QUANTITATIVE STUDY ON IMPACT OF GST ON MSMEs IN AMBATTUR

RESEARCH METHODOLOGY IN BUSINESS

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TABLE OF CONTENT

LIST OF TABLES

LIST OF CHART

CHAPTER-1

A study on impact of GST on MSMEs in Ambattur

INTRODUCTION

GST (Goods and service tax):

What is GST?

Goods and Services Tax is levied on the manufacturing and sales of goods and services across the country. The tax is charged at every stage of the manufacturing process. GST is applicable for both the customer and the manufacturer. It is a destination-based tax. This means that GST is to be collected at the point of consumption. So, if a product is manufactured in Maharashtra and is sold in Chennai, the tax will be levied in Bhopal. Moreover, at every stage of the manufacturing process where value is added to the product, GST is collected.

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Act Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% ,18% and 28%. There is a special rate of 0.25% on rough precious and semiprecious 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. GST replaced a slew of indirect taxes with a unified tax and is therefore set 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.

The types of GST are as follows:

CGST (Central Goods and Services Tax): The tax is collected by the central government on the intrastate sale of goods and services. SGST (State Goods and Services Tax):

The state government collects this tax based on the intrastate supply of services and products. IGST (Integrated Goods and Services Tax): The tax is charged on the supply of products and services between two states. The taxes are shared between the central and state governments.

In other words,Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

Before the Goods and Services Tax could be introduced, the structure of indirect tax levy in India was as follows:

BUYING RAW MATERIALS — VAT — MANUFACTURE — VAT+EXERCISE DUTY — SALE TO WHOLESALER/WAREHOUSING — VAT — SALE TO RETAILER — VAT — FINAL SALE TO CUSTOMER

Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. All the inter-state sales are chargeable to the Integrated GST.

Now, let us understand the definition of Goods and Service Tax, as mentioned above, in detail.

Multi-stage:
An item goes through multiple change-of-hands along its supply chain: Starting from manufacture until the final sale to the consumer.

Let us consider the following stages:

- Purchase of raw materials

- Production or manufacture

- Warehousing of finished goods

- Selling to wholesalers

- Sale of the product to the retailers

- Selling to the end consumers

BUYING RAW MATERIALS — MANUFACTURE — SALE TO WHOLESALER/WAREHOUSING — SALE TO RETAILER —FINAL SALE TO CONSUMER

Value Addition:

FLOUR&SUGAR — BISCUTS — LABEL — BISCUT WITH BRAND NAME

A manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits.

The manufacturer then sells these biscuits to the warehousing agent who packs large quantities of biscuits in cartons and labels it. This is another addition of value to the biscuits. After this, the warehousing agent sells it to the retailer.

The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits, thus increasing its value. GST is levied on these value additions, i.e. the monetary value added at each stage to achieve the final sale to the end customer.

Destination-Based

Consider goods manufactured in Maharashtra and sold to the final consumer in Karnataka. Since the Goods and Service Tax is levied at the point of consumption, the entire tax revenue will go to Karnataka and not Maharashtra.

Tax Structure before GST

Before the implementation of GST, taxation laws between the Centre and states were clearly demarcated. There were no overlaps between the fiscal powers, whatsoever. The Centre would levy tax on goods manufacture, except alcohol for consumption, narcotics, opium, etc.

The states had the power to charge tax on the sale of goods.

The Centre would levy the Central Sales Tax that was collected by the originating states.

The Centre was also levying service tax on all types of services.

Additionally, the Centre was charging and collecting additional duties of customs on goods that were imported into or exported from India. This tax was levied in addition to the Basic Customs Duty. This additional duty of customs is referred to as Countervailing Duty (CVD) and Special Additional Duty (SAD) and it counter balances excise duties, state VAT, sales tax, and other such taxes.

The introduction of the GST regime made amendments to the Constitution so that the Centre and states are empowered at the same time to levy and collect GST. This concurrent jurisdiction of the states and Centre also requires an institutional mechanism that ensures joint decisions are taken about the structure and operation of GST.

