



REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631(UIF)

VOLUME - 10 | ISSUE - 5 | FEBRUARY - 2021



IMPACT OF GST ON CHHATTISGARH ECONOMY

Mr. Duna Jogeswar Rao¹, Dr. Priti Saini² and Mr. Ajay Verma³

¹Assistant Professor , Department of Commerce , Shri Rawatpura Sarkar University, Raipur, Chhattisgarh.

²Assistant Professor , Department of Commerce , Shri Rawatpura Sarkar University, Raipur, Chhattisgarh.

³Assistant Professor , Department of Commerce , Shri Rawatpura Sarkar University, Raipur, Chhattisgarh.

ABSTRACT

As India was one of the 123 countries across the world that is following the VAT mode but now, we move forward on GST. Goods and Services Tax is a comprehensive, multistage and destination – based tax replaced to stop cascading effect of tax by many Central & State level Indirect Taxes such as excise duty, central sales tax, service tax, VAT, entertainment tax, luxury tax etc. India has adopted the Canadian Dual GST model from 1st July, 2017. In the earlier there were many indirect taxes levied by the central and state Government. State government had collected Valued Added Tax (VAT) on intra-state sales. In case of inter-state sales the central Govt. levied Central Sales Tax on Goods. Other indirect taxes such as services tax, entertainment tax, entry tax, excise duties, local tax etc. are collected by both state and central government. In the past scenario, every customer or final consumer paid tax on tax so they purchase goods and services at high prices. Because of all the producers, wholesalers and retailers were not able to get input tax credit due to which they were levied tax on tax.

In this study we will try to understand the loopholes in Indirect tax law which has increased tax evasion and black money in India and it leads to the higher inflation rate resulting in the difference between the rich and the poor being increased continuously. To stop this cascading effect of tax the Indian Government introduced the Goods and Services Tax (GST) on 1st July 2017 in all over India including Jammu & Kashmir.



KEYWORDS: CGST, SGST, IGST, Chhattisgarh, Economy.

1. INTRODUCTION

The GST law was implemented on July 1, 2017 in all over India, but was first time introduced by our Ex-Prime Minister Atal Bihari Vajpayee in the year 2000. The Union Finance Minister in his Budget speech for 2006-07, proposed that GST would be introduced from 1st April, 2010 but project of computerise commercial taxes launched and GST implementation was postponed. In 2014 the GST bill was reintroduced in Parliament by Finance Minister Arun Jaitley in the BJP Government. In 2016 the GST law was passed in both the houses and President gave his assent. Finally the GST law was

implemented on July 1, 2017 in all over India. Under GST there are three types of Taxes are collected such as

- State Goods and Services Tax (SGST): Collected by State Government on Intra-state sales
- Central Goods and Services Tax (CGST): Collected by Central Government on Intra-state sales
- Integrated Goods and Services Tax (IGST): Collected by Central Government on Inter-state sales

The GST law was brought in Indian by Indian Government to reduce the selling prices of Goods and Services by giving input tax credit at every stage. In this law every manufacturer and seller levied SGST and CGST equally on selling of goods and services by State government and Central government respectively on intra-state sales. IGST levied on inter-state sales of goods and services by the Central Government only. The Central Government shares the IGST revenue on the basis of destination of Goods and Services.

The GST would applied on all Goods and Services except Alcohol for Human consumption, five specified Petroleum products (Crude, Petrol, Diesel, and ATF & Natural Gas). There are five different rates of GST in India are 0% (exempted), 5%, 12%, 18% and 28% according to types Goods and Services. Commonly used Goods and Services at 5%, Standard Goods and Services fall under 1st slab at 12%, Standard Goods and Services fall under 2nd Slab at 18% and Special category of Goods and Services including luxury - 28%. The most essential goods and services attract a nil rate of GST under Exempted Categories. Luxury goods and services and certain specific goods and services attract additional cess than 28% GST.

