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Harshwardhan Publication Pvt.Ltd.  
At.Post.Limbaganesh, Tq.Dist.Beed  
Pin-431 126 (Maharashtra)  
Mob.09850203295



ISBN :978-93-48306-13-5

# GOODS AND SERVICE TAX (GST) IN INDIA

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**Editor**

**Dr. Babu g. Gholap**

Navgan Arts & Commerce College,  
Parli V, Dist.Beed



 **Harshwardhan Publication Pvt.Ltd.**  
Reg.No.U74120 MH2013 PTC 251205  
At.Post.Limbaganesh,Tq.Dist.Beed  
Pin-431126 (Maharashtra) Cell:07588057695,09850203295  
harshwardhanpubli@gmail.com, vidyawarta@gmail.com  
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**Editor**

**Dr. Babu g. Gholap**

Navgan Arts & Commerce College,  
Parli V, Dist. Beed

❖ **Publisher :**

**Harshwardhan Publication Pvt.Ltd.**

Limbaganesh, Dist. Beed (Maharashtra)  
Pin-431126, vidyawarta@gmail.com

❖ **Printed by :**

Harshwardhan Publication Pvt.Ltd.  
Limbaganesh, Dist. Beed, Pin-431126  
**www.vidyawarta.com**

❖ **Page design & Cover :**

HP Office (Source by google)

❖ **Edition: 2018(Third Edition)**

**ISBN 978-93-48306-13-5**

❖ **Price : 250/ -**



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*Dedication's*

**It will be dedicated to  
Our Parents and Teachers**



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## GOODS AND SERVICE TAX (GST) IN INDIA AND ITS IMPACT ON INDIAN ECONOMY

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### ***ABSTRACT***

In this study an attempted to the impact of Goods and Services Tax (GST) on Indian Economy. GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. The Government GST regime seeks to replace excise duty, import duties, VAT and service tax regulations, along with other cess and surcharges, with three separate legislations namely CGST, SGST and IGST. GST would be applicable to all transactions of goods and service, and it to be paid to the accounts of the Centre and the States separately. The biggest advantage of GST is economic unification of India. It has potential to end the longstanding distortions arising out of the differential treatment of the manufacturing and service sectors. The GST reform is expected to bring in a lot of changes in Indian economy. The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services. This paper studies the impact of GSTon Indian

Economy.

### **INTRODUCTION**

In this study an attempted to the impact of Goods and Services Tax (GST) on Indian Economy. GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. The Government GST regime seeks to replace excise duty, import duties, VAT and service tax regulations, along with other cess and surcharges, with three separate legislations namely CGST(central GST, collected by the central government), SGST(state GST, collected by the state government) and IGST(integrated GST, collected by the central government). GST would be applicable to all transactions of goods and service, and it to be paid to the accounts of the Centre and the States separately. The biggest advantage of GST is economic unification of India. It has potential to end the longstanding distortions arising out of the differential treatment of the manufacturing and service sectors. The GST reform is expected to bring in a lot of changes in Indian economy. The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services. This paper studies the impact of GST on Indian Economy.

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the

stages of production to bring about uniformity in the system.

#### **OBJECTIVES OF THE STUDY**

1. To study the various aspects of Goods and Services Tax system in India.

2. To analyze the Impact of Goods and Services Tax (GST) on Indian Economy.

3. To understand the Structure of Goods and Services Tax in India

#### **THE BENEFITS OF GST AS UNDER**

It would introduce two-tiered One-Country-One-Tax regime.

It would subsume all indirect taxes at the center and the state level.

It would not only widen the tax regime by covering goods and services but also make it transparent.

It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.

It would bring down the prices of goods and services and thus by, increase consumption.

It would create business-friendly environment, thus by increase tax-GDP ratio.

#### **IMPACT OF GST ON INDIAN ECONOMY**

The proposed GST structure is likely to succeed only if the country has a strong IT network. It is a well-known fact that India is still in the budding state as far as internet connectivity is concerned. Moreover, the proposed regime seems to ignore the emerging sector of e-commerce. E-commerce does not leave signs of the transaction outside the internet and has anonymity associated with it. As a result, it becomes almost impossible to track the business transaction taking place through internet which can be business to business, business to customer or customer to

customer. Again, there appears to be no clarity as to whether a product should be considered a service or a product under the concept of E-commerce. New techniques can be developed to track such transactions but until such technologies become readily accessible, generation of tax revenue from this sector would continue to be uncertain and much below the expectation.

**1. Economic union of India:**

The debate about India as one republic union versus a federation of states will be put to rest. Goods can easily move across the country with diffused state boundaries and that will encourage businesses to focus on pan- India operations.

**2. Simpler tax structure:**

By merging all levies on goods and services into one, GST acquires a very simple and transparent character with less paperwork and reduction in accounting complexities. A simple taxation regime can make the manufacturing sector more competitive and save both money and time.

**3. Uniform tax regime:**

With only one or two tax rates across the supply chain as against multiple tax structure at present, state specific advantages/disadvantages are gone. This provides a fair play ground for all stakeholders and focus can be brought in to efficiency rather than vantage points.

**4. Greater tax revenues:**

A simpler tax structure can bring about greater compliance, thus increasing the number of tax payers and in turn tax revenues for the government. By removing cascading effect, layers of taxes and simplifying structures, the GST would encourage compliance, which is also expected to widen the tax base.

**5. Competitive pricing:**

A cursory look at the retail price of any product

manufactured in India reveals that the total tax component is roughly 25-30% of the cost of the product. GST will effectively mean that the tax paid by the final consumer will come down in most cases and will help in boosting consumption, which is again beneficial to companies.

#### **6. Push to exports:**

With fall in production cost indomestic- market , the competitiveness of Indian goods in international market will increase. This bodes well for exporters, who compete with global manufacturers which operate on very different cost structures.

#### **CONCLUSION**

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

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## **GST In India : Its Impact on the Indian Economy**

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· **Abstract :**

The goods and service thx (G.S.T) is one of the biggest taxation reforms in India. The decision on which is pending in parliament since March 2011. The central Idea behind this form of taxation is to replace existing levies like value added tax, excise duty service tax and sales tax by levying a comprehensive tax on the manufacture sale and consumption of goods and services in the country. G.S.T is expected to untie the country economically as it will remove varies forms of taxes that are currently levied at different points.

This paper highlight the concept of GST. It explains the features of the suggested GST. It also throws light on. GST in India Its Impact on the Indian Economy.

**· Introduction :**

Indirect taxes are taxes that are imposed on goods and service tax (GST) like central Excise Duty, customs Duty, service Tax , Value added tax or sales tax. In order to regulate indirect taxation in India, there are a number of tax laws and regulations enforced by central or state governments. In any economy tax policies play's a major role though their impact on both proficiency and equity. A good tax system should keep in view issues of income distribution and also attempt to generate tax revenues to upkeep government expenditure on public services and infrastructure development. The Introduction of VAT was one of the major reforms in Indian Indirect taxes at state and central level. If that was major reform in Indirect taxes then implementation of Goods and service Tax (GST) would be progression over the current existing system of indirect taxes in India.

**· Objectives :**

- 1) To study the concept of Goods and service tax GST
- 2) To study the Need of Goods and service tax (GST)
- 3) To study the Impact of Goods and service tax (GST) on Indian Economy.

**· Definitions :****1) Taxable Supply :**

“A supply that is subject to output tax (Goods and service tax (GST on sales ) and entitles the vendor to reclaim impute tax (Goods and service tax (GST on purchases) This is often referred to as a standard rated supply”

**2) Zero rated Supply :**

“A supply that is not subject to output tax, but still entitles the vendor to reclaim impute tax”

**3) Exempt supply :**

“A supply that is not subject to output tax, and does not entitle the vendor to reclaim any related input tax. In his case the vendor is effectively treated like an end consumer.”

· **Research Methodology :**

This study is based on available secondary data. Data available from Books, Journals, News Paper and Internet websites etc.

· **Concept of GST :**

Goods and service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at national level. GST is a part of proposed tax reforms in India having an extensive base that instigate the applicability of an efficient and harmonized consumption tax system. GST has been commonly accepted by world and more than '140' countries have acknowledged the same. Generally the GST ranges between 15 % - 20 % in most of the countries.

Goods and service Tax (GST) is similar to the VAT system which is a value added tax on goods with an input Tax Credit mechanism but GST also includes services. Thus GST would be applicable on supply of goods and services as against the present concept of tax. GST is a value added tax on goods and services that is paid by the final consumer while the retailer will be taking credit of tax he has paid while buying or the chain behind him is taxed apart from the actual value of production of the good.

· **Need of GST :**

Indian economy is getting more and more globalised. In recent times a number of Free Trade Agreements (FTAs) have been signed, which will allow imports into India duty free or at very low duties. India's economic growth the recent year has fallen sharply and there is stagnation in Indian exports. One of the main reasons for this situation is the inefficient domestic indirect tax structure. Hence there is

need to have a nation - wide simple and transparent system of taxation to enable the Indian industry to compete not only internationally but also in the domestic market. The complex tax structure discourages economy of scale and efficiency in the supply chain which has adverse impact on economic growth.

In the present global economic scenario there is an urgent need to replace the existing tax structure by rational Goods and service Tax covering all tradable goods and service. By the integration of goods and service taxation Indian will get a world class tax system and tax collections will also improve. It would end the long standing issue of differential treatment of manufacturing and service sector. GST will make Indian economy competitive and accelerate its growth. It will eliminate the cascading effect of taxes from cost of products. It is expected that a rational GST structure will reduce overall cost of indigenous products and services by about 10 per cent resulting in higher exports and reduced inflationary impact. A simplified GST structure will reduce litigation and compliance cost. Any losses on account of abolition of multiple taxes are likely to be balanced by the additional GST revenues that will obtain from taxation by the additional GST revenues that will obtain from taxation of services and from access to GST on imports. Inbuilt check through the credit mechanism will improve tax compliance, widen tax base which will lead to boost GDP growth by at least 1% apart from attracting higher investment for future growth the economy.

· **Impact of GST On Indian Economy :**

1) The GST neutral rate expected to be around 17–18% which would be beneficial to manufacturing sector where the tax rate is around 24% at present and may not likely to give any incremental tax revenue to the government.

II) Every year there is a growth in tax revenue in 8 – 10% range.

III) GST is likely to boost GDP of India by 100 to 150 bps resulting in increased tax revenue.

IV) GST is likely to improve the tax to GDP ratio of the country.

V) The GDP growth is likely to go up by 2% however 1 percent of additional tax may affect GDP adversely.

VI) The service sector is a worst hit, if GST implemented at 17-18% rate. The service tax has been increased from 12-36% to 14 last year and further 0.5% as Swachh Bharat cess and 0.5% as Krishi Kalyan cess this year, if this is increased by another 3-4% that would be a definite setback for service sector and for consumers too.

VII) This increases tax revenue for the government which rises the capital expenditure, which in turn boosts the growth.

VIII) With more than 140 countries implementing GST it helps to streamline tax system globally.

IX) GST also removes the custom duties applicable on exports. This has major implications for the Indian economy making exports tax free would spur trade for our economy.

X) Additionally GST is also expected to exclude state excise on alcohol and tobacco from its purview. This implies that a large revenue source still rests with the state government to generate cash flows from.

XI) Our competitiveness in foreign markets would increase on account of lower cost of transaction while the imports will be taxed same as domestic goods and services.

XII) It provides tax credit to the manufacturers and reduces tax burden and thereby fosters production and growth.

XIII) GST will also bring the unorganized sector which enjoys the cost advantage into the tax bracket.

XIV) Single tax rate will decrease the price of goods (currently for a customer the tax burden of goods is anywhere between 25-30 percent and may be lowered in following years ) there by increase consumption expenditure which in turn rises the profits

· **Conclusion :**

The introduction of Goods and services Tax (GST) would be a significant step in the reforms of indirect taxation in India. Amalgamating several central and state taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement.

GST is definitely a good move to reform indirect taxation in Indian and his positive effects on GDP growth. Tax revenue, export, employment and so many. But even after a decade Government have failed to implement it, due to variety of reasons like, compensation mechanism for the state GST rates and issues relating of food products, petroleum, and tobacco and many political issues us well. With lost of flaws in the present tax structure which is affecting the growth of economy there is a need to implement GST and to streamline our growth with global economy. The implementation of GST would pave way for simple and understandable tax structure and also help in avoiding any evasion taking place at any level. Thus lot being said and done on appropriate implementation would lead to actually understand whether “GST is a boon or bane.”

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## A Research Article On GST And Service Sector

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\*\*\*\*\*

### **Abstract:**

The new goods and services tax (GST), launched on July 1, 2017, will change how business is done in India. It is likely to have a significant impact on the service. As of March 2014, there were 12, 76,861 service tax assesses in the country out of which only the top 50 paid more than 50% of the tax collected nationwide. Most of the tax burden is borne by domains such as IT service telecommunication services, the Insurance industry, business support services, banking and financial services, etc. These pan-India businesses already work in a unified market, and will see compliance burden becoming lesser. But they will have to separately register every place of business in each state. India is a strong services-led economy with the sector generating a significant chunk of employment opportunities and contributing to the GDP. It contributed around 66.1% of India's Gross Value Added (GVA) growth in 2015-16, is the biggest magnet for Foreign Direct

Investment (FDI), and an important net foreign exchange earner. Some of the core areas of service are IT and ITES, banking and financial services, outsourcing, research and development, transportation, telecommunications, real estate and professional services. From a small beginning of three services accounting for Rs 450 crore of tax revenue in 1994 to 120 plus

services garnering Rs 211,414 crore in 2016,

I know about the comparatives in India in line with the policies adopted over the globe by different economies. Indian Model of GST is based on Canadian Dual GST Model in India. Joint Director of the French tax authority Maurice Laure was the first to introduce GST in France on 10<sup>th</sup> April, 1954. There are around 160 countries till date that have implemented GST model including Dual GST Model such as Brazil and Canada. GST has brought in 'one nation one tax' system, but its effect on various industries and services is slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service. This paper examines the impact of GST on service sector after the execution of GST taxation and explores the effects on service sector.

