



## AWARENESS AND IMPACT OF GOODS AND SERVICES TAX ON MICRO ENTERPRISES IN ANANTAPURAMU TOWN: AN EMPIRICAL STUDY

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### **Abstract**

*Goods and Service Tax (GST) is a vast concept that simplifies the tax structure by supporting and enhancing the economic growth of a country. It is a comprehensive tax levy on manufacturing sale and consumption of goods and service at a national level. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority “ and is any contribution imposed by government. It is an amalgamation of Central and State taxes into a single tax system. It could enhance the positive of India in both, domestic as well as international market. The present paper highlights that the awareness and impact of GST on micro enterprises in Anantapuramu district of Andhra Pradesh.*

**Key words:** *Goods and Services Tax, Entrepreneurs and Enterprises.*

### **Introduction**

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavour to generate tax revenue to support Government expenditure on public services and infrastructure development. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority “ and is any contribution imposed by Government. The First known system of taxation was in Ancient Egypt around 3000 BC-2800 BC in the first dynasty of the Old Kingdom. The Period of British rule in India witnessed some remarkable change in the whole taxation system of India. Although, it was highly in favour of the British Government and its exchequer but it incorporated modern and scientific method of taxation tools and systems. In 1922, the country witnessed a paradigm shift in the overall Indian taxation system. Setting up of administrative system and taxation system was first done by the Britishers.

Broadly, there are two types of Taxes viz. Direct and Indirect taxes. Taxes in India are levied by the Central Government and the State Government. Some minor taxes are also levied by the local authorities such a Municipality or Local Council. The authority to levy tax is derived from the Constitution of India which allocates the power to levy various taxes between Centre and State. Taxes in India are levied by the Central Government and State Governments. Some minor taxes are also levied by the local authorities such as Municipality or Local Council. The authority to levy tax si derived from the Constitution of India which allocates the power to levy various taxes between Centre and State. Some of the important Central taxes, Ex: CENVAT, Customs Duty, Service Tax etc. Some of the important State taxes are, Ex: State Sales Tax, CST, Works Contract Act, VAT, Entry tax, other local levies etc. Originally, the taxes on the sale of goods were levied in terms of the respective Sales Tax/Trade Tax enactment and the ‘entry of goods’ was subject to tax under the respective State Entry Tax enactment and this scenario prevailed till the reform process set in whereupon these levies were replaced by VAT. The levy of tax on provisioning of services was introduced for the first time in 1994 and has been subjected to persistent vigorous legal challenges. Thus, it is evident that the transition to VAT did not remedy the issue of non-creditable duties and the consequent cascading effect requiring further reform in the area and consequently GST arose. Despite the existence of multiple taxes like Excise, Customs, Education Cess, Surcharge, VAT, Service Tax etc. The GDP of India is much lower than the GDP of countries like the USA, China and Japan. India has miles to go to achieve this level. The reference of GST was first made in the Indian Budget inn 2006-07 by the then Finance Minister Mr. P. Chidambaram as a single centralized Indirect tax. The Bill was introduced on December 19, 2014 and passed on 6<sup>th</sup> May, 2015 in the Lok Sabha and passed in Rajya Sabha on 3<sup>rd</sup> August 2016. The Government implemented the GST Bill From 1<sup>st</sup> April 2017. Clause 366(12A) of the Constitution Bill defines GST as “goods and service tax” means any tax on supply of goods, or service or both except taxes on the supply of the alcoholic liquor for human



consumption. So GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level.

**Review of literature**

“Sridhar babu et al (2018) conducted a research study and presented a paper on ‘Analysis of Impact of GST with reference to Perspective of Small business stakeholders ‘ stated that they conducted the survey with use of Regression Analysis and Co-relation analysis techniques. They found that 3.09% of people gave the positive opinion for implementation of GST selected the targeted segment chosen from industrial and service sector . But, they suggested that the gaps addressed by Government rapidly, it is useful for the economic development.

