) To study the limitation of GST on commercial regulation of SSI.
- 3) To study the influence of knowledge with respect to GST.
- 4) To study the problems and prospects of administration of the planned Goods and Services Tax (GST).
- 5) To study the clear opinions among the small scale manufactures about the Goods and Services Tax (GST).
- 6) To study the Challenges faced by the small and medium enterprises in Thanjavur after the implementation of Goods and Service Tax (GST)

Data Collection

Primary Data

Primary data was collected with an aid of a Structure questionnaire distributed through online channels via google forms, email, and manually at different small scale industries to fill in the questionnaire on the voluntary basis.

Secondary Data

Secondary data was collected from the internet, articles from scholarly journals and books to have in depth understand of the topic and help constitute and validate the survey questions. The questionnaire was designed to collect data about the impact of GST on Small scale industries in Thanjavur City.

Sample size

A total of 75 responses were collected from respondents. Convenience sampling technique was adopted for this study.

Scope of the study

The study was conducted to analyze the impact of the implementation of goods and service tax. It covered the views of the small scale manufacturers in Thanjavur City. It conveyed to light the

helpful and non-beneficial influences of GST. The old tax regime needs new businesspersons to get VAT registration for each state separately, with each state taking its own rules. However GST too needs businesses to register in each state, the guidelines for GST are more uniform and drawn clearly on the portal.

This will make it easier to set up a Small scale enterprise. The study is based on the views expressed by the small scale entrepreneurs in Thanjavur city about the impact of the implementation of Goods and service tax on their business.

Limitations of the study

1. This research is carried out in Thanjavur city only therefore, research can be extended to other cities of Tamil Nadu.
2. The sample of respondent in Thanjavur city limits the findings since, people mind set about the survey was obstacles in acquiring complete information.
3. The result and findings are based on the opinion of the respondents and it cannot be generalized.

Review of Literature

Mansor, (2013)¹ GST has always been measured as a tool in the hands of any Government to increase income. The Malaysian Government introduced the said tax in Malaysia in order to decrease its budget shortage. The authors in his article have discussed the willingness of the Malaysian economy in accepting the said newly introduced GST along with the responses of various units of the society.

Tara Jayalakshmi (2018)² in her study determines that there is a liberal attitude towards GST but there is some insight of price hike for certain products due to GST. But there is no difference between the consumers in the perception according to Gender, age, Education qualification and income level. There is less initiative by the consumers and the key sources of information are from friends and relatives and social media. Finally the author concluded that the majority of the consumers not think that GST is a political issue and they have faced some fraudulent activities after implementing GST.

Herekar, (2012)³ The Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the chairman of the Task Force. The main task of the Task Force was to evaluate the impact of the proposed GST on the Indian economy. The author in the paper has studied the different parts of GST and their impact on the common man, the business and the economy. The author has concluded based on secondary data that if GST is introduced in India, it would have a positive impact on the overall economy.

Data Analysis and Interpretation

Table - 1

TYPE OF INDUSTRIES

S. No	Opinion	No. of. Respondents	Percentage
1	Manufacturing sector	42	56
2	Service sector	33	44
Total		75	100

- ✓ The above table inferred that 56% of the respondents come under manufacturing sector

Table – 2
SATISFACTION LEVEL OF IMPLEMENTATION OF GST

S. No	Implementation of GST	No. of. Respondents	Percentage
1	Highly satisfied	22	30
2	Satisfied	30	40
3	Neutral	14	19
4	Dissatisfied	7	19
5	Highly satisfied	2	3
Total		75	100

- ✓ The above table found that 40% of the respondents opined that they are satisfied the implementing GST.

Table – 3
SUFFICIENT KNOWLEDGE ON THE UPDATED GST

S.no	Opinion	No. of. Respondents	Percentage
1	Yes	60	80
2	No	15	20
Total		75	100

- ✓ It is inferred that majority (80%) of the respondents have sufficient knowledge about updated GST

Table – 4
GST WILL BE BURDEN THE PEOPLE/CONSUMER

S.no	Opinion	No.of. Respondents	Percentage
1	Yes	21	28
2	No	54	72
Total		75	100

- ✓ It is Inferred majority (72%) of the respondents opined that the GST is not Burden the people /consumer.

