

Goods and Services Tax: Benefits and its Impact on Indian Economy

Dr. Jamil Ahmad

Assistant Professor, Department of Economics, Aligarh Muslim University Aligarh, Uttar Pradesh, INDIA

Corresponding Author: jamilahmad786@gmail.com

ABSTRACT

The Goods and Services Tax, or GST, took effect on July 1, 2017. The new tax system was designed to replace all current indirect taxes with a single, comprehensive tax. The Products and Services Tax (GST) is a consumption tax imposed on goods and services depending on their final destination (Bhushan Satya). Simply said, GST is a single tax that applies to the delivery of goods and services from the producer to the end user. In a nutshell, it's a tax imposed solely on value addition, with input tax credits transferred to successive stages of value addition, implying that the ultimate tax burden would fall on the end user of products or services.

The anticipated advantages of implementing the GST are that it would decrease the cascading impact of taxes, i.e. it will eliminate tax on tax. It was also anticipated to stimulate demand for products and the elimination of a number of indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise, among others, which would help to improve the Indian economy in the long term.

This paper tries to highlight the cost and benefits bear by the economy due to implementation of the GST. The paper also tries to find out the expected rate of growth of economy after the GST. Finally, the study tries to conclude that how it would be disrupted and benefits the economy in the long run.

Keywords-- GST, Economic Growth, GST Collection

I. INTRODUCTION

The Goods and Services Tax (GST), the world's largest tax reform, is now a part of the Indian economy. The Products and Services Tax (GST) is a tax imposed on the manufacture and sale of goods and services in the United States. Every step of the production process is subject to the tax. Both the consumer and the manufacturer are subject to GST. It's a tax that's dependent on where you go. This indicates that GST will be collected at the time of sale. In 1999-2000, the GST idea was conceptualised for the first time. The Kelkar Committee proposed implementing GST in 2004-05, as indicated by the 12th Finance Commission. Finance Minister P Chidambaram suggested GST implementation by 1 April 2010 in February 2006, based on the same suggestions. The reform was put on hold when Asim Dasgupta, the chairman of the GST committee, resigned.

On 8 August 2016, the Constitutional Amendment Bill for GST was passed by the Parliament, followed by ratification of the bill by more than 15 states

and its enactment in early September (Prabhash K Dutta 2017). The Goods and Services Tax was finally launched at midnight on 1 July 2017. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of the Parliament convened at the Central Parliamentary Hall. With the implement of the GST, all registered persons must file monthly return by 20th of the succeeding month.

The Goods and Services Tax, or GST, took effect on July 1, 2017. The tax was enacted with the intention of replacing all current indirect taxes with a single comprehensive tax. The Products and Services Tax (GST) is a consumption tax imposed on goods and services depending on their final destination (Bhushan Satya). Simply said, GST is a single tax that applies to the delivery of goods and services from the producer to the end user. In a nutshell, it's a tax imposed solely on value addition, with input tax credits transferred to successive stages of value addition, implying that the ultimate tax burden would fall on the end user of products or services. The Products and Services Tax (GST) has a uniform taxation system for goods and services throughout India, with rates of 0%, 5%, 12%, 18%, and 28%. Some commodities or products, such as gold, precious stones, and semi-precious stones, have a different tax rate than others. These goods are subject to special tax rates. Luxury vehicles, cigarettes, fizzy drinks, and other items are subject to a 22 percent extra cess. All indirect taxes were unified under GST, including the central excise tax, service tax, VAT, and entertainment tax.

GST Advantages

The Goods and Services Tax (GST) replaced the Value Added Tax (VAT) system. It is a tax on products and services manufactured, consumed, and sold in India. It replaced or consolidated all indirect taxes levied on products and services by the federal government and state governments. The Goods and Services Tax (GST) prioritises long-term gains. This new system has benefited a wide range of industries. The following are some of the benefits of the Goods and Services Tax (GST): -

1. This method aided in the reduction of tax evasion.
2. Control over the circulation of black money
3. Due to a lower burden of taxes, there is a reduction in overall costs.
4. Goods and Services Tax (GST) merged all the indirect taxes into one. This made the tax

system easier and simpler for all service and business.

5. The Goods and Services Levy (GST) consolidated all indirect taxes into a single tax. For every service and business, this made the tax system easier and simpler.
6. The Goods and Services Tax (GST) decreases non-receipted sales and lowers the incidence of corruption.
7. Not only removal of cascading tax effect, i.e. tax on tax but also Increase in the production of goods and services
8. Expected to increase the revenue of the government.
9. The burden has been decreased on the final taxpayer, i.e. Consumer at the end.
10. Removal of multiple taxations.

