

ASSESSMENT OF THE IMPACT OF COVID-19 ON GST COLLECTION IN INDIA

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Abstract

With the origin of COVID-19 in December, 2019 from China, the novel corona virus gradually reached all the countries of the world and has caused severe loss of human lives and damage to the economy of the country. The global economy has been shattered during this pandemic time. India is no exception and various sectors of Indian economy have witnessed severe pandemic consequences. Virus has affected GDP, employment, tax collections and various other aspects of Indian economy. GST which is a combined format of various indirect taxes in India is a significant indicator of economic activities important for the economy of the nation. The present study has been designed to analyze the impact of corona pandemic on GST collections during the period between January 2018 and December 2021, which is a pivotal marker for assessment of the economy.

Keywords: COVID-19, Pandemic, GST, Economy

INTRODUCTION

The first case of corona was reported from Wuhan, China in December 2019. Covid-19 is an infectious disease that can easily pass from an infectious patient to another healthy person. SARS-CoV-2 virus has a bad effect on the respiratory system of humans, which is fatal. The developed, developing and under-developed countries around the world have been severely affected by this deadly disease. India is no exception and the impact of coronavirus pandemic has been largely disruptive in economical and health related aspects. It has caused severe damage not only to the Indian economy but has resulted in large number of death. During this pandemic, there was an increase in the demand for domestic goods, but the supply and production of goods were disrupted due to Lockdown and other reasons. Due to this, where there was a boom in the export of Indian goods before the pandemic, but there was a huge decline in it after the pandemic. As Goods and Services Tax (GST) is an important aspect of the Indian Economy. The current study is an attempt to analyse the effects of Covid on GST collection during pandemic times.

GOODS AND SERVICES TAX (GST) - A PIVOTAL ECONOMIC MARKER

According to Article 366(12A) of Indian Constitution, GST is basically an indirect tax. The Central Government and the State Governments tax the supply of goods and services in the form of CGST and SGST respectively. However, it does not include alcohol intended for human consumption. such as Central Sales Tax (CST), State Value Added Tax (State VAT), Excise Duty and Service Tax. All these have now been replaced by a single tax i.e. GST. After the approval of the GST Council for various bills like CGST, IGST and UTGST

Bill, Compensation Bill, Bill passed in Lok Sabha was passed and after that the Bill passed in Rajya Sabha on 6th April, 2017. And after various GST law was made, Prime Minister Sh. Narendra Modi was launched GST from 1st July 2017. (www.gst.gov.in).

The Goods and Services Tax is a destination-based consumer's consumption tax applied on the purchase of goods and services. It is based on the principal of value addition wherein tax is charged at each stage i.e. from manufacturing till its ultimate consumption and the tax paid at previous stages is allowed as credit by the way of compensation. In India, the Goods and Services Tax is a harmonised indirect tax. GST reflects economic activities in a way, as well as the growth in the economy can be measured by GST collection. Production, trade, business, commerce are included in this activities (Kapasi and Kurmi, 2021).

REVIEW OF LITERATURE

Several studies and research have been undertaken to evaluate the impact of the corona pandemic on the world economy. and the economy of specific countries. Various economic, financial and health agencies have also performed investigative research to analyze the economic effect of Covid-19 regarding various economic indicators and economic, health and other sectors. However, very few studies have discussed the impact of covid on economy in Indian context, especially regarding GST collection during the pandemic times. Some significant studies discussing the impact of Covid on economy of India and world are mentioned below.

Agarwal and Singh (2020), concentrated their study on the influence of the corona pandemic. They discussed the effect of corona on different areas of the Indian economy and also the government policies during the pandemic times. Various sectors have been discussed but not much emphasis has been given to the tax aspect of the economy.

Susilawati et al. (2020), discussed the fluctuating economic conditions in Indonesia during corona pandemic. Detailed data analysis suggested that the pandemic had deeply impacted the economy of Indonesia especially various sectors such as transportation, tourism, trade, health and other sectors and most importantly the household sector.

Poddar and Yadav (2020), mention that that around 170 countries, all across the continents are suffering miserably in the absence of a suitable vaccination program to embark upon the virus in order to control it. Lockdown has been successfully implemented in a number of countries as it has been found to be effective in controlling the spread of the virus. On one hand it is effective against spread of virus and on the other hand it is simultaneously affecting the economy of the nations and eventually the global economic condition. He estimated in his analysis that this could lead to the largest global decline in 100 years, for which India would bear the brunt.

