

A STUDY GOODS & SERVICE TAX & ITS IMPACT ON INDIAN BANKING SECTOR

Dr. Gunjan Dhingra*

ABSTRACT

The banking sector is one of the biggest and revenue generating sector in our economy. India is a country with impressively splendid banks with sufficient capital and well-regulated rules and regulations. One of the biggest transformations that the sector faced during this period is GST i.e., Goods and Service Tax, a new tax regime introduced in the midnight of 1 July 2017. Now the new tax regime has become one year old and there are so many changes which happened in the banking sector during this one-year periods. Introduction of GST to the banking sector was one the highly risky and challenging role for the government. GST is a replacement to the Value Added Tax (VAT) which was implied on goods and services. The main purpose of studying the impact of implementation of GST is to avoid double taxation on goods and services. It is a self-regulated tax system with a simplifies tax regime which reduces the multiplicity of tax.

Keywords: *Banking Sector, GST, Flowing of Tax, Simplified Tax Regime.*

Introduction

GST is assuming a crucial job in all areas of the economy and the everyday existence of the individuals. It has been examined in papers from recent year about the adjustments in the cost of the items and duty pieces of GST yet, individuals are in confusion. The presentation of GST (Goods and Service Tax) rolled out a huge improvement in the whole duty arrangement of the nation which is influenced on 1121 things as from the paper source. GST is a substitution to the Value-included Tax (VAT) which was forced on products and ventures. GST is a backhanded assessment which was presented in India on July first of 2017 and was material all through India which supplanted various and compound expenses forced by the focal and state governments on an enormous number of products and enterprises. Under the GST charge framework, products and ventures are forced with paces of 0%, 5%, 12 %, 18% and 28%. There is a one of a kind pace of 0.25% on harsh semi-valuable and valuable stones and furthermore 3% of expense on gold. Notwithstanding that, there is a cess of 22% or different rates over 28% GST applies on a couple of things like extravagance autos, tobacco items, and circulated air through beverages. In the financial segment, it has rolled out a gigantic improvement as practically every one of the items and administrations have a high assessment rate contrasted with the past one . A significant preferred position of GST is that it maintains a strategic distance from the twofold tax assessment on products and enterprises.

A portion of the benefits of GST are as follows:

- Reduction of falling of duties: There was an enormous number of charges like administrations charge, customs obligation, esteem included expense and so on forced on products and ventures exchanged our economy. After the presentation of GST, there the falling or covering of

* Assistant Professor, Government Geetanjali Girls PG College, Bhopal, M.P., India.

assessments in various divisions of the items from generation to utilization has diminished. The expense for the great and administrations is paid similarly to the state and the focal government. In straightforward words, it is numerous assessments to a solitary coordinated duty.

- An by and large decrease in value: The costs of the products are relied upon to lessen later on because of the uniform assessment forced on various merchandise and enterprises. The assessment on every great and administrations are appointed or required by the diverse classification in which the products lies.
- Self-managed charge: GST encourages the clients or the citizens to have a simple consistence and make their installment easy. GST has presented the idea of "Auto Notified", "Befuddle Mechanism" so as to discover any confounds in the assessment recording system. The jumble can occur from the side of the beneficiary and in such cases, the beneficiary himself can cause a redress or the provider to can commit errors like he/she didn't transfer or pay charge on the receipt which he/she was given. In these two cases, the beneficiary or provider of the merchandise can do revisions in the assessment documenting.
- Non-Intrusive electronic assessment framework: GST has been presented as a non-meddlesome duty framework as it is flanked charge framework and diminishes the dark cash exchange and the free progression of products and enterprises.
- Simplified duty system: The assessment framework is increasingly rearranged, there is no falling impact as each degree of the exchange the expense has been set off.
- Uniformity of expense framework: There is uniform duty rates for different items in the market as the assessment charged on different items are 0%, 5%, 12%, 18%, and 28% relying upon the worth and of the classification of the item.

Methodology of Registration

Before the appearance of GST every one of the banks in India have a brought together enrollment under the Service charge law for every one of the branches in the nation. The legislature has precluded concentrated enrollment for money related foundations called banks under the new duty system merchandise and ventures assessment and, it has ordered separate enlistment for each state they work in. It has become a mandatory action for all the bank which work inside the nation so as to do its capacities. It made an enormous consistence trouble on the banks. It requires high harmonization and control between the banks inside and outside the state for charge matters. Under GST organization, bookkeeping and monetary records and so forth are to be kept up independently for each state-wise. The banks doing state-wise enlistment, recording numerous profits for each express, various review and evaluations particularly in a circumstance where banks have branches in pretty much every state and association domain of the province and with each express, every city, every region has a part of the bank.