GST Negative Effects

The Goods and Services Tax (GST) replaced the Value Added Tax (VAT) system. It is a tax on products and services manufactured, consumed, and sold in India. It replaced or consolidated all indirect taxes levied on products and services by the federal government and state governments. The Goods and Services Tax (GST) prioritises long-term gains. Working hard for the future has its disadvantages as well. The following are some of the drawbacks of the Goods and Services Tax (GST):-

1. The Goods and Services Tax (GST) has increased the cost of transactional fees between banking institutions. Transaction costs have been raised from 15% to 18%.
2. The Goods and Services Tax (GST) has increased the cost of insurance premiums.
3. It has had an adverse effect on the real estate market. Because of the Goods and Services Tax (GST) (GST). The price of real estate has increased from 8% to 12%. It is anticipated, however, that it will not endure in the long run.
4. Because the Goods and Services Tax (GST) excludes fuel, the price of petrol constantly deviates from the principles of commodity unification.
5. The Goods and Services Tax (GST) has progressed to a more complicated structure for company owners.
6. Prior to the Goods and Services Levy (GST), only a few retail items were subject to a tax of up to 4%. However, the Goods and Services Tax (GST) has increased the cost of clothing and garments.
7. The Goods and Services Tax (GST) has an impact on the aviation industry. Prior to the introduction of the Goods and Services Tax (GST), the service tax on airline tickets ranged from 6% to 9%. However, they have already been surpassed, with tax rates ranging up to

15%, almost twice the rate set by the government before.

8. There was no change in the tax system with the introduction of the Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST), which replaced the Service Tax or Central Excise, Value Added Tax (VAT), and Central Sales Tax (CST). There are still numerous levels to the tax structure.

GST's Expected Economic Benefits in India

- It eliminates the cascading impact of taxes, i.e. it eliminates tax on tax.
- Goods demand and consumption are expected to rise.
- VAT, CST, Service tax, CAD, SAD, and Excise are among the bundled indirect taxes that have been eliminated.
- When compared to the present tax system, there will be less tax compliance and a simpler tax policy.
- Manufacturing costs are reduced as a result of decreased taxation in the manufacturing sector. As a result, consumer goods prices are expected to fall.
- Lower the burden on the ordinary man, i.e., the general public will have to spend less money to get the same expensive goods sooner. • More demand will lead to increased supply. As a result, there will be an increase in the production of products. • Control of black money circulation, as the system used by merchants and shops would be subjected to obligatory scrutiny.
- Long-term boost to the Indian economy

II. REVIEW OF LITERATURE

The purpose of this article is to go through the current literature on GST and its effects on the Indian economy.

Dr. Agrawal Yogesh Kailashchandra (2019)

According to his research, "Goods and Services Tax and Its Impact on the Indian Economy," GST has both good and bad effects on the Indian economy. The GST system is structured in such a manner that it is anticipated to produce a significant amount of income for both the federal and state governments, according to the research. It will be advantageous in the long term for corporations, businesses, and service suppliers. It would increase transparency in indirect tax collection, which will benefit both the government and the people of India.

Sandhu Vikram and Atwal Heena (2019), the research "Goods and Services Tax: Issues and Challenges in India" finds 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 country's financial and economic standing. This method

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) He concludes that GST would also reduce the cascading effect of taxes, as he examines the "Impact of Goods and Services Tax on the 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 neighbouring 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 taxing system has a slew of other effects on the economy that may help businesses thrive.

Ajeev, Kiran; T M.Somasekharan (2019) The researchers claim in the current study, "A Study on the Impact of GST: Business Review," that the introduction of GST would result in lower product prices. It's still unclear if the government established GST Sava Kendra to help businesses. Furthermore, the government is better able to handle various problems related to taxes, input tax credit, refund systems, exports and imports. Companies must modify their accounting systems due to the periodic changes in GST legislation. The technical and legal costs of GST are extremely expensive, and the necessary GST services are not accessible. As a result, the GST changeover is very challenging. With the assistance of GST, the country's taxation structure has improved, and the government should devote more resources to public training and education.

Kaur, Harjinder (2018) The researchers discuss public awareness, knowledge, and understanding of GST in India in this study, titled "Public Awareness, Knowledge, and Understanding of GST in India." The government should adequately plan and prepare for the successful implementation of GST, public education, and community participation, according to the findings. The goal of GST is to make the existing indirect tax system easier to understand and comply with.