Dev and Sengupta (2020), have considered the corona outbreak as an unprecedented shock to the Indian economy. The demand and supply chain has been disturbed due to the arrival of Covid-19 and the lockdown in many countries of the world. The economic condition of many countries has become very pathetic. It had a big impact on India too. But the Government of India and RBI have been delaying new policies from time to time to get out of this recession and this crisis. Which helped the general public to improve their economic condition, as well as the country's economy also got back on track.

Verma et al. (2020), The author investigated the impact of Demonetization, GST, and Covid-19 on the Indian economy in this article. Demonetization and GST were policies implemented to help the Indian economy. Whereas Covid-19 has had a negative impact on both the Indian and global economies, leading to the economy's collapse. The author also highlighted the upsides and downsides of demonetization, GST, and Covid.

Feyisa (2020), in the review study mention that like earlier pandemics affecting the world, the impact of Covid is not only on human health but also on the economy of the country. And its impact is not going to end very soon; it will take a long time to recover for it. The author has also shown the impact of Covid on Unemployment, GDP, Poverty, Manufacturing Sector, and Service Sector. But an accurate assessment of the impact of COVID will be quick in percentage time, with the correct assessment being made over time.

OBJECTIVES

The present study is based on the objective of assessing the impact of Covid-19 on the GST collection during the pandemic times

HYPOTHESIS OF THE STUDY

The following hypothesis has been suggested in accordance with the objectives of the present research investigation-

H₀- Null Hypothesis- there is no significant difference of GST collection in pre pandemic times and during pandemic times.

H₁- Alternate Hypothesis- there is significant difference of GST collection in pre pandemic times and during pandemic times.

METHODOLOGY

The present study was undertaken for the period between January, 2018 and December, 2021. The study is based on the collection of Secondary Data. The secondary data regarding GST collection was procured from various official sites of GST council, Ministry of Statistics

and Implementation and Press Information Bureau. The study is analytical and descriptive in nature. The data collected has been converted according to whole price index in 2021. Although the data has been collected for a period of four complete years, for data interpretation, specific time of 9 months of the selected years has been used for data interpretation as these were the months when the pandemic was at its peak. Various statistical tools have been used for analysis and interpretation of the data.

RESULTS AND DISCUSSION

Goods and Services Tax in India is a harmonized indirect tax. Various important indirect taxes are included with the GST. GST collection can be regarded as a direct or indirect indicator of the status of Indian economy i.e. the status of various activities such as trade, commerce, production and consumption concerning various sectors of the economy.

Goods and Services Tax includes various taxes such as CGST, SGST, UTGST and IGST. However in the present study gross values of GST collection have been used for data interpretation. Gross values were collected from January 2018 to December 2021. The gross value of GST collection during the study period are presented in the Table 1. Table 2 presents the whole price index.

Table 1: Gross GST Collection between Jan 2018 and December 2021 (Rs in 100 Crore) and Growth Rate Year-over-Year (YOY in %)

Months	2018	2019	Growth Rate 2018 to 2019	2020	Growth Rate 2019 to 2020	2021	GrowthRate 2020 to 2021
Jan	898	1025	14.1	1108	8.1	1198	8.1
Feb	859	972	13.1	1053	8.4	1131	7.4
Mar	921	1065	15.6	975	-8.4	1239	27
Apr	1,034	1138	10.1	321	-71.8	1413	339.6
May	940	1002	6.7	621	-38.0	1027	65.3
Jun	956	999	4.5	909	-9.0	928	2.1
Jul	964	1020	5.8	874	-14.4	1163	33.1
Aug	939	982	4.5	864	-11.9	1120	22.8
Sep	944	919	-2.7	954	3.9	1170	22.5
Oct	1007	953	-5.3	1051	10.3	1301	23.7
Nov	976	1034	6.0	1049	1.4	1315	25.3
Dec	947	1031	8.9	1151	11.6	1297	12.7

