

# The Dual Impact of GST in Urban India: Progress and Problems

**Dr. Revanasiddayya B. Math\***

\*Assistant Professor and Head of PG Studies, Nrupatunga Degree College and M.Com Post-Graduate Centre, Sedam,  
Dist: Kalaburagi, Karnataka, India - Email: math.revanasiddayya@gmail.com

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## **ABSTRACT**

Taxation systems across the world play a crucial role in strengthening the economic framework of nations and act as a backbone for sustainable development. In India, the introduction and implementation of Goods and Services Tax (GST) marked a significant milestone in the country's tax reforms and economic transformation. The fundamental aim of GST is to make uniform the scattered indirect tax system in India and avoid the cascading effects in taxation. This reform has brought greater transparency, efficiency, and uniformity in tax administration. The effect will also go beyond Indian borders. The implementation of GST has reduced tax burden on manufacturers/ suppliers and thus encourages for the higher production/ supply. This process will increase the export of India and it will increase the total GNP. Avoidance of cascading effect empowers the manufacturers to produce to their optimum capacity and hinders growth. The paper intends to exhibit the detailed impact of GST on Indian economic system based on the opinion of the traders/ suppliers of the urban India.

**Keywords:** GST, Indirect Tax, Indian Economy, Tax Administration, Cascading effect.

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## **INTRODUCTION**

Internationally the tax systems have undergone significant changes during the last three decades as many countries across the globe and with varying levels of development have undertaken tax reforms. India is not an exception to it. Since the implementation of New Economic Policy (NEP) 1991, significant changes have taken place in the taxation system. India has also adopted necessary changes in the direct and indirect taxes. Adopting long term fiscal policy, lowering tax rates, simplification of tax structures, introducing Service Tax & VAT and introducing Goods and Services Tax (GST) show the seriousness of India in modifying its tax policies to meet the demands of the changing economic scenario.

In India, a number of significant reforms have been proposed and implemented in the tax system. But, to what extent the developments are benefitting the stakeholders of the economy is to be ascertained. In this background, the research article makes an attempt to review the recent implementation of GST in specific in the Indian taxation system, based on the opinion of the traders/ suppliers.

## **OBJECTIVES**

The main objectives of this research article are –

1. To review the recent developments in Indian Taxation and relevance of GST.
2. To ascertain the stakeholders view on the business competitiveness due to implementation of GST in urban area.
3. To obtain the opinion of the traders/ suppliers on various aspects of GST.
4. To provide measures for future tax reforms.

## **METHODOLOGY**

### **Sources of data:**

The study is mainly based on primary data. The secondary data have been used on necessity. Policy documents of the government, reports of various committees, journals, magazines and published data relating to the subject have been referred. The primary information has been ascertained from the registered traders/ suppliers under

GST by applying questionnaire method.

### Scope of the Study:

The study basically covers whole of India and restricts to indirect taxes in general and GST in specific. The respondents for the study have been restricted to sample registered traders/ suppliers under GST of Kalaburagi city of Karnataka. The study has concentrated only on reforms initiated during recent years (in India).

### OVERVIEW OF GST:

India was having the most complicated tax structure in the world, especially Indian indirect tax systems. The mechanism of imposing taxes, exemptions, abatements and other benefits was different in different states. The earlier indirect tax laws have a number of issues of interpretation in various provisions and the category of the products and services. India was in need of a simple tax structure which can describe the tax mechanism as simple and transparent. Any new law is introduced with the basic aim of providing remedy to deficiency in existing law and to rationalize the execution and procedural aspects. As regards to Indirect Taxes in India, there existed dual levy by the Union and by the State Government also. There were multiple registrations and other compliances under various indirect tax laws. The GST has been introduced in order to overcome the defects of prevailing indirect tax laws. The basic two drawbacks of earlier indirect tax system were cascading effect and non-uniformity of tax collection among states. Introduction of Goods and Service Tax (GST) have compensated those drawbacks. It is correct to treat it as an unprecedented step by the Government when India moved into GST on 1<sup>st</sup> July, 2017. The GST has impacted the majority of the persons paying indirect taxes. There has been a paradigm shift in the structure and functioning of Indirect Taxes in India. The new system of GST has subsumed most of the Central and State level indirect taxes.

### Genesis of GST:

In Global perspective, France was the first Country to implement GST in the year 1954. As the GST has the capacity to raise revenue in the most transparent and neutral manner, within six decades of its advent, more than 170 countries across the world have adopted and implemented GST.