M. Rajeshwari M. Shettar, (2018) The researchers discuss public awareness, knowledge, and understanding of GST in India in this study, titled "Public Awareness, Knowledge, and Understanding of GST in India." The government should adequately plan and prepare for the successful implementation of GST, public education, and community participation, according to the findings. The goal of GST is to make the existing indirect tax system easier to understand and comply with.

Pallavi Kapila (2018) In the article "GST: Its Impact on the Indian Economy" The purpose of this study paper is to show how GST, which includes VAT, Excise Duty, Service Tax, and Sales Tax, would help to reduce the current complexity of taxes in India. According to research, the introduction of GST had a significant impact on the development of the Indian economy. In the near future, a unified and reasonable

taxation structure in India would lead to fewer market disruptions and a more effective allocation of resources within the sector. The research also discovered that GST would boost the country's GDP and exports, improving economic welfare and returns on the inputs of production, such as land, labour, and capital.

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Jayalakshmi (2018) Her research, "Customers' Awareness of Goods and Service Tax (GST)," focuses on MSMEs' GST awareness and the impact of GST on them. India's primary development engine has long been identified as small and medium-sized businesses (SMEs). All GST compliance processes — identification, refunds, reimbursements, and returns — are now carried out solely via online platforms, and SMEs no longer have to deal with department employees, which is regarded as one of the most inconvenient aspects of the new fiscal system.

B, Mitra Priya, (2017) GST has been described as a game changer in the Indian economy. The study found that the GST simplified different taxes and eliminated their cascading impact. A tax system with different tax rates is shown on paper. Various industries have an impact on tax incidence, including telecommunications, e-commerce, automobiles, real estate, finance, and consumer goods. Cross credit usage would be available in CGST and SGST, according to the impact of the input tax credit.

Jadhav Bhika Lala (2017) "The Impact of GST on the Indian Economy" is the title of the article. The purpose of this paper is to shed light on GST, its characteristics, and the impact of GST on the pricing of products and services. According to the research, the GST system has been rebuilt to simplify India's existing vital indirect tax system. The research also discovered that a well-designed GST is an appealing way to avoid the deformation of the current multiple-taxation system and minimise compliance costs.

Jain, Vasundhara. & Aggarwal, Reema (2017) In "Impact of GST on the Indian Economy- Opportunities and Challenges," the impact of the Goods and Service Tax (GST) on the Indian economy is addressed, as well as why it is necessary to change the taxation system from the existing tax structure to the GST model. GST offers a comprehensive income tax

credit that covers virtually all state and municipal indirect taxes. In India, an integrated GST framework will be implemented to more effectively distribute input components, resulting in increased GDP and exports. The new tax policy shift will not be easy for everyone, but the new structure, which is contemporary, coherent, and open, will attract international investment and provide many additional benefits. It would expand the base for taxpayers and boost the competitiveness of Indian industry, which is the duty of non-organized companies. People and small merchants, for example, will benefit from several industries and sectors, while others, such as individuals and small traders, will lose out.

Khurana, A. & Sharma, A., (2016) The research "Goods and Services Tax in India – A Positive Return for the Indirect Tax System" was done with the goal of examining the different advantages and possibilities of GST by examining its history, planned GST plan goals, and effect on the Indian tax situation. They found that the adoption of GST would benefit both producers and consumers, but it would require concerted efforts from all stakeholders, particularly the federal and state governments.

Shefali Dani, (2016) "An Impact of Goods and Service Tax on the Indian Economy," one of her studies, stated the impact of GST on the Indian economy in the study, which looked at some of the benefits of GST, such as one nation, one tax, no cascading effect, increased consumption due to cascading effect, transparency, and GDP growth. GST is not charged on petroleum goods, real estate, or liquor.

Srinivas K. R (2016) According to the Indian constitution, the federal and state governments are allowed to impose respective taxes, which is expected to alter the whole situation of the current indirect taxation system, according to his essay "Issues and Challenges of GST in India." The GST would replace the numerous indirect taxes imposed by both governments and would be a compressive indirect tax system on the production, sale, and consumption of goods and services across India.

Nishita Gupta (2014) The goods and services tax (GST) would be a major advance towards complete indirect tax reforms in India, according to his study "Goods and service tax: its effect on Indian Economy." It will offer India a world-class tax structure and increase tax revenues. It would put a stop to differential sector distortions. It is also expected to result in the elimination of taxes such as the central sales tax, state sales tax, octroi, entrance tax, stamp duty, telecom licencing fees, and consumption tax. Because of the application of an unified tax rate, GST is anticipated to promote a business-friendly climate in India, lowering price levels and inflation rates over time. Furthermore, it will enhance the economic health of the government by making the tax collecting system more transparent, making tax evasion more difficult.

