



Assessing the Impact of GST on Business Performance

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ABSTRACT

The study Assessing the Impact of GST on Business Performance involves a comprehensive analysis of how the Goods and Services Tax (GST) implementation has influenced various aspects of business operations and outcomes. This study delves into the complexities of tax compliance under the GST regime compared to the previous tax system, adoption of different pricing strategies post-GST. By examining these factors, this research aims to provide insights into the overall impact of GST on business performance, shedding light on both challenges and opportunities that have emerged in the GST era.

Introduction

The implementation of the Labour and Products Duty (GST) in India on July 1, 2017, marked a significant shift from a complex multifarious expense structure to a consistent, value-added charge system. This update was designed to smooth out the roundabout assessment structure, improve the ease of doing work, and eliminate the flowing impact of various charges. As GST consolidated many focal and state levies into a single duty, it was expected to create a consistent public market, further enhance consistency, and boost economic development. This significant transformation necessitates a thorough examination of its impact on business execution across multiple domains.

When evaluating the impact of GST on company performance, it is important to evaluate several factors such as transaction volume, charge consistency complexity, evaluation procedures, and overall functional proficiency. Organisations faced initial challenges, including the costs of transitioning to the new framework, renewing the IT base, and understanding the new consistency requirements. Nonetheless, GST provided benefits such as the information tax reduction tool, which reduced the cost of development and strategy. By examining various viewpoints, we may determine what GST has meant for business elements and whether it has reached its intended goals.

The transition to GST has had an influence on domestic businesses as well as global trade and online business. The computerised modification in charge organisation under GST has resulted in improved expense consistency and income assortment. Investigating global perspectives and comparing India's GST experience to those of other countries might provide valuable insights into the practicality of such tariff changes. This study intends to provide an all-encompassing perspective on the impact of GST on business execution, contributing to the ongoing discussion over its role in shaping India's monetary environment.

Background of the Study

The implementation of the Goods and Services Tax (GST) in India has marked a significant shift from a convoluted various expense structure to a smoothed out, universal value-added charge system. This move was designed to simplify the assessment structure, eliminate the overlapping influence of various activities, and increase financial output. In any event, its impact on business execution has been broad, influencing various areas in unforeseen ways. While the GST has helped to smooth interstate transactions and probably reduced coordinated factor prices, it has also introduced new consistency issues and temporary fees for businesses.

Importance of the Study

- **Policy Evaluation:** It helps examine the viability of GST as a key charge that is always changing.
- **Economic Insight:** Provides insights into the financial implications of GST on various company sectors.
- **Compliance Analysis:** Assists in identifying the consistency difficulties faced by organisations under GST.
- **Pricing Strategies:** Examines changes in assessing methodologies due to GST implementation.
- **Business Efficiency:** Evaluates improvements or reductions in business effectiveness and operational cycles.

- **Market Competitiveness:** Investigate the impact of GST on market intensity and customer behaviour.
- **Investment Decisions:** Illuminates venture options by highlighting the benefits and development implications of GST.

Review of Literature

1. **Impact of Goods and Services Tax (GST) on Retail Business Productivity. 2023 TANTY, GOUTAM; KUMAR, SANDEEP**

The Goods and Services Tax (GST) was implemented to strengthen the expense framework by eliminating the flowing effect of a few levies, resulting in consistent assessment rates throughout states and the formation of a single market for labour and goods. This study will look into how the implementation of GST affected the efficiency of India's retail industry. GST reduced the assessment structure by eliminating many roundabout charges, with the goal of further improving the ease of doing business, lowering consistency requirements, and maybe increasing retail efficiency. The review looks at a variety of factors, including charge structure, inventory network proficiency, tax avoidance, small and medium-sized businesses (SMEs), charge consistency, and client expenses, to determine the overall impact of GST on the efficiency of the retail organisation.

2. **Impact of GST on Business Performance in India: A Case Study Approach." Rao, R.K., & Mukherjee, S. 2019**

This study used a contextual analytic approach to examine the impact of GST on the presentation of selected organisations in India. The designers organised meetings and gathered financial data from businesses across several industries. The findings suggested that GST had a mixed effect, with some organisations focusing on operational efficiency and lowering charge consistency costs, while others had challenges in adapting to the new expense system. The evaluation emphasised the importance of compelling execution and awareness programmes to enhance the benefits of GST.

3. **Examining the Effect of Tax Reform Determinants, Firms' Characteristics and Demographic Factors on the Financial Performance of Small and Micro Enterprises Neha Bella 2022**

Profit from value and profit from venture are pay indicators that reflect the profits of the association's partners. The impact of drivers such as resource deals, profit, and expense change variables enables legislators, policymakers, and ventures to establish a strong starting point for estimating functional effectiveness and capital power in order to achieve their goals with improved execution. Return on value has an important relationship with market esteem/value and other market esteem indicators that might assist financial backers. Financial backers are still interested in companies that may provide them with large benefits, and the results may assist them understand something similar. Thus, the discoveries may aid financial backers and the economy overall, given that the initiatives can bring in big amounts.