GST is Charged On All Banking Activities

Banks have charged GST on different items and administrations carried on by the banks aside from stores, which can be arranged this way:

- **Transaction Charges**

Exchange charge is something which we pay when we are needing a fast money and it is an inclination to rush to the closest ATM's accessible. The adjustments in the ATM's exchange charges, making different outings to pull back money or check parity will cost you increasingly under the assessment framework GST. Exchange charges have been expanded to 18% which was 15% before. The stunning news is that the ATM exchanges are limited in a specific way i.e., initial 5 withdrawals are free after 5 withdrawals Rs.20 per withdrawal is charged so as to lessen the withdrawal of cash through ATM's which will consequently build the utilization of web banking. Likewise, the use of checkbooks will be costly if any client utilizes in excess of 50 checks per year and it is charged under Rs.100. The people need to pay Rs.3 more for each Rs.100 paid for banking exchanges.

- **Loans**

According to data, it is said that every one of the credits are assessable under GST for 18% and there is no possibility of expense rate to go past the duty section of 18%. Yet, there is a major worry about the home advances which was profited to the borrowers for a VAT of 5% for development materials and 3.5% help charge, by and large of 8.5 which is presently accessible just according to the GST rate 18% which will be minimal progressively costly for the borrowers. What's more, there is an opportunity of an expansion in the financing cost included home credits by the banks and moneylenders as well.

• **Investments**

Ventures like shared assets are influenced contrarily because of the presentation of GST. GST strike into the salary of common supports will absolutely affect the shoppers. For a speculation organization, a cost proportion is an expense brought about by them to work their common assets. The Goods and Service duty will be on the Total Expense Ratio of the shared assets and has been expanded by 3%. If there should arise an occurrence of the policyholders, they need to pay high premiums sum on their protection accepting, a family spend an entirety of Rs 50,000 for each annum on protection elite of administration charge, their costs will be expanded by 3%, i.e., Rs 1500. Acquiring up to Rs 20 lakh will remain excluded from GST for shared store wholesalers .

Table: 2 shows the Deposits & Investment of Indian Banking

Year	Deposits (in crore)	Investment(in crore)
2014-2015	944	29775
2015-2016	1009	33278
2016-2017*	1111	36522
2017-2018	1179	41263
2018-2019	1289	43203

*G.S.T implementation year

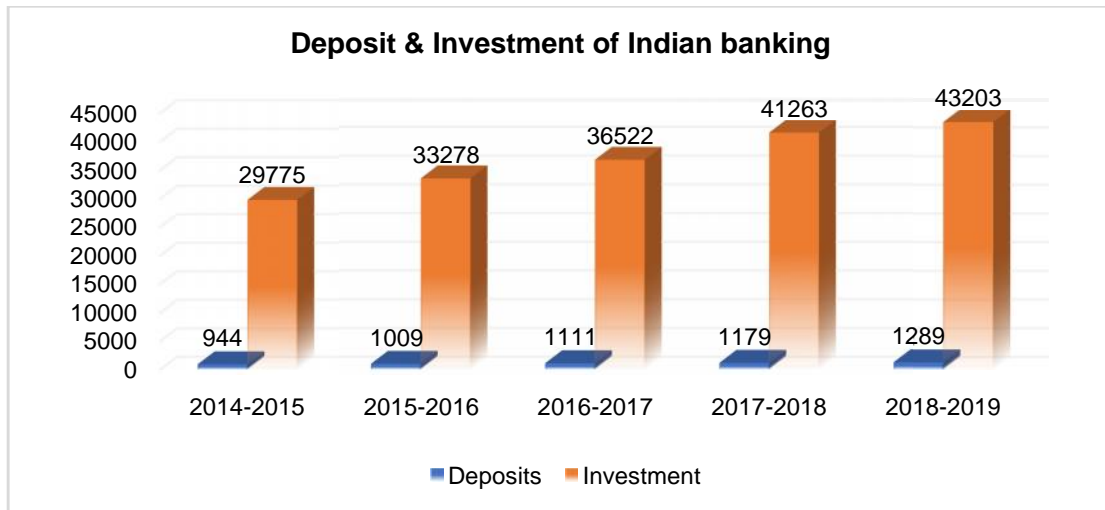


Fig. 2: The figure represents various products and services provided by banks which charge 18% GST replacing the 15% tax.

