

GST Impact: Perspectives from Registered Traders' in District Kangra, Himachal Pradesh

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Abstract

This research paper evaluates traders' perceptions of the Goods and Services Tax (GST) and its impact on business operations in District Kangra, Himachal Pradesh. A structured questionnaire was utilized to conduct a comprehensive survey involving four hundred respondents. The focus was on key aspects such as tax simplification, interstate and intrastate trade, pricing strategies, profit margins, transparency in tax collection, and accounting processes. The findings reveal a generally positive perception of GST, particularly in terms of its role in simplifying taxation and enhancing trade efficiency. However, challenges remain, especially concerning compliance issues and fluctuations in profit margins. To improve trader experiences, the study recommends targeted training programs, streamlined compliance processes, and the establishment of effective feedback mechanisms. These insights contribute to a deeper understanding of the real-world impact of GST on business operations and highlight essential areas for future improvement, underscoring the need for continuous support in adapting to the evolving tax landscape.

Keywords: GST Impact Analysis, Trader Perception, District Kangra Study, Tax Compliance Burden, Input Tax Credit Awareness

1.0 Introduction

The Goods and Services Tax (GST) is recognized as a landmark reform in India's indirect tax system. Its implementation on July 1, 2017, introduced a unified tax structure, replacing the earlier fragmented system of multiple taxes imposed by the central and state governments. Prior to GST, the taxation landscape in India was complicated by a range of levies such as service tax, excise duty, value-added tax (VAT), central sales tax, and entry tax. Each of these taxes had its own compliance requirements, creating a significant administrative burden for businesses. Additionally, the system suffered from a cascading effect, where taxes were applied on top of previously taxed values, leading to increased costs for consumers.

The introduction of GST aimed to address these complexities by consolidating various indirect taxes into a single, comprehensive framework, thereby promoting a more efficient and uniform market. It is structured as a dual tax system, comprising Central GST (CGST) and State GST (SGST) for transactions within a state, and Integrated GST (IGST) for transactions between states. This model allows both central and state governments to levy taxes, ensuring a fair distribution of tax revenues. For intra-state transactions, the central government collects CGST while the state government collects SGST. In contrast, IGST is applied to inter-state transactions and is later distributed between the center and the

state where the consumption occurs. This approach facilitates a balanced sharing of revenue and promotes cooperative federalism.

The GST regime has brought several advantages to the Indian economy. By eliminating the complexities associated with multiple taxes, it has simplified compliance processes through the introduction of the GST Network (GSTN), a digital platform for tax filing. This has enhanced transparency in tax administration and streamlined procedures, making it easier for businesses to operate across state borders. Additionally, by incorporating the unorganized sector into the formal tax system, GST aims to broaden the taxpayer base, thereby increasing tax revenues.

Despite its benefits, the transition to GST was accompanied by challenges. Initially, businesses, especially smaller ones, faced difficulties in understanding the new filing processes and adapting to the digital nature of compliance. Concerns about return filings and adjustments posed obstacles in the initial phase. However, the government has continually refined the GST framework, addressing these issues through policy adjustments and simplifications, making it more user-friendly over time.

In summary, GST has fundamentally reshaped India's indirect tax system, fostering a simpler, more transparent, and standardized approach to taxation. It has reduced barriers to business operations, encouraging a more integrated national market. As the GST framework continues to evolve, it remains pivotal to India's broader economic reforms, playing a crucial role in shaping a more efficient tax system and a conducive business environment.

1.2 Objectives

The main objectives of this research are:

- Assess the Perception of Tax Simplification and Trade Facilitation
- Examine the Impact of GST on Profitability and Pricing Strategies

2.0 Review of Literature

A review of existing literature reveals varied perspectives on the impact of the Goods and Services Tax (GST) on businesses in India, especially small traders. While GST aims to simplify taxation, many small traders face compliance challenges due to limited awareness, particularly those under the Composition Scheme. This literature underscores the necessity for targeted policy adjustments, trader education, and support systems to maximize GST's benefits for economic development.