Table 2: Whole Price Index

Year (WPI)	2018	2019	2020	2021	2021/2018	2021/2019	2021/2020
January	116	119.2	123.4	126.5	109.1	106.1	102.5
February	116.1	119.5	122.2	128.1	110.3	107.2	104.8
March	116.3	119.9	120.4	129.9	111.7	108.3	107.9
April	117.3	121.1	119.2	132	112.5	109.0	110.7
May	118.3	121.6	117.5	132.9	112.3	109.3	113.1
June	119.1	121.5	119.3	133.7	112.3	110.0	112.0
July	119.9	121.3	121	135	112.6	111.3	111.6
August	120.1	121.5	122	136.2	113.4	112.1	111.6
September	120.9	121.3	122.9	137.4	113.6	113.3	111.8
October	122	122	123.8	140.7	115.3	115.3	113.7
November	121.6	122.3	124.2	142.9	117.5	116.8	115.1
December	119.7	123	126.2	142.4	119.0	115.8	112.8

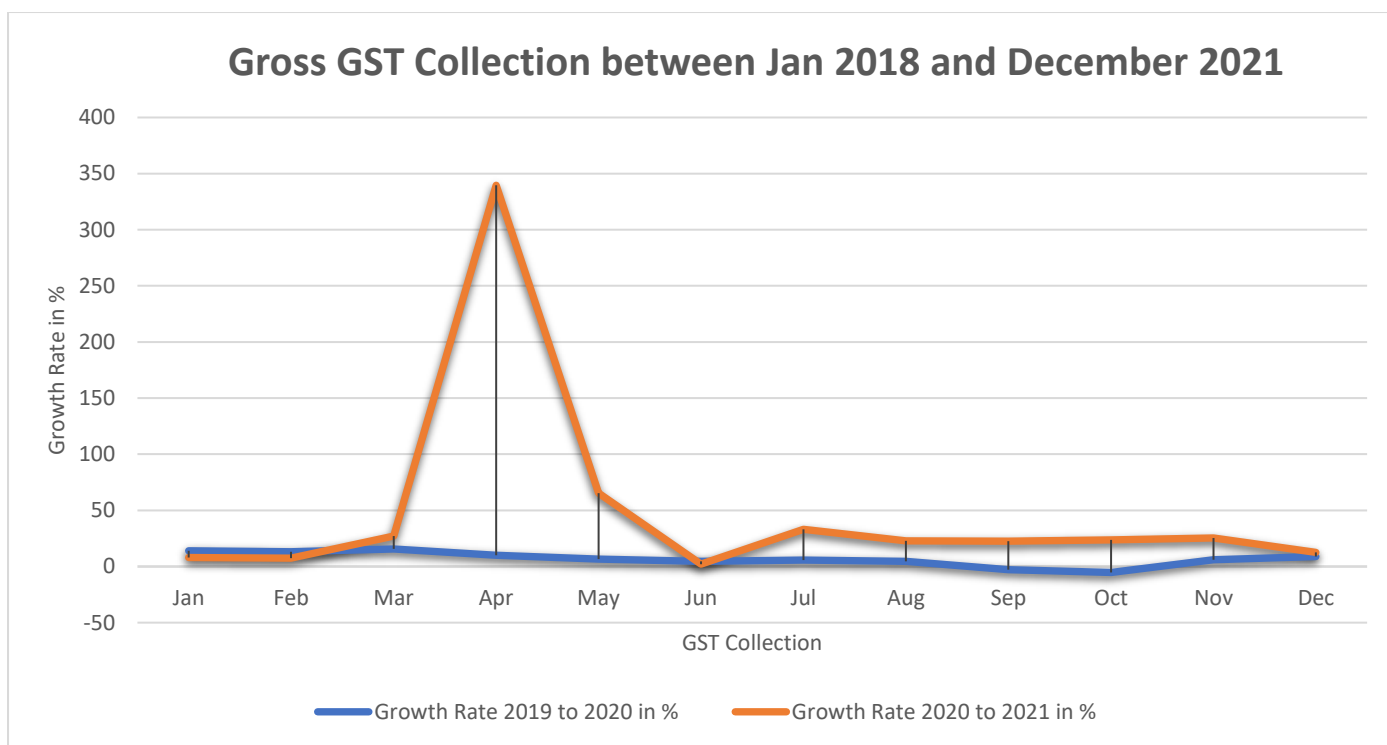


Table 3: GST Collection at 2021 Price Level and Monthly Average of GST collected

Months	GST collection in 2018 at 2021 price level (Amount in Rs Crore)	GST collection in 2019 at 2021 price level (Amount in Rs Crore)	Monthly Average (2018, 2019)	GST collection in 2020 at 2021 price level (Amount in Rs Crore)	GST collection in 2021 (Amount in Rs Crore)	Monthly Average (2020, 2021)	GST Gain/Loss (Rs. In Crore)
January	97909.25	108653.18	103281.22	114152.84	119847	116999.92	13718.7
February	94558.20	104054.29	99306.25	110634.30	113143	111888.65	12582.4
March	103227.04	115103.16	109165.10	105404.76	123902	114653.38	5488.28
April	116908.67	124112.85	120510.76	35710.92	141384	88547.46	-31963.3
May	105297.92	120215.01	112756.47	70230.63	102709	86469.82	-26286.65
June	107083.20	109932.90	108508.05	101827.04	92849	97338.02	-11170.03
July	109025.79	113312.13	111168.96	97912.64	116393	107152.82	-4016.14
August	106174.80	109986.24	108080.52	96822.88	112020	104421.44	-3659.08
September	107663.88	103865.08	105764.48	106937.60	117010	111973.8	6209.32
October	115816.50	109685.85	112751.18	119876.7	130127	125001.85	12250.67
November	115211.66	121084.47	118148.07	120707.45	131526	126116.73	7968.66
December	112722.75	119693.44	116208.10	130146.62	129780	129963.31	13755.21

Source- <https://gstcouncil.gov.in/gst-revenue>

Table 4: Table representing t-Test statistical values

Characteristic	Sample 1 Monthly Average (2018, 2019)	Sample 2 Monthly Average (2020, 2021)
Mean	112655.1767	108553.9167

Variance	24042686.45	260230881.9
Observations	9	9
Pearson Correlation	0.09268711	
Hypothesized Mean Difference	0	
df	8	
t Stat	0.74932467	
P(T<=t) two-tail	0.475115987	
t Critical two-tail	2.306004135	

