



# The Impact Of The Goods And Services Tax (GST) Act: A Study Of Gwalior District

\*Renu Hindoliya, \*\* Dr. Praveen Ojha, \*\*\*Dr. P. K. Bansal

\* Research Scholar School of Commerce & Business Studies, Jiwaji University Gwalior

\*\* Professor in Commerce, Dr. Bhagwat Sahay Government College, Gwalior

\*\*\* Professor in Commerce, Kamla Raja Girls Government P G College, Gwalior

## Abstract

This research paper investigates the implications of the Goods and Services Tax (GST) Act in Gwalior District in the aftermath of the COVID-19 pandemic. Implemented on July 1, 2017, GST was designed to unify the indirect tax system in India. However, the pandemic disrupted economic activities significantly, challenging businesses and altering consumer behavior. This study employs a mixed-method approach, combining qualitative interviews with local business owners and quantitative analysis of GST revenue data, to assess GST's effectiveness in facilitating economic recovery. The findings indicate a need for reforms in the GST framework to support sustainable growth in the post-pandemic economy.

**Keywords :** Goods and Services Tax, GST, COVID-19, Gwalior, Economic Recovery, Fiscal Policy

## Introduction

The introduction of the Goods and Services Tax (GST) marked a significant change in India's tax landscape, aiming to simplify tax compliance and reduce the cascading tax effect. GST replaced multiple indirect taxes with a single tax system, intended to streamline the taxation process for businesses and consumers alike. However, the COVID-19 pandemic posed unprecedented challenges, disrupting economic activities and putting pressure on the GST framework.

In Gwalior District, businesses, particularly small and medium enterprises (SMEs), faced operational difficulties due to lockdowns, supply chain disruptions, and changes in consumer behavior. As the region seeks to recover, it is crucial to evaluate the effectiveness of the GST Act in promoting economic recovery. This research paper explores the implications of GST post-COVID-19, focusing on its impact on local

businesses, government revenue, and consumer behavior. The Goods and Services Tax is a multistage value added tax which is applied on the sale of goods and services. The main aim of this taxation system is to curb the cascading effect of other indirect taxes and is applicable throughout India. GST means the Goods and Services Levy levied by the Government to replace all indirect taxes. In 2004, the Kelkar Committee working group on the application of the Fiscal and Budget Control Act of 2003 found the concept of GST in India.

The Kelkar Committee was pleased that nearly all products and services can be taxed via a dual GST framework. Under the goods and service tax scheme, the individual is liable to pay the production tax and to be entitled to an input tax credit levied and a value-added tax only. The main objective of GST is to minimize cascading impact, i.e. tax that would render

products and services competitive in domestic and international markets. The scheme GST is focused on the integration of multiple taxes and is likely to offer maximum credit for input tax. GST is a systematic method of indirect tax levying and collection for both Central and State governments in India that replaced the taxes levied. In compliance with input tax credit methods, GST is assessed and obtained at each point of the selling or procurement of products or services. Under this system, GST-registered commercial houses are entitled to claim, for their day to-day businesses, a loan for the tax they pay on the purchase of goods and services.

### **Literature Review**

The literature on GST in India highlights both its advantages and challenges. Early studies, such as those by Kumar and Singh (2020), suggest that GST simplifies the tax structure, enhances compliance, and increases revenue. However, the pandemic revealed vulnerabilities in this system. Sharma (2021) indicates that many businesses struggled with compliance due to supply chain issues and a sudden shift to digital transactions.

Dr. Agrawal Yogesh Kailashchandra (2017) in his study, Goods and Services Tax and Its Impact on Indian Economy state that GST has a good and bad effect on the Indian economy. The study found that the GST mechanism is designed in such a way that it is expected to generate a good amount of revenue for both central and state governments. Regarding corporate, businessmen, and service providers it will be beneficial in long run. It will bring transparency in the collection of indirect taxes benefiting both the Government and the people of India.

Sandhu Vikram and Atwal Heena (2019) in his research Goods and Services Tax: Issues and Challenges in India find that since GST is still in its early stages, it has its own set of issues and challenges. However, if this system is executed correctly and efficiently it may aid in the Improvement of our countries financial and economic understanding. This system is said to be a more transparent and better version of the taxation system. However, only time will tell how much of an effect it has and how relevant it is.

Kumar, Mohan. R (2019) concludes that GST would also reduce the cascading effect of taxes, as he examines the Impact of Goods and Services Tax on Indian Economy, India is expected to play a significant role in the global economy in the coming years. GST is expected to be implemented not just in the nation, but also in the neighboring countries and developed economies across the world. Only when the whole nation works together to make it a success will it become nice and easy. In addition to the current situation, the new taxation system has a slew of other effects on the economy that may help businesses thrive.

Kaur, Harjinder (2021) the researcher discusses the Public Awareness, Knowledge and Understanding of GST in India in his study entitled, Public Awareness, Knowledge and Understanding of GST in India. The government should adequately plan and procedure for the success of the implementation of GST, public education and community participation according to the findings. The goal of the GST is to make the existing indirect tax system easier to understand and comply with.

M. Rajeshwari M. Shettar (2022) the researcher concludes that GST is one of the important steps toward indirect tax reform in India after the independence. The different sectors like industry, business including government department and services sector would have been impacted by GST.

Bansal and Gupta (2022) advocate for integrating GST reforms into broader economic recovery strategies, highlighting the importance of stakeholder engagement. This literature review emphasizes the necessity of understanding GST's implications in Gwalior District as the region navigates recovery from the COVID-19 crisis.