The study by **Sanjay Nandal and Diksha (2018)** explores the perceptions of traders and manufacturers regarding GST, particularly focusing on satisfaction levels and challenges faced in the Haryana regions of Rohtak, Gurgaon, and Faridabad. The findings show that 73% of respondents are generally satisfied with the GST system, reflecting its broad acceptance. Nevertheless, the research identifies several areas for improvement, such as enhancing GST awareness through targeted training programs, resolving technical issues with the GST Network (GSTN), and improving digital infrastructure. It also emphasizes the importance of ensuring that the benefits of reduced cascading taxes reach end consumers, alongside simplifying the return filing process to reduce compliance burdens on businesses.

Rajkumar Kankariya's and Dr. Anil Dongre's (2019) studied on traders' perception of GST focuses on the mixed experiences of small traders and regular dealers. The research highlights that while GST aimed to simplify the tax system by replacing multiple indirect taxes, it brought challenges for traders, especially those under the Composition Scheme. These small traders faced difficulties with compliance due to limited awareness and the complexities of the new system. The study also notes that although

GST helped eliminate cascading taxes, traders had to deal with increased record-keeping and digital requirements. Despite these hurdles, the study recognizes the potential of GST for long-term benefits if policy adjustments and better trader education are implemented.

Bhalla Neba, Sharma Kumar Rakesh, and Kaur Inderjit (2023), this study examines the impact of the Goods and Services Tax (GST) on Micro, Small, and Medium Enterprises (MSMEs) in India, revealing a generally positive effect on business performance. Analyzing data from 404 registered MSMEs, the research highlights that factors such as changes in the tax system, technology transitions, and increased tax awareness contribute to improved operational efficiency and profitability. However, the compliance burden associated with GST presents challenges for MSMEs, negatively affecting their performance. Additionally, the size, turnover, and structure of MSMEs influence how they manage compliance, offering critical insights for policymakers aiming to enhance tax reforms for better MSME performance and economic growth.

The study by **Jyoti Soi and Dr. Vaneeta Rani (2024)** examines the perceptions of traders and professionals regarding the Goods and Services Tax (GST) after nearly seven years of its implementation in India. Data from 120 respondents in Chandigarh, Mohali, and Panchkula was analyzed using the Chi-square test. The findings indicate a generally positive attitude towards GST among both groups, reflecting a shared appreciation for its benefits. However, the research also uncovers significant differences in perspectives on specific aspects of GST, highlighting the need for ongoing dialogue and policy adjustments to address the diverse concerns of each stakeholder group effectively.

Guna Chennathur and S. P. Anuradha (2021) discussed the mixed impact of the Goods and Services Tax (GST) on small and medium enterprises (SMEs) in India, highlighting both challenges and opportunities. While GST simplified the tax system by replacing multiple taxes, digital compliance requirements have been difficult for many SMEs, especially in rural areas. Initial challenges included adapting to new filing procedures, but benefits like reduced cascading effects and expanded market access emerged over time. Studies comparing India's experience with countries like Malaysia suggest that long-term benefits include improved transparency. The input tax credit mechanism has also helped SMEs reduce costs, making them more competitive, though ongoing adjustments are needed.

3.0 Research Methodology

3.1 Research Design

A stratified random sampling method was used to ensure a diverse representation of traders from different business categories. This helped in obtaining a balanced view of various demographics covering factors such as age, gender, educational qualifications, annual turnover, business type, and the GST scheme adopted. The analysis is based on eight key statements, each capturing a different aspect of GST's impact. The responses were collected on a five-point Likert scale, and statistical values like mean, standard deviation, skewness, and kurtosis offer deeper insights into traders' experiences and opinions.

3.2 Sources of Data

This study adopts a descriptive research design to analyze the demographic variables of registered traders in District Kangra concerning GST. Data was collected through a structured questionnaire, distributed among four hundred registered traders in the district Kangra of Himachal Pradesh.