**Keywords:** GST, Service Sector, Impact.

**Introduction:**

One nation one tax' system beginning by GST in India. A wait of more than a decade came to an end on August 3, 2016, when the 122nd Constitution Amendment Bill, 2014 (popularly known as GST Bill) was passed by the Upper House of the Parliament of India. This is apparently the country's biggest tax reform since Independence. The new tax regime, which subsumes all indirect taxes such as sales tax and excise tax, is expected to bring down tax rates in India, while converting the country into a big single market. In short, now,

seamless flow of goods and services will occur across 29 states and 7 union territories. The GST council has decided in its 22nd meeting that Presently, anyone making inter-state taxable supplies, except inter-State job worker, is compulsorily required to register, irrespective of turnover. It has now been decided to exempt those service providers whose annual aggregate turnover is less than Rs. 20 lacs (Rs. 10 lacs in special category states except for J & K) from obtaining registration even if they are making inter-State taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers. Service Sector contributes significantly in export as well as provides a large scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction. This paper examines the impact of GST on service sector after the execution of GST taxation and explores the effects on service sector.

#### **Services Sector in India: An Overview:**

India is a strong services-led economy with the sector generating a significant chunk of employment opportunities and contributing to the GDP. It contributed around 66.1% of India's Gross Value Added (GVA) growth in 2015-16, is the biggest magnet for Foreign Direct Investment (FDI), and an important net foreign exchange earner. Some of the core areas of service are IT and ITES, banking and financial services, outsourcing, research and development, transportation, telecommunications, real estate and professional services. From a small beginning of three services accounting for Rs 450 crore of tax revenue in 1994 to 120 plus services garnering Rs 211,414 crore in 2016, the Services Sector has

contributed substantially to the exchequer of the Central Government. The dominant sector per se with an array of establishments employing largely unskilled people, it also accounts for 53.66 percent of India's overall Gross Value Added (GVA) of Rs 137.51 lakh crore.

#### **GST and Service Sector**

India's biggest tax reform is now a reality. A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017. In the current scenario, procurement of taxable services would be subject to service tax. Considering that service tax is levied by the Central Government, the tax would be the same, whether procured locally or interstate. In the GST regime, services procured from outside the State would be subject to IGST and services procured from within the State, would be subject to CGST and SGST.

#### **Service sector scenario after GST Implementation:**

The Service Sector has registered a small increase in its growth rate for the month of December. Despite the recovery, the service sector has been unable to expedite the acquisition of new projects. After GST implementation, customer demand has been low and stagnant considering the business outcome. Hence, new projects have been hard to come by. However, the business activity index has increased from 48.5 in November to 50.9 in December. This is the first time in three months after GST implementation that services sector has shown some improvement. According to one more report, the economy is recovering from a load of GST implementation and Nikkei India Services PMI has increased from 47.5 in August to 50.7 in September. Generally, when this index reaches above 50, it is considered to be an exception in the economy and subsequently, the changes in the

economy due to increasing business order can improve the employment rate rapidly after 2011.

The author and economist of reports at IHS market, Ashna Dadhiya said that after GST implementation, this is the first time when GST has shown some positive signs. In September, the Nikkei India Composite PMI output has also increased to 51.1 from last month's index of 49 and it is an exceptional case for most of the economist. Even the core sector has shown the highest 4.9 per cent hike in the August among last 5 months and the rate has grown rapidly in September also. Ashna Dadhiya said that the labour market has become strong and employment phase is recovering after 2011. The changes and improvement can be seen in all the sectors like transport, storage, and consumer services. Furthermore, she added that the input cost has increased in September but output charge has shown sluggishness after June. A PMI index greater than 50 indicates that there has been an expansion in the activities of Service Sector. As per reports by IHS, Indian Service Sector is showing signs of recovery which is largely facilitated by manufacturing companies.

#### **Positive Effects of GST on Service Sector:**

##### **1. No double taxation:**

This is one thing that was affecting many service providers. In the previous system of taxation, the works contract was complex, and this took a toll on many people. Here, the transfer of goods is a part of the service contract. This means that every invoice has the value of the goods used as well as the services supplied. These two attract a tax rate of 70% each bringing the total to 140% which is very high. With the implementation of GST, these two are considered to be one and thus taxed as 'supply of service.'

##### **2. More Clarity for Software Industry:**

For companies like Profit Books, that sell online software, it was not clear whether to apply VAT or Service Tax on the product. In GST regime, there is a clear distinction between products and services which will remove the confusion for service industry.

### **3. Repairs and maintenance:**

The service providers that provide repair and maintenance services to companies will be able to claim both the credit of input and credit of input services as provided by the GST system. The current regime only offers the credit of input services which is a bit limiting. Now that they can claim both of the credit of input and credit of input services, they can offer their repair and maintenance services at lower prices and thereby attracting more clients.

### **4. Access to inputs held in stock:**

The service providers will access CENVAT credit of input that is held in stocks. This is best applicable when a person is moving from one category of taxation to the next like the exemption category to the taxable one.

### **5. Check out this simple example:**

Earlier, service providers used to charge Service Tax to the clients and used to pay VAT on the goods purchased, like computers. It was not possible to take set off VAT against Service Tax. But in GST regime, you pay GST on both sales and purchases and hence it's easy to claim input tax credit on that

### **6. Fewer costs to service providers:**

In the previous system of taxation, the credit of VAT and CST that were paid to the input were billed to the service provider. Luckily, with the GST system, the CENVAT credit of SGST/CGST, as well as the IGST that are to be paid on inputs and capital goods are all taken care of under the GST system. This is a relief to the service provider.

**7. It will bring equality in all states:**

The previous taxation system did not cover Jammu and Kashmir. This presented a disadvantage to other places in India because taxation provisions did not cover these two places. However, GST now covers the whole land bringing all service sectors under the same taxation laws.

**Negative Impacts of GST on Service Sector:**

Other than the goods, there are also down sides to this system of taxation. These negatives include:

**1. Lack of a centralized registration:**

With the previous taxation system, many service providers rejoiced over being able to register all their businesses in different areas from a central place. However, this privilege has been taken away. Now, they have to register their businesses in the respective state and pay the CGST tax.

**2. Taxation for free services:**

If a business is going to supply services for free, they will still get taxed for it. Every supply that is made without consideration is taxed. This means you have to prepare yourself before you offer any free services.

**3. Increased cost of service to end consumer:**

Because the rate of taxation will go higher in the GST system, the end consumer will also feel a pinch of extra expenditure. The taxation is between 18% and 20%. Because this rate is high, the cost of service will be higher.

**4. Lack of a centralized system of accounting:**

Every business in every state has to have their accounting records because there is no centralized registration of businesses. Every business in every state is financially accountable to that state for taxation. This means that the accounts of the business will have to be separate.

**5. Burdensome filling of returns:**

As a business owner, you will have to file returns for all the businesses in all the different states separately. This is also because of decentralized registration. This can prove to be burdensome and tiresome as well. You are needed to file as many as 37 returns in just a year.

**6. The burden of public education:**

The business owner is charged with the responsibility of educating the masses on the benefits of this GST system. Failure of which may lead to unprecedented events.

**Conclusion:**

Services sector in India is a rapidly growing sector and significantly contributing to fiscal revenues. Ninety percent of the services are placed in the 18% bracket, which in absolute terms is a marginal increase, but is expected to reduce complexity in transaction and improve ease in availing of input credit. Thus, as compared to the current 15% service tax including cesses, the services viz. IT, telecom, insurance, banking etc. may witness negative impact due to increased cost of services.

If we try to conclude we can say that GST will have mixed impact on service sector. It is beneficial in some aspect but at the same time it is creating hurdle in ease of doing business. It is beneficial in terms like seamless flow of credit, avoidance of double taxation but have increased lot of compliance burden. By subsuming all these to provide the country with a single taxation level, we can say it is a great move that will propel the economy even further. In as much as there will be some challenges, it is a great thing to have a single taxation system for the service providers. GST implementation is bound to face hiccups during initial days but things will be much smoother once the issues are addressed

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## An Over view on GST In India

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### **Evolution of GST:**

During the then Prime Minister Shri Atal Bhirari Vajpayee's ministry's the idea of goods and services tax has evolved. GST has been proposed in 2006 budget and introduced from 1<sup>st</sup> April 2010. The constitutional amendment paved way for the introduction of goods and services tax in India.

In March 2011 constitution (115<sup>th</sup> amendment) bill 2011 on levy of GST. The bill lapsed due to political consensus. After the dissolution of 15<sup>th</sup> loksabha in August 2013. On 19<sup>th</sup> Dec 2014, the constitution (122<sup>nd</sup> amendment) bill 2014 was introduced in loksabha and was passed by loksabha in May 2015. After the select committee report and ratification by required number of legislatures and assent of the president the GST is approved. The Rajyasabha passed the bill on 6<sup>th</sup> April 2017 and were then enacted as acts on 12<sup>th</sup> April 2017. GST was launched with effect from 1<sup>st</sup> July 2017 by Shri. Narendra Modi Hon. Prime Minister of India.

### **GST Council Structure:**

As per Article 279A of the amended constitution, the GST council is the joint forum of the centre and the states members.

- Chairperson as the Union Finance Minister
- Member from the Union Minister of state in charge of Revenue, Minister of Finance.
- Members from the Ministry in charge of Finance and taxation of any other minister nominated by each state govt.

**Important Terms under GST:**

**Business Includes:-**

- a) Any trade commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not is for a pecuniary benefit.
- b) Any activity or transaction in connection with or incidental or ancillary to sub clause (a)
- c) Any activity or transaction in the nature of sub clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction.
- d) Supply or acquisition of goods including and services in connection with commencement or closure of business.
- e) Provision by club, association, society or any such body (for a subscription or any other consideration) of the facilities or benefits to its members.
- f) Admission for a consideration, of persons to any premises
- g) Services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation.
- h) Services provided by a race club by way of totalistar or a licence to bookmaker in such club.

i) Any activity or transaction undertaken by central govt. or a state govt. or any local authority in which they are engaged as public authorities.

“Business Vertical “means a distinguishable component of an enterprise that is engaged in supply of individual goods and services or a group of services which is subject to risks and returns that are different from those of the other business verticals;

“casual taxable person” means a person who occasionally undertakes transactions involving supply of goods and services or both in the course or furtherance of business, whether as principal agent or on any other capacity , in a state or territory where he has no fixed place of business;

“Electronic commerce operator “means any person who owns operates or manages digital or electronic facility or platform of electronic commerce.

Sec23(2) of central goods and services tax act , 2017 (12 of 2017) The persons making supplies of services, other than supplies specified u/s(5) of sec of 9 of the GST Act through an electronic commerce operator who is required to collect tax at source u/s 52 of the CGST Act and having an aggregate turnover, to be computed on all India basis not exceeding an amount of Rs.20 lakhs in a financial year, as the category of person exempted from obtaining registration under the CGST Act.

Any business whose turnover exceeds the threshold limit of Rs.20 lakhs have to register under GST. Every person who is registered under the Pre GST Law i.e. excise ,VAT, Service Tax etc, needs to register under GST.

#### **Who is under GST Registration?**

- Registered under Pre GST Law
- Transfer of business(transferee has to register with effect from date of transfer)

- Taxable business/ taxable trade
- Agents of supplier
- Interstate purchases the buyer has to pay IGST
- Intra state purchased CGST
- SGST paid by the purchaser under RCM
- E-Commerce Operator

### **SERVICES COVERED UNDER GST ARE**

Services at NIL Rates are

Services under charitable activities

- Services by way of transfer of a going concern
- Pure services (activity in relation to any function entrusted to panchayat under article 243G of the constitution and to a municipality under article 243W of the constitution)
- Services by the central govt., state govt.

union territory or local authority for ex.

a. Department of post offices by way of speed post, express parcel post, life insurance etc.

b. Air craft or a vessel inside or outside precincts of a port or an airport

c. Transport of goods or passengers

· Services by a person by way of

a. Conducting of any religious ceremony

b. Renting of a precincts of a religious place for general public

· Services by way of pure labour contracts of construction for enhancement under the housing for all (urban) mission or pradhan mantra awas yojana

· Services by a hotel, inn, etc. For residential for lodging purposes having declared tariff of a unit of an accommodation below one thousand rupees per day

· Services by RBI

- Services by the employees state insurance corporation to persons governed under state insurance act 1948 (34 of 1948)

- Services provided by the Securities and Exchange Board of India set up under the securities and Exchange Board of India Act 1992 (15 of 1992)

- Services by an acquiring bank to any person in relation to settlement of an amount up to two thousand rupees in a single transaction transacted through credit card, debit card, charge card, or other payment card services

**SERVICES COVERED UNDER GST 5% RATE**

- Transportation of passengers by rail in first class or air conditioned coaches

- Transportation of passengers by air in economy class

- Transportation of goods by rail and in a vessel

- Selling of space for advertisement in print media

- Supply of tour operator services

- Services by way of job work in relation

**SERVICES COVERED UNDER GST 12% RATE**

- Supply of food/drinks in restaurant not having facility of air conditioning etc,

- Accommodation in hotels, inns, guest houses etc. For commercial and lodging purposes having room tariff Rs.1000/- and above but less than Rs.2500/- per room per day

- Transport of passengers by air in other than economy class

- Permitting the use or enjoyment of intellectual property right in respect of goods other than IT Software

**SERVICES COVERED UNDER GST 18% RATE**

- Supply of food/drinks in restaurants having licence to serve liquor/ having air-conditioning facility and outdoor catering

· Accommodation in hotels, inns, guest houses etc. For commercial and lodging purposes having room tariff of Rs.2500/- and above but less than Rs. 7500/- per room per day

· Services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance, drama.

#### SERVICES COVERED UNDER GST 28% RATE

· Accommodation in hotels including 5star and above rated hotels inns, guest house etc. Other commercial places or lodging purposes where room rent is Rs.7500/- and above per day per room

· Services by way of admission to entertainment events, theme parks, water parks, joy rides, casinos, race course, any sporting event such as Indian premier league and the like.

· Services provided by a race club and gambling.

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## Goods And Service Tax In India

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### **Abstract**

The reform process of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Manmohan Singh, and the Finance Minister P V Narasimha Rao, initiated early discussions on a Value Added Tax at the state level. A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between the then Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model. The Goods and Services Tax was launched at midnight on 1 July 2017 by the former President of

India, Pranab Mukherjee, and Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead to for the middle and lower class Indians. It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India's independence on 15 August 1947, and the silver and golden jubilees of that occasion.

The GST is imposed at variable rates on variable items. The rate of GST is 2.5% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs.100 and 5% on readymade clothes. The rate on under-construction property booking is 12%. Some industries and products were exempted by the government and remain untaxed under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities. The Central Government had proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central government had assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However, no concrete laws have yet been made to support such action. GST council adopted concept paper discouraging tinkering with rates.

