

# ANALYSIS OF IMPACT OF GST ON BANKING SECTOR

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## ABSTRACT

GST is one of the most important tax reforms in India. Goods and service tax has impacted the complete structure of Indian banking sector including government sector. With the help of this initiative, indirect taxes that were there in the country are completely removed in an efficient manner. This has proved to be easy administration for the both central and state government. The research carried out the study with the aim to analysis the impact of GST on banking sector. In this research paper we will be illustrating about the impact of goods and service tax on the customer and the different sector like banking one. The researcher used the descriptive type of research design in this study. The data collected by primary collection method. Primary data is gathered by distributing a questionnaire to the employers from the banks. The sample is taken from the employees of the private banks which covers a five different types of banks. The total sample size (N=54) The valuable responses from employees are 54 respectively through questionnaire. The sample has been taken 54 for analysis convenience. For the purpose of analysis and interpretation the researcher used the following statistical tools namely simple percentage analysis, chi- square test, and correlation.

**KEYWORDS :** Impact on banking sector, analysis, good reform.

## I. INTRODUCTION

Goods and Services Tax or GST is one of the biggest indirect tax reforms in the country. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. GST will impacted many fields of the country positively and negatively. It will replace all indirect taxes levied on goods and services by states and Central. Goods and services tax has implemented on 1<sup>st</sup> july 2017 and it adopted dual model in which both central government and state government levied tax on the customers. There are three method to levy tax i.e

1. State GST (SGST) levied by state government
2. Central GST(CGST) levied by central government
3. Integrated GST (IGST) levied by both state and central government.

## II. REVIEW OF LITERATURE

Pandey state that GST or Goods and services tax has impacted many fields but it influenced mainly banking sector. The major problem banking sector had to faced was substantial increase in compliance cost. Banks were required to obtain the registration on state wise. As per the model GST law, banks having many branches in many states and union territories(UT), will be required to separate registration for each state and UT where they operate, so this will have substantially increase in compliance burden on the bank.

According to Nayyar and Singh (2018), GST anticipated to be attracting around 18% interest. The rate is bigger by 3% from the present tax rate of 15%. It increases the cost of financial transaction slightly higher to the customer.

In the research conducted by Bhasin (2017), he stated, Taxability of interest is another impact that banking sector had to face because of the goods and service tax. In the present tax regime of tax, the legislation of service tax doesn't tax interest. But through the use of term of GST service is depicted in a huge manner for covering anything other than goods.

Research conducted by Dahal (2010), examined that GST requires restructuring of accounts, administration, and control mechanism in the IT system and process of banks to be able to maintain financial records of each state separately.

## III OBJECTIVE OF THE STUDY

1. To know the issues faced by the banking sector after the implementation of GST
2. To understand the challenges of the bank and the customers to fulfill the norms
3. To identify tax rate imposed on services provided by the bank
4. To study the benefits and difficulties those are linked to banking sector after implementation of GST.

## IV STATEMENT OF THE PROBLEM

Banking and financial sector is one such area that is predicted to get a little more expensive for the consumers compared to what it is today after the implementation of GST such as state wise registration, maintain separate books of accounts and substantial increase in Compliance. Under this study we analysis how GST have created impact on current indirect tax structure and make it a single tax system throughout nation.

## V RESEARCH METHODOLOGY

1) Research design: Descriptive research

### I. Sample design:

- i. Population: unknown
- ii. Population frame: various bank employees
- iii. Method : snowball sampling
- iv. Sample size: 54

### II. Data collection design

- 1) Data collection method: primary data are first- hand information collected through structured questionnaires.
- 2) Statistical tools : simple percentage method, chi – square method, correlation.

## VI ANALYSIS AND INTERPRETATION

### CHI- SQUARE TEST

#### Hypothesis I

Null hypothesis (H<sub>0</sub>) : There is no significant relationship between educational qualification and knowledge about knowledge about GST on banking sector

Alternative hypothesis (H<sub>1</sub>): There is a significant relationship between educational qualification and knowledge about knowledge about GST on banking sector

#### Chi-Square test

	Value	df	Asymptotic significance (2- sided)
Pearson chi- square	2.846	4	0.584
Likelihood Ratio	3.037	4	0.552
Linear- by- Linear association	1.209	1	0.271
N of valid cases	54		

**INTERPRETATION**

Calculated value 2.846 and Table value 0.584. The table value is greater than 0.05. Therefore H0 is accepted. This shows that there is no relationship between educational qualification and knowledge about GST on banking sector.

**Hypothesis II**

Null hypothesis (H0) : There is no significant relationship between gender and knowledge about GST

Alternative hypothesis (H1) : There is significant relationship between gender and knowledge about GST.

**Chi- square test**

correlation	Value	df	Asymptotic significance (2- sided)
Pearson chi- square	1.105	2	0.576
Likelihood Ratio	1.122	2	0.571
Linear- by- Linear association	0.418	1	0.518
N of valid cases	54		

**INTERPRETATION**

Calculated value 1.105 and significant value. The significant value is greater than 0.05. Therefore H0 is accepted. This shows that there is no relationship between gender and knowledge about impact of GST on banking sector.

**CORRELATION TEST****Hypothesis I**

Null hypothesis( H0): There is no significant relationship between replacement of service tax and increase in transaction cost

Alternative hypothesis (H1): There is significant relationship between replacement of service tax and increase in transaction cost

Correlation		Replacement of service tax	Increase in cost
Replacement of service tax	Pearson Correlation	1	0.365
	Sig. (2-tailed)		0.007
	N	54	54
Increase in cost	Pearson Correlation	0.365	1
	Sig. (2-tailed)	0.007	
	N	54	54

## INTERPRETATION

It is inferred that significance value 0.007 is less than critical value 0.05. Hence  $H_0$  is rejected. This shows that there is a significant relationship between replacement of service tax and increase in cost.

## VII FINDINGS

1. The majority 52% of respondents are knowledge about impact of Goods and Service Tax on banking sector
2. The majority 26% respondents are saying that Goods and Service Tax on banking sector is good reform to India
3. Mostly 39% respondents are agree that Goods and Service Tax is good method to replace service tax
4. The majority 32% respondents are agree that Goods and Service Tax has increased the burden on common man.
5. The majority 43% respondents are agree that Goods and Service Tax on banking sector become more expensive.
6. The majority 37% of the respondents saying that Goods and Service Tax on banking sector has increased cost of compliance.

## VIII SUGGESTIONS

The following major suggestion has been placed through the study

1. The bank should provide necessary training to the employees work with the GST
2. By considering the benefits of customer, the banking sector may withdraw tax demand on free banking services.
3. The hike in the tax rate means, individuals will have to pay Rs.3 more for every Rs.100 paid as charges/fees for banking transaction. So the banks have to increase the number of free limit transaction to their customer.

## IX CONCLUSION

The present study concludes that the cost of financial transaction will be slightly higher for the end customer. Banks will have higher compliance cost due to registration of branches and inter branch services. The upshot of the conclude that GST is a risky and challenging initiative taken by the government for substantial banking and uniform tax imposed on all product and services, the issues faced by the banking sector a highlighted in this paper in order to understand how challenging the implementation of GST in the banking sector was. The banks have to register in each state they operate in. all the services provided with the same tax rate of 18% except deposits which is exempted from tax and services like ATM withdrawals, input tax credit, cheque, loans, investments have negative impact after implementing GST which made all these services very expensive to the customer, but it generates a large amount to the Indian banking sector.

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