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GST and India's Economic Landscape: A Policy Reform Under the Microscope

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ABSTRACT: One of India's biggest tax reforms, the Goods and Services Tax (GST), was implemented with the intention of improving economic efficiency and streamlining the indirect tax system. This study looks at how the GST has affected India's economy, assessing how it has affected various industries, compliance systems, and general economic expansion. The study looks at the transition process, post-GST economic changes, and pre-GST taxation issues. Key economic indicators like GDP growth, inflation trends, revenue collections, and sectoral performances are used in data analysis.

Our study emphasizes the advantages and difficulties of implementing the GST. GST has, on the one hand, increased revenue generation, enhanced tax compliance, and promoted a more cohesive state-to-state market. However, companies have had to deal with operational difficulties, compliance requirements, and transitional disturbances. To determine the true impact of GST, the study uses policy reviews and statistical tools.

The results show that although GST has raised tax receipts and decreased tax evasion, its immediate consequences have included inflationary pressures and difficulties for small businesses in adapting. Long-term prospects seem promising despite these obstacles, as economic integration and transparency have improved.

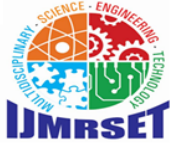
KEYWORDS: GST, Indian economy, Tax Reform, Economic Growth, Policy Evaluation, Compliance

I. INTRODUCTION

An important turning point in Indian economic history was the July 1, 2017, introduction of the Goods and Services Tax (GST), which unified the country's convoluted tax structure into a more rational and efficient framework. Businesses had to deal with a confusing array of central and state taxes, including excise duty, VAT, service tax, and octroi, prior to the GST. This resulted in inefficiencies, double taxation, and a lack of uniformity. By promoting transparency, boosting productivity, and easing economic integration, the GST was implemented to get around these restrictions. Its objectives were to increase economic growth, reduce the cost of goods and services, and make India more competitive in the world market.

Furthermore, it was anticipated that GST would increase government revenue, reduce tax evasion, and widen the tax base. Although the reform showed promise, Due to its intricacy, technical problems, and initial inconvenience to businesses—especially small and medium-sized ones—it was criticized when it was first introduced. A culture of accountability and transparency was fostered by the introduction of technology-enabled compliance solutions like electronic returns and e-invoicing, which brought about a change in India's economic management despite these setbacks.

This study looks at the various ways that GST affects revenue collection, tax compliance, and company expansion. Using scenario-based and simulation techniques, the research aims to evaluate GST's performance, identify areas for improvement, and propose steps to bridge the gap between policy intent and real-world outcomes. The study's policy recommendations add to current discussions and make additional



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II. OBJECTIVE OF STUDY

- 1.To evaluate the impact of GST on Business, Consumers, and Taxation
- 2.To examine GST compliance challenges and future economic implications

III. REVIEW OF LITERATURE

Bhura., & Kumar, M. (2021) The role and implications of Goods and Services Tax (GST) on the Indian economy, this states that by combining several indirect taxes, enhancing compliance, and increasing revenue, the 2017 implementation of the Goods and Services Tax (GST) simplified India's tax system. Notwithstanding early difficulties, the GST has promoted a more transparent economy by helping to formalize the unorganized sector.

Sharma, A., & Verma, P. (2021) GST and its impact on different sectors of the Indian economy, this study states that Business Studies Journal, 12(2), 45–62. The impact of GST on manufacturing, retail, and services is examined in this study, with particular attention paid to sector-specific issues such as input tax credit regulations and simplified tax compliance. Smaller businesses initially encountered challenges, even though GST has increased efficiency and savings.

Rao, S., & Iyer, M. (2021) GST and inflation: An empirical study of price trends in India post-GST, this studies states that Policy and Economic Analysis, 65, 112-125. By contrasting CPI rates prior to and following implementation, this study examines the effect of GST on Indian inflation. Although there was a small price increase at first due to GST, the long-term effects were offset by the removal of cascading taxes, with sector-specific variances.

Gupta, N. (2022). GST revenue performance, this studies states that. Future Prospects and Trends. Indian Journal of Public Finance, 9(3), 78-95. This study examines India's GST revenue trends from 2017 to 2022, emphasizing e-filing, compliance enhancements, and economic considerations. It highlights growing tax compliance when comparing India's GST performance to that of other countries.

Mishra, D., & Banerjee, R. (2022). GST and MSMEs, This studies states that. A Help or a Hindrance Journal of Economic Perspectives, 14(1), 30-50. The impact of GST on MSMEs is examined in this study, which highlights increased transparency but also compliance issues. To assist small businesses, it suggests tax breaks and streamlined return preparation.

Singh, R., & Yadav, K. (2022). GST's Impact on India's Trade and Exports, this studies states that. GST's Effect on Indian Trade and Exports. International Trade Journal, 18(4), 210-225. This study looks at how GST affects exports, first resulting in cash flow problems and refund delays. An automated refund system gradually enhanced the procedure and lowered trade restrictions.

