

Goods and Services Tax and ease of doing Business- A study of Business owners in Madhya Pradesh

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ABSTRACT

In this paper, we look into whether the implementation of GST has eased the doing of business in Madhya Pradesh. We use a questionnaire to check the view point of business owners in the state of Madhya Pradesh regarding the ease of doing business after the implementation of GST. Using the primary data of 517 business owners from the state of Madhya Pradesh, we find that the implementation of GST has increased business performance, revenue generation and profitability of businesses in the state of Madhya Pradesh but at the same time it has caused certain difficulties for the ease of doing business.

Key words: Goods and Services Tax; Ease of doing business; Madhya Pradesh; Primary survey

INTRODUCTION

GST is a tax on goods and services that includes a full and continuous chain of set-off benefits all the way down to the retailer. It is effectively a tax on solely value addition at each level, with a set-off allowed at each stage. The GST is paid on the purchase of goods and services are credited using a tax credit method. In the end, the end-user (i.e. final consumer) bears the burden of GST of the product or service (Gupta et al., 2017). In 2000, the Vajpayee government began discussing GST by forming an Empowered Committee, led by West Bengal Finance Minister Asim Dasgupta, to design the GST model. After a series of discussions the Lok Sabha passed the Constitution (122nd Amendment) Bill, 2014 on May 6, 2015, while the Rajya Sabha passed it with nine amendments on August 3, 2016. The updated Bill was then passed by the Lok Sabha on August 8, 2016. It was sent to the President for his consent after receiving permission from half of the states, which he gave on September 8, 2016. As a result, the route to GST implementation has been cleared, and the enactment process has been finished.

GST has replaced a multi-layered, complex indirect tax structure with a simple, transparent, and technology-driven tax regime, which is regarded as game changer for the Indian economy. It will break down obstacles to inter-State trade and business, transforming India into a single, shared market. It will improve the ease of doing business in the country and give a boost to the Make in India programme by removing cascading taxes and lowering transaction costs. ONE NATION, ONE TAX, ONE MARKET will be the effect of GST.

In this paper, we look into whether the implementation of GST has eased the doing of business in Madhya Pradesh. We use a questionnaire to check the view point of business owners in the state of Madhya Pradesh regarding the ease of doing business after the implementation of GST.

LITERATURE REVIEW

Understanding the reforms and advances in the field of taxation both internationally and in India has taken a significant amount of time and effort (Chaurasia et al.,2016). India is striving hard to make changes in the sphere of taxation in order to fulfil international standards and the expectations of many stakeholders in the globalised environment. Towards this direction has been the implementation of Goods and Services tax (GST). Many researchers have conducted a series of studies make a thorough examination of the current and desired tax structures. A study by Pinki et al., (2014) asserted that the new NDA government in India is positive toward GST implementation and that it is beneficial for the central government, state governments, and consumers in the long run if it is backed by strong IT infrastructure. In a similar vein, Kumar (2014) stated that the implementation of GST in India will help to remove economic distortions caused by the current indirect tax system and will support an unbiased tax structure that is unaffected by geographical location. The importance of GST in India, its relevance in generating more money for states, and its usefulness as a transparent tax are all discussed in Khan et al. (2013) article. The study also examines several initiatives that could be made to improve the proposed GST, such as lowering exemptions, incorporating all taxes into GST, and so on. The article goes over the various GST provisions that have been suggested and their ramifications. With CGST, SGST, and IGST, GST is intended to be implemented. Only the output of the same tax can be used to offset the ITC of each. IGST will also be collected from the exporting state and transferred to the importing state by the national government. The CGST and SGST rates will be added together to form the total rate. Furthermore, various

charges will apply to different products. For example, the CGST and SGST rates will be lower for essential products. For CGST and SGST, the classification of goods/services as essential or not will be the same. The article also looks at the global provisions of GST and compares them to the proposed GST in India.

Further, Sekhar (2012) asserted that for the Task Force was established by the Ministry of Finance, with Mr. V. Kelkar as its chairman. The Task Force's primary objective was to assess the impact of the proposed GST on the Indian economy. The author of the study looked into the various aspects of GST and how they affect the average person, businesses, and the economy. Based on secondary data, the author has determined that if GST is implemented in India, it will have a favorable influence on the total economy. The author has gone over the several types of GST, such as CGST, SGST, and IGST, as well as GST exemptions, GST treatment of imports and exports, ITC adjustments, and so on. Additionally, Deol (2012) went over the history of the GST, which was set to be implemented in India. The country has a federal government, and indirect taxes make up a large part of the state's revenue. GST cannot be implemented in India unless there is agreement between the states and the central government. In the paper, the author highlights the benefits, as well as the challenges that states have in implementing it. The 'zero rating model' for interstate sales is also mentioned by the author.