MSME (Micro, Small and Medium Enterprise)

DEFINITION:

On June 1, 2020, the Cabinet Committee on Economic Affairs approved a revision in the definition of Micro, Small and Medium Enterprises (MSMEs). In this blog, we discuss the change in the definition as approved by the Cabinet, and examine some of the common criteria used for classification of MSMEs.

Currently, MSMEs are defined under the Micro, Small and Medium Enterprises Development Act, 2006. The Act classifies them as micro, small and medium enterprises based on: (i) investment in plant and machinery for enterprises engaged in manufacturing or production of goods, and (ii) investment in equipment for enterprises providing services. As per the Cabinet approval, the investment limits will be revised upwards and annual turnover of the enterprise will be used as additional criteria for the classification of MSMEs

In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer them as the 'Backbone of the country.'

IMPACT OF GST ON MSMEs:

MSME (Micro, Small and Medium Enterprise) has played a crucial role in the economic development of India. Their contribution to the form of manufacturing output and generation of employment opportunities cannot be ignored. They play a pivotal role in promoting balanced economic growth, increasing foreign exchange earnings and exports. As on 2018, about 80 million employment opportunities are being generated by 36 million MSMEs, contributing to about 8% of the GDP (Gross Domestic Product) and 33% of the total manufacturing output. The increasing imports from China had affected MSMEs badly and are under pressure to reduce cost through improved technology and quality of the product. It is at this point were already MSME were already struggling for their existence when government rolled out new tax system in the form of GST. GST had been implemented across the world in about 160 countries and small and medium enterprises had faced several challenges in the course of implementation. Scholars have attempted through their research to understand the problems faced by MSMEs during the phase of implementation of GST. GST has been viewed as a revolutionary reform in the taxation system in India. GST is the prominent factor in defining and altering the way business is conducted in India. The introduction of GST has influenced the internal business process of an organisation as well as its functioning in the Indian market. The compliance of GST has induced

MSMEs to restructure its infrastructure and resources, in terms of the information technology systems, value chain, pricing etc.

CHAPTER – 2

REVIEW OF LITERATURE

A literature review is a text of a scholar paper, which include the current knowledge including substantive finding, as well as theoretical and methodological contribution to a particular topic. Literature review are secondary sources, and do not report new or original experimental work.

ArpitaShailesh&Dr.Taruna (2016); in their paper has studied implementation of GST in nations worldwide. The research also highlights the impact of GST on various sectors. Ms. Rani Jacob (2017); has study positive and negative impact of GST on MSMEs. The paper also deals with implication of GST on small enterprises.

SaurabhSuman (2017); in his paper has taken a survey on implementation of GST by SMEs and the problems associated with GST were discussed. The paper concluded saying that problems will get resolved over a period of time and GST will prove profitable to all businessman.

Dr.V.R.Nedunchezhian and others (2018); highlights the problems faced by MSMEs in implementing issues. The survey was conducted to get the responses. It was pointed that the responses were neither too negative nor too positive and was in a balanced condition. The adoption of GST would become easy if teething issues are addressed by the policy makes immediately.

Vidit Mohan &Salman Ali (2018); in their study provides multi-dimensional understanding of the gaps between the effect of anticipated and existing GST regime for the MSMEs and the associated tax compliance. It identifies the issues that are involved in GST implementation.

Dr.Ankita and others (2018); has studied the problems faced by MSME, their feedback on GST and still how the businessman are managing the business after a year of GST implementation

The Hindu date 24thSeptember 2017 article titled 'GST: MSMEs to gain via better competitiveness' mentioned that the application of GST enhances the competitiveness of MSMEs. Further, they stated that the key benefits of MSMEs are lower fright cost, lower cost of raw material, lower tax burden and ease of doing business by reliving the complexities in registration.