**Keywords:** Introduction, Definition, GST Structure, Objective of GST, Impact of GST on Indian Economy, conclusion

### **Introduction**

Goods and Services Tax (GST) is an indirect tax levied in India on the sale of goods and services. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual state governments. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. The tax came into effect from July 1, 2017 through the implementation of one hundred and first amendments by the Government of India. The tax replaced existing multiple cascading taxes levied by the central and state governments. The tax rates, rules and regulations are governed by the Goods and Services Tax Council which comprises finance ministers of centre and all the states. GST simplified a slew of indirect taxes with a unified tax and is therefore expected to dramatically reshape the country's 2 trillion dollar economy.

The single GST (goods and service taxes) replaced several former taxes and levies which included: central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi. Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services. India adopted a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state are levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments.

For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax/destination-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them from collecting the tax owed to them directly from the Central Government. Under the previous system, a state would only have to deal with a single government in order to collect tax revenue.

**Objective of Study**

1. An overview of GST in India
2. to study GST rate in India
3. To evaluate the impact of GST on Indian economy

**Definition of GST**

“GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer’s / service provider’s point up to the retailer’s level where only the final consumer should bear the tax.”

**GST Rates Structure**

Tax Rate	Products
0%	Milk, Salt, Jaggery, Lassi, Kajal, Fresh, Vegetables, Prasad, Under Coated Water, Unbranded & Not Packed In Container, Honey & Panna, Eggs, Beer, Gnr, Education Service, Health Service.
5%	Sugar, Tea, Edible Oils, Raisin, Coal, Packed Paneer, Domestic LPG Rosette, Coffee Beans, Skimmed Milk Powder, PDS Kerosene, Cashew Nuts, Footwear (<Rs 500), Milk, Food For Babies, Apparels (<Rs 1000), Fabrics, Cor Mats, Matting & Floor Covering, Spices, Agarbatti, Life Saving Drugs.
12%	Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle, Murabba, Chutney, Jam, Jelly, Fruit Juice, Butter, computers, Processed Food, Almonds, Mobiles.
18%	Har Oil, Capital Goods, Tooth Paste, Industrial Intermediates, Soap, Ice cream, Pasta, Toiletries, Corn Flakes, Printers, Computer Monitor (< 17 inches)
28%	High-end motorcycles (+15%) Small cars (+1% or 3%) Consumer durables such as AC and Fridge, Luxury & sin items like BMWs, cigarettes and aerated drinks (+15%)

**Objective of GST**

- One Country – One Tax
- Consumption based tax instead of Manufacturing
- Uniform GST Registration, payment and Input tax

**Credit**

- To eliminate the cascading effect of Indirect taxes on single transaction
- Subsume all indirect taxes at Centre and State Level under
- Reduce tax evasion and corruption

- Increase productivity
- Increase Tax to GDP Ratio and revenue surplus
- Increase Compliance
- Reducing economic distortions

**Impact of GST on the Indian Economy**

GST the biggest tax reform in India founded on the notion of “one nation, one market, one tax” is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the \$2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. The rollout has renewed the hope of India’s fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what’s perceived as a rushed transition which may not assist the interests of the country. Will the hopes triumph over uncertainty would be determined by how our government

works towards making GST a “good and simple tax”. The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy book keeping consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged. Ground realities, as we all know, vary. So, how has GST really impacted India? Let’s take a look.

**Conclusion:**

GST is a milestone in tax reform in India .the main objective behind to implement the GST in India are, One Nation, One Tax. GST will bring uniformity and reduce the cascading effect of these taxes by giving input tax credit.GST subsumes many indirect and central levies and allows a producer to claim credit for taxes paid on all inputs, making production efficient. This is expected to reduce the cost for consumers.

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## The impact of GST on the common man

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### Introduction

GST has been a hot topic of discussion everywhere these days. GST is hailed as the most significant tax reform since India gained independence. GST or Goods and Services Tax as the name implies, it is an indirect tax applied both on goods and services at a uniform rate. This means goods and services will be subject to a uniform tax rate and both will be treated at par. A single form of tax known as GST or Goods and services tax will be applied throughout the country, replacing a number of other indirect taxes like VAT, Service tax, CST, CAD etc.

Presently, there are around 160 countries that have implemented GST/VAT in some form or the other. In some countries, VAT is the substitute for GST, but conceptually it is a destination based tax levied on the consumption of goods and services. France was the first to introduce GST. Only Canada has dual GST model (Just like India is going to implement Dual GST Model). Rate of GST ranges between 15–20% generally (may differ to higher/lower side in few countries). Here, rate of GST is the plays a crucial role. Various

countries have been struggling to rationalise the rate structure. GST has been introduced from 1st July 2017 in India as a unified (one nation, one tax) tax system to replace all the existing indirect taxes being levied across the various states of the country.

**Concept of GST:**

All the taxes mentioned earlier are proposed to be subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. So basically any tax that is presently being levied by the Central or State Government on the supply of goods or services is going to be converged into GST.

GST is proposed to be a dual levy where the Central Government will levy and collect Central GST (CGST) and the State will levy and collect State GST (SGST) on intra-state supply of goods or services. The Centre will also levy and collect Integrated GST (IGST) on inter-state supply of goods or services. Thus GST is a unifier that is going to integrate various taxes being levied by the Centre and the State at present and provide a platform for forging an economic union of the country.

This tax reform will lead to creation of a single national market, common tax base and common tax laws for the Centre and States.

**Advantages of GST for the common man:**

GST is a destination based taxed where the tax is paid by the consumer.

1. A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, SAD, Excise etc.

2. A simplified tax policy as compared to earlier tax structure. However, its not as simple as it seems to be, Check disadvantages below to grab more details.

3. GST or Goods & Services tax removes cascading effect of taxes i.e. removes tax on tax.

4. Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.

5. Due to reduced costs some products like cars, FMCG etc. will become cheaper.

6. This will help in lowering the burden on the common man i.e. you will have to shed less money to buy the same products which were earlier costly.

7. The low prices will further lead to an increase in the demand/consumption of goods.

8. Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.

9. The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get cheaper goods.

10. It will curb circulation of black money. This can happen only if the "kacha bill" system, normally followed by traders and shopkeepers is put to check.

11. A unified tax regime will lead to less corruption which will indirectly affect the common man.

12. Most importantly, experts hope to see a positive impact of GST on Indian economy in the long run.

But, this is possible only if the actual benefit of GST is passed on to the final consumers. There are various other factors also like the sellers profit margin that determine the final price of goods. GST alone does not determine the final price of goods. The anti-profiteering clause has been inserted in the GST Act to protect the interest of the consumers.

***Disadvantages of GST for the common man:***

**1. Compliance burden:**

The number of GST returns, that you need to file i.e.

you have to file 3 monthly returns, this amounts to total of (3\*12) 36 returns plus 1 annual return. Filing 37 returns in a year...Moreover, this applies to one state, if you have a place of business in different states, you need to register in each state separately and file the respective returns. Although big businesses having ample staff can handle the whole process very easily. But, what about small traders/service providers or individuals who have just started their business or service, that is getting a bit complex for them. Recently, the GST rules have been a bit relaxed to reduce the compliance burden of small businesses. Now, businesses with a turnover of up to 1.5 crore a year can file their GST returns quarterly instead of monthly returns.

2. Service tax rate @ 15% is presently charged on the services. So, if GST is introduced at a higher rate which is likely to be seen in the near future, the cost of services will rise. GST shall be charged @18% on maximum services and shall reach up to 28% for few services. In simple words, all the services like telecom, banking, airline etc. will become more expensive.

3. Increased cost of services means, add on to your monthly expenses.

4. You will have to reschedule your budgets to bear the additional services cost.

5. Businessmen and service providers are still learning about the new laws. This will increase reliance on tax experts and professionals and further add to your business expenses.

6. Being a new tax, it will take some time for the people to understand it completely. Its actual implications can be seen after a certain period of time.

7. It is easier said than done. There are always some complications attached. It is a consumption based tax, so in case of services the place where service is provided needs to be determined.

8. Proper invoicing and accounting needs to be done to ensure better compliance. However, GST Accounting Software are being developed in this regard by various companies.

9. If actual benefit is not passed to the consumer and the seller increases his profit margin, the prices of goods can also see a rising trend.

10. An increase in inflation might be seen initially that may come down gradually.

11. A strict check on profiteering activities will have to be done, so that the final consumer can enjoy the real benefits of GST.

Although, a large number of officers are being trained and systematic IT software is being developed for the successful implementation of GST. But, it will take some time for the people including the manufacturers, the wholesalers, the retailers or the final consumers to understand the whole process and apply it correctly. GST training and Courses are being provided by the Government, various institutions and companies to educate the people all around. However, GST or Goods and Services tax is a long term strategy planned by the Government and its positive impact shall be seen in the long run only. The rates of GST and how effectively GST is introduced in all the States and at the Centre also plays a crucial role in deciding the actual impact of GST on the common man.

**A well designed GST Policy can bring a qualitative change in the tax system of India.**

### **Conclusion**

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a

common national market. GST is expected to bring greater transparency, improve compliance levels and create a common playing field for businesses by amalgamating a host of central and local taxes. It would change the current tax regime of production-based taxation to a consumption-based system. There is no doubt that the corporates would benefit once they settle in under GST and assess the impact on their respective businesses; however, the advantages to the common man may take longer to be apparent. From the common man's point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Let us hope that this new tax proves beneficial not only for the common man but for the country as a whole

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## **GST and it's Impact on Common people**

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### **Abstract :**

With the implementation of GST, there is amalgamation of various Central and State taxes. This will enhance the position of India in both, domestic as well as international market. At the consumer level,GST would reduce the overall tax burden, which is currently estimated at 25-30%.

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading effect of taxes by providing efficient system to avail credits on inputs that go into manufacture of goods and provision of services.

For the general public, the actual impact of any economy is when the prices of their necessities become affected. For the public at large when prices reduce for the day to day goods and services which are consumed, the economy is good otherwise if the inflation rate is higher, then the public gets unsatisfied with the changes done by the

government.

For successful implementation of any government policy, public satisfaction is most important as without satisfaction, the policy will not succeed in the same way in which government has planned.

The present paper tries to analyse the positive and negative impact of GST on the common man in India.

**Key words :** GST, economic growth, Tax.

**Introduction :**

In India's taxation history arrived on 1 July 2017, when GST (Goods and Services Tax) became the reality. The biggest reform, which is expected to simplify the India tax structure, was launched by the Prime Minister Narendra Modi in the Central Hall of Parliament on 1 July. Jammu & Kashmir, previously, was not the part of the GST regime, but with the state assembly passing the bill despite a boycott by the opposition, the GST in J&K has become a reality now. The GST scheme consists of a four slab structure under which the proposed goods and services will be taxed accordingly. The four slabs are 5%, 12%, 18% and 28%. The five services, which feature a taxation of 28% under GST, include five – star hotels, racing. Movie tickets and betting on casinos and racing. Education and healthcare are exempted from the tax regime and will continue to remain unaffected. The majority of the services from the part of the 18% tax slab. The Scheme is expected to have a mixed effect on the industry as the same will be visible in the upcoming few years.

**Objectives of the study :**

The objectives of the research paper are as below:

1. To know the concept of goods and service tax.
2. To Understand the GST Tax impact GST on Common man.
3. To Understand the GST Tax Slab Rates.

**Research Mythology :**

The primary source of data collection in this research paper is the secondary data. The available information on Goods and Service Tax has been extensively used to complete the research report. All the available Journals, Related books, web Articles, publish and unpublished information and papers provided necessary information to the finalize the research paper.

**Concept :**

GST is an indirect tax which will include all the indirect taxes of central Government and States. Government in to uniform or whole tax. As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and States goods and service tax (SGST). CGST will subsume indirect taxes like central excise duty, central sale tax, service tax, special additional duty on customs, counter veiling duties whereas indirect taxes of States governments like State vat. Purchase tax., luxury tax, Octroi, tax on lottery and gambling will be replaced by SGST, integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of GST. It is not an additional tax but is a system to examine the interstate transactions of goods & Services and to further assure that the tax should be received by the importer state as GST is a destination based tax.

**What kind of GST will be implemented in India ?**

India will implement the Canadian model of dual GST, i.e., both the centre and State will collect GST, There will be 3 types of GST.

CGST –Collected by Centre

SGST-Collected by State.

IGST –Applicable on inter –state sales. It will help in smooth transfer between states and the centre.

**Goods and Services Tax (GST) rates :**

The GST rates have not yet been passed by the

Lok Sabha, The proposed rates are :5%, 12%, 18%, 28% (+luxurycess).

GST Slabs	New GST rates	Current rates	Products
1	5%	Up to 9%	Edible oil, spices, tea, coffee
2	12%	9% - 15%	Computers, Processed food
3	18%	15% - 21%	Soaps, oil, shaving sticks
4	28%	21%	Luxury goods (luxury cars, tobacco, aerated drinks)

Food grains will have 0% tax to provide relief to consumers.

#### **Positive Impact of GST on the Common man :**

1. A Simplified tax policy as compared to earlier tax structure. However, it's not as simple as it seems to be, check disadvantages below to grab more details.
2. GST or Goods & Service tax removes cascading effect of taxes i.e., removes tax on tax.
3. Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
4. Due to reduced costs some products like cars, FMCG etc. will become cheaper.
5. This will help in lowering the burden on the common man i.e. you will have to shed less money to buy the same products which were earlier costly.
6. The low prices will further lead to an increase in the demand/consumption of goods.
7. Increased demand will lead to increase supply. Hence this will ultimately lead to rise in the production of goods.
8. The increased production will lead to more job opportunities in the long run. But this can happen only if consumers actually get cheaper goods.
9. It will curb circulation of black money. This can happen only if the "Kacha bill" system, normally followed by

traders and shopkeepers is put to check.

10. A unified tax regime will lead to less corruption which will indirectly affect the common man.

11. Most importantly, experts hope to see a positive impact of GST on Indian economy in the long run.

But, this is possible only if the actual benefit of GST is passed on to the final consumers there are various other factors also like the sellers profit margin that determine the final price of goods, GST alone does not determine the final price of goods. The anti profiteering clause has been inserted in the GST Act to protect the interest of the consumers.

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## Impact Goods and Service Tax on Indian Economy

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### **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 indeavour to generate tax revenues to support government expenditure on public services and infrastructure development.