3.3 Tools and Techniques

Data collection was carried out through a structured questionnaire specifically designed to gather detailed demographic information from the respondents. The questionnaire included a range of questions

aimed at understanding the background and characteristics of the traders.

4.0 Analysis and Interpretation

4.1 Traders' Perceptions of GST and its Impact on Business Operations

This section provides valuable insights into how GST has influenced different facets of trading activities in the region. The following table (Table 1) presents an overview of traders' perceptions regarding the impact of the Goods and Services Tax (GST) on various aspects of business operations in District Kangra.

Table 1: Traders' Perceptions of GST and its Impact on Business Operations

Sr. No.	Statement	SA (1)	A (2)	N (3)	D (4)	SD (5)	Total	\bar{x}	σ	σ^2	Skew	Kurt
1.	GST has simplified the taxation system.	66 (15.5)	216 (54.0)	28 (7.0)	72 (18.0)	18 (4.5)	400 (100)	3.60	1.10	1.20	-.81	-.29
2.	GST has eased interstate trade by reducing barriers.	56 (14.0)	212 (53.0)	37 (9.3)	76 (19.0)	19 (4.8)	400 (100)	3.53	1.10	1.20	-.73	-.43
3.	GST has eased intrastate trade by reducing barriers.	64 (16.0)	200 (50.0)	43 (10.8)	76 (19.0)	17 (4.3)	400 (100)	3.55	1.10	1.21	-.67	-.49
4.	Pricing strategies have been influenced by GST.	59 (14.8)	226 (55.5)	40 (10.0)	59 (14.8)	16 (4.0)	400 (100)	3.63	1.03	1.07	-.91	.13
5.	Profit margins have shown positive trends since GST.	55 (13.8)	222 (55.5)	39 (9.8)	63 (15.8)	21 (5.3)	400 (100)	3.57	1.07	1.15	-.87	-.08

Source: Data has been collected through Questionnaire

Note: SA- Strongly Agree, A- Agree, N- Neutral, SD- Strongly Disagree, D- Disagree

\bar{x} = Mean, σ =Standard Deviation, σ^2 = Variance, Skew=Skewness, Kurt= Kurtosis

This table 1 provides an in-depth analysis of traders' perceptions regarding various aspects of the Goods and Services Tax (GST) in District Kangra, Himachal Pradesh.

4.1.1 GST and Tax Simplification

The data in table 1, reveals that majority of 216 respondents making 54.0 percent agreed with the statement, while 66 respondents i.e. 15.5 percent strongly agreed, indicating a generally positive view. Neutral responses accounted for 28 individuals, representing 7.0 percent of the total. A smaller portion expressed disagreement, with 72 respondents, or 18.0 percent, disagreeing and 18 respondents, or 4.5 percent, strongly disagreeing.

The mean score of 3.60 suggests an overall tendency towards agreement, showing that many believe GST has brought simplicity to the tax system. The standard deviation of 1.10 and variance of 1.20 indicate that most responses are close to the mean, with moderate variability in opinions. The negative

skewness of -0.81 suggests a left-skewed distribution, meaning responses are more concentrated on the higher end of the scale, reflecting a leaning towards agreement. The kurtosis value of -0.29 shows a slightly flatter distribution, indicating a spread-out pattern of responses rather than a sharp peak. Together, these metrics highlight that while most respondents perceive GST positively, there is some diversity in opinions, with a tendency towards favorable views.

4.1.2 Impact on Interstate Trade

The data represents that out of the total respondents, 212 i.e. 53.0 percent agreed with the statement, indicating that more than half believe GST has positively impacted interstate trade. Meanwhile, 76 participants i.e. 19.0 percent were neutral, suggesting some uncertainty or mixed feelings about the impact of GST. A smaller portion of 56 respondents making 14.0 percent disagreed, while 37 respondents i.e. 9.3 percent strongly disagreed, showing a minority that does not see GST as beneficial in this area. Only 19 participants i.e. 4.8 percent strongly agreed, which, despite being a smaller group, highlights that some have a firm positive view of GST's role in reducing trade barriers.