Rani Jacob in her research paper 'The Impact of GST on MSMEs' stated the positive and negative impacts of GST on MSMEs, the positive were easier to start business, facilitates expansion of business, lesser tax burden, online compliance procedures. According to her, the negative impacts were selective tax levying, compliance cost, technological dependency, monthly financial preparedness

In an interview by Adi Godrej to business line, published on 24 June 2017, it favors GST and considers GST as a boon for Indian Economy in various aspects. It is also mentioned that once GST is executed there will not be opportunities to evade taxes and that the rates have been analyzed in a manner that will add value to the economy. This would mean much less paper work and thus, automated simplified procedures.

The Hindu business line16May, 2017 in article titled 'How will GST impact MSMEs' by R. Vasudevan mentioned about the unorganized MSMEs (turnover less than 1.5cr), which were advancing faster than the organized peers because of the initial tax avoidance. After the enactment of GST, even these unorganized MSMEs are liable for tax payment, as the Government has decreased the threshold from 1.5 cr. to 20 lakhs.

In SME Times - Mr. Rajeev Dimri stated that GST gives array of opportunities and challenges for SMEs to explore. The government's motive behind GST is to increase the number of taxpayers' base and not to inflate tax burden on business/individual taxpayers. He further said that the GST regime launched by ministry of finance seeks to bring each citizen with an aggregate turnover of above Rs 10lakhs within the coverage of GST.

CHAPTER – 3

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY:

The research aims at studying the views of traders of MSMEs on GST. The research is based on the secondary data is collected from internet, newspaper, journals, reports and books also included primary data collected through structured questionnaire and personal interviews from 30 respondents.

AREA OF STUDY

The study was conducted in the area of Ambattur known for micro and small enterprises. It is a manufacturing center with many units manufacturing Jeans and other apparels. It is also the center of trade of women outfits. The respondents were Manufacturers, Traders and Accountants

SIGNIFICANCE OF THE STUDY

The study aims at highlighting the positive and negative effect of GST on MSMEs. The study would also highlight the problem faced by small enterprises in implementation of GST. This would help the policy makers to design measures to ease the work of MSMEs in implementation process.

Small scale industrial sector is an important segment of Indian economy. It generates employment opportunity next to agriculture sector. India is divided into 36 states including union territories among which some of the states such as Uttra Pradesh, West Bengal, Gujarat and Tamil Nadu are industrially advanced and retaining the dominant position in India. At present, the state of Tamil Nadu was divided into 32 districts. Chennai, Coimbatore, Tiruchirappalli, Kanchipuram, Salem, Thriuvallur, Vellore and Tuticorin are the main districts of industrial and commercial activities. From which Ambattur is an industrially and economically backward district in Tamil Nadu. Some of the SSIs in Ambattur district are flourished a lot and some of the mare not showing good performance. So, the researcher is interested to take up the research work on growth, trends problems and prospects of Micro and Small Enterprises in Ambattur district of Tamil Nadu.

OBJECTIVES OF THE STUDY:

- To analyze the impact of Goods and Services Tax (GST) on Micro, Small and Medium Entrepreneurs (MSMEs) in Ambattur District, Tamil Nadu.
- In pursuance of the above objectives, the following hypotheses were formulated for testing:
- There is no significant difference between the socio-economic factors and impact on GST.
- To study the impact of GST on MSMEs in Ambattur.
- To suggest measures for making it user friendly.

SOURCE OF DATA

This study consists by both primary and secondary data. The primary data will be collected through the structured interview schedule selected Micro & Small-Scale industry on GST in Thiruvallur district. The Secondary data have been collected from published and unpublished reports, handbooks, action plan, pamphlets of Director of Industries and Commerce, Chennai, District Industries Centre, Thiruvallur and Panchayat Block Offices concerned. In addition, Text Books, Journals, Magazines, Newspapers, Government Gazettes, Reports of the Government and internet etc., have also been used.

SAMPLESIZE AND SAMPLE TECHNIQUES

There are 1722 MSMEs in Ambattur (as mentioned in Table I) out which 1375 are registered as per the Annual Report UAM for the year 2017-18, there are 549 MSMEs in Enterprises, thus totaling 1375 MSMEs in Thiruvallur District. In order to give due representation to all the categories of Manufacturing Enterprises 826 MSMEs in service MSMEs, it is proposed to use "cluster random sampling technique" and 10% of the population for micro category and 20% in case of Small category and 100% in case of Medium in view of the lower number of units in the population.