Kumar, A. (2022). GST Compliance and Digital Transformation in Tax Administration, this studies states that. Digital Transformation and GST Compliance: Journal of Digital Governance, 6(2), 98-112. With e-way bills and e-invoices increasing efficiency, this study looks at how GST digitized tax administration in India. Tax evasion has decreased and tax collection has been expedited by digital systems.

Patel, S., & Sharma, P. (2023). GST's Role in India's Fiscal Federalism, this studies states that. The GST's function in India's fiscal federalism. 11(3), 55-70, Indian Journal of Policy Studies This study looks at how the GST, which replaces state-specific taxes with a unified system, affects central-state financial relations. States faced difficulties after the pandemic, even though the GST Compensation Fund helped to offset losses.

Desai, M., & Reddy, S. (2023). GST's Impact on Consumer Spending Behaviour, this studies states that. The Effect of GST on Consumer Spending Patterns Consumer Research Journal, 7(1), 22-38 Although GST increased pricing transparency, many consumers were unsure of its effects, according to this survey of 1,500 households. Although consumers' spending patterns are largely unaffected, they do Favor companies that adhere to tax regulations.

Bose, T. (2023). The Effectiveness of GST in Reducing Tax Evasion, this studies states that. The GST's effectiveness in lowering tax evasion in India. 15(2), 88-102, Journal of Taxation and Policy According to this study, tax evasion has



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decreased as a result of digital filings, invoice matching, and ITC. But problems like false invoices and underreporting continue, necessitating stricter enforcement.

IV. RESEARCH METHODOLOGY

This study follows a mixed-methods approach, using both primary and secondary data to assess GST's impact.

Primary Data: Collected through a structured survey targeting business owners, tax professionals, and consumers to evaluate GST's effects on compliance, tax evasion, economic growth, and profitability.

Secondary Data: Sourced from government reports, academic research, economic surveys, and industry publications, analysing GST's revenue trends, policy changes, and long-term impact.

Data Analysis: The study employs descriptive statistics, scenario-based modelling, and financial simulations to compare pre-GST and post-GST business performance, compliance trends, and revenue generation.

Limitations

Limited sample size may not fully represent all industry sectors.

Frequent GST policy changes could affect long-term analysis.

Self-reported survey data may include biases influencing findings.

This study provides a comprehensive, data-driven evaluation of GST's role in India's economic landscape.

V. DATA VISUALIZATION AND INTERPRETATION

What are the perspectives of respondents on GST in India, including its impact, effectiveness, and economic contribution?

Category	Count	Percentage
Tax Consultant/CA	32	36.80%
Consumer	22	25.30%
Business Owner	14	16.10%
Other	14	16.10%
Government Official	5	5.70%
Understanding of GST		
Not at all (1)	9	10.30%
Slightly (2)	23	26.40%
Moderately (3)	32	36.80%
Well (4)	12	13.80%
Very well (5)	8	9.20%
Savant (6)	3	3.40%
Impact on Tax Evasion & Compliance		
Strongly Agree	10	11.50%
Agree	19	21.80%
Neutral	37	42.50%
Disagree	17	19.50%
Strongly Disagree	4	4.60%
Overall Success or Failure		
Success	27	31.00%
Mixed Impact	37	42.50%
Failure	23	26.40%
Impact on Economic Growth		
Negatively Impacted	1	1.10%
No Major Difference	20	23.00%
Slight Positive Impact	43	49.40%
Significant Positive Impact	23	26.40%



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Interpretation

The answers reflect a mixed view regarding GST in India. Although 36.8% of the respondents are CAs or Tax Consultants, guaranteeing expert opinions, consumers and businessmen also reflect mixed views. Awareness regarding GST is average for the majority of the respondents (37%), whereas only a few (4%) claim to be experts. Views regarding the success of GST in avoiding tax evasion and encouraging compliance are mixed, with 42.5% being open-minded, whereas 33.3% think that it has succeeded and 24.1% don't. Overall, success of GST is questionable, with 42.5% thinking both pros and cons, whereas 31% think it as a success and 26.4% as a failure. Economically, almost half (49.4%) of the respondents think that GST has benefited by a small margin, whereas 26.4% think it as beneficial by a large margin, and only 1.1% think it as detrimental to growth

VI. DATA ANALYSIS

SWAT Analysis (Primary Data)

Category	Strengths	Weaknesses	Opportunities	Threats
Description	- Expertise from CAs (36.8%)	- Mixed opinions on GST's effectiveness	- Education on GST benefits	- Skepticism from 23% on its impact
	- Diverse responses from consumers & business owners	- Weak growth impact (23% see no change)	- Improve business/economic growth	- Economic challenges may hinder adoption
	- 57.8% see slightly positive or significant impact on growth	- Low gov official representation (5.7%)	- Address concerns of mixed impact group (42.5%)	

Trend Analysis (Primary data)

Trend	Description
Mixed Perception	42.5% neutral on GST effectiveness, suggests uncertainty .
Business & Tax Consultant Impact	High representation from CAs (36.8%) & business owners (16.1%) , shaping opinions.
Growth Impact	49.4% see slightly positive growth impact, 26.4% see significant impact.