4. **"Impact of Goods and Services Tax (GST) on Indian Industries." Saravanakumar, A.R., & Lakshmanan, C. (2017)**

This research examined the potential impact of GST on various industries in India, including manufacturing, government, and horticulture. The creators used a subjective methodology, analysing government records and industrial data. The evaluation assumed that GST would level out the expense structure, reduce charge flow, and boost seriousness in the long run. However, it also identified potential issues, such as increased consistency costs and estimating modifications, particularly for small and medium-sized projects.

5. **GST IN INDIA: A KEY TAX REFORM**

Monika Sehrawat 2018

The assortment of expenses in the ongoing framework can prompt authoritative intricacies and higher consistence costs. GST plans to improve on the expense structure by uniting different roundabout duties into a solitary, brought together framework. GST, with a uniform duty rate from one side of the country to the other, can act as a powerful instrument for monetary strategy the executives. It gives a predictable expense climate, making it more straightforward to carry out and change financial strategies depending on the situation. Utilization and creations of labor and products is without a doubt expanding and as a result of variety of charges in current duty system organization intricacies and consistence cost is likewise speeding up

Research Objective

- Evaluate the tax compliance for businesses under the GST regime.
- Examine the influence of GST on pricing strategies adopted by businesses.
- Measure the impact of GST on inventory management practices in manufacturing and service sectors.
- Assess the satisfaction level of businesses with the overall impact of GST on their financial performance.

Research Gap

- Limited experimental investigations into long-term business execution patterns post-GST implementation in India.
- Inadequate focus on the specific effects of GST on small and medium-sized businesses (SMEs).

- Absence of a comprehensive assessment of GST's impact on reviewing methods and critical elements in various enterprises.
- GST consistency expenses have an underexplored impact on business efficiency and functional competency.

Need of the Study

- To understand what the GST implementation has meant for overall business productivity, cost structures, and benefit.
- To compare the changes in charge consistency and regulatory weights seen by organisations under the GST system to the previous expense framework.
- To analyse the long-term implications of GST on speculation, valuation systems, and market seriousness for organisations in various sectors.

Limitations of the Study

- The limited scope of information collection may not include all industry sectors impacted by GST implementation.
- Possible predispositions in research reactions as a result of abstract perceptions of business execution improvements.
- External monetary factors, such as global currency rates, may complicate the immediate impact of GST on business operations.
- Inadequate longitudinal data may impede the ability to fully examine the long-term consequences of GST on organisations.

Research Methodology

The data for the analysis and interpretation is obtained from the individuals who own their businesses; a Google form was floated, and data was collected and processed.

Sample design	100
Sampling Unit	Individual Person
Method of data collection	Primary data , Secondary Data
Instrument for data collection	Questionnaire , Government Websites
Sampling Method	Random Sampling
Data analysis techniques	Chi Square Goodness of fit