QUESTIONNAIRE:

The questionnaire was framed for the study. The questionnaire pertains to MSMEs view points on implementation of GST. The questionnaires were used to elicit information on items measuring demographic factors and level of impact on MSMEs with the aspects of GST.

Statistical Techniques:

The statistical techniques used for analyzing the data vary from descriptive to multivariate. The details of the statistical tools are Frequency distribution analysis, Descriptive statistics like mean, standard deviation, Reliability analysis, Independent t-test, one way ANOVA (also Called as F test), Correlation and Regression

LIMITATIONS OF THE STUDY:

The present study is limited to MSME Entrepreneur in Thiruvallur District. So, the findings of the study cannot be generalized for the entire population of MSME Entrepreneur in other parts of State of Tamil Nadu.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

Gender of the respondent

Socio-Economic Characteristics	No of respondents	percentage
Male		69.4%
Female		30.6%
Total		100%

Sources: Computed Data

INTERPRETATION:

From the above table, we can analyze that 69% of the respondents are male while 30 of them female. From the above graph we can interpret that most of the respondents are male compared to the female respondent.
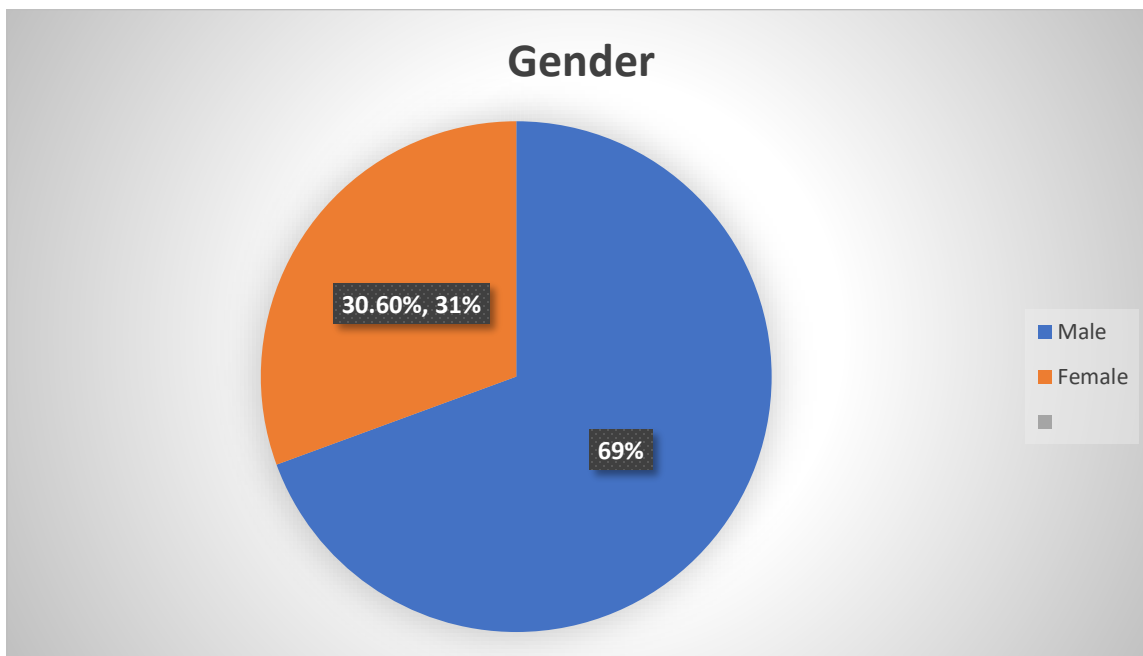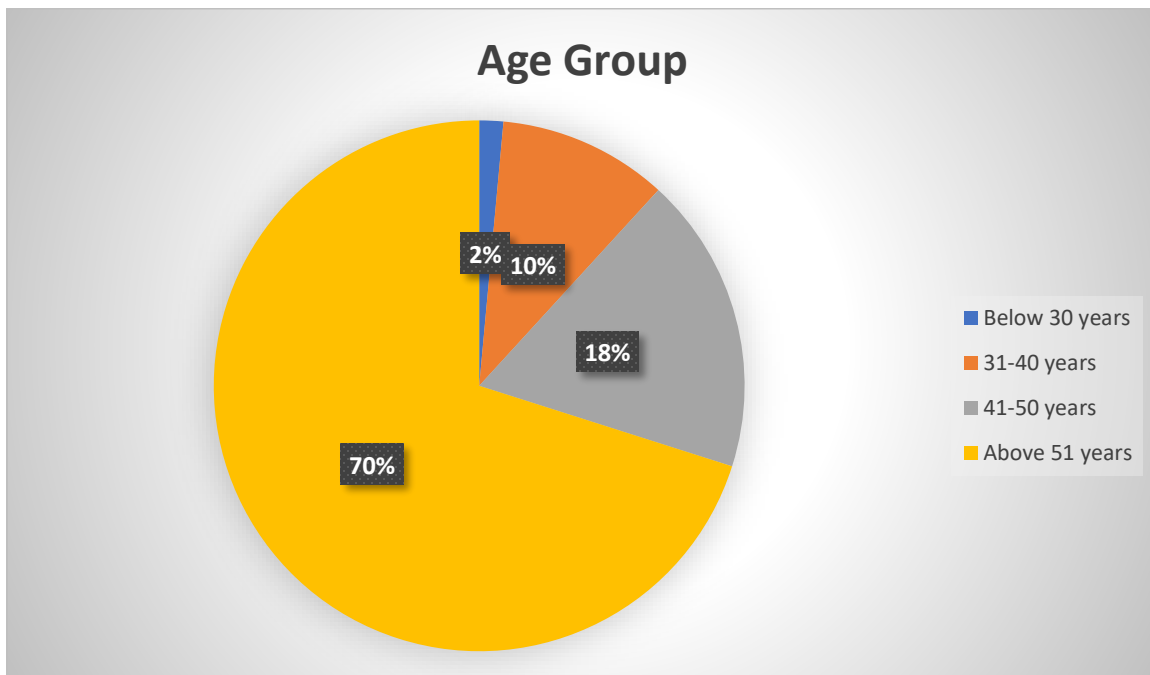
<p style="text-align: center;">Age group of the respondents.</p>

