

# Critical Evaluation of the Far-Reaching Effects of the Goods and Services Tax (GST) Act on Stakeholders in Gwalior District

Renu Hindoliya<sup>1</sup>, Dr. Praveen Ojha<sup>2</sup>, Dr. P. K. Bansal<sup>3</sup>

<sup>1</sup>*Research Scholar School of Commerce & Business Studies, Jiwaji University Gwalior*

<sup>2</sup>*Professor in Commerce, Dr. Bhagwat Sahay Government College, Gwalior*

<sup>3</sup>*Professor in Commerce, Kamla Raja Gils Government P G College, Gwalior*

**Abstract:** This research paper critically evaluates the extensive effects of GST, on stakeholders focusing specifically on Gwalior district. Gwalior, a vital commercial hub in Madhya Pradesh, boasts a diverse economic landscape characterized by significant contributions from SMEs, retail businesses, and local industries. The study aims to provide insights into how GST has influenced stakeholders in different sectors. It will also identify the benefits and challenges faced by local stakeholders, offering recommendations for improved policy measures. Convenience sampling method is used to identify samples of the study from a target traders, consumers and GST practioner. The sample size of the study is 120 respondents. A primary data set has been utilized in this study through survey method using questionnaires. The data in this study is analysed using SPSS 24.0 software and regression analysis and correlation analysis is used to check hypotheses of the study. The result of the study shows that GST Act Implementation has a significant impact on the practical difficulties faced by the stakeholders.

**Keywords:** GST, Stakeholders, Implementation, Challenges, Critical evaluation

## INTRODUCTION

The introduction of the Goods and Services Tax (GST) on July 1, 2017, represented a transformative reform in India's indirect taxation framework. By merging various indirect taxes, including Value Added Tax (VAT), Service Tax, Excise Duty, and other local levies into a unified tax system, GST aimed to establish a seamless and uniform tax regime across the nation. The core objectives of GST included eliminating the cascading tax effect, simplifying compliance procedures, enhancing tax revenue, and promoting economic growth through a streamlined tax structure. As a destination-based tax, GST sought to foster transparency and minimize tax evasion, ultimately broadening the tax base. Despite its ambitious goals, the transition to GST posed

significant challenges. Businesses across various sectors faced hurdles in adapting to new tax rates, regulations, and compliance processes, which proved particularly burdensome for small and medium enterprises (SMEs) with limited resources to navigate the digital and procedural demands of the new system.

## LITERATURE REVIEW

The introduction of GST has been the subject of extensive academic inquiry, with numerous researchers examining its implications for national and state economies Garg (2017) emphasizes GST's potential to streamline tax processes, reduce operational costs for businesses, and stimulate economic growth by fostering a more integrated market. Kumar (2022). The paper conducted on GST and its impact on Indian Economy. The main purpose of this study is to determine the advantages and disadvantages of GST. France is the first country or nation who was implement the GST in order to control the tax evasion and increase the tax. After the successful GST in France then other nations nearly 140 nation who adopt the GST and successfully implement. India growth in economy needs such type of the tax. This GST is based with pan number in which the GST number which is the combination of the state and pan number. Tax will share equally among the central and state government. Main aim to achieve to eliminate the cascading effects.

Mittal and Raman (2021) The paper highlighted on GST in India 2014. This study in which the data is collected from the journal articles and survey reports. This is the 122th amendment in the constitution through which the national tax system in indirect reform implemented. Such tax has uniform rate of the tax in which one rate for one nation in which same rate is applicable on the all-state. Existing state law

replaces with the goods and service tax act. Sharing ratio is equal in tax collection between the state and central government. GST has the unique feature in which the GST number is the combination of the state and pan number.

