



Impact of GST on small and large-scale entrepreneurs in Ballari district

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Abstract

This study analyzes the Impact of GST on Small and Large Scale entrepreneurship (SLEs) and discusses entrepreneurs' perception of the GST in the study area. To accomplish the objectives, the Researcher has collected primary and secondary data. The Researcher has gathered the preliminary data through a well-structured questionnaire developed and given to SLE's entrepreneurs in the Ballari district. The questionnaire is related to the Impact of GST and the perception of the GST based on the objectives. The secondary data were collected from books, journals, websites, and other published sources. Although the study population is the SLE sector, the main tools used in the analysis process are descriptive statistics, graphs, and charts for interpreting the data collected.

The technique used for selecting the sample is the convenient sampling method. The study found that the majority of the respondents that is 80%, are registered under the GST, and also, most of the businesses are carrying on as proprietorship firms, i.e., 82% of which are the most popular. Rests of the selected respondents have a partnership firm, i.e., 6% in the study area, and it's found that hardly 6% of PLCs and 0% in LLPs. It is found that 31% of respondents are in manufacturing, 9% are wholesalers, 25% are in retail Business, and 35% are service providers, which includes professional services. The study's overall results show that GST positively and negatively impacted the business.

Keywords: GST, perception, impact, SLEs

Introduction

The GST is a single, broad-based tax levied on goods and services purchased in a given economy. Goods and Service Tax will be charged at each point of the supply from manufacturer to consumer, with eligible set-offs for input tax-paid purchases made. Simply GST is a final tax consumption. Further, we can say that it's a tax on goods and services that will be charged at every stage of transaction or provision for providing service. Under GST, a supplier of goods or services is eligible to take credit of input tax paid on purchasing goods or services at the time of sale or provision of service.

Earlier, the Sales Tax department has various turnover slabs which require VAT registration. In this case, a business with a multi-state operation must follow varied tax rules applicable to different states. It creates excess complication and adds to procedural fees, due to which the price-sensitive SLEs will be burdened. Uniform GST will standardize the process. In the current system, big corporations procured goods based on SLE's locality to reduce overheads.

Thus they limit their customers within the state as they will bear the ultimate tax burden on interstate sales, reducing their customer base. With the implementation of GST, this will be nullified as a tax credit will transfer irrespective of the location of the buyer and seller. This allows SLE's segment to expand its reach across borders. Furthermore, as GST is tax neutral, it will eliminate time-consuming border tax procedures and toll check posts and encourage the supply of goods across borders. Accordingly, the logistical cost for companies manufacturing bulk goods will be reduced. Such expenses can be crucial for the survival of

SLEs. Moreover, GST will not distinguish between sales and services.

It is good news for the SLEs that deal with the sales and services model of business; for them, the taxation is simplified and will be calculated on the total. GST will allow flexibility in transferring goods across states and reduce the cost of doing business, as the reform will cut down multiple taxes imposed by state and central government. In the current system, only 50% of the input tax credit against the purchase of Capital Goods is available in the year of purchase and the balance amount in subsequent years. Under the GST regime, the entire amount of input tax credit can be availed in the year of purchase itself. This will support the "Make in India" campaign.

The GST bill proposes a threshold reduction of Rs. 9 lakh to increase the tax net, Rs. 41 lakh for North Eastern states. (However, the GST council has increased the threshold limit from 10 lakh to 20 lakh and from 41 lakh to 10 lakh for Northeastern states) Under the reform, any service provider or retailer will be subject to a tax levy. The current central excise law threshold is Rs.1.5 crore. This reduction will significantly impact the SLE's working capital. For example, a manufacturer who trades today at Rs. 25 lakhs without any tax levy will be expected to pay GST post-implementation.

As the threshold is low, most SLEs are now exempted and will have to pay a chunk of their capital towards tax in the future. Moreover, tax neutrality will not differentiate luxury goods and everyday goods. Currently, the state and central government levy higher taxes on luxury goods and services. Under GST implementation, all goods and services will

have to pay the same tax, leading to the rich becoming richer and the poor becoming poorer. It is not an ideal situation for SLEs to compete against large businesses.

Review of Literature

Deepa (2021) ^[1] has identified the traders' level of awareness towards the GST. This study helps traders unaware of GST and analyzes the level of satisfaction with GST. It is concluded that after the implementation of GST, all the traders came under GST, and it's too tricky to escape; now, the Government has introduced the new slab rate. Therefore, the Government is taking steps to create more awareness about GST. Through this, income will be raised for the Government. So, GST will be a positive impact on the Government.

Nutman's (2021) ^[2] paper aims to identify the causes of GST complexities during its implementation in Malaysia. Their study concluded that the most likely reasons for the abolishment of GST in Malaysia are: numerous rules and the exception to the rules (e.g., 35 tax codes, gifts rules, and 21-day rules), frequent changes of GST rulings and guidelines, GST computations that were too difficult for mixed supply and process of GST refund that were onerous and lengthy.