2. REVIEW OF LITERATURE

- **Sakharam Mujalde, Avi Vani (2017) in their research paper on Goods and Service Tax (GST) and its outcome in India** concluded that GST law will be beneficial for Indian Economy and having positive effects on various sectors and industries. A single rate would maintain the transparency and simplicity by treating all goods and services equal.
- **Akanksha Khurana, Aastha Sharma (2016) in their research paper on Goods and Services Tax in India - A Positive Reform for Indirect Tax System** concluded that the GST would provide relief to manufacturers and consumers by providing input tax credit on goods and services in all stages. It further concluded that GST has a positive impact on Indian Economy.
- **Saravana Rajan S, Kirubakaran K (2018) in their research paper on A Study On GST (Goods And Services Tax) And Its Impact On Automobile Industry In India** concluded that GST had raised the economic development of country by eliminating the cascading effect of past indirect taxes and increase the revenue for both central and state government. GST reduced the price in Automobiles by which its affect positively on both consumer and manufacture.
- **Sarbjit Singh (Nov., 2017) analyzed in the research paper on GST (Goods and Services Tax) - A Game Changer for India** discussed that the GST will be helpful for the growth of Indian Economy also improved in GDP of the India more than 2 percent and FDP especially in heavy engineering and automotive sector.

3. RESEARCH METHODOLOGY

This research paper is prepared by using "Descriptive Research Method" based on secondary data collected from various journals, research papers, web sites, articles, newspapers.

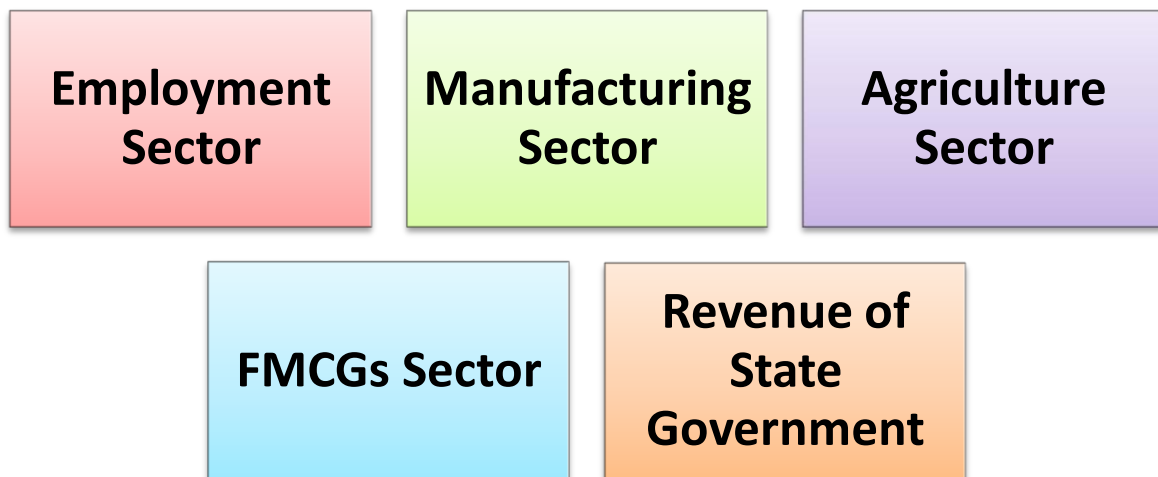
3.1 Objectives of the study

3.1.1 To know the benefits of GST after implementation in Chhattisgarh.

3.1.2 To study the importance of GST in economic development of Chhattisgarh.

4. IMPACT OF GST ON CHHATTISGARH ECONOMY

Below are the highlights for sectors:



4.1 Employment Sector: GST has increased the purchasing power of the consumer, which has increased the demand in the formal sectors such as E-commerce, automobiles, logistics and cement. Industries are expected to have more employees to make high profitability rate. According to exports, Many foreign investors came forward to invest in India because GST reduced the tax complexity and brought transparency and easy to business. GST brought a great opportunity for employment in Chhattisgarh and also in all over India. Chhattisgarh is the leading state of India providing employment under MNREGS rural employment guarantee scheme. The rate of unemployment of Chhattisgarh is 6.4% in Jan. 2021 which is below the employment rates of other states like Rajasthan, Haryana, Goa and Tripura at 17.7%, 17.7%, 16% and 18.1% respectively according to survey conducted by the Centre for Monitoring Indian Economy (CMIE).

