

GST and Its Impact on Common People.

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Abstract

India been poised to mark milestone with respect to industrial growth and namely identified as the best among growing economies for investment is recently troublesome post to implementation of GST. Economists and financial analysts blame the government for the act in light of fall in growth indices, while authorities challenge by saying 'no changes are accepted overnight'. The market suffered inflation immediate following the GST implementation, and three months past, the rates doesn't came down but keeps climbing. A not well pre-informed/ guided economy and public in general had to spend high as a result of the panicking of links in the supply chain of the nation. The first GST phase was a nightmare to all industries of the economy. In this paper an attempt has been made to study the impact of implementation of GST on common people by taking their income and expenditure as the relevant variables.

KEYWORDS: GST, Inflation, Savings, Income, Expenditure, ITC

Introduction

The era of GST started on July 1st 2017 has been hailed as the biggest tax reform in India's history as an independent nation. It creates a common natural market in the country with more transparency. It is said to be greatly beneficial to common man as it subsumes almost 17 indirect taxes (state level taxes like sales tax, entertainment tax, purchase tax, entry tax etc.). Months after the revolutionary implementation of GST in India, still confusion exists in the market and in the minds of the common consumers. The links in the supply chain are panicking, traders are charging GST without deducting other tax margins, and the immediate market is witnessing a hike in general prices, and the ultimate burden is on the expenditures and savings of middle income households of the nation.

It is generally said that GST is relevant to businesses and not for salaried people. People earning salaries will continue to pay income to pay income tax on their salary and will continue to be deducted from their monthly pay. GST is an indirect tax and as such nothing to do with income tax. Whereas the real burden falls on the common man who is livelihood is from un-organized sector, i.e. who depends on wages and agriculture for bread.

GST will be relevant for salaried people because they will now pay GST on almost all their expenses- restaurants, movies, and shopping, consulting, construction... basically everything. Depending on the rate of GST, people will adjust their consumption to have savings, i.e. their expenditure on these products may rise or fall. Been government's optimistic approach to GST, expecting a GDP hike of 1% to 2% of economy; the general psychology of common citizen, they'll start look for GST on everything that they spend- better than having to deal with hundreds of other taxes on all other purchase bills like entertainment tax, luxury tax, service tax, VAT etc. The overall impact of GST is expected

to improve the quality life of an Indian citizen, by getting goods and services at a competitive and affordable rates.

The problem lies where the common citizen is not enough informed/ educated and the supply links in the market tries cash this opportunity by way of creating a confusion in the market and causing a price hike of essential goods in the short run. During the study the researchers observed a trend wherein the prices of essential goods and services are in a hike in the short run opposite to the state’s expectation to fall. This undoubtedly had an impact on middle income household’s expenditures and savings, which in turn form basis for our study.

To try proving this impact, the researchers took households in Kattappana municipality in random as the sample for the study and used questionnaire as the tool for data gathering from them. The findings of our study is believed be able to be generalized to the mass. The major findings of our study and its inferences are summarized as;

1. The trickledown effect of GST is not attained. Almost all good’s prices have increased instead of decreasing. (the chart below substantiate the finding)

Item	Price Paid		Net Difference (%)	Item	Price Paid		Net Difference (%)
	June	July			June	July	
Rice	20081	21470	6.916986206	Chicken	1444	1521	5.332409972
Milk	476	504	5.882352941	Orange	460	660	43.47826087
Potato	323	343	6.191950464	Apple	1240	1240	0
Shallots	1040	1107	6.442307692	Bread	223	205	-8.071748879
Tomato	728	913	25.41208791	Biscuit	110	120	9.090909091
Salt	120	138	15	Lactogen	0	0	
Sugar	494	513.25	3.896761134	Sanitary Napkins	40	45	12.5
Ginger	0	0		Petrol	343	348	1.457725948
Garlic	150	166	10.66666667	Others			
Tea	80	80	0	Travel bills	2725	2938	7.816513761
Coffee	650	638	-1.846153846	Medicine bills	230	620	169.5652174
Coconut oil	1550	1870	20.64516129	Water bills	1130	1130	0
Corriander powder	362	450	24.30939227	Electricity bills	7993	8408	5.192043038
Chilly Powder	714	676	-5.322128852	Phone bills	4550	4610	1.318681319
Turmeric powder	368	388	5.434782609	Installments			
Cloves	600	600	0	Kudumbashree	1850	1850	0
Cardamom	4750	5360	12.84210526	Insurance premium	24000	27500	14.58333333
Pepper	500	460	-8	Education bills	46500	60500	30.10752688
Egg	63.5	70	10.23622047	Post office savings	1125	1125	0

*The observed average income of the sample is Rs.10,000, assuming two earners in a family.

*The non-responsiveness of sample in filling questionnaire or biased responses may have influenced the researcher’s inferences.

The researchers understand the fact that no major changes were accepted overnight in history. But where as in the case of GST it is observed that the nation wasn’t ready yet for a major reform or the people in the country were not properly pre-informed. Fall in the volume of economic activity of the country, confusion in the market, hike in prices etc., in the short run support this view.

2. It could also be inferred that a deliberate attempt by shopkeepers also cause price hike in the short run, supporting this a uninformed or not-much knowledge demography resulted in a short run

- market massacre. For instance, it's mostly seen that most of the sellers charge the GST in addition to the existing price i.e. without subtracting VAT amount.
3. Most of the retailers have not changed in to GST complaint on using accounting software. As a reason for this; shopkeepers highlight the unavailability qualified technical labour, who are thorough in GST. Plus, an attempt to sell-off pre-GST stocks to streamline the may- losses followed by GST is also sensed by the researchers.
 4. Lack of training of SMEs of Kattappana about the transition process of GST and claim of ITC (Input Tax Credit) under GST TRAN1 are the other causes for hike in prices. Since SMEs contribute large portion of participants in our economy and their inadequate knowingness of a revolutionary, claimed, change in the tax system up-raged the confusion in the market. These SMEs, at least for a short period, sold their goods and services in pre-GST margin which would actually may high priced or low priced in post-GST.
 5. Apart from all these problems the common man of this area are found to be less bothered about the price fluctuations in market followed by GST. The possible reasons may be inferred as
 - a. Ignorance
 - b. Lack of knowledge or information
 6. As GST is in infant stage, it staggers to give full frint to the consumers. But we hope in due course it will be transformed to a well matured system that helps to boost the performance and competitiveness in Indian economy.

Conclusion

Almost all countries where GST has been implemented have been gone through a small phase of inflation. It is observed that until all the tax bearers start taking the benefit of Input Tax Credit (ITC) there won't be a negative negative growth in the inflation. Inflation caused by GST in the short run is the root cause why the common man gets affected. Everyone (salaried and not) have to spend more amount for the consumption of same quantity of goods and services. Whereas, there is no considerable hike in the income source of individuals. Manufacturers, wholesalers and retailers in the state, (not all), made a deliberate attempt, and continues, to make profit out of short run inflation caused by GST implementation. To reap higher benefits, retailers were reluctant to upgrade software to GST compliant. Lack of familiarity and technical expertise of links in the supply chain further worsen the situation.

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