Particulars	No of respondents	percentage
Bellow 30 years	4	2.5%
31-40 years	28	17.7%
41-50 years	49	31.0%
Above 51 years	77	48.7%

Sources: Computed Data

INTERPRETATION:

From the above table, we can analyze that 4 of the respondents are of the age group of below 31years, 28 of them are in the age group of 31-40years, 49 of them are in the age group of 41-50years.We can interpret that most of the respondents are of the age group of above 51 years

Occupation of the respondents

particulars	no of respondents	percentage
illiterate	72	45.6
Primary	12	7.6
High School	15	9.5
Diploma	13	8.2
Engineering	22	13.9
ITI	10	6.3
Graduate	14	8.9

SOURCE: computed data

INTERPRETATION:

From the above table, we can analyze that 72 of the respondents are illiterate, 12 of the respondents are primary, 15 of the respondents are high school, 22 of the respondents is engineering, 10 of the respondents are from ITI and 14 were graduate.
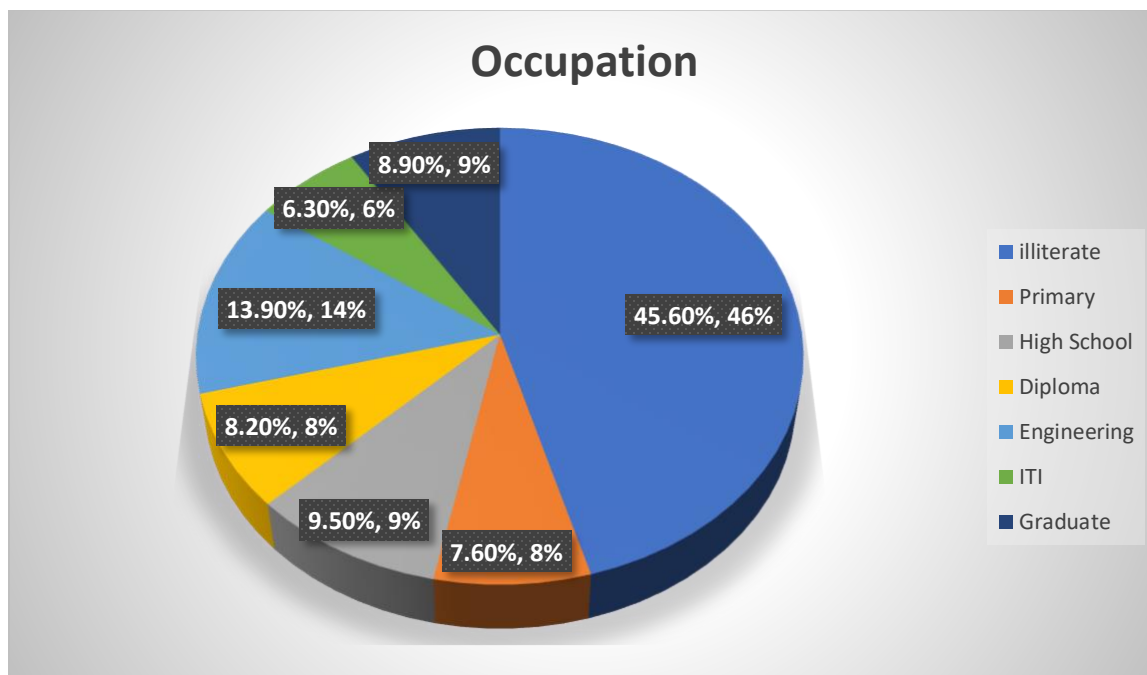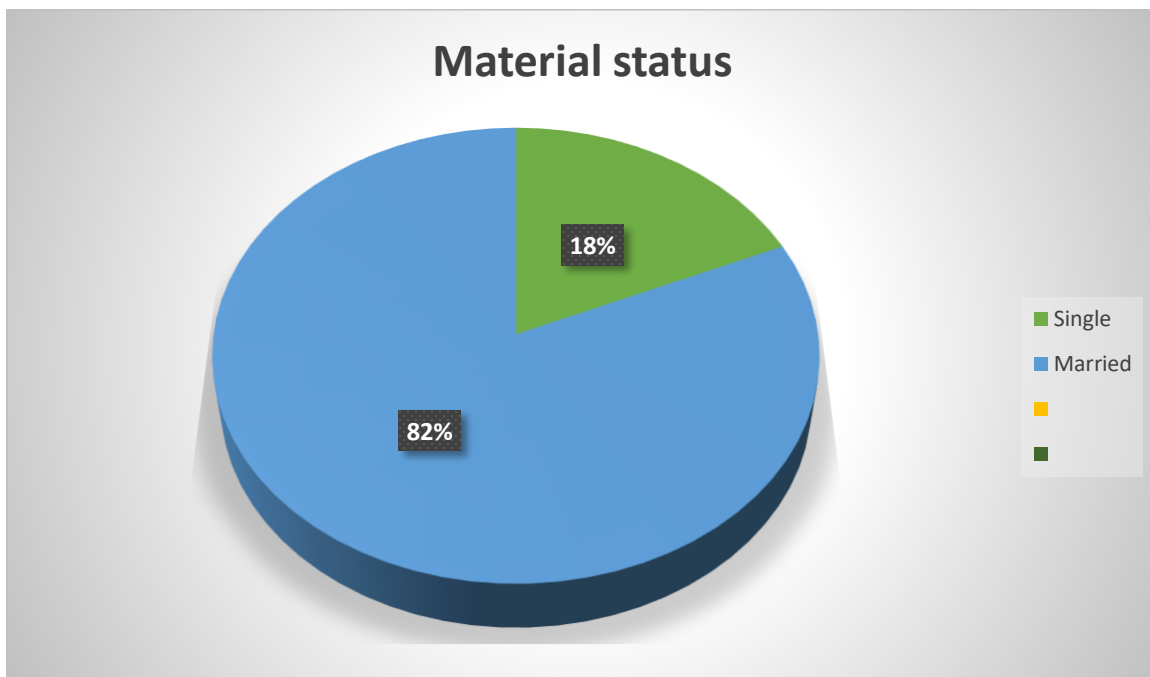
<div align="center">Material status</div>

