



IMPACT OF GOODS AND SERVICE TAX (GST) ON SMALL AND MEDIUM ENTERPRISES (SMES) WITH REFERENCE TO PALGHAR DISTRICT.

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ABSTRACT

GST; Goods and Service Tax, known as giant indirect tax structure, designed to support the enhancement of the economic growth. Already more than 150 of the countries have implemented GST. However, in India, it took quite a number of few years for the Act to be passed, but finally India too adopted GST. The present study tried to take into the views of Small and Medium Enterprises in the Palghar district, covering the different segments. From the results it is clear that most of the Enterprises agree towards working for one nation, one tax but the problems that they face forces them to stand against GST. Though; the study faced 30% rejection from Dahanu, 80% from Boisar and 25% from Palghar, the data is collected with the help of survey, in the study it is observed that monthly filing, extra penalty fees, consultant's high fees structure, and different rate slabs are the problems they are facing. We know the one who faces actually gives the best solution unknowingly. They themselves despite being against for GST agreed that if government takes the step to minimize the rate, say 18% to be the max limit, and returns filing period to 6 months, this would help their business to grow better.

Keywords : GST, SMEs, Tax System, Tax Payer.

INTRODUCTION TO GOODS AND SERVICES TAX (GST)

Goods and Services Tax is a comprehensive tax levy on manufacturer, sale and consumption of goods and services at a national level.

The proposed tax will be levied on all transaction involving supply of goods and services, except those which are kept out of its preview.

Purpose of Good and Services Tax (GST)

The two important purpose of GST are following :

- **Single umbrella tax rate:**

GST shall replace a number of indirect taxes being levied union state government

- **Removing cascading effect :**

GST is intended to remove tax on tax effect and provides to common national market for good and services.

NEED FOR GOOD AND SERVICES TAX IN INDIA

There are various taxes that have to pay at every stage and differently collected by State and Central Government and rates differ from one state to another. If we talk about GST, it will unified whole nation and taxes will be divided among Central and State Government, which will make easier to provide services and goods across country, as no more additional state taxes will be imposed.

TAXES UNDER GOODS AND SERVICES TAX

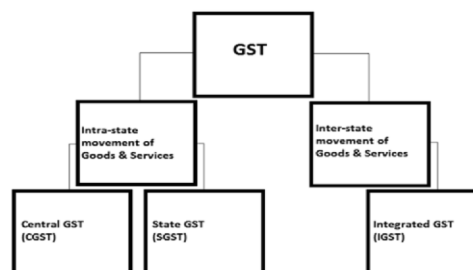


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INTRODUCTION TO SMALL AND MEDIUM ENTERPRISES

The small scale sector has played a very significant role in the socio- economic development of India. Planners recognized the importance of this sector soon after independence and accordingly the sector was given a strategic position in the country's industrial policy. A concerted effort has been made to support and promote SMEs, in the context of globalized competitive world, by implementation of MSME Act, 2006, which was enacted on June 16, 2006. In accordance with MSME Act, 2006 MSMEs are classified in to two classes:

- (a) Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in first schedule to the industries (Development and Regulation) Act, 1951. The manufacturing enterprises are defined in terms of investment in plant and machinery.
- (b) Service Enterprises: The enterprises engaged in providing or rendering services and are defined in terms of investment in equipment. The limits for investment in plant and machinery for manufacturing and equipment for service enterprises as notified are as under:

Table: I (Classification of MSMEs) Existing Definition

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed Rs.25 Lakhs
Small Enterprises	More than Rs. 25 Lakhs but does not exceed Rs. 5 Crores
Medium Enterprises	More than Rs.5 crores but does not exceed Rs.10 Crores
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed Rs.10 Lakhs
Small Enterprises	More than Rs. 10 Lakhs but does not exceed Rs. 2 Crores
Medium Enterprises	More than Rs.2 crores but does not exceed Rs.5 Crores

(Source: MSME Act, 2006)

Table II Revised Definition

Composite Criteria : Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs.1 cr. and Turnover < Rs.5 cr.	Investment < Rs.10 cr. and Turnover < Rs.50 cr.	Investment < Rs.20 cr. and Turnover < Rs.100 cr.

(Source: Economic Times dated May 15, 2020)

RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

- To identify the impact of GST on business society

- To identify the proportion of tax payers in our society

- To ascertain transparency prevailing in GST
- To know about the problems faced by the tax payers
- To ensure whether replacement of previous tax system to GST is satisfactory or not

AREA OF THE STUDY AND SAMPLE SIZE

Palghar district is one of the newly formed district in the Maharashtra state of India. The industrial town of Boisar which is in Palghar district is also home to one of the Maharashtra's largest Industrial areas at Tarapur Maharashtra Industrial Development Corporation (MIDC). The Palghar district has large amount of SMEs which provides employment opportunities to the people of these area. Sample Size for research work 100 SME owners.

PRIMARY DATA

This data will be collected by the researcher first hand which is purely her own work. For the purpose of data collection as per the research objectives, a questionnaire would be prepared by the researcher herself. For collecting actual and factual information research will be done by interviewing SME owners, government officials, bank officials, etc.

