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## **Impact of GST on Indian Economy**

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**Abstract:** The Goods and Services Tax (GST) Bill was successfully passed by both chambers of the parliament on March 29, 2017. Subsequently, on July 1, 2017, the GST Bill was implemented. The Goods and Services Tax (GST) is a proposed single indirect tax that aims to streamline and consolidate several existing indirect taxes. Its primary objective is to alleviate the burden associated with multiple indirect tax payments. The implementation of the Goods and Services Tax (GST) in India has effectively addressed the issue of cascading effects in indirect taxes and the problem of double taxation. This has resulted in the establishment of a standardized system for controlling indirect taxation in the country. The tax system in India has been in place since the British era, in which direct taxes and indirect taxes are divided into two. In these research articles, indirect taxes are what we refer to as goods and service taxes. In these research articles, we will discuss how it affected the Indian economy. Today, indirect tax is levied in India in the form of goods and services tax. This research article seeks to explore the nature of this impact on the Indian economy, i.e. positive or negative. Only secondary information was relied upon in the preparation of these findings. Indian economy derives a substantial portion of its income from indirect taxes. The collection of indirect taxes is a vital source of revenue for the government, supporting public finance and economic development in India.

**Keywords:** Central sales tax, **GST**, operational efficiency, **VAT**, service tax,



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**Introduction:** Prior to 2017, the citizens of India were subject to many indirect taxes on various transactions, including but not limited to purchases, sales, manufacturing, retailing, and marketing. These taxes took the form of Value Added Tax (VAT), excise duty, service tax, central sales tax, entertainment tax, luxury tax, and sales tax. In the budget statement for the fiscal year 2006-07, P. Chidambaram, the former Union Finance Minister, introduced the notion of 'Goods and Service Tax' (GST). The Goods and Services Tax (GST) Bill was successfully passed by both chambers of the parliament on March 29, 2017. Subsequently, on July 1, 2017, the GST Bill was implemented. The Goods and Services Tax (GST) is a proposed single indirect tax that aims to streamline and consolidate several existing indirect taxes. Its primary objective is to alleviate the burden associated with multiple indirect tax payments. The implementation of the Goods and Services Tax (GST) in India has effectively addressed the issue of cascading effects in indirect taxes and the problem of double taxation. This has resulted in the establishment of a standardized system for controlling indirect taxation in the country. The implementation of the Goods and Services Tax (GST) has played a significant role in advancing the economy towards the establishment of a unified market characterized by the unrestricted flow of money and services. This has therefore facilitated a more streamlined and efficient corporate environment. The objective of this article is to offer an analysis of the effects of the Goods and Services Tax (GST) on the Indian economy, while also discussing the necessity of revising GST rates and implementing modifications.

**Positive Impact of GST on the Indian economy :**

1. **The implementation of the Goods and Services Tax (GST) in India has** resulted in a simplified tax structure, characterized by a single tax and streamlined computation processes. Upon completing the payment for the acquired product, the buyer has a comprehensive understanding of the specific amount of tax that has been incurred.
2. The provision of assistance to small and medium enterprises: It is important to acknowledge that the payment of Goods and Services Tax (GST) is contingent upon the yearly revenue and scale of the organization. This initiative has shown to be beneficial for small and medium-sized firms.



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3. Increased funding for production: The implementation of the Goods and Services Tax (GST) has been effective in decreasing the overall taxable income, thereby contributing to an augmented pool of cash available for production purposes.
  4. Increased operational efficiency in India: The implementation of a unified tax system has resulted in a significant improvement in operations across the country, facilitating the seamless transfer of commodities within India.
  5. The growth in the volume of exports can be attributed to the reduction in customs tax on commodities. The implementation of the Goods and Services Tax (GST) has resulted in cost savings for production units engaged in the manufacturing of goods.