Harishekar (2021) ^[3] this paper critically analyses the Impact of Goods and Service Tax (GST) on Small Scale Industries, specifically in Karnataka. This paper proves some of these assertions through primary data research and further identifies the need for reforms concerning the separation of the definition of job work and labor work, penalties for non-payment of GST, dual administration, and issues pending from the previous tax regime.

Chennathur (2021) ^[4] systematically reviews the Various Dimensions of GST on Small and Moderate Business Units. One of the significant findings is that the implications of GST on SLEs across various industries would be diverse and also vary from politically sensitive industries of each state.

Mubarak (2021) ^[5] analyses the role of SSIs in the Indian economy and also analyzes the positive impacts of GST on SSIs. The paper highlights the Impact of GST on Indian SSIs. SSIs are a significant driver in the Indian economy, contributing nearly 40% of the country's industrial production, 42% of exports, and 65% of employment opportunities. Therefore an attempt was made to address the Impact of GST implementation on SSIs.

Research Gap

A research gap is a topic or area for which missing or inadequate information limits the ability of reviewers to conclude a given question. Apart from this, the Researcher found a geographical, time-bound, and subject gap in the above works of literature. Much of the research was carried out in other places of the country, but in Karnataka, very few investigations happened in GST, and no study was found in the current entitled area. Consequently, the present research is required to measure the Impact of GST on Small Enterprises in the Ballari District.

Statement of the Problem

Under the previous tax regime, businesses had operations across multiple states; need to register for VAT with each state's sales tax department to carry out business activities there. And in the previous tax regime, there was the chance of cascading effects; it's also overcome by implementing the

GST. Furthermore, GST removes the differential between Goods and Services. Under the new regime, a business will have to register online for GST in every state involved in its sales process, and a return should need to monthly. All these aspects impact the SLEs and other Businesses; hence it's essential to know how GST affects SLEs' Business. With these objectives, the Researcher has undertaken this study entitled "A Study on Impact of Goods and Service Tax on SLE."

Significance of the Study

Goods and Services Tax (GST) is an indirect tax (or consumption tax) used in India to supply goods and services. It is a comprehensive, multistage, destination-based tax: complete because it has subsumed almost all the indirect taxes except a few state taxes. The main objective of this study is to analyze the Impact of GST on the SLEs this will helps to understand the problems faced by the SLEs in India, which leads to chalking out new plans and policies or amendments in the existing law. Furthermore, this study also focuses on understanding the perception of entrepreneurs. This will lead to changes in GST law or solve the problems and create suitable awareness among the new entrepreneurs.

Scope of the Study

The scope of a study explains the extent to which the research area will be explored in the work and specifies the parameters within which the study will be operating. This means that we will have to define what the study will cover and what it focuses on. This study analyzes the Impact of GST on the SLE sectors. This study was restricted to the Kaylana Karnataka region's Ballari District, and the sample size is restricted to 50 from the study area. This study also focuses on understanding the perception of entrepreneurs.

Profile of Study Area

Hydrabad-Karnataka is a region of the Indian state of Karnataka, which was part of the Kingdom of Hyderabad, ruled by the Nawabs and the Madras presidency of British India. The region comprises Bidar, Yadgir, Raichur, Koppal, and Gulbarga of Hyderabad state and Ballari and Vijayanagara of the Madras province that is now present in the form of Karnataka. The Northeast Karnataka region is the second largest arid region in India. The largest city in the area is Gulbarga. In 1948, when the Hyderabad State was officially merged into India, some portions of it were incorporated into the state of Karnataka. In 2019, the Hyderabad-Karnataka region was officially renamed as Kalyana-Karnataka.

Objectives of the Study

The followings are the objectives of the study

1. To analyze the Impact of GST on the SLEs
2. To discuss the perception of entrepreneurs towards the Impact of GST on SLEs in the study area.

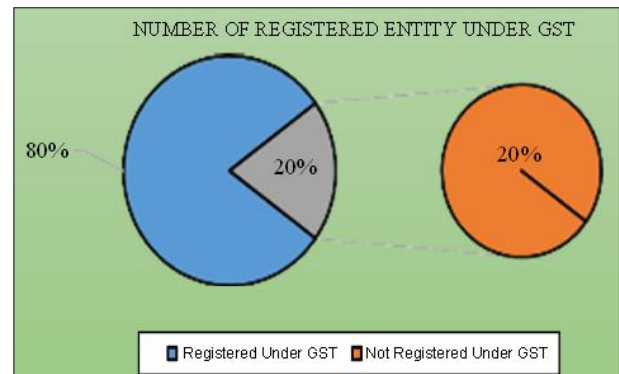
Research Hypothesis

1. **H₀**: There is no significant difference in entrepreneurs' perception of the Impact of GST.
2. **H₁**: There is a significant difference in entrepreneurs' perception of the Impact of GST.

Research Methodology

Primary data is collected through well-structured questionnaires from the manufacturers, wholesalers, retailers, exporters, and service providers scattered over the Hyderabad Karnataka region. To accomplish the objectives mentioned above, the Researcher has gathered the necessary data from primary and secondary sources. And Researcher has also applied observation and interview techniques. The technique used for selecting the sample is random and convenient sampling is used. The sample size of this study is 50, indicating the same result for the population. And other necessary secondary data is collected from the research articles, journals, official websites, government reports, newspapers, and periodicals. To analyze collected data, the Researcher has used the descriptive and inferential graphical techniques.