The mean rating of 3.53 suggests that, on average, respondents lean towards agreeing with the statement, but the moderate standard deviation of 1.10 and variance of 1.20 indicates that opinions vary to some extent. The skewness of -0.73 shows that more ratings fall on the positive side, with a tendency towards agreement rather than disagreement. A kurtosis value of -0.43 suggests that the responses are spread out relatively evenly, showing diversity in perceptions rather than a tight clustering around the mean. Together, these statistics reflect a generally positive but varied response towards the impact of GST on easing interstate trade.

4.1.3 Influence on Intrastate Trade

The data reflects that among the 400 respondents, 200 i.e. 50.0 percent of total agreed, indicating that half believe GST has had a positive effect on intrastate trade. Additionally, 76 respondents making 19.0 percent remained neutral, suggesting some uncertainty or mixed feelings about its impact. Meanwhile, 64 participants accounting for 16.0 percent disagreed, and 43 or 10.8 percent strongly disagreed, indicating that a segment of respondents does not see GST as significantly beneficial in reducing intrastate trade barriers. A smaller group of 17 respondents making up 4.3 percent strongly agreed, showing a firm positive stance about the benefits of GST in this context.

The mean rating of 3.55 suggests a tendency towards agreement, indicating that, on average, respondents perceive GST as effective in easing intrastate trade. The standard deviation of 1.10 points to moderate variability in responses, implying that while many agree, there is some spread of opinions around the mean. The variance, which is the square of the standard deviation, has a value of 1.21. This further quantifies the dispersion, showing how responses are distributed around the mean. The skewness of -0.67 indicates a slight negative skew, meaning that more responses lean towards agreement rather than disagreement. A kurtosis value of -0.49 suggests a platykurtic distribution, indicating a more even spread of responses, rather than being tightly clustered. Overall, the data reveals a generally positive perception of GST's impact on intrastate trade, but with varied opinions.

4.1.4 Impact on Pricing Strategies

The data reflects that among 400 respondents, 226 accounting for 56.5 percent agreed with the statement. Meanwhile, 59 respondents i.e. 14.8 percent disagreed, and another 59 i.e. 14.8 percent remained neutral, suggesting some uncertainty or varied perspectives on the matter. A smaller group of 40 respondents making up 10.0 percent strongly disagreed, while 16 representing 4.0 percent strongly agreed, showing that while many recognize the influence of GST on pricing, some hold differing opinions about

its extent.

The mean rating of 3.63 suggests that, on average, respondents lean towards agreement, indicating a general belief that GST has affected pricing strategies. The standard deviation of 1.03 points to a relatively moderate spread of responses, showing that while there is a tendency towards agreement, some variability exists. The variance, calculated as 1.07, further highlights this spread by showing how responses deviate from the average. The skewness of -0.91 indicates a more pronounced negative skewness, meaning that responses are more concentrated on the positive side, with fewer respondents disagreeing strongly. A kurtosis value of 0.13 suggests a near-normal distribution, where responses are fairly evenly distributed around the mean, indicating that perceptions about GST's influence on pricing are diverse but generally positive.

4.1.5 Perception of Profit Margins

The data in table 1 that 222 respondents representing 55.5 percent agreed with the statement, indicating that over half perceive an improvement in profit margins following the implementation of GST. Additionally, 63 respondents making up 15.8 percent remained neutral, suggesting some uncertainty or mixed views on this impact. Meanwhile, 55 participants accounting for 13.8 percent disagreed, and 39 making up 9.8 percent strongly disagreed, indicating that a segment of respondents does not see a positive change in profit margins. A smaller group of 21 respondents i.e. 5.3 percent strongly agreed, highlighting a firm positive belief in the beneficial effects of GST on profit margins.