Table – 5
OPINION BASED ON GST RETURN FILED

S.no	Opinion	No. of. Respondents	Percentage
1	Self	4	5
2	Auditor	71	95
Total		75	100

- ✓ The above table shows that majority 95% of the respondents GST return filled by auditor

Table – 6
MODE OF FILLING UTILITY

S.no	Mode of return filling utility	No.of. respondents	Percentage
1	GSTN Portal online/offline	49	65
2	Other Software Package	16	21
3	Both	10	13
Total		75	100

✓ The above table inferred that more than half (65%) of the respondents stated that the mode of return filling utility is GSTN portal online/offline

✓ **Table – 7**
MODE OF PAYMENT

S.no	Mode of payment	No.of.respondents	Percentage
1	Cash	24	37
2	Cheque/NEFT	17	23
3	Both	10	40
Total		51	100

✓ The above table inferred that less than half (37%) of the respondents stated that their payment mode is cash.

Table – 8
GST ELIMINATES MULTIPLE TAXES

S.no	Opinion	No.of.respondents	Percentage
1	Yes	62	83
2	No	13	17
Total		75	100

✓ 83% of the respondents opined that the GST eliminates multiple taxes.

Table – 9
GST LEADS TO SUSTAINABLE GROWTH IN ECONOMY IN SSI UNIT

S.No	OPINION	NO.OF.RESPONDENTS	PERCENTAGE
1	Yes	59	79
2	No	16	21
Total		75	100

✓ The above table inferred that 79% of the respondents agree that the GST lead to sustainable growth in economy in SSI unit.

Table – 10
TO TEST THE RELATIONSHIP BETWEEN THE COMPANY
And implementation of gst

Null Hypothesis (Ho): That there is no significant association between the ownership of the company

Type of ownership	Implementation of GST					Total	Inferences
	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied		
Proprietary	10	25	10	2	1	48	$\chi^2=61.584$ 9 $\chi^2_{0.05}$ at 12 is =21.0
Partnership firm	12	2	2	0	0	16	
Company	0	3	2	1	0	6	
Others	0	0	0	4	1	5	
Total	22	30	14	7	2	75	

and implementation of GST.

Alternative Hypothesis(Ha): That there is a significant association between the ownership of the company and implementation of GST.

Conclusion

Since, the calculated value of χ^2 is greater than the table value. Hence, alternative hypothesis is accepted. So, it concludes that there is a significant association between company and implementation of GST.

Suggestion

The implementation of goods and service tax (GST) an impact on business with some modification on certain area. First led change in their business software since entire billing system was revised with the pace of change in price of goods and service, secondly registration of SSI under small scale industries become mind story in order to file their tax return, thirdly GST led to reduction in Paper work. Since everything through online portals and finally customer satisfaction become very big question since hike in price especially service sectors like hotels, restaurants faced big issue due to new tax system selling and buying would be electronically matched every month, availing of input tax credit by the buyer would be based on the compliance of the supplier any failure by the supplier to declare his outward supplies correctly would lead to mismatch of return leading to reversal of credits availed by the SSE so, the invoice bill properly enter into the month. Government should give training, seminars, for the growth of SSE Sector they provide awareness about the benefit available to because of GST.

Conclusion

From this study it become clear that the application of GST has both positive and negative impact on SSI unit since, small scale business could not simply make alteration on their whole business with the light of new scheme though GST make life simpler for small scale in the reduction in tax rate and uniformity across all states and removal of entry tax their concerns capacity include obedience costs and frequent return. The distinction between the service and goods will be gone and this will make compliance easier. Small scale industries had uncertainties about transition to GST and getting used to the new regime within a short period of time. Also there are a lot of private firm and even government of India is trying to create awareness about the new change and development. Since

GST is a destination based tax both imported goods and goods manufactured locally will be paying the destination based tax ,both imported goods and goods manufacturing in India without any doubt, in the long term GST is expected have a positive impact on small scale industries and the Indian economy as a whole.

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