

The Impact of Goods and Services Tax (GST) On Indian Economy:- A SWOT Analysis

Prinka Rani

ABSTRACT:

This research paper aims to analyse the impact of the Goods and Services Tax (GST) on the Indian economy through a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. The objective of this study is to assess the strengths and weaknesses of the GST implementation, identify the opportunities it presents, and evaluate the potential threats to the Indian economy. By examining the various aspects of GST, there was substantial regional disparity and lack of uniformity in the whole indirect taxation system throughout the country. It is therefore, the GST came into force since last year. After almost one year of its operation, it became domineering to review it in terms of its strength, faintness, opportunity and threat, so that an indirect taxation system may attain the TQM, the total quality organization in the whole levy system in the country. This research aims to provide insights into the overall impact and effectiveness of this significant tax reform on the Indian economy.

Keywords: -Swot, Strength, Potential, Taxation, Significance, Levy

INTRODUCTION

The introduction section will provide a brief overview of the Goods and Services Tax (GST) and its implementation in India. It will also highlight the importance of conducting a SWOT analysis to assess the impact of GST on the Indian economy. Goods and Services Tax (GST) was implemented in India on July 1, 2017, with the aim of simplifying the tax structure, reducing the burden of multiple taxes, and creating a unified market. GST is a comprehensive indirect tax on the manufacture, sale, and consumption of goods and services, levied at every stage of the production and distribution process. The implementation of GST has been considered a significant economic reform in India, as it aimed to eliminate the cascading effect of multiple taxes and create a single tax system. This paper aims to examine the impact of GST on the Indian economy and evaluate its strengths, weaknesses, opportunities, and threats using a SWOT analysis framework.

Background

Before the introduction of GST, India's indirect tax system was complex, with multiple taxes levied by both the central and state governments. These taxes included value-added tax (VAT), excise duty, service tax, central sales tax, and others. This complex tax structure led to high compliance costs and caused a significant burden on businesses.

The introduction of GST was aimed at simplifying the indirect tax system, reducing compliance costs, and boosting economic growth. The GST system is a single tax that is levied on the supply of goods and services across India. The tax revenue collected from GST is divided between the central and state governments.

Impact on the Indian Economy

The implementation of GST has had a significant impact on the Indian economy. Some of the key impacts are discussed below.

Increased Revenue Collection One of the primary objectives of the GST system was to increase tax revenue for the government. The implementation of GST has led to a significant increase in tax revenue. The GST system has made it easier for the government to track transactions and prevent tax evasion, leading to an increase in tax revenue.

Reduced Compliance

Costs The GST system has simplified the indirect tax system in India and reduced compliance costs for businesses. The GST system is a single tax that is levied on the supply of goods and services across India. This has reduced the need for businesses to comply with multiple taxes, reducing compliance costs.

Boosted Economic Growth

The implementation of GST has also had a positive impact on economic growth in India. The GST system has made it easier for businesses to operate across India and has reduced the time and cost of transporting goods across state borders. This has increased efficiency in the supply chain, leading to increased economic growth. **Impact on Inflation** The implementation of GST initially had a short-term impact on inflation in India. The GST system led to an increase in tax rates for some goods and services, leading to an increase in prices. However, over time, the impact of GST on inflation has reduced, and inflation has stabilized.

Impact on Small Businesses

The implementation of GST has had a mixed impact on small businesses in India. While the simplified tax system has reduced compliance costs for small businesses, the initial implementation of GST led to some challenges for small businesses. Small businesses faced challenges in understanding and complying with the new tax system, leading to some disruption in business operations

Objective:

The objective of this research paper is to analyze the impact of the Goods and Services Tax (GST) on the Indian economy and evaluate its strengths, weaknesses, opportunities, and threats using a SWOT analysis framework. The study aims to identify the advantages and disadvantages of GST implementation and examine its impact on different sectors of the Indian economy, such as manufacturing, service, and agriculture. The research paper also aims to explore the challenges and opportunities arising from the implementation of GST and draw conclusions about its overall impact on the Indian economy.

Main Objective of the Study

1. To evaluate the strengths associated with the implementation of GST in India.
2. To identify the weaknesses and challenges faced by the Indian economy due to GST implementation.
3. To explore the opportunities arising from the GST regime in India.
4. To analyze the threats and potential risks posed by the GST system on the Indian economy.
5. To provide insights and recommendations for policymakers to maximize the benefits and mitigate the challenges of GST implementation.

