

ACCUMULATED GOODS & SERVICE TAX (GST) REFUND AND ITS ADVERSE IMPACT ON BUSINESS PERFORMANCE

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Abstract

The implementation of GST helped in absorbing too many prevailing indirect taxes at the State and Center level which has rightly been viewed as the boldest tax reform undertaken in the Independent India. However, it was observed that it could not absorb many problems that persisted in the earlier system of Indirect Taxes such as GST rate disharmony, accumulation of GST refunds, fraud and tax evasion, documentation complexities and many more. Among all these problems the most serious issue is the agglomeration of GST refunds which has made a dent in the business performance of the Indian industry. The purpose of the present study is to explore factors accountable for the accumulation of the GST refund and its adverse impact on business performance. It also attempts to examine the role of moderating variables (GST rate, Sales Volume and GST Sales Types) between the factors and the corresponding accumulation of GST refunds. To confirm the various factors accountable for the agglomeration of GST refunds, a conceptual model was tested after adding three moderate variables causing the acceleration of GST refunds. The present study also measures the adverse impact of accumulated GST refunds on business performance using data collected from the 325 registered GST dealers in Punjab. The empirical part of the present study involves the testing of the hypothesis based on the conceptual model with the help of the structural equation model.

The study found among the five factors accountable for the accumulation of GST refunds errors and mistakes, technical errors and fraud and tax evasion are the most accountable for the agglomeration of GST refunds for dealers selling Intrastate and Interstate while Legal factors are more responsible for the dealers having exports and selling to SEZ. The study findings is useful for the economic policymaker to bring about the requisite changes in the present GST refund mechanism to safeguard the industrial units.

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Introduction

Introduction of the Value Added Tax (VAT) on 1st April 2005 (Bhushan, 2006) (in the period 2003–2006), to replace the erstwhile Sales Tax Regime on the sale transactions within the state that had been in operation for more than half a century, has been rightly acclaimed as the boldest tax reform undertaken in independent India. The motto (Kelkar, 2003) behind the implementation of VAT in India was to bring uniformity (India is a federal economy) and transparency but unfortunately both objectives were not attained by the government (Bagga, 2013) and the disharmony still exists and rather transparency of taxes is hardly attained. So, the GST was the only hope for the government to bring uniformity and transparency to a federal economy like India (Kelkar, 2009). GST was implemented in India ("One Nation One Tax") at midnight on July 1, 2017, by the former Worthy President of India, Pranab Mukherjee, and the honorable Prime Minister of India Narendra Modi, was another milestone that was added and helped in absorbing too many prevailing taxes at state and Center level (Central Excise Duty, Duties of Excise, VAT, Entry Tax etc.) (GST Act, 2017).

Undoubtedly, GST (Bala, 2018) overcame the major limitations of earlier tax systems and brought up uniformity in the Indirect Tax System but some problems persist like fraud and tax evasion, complexity in return filling, accumulation of GST refunds with the government and many more still exists even after the five years of its implementation. The present research work attempts to examine the causes of agglomeration of GST refunds which has adversely affected the performance of the Indian industry. The refund mechanism (Business Standard, 2017) as it was expected by the experts and the industry at large is still not very effective and the dealers are still begging the department to release the bulk of the amount blocked with them. In some cases, on average (Mondel, 2018) it takes six to twelve months to release the GST refund by the government in the respective accounts of the dealers and most of the time it gets accumulated with the government and the excessive ITC causes harassment to the dealers and badly hammers their Business Performance (accelerate working capital requirement, increase the cost of production, enhances selling prices, increases transaction cost, reduces profits etc.) (Kumar, 2017, Business Standard 2017, Nayak, 2018, Bala, 2018). In general terms, the

refund of GST means the excessive amount deposited with the department other than the actual liabilities of the taxpayer. Now the question arises as to whether the GST Act was drafted with utmost care and many pivot studies were conducted by financial experts, why such a serious problem has coped and what the exact causes of the refund buoyancy with the department so that the suitable remedies can be found out which will help the miserable dealers of India. If quick decisions are not taken by the present government, it would unquestionably send the future of our industry into the dark. Therefore, the present study attempts to answer these questions by critically examining the factors responsible for the accumulation of GST refunds obtained through the review of earlier studies pertaining to this issue.

