

## 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 has spread to almost every country 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 times. 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.*

*Key words- COVID-19, pandemic, GST, economy*

### Introduction

**C**oronavirus disease 2019 or commonly known as COVID-19, is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). It was in December 2019 that the first case was identified from Wuhan in China. Since then the disease has spread throughout the world leading to an ongoing pandemic. 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. Almost every sector has been badly affected as domestic demand and exports sharply reduced with some notable exceptions where high growth was observed. As Goods and Services Tax (GST) is an important aspect of the Indian Economy, the present study is an endeavor to assess the impact of COVID on the collection of GST during the pandemic times.

### Goods And Services Tax (GST) -A Pivotal Economic Marker

According to Article 366(12A) of Indian Constitution, GST is a tax on supply of goods and services or both except supply of alcoholic liquor for human consumption. It is basically an Indirect Tax which is effective from 2017. Prior to introduction of GST several indirect taxes were levied by the Central Government and various State Governments 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 GST Council for various bills such as the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), they were passed by the Lok Sabha on 29th March, 2017. The Rajya Sabha passed these Bills on 6th April, 2017. Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, GST was launched with effect from 1st July 2017 by Prime Minister, Sh. Narendra Modi ([www.gst.gov.in](http://www.gst.gov.in)).

Goods and Services Tax is a destination based consumption tax which is levied on the

consumption 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. Goods and Services Tax in India is a harmonized indirect tax. Various important indirect taxes are included with the GST. It indicates economic activities in terms of production, trade, commerce, and consumption. Indirectly it also denotes the extent of employment in India. Hence, the economic impact can be assessed through the quantum of collection of GST (Kapasi and Kurmi, 2021).

### Review Of Literature

Numerous studies have been undertaken to assess the effect of corona pandemic on world economy and the economy of specific countries. Various economic and financial agencies have also performed investigative studies to assess the impact of COVID-19 on economy regarding various economic indicators and economic 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 various sectors 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. They have suggested in their study that it might bring the biggest slowdown of 100 years in the world and India might face an extremely severe effect of this natural phenomenon.

Dev and Sengupta, 2020, have considered the corona outbreak as an unprecedented shock to the Indian economy. As a result of the country-wide lockdown, global economic recession and linked disturbance of demand and supply chains, the economy is likely to face a prolonged period of slowdown. They have described the state of the Indian economy in the pre-COVID period, assessed the likely influence of the shock on various sections of the economy, investigated the policies that have been implemented by the central government and the Reserve Bank of India to recover the economic crisis and have also suggested measures for improvement of specific sectors. However no discussion on GST in relation to COVID has been done.

Verma et al., 2020, have discussed Demonetization, Goods and Service Tax (GST) and COVID-19 in their study. According to them, demonetization and GST were the part of the government's policy decisions to strengthen the economy and COVID-19 is the global pandemic which has shaken all the world economies. The Indian economy has been affected to a great extent by all three of them. They have discussed the positive and negative aspects of the trio of demonetization, GST and COVID. The study provides evidence that the trio was involved in affecting the Gross Domestic Product (GDP) and employment growth of the country.

Acikgoz and Gunay, 2020, describe the effects of COVID on world and Turkish economy. They state that individuals infected by the COVID-19 potentially are at risk of health and economic well-being and it is a global issue which has brought the world economy at halt. In this context, this study aims to discuss the potential first reactions of short and long term global economic impacts of the pandemic through sectors by assessing its costs according to the data announced for both the world

and Turkey. In addition, this study has also presented possible economic and political scenarios for the post-pandemic world. They analyzed the severe adverse effects of COVID on the employees, customers, supply chains and financial markets. They have concluded that the recovery of the world economy will take some time and the pandemic will cause drastic changes especially in health, security, trade, employment, agriculture, manufacturing goods production and science policies.

Feyisa, 2020 in the review study mention that like earlier pandemics affecting the world, corona is not only a public health threat, but also an economic threat. The study states that the economic impact of a pandemic may not be long-lasting if the underlying cause is contained quickly. Currently the world is seriously affected by COVID-19 outbreak. Considering the evolving nature of the situation, it is too early to estimate the full impact of COVID-19 on the world economy. The conclusion of the review point out the effect of COVID on macro-economic variables like: economic growth, unemployment and poverty level. Besides, the review also reflects the sectoral impacts of COVID-19 on manufacturing, service, trade, tourism & aviation and education sectors of the world economy.

### Objectives

The present research study was designed with 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 Crore)  
and Growth Rate Year-over-Year (YOY in %)**

Months	2018	2019	Growth Rate 2018 to 2019	2020	Growth Rate 2019 to 2020	2021	Growth Rate 2020 to 2021
January	89,825	1,02,503	14.11	1,10,828	8.12	119847	8.1
February	85,962	97,247	13.13	1,05,366	8.35	113143	7.4
March	92,167	1,06,577	15.63	97,597	-8.43	123902	27
April	1,03,459	1,13,865	10.06	32,172	-71.75	141384	339.6
May	94,016	1,00,289	6.67	62,151	-38.03	102709	65.3
June	95,610	99,939	4.53	90,917	-9.03	92849	2.1
July	96,483	1,02,083	5.80	87,422	-14.36	116393	33.1
August	93,960	98,202	4.51	86,449	-11.97	112020	22.8
September	94,442	91,916	-2.67	95,480	3.88	117010	22.5
October	1,00,710	95,379	-5.29	1,05,155	10.25	130127	23.7
November	97,637	1,03,491	6.00	1,04,963	1.42	131526	25.3
December	94,725	1,03,184	8.93	1,15,174	11.62	129780	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	Amount of GST collected in 2018 at 2021 price level (Rs. In Crore)	Amount of GST collected in 2019 at 2021 price level (Rs. In Crore)	Monthly Average (2018, 2019)	Amount of GST Collected in 2020 at 2021 price level (Rs. In Crore)	Amount of GST Collected in 2021	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

<b>May</b>	105297.92	120215.01	112756.47	70230.63	102709	86469.82	- <b>26286.65</b>
<b>June</b>	107083.20	109932.90	108508.05	101827.04	92849	97338.02	- <b>11170.03</b>
<b>July</b>	109025.79	113312.13	111168.96	97912.64	116393	107152.82	<b>-4016.14</b>
<b>August</b>	106174.80	109986.24	108080.52	96822.88	112020	104421.44	<b>-3659.08</b>
<b>September</b>	107663.88	103865.08	105764.48	106937.60	117010	111973.8	<b>6209.32</b>
<b>October</b>	115816.50	109685.85	112751.18	119876.7	130127	125001.85	<b>12250.67</b>
<b>November</b>	115211.66	121084.47	118148.07	120707.45	131526	126116.73	<b>7968.66</b>
<b>December</b>	<b>112722.75</b>	<b>119693.44</b>	<b>116208.10</b>	<b>130146.62</b>	<b>129780</b>	<b>129963.31</b>	<b>13755.21</b>

**Table 4: Table representing t-Test statistical values**

Characteristic	Sample 1 Monthly Average (2018, 2019)	Sample 2 Monthly Average (2020, 2021)
<b>Mean</b>	112655.1767	108553.9167
<b>Variance</b>	24042686.45	260230881.9
<b>Observations</b>	9	9
<b>Pearson Correlation</b>	0.09268711	
<b>Hypothesized Mean Difference</b>	0	
<b>df</b>	8	
<b>t Stat</b>	0.74932467	
<b>P(T&lt;=t) two-tail</b>	0.475115987	
<b>t Critical two-tail</b>	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 pre-COVID times and during COVID times. This can be attributed to the fact 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, distribution 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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