

# A STUDY ON IMPACT OF GST ON SMALL ENTERPRISE WITH REFERENCE TO CHENNAI CITY

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## ABSTRACT

GST (Goods and Service tax) is a visionary step intended towards rationalizing the giant indirect tax system in India. The implementation of GST is reducing tax burden and enhancing the ease of doing business in the country. The impact of GST has two key segments weight; one is to the business and second is to the customers who are the actual bearer of tax costs. Indian unorganized sector and portion of industry those who are enjoying the exemption will also contribute significantly to the growth of countries GDP. The basic purpose of conducting the study is to know the awareness level of small businessman towards GST and to assess the actual impact as they are facing. As it is known that impact will be there either on manufacturing or selling but to know the extent of impact and level of satisfaction study is conducted. The study is survey based in which data was collected from 71 business man who are residing in Chennai city. The tool used for collection of data was structured questionnaire. The results obtained after analysis revealed that businessman are aware about GST implementation and opined that it's a fair tax system.

## INTRODUCTION

The only source of income for the Indian government is the collection of the tax, and the major source of the tax is indirect tax which is also known as GST, which defines "one tax one nation". Before 1 July 2017 there were many state taxes imposed on the name on indirect tax like luxury tax, VAT tax, state tax, central tax, purchase tax, entry tax, entertainment tax, taxes on lottery, state cesses and surcharges, and the central taxes like central excise duty, service tax, special additional duty of custom etc are implemented. Imagine the tax burden on the payer and much calculation needed to be done to pay each tax. This created the situation of perplexity among the merchandisers. The introduction of GST has cleared the formation of indirect tax by introducing online filling of GST. The other main objective of GST was to remove the cascading effect, though many people argue that this objective has not been achieved yet. The cascading effect means "tax on tax" which co-ordinately increase the price of product hence lead to the inflation in the economy. Implication of GST was not an easy task, to make 133 crores people understand about the new system especially where people hesitate to accept changes is the biggest challenge. The listing of the goods and service into specific rates and its explanation has countered the majority of problems. In the initial days the price of many goods and services was increased which created the inflation in the economy. Lack of clarity on the abetments introduced in the economy has made the minds more diplomatic. Many businesses still lack the proper IT structure to create GST invoice and extract required report it also 8 include lack of proper trained resources and re – skilling of the management, which created extra burden across the sectors. It was difficult for the startup companies to face GST as they were not properly setup in the industry and they were needed to understand the new taxation system. At the end we can say that GST bought the transparency and wider platform for taxation. Its not easy to remove the corruption from the system but it can be reduced to the certain level.

## GOODS AND SERVICES TAX (GST)

GST is a single tax to be levied on the supply of goods and services. It will be borne by each part of the goods and services supply chain, right from the manufacturer to the consumer. Taxes paid on the purchase of goods or services (called Input Tax), whether for resale or for producing/ manufacturing a new item, will be utilised as credits to offset the tax to be paid on sale of the said goods. This process will be repeated as many times as the said goods change hands in the original form or in a new form.

## LITERATURE REVIEW

**Kaur (2018)** The purpose of study was point out the awareness among people about GST, and to find out the expectations of people after the implementation of GST. The study concluded that still people are not well aware about GST and due to lack of proper information they are having negative perception towards the act. It also shows the lack of goods and services information of the responded, not able to identify the slabs implemented.

**Chouhan et.al. (2017)** The study focused on awareness of 148 small business owners in Rajasthan state. It also reveal the problems faced by the small business owner due to lack of adequate knowledge and reliefs provided in the act. The major problems were that customer refuse to pay GST, which create a problem while submitting the taxation, other problem arises due to the inclusion of technology in the process has created the perception of difficult tax among the responded. The levels of awareness of the responded were low and moderate and majorly not willing to support the act