Roychowdhury (2012) has examined the present indirect tax of VAT, as well as the law surrounding the proposed GST to be implemented in India, as well as the benefits and challenges associated with its implementation. The author discusses how the introduction of SGST and CGST has been advocated in India. The pros and downsides of this dual-type GST have also been highlighted by the author. Furthermore, the author suggests that, under the planned GST, the location of service taxation should preferably be destination-based rather than origin-based. Furthermore, exports should be exempt from taxation while imports should be taxed. As a result, states with high consumption of goods and services will gain from the planned GST. The author also advises that GST exemptions be reduced because they cause problems in the ITC chain mechanism. In his study, the author discusses the concept of IGST in particular. The centre will levy IGST, which is a combination of CGST and SGST, on all interstate goods and services transactions.

With regard to countries other than India, Reinhard et al (2011) examined the impact of taxes and the tax adjustments resulting from the 2000 tax reform on the

financing and investment decisions of a sample of German publicly traded companies from 1996 to 2005. In contrast to the German government's perception, the findings do not support the idea that corporations intentionally alter their financial structures to decrease their corporate tax payments. Market opportunities and market pressures have a considerably greater impact on investment decisions than tax considerations, according to the study. In light of the findings, the researchers question whether the recent tax reforms will be able to achieve the goals. Further, Benedict (2011) investigated the legal provisions of the Australian GST law that deal with financial services in order to determine if the provisions have been correctly understood in light of the legislation's intended purpose and how the concerns highlighted can be addressed. The author also considers the provisions in place in Australia to tax financial services, as well as whether the legislature's goal in taxing financial services is appropriate.

The above-mentioned studies have analysed the reforms and advances in the field of taxation both internationally and in India. GST is a very new occurrence in India, hence there is little study in this field. Therefore, in this study we examine the ease of doing business post implantation of GST. Specifically, we ask the opinion of the business owners of Madhya Pradesh regarding their perception on ease of doing business post GST implementation.

RESEARCH METHODOLOGY

Research is the methodical and rational search for new and useful information on a given topic. A research technique is a method of solving an issue in a scientific way. It is a method of determining how investigations will be carried out. The methods by which researchers go about their work of describing, explaining, and forecasting phenomena are referred to as study methods.

Research design: This study has adopted exploratory and descriptive research design for achieving the objectives of the study. Since, the exploratory research is beneficial for breaking down huge and indistinct difficulties into smaller, more precise sub-problem statements. In that sense, exploratory research design is utilised to gain a better understanding of the GST adoption by business owners in the state of Madhya Pradesh. Further, the descriptive research is used to determine the adoption practices of GST by business owners in and how set of GST practices move together, as well as the what, when, and why parts of the study.

3.1. Study Area, Sample Size and Design

The study significantly relies on both primary and secondary data. Primary data was obtained using a questionnaire, while secondary data was gathered via journals, papers, books, and articles. The survey is being undertaken on the owners of businesses in Madhya Pradesh. The primary data are collected through questionnaire method. Totally 800 questionnaires were distributed and 560 collected out of which 517 completed questionnaires were found usable.

3.2. Questionnaire Design

The primary data is gathered via a questionnaire survey. The respondents were asked to express their perception regarding the ease of doing business post GST implementation. The questions asked to respondents were based on three point scale of decreased, increased and remained same.

DATA ANALYSIS AND INTERPRETATION

The SPSS computer application was used to analyse the primary data collected. The cross-tab statistical tool and chi-square test is utilised to arrive at the results.

4.1. GST implementation effect on business performance, revenue and profitability

Table 1 presents the results of the statement asserting how the performance of the business of Madhya Pradesh was affected after the implementation of GST. It is worth to note that 248 respondents among the 516 respondents asserted that business performance has decreased after the implementation of GST. It is worth to note that such increase has been witnessed throughout the scale of businesses as we can see that the numbers of increased variable is high when compared to decrease and remained same. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the business performance after implementation of GST.

Scale of firm	Decreased	Increased	Remained Same	Grand Total
Large	2	17	12	31
Medium	30	107	80	217
Micro	19	56	50	125
Small	34	68	42	144
Grand Total	85	248	184	517
χ^2		P=0.001 H ₀ =Reject		

In a similar vein, Table 2 presents the results of the statements that provide information on the impact on business revenue after the implementation of GST. From the figures presented in Table 2, it can be found that because of the

implementation of GST the overall business revenue has increased, since 248 respondents out of 517 respondents have asserted the increase in revenue because of the implementation of GST. It must further be noted such an increase is witnessed throughout the scale of business that is large, medium, micro and small. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the business revenue after implementation of GST.

Table 2: Business revenue after implementation of GST					
Scale of firm	Grand Total	Decreased	Increase	Remained Same	Grand Total
Large	31	2	17	12	31
Medium	217	30	107	80	217
Micro	125	19	56	50	125
Small	144	34	68	42	144
Grand Total	517	85	248	184	517
χ^2			P=0.001 H_0=Reject		

Further, in Table 3 we present the results of the statements that provide information on the impact on business profitability after the implementation of GST. From the figures presented in Table 3, it can be found that because of the implementation of GST the profitability of the business has increased, since 215 respondents out of 517 respondents have asserted the increase in profitability following the implementation of GST. It must further be noted such an increase is witnessed throughout the scale of business that is large, medium, micro and small. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the business profitability after implementation of GST.

