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### **Impact of GST on Small Traders (A Study with reference to Tenkasi Taluk)**

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#### **ABSTRACT**

The Goods and Service Tax (GST) was launched in India on July 1, 2017. It was indeed a historic occasion and a paradigm shift as India moved towards “One Nation, One Tax, One Market.” The global experience has shown that implementation of GST results in numerous benefits for all stakeholders. In the Indian GST regime, the consumers will benefit from lower prices due to removal of cascading in taxes and efficiency gains. The central and the State Governments will witness tax buoyancy and the tax collection costs will reduce significantly. Exports will become more competitive as goods and services will be exported without any taxes embedded in them. “Make in India” programme will get a major fillip due to increased ease of doing business and protection from cheap imports as all imports will be subject to integrated GST, in addition to the basic customs duty. All the benefits will add significantly to the GDP growth of India in the medium and long run.

Small business will witness a complete transformation of the taxation system once the goods and service tax (GST) comes into effect. The impact of GST on small traders is often cited as a concern. Against this background, the researcher has chosen this topic “Impact of GST on small traders in Tenkasi taluk” for her research study.

**KEY WORDS:-** Stakeholders, Tax buoyancy, Embedded, Customs duty, Transformation.

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## **INTRODUCTION**

The Goods and service tax (GST) was launched in India on July 1, 2017 in a midnight function at parliament by Prime Minister in the august presence of the President of India. It was indeed a historic occasion and a paradigm shift as India moved towards “One Nation, One Tax, One Market.”

The global experience has shown that implementation of GST results in numerous benefits for all stakeholders. In the Indian GST regime, the consumers will benefit from lower prices due to removal of cascading in taxes and efficiency gains. The Central and the State Governments will witness tax buoyancy and the tax collection costs will reduce significantly. All the benefits will add significantly to the GDP growth of India in the medium and long run<sup>1</sup>

Small business will witness a complete transformation of the taxation system once the goods and service tax (GST) comes into effect. The impact of GST on small traders is often cited as a concern. Small traders can relief on GST for the tax exemption on annual turnover upto Rs.20 lakhs<sup>2</sup>. GST registration is not required for traders. The proposed system shall be more transparent, more paperless, but requires more compliance as well. Against this background, the researcher has chosen this topic “Impact of GST on Small Traders in Tenkasi Taluk” for her research study.

## **STATEMENT OF THE PROBLEM**

India’s biggest tax reform is now a reality. A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017. GST stands for Goods and Service Tax. It is a kind of tax imposed on sale, manufacturing and usage of goods and services. GST is applied on services and goods at a national level with a purpose of achieving overall economic growth. India’s consumption story is going to become even stronger given the goods and services tax slabs in the range of 5-28 percent announced by the Government<sup>3</sup>. The introduction of GST by the government was to align the Indian taxation system with global standards and make ease of doing business with India easier than before. And at the domestic level, the purpose behind GST was to replace the plethora of taxes such as sales tax, excise duty and others with a single uniform tax across the country and make the movement of goods and services in India smoother. The new GST rule will adversely influence the small and medium enterprises’ working capital<sup>4</sup>. Under the previous tax regime, the exemption limit for small traders was Rs.5 lakhs, whereas in the new tax regime the exemption limit is enhanced to Rs.20 Lakhs. Even then, the small traders are also facing some of the problems in filing GST returns. This paper focuses on impact of GST on small traders.

## **REVIEW OF LITERATURE**

Nishitha Gupta (2014) in her study stated that implementation of GST in the Indian framework will lead to commerce benefits which were untouched by the VAT system and would essentially lead to economic development<sup>5</sup>. Vasanthagopal.D (2011) in his paper titled “GST in India- A big leap in the indirect taxation system” explained the impact of GST on various sectors<sup>6</sup>. Tagvi, et.al (2013) in their study “Challenges and opportunities of GST in India” gave brief introduction to GST and they also explained the objectives, features, opportunities, challenges and benefits of GST<sup>7</sup>. Kumar.N (2014) in his paper titled “GST in India: A way forward” presented the background, salient features and the impact of GST in the present tax scenario in India<sup>8</sup>. Jangra.A and Narwal.K (2014) in their study titled “Application of CGE models in GST: A Literature Review” assessed different literatures on GST to find out CGE application in GST by examining 21 research papers<sup>9</sup>.

## **OBJECTIVES**

1. To examine demographic profile of the small traders in Tenkasi Taluk.
2. To analyse the impact of GST on small traders in Tenkasi.
3. To study the general opinion about GST from the respondents.
4. To offer findings and suggestions.

## **METHODOLOGY**

The study was conducted in Tenkasi taluk of Tirunelveli District, Tamil Nadu, India during the period of 2017-18. The data required for this study was collected both from primary and secondary sources. The primary data was collected from 50 small traders who were chosen based on convenience sampling through well structured interview schedule. In this study, the researcher has chosen small traders whose annual turnover is less than Rs. 20 lakhs per year. The researcher has used statistical tools like percentage analysis and one-way ANOVA for analysis.

