

# “UNDERSTANDING GST AND ITS IMPACT ON NATIONAL STOCK EXCHANGE: AN EVENT STUDY”

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## **Abstract :**

The financial market always increases or decreases due to some information. At present, stock markets have been showing extremely unpredictable movement, which is only due to new pieces of information, and news or events. The economy of any country is evaluated by the stock market and this stock market depends on factors such as, politics, Taxation policy, inflation, interest rate, exchange rate, GDP, GNP, changes in ruling parties, elections, etc. On July 1st, 2017, India reached a significant milestone with the implementation of the Goods and Services Tax (GST). This momentous occasion signified a historic moment in the nation's history, bringing to fruition a 14-year endeavor that began in December 2002 when the Kelkar Task Force on indirect taxes recommended a comprehensive GST framework grounded in the value-added tax principle. This paper analyses the share price performance around National elections in India for short term over period of 3, 5, 7, 15 days pre post period over the implementation of GST. We investigate shareholders' returns around national elections for 50 companies of NSE NIFTY, NIFTY NEXT50, MIDCAP50 AND SMALLCAP 100. Stock prices have been observed over different event windows for the short term like (-3, +3), (-5, +5), (-7, +7) (-15, +15) days around the event date (election date). SPSS software has been used to analyze the data and the test applied is paired T-test.

**Key words: Good & Service Tax, Nifty, paired T-test.**

## **INTRODUCTION**

The proposal to introduce GST was initially put forth in the budget speech during the financial year 2006-07, as it entailed the restructuring and reform of not only the indirect taxes imposed by the Centre but also those by the states. The responsibility for devising a design and action plan for GST implementation was delegated to the empowered committee of state finance ministers, which had been established prior to the implementation of the value-added tax. This committee issued its inaugural discussion paper on goods and services tax in November 2009. The implementation of GST marked a significant milestone for India. GST has already been adopted by numerous countries worldwide, with many others in the pipeline. While the concept of GST is complex, it undeniably simplifies the intricate tax structure, thereby fostering economic growth in a country (Dani, 2016). GST is a tax levied at multiple stages of goods production and distribution. It is a unified tax collected by both the central and state governments for the consumption or supply of goods and services within a state or union territory. GST is a comprehensive tax system that encompasses the manufacturing, sale, and consumption of goods and services at a national level (The Economic Times, 2009).

Payne (1990), in his paper preceding the implementation of GST in Canada, noted that the implementation of GST would directly benefit U.S. exporters. He further asserted that due to the transparent nature of GST, it would facilitate easier trade for exporters.

## **LITERATURE REVIEW**

Roy (2017) endeavored to conduct a conceptual assessment of the Goods and Services Tax implemented in India starting from July 1, 2017. Additionally, he proposed that the Goods and Services Tax, acting as a replacement for indirect taxes in India, would stimulate economic activity, consequently fostering development initiatives.

Rungta (2017) examined the influence of the Goods and Services Tax on small and medium-sized businesses (SMBs) and small and medium-sized enterprises (SMEs). His research underscores the importance of GST for the sustained growth of small businesses. Additionally, he suggests that once the initial costs associated with adopting new technologies and financial services are absorbed, the prices of products and services will naturally decrease. This, in turn, will support the long-term viability of small businesses and open up new avenues for growth.

The Financial Express (2017), in its analysis of the impact of GST on infrastructure, underscores that the imposition of credit restrictions could negatively affect the infrastructure sector. It further indicates that the potential adverse effects of a higher GST rate on work contracts could be mitigated by Input Tax Credit (ITC), contingent upon the provision of a clear and comprehensive explanation for the aforementioned credit restrictions.

Gupta (2015) conducted a study on the issue of double taxation in India, aiming to identify solutions for the problem of income double taxation. The study confirms the necessity for reforming the Indian tax structure.

## **3. MATERIALS AND METHODS**

### **3.1 Objectives of the Study was:**

- To Study on Goods and Service Tax on Selected Indices Of NSE.
- To analyse the impact of goods and service Tax on share price during the pre and post announcement period.
- To examine the extent of influence of Good and service tax.

### **3.2 Data Collection:**

This study used secondary data for the year 2017. The GST was implemented in the years 2017 and daily prices of NIFTY, NIFTY NEXT50, MIDCAP 50 and MIDCAP100.

### **Research Hypothesis**

Ho: There is no significant impact of GST on stock prices.

H1: There is significant impact of GST on stock prices.

**Data Analysis:**

In this paper, analysis of data is done through correlation and Paired T-Test.

**Analysis and Interpretation**

Sr. No	Particulars		Pre-event Window			
			T-3	T-5	T-7	T -15
1	<b>NIFTY</b>	T TABULATED	4.302653	2.77644510	2.7764451	2.144786
		T CALCULATED	-27.7441	-5.2500031	-5.250003	-4.98698.
		HYPOTHESIS	Accepted	Accepted	Accepted	Accepted
2	<b>NIFTY NEXT50</b>	T TABULATED	4.3026527	2.77644	2.446912	2.144787
		T CALCULATED	-30.4461	-9.72645	-3.47643	-5.05009
		HYPOTHESIS	Accepted	Accepted	Accepted	Accepted
3	<b>NIFTY MIDCAP50</b>	T TABULATED	4.302653	2.776445	2.446912	2.114787
		T CALCULATED	-6.9329	-6.9684	-2.97651	-4.14052
		HYPOTHESIS	Accepted	Accepted	Accepted	Accepted
4	<b>NIFTY MIDCAP100</b>	T TABULATED	4.302653	2.776445	2.446912	2.144787
		T CALCULATED	-4.21814.	-7.55728	-2.88381.	-5.52899.
		HYPOTHESIS	Accepted	Accepted	Accepted	Accepted

**Table - T- Tabulated value and T- Calculated value of NIFTY, NIFTY50. NIFTY MIDCAP50. NIFTY MIDCAP100 over the Different Event Windows**

**FINDING**

In the above table of paired t test sample statistic, the pair of variables being tested and in order the above table the mean showing the average difference between the two variables, the standard deviation shows the deviation of different scores and df shows the degree of freedom for this test. The 2-tailed Tabulated value of all the pairs came out to be greater than T critical value there by accepting the null hypothesis. So can we conclude that there is no statistically significant difference between NSE selected indices of pre and post GST.

From Paired T-test it has been found that the data of pre and post selected indices are not normally distributed. Also, in paired T Test sample statistic it is being found that the 2-tailed Tabulated value of all the pairs came out to be greater than T critical value there by accepting the null hypothesis. So can we conclude that there is no statistically significant difference between NSE selected indices of pre and post GST implementation.

**CONCLUSION**

The Goods and service tax is consolidated tax based on a uniform rate of tax fixed for both service and payable at the final point of consumption. Create centre of people and its benefits for the society, It give Transparency to tax systems. It Reduce multiplicity of taxes every new Law faces a million challenges in its initial phases, it is challenging for small businessman who were not used with online filings and formalities.

The study describes the impact of goods and service tax on selected indices of NSE. Using secondary data of Index NIFTY 50, NIFTY NEXT 50, NIFTY MIDCAP 50 And NIFTY SMALL CAP 100. The result observed from pre and post window comparison and found analysis that there is no significant impact of GST on stock indices in short period of time because NSE indices covers many companies which have a great potential and large market capitalization.

The result shows that that no relation between pre and post affect of GST on stock price of indices for a short period under study. It would have an impact on stock market in long run but not in short run it helps investors who study on stock market indices in various historical moves.

The results of the study provide fresh evidences on our understanding about impacts of structural changes on stock market in short run to regulators, potential investors and high net worth individuals.

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