Table 3: Business profitability after implementation of GST				
Scale of firm	Decreased	Increased	Remained Same	Grand Total
Large	3	14	14	31
Medium	56	82	79	217
Micro	22	51	52	125
Small	30	68	46	144
Grand Total	111	215	191	517
χ^2	P=0.001 H_0=Reject			

Table 4: Agencies(like Tax consultants, chartered accountants) to deal after implementation of GST

Scale of firm	Decreased	Increased	Remained Same	Grand Total
Large	2	21	8	31
Medium	14	158	45	217
Micro	19	74	32	125
Small	8	108	28	144
Grand Total	43	361	113	517
χ^2	P=0.001 H_0=Reject			

4.2. GST implementation effect on ease of doing business

In this section, we present statements with regard to the perception of business owners of Madhya Pradesh on ease of doing business. In Table 4 we present the perception of respondents regarding their dealing with agencies like tax consultants, chartered accountants after the implementation of GST. From the figures presented in the Table, it can be presumed that owners of businesses assert that after the implementation of GST they had increased dealings with agents that are involved with GST. This is evident from the fact that 361 respondents out of 517 respondents have reported increase in dealing post implementation of GST. This implies that GST has increased the legal and other normal dealing procedures for the business. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the agencies dealt after implementation of GST.

In Table 5 we present result of the statement those accounting and record keeping requirements after implementation of GST. We find that majority of the respondents presume that accounting and record keeping requirements have increased following the implementation of GST. This is evident from the fact that 404 respondents out of 517 respondents have reported increase in accounting and record keeping post implementation of GST. It must be noted that numbers in increase row are more than the other two rows throughout the scale of business. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the accounting and record keeping requirements after implementation of GST.

Table 5: Accounting and record keeping requirements after implementation of GST

Scale of firm	Decreased	Increased	Remained Same	Grand Total
Large	4	22	5	31
Medium	12	170	35	217
Micro	7	86	32	125
Small	14	126	4	144
Grand Total	37	404	76	517
χ^2	P=0.001 H_0=Reject			

In Table 6 we present the results of the statement that Small and Micro units are facing problems in accounting and computerizing. The numbers presented in the Table suggest that accounting and computerizing problems have increased post GST. Such increase is seen in all the scale of firms that is large, medium, micro and small. Such evidence is presented from the fact that 357 respondents out of 517 have reported increase in accounting and computerizing problems post implementation of GST. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the problems of accounting and computerizing after implementation of GST.

Table 6: Small & Micro units are facing problems in accounting and computerizing have now

Scale of firm	Decreased	Increased	Remained Same	Grand Total
Large	7	20	4	31
Medium	24	149	44	217
Micro		89	36	125
Small	12	99	33	144
Grand Total	43	357	117	517
χ^2	P=0.001 H_0=Reject			

Table 7 reports the results of the statement regarding the complexity for businessmen. From the figures presented in the Table we can see that majority of the owners of business firms agree with the fact that the implementation of GST has increased the complexity of business. It is worth to note that 344 respondents out of 517 vote in favour of the increase in complexity of business following the implementation of GST. Additionally, from the test statistics of chi-square we can

infer that there is a significant relationship between scale of business and the complexity for businessman after implementation of GST.

Table 7: Complexity for businessmen

Row Labels	Decreased	Increased	Remained Same	Grand Total
Large	4	27		31
Medium	42	135	40	217
Micro	18	90	17	125
Small	33	92	19	144
Grand Total	97	344	76	517
χ^2	P=0.001 H_0=Reject			

Another important finding is with regard to the cost of doing business. The results of this statement are presented in Table 8. We find that the owners of business in Madhya Pradesh are of the view that cost of doing business has increased after the implementation of GST. It is evident from the fact that 373 respondents out of 517 respondents have voted for increase in cost of doing business after the implementation of GST. Additionally, from the test statistics of chi-square we can infer that there is a significant relationship between scale of business and the cost of doing business after implementation of GST.

Table 8: Cost of Doing Business in the Economy

Row Labels	Decreased	Increased	Remained Same	Grand Total
Large	4	21	7	31
Medium	24	159	34	217
Micro	18	88	18	125
Small	25	105	15	144
Grand Total	71	373	74	517
χ^2	P=0.001 H_0=Reject			

CONCLUSIONS

Using the primary data of 517 business owners from the state of Madhya Pradesh, we find that the implementation of GST has increased business performance, revenue generation and profitability of businesses in the state of Madhya Pradesh but at the same time it has caused certain difficulties for the ease of doing business. Specifically, the business owners have an increased dealing with agencies like tax consultants and chartered accountants. Additionally, the accounting and record keeping requirements have also increased and so has the problems in accounting and computerizing. By these means the complexity for businessmen has also increased which itself has increased the cost of doing business.

Therefore, it can be concluded that despite the fact that the GST regime has been negotiated for a long time, it is still not totally finalised. On various grounds, a considerable number of modifications in commodity tax slabs, tax threshold restrictions, and GST exemption have occurred. The GST Council has met more than 20 times since the implementation of GST, and each time the tax slabs for a substantial number of commodities have been altered on some pretext or another. It is thereby recommended that the procedures need to be settled down for making smooth implementation of GST.

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