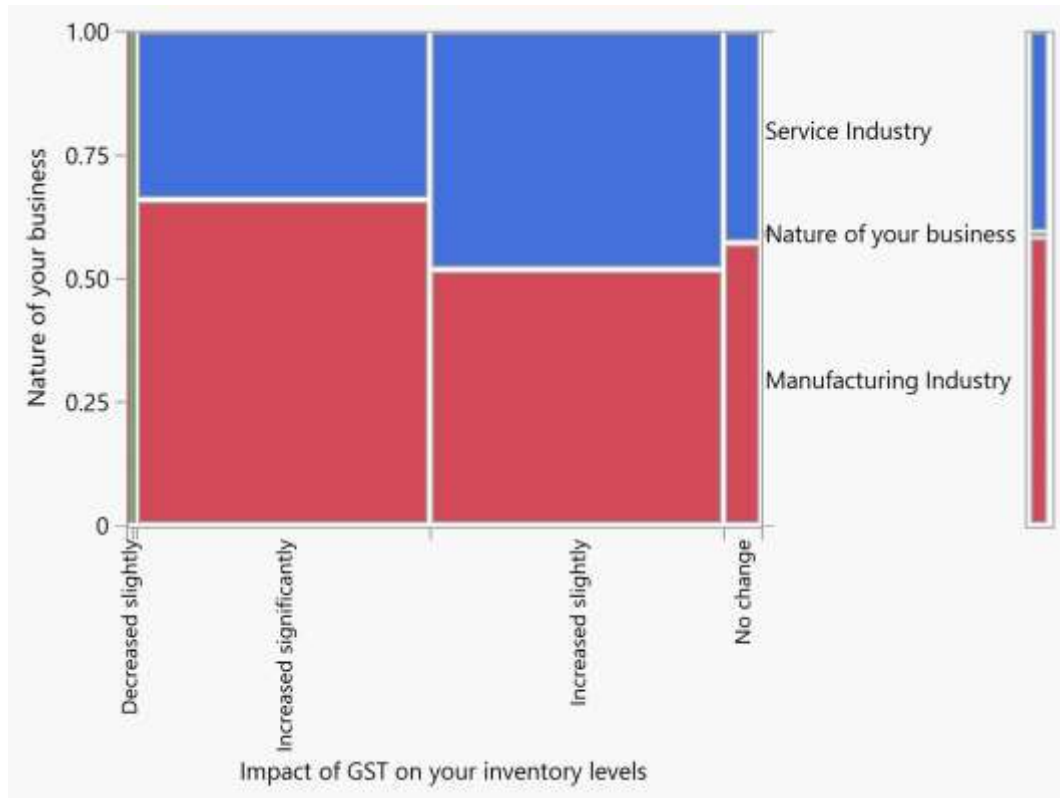
Data Analysis and Presentation

Null Hypothesis (H0): There is no difference in the complexity of tax compliance under GST compared to the previous tax regime.

Alternative Hypothesis (H1): The complexity of tax compliance has been reduced under GST compared to the previous tax regime.

Contingency Analysis of Nature of your business By Impact of GST on your inventory levels

Mosaic Plot



Tests

N	DF	LogLike	RSquare (U)
121	8	7.5089219	0.0864

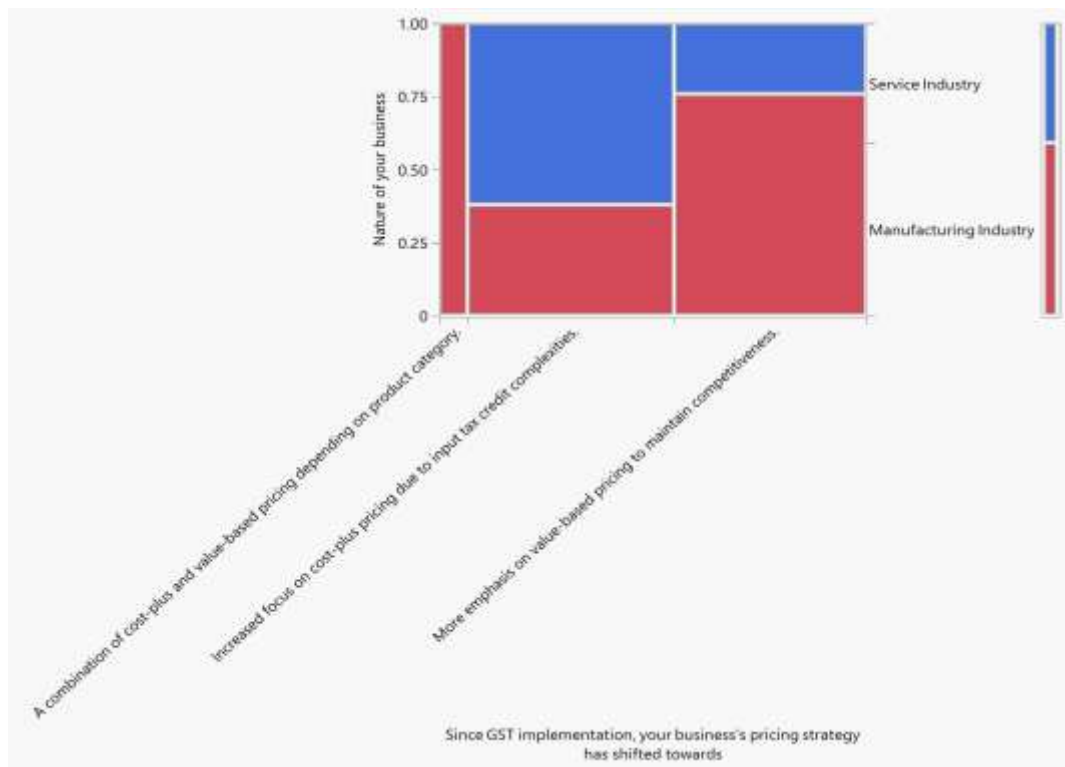
Test	ChiSquare	Prob>ChiSq
Likelihood Ratio	15.018	0.0588
Pearson	124.095	<.0001

According to the Chi Square significant portion of businesses experienced a decrease in tax compliance complexity under GST, especially in the manufacturing sector.

Null Hypothesis (H0): There is no significant difference in the adoption of costplus pricing and value based pricing between preGST and postGST periods.

Alternative Hypothesis (H1): There is a significant increase in the adoption of costplus pricing and Value based pricing postGST implementation due to input tax credit complexities.