Vidit Mohan et al in their research paper on ‘Assessment of the Implication of GST (Goods and Service tax) Rollout on Indian MSMEs’ described the aim of this is to understand and gain access to the way in which the owner attribute meaning to implementation of GST and their perception it. They conducted the survey of implication of GST for MSME’s owners with using of qualitative and quantitative techniques at Raipur. The both studies describe the industries faces several challenges during the GST implementation. The MSME’s looking for awareness and training by Government for implementation of GST . If the Government assists them it enhances the tax revenue.

Rani Jacod in her research paper ‘ The Impact of Goods and Services on the Micro Small and Medium Enterprises ‘ stated the MSME’s are the major constituent of our economy. She describes the positive and negative impact of implementation of GST and also Inter-State trade become cheaper. The Implementation of GST is complex at present but it gives the benefits in long run to the business and consumers. The unorganized MSME’s grown faster than the organized because of the tax benefits. She concluded that is impact of GST is periodically reviewed by Central and State Govt., it helps for success of Tax regime.

Ms. R. Lavanya Kumari in her research paper ‘ Impact of Goods and Services (GST) Tax on Indian MSME’s ‘stated the MSME’s is major driver in Indian economy , it contribute almost 7% of the manufacturing ,31% in services to the GDP , 46% of overall exports. In this explained useful to the Automobiles, Textiles, E-Commerce etc. In this SME is providing the 50% of industrial output, 42% of Indian exports. The One Nation One Tax principle , it is predicted benefits of MSME’s in longrun. But, she describes the majority of MSME’s gamers are unregistered in order to avoid of paying taxes.

**Objectives**

1. To study the tax system in India.
2. To analyse the awareness and impact of GST on micro enterprises, and.
3. To analyse the satisfaction level of Entrepreneurs on GST.

**Method of data Collection:** The present study is based on both primary and secondary data. The Primary data have been collected from a sample of 100 units in Anantapuramu town through a structured Interview Schedule. The Secondary data has also been collected from Dailies, Journals, Books, Published and Unpublished theses /Dissertations, Official Govt reports/Websites and University Library.

**Table 1: Number of Employees Working In Select Micro Enterprises**

S.No	Number of Employees	Number of respondents	% of total
1	Less than 10	94	94.00
2	10-20	4	4.00
3	20-30	2	2.00

Source: Field survey.



Table 1 presents the details of the number of employees working in the select micro enterprises. Out of total employees, 94% of the enterprises having less than 10 employees in micro enterprises, and also reveals that 10-20 employees worked in 4 per cent of micro enterprise and 20-30 employees are working in two per cent of enterprises in Anantapuramu town. So, it is concluded that the employees worked in the micro enterprises are more in percentage in less than 10.

**Table 2; Origin of the Business Units in the Study Area**

S.no	Origin of Business	Number of Respondents	% of total
1	Inherited	14	14.00
2	Purchased	38	38.00
3	Supported by Govt.	48	48.00

Source: Field survey.

Table above shows that the origin of the business. The Majority of the respondents have stated that 14 per cent of them are inherited, 38 per cent of the entrepreneurs have purchased from the other, and rest of 48 per cent of the them established by the supporting from the Government. It can be concluded that majority of the micro enterprises are established by Governments support.

**Table 3: Awareness of GST Imposition In Place Of VAT of Select Sample Respondents**

S.No	Responses	Number of respondents	% of total
1	Yes	88	88.00
2	No	12	12.00

Sources: Field survey.

Table reveals that the every business leaders must be known to every changes in to the business world. Especially in relating to business activities, like Materials, Labours, Competitors, Technologies, and Government policies. Out of these, some factors are controllable and some factors are uncontrollable. In this direction every business leader should maintain good relationship to the policy -makers for forceful future changes. In this context, the business people to know the awareness about tax system which is implemented by the Central Government. It is equalise integrating and known that 88% of the sample respondents gave positive response on the awareness about the GST replacing of VAT and rest of the entrepreneurs are not aware of the GST.

**Table 4: Source of Information about GST of Respondents**

S.No	Source	Number of Respondents	% of total
1	Govt. Officials	6	6.00
2	Fellow business men	28	28.00
3	Through Advertisements	28	28.00
4	Through friends	10	10.00
5	Through partners	28	28.00

Source: Field survey.

