IMPACT OF CHANGES IN GST RATES ON INVESTMENTS IN THE FINANCIAL INSTRUMENTS OF THE BANKING SECTOR

Prof. Satyajitsinh Gohil*1, Kriya Paraskumar Pattani*2, Urvashi Pokar*3

*1Assistant Professor, Parul University, Vadodara, Gujrat, India.
*2,3Student Parul University, Vadodara, Gujrat, India.

DOI: https://www.doi.org/10.56726/IRJMETS33852

ABSTRACT

One of the largest and most lucrative industries in our economy is banking. The primary goal of researching how the GST would affect business is to prevent double taxation on products and services. It is a self-managed tax system with a simplified tax structure that lowers the number of taxes. The goal of this research is to understand the difficulties the banking industry has experienced and how the adoption of the GST has affected clients. By eliminating centralized registration of banks, the new tax system took a remarkable stride. For effective operation, all bank branches must now register for GST in each state. The tax rate has given the banking industry the idea that it is making a significant contribution to the nation's economic growth. Another significant and crucial topic covered in this essay is the enormous growth in tax slabs since the implementation of the previous tax system. Journals, the internet, and news items have all served as secondary data sources for the research. Advantages, benefits, restrictions, and drawbacks for both banks and clients with regard to GST payment are discovered using the ABCD qualitative analysis approach.

Keywords: GST, Debit Cards, Credit Cards, Banks, Securities, Liability.

I. INTRODUCTION

The study considers how the banking industry would be affected by the adoption of the GST. Additionally, it clarified how tax rates applied to various bank goods and services impact clients. According to a press source, the implementation of the GST (Goods and Service Tax) significantly altered the nation's whole tax structure and had an impact on 1121 different commodities. Value-added Tax (VAT), which was levied on goods and services, has been replaced by GST. On July 1st of 2017, the federal and state governments in India adopted the GST, an indirect tax that was applied throughout the country and replaced the various and compound taxes levied on a wide range of products and services. The GST tax system imposes rates of 0%, 5%, 12%, 18%, and 28% on goods and services. Several goods, including luxury autos, tobacco products, and carbonated beverages, are subject to the GST. In the banking industry, there has been a significant shift since practically all goods and services now have higher tax rates than they had in the past and. The GST’s ability to prevent double taxation on goods and services is a significant benefit. One of the primary ways that the government makes money is via taxes. Government projects and other public welfare initiatives are funded in part by tax revenue. It is essential to the development of the nation's economy.

II. LITERATURE REVIEW

Rishi Santosh Raghavendra (2016): This paper explains how bank services are now taxed at a rate of 14.5% but under the GST system are anticipated to cost more at a standard rate of 17–18%. Several banking operations are now excluded from service tax, such as interest paid on deposits and savings bank accounts and the disbursement of loans. These operations would normally be subject to GST unless specifically exempted. Many services offered to the poorer segments of society run the risk of being taxed or excluded, which would raise the cost of the services.

Sunshine Dhawan (2017): As a result of the government’s inclusion of the GST law’s lower 18% tax band, the author of this article discusses how transaction fees in the financial services industry are anticipated to rise. A person would now have to pay an additional Rs 3 for every Rs 100 they previously paid in fees for banking transactions since these services were previously taxed at 15%.

Meena (2018): This paper explains the adjustments that must be made to the banking business in the wake of the adoption of the goods and services tax as well as some of the problems, challenges, and advantages that accrue to the banking sector.
Savitri (2018): The author of this essay focuses on how transaction costs for financial services would change before and after the adoption of the GST and how service fees charged by banks rose or increased from 15% to 18% using the example of ATMs.

Rebecca R. (2018): After the Goods and Services Tax was implemented, the banking industry experienced challenges that had an impact on customers. The author of this article also discusses the tax slabs, which have significantly grown in comparison to the previous tax system.

The author uses the ABCD qualitative analysis approach as well to understand the advantages, benefits, limits, and drawbacks for both the banking industry and the general public.

III. PROBLEM STATEMENT

Therefore, the purpose of this research study is to examine the impact of changes in GST rates on investment in financial instruments of the banking sector. The study aims to determine the extent to which changes in GST rates affect the investment behaviour of individual investors and institutional investors in the banking sector. Additionally, the research will also identify the factors that influence investment decisions in the banking sector and determine whether GST rate changes have a differential impact on different financial instrument within the sector. The findings of this study will help investors, policymakers, and financial analysts to understand the impact of GST rate changes on investment in the banking sector and make informed investment decisions.

IV. OBJECTIVES OF THE STUDY

➢ To research the obligations in the event that Indian public sector banks register to pay GST.
➢ To be aware of the problems the banking industry is now experiencing as a result of the GST.
➢ To understand the problems the banking industry is having after the implementation of the GST.

