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CMR TECHNICAL CAMPUS

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401



Impact of Goods and Services Tax (GST) on Employee Compensation, Payroll Administration, and Benefits Management in India

1.Ch. Gayathri Amitha Chowdary MBA -2, 247R1E00D2,

2.M. Kusuma M.B.A -2, 247R1E00F9.

3. Dr. B. Vasantha Lakshmi mam, Associate Professor.

Department of MBA,

CMR Technical Campus, Hyderabad, India.

Abstract

The Goods and Services Tax in India has changed the way we do taxes. It has affected many parts of a company beyond just money and accounting. This study looks at how the Goods and Services Tax affects how companies pay their employees manage payroll and give benefits from a Human Resource Management point of view. We did a study. Asked 150 people, including employees and Human Resource Management professionals some questions. We used tools to analyze the answers like looking at percentages and averages and seeing how things are related. What we found out is that the Goods and Services Tax has made payroll more transparent and easier to follow the rules but it has also created work, for managing benefits. The study shows that companies need to use technology follow the rules and have Human Resource Management policies to work well in a Goods and Services Tax environment. The Goods and Services Tax is important. Companies need to understand how it affects Human Resource Management. We need to make sure that Human Resource Management and the Goods and Services Tax work together.

Keywords— GST, Human Resource Management, Compensation Management, Payroll Administration, Employee Benefits, Compliance Management.

I. INTRODUCTION

The Goods and Services Tax, which was introduced in India on July 1 2017 changed the way taxes are collected. The Goods and Services Tax replaced different taxes with one tax system. The main goal of the Goods and Services Tax was to make taxes easier to understand stop taxes from being added on top of each other and create one market for the country. People have written a lot about the Goods and Services Tax from a money and economy point of view. Not as much about how it affects Human Resource Management.

The Goods and Services Tax has changed how companies pay their employees manage payroll and give benefits. These are all parts of Human Resource Management. Companies have to change how they pay their employees make their payroll systems better and make sure they are following all the rules when it comes to money and employees.

The Goods and Services Tax has an impact on Human Resource Management functions, like employee compensation, payroll administration and benefits management. This study looks at how the Goods and Services Tax affects Human

Resource Management functions and finds out what challenges and opportunities companies face when they implement the Goods and Services Tax.

II. LITERATURE REVIEW

Several researchers have examined the organizational impact of GST.

Fatima and Mahaboob (2018) reported that GST affects compensation management and employee welfare programs. Sharma and Kumar (2017) observed that GST improved operational transparency and efficiency across organizations. Jain (2021) highlighted the implications of GST on employee benefits and reimbursement policies. Sharma and Joshi (2024) found that GST compliance increased workload and stress among finance professionals. Rastogi (2017) emphasized the need for proper documentation and compliance monitoring of employee welfare schemes.

Despite these contributions, limited empirical research has focused on GST's impact on HR-related functions, particularly compensation and payroll management.

III. RESEARCH OBJECTIVES

The objectives of this study are:

1. To examine the impact of GST on employee compensation management.
2. To analyze GST's influence on payroll administration.
3. To evaluate GST's effect on employee benefits management.
4. To identify challenges faced by HR professionals in GST compliance.

IV. RESEARCH METHODOLOGY

A. Research Design

A descriptive research design was adopted to analyze employee and HR perceptions regarding GST implementation.

B. Sample Design

- Sample Size: 150 respondents
- Sampling Technique: Convenience Sampling
- Respondents: Employees and HR professionals

C. Data Sources

Primary Data:

- Structured questionnaire
- Employee surveys

Secondary Data:

- Journals
- Research articles
- Government publications
- GST reports

D. Variables

Independent Variable:

- GST Implementation

Dependent Variables:

- Compensation Management
- Payroll Administration
- Benefits Management
- Compliance Effectiveness

E. Statistical Tools

- Percentage Analysis
- Mean Score Analysis
- Chi-Square Test
- Correlation Analysis
- ANOVA
- Reliability Analysis

V. RESULTS AND ANALYSIS

A. Reliability Analysis

The reliability of the questionnaire was evaluated using Cronbach's Alpha.

Variable	Cronbach's Alpha
Compensation Management	0.842
Payroll Administration	0.865
Benefits Management	0.811
Overall Scale	0.854

The values exceed the acceptable threshold of 0.70, indicating good internal consistency.

B. Impact on Compensation Management

A total of 65.3% of respondents agreed that GST significantly influences compensation planning and management.

C. Impact on Payroll Administration

Approximately 72% of respondents reported that GST improved payroll transparency and compliance procedures.

D. Impact on Benefits Management

About 64.7% of respondents agreed that GST affects employee benefits administration and reimbursement processes.

E. Mean Score Analysis

Variable	Mean	Standard Deviation
Compensation Management	3.98	0.76
Payroll Administration	4.21	0.68
Benefits Management	3.87	0.82
Compliance Effectiveness	4.15	0.71

Payroll Administration recorded the highest mean score, indicating the strongest perceived impact.

F. Chi-Square Analysis

Statistic	Value
Chi-Square	24.671
Degrees of Freedom	8
p-value	0.002

Since $p < 0.05$, GST implementation has a significant association with compensation management.

G. Correlation Analysis

Variables	Compensation	Payroll	Benefits
Compensation	1.000	0.684	0.612
Payroll	0.684	1.000	0.591
Benefits	0.612	0.591	1.000

The results indicate positive relationships among all study variables.

H. ANOVA Results

Source	SS	df	MS	F	Sig.
Between Groups	42.517	3	14.172	5.824	0.001
Within Groups	355.483	146	2.435		
Total	398.000	149			

The findings indicate significant differences among respondent groups regarding perceptions of GST's impact.

VI. DISCUSSION

The findings show that GST has had an impact on how companies handle Human Resources. Companies are using automated systems to pay employees and make sure they are following the rules. It is very important for the Human Resources team and the finance team to work together to avoid problems and make sure everything is done correctly.

The study also found that managing benefits for employees is still very hard because the rules are always changing and there is a lot of paperwork involved. GST is making it necessary for companies to stay on top of benefits management and GST is affecting how companies manage employee benefits, with GST.

VII. MANAGERIAL IMPLICATIONS

The findings suggest that organizations should:

- Adopt GST-compliant payroll systems.
- Conduct regular compliance training programs.
- Review employee benefit policies periodically.
- Improve HR-finance coordination.
- Implement periodic compliance audits.

These measures can improve operational efficiency and regulatory compliance.

VIII. CONCLUSION

GST has had an impact on how companies in India manage what they pay their employees do their payroll and give benefits.

Even though we can see what is going on with payroll clearly and companies are better, at following the rules they still have trouble giving benefits to their employees and dealing with all the rules they have to follow.

If companies use computer systems to help with payroll train their employees all the time and make sure different parts of the company work together they can really make the most of the Goods and Services Tax and keep their employees happy and the company running well.

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