### **Objectives of the study:-**

- To understand the concept of goods and service tax.
- To earn about short comings of current taxation system in Indian.
- To understand how GST will work in India.
- To understand the benefits of GST over the current taxation system in India.

### **Research methodology:-**

The study focuses of extensive study of secondary data collected from various books. National & Inter National journals, government reports, publications from various websites which focused on various aspects of goods and

service tax.

**Value added Tax :-**

VAT is a system of indirect taxation which has been introduced in lieu of sales tax. It is the tax paid by the producers manufactures retailers or any other dialer who add value to the consumer VAT has been introduced in India to ensure a for and uniform system of Taxation. VAT enhances competitiveness by removing the cascading effect of taxes on goods and marks the levy of tax simple and self-regulatory, ensuring flexibility of generate large revenues.

The cascading effect is brought about by the existing structure of taxation where inputs are taxed before a commodity is produced and the output is taxed after it is produced the causes an unfair double taxation. However in VAT a set off is given for input tax, results in the overall tax burden being rationalized and a fall in prices of good.

VAT makes the tax structure simple, gassle free and export – oriented the integration of VAT with Tally will help you in the smothe functioning of your business and crimate complication that might in VAT.

**What is the GST ?**

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services of national level. The GST is expected to replace all the indirect taxes in India. At the centre's level. GST will replace central excise duty. Service tax and customs duties. At the state centre's level GST will replace central excise duty, service Tax Level, the GST will replace state VAT.

**How will it work in India?**

The GST system is based on the same concept as VAT here, set off is available in respect of taxes paid in the previous level against the GST charged at the time of sale. The GST model has some aspects which are as follows components. GST will be divided into two components namely, central

goods and service Tax and state goods and service tax.

**Rate :-** Rates charged across all states and the central level will be uniform along with the regulations, definitions and classifications.

**Applicability :-** GST will be applicability to all goods and services sold or provided in India, except from the list of exempted goods. Which fall outside its purview.

**Payment :** GST will be charged and paid separately in case of central and state level Input tax credit. The facility of input Tax credit at central level will only be available in respect of central goods and service tax in other words the ITC of central goods and service tax shall not be allowed as a set off against state goods and service tax and vice versa.

**Tax cascading :-** Oil and gas production and minning agriculture, whole sale and retail trade, real estate construction and range of services remain outside the ambit of the CENVAT and the service tax levied by the centre. Another major contributing factor to tax cascading is the Central Sates Tax (CST) on inter-state sales collected by the origin state and for which no credit is allowed by any level of government.

The implication of GST assures a single tax action system in the entire country for all goods and services making Tax compliance easier and more effective. The major benefits of this proposal report of Task force on implementation of GST on the website. [www.goodsandservice tax.com](http://www.goodsandservice tax.com)

**To the economy :-** It will simplify India's tax structure broaden the tax base and create a common market across states. This will lead to increased compliance and increase India's tax to gross domestic product ratio.

**To Industry :-** manufacturing sector in India is one of highly taxed sectors in the world. A complex and high taxation structure has the tendency to render products uncompetitive

to the international market or consume large portions of the cost arbitrage available in manufacturing.

**To the centre and state** – Approximately 15\$ billion a year of profits are predicted by the government with the implementation of GST as it is speculated to bring about a rise in employment; promotion of exports and consequently a significant boost in overall economic growth. “The implementation of a comprehensive GST in India is expected to lead to efficient allocation of factors of production thus leading to gains in GDP of this proposal.

Another positive aspect of this proposal is that it is aimed at equitable division of tax burden between the manufacturing and services ‘GST’ will be the biggest reform after 1991 and its implementation alone would add 1.2 percentage point to India GDP growth. It will provide a tremendous stimulus and can solve several issues like inflation and fiscal deficit.

GST was proposed to be introduced in India with effect from April 1, 2010. However on account of a difference of opinion amongst states, political compulsions and insistences of many states on commitment of the government to compensate for revenue loss and coverage of specified products like petroleum, liquor etc, GST could not be implemented even after extending the progress like reports. As per latest reports it will be implemented only by 2017.

**Conclusion :-**

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 endeavor to generate tax revenue to support government expenditure on public services and infrastructure development.

The state level the new tax will be further significant break through and the next logical step towards a comprehensive indirect tax reform in the country. GST is not

simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax a justified step forward India is a federal republic and the GST will thus be implemented concurrently by the central and state government as the central GST and the state GST respectively and it appears that there will be different rates of taxes.

Hence GST may us her in the possibility of a collective gain for industry Agriculture and common consumers as well as for the Central Government and the Government.

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## **GOODS AND SERVICES TAX IN INDIA- ADVANTAGES AND CHALLENGES**

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### **ABSTRACT:**

The goods and services tax was announced on 1<sup>st</sup> July, 2017 in India. It is the collaboration of central as well as states all types of indirect taxes. The main purpose of GST act is to increase in number of taxpayers, to decrease the types of indirect taxes, to make India one nation-one market and one tax, to remove corruption, to avoid middle chain from tax system. All the state governments are came under GST Act of India. Jammu and Kashmir is also accepted the GST Act.

There are huge opportunities in front of Indian industrialists, customers and traders to do business. GST helps to remove bunches of types of indirect taxes. GST is the milestone of Indian tax reforms. GST will boost the Indian economy in upcoming years. All the types of goods and services are classified in five tax rate slabs i.e. 0%, 5%, 12%, 18% and 28% under the GST Act. To make GST Act number of experts, governments, economist, finance ministers, committees have put efforts. To make GST act process started in 1991, and

completed in 2017.

This study is focus on what is mean by GST? Why GST Act is necessary? What are the opportunities and challenges to the customers, industrialists and central as well as states governments in India? This study is based on secondary data.

**KEYWORDS:** Goods and services tax, tax policy, Indian economy, GST Council, Corruption.

**INTRODUCTION:**

The Goods and Services Tax Act was announced on 1<sup>st</sup> July, 2017 in India. It is the collaboration of central as well as states all types of indirect taxes. The main purpose of GST act is to increase in number of taxpayers, to decrease the types of indirect taxes, to make India one nation-one market and one tax, to remove corruption, to avoid middle chain from tax system. All the state governments are came under GST Act of India. Jammu and Kashmir is also accepted the GST Act.

Indians are more aware and curious about GST Act. Customers are little bit nervous and confused about GST Act. Central government established GST Council to make amendments, changes, strategies for GST Act. Every new day GST Council make some changes or amendments under GST act so that Indian customers, industrialist, traders, experts, professionals not adjust properly with it. GST gives many opportunities to the customers, industrialists, businessmen's, central as well as states governments, But there are so many challenges also in front of them.

**Major purposes of goods and service tax Act.**

- One nation, one market and one tax in India.
- Collaboration of central and States indirect taxes.
- All the state comes under GST including Jammu and Kashmir.
- Increase the number of taxpayers.
- Decrease in the corruptions and black money.

- Easy to implantation in all over India.
- Five tax rate slabs for all the goods and services.
- 0%, 5%, 12%, 18% and 28%.
- Remove middle chain from tax system.
- Make Indian Economy Strong.

**ADVANTAGES OF GST ACT:****· CUSTOMERS:**

1. Reduction in number of unnecessary types of taxes.
2. Easy to maintain tax transactions.
3. Reduce the extra activity of tax policies.
4. Remove the corruption from transactions.
5. Remove the middle chain from tax system.

**· INDUSTRIALISTS:**

1. Make transactions easier than before.
2. Reduction in number of unnecessary taxes.
3. Increase the scope of states under GST Act.
4. Five tax rate slabs for the transaction of goods and services.
5. Established GST Council for regulation of GST Act.

**· STATE GOVERNMENTS:**

1. Increase number of tax payers.
2. Easy to transaction with inter-state business.
3. Classification of goods and services accordingly to slabs of tax rates.
4. Increase the revenue from goods and services.
5. Reduction in malpractices and corruptions from transaction.
6. More transparency in transactions.
7. Reduction in black money and transactions.

**· CENTRAL GOVERNMENT:**

1. One nation, one market and one tax are possible in India.
2. Reduction in corruption under tax system.

3. Major Tax reforms.
4. Transparency in tax system.
5. Avoid middle chain in tax system.
6. Customer oriented tax system.
7. Increase in number of tax payers.
8. Simple to classification of goods and services under tax rate slabs.

Above mention all are the advantages of the emerging Goods and Services tax Act to the Indian customers, industrialists, state and central government. GST Act is boost to Indian economy and market in International trade and business.

GST act is the major initiative of last year taken by Central Government for the customers and industrialists point of view. But there are so many problems and lacuna under this act. Every day many organizations, associations, businesses, traders, socialists are demanding for changes and amendments under this Act.

Followings are the main problems of GST Act to the customers, industrialists, state and central governments.

**CHALLENGES OF GOODS AND SERVICES TAX Act:**

· **CUSTOMERS:**

1. Rigid tax system by the amendments and daily changes in the policies.
2. Need to aware and literate about digitalization.
3. Adjustment with changes under this Act.
4. Confusion about classification of goods and services.
5. Monthly assessment of transactions and filling of e-bills of transactions.
6. Lack of update information about GST Act at ground level.

· **INDUSTRIALISTS:**

1. Rigid tax policy.
2. Time to adjust with changes under GST Act.

3. Difficulty in digital transactions.
4. Number of transaction E-bills for tax payments.
5. Unnecessary routine amendments under GST Act.
6. Critical to maintain monthly records and submission of reports.

· **STATE GOVERNMENTS:**

1. Loss of revenue from many products which come under GST to the states.
2. Customers, industrialist's daily complaints about changes in GST Act.

· **CENTRAL GOVERNMENT:**

1. Hurry in implementation of GST Act.
2. Continuous change under GST Act.
3. Lack of support from state governments for amendment under GST Act.
4. Huge expectations from Indians for GST Act.
5. Lack of strategies in GST Council for betterment of GST Act.
6. Amendments and changes about customers, industrialist's demand of GST Act.

Above mention all are the challenges of the emerging Goods and Services tax Act to the Indian customers, industrialists, state and central government. GST council and finance ministry with all the states governments needs to find proper solution to these challenges and create strong amendments for GST Act.

**CONCLUSION:**

Goods and services tax is the major reforms in Indian tax system. After so many years this is the major initiative taken under the Indian tax system. Indians are more aware and curious about daily changes and amendments of GST act. Definitely this act will take time to show results to Indian economy but start is important. All the types of the goods and services are included in GST under five different tax rate

slabs which are useful to the customers, industrialists, traders, marketers and state governments to transactions with each other.

Till the end of December 2017 GST act have completed six months and Indians are ready to accept it. GST Council plays important role in the success of GST Act. This act needs regulations and monitor by GST Council efficiently. GST Act helps to the Indian customers, industrialists, traders for making business effectively. It gives proper identifications to make transparent transactions and reduce malpractices of the business. It also takes care of removing corruptions from Indian economy. The government of India last year took major decision of GST Act along with skill India, make in India, starts up India, Digital India. They are major ways to make Indian economy Stronger in upcoming years.

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## IMPACT OF GST ON AGREECULTURE SECTOR IN INDIA

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### **ABSSTRACT:-**

Agriculture still employs the largest section of India's workforce. It commands around 16% of India's GDP. The proper implementation of the GST is expected to boost the sector. Transportation of agri products across India is one of the persistent problems faced by the sector. Before GST, different states had different tax rates. GST is expected to address this problem. It may provide India with its first national market for the agricultural goods. Though, implementation of GST is going to benefit a lot, the farmers/distributors in the long run as there will a single unified national agriculture market. GST would ensure that farmers in India who contribute the most to GDP, will be able to sell their produce for the best available price. It can be said from the above that GST is expected to have both positive and negative impact on the farm sector. In case of milk, Tea and Fertilizer it is expected to show a negative impact. These are

the most popular commodities in India. In case of milk there is no tax to procure milk from farmer, when GST will be implemented it leads to increase the milk prices and this would not be welcomed by consumers.

India will be one of the very few countries with a dual GST regime alongside Canada and Brazil. As such it will be negotiated amongst the Union and state governments that will jointly administer the GST regime. It will still remain complex and difficult to implement, but would surely make life easier for businesses by cutting down, or rather combining, the many indirect taxes that companies file in India.

#### **INTRODUCTION:-**

Goods and Services Tax is a single and a broad based tax levied on goods and services consumed in an economy. Agricultural sector has been the root of Indian economy and it contributes to around 17.4 per cent to GDP. About 52 per cent of the total rural livelihood depends on this sector as their primary means of livelihood, so it is important to study the impact of GST on the Agriculture sector. GST will have both positive and negative effect on Agriculture. GST is expected to create a business friendly environment, as price level and inflation rate go down. Good and Service tax has single tax structure as it leads to unified market at national level for goods and services. The implementation of GST is expected to bring uniformity across states and centre which would make tax support policy of a particular commodity effective. Good and Services Tax (GST) was predicted to have a simple harmonized tax structure with operational ease leading to a single unified market at national level for goods and services while ensuring that there is no negative revenue impact on the states. This paper is helpful in bringing out the light on Impact of GST on Agriculture Sector.

India is by no means the first country to experiment with a unified tax regime. 160 countries already have some

form of GST or a value added tax. What makes GST in India special is that as opposed to a federally administered regime, the Union and state governments will jointly administer India's dual GST. This means it will be a set of many different taxes – a GST for each of the 29 states and two union territories (SGST), a Central GST (CGST), and an Integrated GST (IGST; which will be a combine of CGST and SGST on inter-state supplies of goods and services). That surely is not as unified as it seems.

Interestingly, India will be one of the very few countries with a dual GST regime alongside Canada and Brazil. The all-important rate is yet to be finalised, with the final standard rate possibly lying between 15% to 27%, though 18% is the rate that seems to be gaining a sort of consensus amongst pundits. The problem though is that the pundits won't decide the rate! GST rate will be decided in the coming months by a GST Council that will prise the Finance Minister with a representative from each state government. As such it will be negotiated amongst the Union and state governments that will jointly administer the GST regime. It will still remain complex and difficult to implement, but would surely make life easier for businesses by cutting down, or rather combining, the many indirect taxes that companies file in India.

Agriculture still employs the largest section of India's workforce. It commands around 16% of India's GDP. The proper implementation of the GST is expected to boost the sector. Transportation of agri products across India is one of the persistent problems faced by the sector. Before GST, different states had different tax rates. GST is expected to address this problem. It may provide India with its first national market for the agricultural goods.