- **Insurance**

GST has a severe effect on insurance as there is a rise in the premium, especially for life, health, and car insurance policies. The tax rate has increased from 15% to 18% under GST. For example, if the complete premium is for life insurance, a tax rate of 18% will affect the entire premium.

- **Input Tax Credit**

Under GST, 50% of the CENVAT credit availed against inputs, input services, and capital goods is to reverse which leaves them a position of reduced credit of 50% on capital goods thereby increasing the cost of capital. Input tax credit is covered under GST only when your supplier has deposited the tax he collected from you. It is to be matched and validated before claiming it. So, it is compulsory that all supplier must be registered under GST.

- **Other Services**

Banking facilities like locker facilities, tax payment, billing, and shopping etc. which are offered by the banking sector are taxable for 18% under GST which is 3% higher than the early tax rates. In case of forex 1% of the gross amount of the Indian rupee is charged under GST i.e., the dissimilarity in the selling rate and buying rate of rupee which is multiplied with the total units of currency. The pension is charged under salary even if it is service provided by the bank.

Effect On Customers of the Banks

Because of the appearance of GST, the duty rate on every single item and administration of the banks have become costly and more expensive to the clients. In table 2, different duty rates on different things are clarified.

- Debit card and a Credit card is one of the regular instruments utilized by the clients these days, the duty charged on these instruments is 18% which is costlier than the past rate which was 15%.
- Loans were accessible at a less expensive rate before the appearance of GST, presently the rate has been fixed to 18% which made the clients in weight and vulnerability that whether the client will have the option to reimburse the sum.
- Investments like shared assets are contrarily influenced by GST. The clients are in incredible strain that the expense brought about by the speculations banks are extremely high and the duty charged on these ventures is 18% which is particularly higher for the clients to manage the cost of and shared assets are to a great extent based up to the absolute cost proportion which has gone up by 3% after the inception of GST.
- Banking offices like storage offices, charge installment, charging, and shopping and so forth are broadly utilized by the client. It was charged at a pace of 15% and now it has changed to 18%. Despite the fact that it is costly clients with huge resources consistently keep up a storage framework for their security reason.
- Increase in the premium made countless the client pull back the protection arrangement. Individuals with low pay can't bear the cost of the premium charged under GST.

GST & Its Impact on Indian Banking: ABCD Framework

ABCD structure can be utilized to examine the individual attributes, framework qualities, viability of an idea or thought, adequacy of a methodology while concentrating the business esteem in the general public. ABCD investigation system can be utilized for any sort of organization contextual analysis. ABCD breaking down structure enables the analyst to investigate any issues identified with both inside and outer to its business. This investigation structure being basic and clear, can be utilized to examine many organization issues or issues to locate a reasonable arrangement through streamlining the issues/issues by recognizing the influencing factors through the factor examination and basic constituent components through basic investigation. Dissecting plans of action, business frameworks, business methodology, business ideas and thoughts, items and administrations of an organization, future extension plans of an organization and so forth through ABCD builds enables the peruses to recognize and comprehend the issues from different partner's perspective so an ideal arrangement can be created. Hence, utilizing ABCD investigation structure in appropriate profundity either subjective posting, subjective examination, or quantitative examination of distinguished issues is prescribed in organization contextual analysis as an exploration technique. SWOC investigation system can be additionally used to know the qualities, shortcoming, openings, and difficulties of GST in the financial division.

Advantages

- Self-managing charge framework: GST has presented the idea of "Auto Notified" and "Confound" component so it is known as an automatic duty framework wherein the jumble will be consequently informed by the framework to both the provider/bank and beneficiary/client and furthermore auto-check arrangements are made to recognize fake practices .
- Transparent charge framework: Consumers will find a workable pace real measure of assessments they are paying for merchandise and ventures as a solitary GST rate what is part among focal and state governments
- Uniform charge rate: In the financial segment, GST keeps up a uniform duty pace of 18% i.e., every one of the administrations are exhausted for 18% in the financial segment.
- Compulsory enlistment: Under GST mandatory enrollment for the banks in each branch they work so as to lessen the perplexity in the duty instrument in each state and each branch for any exchange.