SECONDARY DATA

Secondary data will be collected from the already published books, research journals, reports, periodicals, Government records, Internet Web sites, etc. which is very much necessary to get in to the research topic.

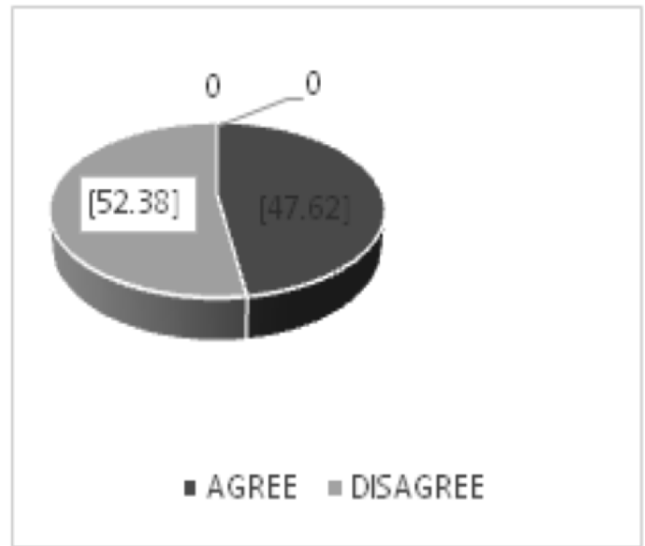
RESEARCHER WILL BE USING FOLLOWING SOURCES FOR COLLECTING SECONDARY INFORMATION

1. Reference books, Newspaper articles
2. Referred research journals, identical journals
3. Government reports
4. Internet websites

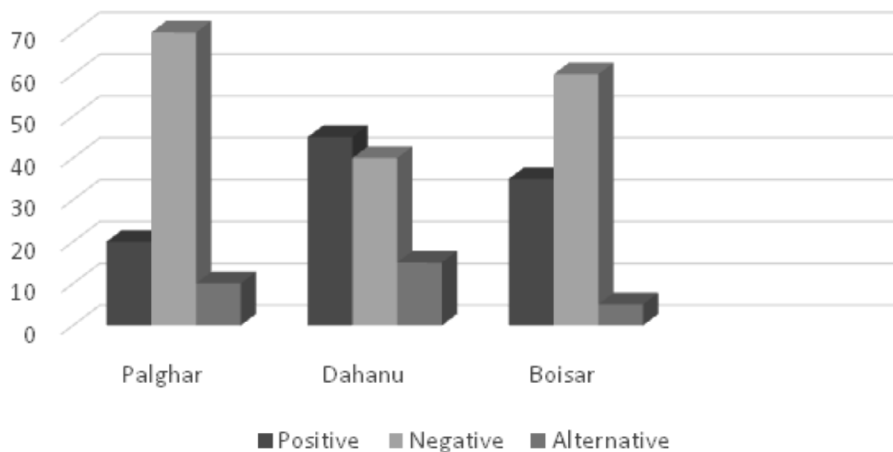
DATA ANALYSIS AND INTERPRETATION

Fig1.1 shows the percentage of the people in favour and against of GST. We can clearly see that majority of the people i.e.53% are not in the favor of GST, while 47% do not face problem after the implementation of GST.

Fig 1.1 Percentage of people in favor and against GST



Feedback from MSMEs owners
fig 1.2



The feedback that which i got from my survey, on that basis we can conclude that some faced negative impact of GST, while some had positive responses. Fig 1.2 shows us the percentage of the people, from Palghar we can see majority of the people; 70% of people with negative responses, while few agreed to bring some changes or alternatives in GST. In Dahanu there is no much difference 43% were in favor, 38% against it, while 19% wanted some other alternative. Boisar leads to 59% of negative responses, while 33% with positive responses while 8% wanted some alternative.

FINDINGS

- It was observed that the acceptance by the SMEs was a pressure on them;
- Everyone who came under GST were paying proper Monthly/Quarterly/Yearly GST;
- It is found that to a large extent the fraud in Post-GST period has been lessened;
- The Tax-payers were problematic in case of GST rates(which are too high); Return filings(many of them file monthly which leads to penalty if unable to file on due date i.e.,20th of every month)
- GST tax system was unsatisfactory by major; however they were with an opinion that GST won't be a pressure if alternative is proposed. Alternatives as in-
 1. GST to be paid only by first sellers and not by distributors [though they are availed with ITC (he can adjust GST due to him with GST already paid by him)
 2. Replacement of monthly filing to half yearly filing
 3. Change in GST rates for few items where it's too high (e.g., 28% on electronics)
- Some entrepreneurs advised to decrease CA fees (as it affected their cost structure)

CONCLUSION

- Though accepted by all but it was observed that majority of people follow it forcibly
- Fraud to some extent has been reduced in Post-GST period
- After discussing the problems following were the solutions we concluded with-1) Equalization in tax slabs 2) Increasing the GST filing period from one month to six months 3) single seller should borne the tax , shouldn't be levied on all sellers and distributors i.e. it should be charged only once.

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