GST is essential to improve the transparency, reliability, and timeline of supply chain mechanism. A better supply chain mechanism would ensure a reduction in wastage

and cost for the farmers/retailers. GST would assist in reducing the cost of heavy machinery required for producing agricultural commodities. A problem may arise in the sector as the prices of fertilisers may spike under the GST. Previously, fertilisers were at 6% (1% excise + 5% VAT). Under GST, the tax slab is at 12%. Previously, tractors were exempted. With the GST, that exemption is gone. Tractors are now taxed at 12%. However, the positive side to this is that manufacturers will be able to claim Input Tax Credit. The burden, however, will increase on consumers. KrishnenduBepari, a government employee owns large tracks of farmland in his village Harindanga in South 24 Parganas, West Bengal. He informed BE, "Agriculturists are under constant pressure to increase production from the market. Fertilisers and mechanised tractors are a key to this. If there is an increase of price in these segments, the impact will be detrimental on the sector."

#### **GST AND FARM WITH FOOD SECOTOR:-**

The execution of GST is expected to boost the agricultural market as taxation under a subsumed single rate would make the movement of agricultural commodities hassle free as the products would be able to reach places via trucks in a better way. Interstate trading of a particular product often is subjected to various taxes, permission, license required for different states at every point of their transaction. This had often created hindrance in trading of products across the country for many traders in the past. So implementing GST would be the first step towards liberalizing the marketing of agricultural products and creating a smooth transaction of goods. GST would make the agro-m achineries affordable to the small and marginal farmers in India which was beyond their reach due to high excise duty on the machinery. Agricultural products were always subject to diversity in the taxation rates so a single rate of goods and service tax would benefit the national

agricultural market and help the farmers and traders to sell their products in any part of the country and receive the best price for their product.

·Currently, there is no tax to procure milk from farmers. We only pay 2 per cent central VAT on sale of milk powder to a company. When GST gets implemented, the tax can be 12.5per cent or 15per cent or 18per cent. There will be a straight cost hike in milk and milk product prices. India ranks first in milk production covering around 18.5per cent of the world production. Its annual production for the year 2015-2016 amounted to 155.49 million ton (Indiastat) and records an increase every year, and milk being a basic necessity in many households, an increase in the price would not be readily welcomed by the consumers.·The implementation of GST is expected to facilitate the implementation of National Agricultural Market on account of subsuming all kinds of taxes/cess on marketing of agricultural produce as well as it would ease interstate movement of agricultural commodities which would improve marketing efficiency, facilitate development of virtual markets through warehouses and reduce overhead marketing cost

However there are ambiguities on levying higher rate of GST on processed food. For instance, the agricultural produce which is expected to be covered in GST, would impact the input cost. It would also create the requirement to re-evaluate the 'Just in Time Supply Models.' It will analyse job work / contract manufacturing/ outsourcing models. Further, it would also assess how the inter-state and intra-state GST credits flow, especially for supplies effected from one state to another. "So long VAT had not been levied for job works, but now GST will include this and therefore corporate India could deliberate if outsourcing is required at all," said Raman.

While agriculture per se might be exempted from the

levy of GST, it is likely to exclude dairy farming, poultry farming, stock breeding and rearing of seedlings or plants. Further the issue of cultivation as part of contract farming might be open to interpretation as to whether it would still be under agriculture, going by the proposed definition of an agriculturist

**GST AND AGRICULTURAL SECTOR:-**

GST is essential to improve the transparency, reliability, timeline of supply chain mechanism. A better supply chain mechanism would ensure a reduction in wastage and cost for the farmers/retailers. GST would also help in reducing the cost of heavy machinery required for producing agricultural commodities. Under the model GST law, dairy farming, poultry farming, and stock breeding are kept out of the definition of agriculture. Therefore these will be taxable under the GST.

Fertilisers an important element of agriculture was previously taxed at 6% (1% Excise + 5% VAT). In the GST regime, the tax on fertilisers has been increased to 12%. The same impact is on Tractors. Wavier on the manufacture of Tractors is removed and GST of 12% has been imposed. This is beneficial as now the manufacturers will be able to claim Input Tax Credit

India's milk production in 2015-16 was 160.35 million ton, increased from 146.31mt in 2014-15. Currently, only 2% VAT is charged on milk and certain milk products but under GST the rate of fresh milk is NIL and skimmed milk is kept under 5% bracket and condensed milk is going to be taxed at the rate of 18%. Tea is probably one of the most crucial items in an Indian household. The price of tea might also increase due to the tax rate of 5% under GST rate from the current average VAT rate of 4-5% with Assam and West Bengal with the exception of 0.5 and 1%.

Apex industry body ASSOCHAM has urged the union government to review the Goods and Services Tax (GST) rates for select agriculture inputs like bio-fertilisers, bio-pesticides,

bio-control agents (BCA), organic manures, farmyard manure (FYM) and others. “Higher GST in this segment will directly promote chemical usage thereby leading to increase in greenhouse gas emissions, besides it will also adversely impact public health,” highlighted ASSOCHAM in a communication addressed to the union finance minister ArunJaitley. Highlighting the importance of bio-fertilisers, the chamber in its representation said that they are manufactured primarily by micro, small and medium enterprises (MSMEs) and also provide farmers an option towards sustainable agriculture practices like organic farming.

Dairy farming, poultry farming, and stock breeding are kept out of the definition of agriculture. Therefore, these will be taxable under the GST. Currently, only 2% VAT is charged on milk and certain milk products but under the GST, the rate of fresh milk is nil and skimmed milk is kept under 5% and condensed milk is going to be taxed at the rate of 18%. The impact of the new tax rates is yet to be seen on the sector.

The introduction of Goods and Service Tax (GST) in India is now on the horizon. The Constitution Amendment Bill to replace existing multiple indirect taxes by uniform GST across India is likely to be taken up for voting in RajyaSabha during this week. LokSabha has already passed this Bill.

The current indirect tax structure is major impediment in India’s economic growth and competitiveness. Tax barriers in the form of CST, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effects of taxes on cost make indigenous manufacture less attractive. Complex multiple taxes increase cost of compliance. In this scenario, the introduction of GST is considered crucial for economic growth. GST will have quite a favourable impact on Indian economy. Some sectors will have more favourable impact compared to others under the proposed GST.

GST will remove cascading effect of taxes imbedded in cost

of production of goods and services and will provide seamless credit throughout value chain. This will significantly reduce cost of indigenous goods and will promote 'Make in India'. The sectors which have long value chain from basic goods to final consumption stage with operation spread in multiple states such as FMCG, pharma, consumer durables, automobiles and engineering goods will be the major beneficiaries of GST.

GST will facilitate ease of doing business in India. Integration of existing multiple taxes into single GST will significantly reduce cost of tax compliance and transaction cost.

Stable, transparent and predictable tax regime will encourage local and foreign investment in India creating significant job opportunities.

Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital.

Significant reduction in product and area-based exemptions under GST will widen the tax base with a consequent reduction in revenue neutral rate. This will enable the government to keep GST rates lower which may have favourable impact on prices of goods in the medium term. The tax rate for services however may go up by 2 to 3% from the present level of 15%. The adverse impact of rate increase on services will be partially neutralised by availability of seamless input tax credit.

GST will eliminate the scope of double taxation in certain sectors due to tax dispute on whether a particular transaction is for supply of goods or provision of service such as licensing of intellectual properties like patents and copyrights, software, e-commerce and leasing.

**CONCLUSION:-**

An increase in the cost of few agricultural products is anticipated due to the rise in inflation index for a brief period. Though, implementation of GST is going to benefit a lot, the farmers/ distributors in the long run as there will be a single unified national agriculture market. GST would ensure that farmers in India who contribute the most to GDP, will be able to sell their produce for the best available price. It can be said from the above that GST is expected to have both positive and negative impact on the farm sector. In case of milk, Tea and Fertilizer it is expected to show a negative impact. These are the most popular commodities in India. In case of milk there is no tax to procure milk from farmer, when GST will be implemented it leads to increase the milk prices and this would not be welcomed by consumers. GST will make tax system more transparent as single tax system is available to whole country. Agricultural products were subjected to diversity of taxation rates; as single rate of goods and service tax would help the farmers and also to traders because they can sell their produce in any part of the country.

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## DEFICIT FINANCING IN INDIA

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### **ABSTRACT:**

In a country like India, where resources mobilization through taxation is limited, and investment requirements for accelerating economic development is large, the method of deficit financing has become inevitable. It is believed that when there is large stock of ideal and unutilized resources, the adoption of deficit financing, for activation of these resources will not generate inflationary pressure. However in India, deficit financing has resulted in inflationary financing. This is mainly due to insufficient use and improper diversion of resources raised through deficit financing to unproductive channels.

**KEYWORDS:** Deficit Financing, Revenue Deficit, Fiscal Deficit, Primary Deficit

### **INTRODUCTION:**

Today, deficit financing has emerged an important tool of financing the government expenditure, it means as filling the gap caused by the excess of government expenditure over its receipts through the creation of new currency. Here public expenditure consists of the disbursement on revenue account

and capital account whereas government receipts include the revenue on current account and capital account; the problem of deficit is of grave intensity. It is the fiscal deficit, which is more intensive than the Revenue Deficit.

**OBJECTIVE:**

Objective of the study is to understand the concept and importance of Deficit Financing, Revenue Deficit and Fiscal Deficit in the context of Indian Economy.

**METHODOLOGY:**

The core material for the study was arranged by means of secondary data collected from published and unpublished records, books and reports etc.

**MEANING AND CONCEPTS OF DEFICIT FINANCING:**

**The National Planning Commission of India** has defined '**Deficit Financing**' is used to denote the direct addition to gross national expenditure through budget deficits, whether the deficits are on revenue or on capital account.

"Deficit financing means any expenditure by the government that is in excess of its current revenues. Hence, expenditure that is financed by borrowing from the public is included by the measure of deficit in the budget". (Chelliah R.J.1960, p.33.p.150).

Deficit financing is that there is a place for it in an economy that is growing, but that it is not likely to be quantitatively significant as a means of raising the rate of investment and deficit finance can occupy in a programme of planned development cannot be of a quantitatively significant magnitude in a country like India". (Chelliah R.J.1960,p.33.p.154).

**OBJECTIVES OF DEFICIT FINANCING**

To finance defense expenditures during war

To lift the economy out of depression so that incomes,

employment, investment, etc., all rise

To activate idle resources as well as divert resources from unproductive sectors to productive sectors with the objective of increasing national income and, hence, higher economic growth

To raise capital formation by mobilizing forced savings made through deficit financing

#### **DEFICIT FINANCING IN INDIA**

It is done through:

- Creation of money i.e. borrowing from central bank
- Running down the cash balances of the government
- Issuing new currency
- Raise receipts by additional tax revenue
- Raising net returns from government services
- Raising domestic loans

Increasing the volume of foreign loans for securing additional domestic receipts.

#### **MEASURES OF DEFICIT FINANCING:**

In the recent year, various concepts of deficit are used frequently. The measures of deficit finance and the various concepts use in our study are as follows:

- 1) **Revenue Deficit** = Revenue Expenditure - Revenue Receipts (Tax and Non Tax)
- 2) **Budgetary Deficit** = Total Expenditure – Total receipts (Revenue + Capital)
- 3) **Fiscal Deficit** = Total Revenue Receipts – Total Expenditure (Tax + Non-Tax + Capital Receipts other than Loans)
- 4) **Primary Deficit** = Fiscal Deficit – Interest Payment

#### **ADVANTAGES AND DISADVANTAGES OF DEFICIT FINANCING:**

The easiest and the popular method of financing is the technique of deficit financing. That is why it is the most popular method of financing in developing countries.

**Its popularity is due to the following reasons:****(a) ADVANTAGES:**

Firstly, massive expansion in governmental activities has forced governments to mobilize resources from different sources. As a source of finance, tax-revenue is highly inelastic in the poor countries. Above all, governments in these countries are rather hesitant to impose newer taxes for the fear of losing popularity. Similarly, public borrowing is also insufficient to meet the expenses of the state.

As deficit financing does not impinge any trouble either to the taxpayers or to the lenders who lend their surplus money to the government, this technique is most popular to meet developmental expenditure. Deficit financing does not take away any money from anyone's pocket and yet provides massive resources.

Secondly, in India, deficit financing is associated with the creation of additional money by borrowing from the Reserve Bank of India. Interest payments to the RBI against this borrowing come back to the Government of India in the form of profit. Thus, this borrowing or printing of new currency is virtually a cost-free method. On the other hand, borrowing involves payment of interest cost to the lenders.

Thirdly, financial resources (required for financing economic plans) that a government can mobilize through deficit financing are certain and known beforehand. The financial strength of the government is determinable if deficit financing is made. As a result, the government finds this measure handy.

Fourthly, deficit financing has certain multiplier effects on the economy. This method encourages the government to utilize unemployed and underemployed resources. This results in more incomes and employment in the economy.

Fifthly, deficit financing is an inflationary method of financing. However, the rise in prices must be a short run

phenomenon. Above all, a mild dose of inflation is necessary for economic development. Thus, if inflation is kept within a reasonable level, deficit financing will promote economic development —thereby neutralizing the disadvantages of price rise.

Finally, during inflation, private investors go on investing more and more with the hope of earning additional profits. Seeing more profits, producers would be encouraged to reinvest their savings and accumulated profits. Such investment leads to an increase in income—thereby setting the process of economic development rolling.

**(b) DISADVANTAGES:**

Disadvantages of deficit financing are equally important.

**The evil effects of deficit financing are:**

Firstly, it is a self-defeating method of financing as it always leads to inflationary rise in prices. Unless inflation is controlled, the benefits of deficit-induced inflation would not fructify. And, underdeveloped countries— being inflation-sensitive countries—get exposed to the dangers of inflation.

Secondly, deficit financing-led inflation helps producing classes and businessmen to flourish. But fixed-income earners suffer during inflation. This widens the distance between the two classes. In other words, income inequality increases.

Thirdly, another important drawback of deficit financing is that it distorts investment pattern. Higher profit motive induces investors to invest their resources in quick profit-yielding industries. Of course, investment in such industries is not desirable in the interest of a country's economic development.

Fourthly, deficit financing may not yield good result in the creation of employment opportunities. Creation of additional employ- ment is usually hampered in backward

countries due to lack of raw materials and machineries even if adequate finance is available.

Fifthly, as purchasing power of money declines consequent upon inflationary price rise, a country experiences flight of capital abroad for safe return—thereby leading to a scarcity of capital.