## **RESULTS AND DISCUSSION**

The first part of the analysis explained the demographic profile of the respondents which is presented in Table 1

**Part I- Demographic Profile of the respondents****Table 1: Part I - Demographic profile of the respondents**

Sl.No	Variables	Particulars	No. of respondents	percentage
1	Gender	Male	34	68
		Female	16	32
2	Age(yrs)	Upto 30 years	20	40
		31-50	25	50
		Above 50	5	10
3	Marital status	Married	27	54
		Unmarried	22	44
		Widow	1	2
4	Literacy	School education	6	12
		Graduates	36	72
		Diploma holders	8	16
5	Area of residence	Rural	15	30
		Urban	25	50
		Semi Urban	10	20
6	Annual Income (Rs)	Upto Rs.1,00,000	22	44
		100001-300000	20	40
		Above Rs.3,00,000	8	16
7	Size of the family	Upto 4 members	26	52
		5-6 members	20	40
		Above 6 members	4	8
8	Type of house owned	Rented	9	18
		Owned	41	82
9	Years of Business experience	Upto 5 years	26	52
		6-10 years	21	42
		Above 10 yrs	3	6
10	Sales level in business after GST	Increased	24	48
		Decreased	14	28
		Same	12	24

Source: Primary data

Above table reveals that out of 50 respondents, majority of them are belonging to the age between 31-50 years and they are also married. Further, it explains that 72% respondents are graduates. Majority of the respondents are living in urban area whose annual income is less than Rs.3,00,000 having business experience of 10 years. 48% of the respondents expressed that their sales level is increased after GST.

**Part II - Impact of GST on small traders**

The opinion on positive and negative impact of GST on small traders have been collected and analysed by using one way ANOVA based on personal variable of Area wise ie Rural, urban and semi urban. The following are the positive impact of GST expressed by the respondents.

1. Removal of multiple taxation.
2. Faster delivery of goods.
3. Reduction of tax burden on new business.
4. Ease of doing business.

**Positive Impact**

**Table 2 Removal of Multiple Taxation – Area wise**

Area wise	No.of Respondents	Mean	S.D
Rural	15	3	7
Urban	25	4.96	17.54
Semi Urban	10	1.8	2.333

Source: Primary Data

**Analysis of Variance**

Source of Variation	Sum of square	DF	Mean Square	F value	P value
Between groups	127.2267	2	63.6133	7.10146	0.01532
Within groups	644.96	47	8.9578		
Total	772.1867	49			

The opinion on removal of multiple taxation -area wise is presented in Table 2 which indicates that it has highest mean score of (4.96) in urban areas as compared to a mean score of (3) in rural areas.

An analysis of the statistical significance that the difference in the mean value is significant as the calculated value of P (0.0015) is less than the given value at 5% significant level. Hence the study reveals that the opinion on removal of multiple taxation expressed by small traders differs based on area wise.

**Faster delivery of goods – area wise**

Faster delivery of goods is another positive impact of GST. The small traders can easily deliver all the type of goods to the customers. The opinion on “faster delivery of goods” expressed by small traders has been analyzed into area wise .

**Table 3: Faster delivery of goods – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	3	16.10526
Urban	25	5	19.15789
Semi urban	10	1.8	4.378947

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	104.5333	2	52.2667	3.95539	0.024627
Within groups	753.2	47	13.21404		
Total	857.7333	49			

The opinion on faster delivery of goods–area wise is presented in Table 3 which indicates that it has highest mean score of (5) in urban areas as compared to a mean score of (3) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is significant as the calculated value of P(0.025) is less than the given value at 5% significance level. Hence the study reveals that the opinion on faster delivery of goods expressed by small traders differs based on area wise.

**Reduction of tax burden on new business – area wise**

The researcher has analyzed reduction of “tax burden on new business” which is one of the positive impact of GST. The GST Act has reduced the tax burden on small traders. The reduction of tax burden on new small business run by the respondents has been analyzed into area wise .

**Table 4: Reduction of tax burden on new business – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	3	7.77778
Urban	25	5	24.8889
Semi urban	10	1.8	3.95556

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	52.2667	2	26.13333	2.140777	0.137094
Within groups	329.6	47	12.20741		
<b>Total</b>	381.867	49			

The opinion on reduction of tax burden on new business –area wise is presented in Table 4 which indicates that it has highest mean score of (5) in urban areas as compared to a mean score of (3) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is not significant as the calculated value of P(0.137) is more than the given value at 5% significance level. Hence the study reveals that the opinion on reduction of tax burden on new business run by the small traders do not differ based on area wise.

**Ease of doing business – Area wise**

Ease of doing business is a positive important factor in introducing GST in India. Every person can easily start new business. The small traders can extend their business under GST Act. The opinion on “ease of doing business” expressed by small traders has been analyzed into area wise .

**Table 5 : Ease of doing business – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	2.9778	12.204
Urban	25	5	16.5
Semi urban	10	1.8	2.254

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	235.7481	2	117.8741	11.42243	0.137094
Within groups	1362.178	47	10.31953		
<b>Total</b>	1597.926	49			

The opinion on ease of doing business –area wise is presented in Table 5 which indicates that it has highest mean score of (5) in urban areas as compared to a mean score of (2.97) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is not significant as the calculated value of P(0.14) is more than the given value at 5% significance level. Hence the study reveals that the opinion on ease of doing business expressed by small traders do not differs based on area wise.