GST Act was implemented about five years back on 1st July 2017 by almost all states and Union territories with the motto of 'One Nation One Tax' and to medicate the severe problems that persisted in the earlier VAT regime. However, disharmony persisted in India as different slabs of GST rates were implemented (5%, 12%, 18% and 28%). Similarly, if goods are sold to SEZ or if the goods are exported the output GST is Zero under the GST regime, however, the dealers have to pay input tax which ultimately has to be claimed as a refund from the government (Raghawan, 2018). In some cases, the input GST rate is higher than the output GST rate causing accumulation of GST refund with the government and the dealers are asked either to carry forward the difference or need to be adjusted against the output GST rate. There is a provision in the GST that input tax paid on the acquisition of Capital goods can be adjusted against the output GST which unnecessarily causes the accumulation of the GST refund with the government (GST Act, 2017).

The most objective (Kelkar, 2009) of the GST implementation in India was to bring uniformity and transparency to the Indirect Taxes system. However, many corrupt (Singhvi, 2017) dealers are still evading the GST taxes in crores by deploying illegal means. Due to this reason, the refund is released by the government only after thorough checking of the books of accounts which in turn takes time and the refund amount gets accumulated with the government. Thus, the problem of GST accumulation still exists as it was at the time of earlier tax systems (VAT and Sales Tax) which had made a dent in

the working capital (Parmod, 2017) requirement and badly hammered the performance of the Indian industry.

India is a federal economy and has adopted the GST model based on Canada (a federal economy). It is well known fact that GST/VAT has been adopted by more than 160 countries and it is used as a weapon for uniformity and transparency in the Indirect Taxes. Then why are the Indian dealers facing the problem of the accumulation of GST refunds? Therefore, in-depth research is essential to explore the factors which are responsible for the accumulation of GST refunds in India and their adverse impact on the Indian industry.

Proposed Model and Hypotheses

We have obtained the conceptual model earlier developed (Kumar, 2018), adding three moderate variables GST rate, Sales Volume and GST sales types obtained from the literature reviewed and earlier studies done about the factors accountable for the agglomeration of the GST refund and their adverse impact on the business performance. An earlier study found the various factors accountable for the agglomeration of GST refunds are conceptual defects, legal provision, e-filing, technical barriers and Transaction cost and GST mechanism and their adverse impact on the working capital requirement (Kumar, 2018). The present study also measures the same constructs but in addition to that, it also analyses the impact of the moderating variables such as GST rate, Sales Volume and Sales Types.

Errors and Mistakes means when something wrong done or not properly recorded. Under the provision of the GST regime, the refund shall be released by the government to the registered dealers if there is no error or mistakes concerning the various GST return filled by the registered dealers however it was found that many types of mistakes are committed relating to invoicing and e-filing of no. of GST return with the department (Sunil, 2018, Shukla, 2020, Tibrewal, 2019) which causes unnecessary delay in releasing the refund by the department. Since India is a country where the dealers cannot be presumed to be very literate about the GST laws and regulations and to get this job done, they need to hire Accountants, CAs and Advocate to maintain the accounts and filing of GST return and has to depend upon them (Mittal, 2021). Even after hiring the

experts and getting returns filled from them, some errors and mistakes are committed causing delays in GST refunds (Rawat, 2018, Hostbooks, 2022, Bhandari, 2020). Furthermore, the GST system does not provide the facility to the dealers to rectify the mistakes committed while e-filing causing unnecessary GST buoyancy within the department (Kulshreshtha, 2022). Many studies have been conducted by experts besides the original paper itself, which sustenance this positive analogy among the variables. Therefore, the researcher formed a hypothesis:

Hypothesis 1 (H1): Errors & Mistakes positively influences the accumulation of GST refund.

Technical Errors: It refers to the errors that occur due to the presence of information technology and technology aspects involved in operating the GST mechanism about filing and operating big servers control the data and information provided by the registered dealers. GST is an entirely online system where all the registered dealers have to file the GST return which is then cross-verified by the automated government server to stop the evasion and fraud of GST refund (Bhandari, 2020). If the dealers have filled in the wrong information by mistake the refund would be released only after the rectification of mistakes by the dealers. It was found by the earlier studies conducted that many times the dealers were not able to fill the various types of GST return (GSTR-1, GSTR-2, GSTR-3 etc.) well on time due to technical problems like failure of connection, server down errors and any other unavoidable technical reason beyond the control of the registered dealers (Shukla, 2020, Vij, 2018, Kulshreshtha, 2022).

Hypothesis 2 (H2): Technology Factor positively influences the accumulation of GST refunds.