Table 4 shows that the sources of the information about the GST of sample entrepreneurs in the Anantapur town. It is found that majority of the sample respondents are getting information relating to the GST from their



fellow business men, Advertisements and partners. The 10% of the sample respondents getting information from their friends/relatives and rest of the sample respondents are depends on government officials. It can be concluded that the majority of the industrial entrepreneurs depend on advertisements, fellow business and partners respectively in bringing awareness about the GST.

**Table 5: Opinion of Micro Entrepreneurs about the GST and Their Issues**

S.No	Statement	Yes	No
1	Awareness relating to the slabs in the GST	64	36
2	GST is suitable to micro units	66	34
3	Sales is decreased after introducing GST	58	42
4	Tax payers have increased after GST	56	44
5	Any problems have been facing while filling GST	66	34

Source: Field survey

The researcher has intended that the awareness about various issues GST in implementing process like various slab rates, suitable to the micro units, impact of sales, increased tax payers after implementing GST and problems faced by the entrepreneurs while filling GST in the study area. It is found that 64 respondents have stated that they have awareness about various slabs, 66 respondents however, said that GST is suitable to micro units, 58 respondents have said that their sales were decreased, 56 sample respondents have stated that after implementing GST the tax payer have increased, and 66 respondents have faced problems while filling the GST.

**Table 6: Level of Satisfaction On Various Slab Rates Under The GST**

S.No	Opinion on slabs	Number of Respondents	% of total
1	Highly satisfied	2	2.00
2	Satisfied	62	62.00
3	No opinion	10	10.00
4	Dissatisfied	24	24.00
5	Highly Dissatisfied	2	2.00

Source: Field survey.

Table 6 furnishes the details about the that the satisfaction level of entrepreneurs in implementing GST in Anantapuram District. It clearly found that 62 per cent of the sample respondents have fallen in the range from highly satisfied to satisfies, and rest of the entrepreneurs have not been satisfied in implementation of GST.

**Table 7: Type of Problems While Filing the Returns**

S.No	Type	Number of respondents	% of total
1	Delay in filling the returns	28	28.00
2	Power failures often create problems	8	8.00
3	Lack of full knowledge about GST	28	28.00
4	No proper guidance cells arranged	2	2.00
	Total	66	100

Source: Field survey.



After implementing GST in India, number of small business entrepreneurs was suffering from various dimensions. Because they don't have much knowledge about tax system, Government policies etc as they have low level of education. In this direction, the researcher has find out various factor influencing on negative dimension. The present table furnishes problems being faced by the micro entrepreneurs in filing tax. Nearly 30 per cent of sample respondents are expressed that delay in filling the returns and lack of knowledge and only eight per cent of the sample respondents have said that power cut is also one of the problems while filing the tax returns. It can be concluded that the researcher has found only main problems like delaying and lack of knowledge in Anantapuramu town.

### Suggestions

1. All the owner –mangers of the micro enterprises have no clear understanding about the GST and GST slabs because of nearly 50 per cent of the respondents have below intermediate. Hence, the government will be conduct number of awareness programme about GST and its importance to the benefit of the Business units and also customers.
2. The Government should take and initiate to provide more information relating to the GST to the business persons.
3. By providing schedules relating to the GST and also the Government related websites.
4. It is further found that, majority of the sample respondents are not willing to pay the audit fee because of they are collecting more amount. Hence, the government open some offices in every municipalities, corporations and major cities to avoid financial burden of micro enterprises.

### Conclusions

1. The Percentage of awareness among micro enterprises is less in number.
2. The entrepreneurs who are the owners of Micro enterprises has the knowledge relating to their business only like GST slabs.
3. The Implementation of GST did not affect the respondent sales.
4. At present the sample respondents are paying more audit fee when compare to before implementing GST.
5. The GST increase the tax payers and also best revenue source.
6. The sample respondents are strongly believed that, there is no positive impact of GST on micro business units in the study area.

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