V. METHODOLOGY

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Particulars</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Methods of Data Collection</td>
<td>Primary Data and Secondary Data.</td>
</tr>
<tr>
<td>2.</td>
<td>Sampling Technique</td>
<td>Non Probability Sampling</td>
</tr>
<tr>
<td>3.</td>
<td>Sample Size</td>
<td>100</td>
</tr>
<tr>
<td>4.</td>
<td>Duration of Research</td>
<td>6 Months</td>
</tr>
<tr>
<td>5.</td>
<td>Plan of Analysis</td>
<td>Table, Pie charts and Bar Graphs</td>
</tr>
<tr>
<td>6.</td>
<td>Data Collection Method</td>
<td>Questionnaire (Open ended Questions)</td>
</tr>
<tr>
<td>7.</td>
<td>Sampling Method</td>
<td>Simple Random Sampling</td>
</tr>
</tbody>
</table>

Method and analysis which is performed in your research work should be written in this section. A simple strategy to follow is to use keywords from your title in first few sentences.

Subheading
Subheading should be Font Size- 10pt, Font Type- Cambria, justified.

Subheading
Subheading should be 10pt Times new Roman,

VI. DATA INTERPRETATION AND ANALYSIS

1. Gender-Based Segmentation of Customers Who Use GST Banking Services:
Interpretation:
According to the results, 67% of respondents who use Online banking services are male, while 33% of respondents are female.

2. Grouping consumers of GST banking by age?

Interpretation:
In the following table users of online banking by age, 37% of respondents are under the age of 20, 25% are between the ages of 21 and 30, 16% are between the ages of 31 and 40, 13% are between the ages of 41 and 50, while 9% are beyond the age of 50.

3. Income-based categories.

Interpretation:
This survey found that among those who use green banking, 20% had annual incomes of less than 10,000, 18% have incomes of 10,000 to $25,000, 40% have annual incomes of 25,000 to 50,000, and 22% have annual incomes of 50,000 or more.

4. Do they offer time-sensitive services at GST banking system?
Interpretation:
According to the research, 82% of respondents believe that the Online banking provides time-sensitive services.

5. Do you believe the GST revolution is changing the financial world?

![Bar Chart]

Interpretation:
From the data shown above, it is clear that 95% of respondents agree that they are using online banking system.

6. Do you agree that banking with GST is secure?

![Pie Chart]

Interpretation:
From the data shown above, we can see that 45% of respondents are in agreement with the statement "GST banking is safe," while 25% are in agreement and 2% are in severe disagreement.

7. GST banking offers more than conventional banking does?

![Pie Chart]

Interpretation:
No respondents disagree.
Interpretation:
Based on the data provided, GST banking provides more offers than traditional banking (62% of respondents) Agree, (38%) Disagree.

8. Towards covid19, a ranking of GST payment services

Interpretation:
The findings above reveal that 45 percent of respondents agree, 18 percent are undecided, and 5 percent disagree that After covid19, a rating of digital payment providers is a more effective. 30 percent of respondents definitely agree.

9. The use of GST banking has increased?

Interpretation:
According to 45 percent of respondents, there is a greater reliance on receiving money.; 25 percent agree; 18 percent are indifferent; and 10 percent and 2 percent, respectively disagree to above question.
The maximum loan amount that may be extended through GST payments is 100,000.

Interpretation:
 According to the numbers up top the results show that 53% of respondents are Strongly agreeing that you can acquire exact number, 20% are agreeing, 12% are neutral, and the rest are either disagreeing or strongly disagreeing.

VII. CONCLUSION

➢ The rapid development of technology has allowed corporations to centralize their operations around computers. Innovation can be found in many different industries, and one of them is financial technology, which provides digital versions of traditional financial services and products.
➢ Strategies for Breaking into and Leaving the Financial Technology Industry Financial sector competition is facilitated by a kind of automated financial service that is fundamentally in today's GST landscape, simplicity, ease, and utility are paramount.
➢ People must make regular use of GST. In addition, GST companies design cutting-edge advertising strategies that attract customers with new features like discounts, promo programs, and partnerships with several tenants, retailers, transportation service providers, and coupon suppliers.
➢ GST's potential to affect the banking industry, in particular, has garnered a lot of interest from the general public since its inception.
➢ Businesses in the financial technology (GST) sector are considered as innovative disruptors of the traditional banking system because of the cutting-edge products and services they provide.
➢ GST financial services are revolutionizing the banking sector by allowing customers to transact business via a variety of digital channels, including the web, social media, and mobile devices.
➢ Because there are no longer any physical locations where customers may visit a bank, the institution is less reliant on such locations.
➢ While some GST firms use blockchain technology to boost security as a competitive advantage, others do not, potentially putting customers' personal information at risk.
➢ The GST sector is now facing a number of significant issues, including but not limited to: data and payment security, compliance, a lack of end-user awareness, operating with traditional systems like banks, and assuring both user retention and user experience.
➢ One barrier to entry for new enterprises in the GST industry is the high cost of developing appropriate software.

VIII. REFERENCES


