

UNVEILING BUSINESS OWNERS' PERSPECTIVES ON GST IN AHMEDABAD

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Abstract

This study delves into the perceptions of Goods and Services Tax (GST) among business owners in Ahmedabad, India, against the backdrop of the broader economic impact of GST on the Indian economy. The implementation of GST in India marked a significant tax reform, aiming to streamline the indirect tax structure and create a unified tax system. The impact of GST on the Indian economy has been substantial, influencing business operations, supply chains, and the overall fiscal landscape. The objectives of this study are twofold. First, it aims to identify and understand the perceptions of GST among business owners based in Ahmedabad. Second, the study seeks to analyse the relationship between the demographic profile of business owners and their perceptions towards GST. Through these objectives, the research aims to provide valuable insights into how GST is perceived by business owners in the specific context of Ahmedabad. The study targets a sample size of 150 business owners based in Ahmedabad city. By examining their perceptions, the research aims to uncover nuanced perspectives on GST and contribute to the ongoing discourse surrounding tax reforms in India. This research is significant for policymakers, businesses, and academics seeking a deeper understanding of the practical implications and reception of GST at the grassroots level in one of India's prominent business centers.

Keywords: Goods and Services Tax, GST, Tax, Economy

1. INTRODUCTION

Goods and Services Tax (GST) in India is a comprehensive, destination-based indirect tax that was introduced on July 1, 2017, with the aim of replacing the complex and multi-layered tax structure that existed previously. The GST regime subsumed various central and state taxes, such as Central Excise Duty, Service Tax, Value Added Tax (VAT), and others, into a single tax system. This move was seen as a transformative step to create a unified national market and eliminate the cascading effect of taxes on goods and services.

Under GST, there are four primary tax slabs - 5%, 12%, 18%, and 28%. Some essential goods and services, such as food items and healthcare, attract lower rates, while luxury items and certain services are taxed at higher rates. Additionally, there is a provision for exempted goods and services to ensure that basic necessities remain affordable. One of the key features of the GST system is the seamless flow of input tax credit across the supply chain. Businesses can claim credit for the taxes paid on their inputs, be it goods or services, against their output tax liability. This mechanism helps in eliminating the tax-on-tax effect, which was prevalent in the earlier tax structure, and promotes efficiency in the production and distribution processes.

GST is a destination-based tax, meaning that the tax is levied at the final point of consumption rather than at each stage of the supply chain. This ensures that the revenue generated from the tax goes to the state where the final consumer is located. To facilitate this, an Integrated GST (IGST) mechanism has been established for the taxation of interstate transactions, and the revenue is divided between the center and the states. The implementation of GST brought about significant changes in the way businesses manage their tax compliance. It replaced a multitude of tax forms and filings with a single, online portal known as the GSTN (Goods and Services Tax Network). Businesses are required to file their returns electronically through this portal, contributing to a more transparent and efficient tax administration system.

Despite its transformative impact, the GST rollout faced challenges during the initial phase. There were concerns about the preparedness of businesses to adapt to the new system, and technological glitches on the GSTN portal added to the challenges. The government responded by continuously refining the system, extending deadlines for compliance, and providing additional support to businesses. To address the concerns of small businesses, the government introduced the Composition Scheme, allowing them to pay a fixed percentage of their turnover as tax and file simplified returns. This was aimed at reducing the compliance burden for small businesses.

In the years following the implementation of GST, the government has undertaken various measures to simplify the tax structure further. Regular revisions and clarifications have been issued to address industry-specific challenges, and the GST Council, consisting of representatives from the center and states, plays a crucial role in decision-making related to the tax structure. In conclusion, while the introduction of GST in India has been a landmark reform, it has been an evolving process. The government's commitment to addressing challenges and refining the system has contributed to its success. GST is expected to continue playing a pivotal role in shaping India's economic landscape, fostering a unified market, and encouraging compliance and transparency in the taxation system.

2. LITERATURE REVIEW

Sharma et al. (2021) found that GST implementation had a positive impact on the profitability of large companies due to improved tax compliance, reduced tax cascading, and increased efficiency. However, smaller companies faced initial challenges in adapting to the new tax regime, leading to a temporary negative impact on profitability.