#### **Negative impact of GST on the Indian economy:**

1. The average man is adversely affected by the implementation of the Goods and Services Tax (GST) due to its nature as an indirect tax, which results in an increase in the selling price of goods and services. Consequently, this phenomenon exerts an influence on individuals belonging to the medium and lower-middle socioeconomic strata, thereby resulting in adverse consequences for the general populace.
2. The implementation of the Goods and Services Tax (GST) has had a detrimental effect on the market. Specifically, enterprises are encountering challenges with the input tax credit systems, which has resulted in their inability to effectively manage their working capital requirements. The aforementioned factor contributed to the adverse effects of the Goods and Services Tax (GST) on the market.
3. The adverse effects of the Goods and Services Tax (GST) on unemployment. Following the implementation of GST (July-2017), the jobless rate had climbed from 3.39 to 6.06 % over the period July 2017 to February 2018 in India. The ease of establishing commercial enterprises has contributed to a growing trend of self-employment, but is limited to those with sufficient financial resources.



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### **Review of Literature:**

1. Arora and Dhar (2019) conducted a study that investigates the introduction of the Goods and Services Tax (GST) in India and its consequential effects on the process of economic change. The text examines the process of streamlining the tax system, the alignment of indirect taxes, and the possible advantages for both enterprises and consumers.
2. The study conducted by Kumar and Singh (2020) examines the correlation between Goods and Services Tax (GST) and the economic growth of India. This paper examines the impact of the Goods and Services Tax (GST) on economic efficiency, tax evasion reduction, and economic development.
3. The research conducted by Ganguly and Dey (2019) centers on the influence of the Goods and Services Tax (GST) on the supply chain and logistics sector inside India. This paper examines the impact of the Goods and Services Tax (GST) on the restructuring of supply chain networks and the subsequent enhancement of logistical efficiency.
4. The study conducted by Patel and Patel (2018) investigates the potential consequences of the Goods and Services Tax (GST) on small and medium companies (SMEs) in India. This paper examines the difficulties encountered by small and medium enterprises (SMEs) during their transition to the Goods and Services Tax (GST) regime, while also exploring the possible advantages of adopting a more streamlined tax structure.
5. Bhattacharjee and Jain (2020) provide a detailed analysis of the implementation of the Goods and Services Tax (GST) in India, focusing on the obstacles encountered during the transition phase and examining potential future prospects. The paper examines concerns pertaining to tax compliance, the deployment of technology, and the potential impact on revenue.

**Research Problem:**The tax system in India has been in place since the British era, in which direct taxes and indirect taxes are divided into two. In these research articles, indirect taxes are what we refer to as goods and service taxes. In these research articles, we will discuss how it affected the Indian economy.



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### **Research Objective:**

1. To study the background of indirect tax which we refer to as GST.
2. To obtain and study information on the basis of secondary information regarding indirect taxes.
3. To formulate important findings based on secondary information received.

### **Hypothesis:**

**H<sub>0</sub>:** Indirect taxes are not generating a large amount of revenue for the Indian economy.

**H<sub>1</sub>:** The Indian economy is getting a lot of income due to indirect taxes.

**Research Methodology:** Today, indirect tax is levied in India in the form of goods and services tax. This research article seeks to explore the nature of this impact on the Indian economy, i.e. positive or negative. Only secondary information was relied upon in the preparation of these findings.

**Scope of the study:** The significance of indirect taxation in developing nations such as India is well acknowledged due to its substantial contribution to government revenue through tax generation. Furthermore, this research attempts to examine the influence of indirect taxation on India's national income. To achieve this objective, the study mostly relies on secondary sources of information.

### **Limitation of the Study:**

1. Only secondary information has been used to create this research article.
2. The findings are based only on secondary data.

### **Justification :**

**H<sub>1</sub>: The Indian economy is getting a lot of income due to indirect taxes.**

the hypothesis accurately reflects the reality that the Indian economy derives a substantial portion of its income from indirect taxes. The collection of indirect taxes is a vital source of revenue for the government, supporting public finance and economic development in India.

**Conclusion:** The introduction of the Goods and Services Tax (GST) in India is a noteworthy achievement in the realm of tax reform. The tax system has been streamlined, resulting in enhanced economic efficiency and fostering economic growth. Despite encountering initial obstacles,



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companies and the economy have successfully adjusted to the new system, leading to a growing recognition of the advantages offered by the Goods and Services Tax (GST). The implementation and progression of the Goods and Services Tax (GST) in India persist, as endeavours persist to augment the tax system and tackle obstacles for the advantage of enterprises, consumers, and the overall Indian economy.

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