In Indian perspective, it has now been more than a decade since the idea of GST was mooted in 2004 by Kelkar task force. The journey of GST in India from its origin in 2004 up to its enactment and implementation in 2017 has gone through many ups and downs. The political enmeshment has created hurdles in the path of GST implementation. These developments can be consolidated in chronological order in the following manner.

- In 2004, the Kelkar task force floated the idea of an integrated national level goods and services tax and strongly recommended the introduction of GST in India.
- The then Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget 2007-08 announced the introduction of GST from 1<sup>st</sup> April 2010.
- Many hurdles and problems burgeoned and GST could not be implemented. It kept missing several deadlines but finally gained momentum once again in 2014.
- On 19<sup>th</sup> December, 2014, the NDA Government tabled in Lok Sabha the 122<sup>nd</sup> Amendment Bill, 2014 on GST. Subsequently, on 6<sup>th</sup> May, 2015 and 3<sup>rd</sup> August, 2016 the bill was passed in Lok Sabha and Rajya Sabha respectively.
- On 8<sup>th</sup> September, 2016 it was subsequently ratified by many states one after the other. When ratified by more than 50% of the States, the Constitutional (122<sup>nd</sup> Amendment) Bill, 2014 received the assent of President of India. It became Constitutional (101<sup>st</sup> Amendment) Act, 2016 which paved the way of GST in India.
- On 27<sup>th</sup> March, 2017, four bills viz., CGST Bill 2017, IGST Bill 2017, UTGST Bill 2017 and GST (Compensation to States) bill 2017 were introduced in Lok Sabha and these Central GST Legislations were passed in Lok Sabha on 29<sup>th</sup> March, 2017.
- Finally, the four Central GST legislations received assent of President and Bills turned into Acts.
- **State GST Act:** The enactment of the Central GST Acts was followed by the enactment of the State

GST laws by all State legislative and two Union territories having their own legislature, between 9<sup>th</sup> April, 2017 to 5<sup>th</sup> July, 2017.

- **GST Roll out:** GST has been implemented across India w.e.f. 1<sup>st</sup> July, 2017. But the same came into force w.e.f. 8<sup>th</sup> July, 2017, CGST (Extension to J&K) Ordinance, 2017 and IGST (Extension to J&K) Ordinance, 2017 were promulgated making necessary change in CGST Act and IGST Act and declaring that the Acts shall be applicable to the State of Jammu & Kashmir also.

### Recent developments in GST:

In 2026, India introduced several important GST compliance and procedural changes aimed at improving tax administration, reducing fraud, simplifying filing, and strengthening the GST system.

- From 1 April 2026, e-invoicing became mandatory for businesses with an Annual Aggregate Turnover (AATO) above ₹5 crore.
- New GST compliance from 1 April 2026 with respect to new invoice numbering series, fresh Letter of Undertaking for exports without payment of IGST.
- In 2026, the restriction of refund claim below ₹1000 was relaxed for eligible export refunds, helping smaller exporters claim refunds more easily. Which improves cash flow for MSMEs.
- The GST portal introduced stricter validation systems for ITC claims to reduce fraudulent ITC claims and improves tax accuracy.
- The GST structure introduced after the 56th GST Council reforms continued in 2026 with a simplified slab system: as 0% for essential goods, 5% for necessities and selected sectors, 18% as the standard rate, 40% for luxury and “sin” goods. This reform aimed to simplify compliance and reduce disputes over tax classification.
- The GST Appellate Tribunal (GSTAT) strengthened its appeal mechanism in 2026 by introducing more structured review processes for GST disputes. This benefits faster settlement of disputes, minimizing litigation burden resulting in greater consistency in decisions.
- Increased Digital and Anti-Evasion Measures in administration increasingly relied on data analytics, AI based tax scrutiny, anti-fake invoice drives and digital notices with automated validations for improving compliance and help to maintain strong GST collections.

These reforms are intended to make GST more transparent, technology-driven, and business-friendly while reducing tax evasion.

### Rationale for GST:

The rationale for implementing GST was to overcome from deficiencies in earlier tax laws. But the ultimate positive effects of GST were manifold. All the stakeholders are being benefited including industry, Government and even the consumer. The summary of following benefits justifies the rationale for introducing GST.

- Removal of bundled indirect taxes such as Excise, VAT, CST, Service tax, CAD and SAD etc. resulted in less tax compliance and simplified tax policy compared to earlier tax structure.
- Removal of cascading effect of taxes.
- Reduction of manufacturing costs due to lower burden of taxes on manufacturing sector. Hence prices of consumer goods will likely to come down in future period.
- Public will have to shed less money to buy the products that were costly earlier.
- Increased demand and consumption of goods. Hence it will increase the supply of goods.
- Control on black money circulation which adversely affect on the economy.
- Employment generation for youths as GST trained Experts.