Finally, this inflationary method of financing leads to a larger volume of deficit in a country's balance of payments. Following inflationary rise in prices, export declines while import bill rises, and resources get transferred from export industries to import- competing industries

#### **REVIEW OF LITERATURE:**

1) **Datar M.K. (2005)** “ deficit represents the gap between the current expenditure and current income of the government and when this gap is filled by obtaining funds by means other than taxation, it is known as deficit financing. The process of fiscal correction encompasses finances of not only the central government but also of various state governments. Therefore, the finances of various state governments also need closer attention. As regards Maharashtra, the budget presented in the state assembly on March 21, 2005 deserves closer public scrutiny, if not praise, for the extent of success it envisages in correcting fiscal imbalance”.

2) **Chelliah R.J.(1960)** explained that the, “experience of many underdeveloped countries during the war and post war years, these countries indulged in considerable amounts of deficit financing, first for prosecuting the war and later for purpose of reconstruction. This resulted in a good deal of inflation and monetary relay upon deficit spending as a short rout to full employment and higher output. The great volume of under-employment and unemployment that one finds in an over populated country arises from a lack of complementary factory of production that can be combined with labour, and not because of lack of monetary demand. This is long run

problem calling for a long-run solution".(Chelliah R.J.1960, p.33)

**CONCLUSION:**

In spite of this, deficit financing is inevitable in LDCs. Much success of it depends on how anti-inflationary measures are employed to combat inflation. Most of the disadvantages of deficit financing can be minimized if inflation is kept within limit. Deficit financing has certain positive effects on social and economic life of the advance as well as backward countries. These effects, by and large depend on the stage of economic development, the prevailing circumstances and for which deficit financing is attained. It has been a matter of greater controversy that deficit financing has more constructive use in backward countries. It can be an instrument of great use of for offsetting depression and for accelerating the pace of economic development at a high rate. But at the same time, it also tends to be inflationary, if there are imperfections and rigidities in the economy; it turns out to be very dangerous. This is the reason that it is called bad master but a good servant. Under these circumstances, it needs proper handling especially in the underdeveloped countries. Moreover, it must be kept within limits. It should be accompanied by anti-inflationary measures and its effects should be watched carefully.

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## A STUDY ON GST AND ITS IMPACT ON GOVERNMENT AND RETAIL SECTOR

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### · Introduction:-

The important source of government's revenue is Tax. Government spends its revenue on administrating the Country, developing the Country's infrastructure and looking after the nations well-being. The direct and indirect taxes are primary revenue sources of the government. Central excise and Customs duties are the major sources of indirect tax. The central excise is levy on which goods manufactured or produced in India and Customs duties is levy on goods imported. However, revenue from Customs and excise has declining due to World Trade Commitments and rationalization of commodity duties.

The key objective of tax structure is increasing the tax base and reducing the tax rate and it has undergone huge changes over the years. However, achieving these objectives to its fullest has not been possible. The service sector has been witnessing a phenomenal growth all over the world although it may vary in the degree and magnitude among the countries. The growth of this can be gauged by the significant contributions from the service sector to GDP,

thereby pushing back the traditional contributions like agriculturalists and manufacturing sector.

In the present day, the services are so widespread that they encompass a plethora of activities right from professional services to retail, wholesale, hospitality, research etc. service sector is occupying the center stage in the economy so much that in the contemporize world it is synonymous with the advancement to the economy. It is needless to say that exclusion of the service sector from indirect taxes will result in loss of considerable potential revenue.

Many new concepts and trends have taken place in the sphere of indirect taxes, one such concept that is undergoing lot of contemplation by the government and the empowered committee and representatives working on behalf of the government for its successful implementation is to introduce GST in India as well as gaining an insight on its impact.

· **Objectives of Goods and Service Tax :-**

- 1) Ensuring that the cascading effect of tax on tax on tax will be eliminated.
- 2) Improving the Competitiveness of the original goods and services, thereby improving the GDP rate too.
- 3) Ensuring the availability of input credit across the value chain.
- 4) Reducing the complications in tax administration and compliance.
- 5) Making a unified law involving all the tax bases, laws and administration procedures across the Country.
- 6) Reducing the Tax slab rates to avoid further clarification issues.

· **Objectives of the Study :-**

- 1) To give an overview of the Provisions of GST.
- 2) To understand the creation of GST.
- 3) To study the Impact of GST on Retail sector.
- 4) To study the Impact of GST on government revenue.

**· Research Problem :-**

The Concept of GST is the biggest tax reform in decades throughout the World, but India has been taking baby steps to meet its target of rolling out GST on April 1, 2016. The Research intends to focus on understanding concept of goods and service tax and its Impact on Indian Economy.

**· Research Methodology :-**

The study focus on intensive study of secondary data collected from various books, National and International journals, Govt. Reports, Publications from various websites which focused on various aspects of GST.

**· What is the Goods And Services Tax? :-**

GST is an Indirect tax. The most Indirect Taxes in the Country will be included in this tax system. Only one tax will be imposed on the Existing operations of Indirect taxes, and the same will be applicable. In this new plan, the basis of tax levy will be contrary to the existing system, which will be transmitted to consumers without being product oriented. Indirect tax which is imposed on goods and services is GST. GST is not a new type of tax; it is an advanced method of recovering tax. It will be deducted from the product to the final sale, and the previous tax deduction in each step. All inclusiveness, unity are the man features of these goods and services tax. This is a shared and sole indirect tax, which will bring about simplicity by implementing voice tax calculations and apply at the same rate across the country.

**· Impact of GST on Retail Sector :-**

The retail sector in India has grown leaps and bounds over the year. India has witnessed a transformation from a multitude of unorganized family owned business to organized modern retailing. Indians retail sector accounts for 22% of the country's GDP and contributes to 8% of total employment.

The key agent of change that GST would bring in the retail spectrum is, that the services would be eligible for set-

off against taxes on goods. This is definitely a positive sign to the retailers as the VAT structure resulted in compliance issues and uniformity of VAT laws resulted in additional cost burden to the retailers.

The previous tax structure was very ambiguous with regards to quantum of input service tax credit as it recognized the manufacturers and not service providers. GST is expected to remove this anomaly, as it would result in a shift to sale of goods from manufacture of goods resulting in redesign of input tax credit. The below illustration explains how GST will benefit the retailers and the ultimate consumers.

**Table No. 1**

source – Goods & Service tax.com

From the above table it is understood that at every stage tax has to be paid thereby increasing the price of the goods. With GST, this tax burden will come down the retailers will pass on the benefit of the reduced tax incidence to their consumers thereby reducing the prices of goods sold.

One area that requires prime focus with regards to retail sector is MRP based valuations which were litigated under customs and central excise laws. The GST regime must have a sound mechanism in place to combat such issues.

**· How government revenue will increase once GST is implemented?**

The proposed GST in India is expected to be broad based. GST is expected to harmonies and consolidate multiple indirect taxes in India by widening the tax-base and cutting down exemptions, lowering the exemption thresholds particularly for central excise from Rs.1.5 Cr. to Rs. 10 lakhs, mitigating cascading and double taxation and promoting

voluntary compliances through the lowering of the overall tax burden. GST is expected to tax services which are not being taxed at present and also encourage voluntary compliance, which on the other hand would encourage sectors currently under parallel economy to become part of the mainstream. All these factors are expected to boost tax revenues.

Under the present indirect tax regime, the central Government levies tax on services at the rate of 15% whereas the centre and the state Government together charge taxes (excise duty, value added tax, entry tax and so on) on goods at a variable range of 6 to 40 %.

Under the GST regime, it has been proposed that the GST council will decide GST rates with the consensus of the center and the states. Presently, there is no clarity on the GST rates that are likely proposed by the GST council. In this regard, reference can be made to the report issued by the chief economic advisor. The report suggests a revenue neutral rate of 18 % (the rate at which the Government would continue earning what it has been earning under the existing tax regime), a standard GST rate in the range of 15 to 15.5 % and a lower rate of 12 % on certain goods. Further, a higher rate of 40 % has been proposed on certain de-merit goods such as aerated beverages, luxury cars, and so on. Therefore, one can infer that the standard GST rate is likely to be in the range of 16-18 % with a lower / higher on certain goods.

Given that most of the taxes presently being charged are likely to be subsumed under the GST, it is being expected that the revenues earned by the governments will increase for following reasons :-

- 1) Exemptions under the GST regime will be substantially reduced to allow free flow credits in the supply chain. Presently, numerous goods and services enjoy exemptions, resulting in lower tax revenues to the exchequer.

- 2) GST will broad base the tax-paying population. It is

pertinent to note that even at the time of the introduction of VAT, tax revenues of the states actually went up instead of falling. Tax evasions are currently prevalent in the form of fallacious claim of exemptions or lower duty rates or as attempts to escape the levy of non-creditable taxes. Since GST will have the same rate for almost all the products and services, with no or least exemptions and free of credits, it is likely to encourage compliance.

3) The revenue from services sector is likely to increase. The sector presently attracts a lower rate of 15 % , which is expected to go up.

4) Further, the state Governments which were only entitled to earn taxes arising on sale of goods in their respective states will now earn GST on the services being received by the assesses in their states.

5) States will be entitled for their portion of SGST on the IGST applicable on all inter-state trade. This will include IGST on import transactions, which presently belongs to the central Government only, further, a part of CGST and centrals share of IGST will also be apportioned to the states.

· **Conclusion :-**

After having referred to the various resources mentioned in the literature review and other sources, we can say that GST is a grand bargain and is going to be a game changer for India.

One can be certain that GST is going to have a ratified impact on the governments revenues.

The retail sector should proactively be prepared to migrate from the old model to the new model to ensure smooth operations under this new regime. This model will be flawless, provided GST is following thoroughly without falling back on the old farms of taxation.

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## CENTRAL BANK'S POLICY RATE

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### **ABSTRACT**

The policy rate is a very important tool of the central bank which is increased and decreased time to time to tackle inflationary and deflationary situations. The policy rate is lowered when there is a fear of recession or when the inflation is below the target level. An excessive rate cut can lead to inflation, asset bubbles, or reduced savings incentives. The policy rate is increased/hiked when there is excessive inflation i.e., the inflation is above the central bank's target level. It helps to control inflation, stabilize currencies, and prevent economic imbalances. Though, too aggressive hike can trigger a recession. Thus, rate is increased or decreased depending on the circumstances with an intent to maintain financial stability, however, both of them has certain adverse effects, i.e., it cannot be said that only good comes out of both of them. The rate cut as well as rate hike carry their own risks and adverse effects.

**Keywords :** Policy Rate, Rate Cut, Rate Hike

### **Policy Rate**

The interest rate set by the central bank is often called

the policy rate or benchmark rate. It is one of the most crucial tools in monetary policy. It is used to tackle inflation and deflation; it assists in influencing economic activity and to maintain financial stability. A country's economy is significantly influenced by the policy interest rate set by its central bank, the policy rate acts as a lever to control money supply, inflation, borrowing costs, and overall economic activity. The central bank increases and decreases the interest rate time to time to tackle inflation and deflation.

**Rate Cut**

The central bank of a country typically implements a rate cut under specific economic conditions to stimulate economic activity; rate cut lowers the benchmark interest rate set by the central bank. When the economic growth of a country slows down or the economy enters into a recession, the central bank may cut rates. These cuts are carried out with an intent to encourage borrowing, an increase in borrowing will increase the money supply as a result people will have more money at their disposal for spending and investments purposes. When the rate is reduced by the central bank people borrow more because rate cut reduces the cost of borrowing as result borrowing money becomes cheaper because the interest outflows will be lower than earlier. This induces people to borrow money for investment, expansion of business and spending.

**Factors leading to rate cut:**

The interest rate can be lowered under various circumstances-

1. Low Inflation or Deflation - When inflation is persistently below the target level set by the central bank or when there is a risk of deflation, a rate cut can help in increasing the money supply and demand which will push the inflation towards the target level.
2. High Unemployment - Rate cut is also done to tackle the

problem of unemployment, because of the rate cut borrowing becomes cheaper which induces businesses to borrow money for expansion, such expansion will lead to more employment directly and indirectly.

3. Global Economic Weakness - When the global economy is weak and it could lead to adverse effects on the domestic economy, the central bank may cut rates to protect its domestic economy from those external shocks and maintain competitiveness.

4. Financial Market Stress - During periods of financial instability like a banking crisis or stock market crash, the central bank may cut rates to ease financial conditions and support liquidity in the system.

5. Exchange Rate Considerations - When a country's currency becomes too strong it may lead hurting its exports, in such a case a rate cut can weaken the currency, making exports more competitive internationally.

6 . Pre-emptive Action - The Central bank may cut the rates pre-emptively to mitigate the impact of foreseen economic risks.

Examples:

- The U.S. Federal Reserve cut rates to near zero during the 2008 financial crisis to support the economy.
- The European Central Bank (ECB) has used rate cuts to combat low inflation and stimulate growth in the Eurozone.

**Benefits of rate cut:**

Rate cut helps to boost the economic activity in many ways, some of the benefits are as under:

1. Helps to tackle increasing unemployment - As discussed earlier, lowering the interest rate leads to an increase in borrowing which leads to more spending and investment, an increase in spending and investment lead to generation of employment opportunities which helps to tackle the problem of increasing unemployment.

2. Helps to promote exports - A strong exchange rate hurts a country's exports because its products are expensive for other countries; by lowering the interest rate the country weakens its currency against the others with an intent to boost its exports,

3. Real estate and Housing - Lower rate often leads to higher real estate prices as investors seek better returns. Lower interest rate reduces mortgage rates, making home loans more affordable. This boosts demand for housing and can lead to higher home prices. Homebuilders, real estate developers, and real estate investment trusts (REITs) are some of the key players.

4. Stock market - Lower rate makes equities more attractive as compared to fixed-income investments like bonds and fixed deposits, this increases the money inflow into the security market and an increase in demand for the equities, which leads to higher stock prices across the board. Growth stocks, which are sensitive to interest rates, often see significant gains and are the key beneficiaries.

5. Financial sector/Banks and Lending Institutions - Though lower rate squeezes banks' net interest margins, it often leads to increased borrowing activity, which can boost loan volumes. Commercial banks, mortgage lenders, and consumer finance companies are some of the key players.

6. Consumers - Lower rate reduces the cost of financing, this makes financing items like cars, appliances, and electronics cheaper and thereby encourage the consumers to spend more and thereby boosting the economic activity while simultaneously satisfying their wants. Automakers, retailers, and leisure/travel companies are some of the key players.