Benefits

- Easy justifiable for the overall population: GST is another assessment regiment associated with countless products and administration. it is an improved method for charge so as to fabricate the individuals mindful of how the merchandise and enterprises are saddled. The assessment is charged on various ware under various pieces of 0%, 5%, 12% and 18% which simple for the individuals to recall and comprehend.
- No perplexity in documenting assessment and expense rates: The individuals who need to pay GST doesn't have any disarray in the duty rate as it is a uniform assessment rate. there is uniform expense pace of 0%, 5%, 12%, 18% and 28% .
- No charge on stores: The bank isn't charging any GST on stores made by the clients. It is completely absolved from GST because of that there is a gigantic increment in the stores of the bank.
- Increased number of Online banking: Under ATM withdrawal the initial 5 withdrawals are free after 5 withdrawals Rs.20 per withdrawal is charged so as to decrease the withdrawal of cash through ATM's which will consequently expand the utilization of web banking.
- Registration under GST: It will make the whole assessment assortment simpler and each part of the bank can have a free duty recording framework .

Limitations

- Banking got costlier for the client: One of the significant imperatives of the financial area is because of the expansion of the expense rate in practically every one of the items and administrations, it turned into a costlier action for the client as it got 18%
- Home Loans: GST has influenced essentially on the home advance. presently every one of the items and administrations offered by the bank is 18% which was before 15% aside from home advance which was 8.5%. There is a gigantic increment of 9.5% assessment on home credit due to GST.
- Place of supply: Under GST, the spot of supply of administrations for banking and other money related administrations will be the area of the beneficiary of administrations on the records of the provider of administrations. Given that if the area of the beneficiary of administrations isn't on the records of the provider, the spot of supply will be the area of the provider of administrations. the spot isn't indicated in the GST law for banking exercises which makes a colossal perplexity .
- Registration process: Each part of a similar bank should enroll independently under GST, it powers the bank to do numerous review and evaluations.
- Expensive and draws in IGST: It is a costly and badly arranged assignment for the banks that every exchange between parts of similar banks are pulled in to IGST. the exchange between each part of same banks in various states is exhausted under GST. It causes badly arranged for the banks situated in various states .

Demerits

- The charge rate has expanded to 18%: The administrations charge which was given in our nation was 15% before which is currently expanded to 18 %. Every one of the items and administrations offered by the banks are under 18% which has made financial administrations progressively costly.

- Place of supply: One of the downsides of GST law is that the spot of supply isn't indicated for the financial exercises. the banks need to expect the client's contact point as the spot of supply of administrations .
- Home advance: Compared to different credits home advance have higher rates than another advance, the client is in stun because of the tremendous increment in the home advance.
- Registration: One bank needs to enlist on numerous occasions in all branches at an alternate state. it turned into a wild work for the bank when GST was presented from the outset.
- Interstate charges: GST is charged IGST, CGST and SGST for the financial exchange for each state and interstate exchange are charges IGST for each bank.

Findings & Suggestions

- Every one of the banks in India are enrolled under GST at each express, each branch. The exchange is done through the GST demonstration. The banks need to record different returns state-wise, various reviews and appraisals; especially in a circumstance where banks have the presence in pretty much all state and association region of the nation and there are huge number banks situated in every city and region in the state.
- The exchange between two parts of a similar bank situated at two distinct states is assessable under GST which is called coordinated products and administration charge (IGST). When there are such a large number of exchanges from the various parts of a similar bank it will be hard for the banks to follow the exchange and the exchange will be unwieldy. One of the relaxations is the valuation under GST decide that the financial administrations be classified so that incentive for any exchange embraced between an unmistakable individual is regarded to be considered as Nil.
- Under GST the stockpile of administration is characterized in the location of the client gave in the record which has submitted at the hour of opening a record. The purpose of contact of the client will be characterized as the record which is as of now entered in the database of the bank. It is a gigantic undertaking of the banks to discover the client address or the record holder's location of each record holder inside a similar client ID and GST is charged on the individual and the duty was paid to the specific state administration of the client or the record holder.
- GST has made a consistency in the whole great and administration charge in our nation, however the duty forced on different items and administrations of the banks are a lot higher than prior. in the event that arrives at a resolution that financial administrations and items were costlier previously.

Conclusion

The study reveals the reasons that GST is a hazardous and testing activity taken by the administration for practical banking and a uniform expense is forced on every one of the items and administrations. The issues looked by the financial area a featured in this paper so as to see how testing the usage of GST in the financial part was. The banks need to enlist in each state they work in. Every one of the administrations are furnished with a similar assessment pace of 18% aside from stores which is excluded from duty and administrations like ATM withdrawals, input charge credit, check, advances, speculations have a negative effect after the usage of GST which made every one of these administrations over the top expensive to the client, however it produces an enormous add up to the Indian financial area. Under GST Law for banking and other budgetary administrations will be the area of the beneficiary of administrations on the records of the provider of administrations. The financial division has now settled with the present expense rates and embraced the progressions and runs easily.

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