**Banik and Das (2017)** The study revealed the challenges to be faced by India Economy after the implication of GST, it throw light on the comparison of GST with previews Tax system, there were 31 taxes including sales tax, state tax etc, which are now turned into CGST, IGST, SGST making tax structure more complicated. The inclusion of technology in filling the GST has made the need to add trained employee for this purpose. The change in GST rate made the small venders and businessman more confused about the act. The study conclude that GDP will fall down due to the introduction of unplanned tax system thus its needed to more simplification in the act

**Kumar (2017)** The study analysed the previous Indirect tax system and GST, briefly explained the complete concept of the GST, its rate and its comparison with the previous tax structure, the present GST system has removed many hurdles while filling the taxation. The examples provide more clarification on how GST is levied on the goods and how it is reducing the burden on small venders and businessman. The study concludes that the GST is easier than earlier tax system; it will provide more benefit to the manufactures and thus increase the competition in market.

**Mishra (2018)** The study provided glimpse of the rates. It throw glance on the impact of GST, on pharmacy, agriculture, textile, mobile and accessories, telecommunication sector, real state, FMCG, automobiles, banking, financing. The research paper concludes that the implication of single tax system will attract more manufactures to get engage in the sector. The individuals will also get benefit as the prices of the products will decrees and consumption will increase which will lead to the increase in GDP. Increased GDP will attract the foreign investment which will directly or indirectly create the employment opportunity.

**Kumar and Sarkar (2016)** The study described the history of GST from International to National level. It also provided brief analysis of previous and present taxation system, and its other supplementary taxes with facts and figures. The facts presented in the study shows that how the GST is beneficial to customers, industries, exporters, and the Economy. The study conclude that GST should be implemented as soon as possible as delay in the implication may delay may provide negative impact in the economy.

**Bhuyan and Nayak (2017)** The study accommodated the various advantages of implementing GST, says removing of cascading effect, increasing the efficiency of logistics, regulating the unorganized sector etc. The paper on the basis of facts and figures shows the impact of GST on telecom, cement, banking and insurance, airlines, E-commerce, FMCG, technology sectors. The study conclude that the GST will provide the positive impact on economy and will increase the growth of GDP, and will generate the employment, but it will show the negative impact on the service sector as the rates of GST in the service sector has increased. GST will bring innovation, accountability, and transparency in the tax structure.

## OBJECTIVE OF THE STUDY:

Primary objective

A STUDY ON IMPACT OF GST ON SMALL ENTERPRISE WITH REFERENCE TO CHENNAI CITY.

Secondary objective

1. To know about the awareness level of small-scale entrepreneurs toward GST

2. To know about the tax rates of small-scale entrepreneurs.
3. To know about the impact of GST on small scale entrepreneurs.
4. To know about the challenges faced by small-scale enterprises.

**Need for the study:**

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

**SCOPE OF THE STUDY:**

Government has introduced various currency subsidy as well as monetary structures to grow small scale enterprises, but regrettably the development in stretch for separate businesses is not very high. So, observing at Packing features how we can recover or assistance small scale enterprises to change Large Scale Industry so the backing which have been provided that to existing small-scale enterprises it can be exploited to progress new small- scale enterprises. Sturdy and good-looking wrapping designs and tags not only shield the goods from breaking and indemnities but they are also obliging in clutching care of the end custom.

**DATA ANALYSIS:**

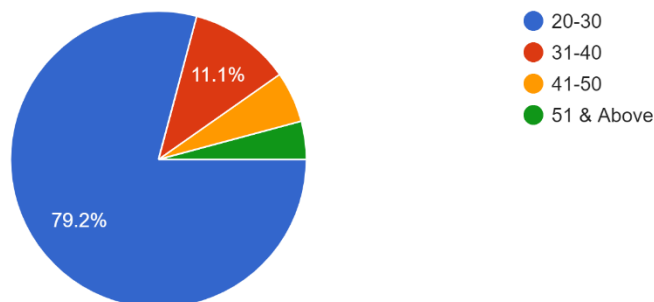
1: AGE OF THE RESPONDENTS

AGE	FREQUENCY	PERCENTAGE
Below 25 years	56	9.24%
25-35 years	20	34.45%
35-45 years	14	10.92%
Above 45 years	10	45.38%
Total	100	100.00%