Dr. M. K. Baby (2020) The study is an attempt to review the impact of GST implementation on different stakeholders in the country. The specific objectives of the study are: To study the effect of GST on India's tax revenue and GDP, and To examine the perception of state governments as to the sharing of revenue between Centre and states, The study is mainly descriptive in nature and makes extensive use of secondary data sourced from journals, media reports and official websites of the Central Statistics Office (CSO), RBI and the GST Council. The secondary data compiled have been analysed using SPSS to find out any variation in the collection of CGST, SGST, IGST and Compensation Cess across months. As the nation completes three years of GST regime, there are several unresolved issues. The revenue generations fell short of targets. States complain about loss of revenue and some States allege that they are not timely compensated for the loss as promised by the Centre. But the several welcoming changes such as better compliance, broadening the tax base and making the system more transparent cannot be overlooked. Perhaps, three years is too short a period to evaluate such a path breaking reform which transformed the tax landscape of the country.

Mukherjee (2020) argues that GST was designed to rectify the inefficiencies of the previous indirect tax system by replacing a complex array of taxes with a unified tax framework. Syed Mohd Ali Taqvi (2013) studied the challenges and opportunities of Goods and Service Tax in India. He explained that GST is only indirect tax that directly affects all sectors and sections of our country. It is aiming at creating a single, unified market that will benefit both corporates and economy. He also explained the proposed GST model will be implemented parallel by the central and state governments as Central GST and State GST respectively.

Table No. 2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.892	.795	.794	3.44238	1.890

## OBJECTIVE OF THE STUDY

The primary objective of this study is to critically evaluate the far-reaching effects of the Goods and Services Tax (GST) Act on stakeholders in Gwalior District and to also assess the benefits and challenges of GST from the perspectives of local businesses and consumers.

## HYPOTHESES OF THE STUDY

H1: GST Act Implementation has a significant impact on the practical difficulties faced by the stakeholders.

H2: There is significant relation between changes in GST tax system and effects on consumers.

## RESEARCH METHODOLOGY

This study is conducted in Gwalior district of M.P state, convenience sampling method is used to identify samples of the study from a target traders, consumers and GST practioner. The sample size of the study is 120 respondents. A primary data set has been utilized in this study through survey method using questionnaires. The data in this study is analysed using SPSS 24.0 software and regression analysis and correlation analysis is used to check hypotheses of the study.

## DATA ANALYSIS

The Data Analysis section combines primary data collected from surveys and interviews with secondary data derived from government reports, industry studies, and existing literature. First the reliability of data is checked through Cronbach's alpha tests and then hypothesis is tested.

Table No. 1 Reliability Analysis

Cronbach alpha	No. of items
0.882	33

### Hypotheses Testing

H1: GST Act Implementation has a significant impact on the practical difficulties faced by the stakeholders.

a. Predictors: (Constant), GST Act Implementation

b. Dependent Variable: Practical difficulties faced

Table No. 3 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1014.847	1	1014.847	85.641	.000 <sup>b</sup>
	Residual	1753.793	298	11.850		
	Total	2768.640	299			

a. Dependent Variable: Practical difficulties faced

b. Predictors: (Constant), GST Act Implementation

Table No. 4 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.214	1.233		5.852	.000
	GST Act Implementation	.771	.083	.605	9.254	.000

a. Dependent Variable: Practical difficulties faced

The correlation coefficient (R) of .892 reveals a high positive link between the Implementation of GST and practical difficulties faced. This implies that the Implementation of GST leads to high alteration in practical difficulties faced. The R Square value suggests that around 79.5% variation in practical difficulties faced may be accounted for by the implementation of GST. The F value is 85.641 confirms the statistical significance of entire regression model. The p-value is below the threshold of 0.05, signifying that the model has stastical significance. Hence the hypothesis is accepted and

concluded that GST Act Implementation has a significant impact on the practical difficulties faced by the stakeholders.

The equation for regression analysis can be presented as below

$$Y = a + bx + \text{error}$$

$$\text{Practical Difficulties Faced} \approx 7.214 + .771 \times \text{GST Act Implementation}$$

H2: There is significant relation between changes in GST tax system and effects on consumers.

