

IMPACT OF GST ON SMALL SCALE INDUSTRIES (THANE REGION)

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Abstract:

GST (Goods and service tax) is major tax reform, in indirect tax structure of India since Independence. It was designed to provide the support and enhancing the economic growth of India. The idea to set up GST in India was developed by Atal Bihari Vajpayee government in 2000, but the establishment of GST is not so simple as it came into force on July 1, 2017 after so many amendments in it. Prior to this date, the system to collect indirect tax is as complex as there are different heads of Indirect taxes but GST introduces the system which unifies 17 heads of Indirect taxes into one single head. At present, taxes are levied on the goods and services by the GST upon the Education sector of India. GST will change the tax architecture between state & centre. This paper is designed to provide an overview of the impact of GST on insurance industry as well as policyholders. This paper is made using exploratory research methodology using secondary data. The study lends information that the insurance industry is also not going to remain untouched from its impact. It will certainly be going to have an impact on the insurance industry as well as policy holders.

Keywords: *GST, Education, Insurance Sector, Policy holders.*

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Introduction:

There are many economic variables which bring the ups and down in the growth of an economy. Now GST is considered an important instrument in the process of economic growth. GST can be defined as a tax on goods and services, which is exercised when transferred from one location to other or at each point of the sale or provision of services. GST is an indirect tax throughout India to replace taxes levied by the central & state governments. **The concept of GST appeared first time in India in 2006-2007 Union Budget Speech.** GST is also known as Harmonized Sales Tax. For layman GST is a single comprehensive tax levied on both goods & services consumed in an economy.

Review of Literature:

☞ **Vasanthagopal - 2011** has led to GST value in comparison to VAT. The review by **(Morrissey 2003)** states that under, GST the taxation will be equitable divided among manufacturers and the service providers, also a low value of tax will be charged in comparison to existing tax system. It is to be noted that GST is implemented in **more than 150 countries** around the globe and the value of GST is directly reflecting on the economy of the countries where GST is implemented in positive way.

Objectives of the Study:

- ✓ To understand the concept of goods and services tax
- ✓ To know about the awareness frequency of Small Scale Entrepreneurs towards GST.

✓ To analyze the Challenges of GST on Small Scale Industry.

Hypothesis of the Study:

∅ **Hypothesis 1:** The common people are unaware about GST in India (confined to unified taxation.)

∅ **Hypothesis 2.** The common people is afraid of High market possibility & Hike in prices due to increased taxation due to GST implementation.

Research Methodology:

The methodology of the study includes sampling, data collection & data some tools used in this study.

∅ **Sampling:** The samples are collected from 50 small scale entrepreneurs from Thane Region.

∅ **Collection data:** The research study is based on primary as well as secondary data. The Primary data is collected from Entrepreneurs of Thane Region.

∅ **Tools utilized :** 1) Simple percentage method
2) Ranking Analysis.

Simple Percentage Method: It refers to the Special Type of rate which help in comparing between sources of two data.

$$P=X/Y *100$$

Where x = No of Respondents falling in a Specific category to be measured.

Where y = Total No of Respondents

Need of the Study:

This Research is mainly done to know about tax rates of the small scale enterprises after the implementation of the GST & also to know whether the turnover is been increased or not.

Data Interpretation collected from Small Scale Entrepreneurs (Thane Region) Maharashtra:

100 Response has been collected from different small scale entrepreneurs from thane region i.e. Maharashtra

TABLE: 1

Analysis and Interpretation Percentage Analysis Method:

SR.NO	AGE	NO OF RESPONDENTS	PERCENTAGE
1	21 - 25	25	25%
2	25-30	23	23%
3	30-35	27	27%
4	35-40	25	25%
	TOTAL	100	

Description: The above table: 1 show the age of response 25% from age group of 21-25, 23% from age group of 25-30 , 27% from age group of 30-35 & 25% from age group of 35-40.

TABLE: 2

Analysis and Interpretation Percentage Analysis Method:

SR.NO	TURNOVER	NO OF RESPONDENTS	PERCENTAGE
1	5 – 10 LAKH	33	33%
2	10-15 LAKH	47	47%
3	15-20 LAKH	13	13%
4	20- 25 LAKH	7	7%
	TOTAL	100	

Description: The above table: 2 show the age of response 33% from age group of 21-25, 47% from age group of 25-30, 13% from age group of 30-35 & 7% from age group of 35-40.

TABLE: 3

Analysis and Interpretation Percentage Analysis Method:

SR.NO	UPDATION OF SOFTWARE	NO OF RESPONDENTS	PERCENTAGE
1	21 - 25	18	18%
2	25-30	25	25%
3	30-35	33	33%
4	35-40	24	24%
	TOTAL	100	

Description: The above table: 3 show the age of response 18% from age group of 21-25, 25% from age group of 25-30, 33% from age group of 30-35 & 24% from age group of 35-40.