Nintin Kumar (2014) The Goods and Services Tax (GST) is one of India's greatest tax changes, according to "Goods and Services Tax in India: A Way Forward." The fundamental concept behind this kind of taxation is to replace current taxes such as VAT, service tax, excise duty, and sales tax with a single tax on the production and consumption of products and services in the nation. The GST is intended to economically unify the nation by removing numerous kinds of taxes that are currently imposed at various locations.

III. OBJECTIVE OF THE STUDY

This paper tries to highlight the cost and benefits bear by the economy due to implementation of the GST. The paper also tries to find out the expected rate of growth of economy after the GST. Finally, the study tries to conclude that how it would be disrupted and benefits the economy in the long run.

IV. METHODOLOGY OF THE STUDY

The current study focuses on the GST and its effect on different sectors of the Indian economy from July 1, 2017 to July 1, 2021. The approach is straightforward and analytical, relying mostly on secondary data sources. The information was gathered from a variety of sources, including the Economic Survey, MOSPI, relevant websites, government publications, national and international journals and articles, publications, conference papers, government reports, newspapers, and magazines that focused on various aspects of the tax structure and GST.

V. GST'S EFFECT ON THE INDIAN ECONOMY

GST (Goods and Services Tax) is very beneficial to India's economy in the long run. Because of the universality of taxation, the Good and Services Tax (GST) provides an advantage. It combines all indirect taxes that existed in India prior to the implementation of the Value Added Tax (VAT).

The Goods and Services Tax (GST) provides transparency to the business sector, allowing it to develop and become stronger. When the business sector grows, it will help to create more jobs, which will eventually contribute to a reduction in the tax burden.

The goal of adopting GST throughout the nation is to create a win-win scenario for all parties involved. Fewer tax filings and clear regulations would help manufacturers and merchants. The customer had a far greater expectation of paying less for products and services, while the government expected to earn more money. GST will make Indian goods more competitive in both the local and foreign markets. However, reality differs significantly from expectations. Let us now look at how GST has affected the Indian economy.

The Indian economy has been destroyed and decimated as a result of two corona pandemics. The combined effect of the two waves on earnings and consumer mood, along with the second wave's rise in household medical costs, is expected to influence consumer demand for some time, says the report. (Subodh, Kumawat, 2021).

The GST system in India has now been in place for three years, according to the GST Council of India. The government, on the other hand, is still working to

solve a variety of problems and concerns in order to create a healthy tax system. While the government was addressing the negative effects of GST on the Indian economy, the COVID-19 epidemic exacerbated the situation. (AmitMundra,2020)

The collections of GST during three academic year indicate the impact on the Indian economy.

Trends of GST Collection

Goods and Services Tax (GST)

Table 1: Trends in GST collection in Rs. Crore (Inter-Year comparison)

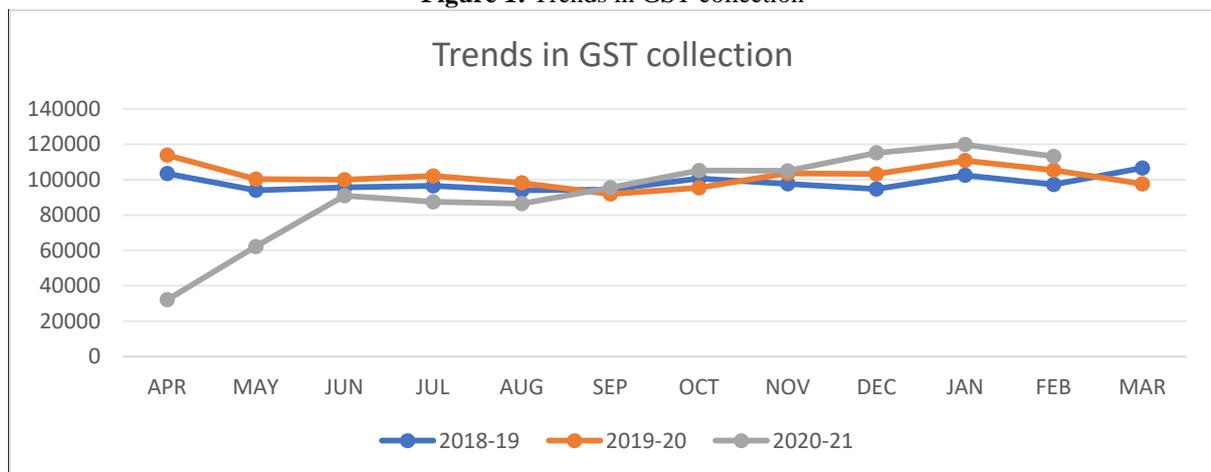
MONTHS/YEAR	2018-2019	2019-2020	2020-2021
APR	103459	113865	32172
MAY	94016	100289	62151
JUN	95610	99939	90917
JUL	96483	102083	87422
AUG	93960	98202	86449
SEP	94442	91916	95480
OCT	100710	95380	105155
NOV	97637	103492	104963
DEC	94726	103184	115174
JAN	102503	110818	119875
FEB	97247	105366	113143
MAR	106577	97597	
Total	1177370	1222131	1012901
% change		3.801779	-17.1201