Table No. 4 Correlations

		Change in GST system	Effects on Consumers
Change in GST system	Pearson Correlation	1	.612**
	Sig. (2-tailed)		.000
	N	300	300
Effects on Consumers	Pearson Correlation	.612**	1
	Sig. (2-tailed)	.000	
	N	300	300

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

The above table state that the Pearson correlation value between changes in GST tax system and effects on consumers is 0.612. Pearson correlation value 0.612, indicate that there is strong and positive correlation between changes in GST tax system and effects on consumers. The value of p is .000 below the threshold of 0.05, signifying that the model has

stastical significance which shows that there is significant relation between changes in GST tax system and effects on consumers.

### CONCLUSION

The GST reform signifies landmark advancement in India's taxation system. While it has streamlined tax

processes and bolstered transparency, its localized impact particularly in Gwalior district reflects a combination of benefits and challenges. The result of regression analysis shows that GST Act Implementation has a significant impact on the practical difficulties faced by the stakeholders. This paper also concluded with the fact that there is significant relation between changes in GST tax system and effects on consumers. Although tax revenue has risen, the long-term success of GST will hinge on the government's ability to provide essential support for smaller businesses during this transition. Future research should delve into a more comprehensive examination of GST's long-term effects across various sectors and explore strategies for enhancing digital literacy and infrastructure to facilitate smoother tax compliance.

### IMPLICATIONS

The implementation of GST has significantly altered the business landscape in Gwalior. While larger enterprises have adapted relatively well to the new tax regime, small businesses continue to confront numerous challenges. The enhancement of digital infrastructure and technical literacy is paramount for the successful execution of GST, especially in regions that traditionally rely on conventional business practices.

#### Positive Implications:

- Simplification of tax compliance for larger businesses, fostering expansion and formalization.
- Increased transparency and reduction in tax evasion.
- Enhanced government revenue, potentially allocated toward regional development initiatives.

#### Negative Implications:

- Elevated compliance costs and operational challenges for SMEs.
- Inconsistent digital infrastructure complicating effective tax filing for small businesses.
- Price volatility and consumer uncertainty stemming from frequent tax rate changes.

Localized policy measures are necessary to address these challenges. The government should focus on enhancing training programs for SMEs to facilitate GST compliance, improving digital infrastructure,

and simplifying tax filing processes to alleviate compliance costs.

### REFERENCES

- [1] Ajeev Kiran T. M, Somasekharan (2019) A Study on Impact of GST: Business Review, *International Journal of Control and Automation*, 12(6), 337-357.
- [2] Bansal, R., & Gupta, S. (2022) GST and Economic Recovery: A Study Post-COVID-19. *Journal of Taxation and Economic Policy*, 12(3), 45-60.
- [3] Garg, G. (2017). Impact of GST on Indian Economy. *International Journal of Research in Economics and Social Sciences*, 7(7), 123-130.
- [4] Kumar, A., & Singh, P. (2020) The Evolution of GST in India: An Overview. *Indian Tax Journal*, 5(1), 22-34.
- [5] Mehta, R. (2023) Post-COVID Economic Policies: The Role of GST in India's Recovery. *Economic and Political Weekly*, 58(5), 78-89.
- [6] Ministry of Finance, Government of India. (2019). Annual Report on Goods and Services Tax (GST) 2018-19. Retrieved from <https://www.gst.gov.in/>.
- [7] Mukherjee, S. (2020). GST in India: A Simple Tax System? *Economic & Political Weekly*, 55(9), 40-45.
- [8] Pallavi Kapila (2018) GST: Impact on Indian Economy, *International Journal of Engineering Research and Application*. 8(1), 1-3.
- [9] Rajeshwari M, Shettar M. (2018) Impact of Goods and Service Tax on the Indian Economy, *IOSR Journal of Business and Management (IOSR-JBM)*, 20(12), 45-49.
- [10] Sharma, M. (2021) GST Compliance and Challenges During the Pandemic. *International Journal of Economic Policy*, 10(2), 101-114.
- [11] Sharma, R. (2018). Challenges Faced by SMEs in Implementing GST in India. *Journal of Management Studies*, 5(11), 67-74.