Challenges faced by Small Scale Entrepreneurs:

- 1) **Filing of GST Return is Complicated:** The SME has been facing issue towards GST return filing & adopting the necessary requirements to comply with the new system of indirect taxation. Filing three returns in a month / registration rules / complex refund rules and many other compliance issues that worrying the entrepreneur.
- 2) **Blockage of Working Capital:** Liquidity crunch is major challenge faced by small businesses and particularly exporter's area. In GST funds will be maintained in form of an electronic credit ledger with GST department. Electronic Credit ledger will keep record of all your tax liabilities / Refundable.
- 3) Rates have been increased from 15% to 18% which will force the taxpayers in various sector to face some blockage of working capital. Government is currently working towards to this problem because working capital is very important for day to day cash flow and particularly for smooth functioning of small new businesses.
- 4) **GST Compliances through Online Mode:** It has been proved to be very difficult task for small & medium businesses as most of them facing technical resources There are many ASP that will help will make ensure towards small businesses end-to-end GST various compliance without facing requirement of a continuous internet connection.
- 5) To overcome & to resolve the issue taxpayers can go for opt ASPs which can integrate with simple book keeping options, as basic as Microsoft Excel. Entrepreneurs can easily Track their all business transaction details. Internet connection will be required for 5 minutes time so that they can upload the excel sheet on the respective ASPs platform & file their returns. The internet connection will help upload the excel data from ASP to GSTN.
- 6) **GTA {Goods Transport Agencies} facing problem of providing services from URD (Unregistered Dealers):** In order to help the GTAs in this aspect and ease their GST compliance the GST council decided that services provided by GTA to an unregistered person will be exempt from GST. However the implementations of TDS/TCS provisions & e-way bill have also been postponed.

SWOC Analysis on Impact of GST on Indian Economy are as Follows:

❖ **Strength:**

- ☞ Before, Indirect taxes are available, so indirect taxes were charged as VAT charge, service Tax etc. But from now, only a single taxation bill will be generated.
- ☞ People who are fed up with paying the high amount of products, now GST Bill is helpful for them. Because the cost of the products and services would be reduced.
- ☞ And also it will reduce some burden for both governments, currently; separate taxes are collected on Goods and Services..

❖ **Weakness:**

- ☞ Many analysts have been criticizing the model of goods and services tax (GST) from different points of view, one of the reasons being the collection of revenue has not been as expected. First, analysts say that

GST is essentially a flat tax & by not designing it as a flat tax, there has been a mistake.

❖ **Opportunities:**

- ☞ Development of Market: On all the same time, Goods and services tax would not be charged like other indirect taxes.
- ☞ GST bill has discharged to form common market across the states & it also developed to improve the various indirect tax compliance.

❖ **Challenges Will Be Faced After Implementation of GST:**

As Professor Byron Sharp regards “Bad news sells papers, it also sells market research”. Before as well as after GST implementation the stakeholders (like Wholesalers, retailers, service providers, common publics) presumed, there is a hike in the prices of all goods and services irrespective of having knowledge about the GST and its general rules and regulations. So the purpose or objectives of this study aims at finding out the answers for the following questions. Such as,

- ☞ Do the Respondents are rational about GST? Or Do the respondents are really clear about the applicability and impact of GST?
- ☞ According to respondents, who are actually benefited from GST implementation? And their opinion regarding different rates of Tax that exist under GST.
- ☞ Is GST is more effective form of Taxation than the pre-GST method of Taxation?
- ☞ What are the practical issues that the respondents are facing after GST implementation?
- ☞ Is Government achieved the forecasted targets through GST implementation

Limitation of Study:

The Study was limited to certain small scale enterprises in Thane Region (Maharashtra). This Study was restricted for over all industries existing under small scale enterprises for individual industrial.

Findings:

Analysis and Interpretation Percentage Analysis Method:

SR.NO	TURNOVER STATUS	NO OF RESPONDENTS	PERCENTAGE
1	21 - 25	Increased - 27	27%
2	25-30	Partial Change - 38	38%
3	30-35	Partial Decrease - 21	21%
4	35-40	Decreased - 14	14%
	TOTAL	100	

Description: The above table show the age of response 27% from age group of 21-25 having turnover around 21-25 lakh , 38% from age group of 25-30 having turnover around 25-30 lakh , 21% from age group of 30-35 having turnover around 30-35 lakh & 14% from age group of 35-40 having turnover around 35-40 lakh.

Suggestion: While making research paper on Impact of GST on Small Scale Industries (Thane Region)

Maharashtra.

- ☞ Equitable allocation of raw material Imported Components and its Equipment.
- ☞ Improvement in the Method & technique of Production.
- ☞ Provision for adequate working capital finance
- ☞ Proper way of marketing assistance
- ☞ Proper way of Industrial Training education
- ☞ Demarcating spheres for large scale & Small Scale Industrial units.

Conclusion:

A Single taxation system would encourage new businesses & entrepreneurs to engage in various service &

manufacturing sector. GST levied only on consumption of goods & services .This leads to eliminate economic distortions in taxation amongst states and also helps in free movement of goods, further it also minimize the complexity of various taxation. It will also be beneficial to all individuals as the prices will go down due to GST & decrease in price leads to increase in consumption and directly increase the GDP. GST will increase the investment in FDIs which increase the foreign exchange of the country and indirectly increase the employment opportunities. It will promote & encourage small scale entrepreneurs towards new startups in India for its business-friendly tax structure.

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