Source: Ministry of Finance Government of India.

Data is collected for the period 2018-2021. In the year 2018-2019, the total collection of GST amounted to Rs. 1177370 crores. In the year 2019-2020, the total collection was increased by 3.8 percent which

amounts to Rs. 1222131 crores. However, in the year 2020-2021 total collection declined by was Rs. 1012901 crores.

Figure 1: Trends in GST collection



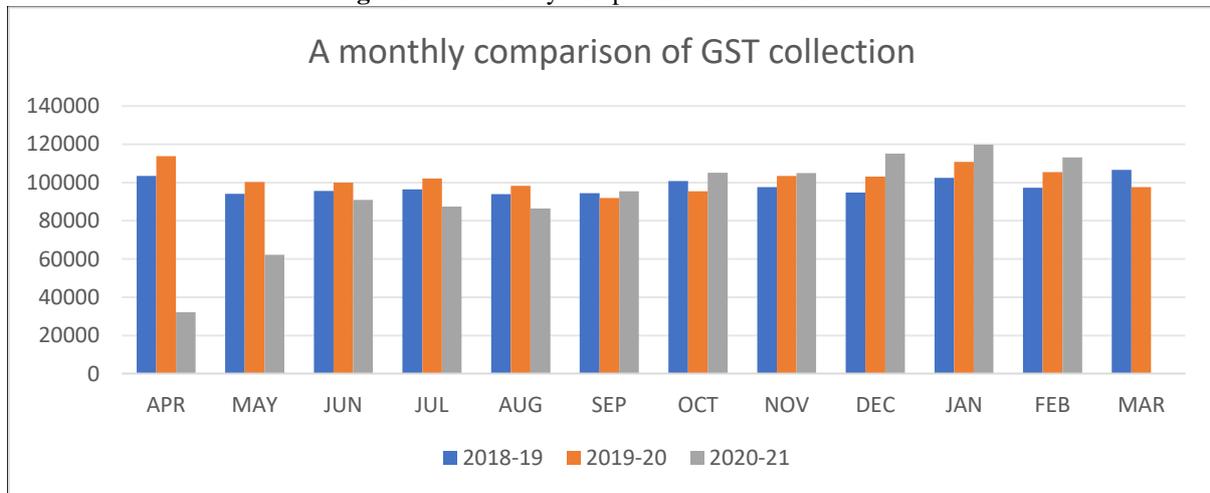
Source: Ministry of Finance Government of India.

The GST collection for the selected period has shown multiple variation in different years. In the first two years of 2018-2019 and 2019-2020, the collection

has shown linear trend throughout the year with variations, in the beginning and in the last month of both

the years. While, in the year 2020-2021, GST collection has shown a nonlinear trend throughout the year.

Figure 2: A monthly comparison of GST collection



Source: Ministry of Finance Government of India.