Mosaic Plot



Tests

	N	DF	-LogLike	RSquare (U)
	120	2	12.849122	0.1583
Test	ChiSquare		Prob>ChiSq	
Likelihood Ratio	25.698		<.0001*	
Pearson	22.625		<.0001*	

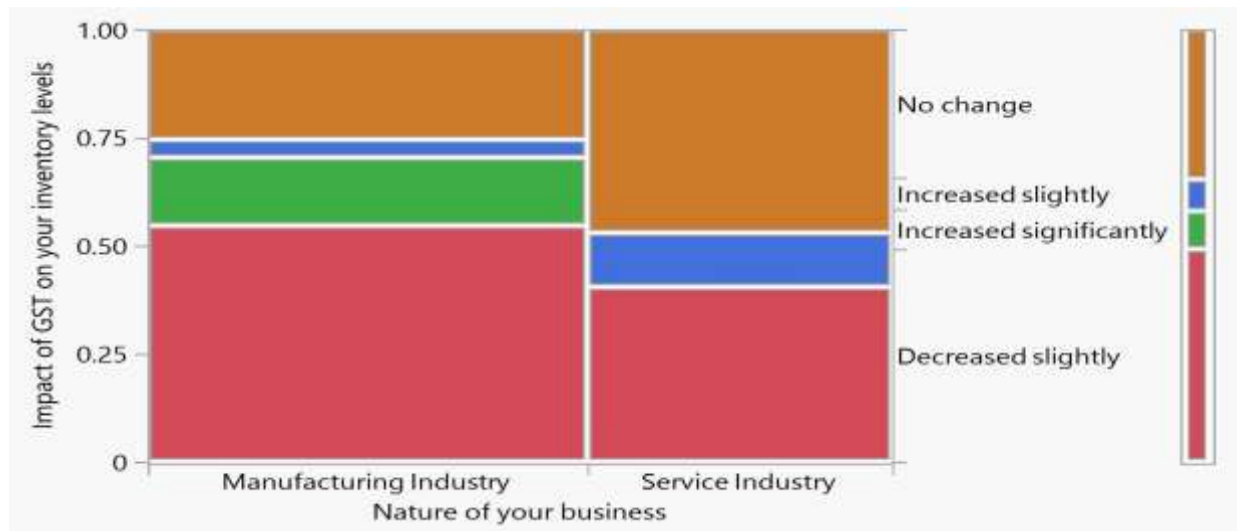
The chi-square test results confirm a significant shift in your business's pricing strategies post-GST implementation, supporting your hypothesis regarding the impact of GST on pricing strategy adoption.

Null Hypothesis: There is significant change in inventory levels before and after the implementation of GST for both manufacturing and Service businesses

Alternative Hypothesis : There is a significant decrease in inventory levels before and after the implementation of GST for both manufacturing and service businesses

Contingency Analysis of Impact of GST on your inventory levels By Nature of your business

Mosaic Plot



Tests

N	DF	LogLike	RSquare (U)
120	3	9.5263601	0.0703

Test	ChiSquare	Prob>ChiSq
Likelihood Ratio	19.053	0.0003
Pearson	15.206	0.0016

According to the data there is a significant decrease in inventory levels before and after the implementation of GST for both manufacturing and service businesses. This implies that GST implementation has had a discernible impact on inventory management practices in these sectors.

Conclusion

GST implementation has a wide-ranging impact on business performance, smoothing out charge designs and reducing the flowing impact of various assessments, perhaps lowering costs and improving operational efficiency. However, the transition has also brought significant challenges, particularly in terms of consistency and the underlying financial burden of adapting to the new framework. While organisations have benefited from a more consistent expense system and increased strategic savings, the complexities of tax cuts and variable effects across diverse areas necessitate progressive improvements and backing. Overall, GST has prepared for a more uncomplicated and productive expense climate; nonetheless, its success is dependent on continuous development and organisations' ability to navigate its complexities.

Findings

- GST simplified tax compliance for enterprises.
- Pricing tactics changed after GST, with a focus on cost-plus and value-based pricing.
- The inventory level has decreased with the application of GST.
- Overall, the implementation of GST has satisfied businesses.

Recommendations

- Assess changes in pricing methods, such as cost-plus and value-based pricing, after GST introduction to determine their influence on profit margins.
- Examine alterations in consumer behaviour and purchasing habits to determine how GST has affected market demand and sales volume.

- Investigate the effectiveness of GST-compliant business-to-business transactions to identify areas for improvement or issues in supply chain management.
- Investigate the impact of input tax credits and compliance difficulties on cash flow and operational efficiency in firms.
- Investigate the role of digital transformation and technology adoption in addressing GST-related issues and improving corporate performance.

References

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