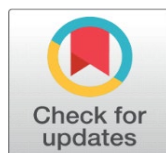
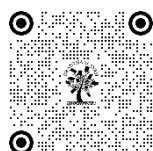


ANALYZING THE IMPACT OF GOODS AND SERVICES TAX ON THE SERVICE SECTOR: A CASE STUDY OF HAVERI DISTRICT, KARNATAKA STATE

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ABSTRACT

The Goods and Service Tax (GST) has simplified taxation for service providers, making it easier to comply with regulations. However, small businesses have struggled to adapt, reducing their earnings. GST reduces tax cascading in the service sector, allowing service providers to pass savings on to customers. Despite this, service providers use tax software, hired tax advisors, and enrolled in government training courses to better understand the new tax structure. The streamlined tax structure promotes economic efficiency and transparency, benefiting both consumers and businesses. Service sectors in Haveri District are adjusting to GST by implementing price adjustments, educating consumers, and offering discounts and promotions. This transition has made service sector more strategic and innovative, making the business climate more competitive and long-lasting. Hence, the present paper analyzes the impact of GST on the service industry in Haveri District.

Keywords: GST, Service Sectors, Haveri District, Taxation, Implementation, Economy

1. INTRODUCTION

The implementation of the Goods and Services Tax (GST) in Haveri District's service sector has generated a range of outcomes, including both favorable and unfavorable consequences. On one hand, it has streamlined the taxation process, making it easier for service providers to comply with regulations. On the other hand, some small businesses have struggled to adapt to the new tax system, leading to a decrease in profits. One of the key benefits of GST in the service sector is the reduction of tax cascading, which has helped to lower the overall tax burden on service providers. This has allowed service sector to pass on cost savings to consumers, ultimately benefiting the economy as a whole. However, the transition to GST has also resulted in increased compliance costs for businesses, as they now have to file multiple returns and maintain detailed records of transactions. This has been particularly challenging for small businesses in Haveri District, many of which lack the resources and expertise to navigate the complexities of the new tax system. As a result, some service providers have seen a decline in profits since the implementation of GST. Despite the challenges posed by increased compliance costs, many businesses in Haveri District have adapted by investing in accounting software and hiring tax consultants to ensure they remain compliant with GST regulations. Many service sectors have also started

offering discounts and promotions to attract customers in the midst of the transition to GST. Adapting their pricing strategies and communicating openly with their customers about the changes, service sectors are working towards maintaining their customer base and building trust. Overall, the shift to GST has prompted businesses in Haveri District to become more innovative and strategic in their operations, leading to a more competitive and sustainable business environment in the long term. Service sectors in Haveri District are finding new ways to navigate the complexities of GST and thrive in the changing business landscape. As businesses continue to evolve and adapt to the new tax system, they are positioning themselves for long-term success in the dynamic market.

The analysis will focus on service sectors such as hospitality, healthcare, and transportation etc., have adapted to the new tax system. It will also explore the challenges faced by these industries in complying with GST regulations and the potential opportunities for growth and development. The paper will examine the overall impact of GST on the economy of Haveri District and how it has influenced consumer behavior and spending patterns.

2. REVIEW OF LITERATURE

Prof. Satyajitsinh Gohil and et.al (2023) The paper discusses Indian public sector banks' GST registration requirements, the GST's present and future effects on the banking industry, and the GST's implementation. The paper also discusses how public sector banks might overcome these issues. It also advises authorities on how to address banking sector issues following GST implementation.

Dr. Rupa Khanna Malhotra and et.al.(2021) This paper examines taxation of real estate services has undergone a substantial change under the new GST regime, providing builders and buyers with additional options. Now that builders can claim input tax credits on building materials, building costs will go down. The tax system is now more transparent for buyers, which makes it simpler for them to comprehend and prepare for the financial consequences of buying real estate. In general, the GST regime has improved things for real estate buyers and builders alike.

K., D. R. (2020) The goal of this study is to better understand how the Goods and Services Tax (GST) has affected the service sector, which is a distinct economic sector. Nonetheless, there is a dearth of research on the overall impacts of GST on various industries and economic sectors. Further research is needed to completely understand how the GST implementation will affect businesses and consumers across a range of industries.

Pukhraj Paul and et.al. (2019) The study examines the impact of GST on the banking sector and the challenges it presents. The sector, a vital financial intermediary, has had to adapt to the new tax regime, requiring software updates, staff training, and accurate GST transaction reporting. Additionally, customers may experience changes in fees, interest rates, and loan terms due to GST implementation. The study aims to analyze how these changes affect customer behavior and satisfaction to understand the full implications of GST on the banking sector.