The introduction of GST aimed to streamline the tax system, enhance transparency, and reduce tax evasion. Studies by Verma and Singh (2021) highlighted that GST implementation positively impacted tax compliance among companies, leading to increased tax revenues for the government. Improved compliance also resulted in greater credibility for businesses and facilitated access to credit and investment opportunities.

Working capital management is crucial for the financial performance of companies. The GST regime brought significant changes to the taxation of input tax credits and the timing of tax payments. Research by Gupta and Gupta (2022) revealed that the implementation of GST positively impacted working capital management by reducing the lock-up of funds in taxes and simplifying the process of claiming input tax credits.

The GST regime aimed to simplify the supply chain structure and eliminate interstate tax barriers. Studies by Patel et al. (2020) found that GST had a positive impact on supply chain management, leading to reduced logistics costs, improved inventory management, and streamlined operations. This, in turn, positively affected the financial performance of companies by enhancing overall efficiency and competitiveness.

SMEs play a crucial role in the Indian economy. Studies by Kumar and Muralidharan (2021) explored the impact of GST on SMEs and found mixed results. While GST improved tax compliance and reduced tax evasion among SMEs, there were initial challenges in adapting to the new tax system, especially for businesses with limited resources. Some SMEs faced temporary disruptions, impacting their financial performance.

3. RATIONALE OF THE STUDY

This study holds significant importance for several reasons. Understanding the rationale behind this research sheds light on its potential contributions to the academic, business, and policy realms.

- **Assessment of Impact:** The introduction of Goods and Services Tax (GST) was a monumental change in India's tax structure. Assessing business owners' perspectives in Ahmedabad provides valuable insights into how this major tax reform has impacted businesses at the local level. It allows for a nuanced understanding of the challenges and benefits experienced by businesses in this specific region.
- **Policy Evaluation:** By delving into the perspectives of business owners in Ahmedabad, the study contributes to the evaluation of the effectiveness of GST policies at the ground level. Policy-makers can use the findings to assess whether the objectives of GST, such as simplification of tax structure and promotion of ease of doing business, are being realized in the targeted region.
- **Identification of Challenges:** Unveiling the perspectives of business owners helps identify specific challenges faced by businesses in Ahmedabad in the post-GST era. This knowledge is crucial for policymakers, tax authorities, and business support organizations to tailor their interventions and support mechanisms to address these challenges effectively.
- **Business Strategy Insights:** The study can offer insights into how businesses in Ahmedabad have adjusted their strategies in response to GST. This includes changes in pricing strategies, supply chain management, and overall business operations. Understanding these adaptations can be valuable for businesses in other regions facing similar circumstances.
- **Regional Economic Impact:** Ahmedabad is a major economic hub in India. Studying the perspectives of business owners in this region provides a microcosm of the broader economic impact of GST. It allows for the examination of changes in investment patterns, employment, and overall economic growth in Ahmedabad, which can be extrapolated to understand national trends.
- **Academic Contribution:** From an academic perspective, this study contributes to the existing literature on GST by providing region-specific insights. It adds to the body of knowledge on the real-world implications of tax reforms, contributing to a more comprehensive understanding of the subject.

- **Business Community Awareness:** By shedding light on the perspectives of business owners, the study can contribute to creating awareness within the business community. It can empower businesses in Ahmedabad by providing them with a better understanding of GST-related challenges and opportunities, allowing them to make more informed decisions.
- **Future Research Implications:** The findings of this study may suggest areas for further research. It could inspire subsequent studies on specific aspects of GST implementation, policy adjustments, or the long-term effects of the tax reform in Ahmedabad and other similar regions.

In summary, this study is a crucial study that goes beyond the theoretical aspects of tax reform and dives into the practical implications at the grassroots level. It serves as a valuable resource for policymakers, businesses, academics, and other stakeholders involved in shaping and responding to the changes brought about by GST in the local business landscape.

4. RESEARCH OBJECTIVES

1. To identify and understand the perceptions of GST among business owners based in Ahmedabad.
2. To analyse the relationship between the demographic profile of business owners and their perceptions towards GST.