Data Analysis and Discussion



Source: Field Survey

Chart 1: Shows the Number of Registered Entity under the GST

Table 1: Shows the GST Impact Result Of SLE's

S. No	Statements	SD	D	N	A	SA	M	SD
1	GST improves the business environment, which results in more profit.	8	7	9	15	11	3.28	2.14
2	After the Implementation of GST, Wholesale prices decreased.	13	21	3	8	5	2.42	1.79
3	After the Implementation of GST turnover of Businesses increased	19	12	7	5	7	2.38	1.57
4	Export business becomes easy under GST.	5	7	6	20	12	3.54	2.31
5	Document maintaining cost increased after implementation of GST	9	2	18	13	8	3.18	2.28
6	After the implementation of GST, sales increased.	12	7	10	8	13	3.06	1.69
7	GST helps to increase interstate sales and Exports.	11	14	13	12	0	2.52	2.35
8	Business entities getting credit from ITC without any difficulties.	3	5	19	12	11	3.46	2.23
9	Inter-state branch transfer requires additional working capital under GST	4	6	5	14	21	3.84	1.74
10	Faceless/automation under the GST system saves time and effort in doing business compared to the traditional system.	0	1	2	9	38	4.68	2.47

Source: filed survey

Note: SD-Strongly Disagree, D-Disagree, N-Neutral, A-Agree, SA-Strongly Agree, M- Mean, SD-Standard Deviation

Interpretation

Out of 50 respondents, 44 are registered under GST laws, and 11 are not registered under GST as they are not legally required to register under the law.

Interpretation

The above table no 11.1 shows the GST impact result on the MSMEs; the overall result shows that positive. The statement "Faceless/automation under GST system saves time and efforts in doing business as compared to tradition system," shows the highest mean (4.68) with a standard deviation of 2.47. Followed to this statement,

"Faceless/automation under GST system saves time and effort in doing business as compared to tradition system" shows the highest mean (3.84) with a standard deviation of 1.74. Among the all the above statements 3rd "After Implementation of GST turnover of business increased "shows the lower mean value (2.38) and SD (1.57). The overall result indicated that GST impacted the SLEs positively and negatively.

Perception of Entrepreneurs Towards The Impact Of GST On SLEs

Table 2

S. No	Statements	SD	D	N	A	SA	Mean	SD
1	The GST portal is user-friendly, easy, and simple.	0	1	2	9	38	4.68	2.47
2	The GST helpline/help desk helps resolve the problem faced by businesses	12	7	10	8	13	3.06	1.69
3	GST will boost the mission of the "Make in India" campaign	11	14	13	12	0	2.52	2.35
4	GST has increased the tax burden on Businessman	3	5	19	12	11	3.46	2.23
5	GST is complex to Understand	4	6	5	14	21	3.84	1.74
6	GST will improve the export of the country	8	7	9	15	11	3.28	2.14
7	GSTN has too many technical problems and further difficult the return filing and getting ITC on proper timing	13	21	3	8	5	2.42	1.79
8	GST affects the business very badly	19	12	7	5	7	2.38	1.57
9	GST will be helpful in the overall development of the economy.	5	7	6	20	12	3.54	2.31
10	Overall Satisfaction from GST	9	2	18	13	8	3.18	2.28

Source: filed survey

Interpretation

The above table no 11.2 shows the perception of entrepreneurs towards the GST. The overall result shows that positively. GST portal is user friendly, easy and

simple," showing the highest mean (4.68) with standard deviation (2.47). Followed to this statement, "Faceless/automation under GST system saves time and efforts in doing business as compared to tradition system,"

shows the highest mean (3.46) with a standard deviation of 2.23. On the other hand, among all the above 8th statement GST affecting the business very severely is showing the lower mean value (2.38) and SD (1.57).

Hypothesis Testing

Ho: There is an insignificance difference in perception among entrepreneurs towards GST.

H1: There is a significant difference in perception among entrepreneurs toward GST.

Table 3: shows the Hypothesis testing Result

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	157.6	4	39.4	0.854705	0.498363	2.578739
Within Groups	2074.4	45	46.09778			
Total	2232	49				

Interpretation

Table 11.3 shows the hypothesis testing result. The above-calculated p-value is less than the critical value, i.e., 0.05; hence alternative hypotheses are accepted, and the Null hypothesis is rejected. In the Alternative study, there is a significant difference in perception among entrepreneurs towards GST.

Conclusion

The study reflects that few of the preparedness in respect of GST by *SLEs*. Entrepreneurs need to improvise the GST network, and other related trends are becoming bottleneck factors towards realizing the actual implementation outcome. In line with the impact survey conducted with small and micro enterprises, it is evident that the people rate the Impact of GST as a balance, and there is potential scope for improvement in the process. However, to ensure a smooth and successful outcome, ensuring the implementation system is managed and addressing the gaps in the process is very important. If the Government takes such measures at a rapid pace, it can be a very resourceful outcome for sustainable economic development.

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