	No. Of respondent	Percrntage (%)
Single	29	18.4
Married	129	81.6

SOURCE: computed data

INTERPRETATION:

From the above table, we can analyze that 29 were single respondents which is 18.4% in total and 129 were married which is 81.6% in total these were the data found under material status.

<div align="center">Monthly Income</div>

Monthly in come in (rs)	No of people	percentage
Rs.50000 to Rs 100000	96	60.8%
Rs 100001 to Rs 200000	37	23.4%
Rs 200001 to Rs 500000	19	12.0%
Above Rs 500001	6	3.8%
Total Sample	158	100%

Sources: Computed Data

INTERPRETATION:

From the above table, we can analyze that 96 were get 50000-100000 as monthly income, 37 people will get 100001-200000 as monthly income, 19 people get 200001-500000 as monthly income, 6 people get above 5 lakhs as monthly income.
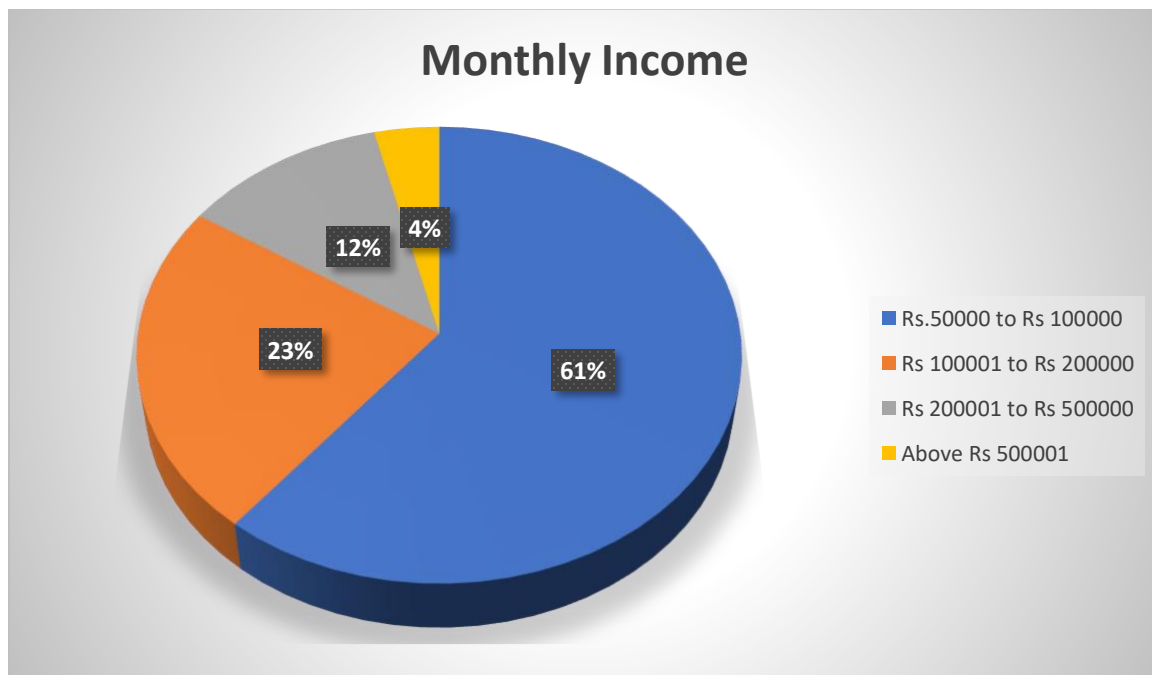
It is observed from that the majority of the respondents are in the age group of above 51 years (48.7%), followed by the respondent group with age level of 41-50 years (31.0%) and 31 - 40 years (17.7%). The respondents who are Illiterate constitute 45.6 % of the total sample followed by Engineering with 13.9%. The monthly income level from Rs.50000 to Rs 100000 is 60.8% followed by Rs 100001 to Rs 200000 is 23.4 %of the respondents in the sample.