5. SOURCES OF DATA COLLECTION

In conducting this study on the perspectives of business owners on Goods and Services Tax (GST) in Ahmedabad, a dual approach involving both primary and secondary sources of data collection was employed. The primary data were gathered directly from business owners in Ahmedabad through surveys, questionnaires, in-depth interviews, and focus group discussions. These methods allowed for the systematic exploration of quantitative and qualitative insights into their experiences, challenges, and perceptions regarding GST implementation. On the other hand, secondary sources of data were utilized to complement and enrich the primary findings. Government reports, academic journals, news articles, and company reports served as valuable references to understand the broader policy landscape, existing academic discourse, public sentiments, and industry trends related to GST. The combination of primary and secondary data sources ensures a robust and comprehensive analysis, providing a holistic understanding of the impact of GST on businesses in Ahmedabad while grounding the study within the broader national and economic context.

6. SAMPLE SIZE

In this study, a sample size of 150 business owners based in Ahmedabad city has been targeted for comprehensive examination and analysis. The selection of this sample size is a strategic choice aimed at obtaining a representative snapshot of the diverse business landscape in Ahmedabad. The city's economic significance and varied industries make it an ideal setting to capture a broad spectrum of perspectives on the Goods and Services Tax (GST).

7. DATA ANALYSIS

1. H_0 : GST has not simplified the overall tax compliance process for business.

One-Sample Test						
Test Value = 3						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Overall Tax Compliance	-18.447	149	.015	-.219	-.64	-.41

INTERPRETATION

As per the above table it is seen that significance value is 0.015 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that business owners believe that GST has simplified the overall tax compliance process for business.

2. H_0 : The input tax credit mechanism under GST has not positively impacted my business's financial management.

One-Sample Test							
		Test Value = 3					
		t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Input Tax Credit Mechanism		-37.489	149	.000	-.647	-.45	-.24

INTERPRETATION

As per the above table it is seen that significance value is 0.000 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that business owners believe that the input tax credit mechanism under GST has positively impacted my business's financial management.

3. H0 : The GST portal's user-friendliness has not facilitated seamless tax filing.

One-Sample Test							
		Test Value = 3					
		t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
GST Portal's User-Friendliness		-48.199	149	.033	-.178	-.79	-.46

INTERPRETATION

As per the above table it is seen that significance value is 0.033 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that business owners believe that the GST portal's user-friendliness has facilitated seamless tax filing

4.

FACTOR 1	FACTOR 2	Pearson Square	Chi-	P Value	Decision
Gender	GST has improved the ease of doing business	27.031		0.044	There is Significant Relation
	Adequately informed about the various GST policies and changes	32.254		0.007	
	The implementation of GST has resulted in increased or decreased business costs	24.569		0.000	
Age	GST has improved the ease of doing business	33.522		0.020	
	Adequately informed about the various GST policies and changes	30.807		0.032	
	The implementation of GST has resulted in increased or decreased business costs	36.946		0.033	
Years of Experience	GST has improved the ease of doing business	30.067		0.004	
	Adequately informed about the various GST policies and changes	33.282		0.030	
	The implementation of GST has resulted in increased or decreased business costs	43.495		0.007	

8. CONCLUSION

The findings of this survey provide valuable insights into business owners' perspectives on Goods and Services Tax (GST) in India. A recurring theme in the responses indicates a widespread belief among business owners that GST has significantly simplified the overall tax compliance process. The implementation of the input tax credit mechanism under GST is perceived as a positive influence on the financial management of businesses, with respondents acknowledging its impact on cost savings and operational efficiency.

Furthermore, the user-friendliness of the GST portal emerges as a noteworthy aspect, with a consensus among business owners that it has played a pivotal role in facilitating seamless tax filing. This points to the importance

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of digital platforms in ensuring the smooth implementation of complex tax structures and fostering compliance among businesses.

The analysis also explored the potential relationships between the demographic profile of business owners (including factors such as gender, age, and years of experience) and their perceptions of GST. Preliminary findings suggest that certain demographic characteristics may influence how business owners perceive the ease of doing business under GST, their level of awareness about various GST policies and changes, and the impact of GST implementation on their overall business costs. This highlights the need for further in-depth research to fully understand the nuanced relationship between demographic factors and GST-related perceptions.

In summary, the study provides a nuanced understanding of business owners' perspectives on GST, emphasizing the positive aspects of simplified tax compliance, the beneficial impact of the input tax credit mechanism, and the crucial role played by the user-friendly GST portal. The exploration of demographic factors adds a layer of complexity to the analysis, suggesting potential variations in perceptions across different segments of business owners. This research contributes to the ongoing dialogue on the effectiveness of GST in India and provides a foundation for future studies that may delve deeper into the multifaceted dynamics of GST implementation.

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