### RESULTS AND ANALYSIS:

An attempt has been made to know the relevance of GST; a survey has been conducted by the researcher to know the opinion of 80 registered suppliers in Kalaburagi city. The responses received from the respondents about few important aspects of GST have been studied, analysed, tabulated, and presented in the form of tables below.

Table - 1

## Opinion of respondents on abolition of earlier indirect taxes

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 64%         | 51          |
| Neither agree nor disagree | 36%         | 29          |
| Disagree                   | -           | -           |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 64% of the respondents agreeing that ‘the abolition of a number of indirect taxes and design of GST is beneficial for tax payers, tax authorities and consumers’ and remaining 36% of respondents neither agree nor disagree.

Table - 2

## Opinion of respondents about the competitiveness

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 61%         | 49          |
| Neither agree nor disagree | 24%         | 19          |
| Disagree                   | 15%         | 12          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 61% of the traders/ suppliers are agreeing that the implementation of the GST made their business more competitive, 15% of the people are disagreeing for this and remaining 24% of the people are neutral i.e., neither agree nor disagree.

Table - 3

## Opinion of respondents on economy due to GST implementation

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 79%         | 63          |
| Neither agree nor disagree | 21%         | 17          |
| Disagree                   | -           | -           |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 79% of the respondents are agreeing that ‘the GST has improved the tax revenue in addition to improving the economy’, but the 21% of the people are neither agree nor disagree for this. The GST can improve much better through the tax revenue in addition to improve the economy.

Table - 4

## Opinion of the respondents on tax administration and litigation

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 41%         | 33          |
| Neither agree nor disagree | 20%         | 16          |
| Disagree                   | 39%         | 31          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that, 39% of the respondents are disagreeing ‘that the GST doesn’t improves tax administration and reduces litigation’ but the 41% of the people are agreeing that it improves the tax administration and reduces litigation and 20% of the respondents neither agree nor disagree.

Table - 5

## Opinion of respondents on the GST procedures

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 100%        | 80          |
| Neither agree nor disagree | -           | -           |
| Disagree                   | -           | -           |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that all of the respondents agree that ‘the GST brought more simplified procedures and computerized tax administration compared to earlier indirect tax structure’. This denotes the level of acceptance of GST by the traders.

Table - 6

## Opinion of respondents on compliance matters in GST

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 53%         | 42          |
| Neither agree nor disagree | 10%         | 08          |
| Disagree                   | 17%         | 30          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 53% of the respondents opines that, ‘compliance matter still remained complex after implementation of GST at both state and central levels’, 10% of the respondents neither agree nor disagree with this. Only 17% of the respondents are positive about the compliance process. This gives a hint that the small traders still facing some difficulties in compliance matters which the Government should look in to.

Table - 7

## Opinion of respondents about the uniformity of the tax rates

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 70%         | 56          |
| Neither agree nor disagree | 30%         | 24          |
| Disagree                   | -           | -           |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 70% of the respondents feel that, ‘uniformity in tax rates across the India in GST regime are helpful to both traders and service providers’. Remaining 30% of the respondents are with neutral view on the benefit of uniform tax rates.

Table - 8

## Opinion of respondents about the cascading effects and tax burden for consumers

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 80%         | 64          |
| Neither agree nor disagree | 10%         | 08          |
| Disagree                   | 10%         | 08          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that 80% of the respondents agree that ‘the GST has resolved many cascading effects and reduced tax burden for consumers’, 10% of the respondents are with neutral view and remaining 10% of the respondents disagree with this. This shows the improvement and higher transparency of GST.

Table - 9

## Opinion of respondents about the transaction costs in GST

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 80%         | 64          |
| Neither agree nor disagree | 10%         | 08          |
| Disagree                   | 10%         | 08          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 80% of the people agree and opines that, ‘compared to earlier indirect tax system; GST has reduced transaction costs for tax payer through simplified tax compliance’, 10% of the respondents neither agree nor disagree and remaining 10% of the respondents disagree with this.

Table - 10

## Opinion of respondents about the registration process

|                            | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 93%         | 74          |
| Neither agree nor disagree | 07%         | 06          |
| Disagree                   | -           | -           |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 93% of the respondents agree that ‘the new registration process under GST is much better and transparent when compared to earlier system’ and remaining 7% of the respondents neither agree nor disagree with this.