The data in table 1 clearly shows that the GST collection declined in the months of April, May, June, July and August months of 2020 in comparison to earlier years. Not much of an increase was also not observed in the month of September and November 2020. However a considerable increase in GST collection is evident in same months in 2021. A significant growth rate of 339.6% and 65.3% was seen in April and May Months of 2021. Table 3 summarizes the Gross GST collection at 2021 price level in order to adjust the inflation factor. A significant decline in GST collection was observed in the months of April, May, June, July and August in 2020 and 2021 in comparison to 2018 and 2019. A significant gain in GST collection is apparent in the months of January and December. It should be noted that these were the months in which economic activities speeded up as the result of relaxations in various restrictions. The t-Test Statistical analysis is presenting a different aspect. The p-value of (0.475) is significantly greater than 0.05, the null hypothesis cannot be rejected i.e. no significant difference between GST collection in perceived times and during Covid times. This can be observed that the pandemic has affected different sectors of the economy differently and there is unevenness both in the spread of Covid and in the GST collections from different sectors during different months. The statistical analysis has been performed on Gross GST and on an overall basis.

It is evident from the above data, specifically from gain and loss of GST collection in specific months that as the unlocking phase began in different phases, the amount of GST collection also increased. Thus, along with the unlocking period the GST collection also increased as the various sectors became functional and different activities also regained their normal levels. As GST collection is a significant marker of various aspects of economy such as trade and commerce, production, business, transportation, distribution channel and consumption of goods in the country, an increase in the GST collection is indicative of an increment in all these aspects and thereby indicative of the improvement in economy of India. The data also suggests that Covid pandemic severely affected Indian economy which is evident from lower values of GST collection during the lockdown period.

CONCLUSION

Thus, it can be concluded Covid has severely damaged the Indian economy in various aspects such as trade, commerce, employment, production, distribution, consumption etc. GST is a significant marker which can be used to assess the status of economy along with other economical parameters. The decline in GST collection during pandemic times is pointing out towards the need of developing a sustainable economic model by adopting advanced concepts such as localization, cash conservation, supply chain resilience and innovation etc, in order to maintain a stable growth of the economy during such disastrous situations.

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