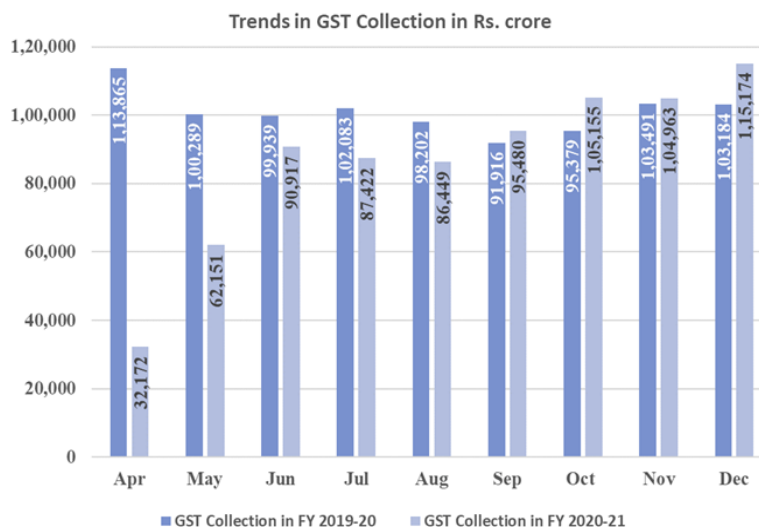
4.2 Manufacturing Sector: GST regime eliminated the multiple tax and provided relief on input tax credit to all manufacturers thus it results in lower cost of manufacturing and lower pricing for consumers and becomes more competitive. Earlier, manufacturers were required to pay around 25%-26% more due to the cascading tax effect. GST has eliminated this 'tax-on-tax' regime, enabling manufacturers to pay a single, unified tax. In India's old tax regime, inter-state transactions of particular products often are subjected to hassle, various taxes, permission, license required for different states at every point of their transactions. So small business owners, this system usually led to three choices: taking time to figure out the paperwork, spending money on a tax professional, or avoiding interstate transactions altogether. Under GST, the process is much easier. No matter where their vendors and customers are located, still pay the same GST rate. This can cut costs and make you more competitive in the domestic market. Earlier, different states had different supply chain taxes in India. However, GST, with its '**one nation-one tax**' motto, has restructured and streamlined these supply chain taxes, thus resulting in business efficiency. The Gross State Domestic Product (GSDP) of Chhattisgarh grew by 7.06% at market price in 2018-19 in comparison to 2017-18 over the previous year 2016-17. In 2019-20 it had grown by 5.32% at the constant according to the states' economic survey.

4.3 Agriculture Sector: Above 80% of people of Chhattisgarh depend on Agriculture. Agriculture is the most vital and vulnerable component of Indian economy with 16% of GDP. GST has reduced the cost of heavy machinery required for producing agricultural commodities. GST was crucial for creating the successful implementation of the National Agricultural Market (NAM). GST would provide each trader

the input tax credit for the tax paid on every value addition. Fertilizers an important element of agriculture was previously taxed approx. 9.75% including central excise, tax on inputs, average VAT, CST and octroi. In the GST regime, the tax of fertilizers have been placed in the 18% slab. But a total of ₹6,000 crore have been claimed as input tax credit refund on fertilizers from July 2017 till date. Same impact is on tractors. While several of its components and accessories have been put in the 28% slab. There is no GST payable on seeds used for sowing. Though, implementation of GST is going to benefit a lot, the farmers/ distributors in the long run as there will be a single unified national agriculture market. GST would ensure that farmers in India who contribute the most to GDP, will be able to sell their produce for the best available price. GST has both positive and negative impacts on the agricultural sector.

4.4 FMCGs Sector: The Indian FMCGs sector is the fourth largest sector in the economy with a total market size in excess of US\$ 13.1 billion. Pre GST effective indirect tax rate in the range of 21%-23% on FMCGs including excise duty, VAT, etc. now GST brought tax in the range of 5-18% , therefore generating a lot of potential for progress and open doors for investment in the industry. The border checkpoints reduce transport hassles and enable logistics companies to deliver goods more efficiently and optimize delivery time. This leads to a reduction in distribution costs by 10-15%, thereby lowering the final price of the goods which lead a positive impact on FMCGs industries.

4.5 Revenue of State Government: According to Minister of Finance the gross GST revenue collected in the Month of December 2020 is ₹1,15,174 crore of which is ₹ 21,365 crore, SGST is ₹ 27,804 crore, IGST is ₹ 57,426 crore (including ₹ 27,050 crore collected on import of goods) and Cess is ₹ 8,579 crore (including ₹ 971 crore collected on import of goods). The revenue of GST for the month December 2020 is 12% higher than the GST collected in December 2019 which has led to improved compliance. The chart below shows trends in monthly gross GST revenues during the current year.