Table - 11

## Opinion of respondents about the filing of return under GST

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 78%         | 62          |
| Neither agree nor disagree | 14%         | 12          |
| Disagree                   | 08%         | 06          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 78% of the respondents agree that ‘the filing of return is simple and transparent in GST regime, compared to earlier indirect tax regime’, 14% of the respondents neither agree nor disagree with this, and remaining 8% of the respondents disagree with this. This shows still the some small traders are facing some difficulties in filing the GST returns, which need to be simplified further.

Table - 12

## Opinion of respondents about the process of tax payment

| Opinion                    | Percentage  | Respondents |
|----------------------------|-------------|-------------|
| Agree                      | 73%         | 58          |
| Neither agree nor disagree | 10%         | 08          |
| Disagree                   | 17%         | 14          |
| <b>Total</b>               | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 73% of the respondents agree that ‘the process of payment of GST is much better than the earlier system’, 17% of the respondents disagree with this and remaining 10% of the respondents have neutral view with this. This indicates, still few improvement is needed in the method and process of payment of tax under GST regime.

Table - 13

Satisfaction of respondents about the procedure of filing of return and payment of tax

| Satisfaction Level   | Percentage  | Respondents |
|----------------------|-------------|-------------|
| Highly satisfied     | 20%         | 16          |
| Moderately satisfied | 40%         | 32          |
| Slightly satisfied   | 30%         | 24          |
| Not satisfied        | 10%         | 08          |
| <b>Total</b>         | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 40% of the respondents are moderately satisfied with the filing of return and payment of tax procedures, 30% of the respondents are slightly satisfied, 20 % of the respondents are highly satisfied and remaining 10% of the respondents are not satisfied the filing of return and payment of tax under GST regime.

Table - 14

Satisfaction of respondents about the assessment and administrative process

| Satisfaction Level   | Percentage  | Respondents |
|----------------------|-------------|-------------|
| Highly satisfied     | 31%         | 25          |
| Moderately satisfied | 23%         | 18          |
| Slightly satisfied   | 37%         | 30          |
| Not satisfied        | 09%         | 07          |
| <b>Total</b>         | <b>100%</b> | <b>80</b>   |

Source: Primary Data.

The table represents that the 37% of the respondents are slightly satisfied with assessment and administrative process under GST, 31% of the respondents are highly satisfied, 23% of the respondents are moderately satisfied and remaining 9% of the respondents are not satisfied.

## SUGGESTIONS

Based on the views expressed by the respondents the author articulates the following measures as recommendation for improvement of taxation environment in India.

- The government should increase awareness programs so that the small traders as well as consumers understand the consequences of GST. With this, the possibility of misguidance to public by the traders can be removed especially in urban and semi-urban areas.
- Most of the traders in urban and semi-urban area still believe that, the compliance matters still remained complex. To overcome from this feeling the government should further simplify the procedures at least for small traders so that they can benefit for higher compliance cost.
- Some small traders/ suppliers still feel that the transaction costs under GST are higher. The government can look into this area and take necessary measures specifically for small tax payers group.
- It is observed that, still some small traders/ suppliers are facing difficulties in filing the GST returns. The government should simplify the filing mechanism further and small traders can be allowed to file their return quarterly rather than monthly.
- Though GST has resolved many cascading effects and reduced the tax burden for consumers, still small traders/ suppliers opines that, the input tax credit scheme is not attractive and failed to resolve the cascading effects completely. Hence, the government should take necessary measures to convince the traders.
- There are still loopholes prevails in refund and audit procedure. Hence, government should simplify the scheme of refund so that the timely refund is ensured.
- HSN code and Tax Rate: it is noticed that, there is still confusion between buyer and seller about tax rate and HSN code due to classification disputes and interpretation differences. The GST council should clarify these, minimize mismatch possibility and bring uniformity in practice.

- The aim of fiscal transformation should be stability, certainty and low tax rates with focus on administrative reformation. Intense tax collection pressure hampers effective implementation of policies, also leads to avoidable litigations. Therefore, there is an urgent need for the tax administration to support Government's policy initiatives to fund the growth engine.
- A long-term vision in relation to fiscal reforms is much required with political consensus.

## **CONCLUSION:**

For the robust growth of the economy, along with the other factors, tax factor should be congenial. GST in long-term will definitely bring a new dimension to the Indian economy by making a common market and reducing the cascading effect of tax on the cost of goods and services. GST is a greatest tax reform in India since independence. The GST is an unconcerned attempt by the government to justify the indirect tax structure of the country. The tax collection figures of recent years proved this.

No doubt, the GST can increase the governments' revenue further, which we are witnessing now. The government must study all the aspects of positive as well as negative of GST for the smooth economy. Even so, there are few hurdles and agitation in some areas, which need to be taken care by the Government and Council. The suggestions made above will help in making the tax system a forward looking and globalization driven.

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