The mean rating of 3.57 suggests a general tendency towards agreement, indicating that, on average, respondents feel GST has led to positive trends in profit margins. The standard deviation of 1.07 suggests moderate variability in responses, meaning that while many agree, there is some diversity in opinion. The variance, calculated at 1.15, further emphasizes the spread of responses around the mean. The skewness of -0.87 indicates a slight negative skew, with more responses clustering towards agreement than disagreement. A kurtosis value of -0.08 suggests a distribution close to normal, with responses fairly evenly spread. Overall, the data suggests a generally positive but varied perception of GST's impact on profit margins.

5.0 Findings and Suggestions

This section summarizes the key findings from the analysis of traders' perceptions regarding the Goods and Services Tax (GST) in District Kangra, Himachal Pradesh. It highlights both the positive sentiments and challenges faced by traders, offering valuable insights into their experiences. Based on these findings, targeted suggestions have been formulated to improve the GST framework and support traders in navigating the new tax regime. The aim is to create a more efficient and inclusive taxation system that maximizes the benefits of GST for all stakeholders.

5.1 Findings of the Study

The analysis of traders' perceptions regarding the Goods and Services Tax (GST) in District Kangra, Himachal Pradesh, has revealed several key findings:

5.1.1 Positive Sentiment towards Simplification: Traders have generally perceived GST as a simplifying force in the taxation system, with a mean score of 3.600. This indicates widespread agreement on the reduced complexity of tax compliance, although a moderate standard deviation of 1.097 has suggested varied experiences.

5.1.2 Favorable Impact on Trade: Responses have indicated a positive perception of GST's influence

on interstate (mean score of 3.525) and intrastate (mean score of 3.545) trade, highlighting the system's role in reducing barriers and facilitating smoother transactions. However, the presence of challenges for some traders has been evident in the moderate variability of responses.

5.1.3 Influence on Pricing Strategies: The mean score of 3.633 has indicated that traders largely agree that GST has necessitated adjustments in pricing strategies, showing a consensus on the tax's impact on how prices are set.

5.1.4 Mixed Views on Profit Margins: A moderately positive perception (mean score of 3.568) has existed regarding profit margins post-GST, suggesting that while many traders have seen improvements, a considerable number have remained skeptical.

5.2 Suggestions of the Study:

5.2.1 Targeted Training Programs: To address the variability in experiences, it has been crucial to implement targeted training programs aimed at small and medium enterprises (SMEs). These programs should focus on simplifying the compliance process and educating traders on GST filing and accounting procedures.

5.2.2 Enhanced Digital Support: Improving the GST Network (GSTN) to ensure user-friendly interfaces has been essential in alleviating some compliance burdens. Providing better online resources, guides, and customer support has helped traders navigate the system more effectively.

5.2.3 Feedback Mechanisms: Establishing structured feedback mechanisms where traders can share their experiences and challenges with GST has provided policymakers with valuable insights. This has facilitated continuous improvement of the tax system.

5.2.4 Addressing Sector-Specific Needs: Recognizing that the impact of GST varies across different sectors, policymakers have considered sector-specific policies that address unique challenges and opportunities faced by various industries, particularly those that are politically sensitive.

5.2.5 Awareness Campaigns: Conducting awareness campaigns to inform traders about the benefits of GST, particularly regarding the input tax credit mechanism, has improved perceptions about its positive impact on profit margins.

By implementing these suggestions, the government can enhance the positive impacts of GST while addressing the challenges faced by traders, ultimately leading to a more robust and efficient taxation system.

6.0 Conclusion:

The study has provided a comprehensive analysis of traders' perceptions of the Goods and Services Tax (GST) in District Kangra, Himachal Pradesh, revealing a generally positive sentiment towards the tax system's role in simplifying compliance and facilitating trade. While traders recognize the benefits of GST, such as improved pricing strategies and increased transparency, challenges remain, particularly concerning profit margins and accounting processes. The insights gained emphasize the need for targeted support and training programs to address the diverse experiences of traders. Overall, the findings underscore the importance of ongoing efforts to enhance the GST framework, ensuring that it remains beneficial and accessible for small and medium enterprises, ultimately contributing to a more robust and efficient taxation system in India.

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