According to the above chart it is observed that collection of GST has increased continuously while it has been properly implemented. The growth of GST revenue in Chhattisgarh during August 2020 has increased 6% than the GST revenue collected in the same month of last year. The revenue of GST in the state was Rs 1873 crore in August 2019, which has increased to Rs 1994 crore in August 2020. The collection was increased 10% in December 2020 against the collection in December 2019, the healthy growth in GST collections of the state has reflected the positive momentum to the state's economy.

5. BENEFITS OF GST

Simplification of the
Tax structure

Transparency in tax

Increase in exports

Increase in employment

5.1 Simplification of the Tax structure: GST replaced all indirect taxes levied on State and Central. It stopped the cascading effects of multiple taxation on goods and services. People would focus on business instead of tax.

5.2 Transparency in tax: GST has eliminated all offline activities, it performed online which brought transparency in collection of tax and increased the revenue of the government.

5.3 Increase in exports: GST will not be levied on export of goods and services. The domestic goods in foreign markets will be more competitive.

5.4 Increase in employment: GST creates employment opportunity in India. Increase in employment will increase the purchasing power of individuals & increase in consumption that helps in building the economy.

6. CONCLUSION:

It can be said from the above discussion that GST has reduced the cascading effect of the indirect taxation system of India and brought transparency in taxation which makes the healthy growth of the economy. It would be provided relief of input tax credit to the manufacturers and traders by subsuming the several indirect taxes. As India moves towards a dual system of 'GST', a big change may be required in the System of working. In any case, we can say that 'the first test for any tax reform in the country is to stand the test of constitutional validity'.

The segments of taxation powers are timeworn and goes back to the era of constitution was written with a few amendments to their credit. Although GST is accepted by the people but the heart acceptance by the people is still very complicated. The implementation of GST is a changing face of India as well as for the Raipur city. As we know GST has been successfully implemented by the government.

REFERENCE:

1. Dani, S. (2016). A Research Paper on an Impact of Goods and Service Tax (GST) on Indian. *Business and Economics Journal*, 7(4).
2. Kumar, Dr. M., & Kumar, C.A Y. (2017, April). GST & its Probable Impact on the FMCG Industry in India. *International Journal of Research in Finance and Marketing (IJRFM)*, 7(4), 66-76.
3. Nath, Dr. B. (2017). Goods and Services Tax: A milestone in Indian economy. *International Journal for Applied Research*, 699 - 702.
4. V.Mamanshetty, D. (2008, August). IMPACT OF GST ON AGRICULTURAL SECTOR. *International Journal of Research and Analytical Reviews (IJRAR)*, 5(3).
5. <https://www.financialexpress.com/hindi/india-news/new-twist-in-gst-compensation-finmin-sources-says-cess-states-revenue-centre-cant-borrow-against-it/2077895/>
6. <https://www.naidunia.com/chhattisgarh/raipur-gst-increased-governments-income-chhattisgarh-gave-more-than-23-thousand-crores-to-center-5682044>
7. https://www.business-standard.com/article/economy-policy/slowdown-chhattisgarh-bucks-trend-with-rise-in-gst-receipts-vehicle-sales-120070201021_1.html
8. <https://thefederal.com/covid-19/chhattisgarh-logs-in-higher-gst-economy-shows-signs-of-recovery/>
9. <https://unemploymentinindia.cmie.com/>
10. <https://blog.saginfotech.com/gst-effects-on-indian-jobs>
11. <https://howtoexportimport.com/What-is-the-Impact-of-GST-on-Manufacturing-Industr-9277.aspx#:~:text=For%20example%2C%20prior%20to%20201,to%20pay%2018%25%20in%20taxes.>
12. <https://www.deskera.com/in/gst-impact-across-sectors>
13. <https://www.adityabirlacapital.com/abc-of-money/impact-of-gst-manufacturers-retailers-and-distributors>
14. <https://taxguru.in/goods-and-service-tax/benefits-demerits-gst-agriculture-sector.html>
15. <https://www.krishisewa.com/articles/miscellaneous/816-gst-agriculture.html>
16. <https://cleartax.in/s/impact-of-gst-on-agriculturalsector#:~:text=There%20are%20certain%20food%20items,under%20the%20current%20tax%20laws.>
17. https://www.business-standard.com/article/economy-policy/chhattisgarh-s-economy-to-grow-at-5-32-in-fy20-economic-survey-120030201238_1.html