Gramopadhye, P. V. R., & Samudre, P. M. M. (2018) The study examines the benefits and drawbacks of the Goods and Services Tax (GST) in India's service industry. Results show increased tax revenues and compliance, reduced tax evasion, and streamlining of the tax structure. However, additional reforms and improvements are needed to fully realize GST's benefits, and challenges like initial confusion and adjustment costs have been identified.

Dr Manish P Parmar and Mr Cyril Parmar (2017) This paper reviews the impact of the Goods and Service Tax (GST) on India's aviation industry, analyzing changes in pricing, consumer behavior, and market dynamics. Data from government publications, industry reports, and interviews with industry players were gathered. The study also examines the challenges faced by airlines and aviation-related companies in adjusting to the new tax structure.

Dr.Anitha.M.N (2016) This paper examines how the Goods and Services Tax (GST) will affect India's logistics industry, with a focus on the country's transportation, warehousing, and logistics service providers. The study will look at how the logistics industry's overall competitiveness, efficiency, and operational costs have changed since the GST was implemented. It will also look at possible tactics that businesses can use to minimize any bad effects and take advantage of fresh opportunities brought about by the tax reform.

Kumar A. N. Shah Deo and Prerna Kittu Singh (2015) The research paper explores the Goods and Services Tax (GST), revealing that while it reduces the cost of necessities, it increases the cost of luxury goods. It also explores the GST's impact on various economic sectors, consumer behavior, and market dynamics. The report also discusses potential policy implications and provides suggestions for legislators to maximize GST's benefits.

2.1. OBJECTIVES OF THE STUDY

- 1) To study the demographic profile of the GST-Service tax applicable respondents in the study area.
- 2) To evaluate is there any significant difference between impact of GST and types of services.
- 3) To analyse association between the key issues of GST and types of services.
- 4) To examine the expectation of the service industry on GST in the study area.

2.2. SIGNIFICANCE OF THE STUDY

The study is conducted to know the impact of GST on the service sector; it also helps to examine the benefits and challenges that the service sector is facing after GST. The researchers collected data from various service industries, such as hospitality, healthcare, and transportation, to analyze the changes in their operations and revenue post-GST implementation. The study revealed that while some service sectors experienced a boost in efficiency and profitability due to simplified tax procedures, others struggled with increased compliance costs and pricing challenges. Overall, the findings shed light on the complex effects of GST on the service sector and provide valuable insights for policymakers and businesses alike.

3. METHODOLOGY OF THE STUDY

The present paper is based on a survey of the Haveri district service providers. The study is based on the opinions of the service providers; hence, the study goes on the data collected from the field all over the district. The Haveri district is located in the center of Karnataka, with eight taluks such as Byadagi, Ranebennur, Hanagal, Haveri, Shiggaon, Rattihalli, Savanur, and Hirekerur. The data are collected from each Taluk, with 15 samples in total. The data are analyzed using the mean, standard deviation, coefficient of variation, t-test, chi-square test, and ANOVA test.

3.1. HYPOTHESIS OF THE STUDY

- Ho: There is no significant difference between the impact of GST on different types of services.
- Ho: There is no significant association between the key issues and types of services

4. RESULTS AND DISCUSSIONS

4.1. DEMOGRAPHIC PROFILE

Table1 Analysis of Demographic Profile of the Respondents

Demographics	Mean	SD	CV	T-test
Gender	1.9	0.31	16.32	P<0.001
Education Qualification	3.35	1.14	34.03	P<0.001
Marital Status	1.35	0.49	36.30	P<0.001
Age group	2.2	0.7	31.82	P<0.001
Yearly Income	2.7	1.03	38.15	P<0.001
Type of Service	3.7	1.72	46.49	P<0.001
Age of service	3.1	1.37	44.19	P<0.001

Source: Field Survey

Demographic variables provide insights into participants, diversity, and distribution within the sample. The coefficient of variation (CV) indicates variability. Significant differences in gender, education, marital status, age group, income, type of service, and age of service were found.

These demographic variables were analyzed to determine any significant differences between groups. The results indicate that there are statistically significant differences in gender, education qualification, marital status, age group, yearly income, type of service, and age of service. The p-values for each variable are less than 0.001, indicating a high level of significance. This suggests that these demographic factors may play a role in the outcomes being studied. Further analysis will be conducted to explore the relationships between these variables and the study outcomes.