7. Utilities - Enterprises engaged in utilities like electricity, water and gas require extensive amount of capital and often carry high levels of debt. Lower interest rate reduces their borrowing cost and interest outflows thereby improving prof-

itability. Electric, gas, and water utility companies are some of the key players.

8. Technology and research and development - Companies engaged in research and development often rely on borrowings to fund their plans and programmes. Lower rate reduces their cost of capital, making it easier to invest in growth. Software, hardware, and semiconductor companies are some of the key players.

9. Industrials and Infrastructure - Lower rate reduces financing cost, as a result it becomes cheaper and more feasible to finance large projects and purchase of expensive equipment. This encourages businesses to invest more money in infrastructure and machinery. Construction companies, machinery manufacturers, and engineering firms are some of the key players.

10. Materials and Commodities - As discussed earlier, lower rates can weaken the country's currency which makes the country's products more competitive in global market and thus helps in boosting demand for its commodities like metals and raw materials. Mining, steel, and chemical companies are some of the key players.

11. Consumer Staples (Indirect Benefit) - Although consumer staples like food, drinks (including alcoholic beverages), tobacco, and household and personal care items are less sensitive to rate cuts, they are benefitted indirectly by these rate cuts, because lower rate leads to an increased consumer spending and improved economic conditions. Food, beverage, and household product companies are some of the key players.

12. Small and Medium-Sized Enterprises (SMEs) - SMEs rely on borrowings to fund their operations and expand their business. Lower rate makes it easier and cheaper for them to access credit.

13. Gross Domestic Production - A rate cut by the central bank

can stimulate a country's GDP as it lowers the borrowing cost which leads to a boost in spending and investment and an increased spending and investment leads to more production activity.

Further the benefits derived by the other sectors contribute towards boosting the GDP either directly or indirectly. For example, the period following the 2008 financial crisis in the U.S. saw a deep recession, significant job losses, and a decline in household wealth, to tackle this the Fed slashed rates to near 0%, fuelling recovery. The GDP grew as housing, autos, and corporate investments rebounded.

Thus, lowering of interest rate benefits the economy and the benefits derived by certain sectors tends to be more than others due to the impact of lower borrowing costs, increased consumer spending and improved economic sentiment. However, there are the sectors also which suffer due to the rate cut, e.g. -

1. Savings-Dependent Sectors - Sectors that rely on high savings rates, such as insurance companies, suffers due to reduced rate of return on their fixed-income investments.
2. Currency-Sensitive Importers - If rate cut weakens the domestic currency too much, import-heavy sectors (e.g., airlines, manufacturers relying on foreign inputs) face higher costs.

Briefly, sectors like real estate, financials, consumer discretionary, and technology tend to benefit the most from a central bank's rate cut, as they are highly sensitive to borrowing costs and consumer spending. However, the overall impact depends on the broader economic context and how businesses and consumers respond to the rate cut. If the economy is in a severe downturn or facing deflationary pressures or fearing recession, rate cuts may not immediately lead to inflation. Instead, they aim to stimulate growth and prevent deflation. The central bank generally decreases rate to combat deflation or stimulate economic growth, but it can

lead to inflation if the economy overheats or if the rate cuts are excessive. In case of liquidity traps if the rates are near zero and the economy remains weak, rate cuts lose their impact. Therefore, there is downside also to rate cuts, excessive rate cuts can lead to inflation, asset bubbles, or reduced savings incentives.

#### **Rate Hike or Increase in Rate**

Central banks increase interest rates primarily to control inflation and maintain economic stability, an increase in rate makes borrowing money from and other financial institutions expensive which discourage people to borrow money, a reduction in borrowing leads to a reduction in public spending and investment.

#### **Factors leading to rate hike:**

The interest rate can be increased under various circumstances-

1. To tackle increasing inflation - A high demand and low supply typically leads to inflation because when the demand for goods and services exceeds the available supply, prices tend to rise as consumers are willing to pay more to obtain scarce items. An increase in rate makes borrowing unattractive leading to decrease in money supply in the economy, which ultimately leaves people with less money to spend i.e. limits people's budget. Due to limited budget the demand for product decreases and this decrease in demand helps to tackle increasing inflation.
2. To tackle asset bubble - Prolonged low rates can fuel speculation in real estate (housing bubbles) and stocks (overvaluation), as people borrow a lot of money to invest in real estate and stocks, an increase in interest rates makes it expensive for people to borrow money as a result borrowing decreases. Further, Asset prices reflect future cash flows discounted by interest rates, a higher rate means a lower present value, thereby tackling the bubble in their valuations.

3. To Stabilize the Currency and reduce the outflow of financial assets and capital - Lower interest rate leads to a weaker currency which makes imports expensive which can lead to a rapid outflow of financial assets and capital from the country and thus hurting its financial position. An increase in the interest rate makes it attractive for foreign investors to invest their funds in the country which will lead to an appreciation in the currency value, an appreciated currency makes the imports cheaper which ultimately reduces the outflow of financial assets and capital from the country.

4. To cool an Overheating Economy - When the GDP grows faster than its potential and demand grows faster than supply it leads to a rising inflation, labour shortages, and asset bubbles, this is termed as an overheating economy. An increase in interest rate cools demand to prevent unsustainable growth and restore balance and prevent long-term damage.

An overheating economy causes wage-price spirals. Because of lower interest rate, businesses have access to cheaper borrowing and are in a position to afford hiring more workers resulting in reduction of unemployment. In turn, the workers demand higher wages in the situation of lesser unemployment and companies are compelled to increase the prices of their products and services to cover up the increase in costs causing the inflation. An increase in interest rate makes borrowing expensive and unattractive forcing the businesses to do some retrenchments thereby causing unemployment. In case of increased unemployment the workers tend to reduce their salary demands as well as the higher rate slows down the hiring and business expansion, preventing runaway wage growth.

Thus, it can be said that raising interest rates is the primary tool to cool an overheating economy as it reduces demand, stabilizes prices and prevent financial bubbles.

5. To restore rate to pre-crisis level - During emergencies/ crises central banks cut rates to near zero. Once recovery is stable, they raise rates to restore it to the pre-crisis level

6. Global Spillovers - If a major central bank of another country (e.g., Fed, ECB) hike rates, others may follow to prevent capital outflows and avoid excessive currency weakness.

**Benefits of increase in rates:**

An increase in interest rates tends to benefit certain sectors due to changes in borrowing costs, consumer behaviour, and investment flows. The following sectors are the one's which typically gain from increase in the interest rates:

1. Banking & Financial Services - Higher rates increase the net interest margins of the banks and financial institutes enabling them to record more profit.

2. Insurance Companies - Insurance companies invest the premiums they receive in bonds and other fixed interest income investments which boost their fixed-income returns and more stability.

3. Value Stocks & Dividend Payers - Stock prices reflect future cash flows discounted by interest rates. A higher rate hurts these valuations and stable or constant dividend payers becomes more attractive to growth stock. This makes the investors shift from growth to value stocks.

4. Cash-Rich Corporations - Companies that have a low debt and high cash reserves earn more interest on idle cash from higher short-term rates.

On the other hand, increasing the rate also has certain side effects, like:

1. Slower GDP growth - When interest rates are increased the GDP growth slows down due to reduced spending and investment.

2. Higher unemployment - Due to increase in rates the money supply decreases, businesses have less money at their dis-

posals and borrowing is expensive because of which they cut some costs. In course of cost cuttings, some of the workforce is laid off resulting in increase in unemployment.

3. Debt stress - Rising interest rates make it more expensive to repay existing debts, leading to financial strain and potentially impacting economic stability.

4. Stock market declines - Stock prices reflect future cash flows discounted by interest rates, a higher rate means a lower present value, i.e., higher interest rate hurt valuations.

Therefore, it can be said that central banks raise rates primarily to control inflation, stabilize currencies, and prevent economic imbalances. An aggressive hike can trigger a recession. Timing and magnitude are significant factors.

In short, the policy rate or benchmark rate is a great tool to drive, monitor and regulate the economic-financial conditions of a nation.

#### **Bibliographic Reference**

- New York Times
- The Economic Times
- DNA





## Challenges of Brand Management

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### **Abstract**

Liberalization, privatization and globalization have revolutionized the all sectors from software industries to food industries. Each and everyone wants to change their life style and therefore they step up their life in modernized world and using products which have more brand image and brand loyalty. This changing scenario of highly competitiveness from the side of industry as well as customer has enlarged the responsibilities of companies to make a powerful brand. For making a powerful brand there is a need of consistent brand management. It is the design and implementation of marketing programs to build and manage brand equity according to changing environment. Effective brand management enables the price of products to go up and builds loyal customers through positive brand associations and images or a strong awareness of the brand. Developing a strategic plan to maintain brand equity or gain brand value requires a comprehensive understanding of the brand, its target market and the company's overall vision. This research paper is descriptive and totally based on secondary data. The

basic challenge of brand management is to maintain brand equity and to gain brand value. This paper is based on to study strategic plan to maintain brand management and to study challenges of brand management.

**Keywords-**Brand image, brand loyalty, challenge, brand value, brand management

### **Introduction**

Brand management begins with having a thorough knowledge of the term “brand”. It includes developing a promise, making that promise and maintaining it. It means defining the brand, positioning the brand, and delivering the brand. Brand management is nothing but an art of creating and sustaining the brand. Branding makes customers committed to your business. A strong brand differentiates your products from the competitors. It gives a quality image to your business. Brand management as a business technique was one of the signal innovations in American marketing during the twentieth century. It epitomized the persistent theme of balancing centralized oversight with decentralized decision making based on who in the company had the best information about the decision at hand. Brand management includes managing the tangible and intangible characteristics of brand. In case of product brands, the tangibles include the product itself, price & packaging etc. While in case of service brands, the tangibles include the customers’ experience. The intangibles include emotional connections with the product / service. The difference between the book value plus market value and the price offered for the takeover can be attributed to the intangibles. One such extremely important intangible is the firm’s brand equity. Branding is assembling of various marketing mix medium into a whole so as to give you an identity. It is nothing but capturing customers mind with brand name. It gives an image of an experienced, huge and reliable business. It is all about capturing the niche market for your

product / service and about creating a confidence in the current and prospective customers' minds that you are the unique solution to their problem.

Brand is the powerful differentiator in a highly competitive market-place. It provides the power to deflect competitive moves. The fact that consumers live by brands is amply demonstrated by the habitual behavior of the housewives who continues to buy the same brands of detergents and food products in her shopping cycles. Brand, therefore, is an integral part of consumer life. To the company, a strong brand provides credibility and respect among its peers. It certainly gives the company the power to bargain with its intermediaries, suppliers, interest groups and even government bodies. A strong brand means higher market share and ROI and hence, higher shareholder value. It even creates a positive motivational climate in the organization as employees takes pride in remaining associated with it. Companies with strong brands attract the best talent and respect among industry professionals.

#### **Objective of study**

The objective of study is to identify the challenges of brand management. It focuses on brand and brand management to gain the competitive advantage in market. The study also helps in learning various brand management strategies which lead to competitiveness.

#### **Research methodology**

The research work is descriptive and purely on the basis of secondary data. The data is collected through journals, online database, books and websites.

#### **Brand management strategies**

##### **1. Establish and maintain the brand**

The adoption of a holistic approach or an "overall brand strategy" is essential to establish and maintain the brand. Such overall brand strategy should be implemented

with full recognition that the brand may traverse numerous different product lines and geographic regions.

### **2.Ensure consistency between the brand licensing strategy of enterprises and overall business**

Effective brand management strategies also necessitate emphasis on ensuring consistency between the brand licensing strategy and the enterprise's overall business goals. Efforts should be undertaken to ensure that the brand reflects positively on the company, does not detract from other product lines and remains profitable with other parts of company.

### **3.Select profitable and innovative license partners**

The importance of consistency should also be reflected in the selection of license partners. Focus should surely be placed upon license partners that enjoy healthy businesses and that offer innovative products. At the same time, however, emphasis should also be placed upon licensee partners with similar cultures and business goals since doing so may help to reduce the amount of time that is expended on reaching the basis business terms. Companies should develop a profile of the ideal license partner but recognize that while many licensors and licensees may enjoy long-term relationships, few of such relationships will be permanent.

### **4. Be proactive on product and services**

Consumer interest changes over time and it happens so fast that it is essential to introduce products and services according to changing environment. Efforts should be taken to ensure that products are desirable and up to date. For this purpose it is essential to periodically monitor the changes in demand for the licensee's product and services.

### **Challenges of brand management**

#### **1. Changing economic environment**

Economic environment of a country and world is changing so fast that it strategically influences brand

management. Due to changing economic environment economic policy, GDP, Per capita income, tax and subsidies changes and it influences directly or indirectly to the brand name.

## **2. Designing products for global acceptance**

It is very difficult for the company to study both customer and competitor globally and design the product for global acceptance. The knowledge of language and culture is essential to design the product at global level. But the changing attitude of customer at global level varying time to time and it creates challenges to manage the brand. For this brand manager must strategically analyze the culture, language and policy of the global and local product and face the challenge to satisfy the need of local as well as global acceptance.

## **3. High competition and openness in market**

Deregulation often leads to increased competition from outside traditionally defined product – market boundaries. Each of these new competitors is leveraging their established relationships with customers to penetrate the credit card market rapidly. To contain threats, banks have gone into partnership with airlines and telecommunication companies to offer credit cards with “frequent user” miles. The effects of deregulation are felt in varied industries, ranging from import / export to telecommunications, health care, and transportation. These industries are working during high competition and having a great challenge of brand management.

## **4. Product innovation**

Technological innovation often leads to new and better ways of solving old problems. These innovative new products may offer greater functionality at lower costs and can displace existing products. Innovations sometime provide additional opportunity for complementary products. Brand managers

are challenged to think creatively, even in mature or stable product categories. Often innovation in the nonproduct dimensions of service, imagery, distribution or creative pricing can create differentiation. The brand manager is often in a position of leadership in identifying such opportunities. But too much of product innovation reduces quality consistent in product and therefore it has become a great challenge for brand management.

#### **5. Changes in technologies**

The pace and nature of technological change is itself affected by the globalization of markets. Globalization means larger markets for the products of technology and greater need to coordinate management activities over wider expanses of distance and time. Greater opportunity and reward brings more players to the table and affects the direction of research efforts. Technology can be leveraged to gain competitive advantage or technological change can be resisted by entrenched interests to their own detriment.

