

IMPACT OF IMPLEMENTATION OF GOODS AND SERVICE TAX (GST) ON FINANCIAL PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS IN INDIA

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ABSTRACT

The tax system is the backbone of any developing Country. The Constitution of India, the charter of the country clearly converses about the tax collection and its various aspects. Tax is a fee charged by Government on Products, Activities and Incomes. There are two types of Taxes in India which are Direct Tax and Indirect Tax. Direct tax is levied directly on corporate and personal income. Indirect tax is levied on price of services and products. Collection of Tax is necessary for The purpose of financing public goods and services, such as street lighting, street cleaning, road, dams, utility services etc. India is having the most complicated tax structure in the world, especially Indian indirect tax systems. The mechanism of imposing taxes, exemptions, abatements other benefits is different in different states.

KEYWORDS: GST, CGST, SGST, IGST, UTGST, Financial Performance.

Introduction

GST was first discussed in the Kelkar Task Force Report in 2003 and after 13 years of long journey it was introduced in India. The Goods and Services Tax (GST) is a vast concept that replaced the multiple taxes by supporting and enhancing the economic growth of a country. GST is a comprehensive tax which is levied on manufacturing, sale and consumption of goods and services at a national level. Goods and Services Tax (GST) has been applicable in all over India since 1st July 2017 that replaced multiple cascading taxes earlier which were levied by central and State governments. These are following rates under GST for taxing goods and services 0%, 5%, 12%, 18% and 28%. GST model is divided into four categories that are Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST), Union Territory Goods and Service Tax (UTGST) and Integrated Goods and Service Tax (IGST). Financial performance relates to the act of performing financial activity. It refers to the degree to which financial objectives has been accomplished. It is the process of measuring the results of an undertaking's operations and policies in monetary terms. It is used to measure undertaking's overall financial health over a defined period of time and can also be used to compare similar concerns. Financial performance of selected Public Sector Undertakings will be measured in view of impact of implementation of Goods and Service Tax.

Objectives of the Study

The Research objectives are important aspects of research because it determines the scope, depth and overall direction of the research. The proposed research study will be conducted for fulfilling following objectives:

- To study the impact of implementation of Goods and Service Tax on the profitability of public sector undertakings

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- To analyze the various financial measures in view of Goods and Service Tax (GST) implementation
- To review overall financial performance of public sector undertakings with reference to Goods and Service Tax

Review of Literature

Literature review means deep study of concerned research articles, journals, thesis, books and available information about the subject of chosen research work.

Maheswari, V. (2015) analyzed the financial soundness of the Hero Honda motors limited have identified three factors, namely liquidity position, solvency position and profitability position based on the study of period 2002 to 2010 using ratio analysis.

Research Methodology

The research methodology is the general pattern of organizing the procedure for collecting valid and reliable data for an investigation. It gives a detailed description of the research procedures that are followed during the investigation. It is a systematic process dealing with identifying problem, collecting data, analyzing these data and reaching at certain conclusion either in the form of solution towards the problem concerned or certain generalization for some theoretical formulation. This research study will be based on the secondary data derived from the annual financial reports presented by Public Sector Undertakings. Data relating to history, growth and development of industries will be collected from the books, journals related to industries and published paper, reports and article from the various newspapers, bulletins published by the industries and websites. Field survey will also be conducted to get realistic view of information. As there can be various types of data of sample companies hence, simple random sampling will be useful and will provide for satisfactory results. Random sampling is also more reliable than other sampling method.

- **Research Design**

The Research design for this study will be descriptive as well as analytical. It will be carried out the fulfilling desired objectives and will collect the large number of data from the selected public sector undertakings.

- **Sample Size**

For fulfilling the objective of study, 10 Public Sector Undertakings of different sector will be included in research such as Steel, Coal, zinc, Automobiles, Power industries etc.

- **Method of Data Collection**

The Data will be collected from the primary and secondary sources. Primary data will be collected with the help of questionnaire. That will be served to the selective Public Sector Undertakings on the basis of simple random sampling. Secondary data in view of Financial Reports will be collected with the help of annual reports, websites of corporate sector, journals, magazines and newspapers.

- **Statistical and Presentation Tools**

For the data analysis, various statistical tools like- average, percentages, F-test, Chi-square and other statistical tools will be used for analysis. For the presentation of data, various charts and graph will be also being executed.

- **Sampling Technique**

In Simple random technique, each member of the population has an equal chance of being selected as subject. The entire process of sampling in a single step with each subject selected independently of the other members of the population. In this research, there will be selected Industries, so other sampling techniques will not produce better results in view of the population. By studying the impacts of GST on financial performance of selected PSU's, there will be numerous mathematical equations and information, so Cluster sampling technique will produce better results.

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