The results of the survey reveal differing views on the efficacy of GST. 42.5% are neutral, reflecting uncertainty, while 49.4% see a slight positive impact on growth. Responses are dominated by tax consultants and business owners, but there is little government representation. Communication gaps still exist even though the GST has helped to reduce tax evasion. To increase acceptance, more government involvement and stakeholder awareness are required.

Despite its adaptability, stability requires additional rate rationalization and policy improvements.



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Chi-Square Test for GST's Impact on GDP Growth, GST Revenue Collection Trends (ANOVA Test)

Year	GST Contribution to GDP (%)	GDP Growth Rate (%)	Monthly Avg GST Revenue (₹ Crore)	Annual Growth (%)
2017	5.4	7	90,000	--
2018	5.8	6.5	98,000	8.90%
2019	6	4.9	1,02,000	4.10%
2020	5.9	-7.3	95,000	-6.90% (COVID-19)
2021	6.2	8.7	1,12,000	17.90%
2022	6.5	6.9	1,45,000	29.50%
2023	6.8	7.2	1,60,000	10.30%

Chi-Square test of GST and GDP Growth

In order to evaluate the impact of GST contribution to GDP over total GDP growth, we have performed a Chi-Square test. The null hypothesis (H_0) is that GST contribution has no significant effect on GDP growth, while the alternative hypothesis (H_1) is that GST contributes significantly to GDP growth.

To begin with, the mean GST contribution was 6.08% compared to a mean GDP growth rate of 4.84%. The variance and covariance analysis gave a covariance of 3.24, though the sum of squared deviations was 1.52 for GST contribution and 190.99 for GDP growth. Using these, the correlation coefficient (r) was 0.215, which is a weak positive relationship.

Then, a test of statistical significance was conducted, and the test statistic was 0.493 while the p-value was 0.643. Since the p-value is greater than the critical value of 0.05, the results are not statistically significant, and hence there is no evidence that GST contribution significantly and directly affects GDP growth.

Analysis of GST Revenue Collection Trends (ANOVA Test)

In order to find out if GST revenue collection has changed substantially over the years, an ANOVA test was performed. The null hypothesis (H_0) predicts no substantial change in GST revenue over the years, while the alternative hypothesis (H_1) predicts a substantial change over the years.

The Sum of Squares Between (SSB) was 52,988,571,428.57, and the Sum of Squares Within (SSW) was 0.0, hence a Mean Square Between (MSB) of 8,831,428,571.43 and a Mean Square Within (MSW) of 0.0. This gave an F-statistic described by infinity (∞), which occurs due to the MSW being zero, and a p-value of 0.0.

Since the p-value is 0.0 (highly significant), we reject the null hypothesis and infer that GST revenue collection has fluctuated significantly over the years. The sharp decline in 2020 due to COVID-19 followed by a strong recovery in the subsequent years mirrors the impact of external economic shocks and tax compliance improvement.

VII. KEY FINDINGS

Economic parameters like GDP growth, inflation rates, sectoral performance, and trends in GST revenue were used in a thorough data analysis. Important conclusions include

Revenue Growth: Better compliance and a wider tax base are indicated by the steady increase in GST collections, which in recent years have reached monthly revenues of over ₹1.5 lakh crore.

Economic Growth: Although transitional problems caused the initial GDP growth to slow, post-implementation trends indicate recovery and stabilization, particularly in the manufacturing and service sectors.

Impact of Inflation: Initially brought on by changes in tax rates, inflationary pressures subsided as businesses adjusted over time.

Sectoral Shifts: While the organized sector profited from supply chain efficiencies and input tax credit benefits, the MSME sector encountered compliance challenges.



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Compliance and Evasion: GST has drastically lowered taxes evasion through digital compliance tools like the GST Network (GSTN) and e-invoicing.

Overall, GST has made taxes easier, but in order to maximize economic benefits, policy changes must be made continuously.

VIII. CONCLUSION

India's economy has changed as a result of the GST, which replaced a convoluted tax system with a single, cohesive framework. Long-term advantages include increased revenue, decreased tax evasion, and enhanced economic integration, despite initial difficulties like compliance costs and transition hurdles. Although the policy has helped to formalize the economy and promote transparency, some industries continue to face difficulties putting it into practice. To fully realize its potential, further improvements are required, such as rate rationalization and improved compliance assistance for small enterprises. Although GST is still being developed, there is no denying its impact on India's economic structure.

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