#### **6. Changing consumer markets**

Corporate downsizing and corresponding reduction in in-house purchasing expertise may imply increased importance for intangible “product” components such as the service and relationship dimensions. This shift may cause an increase in the importance of corporate brands and bring reward to reapportions that are compatible. The brand manager must become ever more sensitive to these possibilities. Brand management is challenge to understand the dynamics of changing markets and manage brand association.

#### **The Future of Brand Management**

As the business world moves forward into the 21st Century, brand management will continue to evolve. One factor that will certainly affect the field’s evolution is globalization. In the past, brand production was largely

outsourced because it proved too expensive to maintain factories in developed countries. Now, however, entrepreneurs in the underdeveloped countries that serve as manufacturing hubs for brands are themselves founding brands which they can both manufacture and produce (Pearson, 2004). The principal problem with brand management is the lack of uniformly tracked brand-related metrics (Keller, 2001). Without such data, it is difficult to evaluate the effectiveness or productivity of brand managers, failures or successes in branding may be attributed to other areas, such as competition or market forces (Hinshaw, 2005). In the future, more detailed models and insightful measures of brand equity will be developed.

Measurements that more precisely relate marketing activity to brand performance will also likely appear (Keller, 2001). Finally, new metrics will measure brand management's effects on critical areas such as customer experience and loyalty, brand profitability, and brand value (Hinshaw, 2005). As these predictions suggest, brand management is poised to become only more important as the 21st Century progresses. It also promises to become even more diverse, changing to meet the evolving future needs of all businesses and organizations.

### **Conclusion**

From all the above discussion it is clear that there is a great challenge for brand management in the form of changing economic environment, designing product, changing technologies, product innovation and changing consumer market. These are the flexible approach of brand management and there is a need of consistent bird's eye view from the side of industry to get the desired result.

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## Personal Branding among Working Management Graduates – An Empirical Approach

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### **ABSTRACT**

Personal Branding globally is emerging as a key differentiator for recruitment where Self-branding with invent of digitization is gaining popularity. The main aim of this study was to explore the interplay between the various demographics, awareness and usage of Personal Branding by working Management Graduates.

N = 136 sample was observed, and some very insightful findings emerged. In India, the overall familiarity with the concept of Personal Branding exists. However, it is not fully utilized. Further Social Media is not leveraged for Personal Branding but there is a very keen interest in learning more about Personal Branding.

**KEYWORDS** Personal Branding, Recruitment, Career Management, Working Management Graduates.

### **INTRODUCTION**

Personal Branding is a common parlance in the Management studies; with students and the industry giving

it a lot of attention, more so post the Web 2.0 boom (Hai Ming Chen, 2016) and usage of social media platforms for mass-communication. Tom Peters' is said to have pioneered the term 'Personal Branding' in his celebrated *FastCompany.com* post *The Brand Called You!* (Peters' Tom, 1997).

The Personal Branding literature has contributed a lot of definition from various academicians and self-help consultants alike. Where (Peters' Tom, 1997) defines it as 'we are CEOs of our own companies: Me Inc. To be in business today, our most important job is to be head marketer for the brand called You', adding (Peters, 1999) to it 'sign of distinction'. (Robin Fisher Roffler, 2002), defines Personal Branding as 'branding for people is about finding your 'big idea', the core you, and putting it out in the universe to fulfill itself'. The famous Personal Branding consultant (Kaputa) takes it to another level by stating that 'Self-branding is the sum total of other people's feelings about your attributes and capabilities, how you perform, even their perception about that you are worth'. (Shepherd, 2005), shares that Personal Branding is 'self-marketing consists of those varied activities undertaken by individuals to make themselves known in the marketplace, usually, (though not exclusively) for the purpose of obtaining gainful employment'. As we observe, over time, there are more and more aspects included to the Personal Branding definition.

There are various theory and models proposed by academicians and self-help gurus on the topic. And all of them have their unique model to share.

In his Personal Branding website article (Arruda), the personal branding self-help guru William Arruda has shared the 3 steps process flow for anyone to build their Personal Brand. First step is to Unearth Your Brand, where he appeals the personal branders to first know themselves and their

competitors. (Anna Sutton, 2015), in their longitudinal study of 6 weeks, studied self-awareness with the general well-being and positive outcomes at workplace. Second step is to Express Yourself; where Arruda asserts that just like any product brand, the personal branders should also be conscious of their projections by aligning all their action, appearances, communications and all aspects of their activity towards the formulated 'brand', to an extent that he says, 'Live and Breathe your brand'. Finally, to gauge the impact of the entire effort, he wants the personal branders to Evaluate and Evolve. With 'Evolve', he emphasizes the personal branders to remain relevant to the target audiences by modifying the step # 2 by evaluating alterations required in the communication, actions, appearance as per the need-be.

Academician (Khedher M. , A Brand for Everyone: Guidelines for Personal Brand Managing, 2015) also suggests a three stage plan for building a Personal Brand. 1<sup>st</sup> step based on Perrier Bourdieu's theory of investing in cultural capital and social capital within established organizational fields, 2<sup>nd</sup> step of managing impressions by artifacts, verbal and non-verbal behaviors guided by Goffman and finally 3<sup>rd</sup> step of assessing the personal brand by Schon's Reflexivity theory requiring reflexivity-in-action and reflexivity-on-action.

In their second book on the topic by (David McNally, 2003), they give a more detailed road-map that suggests to "become more of who you are", by adding dimensions that are "Distinctive, Relevant, and Consistent", followed by adding more authenticity by defining your brand's "Purpose, Vision and Values". They suggest that all the efforts taken by personal branders should align with the employer's brand.

Some notable themes that come out of the literature on Personal Branding indicate the following:

- The Personal Brand should be authentic to the real you, while being distinctive and

consistent.

- To have an alignment between your Personal Brand and that of the employer's or target audience.

- Introspection, self-awareness and reflection are tools to learn from the hindsight; whereas as market analysis, matching employer's needs and understanding future trends are foresight, that helps the personal brand remain relevant.

### **LITRETURE REVIEW**

#### **Management Education and Personal Branding**

In this competitive world, it is increasingly becoming important to market self as a brand. The branding principles of self are similar to that of a product. (Stanton & W.W. Stanton, 2013). Students have to undertake extensive steps to establish themselves in the competitive job market (Khedher, 2014). With ethical integrity and realistic approach, individuals have to find the best way to establish themselves among the recruiters (Liar, K. Sullivan, & G. Cheney, 2005). It is of great impedance to understand that if students do not do their own personal branding then it does not mean that there is no branding, in absence of personal branding, others will manage the perception and that may not be in the favor of job searching candidate (Kaputa, 2003). It is commonly found that personal brand management lacks consistency, students lack strategic approach and hence the impact is not effective (Rampersad, 2008).

#### **Personal Branding in Personal Life & Career Management**

Branding is basically used for distinguishing yourself from the others. Literature shows many avenues for the usage of Personal Branding. In personal life as noted by (Whitty, 2008), personal branding is heavily used for dating. Other forms of internet-based self-expression applications like online-chatting, personal websites, blogs and gaming witness usage of personal branding by the participants wanting to leverage technology for standing out of the crowd (Schau &

Mary C. Gilly , 2003)and deploying strategies of constructing a 'digital self' for projecting a digital likeness for associating newer forms of possession. In his book (Turkle, 2011), go to extend to say that computers are changing the self's evolution, relationships, politics and sex to create new sense of identity.

(Rampersad, 2008), sights the importance of having a Personal Brand for the entry level jobs by which a graduate employee would give the employers clear idea about his/her skills and values that differentiate him/her, such that employers can get professionals he can trust and believe.

#### **Demographics and Personal Branding**

The Web 2.0 has opened multiple platforms and avenues for communication (CHEN, 2013), eliminating identity cues of demographic boundaries of age, appearance, gender, race, physical ability and socioeconomic status. Demographics have not shown any significant difference in the awareness and acceptance of Personal Branding phenomenon.

#### **Social Media and Personal Branding**

With the rise of social media, personal brands are getting built not just of professional consumptions but more for social consumption. Digital mediums like Facebook, YouTube, Google, Twitter, Blogs, Myspace and other online applications have made it difficult to not have a personal brand (Khedher M. , Personal Branding: Towards Conceptualization, 2013).

The technological disruptions are changing the face of communication and brand communities. (McAlexander, Schouten, & Koenig, 2002), build on this point by stating that brand-consumers are responsible for creating and negotiating the meanings of relationships between customers and brand. WhereTwitter (Brems, Temmerman, Graham, & Broersma, 2016), offers an opportunity for the person to become a news or opinion-hub to increase his/her market value, YouTube (Pace, 2008), is leveraged as DIY (do-it-

yourself) medium for self's storytelling.

(CHEN, 2013), further argues that YouTube as a medium eliminates the barriers of one-way communication by brands; example Television commercials (Szmigin, Canning, & Reppel, 2005), into a relationship that exchanges emotions to a bidirectional social bond.

### **Is Personal Branding Management Fashion / Fad?**

(Danny Miller, 2004), through their research help managers identify Management techniques and concepts as fads or classics. Where, a fad has "no lasting influence on business practice" a classic is "more durable practice and technique". In the following sections, our study has tested participants' perceptions about the Personal Branding phenomenon to be a Management Fashion / Fad.

As observed, most of the literature available on the topic is contributed by Western countries and very few empirical studies have been undertaken. So with the curiosity to know the awareness, acceptance and usage about the Personal Branding phenomenon, this research was undertaken.

### **OBJECTIVES**

As this is the first study to explore the awareness, acceptance and usage of Personal Branding phenomenon, this study aimed at the following objectives:

1. To understand the profiles of working Management Graduates and their attitude towards Personal Branding.
2. To study the basics of Personal Branding phenomenon.
3. To explore the impact of demographics on the Personal Branding phenomenon.
4. To investigate whether Management Education contributes towards Personal Branding phenomenon.
5. To find out if the stream of Management Education Program influences Personal Branding phenomenon.

6. To study association between Employment factors and Personal Branding.

#### **HYPOTHESE**

Ho1 – There is no association between streams of Management Education and Personal Branding.

Ha1 - There is an association between streams of Management Education and Personal Branding.

Ho2–Personal Branding phenomenon is the same at entry and exit of Management Program.

Ha2–Personal Branding phenomenon varies at entry and exit of Management Program.

Ho3-Ho7 – There is no correlation between the Personal Branding phenomenon and demographics (Gender, Marital Status, Age, Annual Household Income and Education Background).

Ha3-H7- There is a correlation between the Personal Branding phenomenon and demographics (Gender, Marital Status, Age, Annual Household Income and Education Background).

Ho8-Ho9 – There is no significant relationship between Employment Factors (Employment Status and Number of years of Experience) and Personal Branding phenomenon.

Ha8-Ha9 – There is a significant relation between Employment Factors (Employment Status and Number of years of Experience) and Personal Branding phenomenon.

Ho10-Ho17 - Personal Branding phenomenon perception parameters are independent of each other.

Ha10-Ha17 - Personal Branding phenomenon perception parameters are correlated to each other.

#### **RESEARCH DESIGN**

This study was an empirical cross-sectional descriptive research. The data was collected using a structured close-ended questionnaire. This instrument was then sent to the respondents who are the 3 Year Part Time Management

Graduates. Email intercept was the technique used for administering the instrument. The total population was 720 across the four streams in the two years (1<sup>st</sup> Year and 3<sup>rd</sup> Year). 158 respondents filled the questionnaire however only 136 were usable.

The data was coded and entered in IBM's SPSS and basic Univariate and Bivariate statistical tests were conducted.

**Scale** – The questionnaire was adopted from "A Study of Personal Branding Ideas and Concerns by Means of Facebook-based Questionnaire Survey in Hong Kong" (Ho, 2016) and was made use via an online survey with the help of Questionpro.com, a free-of-charge for the said management institute online tool to collect responses from the participants. The questionnaire comprised of 17 questions, with 5 questions on demographics, 2 questions on Employment Factors, 1 question on Educational Stream of the participants and remaining 9 about Personal Branding related inquiries. Awareness and Familiarity about of Personal Branding, its relevance to Career Management and Personal Life, Actively practicing Personal Branding, Usage of Social Media to practice Personal Branding, Possession of a strong Personal Brand, Personal Branding as a Management Fashion / Fad and Level of interest for learning about Personal Branding are the 9 parameters that were used to study the Personal Branding phenomenon.

**Sampling** - Sampling method used for the study was Purposive Sampling. The study was administered on the first and the third-year students enrolled for the 3 Year Part Time Masters' Degree Program at a premium institute in Mumbai, India. All the students enrolled in the program come with a minimum of 2 years of work experience at an Executive level and are graduates. By involving only, the first and the last year students of the program, the researchers wish to get a good comparison grounds to understand the awareness about

personal branding among the two classes. Total universe was of 720 out of which the participant size was N = 136, coming to 18.88 % with confidence interval @ 95% and margin error of +/- 5%.

The responses from the first-year students will help us understand the awareness about Personal Branding and the responses from the third year students will help us understand the awareness that Management Education has given about Personal Branding.

**Scope** - Due to time and financial restrictions, the researchers limited their study to only one Management Institute. However, since the subjects and pedagogy for Management Discipline in Higher Education across the state of Maharashtra, India are similar, the researchers felt that this study could be carried out in isolation at any other management institute or multiple management institutes under a university.

### **CONCLUSION**

There are more men than women in a Part Time Management Program. Most of the participants are in the age group of 25 to 36 years. They are Graduates and single with the Annual Income range of 3-5 lacs. They are all employed Full Time and have work experience of 2-7 years. People are familiar about Personal Branding; lesser individuals are practicing Personal Branding and further fewer individuals are using Social Media to practice Personal Branding. Almost all individuals are keen for learning more about Personal Branding. Very few individuals have a strong Personal Brand and in contrast, almost all individuals think that Personal Branding is highly relevant to their Career Management and their Personal Life.

The Management Education inputs seems to have a positive impact on Personal Branding phenomenon as the third-year students scored better on these parameters

compared to their first-year counterparts. The stream of education did not reveal any difference in the perception.

Perception of Personal Branding remains the same across Gender, Martial Status, Income and Educational Background. However, it varies for individuals with Age and Number of Years of Work Experience. Perception of relevance of Personal Branding in Career Management has emerged as the most important parameter in the Personal Branding phenomenon with respect to Age. As Age increases, the relevance increases.

One of the most interesting insights from this study is the strong correlation between Personal Branding parameters of Awareness, Acceptance and Usage. This input can be further explored to study causal-relation if any.

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