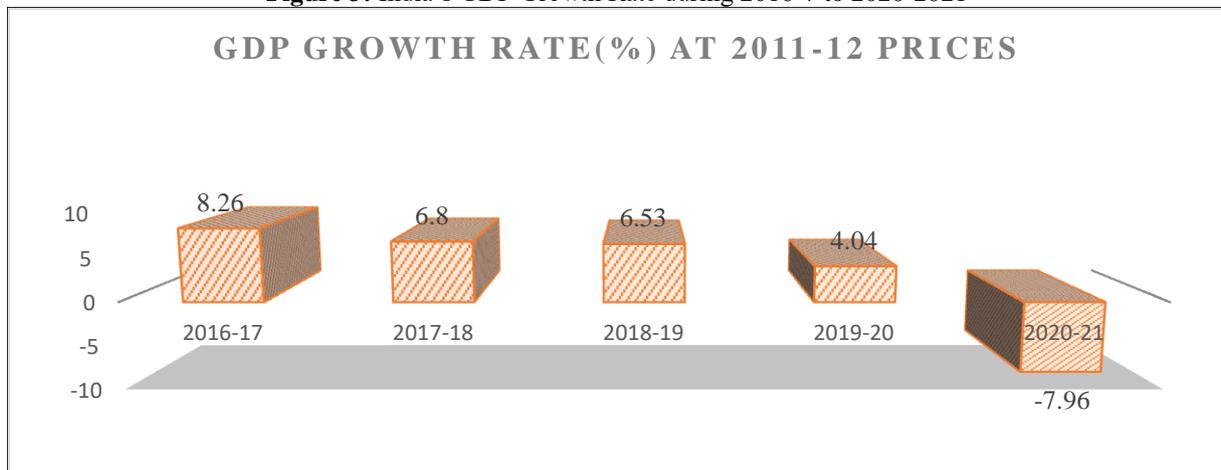
In the above table the total collection of GST was taken for the period 2018-2021. An intra year comparison was done, it was found that for the year 2018-2019 the maximum amount of GST was collected in the month of March which amounted to Rs. 106577 Cr. And minimum amount was collected in the month of August Rs. 93960 Cr. While in the year 2019-2020, the maximum amount of GST was collected in the month of April which amounted to Rs. 113865 Cr. and minimum amount was collected in the month of September which amounted to Rs. 91916 Cr. Moreover, in the year 2020-2021, the maximum amount of GST was collected in the month of January which amounted to Rs. 119875 Cr. and minimum amount was collected in the month of April which amounted to Rs. 32172 Cr. Throughout the period it can be concluded that the months of November, December, January and February observed an increasing trend while the other months observed variations in the collections.

Impact on Gross Domestic Product

It is predicted that the GST will boost India's GDP by 1.0 to 3.0% after adoption. In 2019-2020, India's GDP growth rate has dropped to a six-year low of 4.04 percent. The GST, which went into effect in July 2017, has mostly fallen short of expectations.

The Indian economy has been destroyed and decimated as a result of two Corona pandemics. India's GDP growth rate will drop from 8.26 percent to 4.04 percent in 2019-2020, and then to -7.26 percent in 2020-2021. GDP at constant (2011-2012) prices was Rs 36.08 lakh crore in Q3 of 2019-2020, according to data published by the ministry of statistics and programme implementation. However, in Q3 of 2020-2021, it is estimated to be worth 36.22 lakh crore, representing a 0.4 percent increase. After two gruelling quarters, a GDP increase of 0.4 percent was eventually recorded in the third quarter of 2020-2021. The country's economy is now out of a technical slump as a result of this.

Figure 3: India's GDP Growth Rate during 2016-7 to 2020-2021



Source: Ministry of Statistics and Programme Implementation (MOSPI) Government of India, New Delhi.

VII. CONCLUSION

The current article examines the Goods and Services Tax (GST), India's most significant reform. The Indian economy was anticipated to benefit from the introduction of GST, which was expected to boost economic growth, capital investment, expenditure, consumption, and employment. The administration is working to establish a "One Nation, One Tax, One Market" structure in the nation.

The research shows that the GST has had a mixed impact on the Indian economy. In the fiscal year 2018-19, the total income collected was Rs. 1177370 crores. The overall collection for the fiscal year 2019-20 rose by 3.8 percent to Rs. 1222131 crores. However, in the fiscal year 2020-21, overall revenue fell by Rs. 1012901 crores.

GST has a major macroeconomic effect in terms of growth. India's GDP growth rate decline from 8.26 per cent to 4.04 percent in the year 2019-20 and further decline to -7.26 per cent in 2020-21. The main reason of the declining GDP growth rate is due to the TWO corona Pandemics. A shift in the tax structure from income to consumption in a developing nation like India with a rising service sector is expected to be a lucrative source of revenue.

Finally, GST seems to eliminate all tax differences, putting small and medium-sized companies on a level playing field. The GST rate, it has been proposed, should be addressed in the long term. The study further suggested that LTC cash voucher scheme, Atamnirbhar Bharat yojana should be continuing till the improvement in the GST revenue collection as well as to achieve the higher GDP growth rate. However, India economy can be uplift in the long run which require to have a patience and implement the GST forcefully.

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