**Negative Impact of GST**

The negative impact of GST in the present study is measured with the help of the variables. The respondents are asked to rate these variable and it is tested by using ONE WAY ANOVA. The mean score of each variable is negative impact of GST among three group of respondents have been computed along with its ‘F’ statistics.

Further, researcher has taken only two personal variables namely, area of residence and annual income for computing one way ANOVA. The above two variables have greater impact on perceiving opinion about GST from the respondents. The following are the negative impact expressed by the respondents about GST.

1. Issue of invoice

2. Cumbersome procedure

3. Trade problems

**Issue of invoice –area wise**

Issue of invoice is the important negative impact of GST. Invoice is a document which provides evidence as to existence of transaction of sale or purchase of goods or the agreement of supply. Issuing invoice for lower amount of purchase is difficult. The opinion on “issue of invoice” expressed by small traders has been analyzed into area wise .

**Table 6: Issue of invoice – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	2.9333	6.4952
Urban	25	5	22.714
Semi urban	10	1.8	3.4571

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	78.9778	2	39.4889	3.626531	0.035248
Within groups	457.333	47	10.8889		
<b>Total</b>	536.311	49			

The opinion on issue of invoice–area wise is presented in Table 6 which indicates that it has highest mean score of (5) in urban areas as compared to a mean score of (2.9333) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is significant as the calculated value of P(0.035) is less than the given value at 5% significance level. Hence the study reveals that the opinion on issue of invoice expressed by the small traders differs based on area wise.

**Cumbersome procedure – area wise**

Cumbersome procedure is yet another negative impact of GST. This procedure includes the lack of computer knowledge among the small traders. Many small traders are illiterates on using the computer. The opinion on “cumbersome procedure” expressed by small traders has been analyzed into area wise .

**Table 7: Cumbersome procedure – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	3	4
Urban	25	5	19.111
Semi urban	10	1.8	2.8444

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	52.2667	2	26.1333	3.020548	0.06549
Within groups	233.6	47	8.6518		
<b>Total</b>	285.8667	49			

The opinion on cumbersome procedure–area wise is presented in Table 7 which indicates that it has highest mean score of (5) in urban areas as compared to a mean score of (3) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is not significant as the calculated value of P(0.065) is more than the given value at 5% significance level. Hence the study reveals that the opinion on cumbersome procedure expressed by small traders do not differs based on area wise.

**Trade problems – area wise**

Trade problem is an important factor in determining the society. The GST filing is more complicated to small traders. The trading system is to be modified to implement of GST. The opinion on “trade problems” expressed by small traders has been analyzed into area wise and income wise.

**Table 8: Trade problems – Area wise**

Area wise	No .of respondents	Mean	SD
Rural	15	3	5.5789
Urban	25	5.15	20.555
Semi urban	10	1.8	2.4842

Source : Primary data

**Analysis of Variance**

Source of variation	Sum of square	DF	Mean square	F value	P value
Between groups	115.2333	2	57.6167	6.039816	0.004178
Within groups	543.75	47	9.5394		
<b>Total</b>	658.9833	49			

The opinion on trade problems–area wise is presented in Table 8 which indicates that it has highest mean score of (5.15) in urban areas as compared to a mean score of (3) in rural areas.

An analysis of the statistical significance of the difference indicates ,that the difference in the mean value is significant as the calculated value of P(0.004) is less than the given value at 5% significance level. Hence the study reveals that the opinion on trade problems expressed by small traders differs based on area wise.

### Part III – General opinion about GST

**Table 9: Opinion about GST and its impact on price of goods**

Opinion about GST	No. of respondents	Percentage
Yes	29	58
No	21	42
Total	50	100

Above table shows that 29(58%) respondents expressed that the price of goods and services have been increased and the remaining 21 (42%) opined that after GST, it is not increased.

**Table 10: Opinion about burden of GST on consumers**

Opinion about burden of GST	No. of respondents	Percentage
Yes	35	70
No	15	30
Total	50	100

Source : Primary data

It is found from table 10, 35(70%) respondents opined that customers are burdened with GST and remaining 15(30%) respondents opined that customers are not burdened with GST.

**Table 11: Overall opinion about GST**

Overall opinion about GST	No. of respondents	Percentage
Good	25	50
Moderate	19	38
Not good	6	12
Total	50	100

Source : Primary data

From the above table 11, it is found that 25 (50%) respondents are having “Good” opinion about GST, 19 (38%) respondents are having “Moderate” opinion and the remaining 6 (12%) respondents are not having good opinion about GST.

## **CONCLUSION**

While analysing personal variables, majority of the respondents are in the age group between 31-40 years, who are married and also graduates, living in owned house. While expressing opinion on positive impact of GST, there is a significant difference among respondents based on area wise is noticed in respect of removal of multiple taxation. In negative impact of GST, there is a significant different noticed in respect of issue of invoice and trade problem. Finally, 25 respondents expressed good opinion about GST and only 6 respondents are not satisfied with GST.

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