### Research Methodology

This study employs a mixed-method approach, integrating qualitative and quantitative research to analyze the impact of the GST Act in Gwalior District. Qualitative data was gathered through in-depth interviews with local business owners across various sectors, exploring their experiences with GST compliance.

Quantitative analysis was conducted on GST revenue data from Gwalior District. This comprehensive methodology enables a nuanced understanding of the GST's role in economic recovery in Gwalior.

**Table No.1 Descriptive Analysis**

Particulars	Description	Frequency	Percentage
Age	18 Years-35 Years	280	35
	36 Years-55 Years	320	40
	Above 55 Years	200	25
Marital status	Married	460	57.5
	Unmarried	340	42.5
Qualification	Literate	360	45

	Illiterate	440	55
Types of Business	10000-20000		
	20000-30000		
	30000 and above		
Are you satisfied with your products tax rate slab?	Yes	32	32
	No	68	68
State the turnover after the implementation of GST	Increased	10	10
	Decreased	85	85
	No change	5	5
Has your Earnings / profit increased after GST implementation in India	Yes	28	28
	No	72	72
Do you think tax burden increased after GST?	Yes	83	83
	No	17	17
Did you face technical glitches (problems) while filing for the GST return?	Yes	73	73
	No	27	27
Is GST return filing process simple?	Yes	82	82
	No	18	18

**Table No.2 Tax Revenue Analysis Before and After GST**

Sector	Pre-GST Tax (%)	Post-GST Tax (%)	Change in Cost	Compliance Challenges
Textile & Apparel	12.5	5	Decreased	Difficulty in Filing GST
Auto Parts	28	18	Decreased	High Compliance Cost
Food Processing	9	12	Increased	Increased Documentation
Handicrafts	0	12	Increased	Issues with Digital Filing

**Table No.3 Tax Revenue Comparison Before and After GST Implementation**

Fiscal Year	Pre-GST Revenue (INR Crores)	Post-GST Revenue (INR Crores)	% Change in Revenue
2015-2016	75	-	-
2016-2017	80	-	-
2017-2018 (Post-GST)	-	95	+18.75%
2018-2019	-	102	+7.37%

**Table No.4 Comparison of Compliance Ease Pre- and Post-GST**

Compliance Category	Pre-GST Ease (Scale of 1-5)	Post-GST Ease (Scale of 1-5)	Challenges Noted
Filing Monthly Returns	4	2	Digital Literacy, Infrastructure Issues
Invoice Matching	3	3	Confusion Over Input Tax Credit (ITC) Rules
Annual Auditing	4	2	Frequent Changes in Compliance Requirements
Digital Documentation	5	3	Need for Technological Upgradation

**Analysis of research done**

1. Uniformity of Tax rates: After GST is introduced in India there is uniform tax rate in all over the country. As before GST regime different States have different tax rates, but now whole of India has same tax rate slabs.
2. Removal of Cascading effect: Cascading effect is removed after GST implementation due to which prices of many products are decreased.
3. Higher Revenue: Revenue collected after GST is implemented in India breaks all records. Tax compliance has brought most of them under tax net which earlier before GST regime are doing business without paying taxes.
4. Ease of starting business: A business having operations in various states needs VAT registration. As there are different tax rules in different states, this makes the entire procedure very complex and therefore high procedural fees are incurred. With GST, the procedure is uniform, there is uniform payment of fees and also there is a tax structure which is uniform in all states.

5. There is improved logistics & also faster delivery of services: No entry tax will be levied for goods manufactured or sold in any part of India. As a consequence, delivery of goods at interstate points & toll check posts will be expedited.

## Findings and Analysis

The findings reveal critical insights into the impact of GST on businesses and revenue in Gwalior District post-pandemic.

**Business Compliance:** Many local businesses reported difficulties in complying with GST regulations due to operational disruptions. Interviews indicated that SMEs particularly struggled with the transition to digital compliance and technology adoption, which hindered their ability to maintain efficient operations.

**Revenue Trends:** Analysis of GST revenue collections showed a gradual recovery beginning in late 2021. Initial revenue declines due to lockdown measures were followed by a rebound as businesses adapted. Sectors like e-commerce experienced notable growth in GST contributions, reflecting changing consumer behavior.

**Consumer Behavior:** Surveys indicated a significant shift toward online shopping, with consumers becoming more aware of GST's impact on pricing. This change necessitated that businesses adapt their compliance and marketing strategies to engage effectively with consumers in a digital economy.

## Implications

The implications of this research are crucial for businesses, consumers, and policymakers:

**Business Operations:** Local businesses must prioritize digital transformation to streamline GST compliance. Government initiatives supporting SMEs, such as training and simplified filing procedures, are essential to enhance operational efficiency.

**Consumer Behavior:** The shift in consumer preferences necessitates that businesses improve their digital presence and adapt compliance strategies. Increased consumer awareness of GST impacts pricing, suggesting the need for transparency in communication.

**Government Policy:** Policymakers should consider flexibility in GST regulations to support sectors heavily impacted by COVID-19. Ongoing reforms are necessary to address compliance challenges and improve revenue generation strategies, ensuring the GST framework can adapt to future economic disruptions.

## Conclusion

In conclusion, the GST Act has played a significant role in the economic recovery of Gwalior District post-COVID-19. While it has enhanced revenue generation, the challenges highlighted by businesses underscore the need for ongoing reforms and support systems. This study emphasizes the importance of adapting to evolving consumer behaviors and ensuring businesses can comply with GST regulations in a digital landscape.

Future research should explore long-term GST impacts in a post-pandemic context, providing insights into refining its implementation to benefit all stakeholders. By addressing identified challenges and leveraging emerging opportunities, stakeholders can collaboratively build a resilient economic future for Gwalior District.

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