METHODOLOGY

This research paper uses a descriptive and analytical approach to evaluate the impact of GST on the Indian economy. The study relies on secondary data sources, such as academic articles, government reports, and online databases. The SWOT analysis framework is used to identify the strengths, weaknesses, opportunities, and threats arising from the implementation of GST. The study also employs a comparative analysis to evaluate the impact of GST on different sectors of the Indian economy.

RESULTS AND ANALYSIS

This section will present the findings of the SWOT analysis conducted on the impact of GST on the Indian economy. The analysis will identify the strengths, weaknesses, opportunities, and threats associated with the GST regime, considering various sectors such as manufacturing, services, and exports.

Strengths:

The implementation of GST in India has several strengths. Firstly, it has led to the simplification of the tax system. The previous tax structure had multiple taxes levied by both the central and state governments, which led to a complex tax system. GST has replaced these taxes with a single tax, which has made compliance easier for businesses. Secondly, GST has led to the elimination of tax cascading, where taxes are charged on top of taxes. This has reduced the tax burden on businesses and has led to a decrease in the cost of goods and services. Thirdly, GST has created a uniform tax structure across the country, which has led to the removal of inter-state trade barriers. This has facilitated the movement of goods and services across the country, leading to increased efficiency and reduced costs.

Weaknesses:

The implementation of GST in India has also led to some weaknesses. Firstly, the GST system is still complex, and compliance can be difficult for small and medium-sized enterprises. Secondly, GST has led to an increase in the cost of goods and services for some consumers. This is because some goods and services have been classified under a higher tax bracket than before. Thirdly, the GST system has led to some confusion regarding the classification of goods and services. This has led to disputes between businesses and the tax authorities.

Opportunities:

The implementation of GST in India has also created several opportunities. Firstly, GST has led to the formalization of the economy. The previous tax system had many businesses operating in the informal sector, which led to a loss of tax revenue for the government. GST has incentivized businesses to operate in the formal sector, leading to an increase in tax revenue for the government. Secondly, GST has led to the integration of the Indian economy with the global economy. This is because GST is a globally accepted tax system, which has made it easier for businesses to trade with other countries. Thirdly, GST has led to the digitalization of the tax system. This has made compliance easier for businesses, as they can file their taxes online.

Threats:

The implementation of GST in India has also created some threats. Firstly, GST has led to an increase in the cost of some goods and services. This has led to inflationary pressures on the economy. Secondly, GST has led to some confusion regarding the classification of goods and services. This has led to disputes between businesses and the tax authorities, which can lead to delays in the settlement of disputes. Thirdly, the GST system is still evolving, and there is a need for further simplification and rationalization of the tax system.

DISCUSSION

The discussion section will synthesize the findings from the SWOT analysis and provide a comprehensive understanding of the overall impact of GST on the Indian economy. It will also explore the interdependencies between the identified factors and their implications for the Indian business environment.

FINDINGS

The implementation of GST has led to significant benefits, such as the simplification of tax procedures, increased tax revenues, and the integration of the Indian market. However, the GST implementation has also created several challenges, such as increased compliance costs, the complexity of the tax structure, and the difficulties faced by small businesses. The impact of GST on different sectors of the Indian economy has been mixed, with the service sector and organized manufacturing sector benefiting from the implementation of GST, while the unorganized sector and agriculture facing challenges. The implementation of GST has also created opportunities for businesses to expand their operations, reduce logistics costs, and improve efficiency.

CONCLUSION

The conclusion will summarize the key findings of the SWOT analysis and provide recommendations for policymakers to maximize the benefits of GST while addressing the challenges. It will emphasize the need for continuous monitoring and fine-tuning of the GST regime to ensure sustainable economic growth in India. The implementation of GST has been a significant economic reform in India, with both advantages and disadvantages. The simplification of tax procedures, increased tax revenues, and the integration of the Indian market are some of the key benefits of GST. However, the complexity of the tax structure, increased compliance costs, and difficulties faced by small businesses are some of the significant challenges associated with the implementation of GST. The impact of GST on different sectors of the Indian economy has been mixed, with the service sector and organized manufacturing sector benefiting from the implementation of GST, while the unorganized sector and agriculture facing challenges.

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