**INFERENCE:**

Above Table 1 shows that the majority of the respondents are from the age group of 20-30

Age  
72 responses



2. ANNUAL INCOME

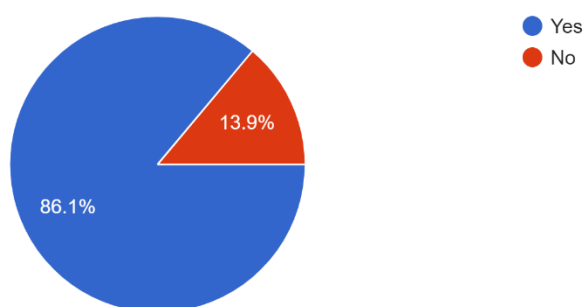
Are you aware of the GST concept	NO.OF RESPONDENTS	PERCENTAGE
YES	61	85.9%
NO	10	14.1%
TOTAL	71	100.00%

INTERFERNECE:

From the above table it is interpreted that majority of the respondent chose yes (85.9%)

Are you aware of the GST concept

72 responses



3.

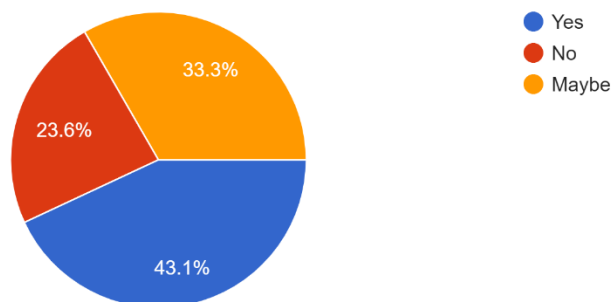
Is GST is a fair tax system	NO.OF RESPONDENTS	PERCENTAGE
YES	31	43.7%
NO	17	23.9%
MAY BE	23	32.4%

INTERFERENCE:

From the above it is interpreted that majority of the respondents chose YES(43.7%)

Is GST is a fair tax system

72 responses



**CORRELATION:**

Hypothesis: H0(Null hypothesis) : There is no significant relationship between burden and inflation.

H1(Alternate hypothesis): There is significant relationship between burden and inflation.

		Does GST is burden for people	Inflation cost reduced due to GST
Does GST is burden for people	Pearson Correlation	1	.541**
	Sig. (2-tailed)		.000
	N	72	72
Inflation cost reduced due to GST	Pearson Correlation	.541**	1
	Sig. (2-tailed)	.000	
	N	72	72

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Interpretation**

Since the P value is (0.541) is higher than 0.05 (5%), we accept null hypothesis and reject alternate hypothesis. Therefore, there is no significant relationship between Burden for people and inflation on GST.

**SUGGESTIONS:**

- Government of India should have to increase threshold limit from 20 lakhs to 1.5 crores hence that reduces tax burden to small businesses.
- Exemption should be given to certain products of small industries in order to encourage small traders in the country.
- Government has to minimise tax rates imposed on small scale industry produced products.
- GST council should work towards simplification of GST procedure.
- The rates implemented should be modulated.
- Training session for GST should be conducted at regular basis especially in the semi-urban areas.

**CONCLUSION**

Based on this study the small-scale entrepreneurs are aware of the GST and its tax rates. The incomes of the small-scale entrepreneurs are also increased after the implementation of GST. In the study the respondents were well aware of the GST act and the rates implemented on the products but the small businessmen were not much satisfied with rates criteria. The new ordinance of online filing the tax

has saved much of the time and reduced paper work which was appreciated by responded. 62% of the responded agreed that there was reduction in corruption due to introduction of GST in economy. Majority of responded felt that GST will for sure increase the pace of the economy growth of the country but it requires more clarity as suggested by the study. GST council should continue with efforts to boost Indian economy.

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