CHAPTER-5

FINDING, SUGGESTION AND CONCLUSION

FINDING OF THE STUDY

I)   The reliability analysis shows that all items in the scale for measuring level of impact of GST on MSMEs is acceptable for all the nineteen scale items that is indicating an excellent reliability among the nineteen scale items.

II) The majority of the respondents are in the age group of above 51 years, followed by the respondent group with age level of 41-50 years and 31 - 40 years show that well experienced entrepreneurs are represented in the study.

III) The respondents who are Illiterate constitute majority of the total sample followed by Engineering .The monthly income level from Rs.50000 to Rs 100000 is 60.8% followed by Rs 100001 to Rs 200000 is 23.4

IV) %of the respondents in the sample shows that most of the respondents are Micro Units followed by Small enterprises.

V)   It is found from on the *ANOVA test* that the respondents who have responded with respect to impact of GST on the MSMEs entrepreneurs do not have any significant difference between Genders.

VI) It is found from on the *Tukey HSD test,* the respondents who have responded with respect to impact of GST on the MSMEs have significant difference between ages of the entrepreneurs.

VII) It is inferred from on the *ANOVA test* that, the respondents who have responded with respect to impact of GST on the MSMEs entrepreneurs do not have any significant difference between incomes of the entrepreneurs.

VIII) It is found from the regression analysis for the impact level of GST on MSMEs, where dependent variable is GST impact on MSMEs and the independent variables are selected demographic factors. From the multiple regressions it is concluded that there is significant relationship between dependent variable
„GST impact on MSMEs‟ and independent variables
„Demographic factors‟.

SUGGESTION OF THE STUDY:

1. The respondents suggested that professional institutes should be involved in training the owners so that their dependency on professionals is reduced. They also suggested that it should be the regular feature.
2. They were of the opinion that the time extensions for filing return was made at very last movements which should be announced in advance to reduce stress to the owners.
3. They suggested that a mechanism for immediate credit should be developed which will help MSMEs in regulating their cashflow and monitor their working capital.
4. The major suggestion was relating the site which creates problem during return filing dates. It should be developed in a manner that it reduces compliance timings.
5. Since GST is still under the improvisation mode, care should be taken that MSMEs representation should be considered while making amendments

CONCLUSION:

The study reflects that few of the preparedness in respect of GST by MSME entrepreneurs, need for improvising the GST network and other such related trends are turning out to be the bottle neck factors towards realizing the actual outcome of GST implementation. In lines with the impact survey conducted with small and micro enterprises, it is evident that the people rate the impact of GST as a balance and there is potential scope for improvement in the process. However, to ensure smooth and successful outcome ensuring that the implementation system is managed addressing the gaps in the process is very important. If such measures are taken up by the government in a rapid pace, it can be very resourceful outcome for sustainable economic development.

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Appendix

1.what is the geneder ?

- Male
- Female

2.what is the age of the respondents?

- Below 30 years
- 31-40 years
- 41-50 years
- Above 51 years

3.what is the occupation of the respondents?

- Illiterate
- Primary
- High school
- Diploma
- engineering
- ITI
- Graduate

4.Material status ?

- Single
- Married

5. Monthly Income?

- 50000-100000 INR
- 100001-20000 INR
- 200001-50000 INR
- Above 500001 INR