4.2. IMPACT OF GST ON SERVICE SECTOR

Table 2 Analysis of Impact of GST on Service Sector

Statements				Mean	SD
GST increases the Service cost				2.15	1.14
GST is more burden for Service Sector				2.65	1.35
GST decreases the profit margin				2.55	0.94
GST is not better Replacement for VAT				3.25	1.71
ANOVA TEST					
	Type III Sum of Squares	Mean Square	F	p	n ²
Treatment	30.04	7.51	4.08	.005	0.18
Residual	139.96	1.84			

Source: Field Survey

The results of the ANOVA test indicate that there is a significant difference between the types of services in terms of impact of GST. The mean square value of 7.51 suggests that there is a large amount of variability between the treatment groups. The p-value of .005 is less than the alpha level of .05, indicating that the results are statistically significant. Additionally, the effect size (η^2) of 0.18 suggests that 18% of the variability in opinions on GST can be attributed to the treatment groups.

4.3. KEY ISSUES ENCOUNTERED BY SERVICE PROVIDER

Table 3 Analysis of Association Between the Key Issues Faced by Different Services Providers

Statements	Chi ²	p
Increased tax regulations and reporting demands from tax authorities - Type of Service	13.91	.532
Dual investigations by multiple tax authorities/ investigation agencies - Type of Service	16.58	.345
Adopting tax positions and implementing specific provisions in the GST law - Type of Service	10.73	.771
Investment of time and effort in managing GST compliances - Type of Service	11.36	.727

Source: Field Survey

Businesses face increasing challenges in navigating complex tax regulations and reporting requirements, with dual investigations by multiple authorities adding to compliance burdens. This investment takes away valuable resources, but businesses must prioritize compliance to avoid penalties and legal consequences. There was no significant association between all four statements and the type of service. The calculated p-value in all the cases was above the defined significance level of 5%. The Chi2 test was therefore not significant, and the null hypothesis was accepted.

4.4. EXPECTATION OF THE SERVICE PROVIDERS ON GST

Table 4 Analysis of Expectation of the Service Providers on GST

Expectations	Types of Services	%	Mean	SD	t-test
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Removal of GST credit restrictions	Hotel & restaurants	30%	2.5	1.22	p-value 0.015 Rejected
	Other service	25%	3.2	1.1	
	Transportation	15%	2.33	0.58	
	Educational inst.	15%	2	0	
	Real estate	10%	3	1.41	
	Hospitals	5%	3	NaN	
Expedite closure of indirect tax matters	Hotel & restaurants	30%	2.83	1.17	p-value 0.078 Accepted
	Other service	25%	3.2	1.1	
	Transportation	15%	3	0	
	Educational inst.	15%	2.67	0.58	
	Real estate	10%	3	0	
	Hospitals	5%	3	NaN	
Board basing of GST to include non-GST products	Hotel & restaurants	30%	2.67	1.03	p-value 0.092 Accepted
	Other service	25%	3.4	1.67	
	Transportation	15%	3.33	1.15	
	Educational inst.	15%	2.33	0.58	
	Real estate	10%	3	1.41	
	Hospitals	5%	3	NaN	
Set up appellate forms for GST matters	Hotel & restaurants	30%	3.17	1.17	p-value 0.026 Rejected
	Other service	25%	2.2	1.79	
	Transportation	15%	2	1	
	Educational inst.	15%	2.33	0.58	
	Real estate	10%	2	0	
	Hospitals	5%	2	NaN	

Source: Field Survey

The data shows that there is a significant difference in customer expectation levels among different industries when it comes to GST matters. This information could be crucial for businesses and policymakers in making decisions related to GST regulations and customer service improvements.

5. CONCLUSION

The study revealed that most service suppliers were satisfied with the implementation of GST, as it streamlined the tax system, saving time and resources by eliminating multiple taxation layers. GST also increased transparency and compliance, creating a more efficient and fair business environment. The positive feedback suggests that GST has improved the ease of doing business in the country. Consumers also benefited from GST, as the simplified tax structure made it easier to understand the amount of tax they are paying on goods and services, leading to increased trust and higher compliance rates. The reduction in tax rates for certain goods and services has made them more affordable, leading to increased spending and economic growth.

CONFLICT OF INTERESTS

None.

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