

## **A Review of Goods and Services Tax (GST): Impact on Indian Stock exchanges and various stock Sectors.**

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### **Abstract**

Till such time as GST fears subside, it is good to look at stocks outside the Sensex. For those with strong nerves, it would make sense to play the contrarian game, ahead of the RBI's credit policy change in August. Analysts believe the short-term impact of GST could be neutral to negative and positive, though this huge tax overhaul is expected to give further direction to the economy and markets. There are expectations that GST will boost India's GDP growth by 150-200 basis points in the coming years. However, the rollout may impact first quarter earnings of India Inc, as companies will take some time to align their production processes with the new framework, adjust to the input tax credit system and get a handle on their working capital requirements. Input credit allows a seller to reduce the tax burden being paid by claiming offset for the taxes already paid on inputs.

### **Introduction**

Before we have spoken of how the stock market will be affected by this bill, we need to understand what? how? why? where? of GST Bill. GST, Like Sinbad the Sailor, has over the last 14 years really traversed a torturous route and like the ship-wrecked sailors, landing on unknown shores, it has come goods to Indian shores, There are too many uncertainties and fears surrounding GST's coming. It will be some time before investors and analyst are able to figure out, who will be gainers and who will be losers. It was uncertainly that made investors a litter wary ahead of the advent of GST, as they invariably get spooked by uncertainties. GST will incorporate all current indirect taxes being levied by both the Centre and states, except basic customs duties and a few state and local taxes. Under the GST, tax rates have been fixed in four slabs — 5 per cent, 12 per cent, 18 per cent and 28 per cent — while certain basic goods and important services have been exempted from it. GST is one of the biggest tax reforms to be rolled out, it would go on to boost the positive sentiment for the markets. As such,

sectors which could see a benefit due to the GST rates would include FMCG, banking sector, Micro Finance sector, utilities and other metal companies that use coal as an input, dairy, etc.

### **Review of literature**

- Empowered Committee of Finance Ministers (2009) introduced their First Discussion Paper on Goods and Services Tax in India which analyzed the structure and loopholes if any in GST.
- Indirect Taxes Committee of Institute of Chartered Accountants of India (ICAI) (2015) submitted a PPT naming Goods and Service Tax (GST) which stated in brief details of the GST and its positive impact on economy and various stakeholders
- The Institute of Companies Secretaries of India (ICSI) (2015) published a Reference on Goods and Service Tax to provide the information on the concept of GST in details.
- Sijbren (2013): Sijbren and others suggested, A modern goods and services to alleviate the problems of India's current indirect tax system.

### **Objectives of the GST**

The study has been geared towards achieving the following objectives:

1. To understand the uncertainties ahead of GST.
2. To analyze effects on banking sector share before and after GST implementation.
3. To study impact of various sectors in stock market before and after GST implementations.
4. To study impact of GST in Finance and loan companies.

This was evident in the Sensex, which dipped by 200 points in June to close the half years at 30922. However, the Sensex has notched gains of 16 percents since January 2017 and, going forward, once the fears relating to GST are laid to rest, another such rally in the second half cannot be ruled out. For one, there is enough liquidity in the market, as is evident from the huge responses received by the IPOS, Net below Rs. 55,000 crore. And most importantly hope, which is waiting in the wings, is likely to start asserting itself on reports of well –spread, above average rainfall, till date. The consumptions story also got a little stronger with the seventh pay commission finalizing allowances of government employees.

Before GST The pronouncement by the RBI , mandating banks to provide 50-100 per cent provisions in respect of NPS cases referred under the insolvency & Bankruptcy code 2016.SBI got beaten down by Rs.20 since its high of Rs.294. Canara Bank lost 10 percents in the month. Other banks, including ICICI Bank which went ex-bonus, and Axis, were also likewise impacted negatively. A host of banks are amongst its marquee shareholders including HDFC , which has the largest stake at 7 percent .

The above cited table shows the list of bank stocks market of SBI, Canara Bank, ICICI Bank, Axis Bank, HDFC Bank, Bank of India, Bank of Baroda, and Bank of Maharashtra. Before GST implementation were bank stocks market prices (14.6.17) 284.09, 354.27, 290.00, 509.28, 1669.45, 139.55, 172.51 and 30.34 respectively. These Stocks prices were affected after GST implementation as mentioned in the table were (14.8.17) 278.34, 330.99, 290.77, 492.01, 1758.24, 143.81, 146.17 and 26.75 respectively. The Analysis of this fingers status that some of the bank stock prices were increase after the GST implementation while other stock prices were decrease. So It is conclusion that GST is No impact of bank stock prices.

Name of stock	Before GST implementation Stock price (14.6.17)	Stock price (31.7.17)	After GST implementation Stock Price (14.8.17)
State bank of India	284.09	311.44	278.34
Canara Bank	354.27	368.27	330.99
ICICI Bank	290.00	302.36	290.77
Axis Bank	509.28	519.60	492.01
HDFC Bank	1669.45	1785.42	1758.24
Bank of India	139.55	165.49	143.81
Bank of Baroda	172.51	166.35	146.17
Bank of Maharashtra	30.34	29.05	26.75

Source:-www. Money control.com

Before GST implementation two star performers of the fortnight were Aditya Birla Nuvo and Grasim, both of which were scaling new highs ahead of their amalgamation date, which has been fixed at 5 July. ABNL in particular got a shot in the aim, with Azim prenji's investment taking a 2.2 per cents stake in the company for Rs. 700 crore, valuing the company at Rs. 32,000 crore, ahead of its listing, along with the merger. Bajaj finance, other stalwart in the NBFC space, continued its spiral upwards and, at the current price of Rs. 1,374 was valued at Rs.75,560. Crore.

Companies	Nov	Dec	Jan	Fed	March	April	May	June
Micro Finance	-63.2	-71.4	-56.5	-42.3	-5.8	-47.8	-11.3	-15.3
Ascent finance	-14.6	9.2	-6.9	-2.5	48.7	-10.4	1.1	22.8
Lone Companies	-24.7	-22.5	-19.3	-12.6	39.9	4.5	7.1	13.0

Source:- RBI

There are three main reasons that micro finance market and other finance companies last nine month is negative first one is demonetization , GST rates and last one UP and Maharashtra Government announced waiving off agriculturists Bank Loan amount.

Name of stock	Before GST implementation Stock price (14.6.17)	Stock price (31.7.17)	After GST implementation Stock Price (14.8.17)
Jet Airways (India) Ltd.	495.84	473.34	615.34
Infosys	957.62	1013.17	981.90
UltraTech Cement Ltd.	4052.43	4060.52	3952.46

Source:-Money Control

The above cited table shows the list of various stocks Sectors like that Jet Airways (India)Ltd, Infosys, and Ultra Tech Cement Ltd. Before GST implementation were various stocks market prices (14.6.17) 495.84, 957.62 and 4052.43 respectively. These Stocks prices were affected after GST implementation as mentioned in the table were (14.8.17) 615.34, 981.90 and 3952.46 respectively. The Analysis of this fingers status that some of the various stock prices were increase after the GST implementation while only UltraTech Cement Ltd stock prices were decrease. So It is conclusion that GST is positive impact of various stock prices.

The other goods news for the Aditya group was the closure of the UltraTech Cement deal with Japye, making it the largest cement company in the country, with a capacity of nearly 94 million tpa Surprisingly, the share of UltraTech cement, Which had marked a 52-weeks high of 4,531 on 16 May.

### Conclusions

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Thus, necessary steps should be taken.

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