Legal Factors: These refer to the legal provisions which are beyond the control causing agglomeration of GST refund. Under the preview of GST, exports are zero rated means when the goods are sold outside India, no output is collected from the buyer although the exporters have to pay the input tax while purchasing Goods and services which creates a huge difference in the form of GST refund ought to be claimed as refund from the government, causing unnecessary huge amount of GST blocked with the government. The exporters have to knock on the doors of the lending institutions to fulfil the working

capital requirement (Parmod, 2017, Nayak, 2018 & Kumar S. 2018). Another legal provision under the GST regime causing the accumulation of GST refunds arises when they sell goods and services to the SEZ because no output GST is collected while huge input tax might have paid by the registered dealers while buying such goods and services (Mohan, 2020). A recent study conducted (Sunil, 2019) found that the GST involve too much documentation work and no. of GST returns have to be filled by the registered dealers and there is always a chance of error and mistakes being committed causing delayed GST refund. Another legal Factor causing the accumulation of GST refunds is the levying of input GST to the dealers transferring goods and services to their native branches to other states resulting in invoice generation by the registered dealer needs to be deposited with the government while he does not receive the said amount from the buyer because he is the seller and the buyer too (Vij Dimple, 2018).

Hypothesis 3 (H3): Legal Factor positively influences the accumulation of GST refund.

Divergent Rate: GST was implemented in India with a slogan ("One Nation One Tax") to bring uniformity and harmony intra-state and interstate-wise. However, the Government broadly categorized the GST rate into four categories to levy GST on various goods and services – 5% (Milk Cream, Pulses, Sugar etc.), 12% (Drinking Water, Fruit Pulp, Marble etc.) and 18% (Artificial Waxes, Photographic paper, Wastage etc.) and 28%(on Luxury items like AC, Car, refrigerator etc.) (GST Act, 2017). Hence the very purpose of the GST implementation could not be attained rather this divergence has caused the accumulation of GST refunds. For example, in the case of some business organizations like rubber industries (the Input GST rate is 12% while the output GST rate is 5%) the input tax is paid by the dealers at a high rate while the output GST rate is less than the input tax rates which ultimately has to be adjusted or need to be claimed as refund from the government. Although the government has smoothened the refund mechanism, still it takes time for more than six months and for that period the registered dealers complained that their working capital gets blocked and increases the cost of the product and the ultimate burden of the high cost is shifted to the consumer's shoulder. The government releases the refund to the dealers only after the proper verification of accounts and all the dealers involved in the long chain of distributors, wholesalers, and retailers.

Hypothesis 4 (H4): Divergent Rate positively influences the accumulation of GST refund.

Fraud & Tax Evasion: refers to the tax evasion by the GST dealers deploying unfair means which causes accumulation of GST refunds. There is an existing tendency of dealers to commit Fraud & Tax Evasion of taxes by legal and illegal means to evade taxes. In India Tax Authorities (Sikarwar, 2021) in a recent meeting declared the GST evasion of 40,000 crores in over a year, largely due to fake invoices issued by the GST dealers to claim the fraud input tax credit from the government which has become the headache for the government, many dealers have evaded huge amount of GST taxes (Tax Scam Team, 2022), although many strict actions have been taken by the government to reduce these types of Fraud & Tax Evasion. Pending GST refund is always released by the government after thorough verification by the government authorities and advanced software purchased by the govt. In a recent case, it was revealed that over 158 show cause notices for GST evasion, amounting to Rs. 9,359 crores have been issued to the dealers but no record is maintained relating to those cases (PTI, 2022).

Hypothesis 5 (H5): Fraud & Tax Evasion Factor positively influences the accumulation of GST refund.

Impact on Business Performance: After determining the various constructs accountable for the accumulation of GST refunds, the next step was to measure the adverse impact of GST buoyancy on business performance. A previous study conducted on the impact of GST refunds (Kumar, 2018) revealed that the agglomeration of GST refunds results in an adverse impact on the working capital requirement. Since it takes time to get the refund of accumulated GST refund from the government, the period for which the refund is not released the amount remains blocked with the government and has made a dent in the working capital requirement and therefore these companies will have to knock the doors of the lending institutions (Mondel, 2018). Secondly, they will have to pay a rate of interest to these institutions which would increase the cost of production and the prices of the products too (Pavithra, 2018, Nayak, 2018). Since the ever-increasing cost would ultimately be borne by the ultimate consumers (Mishra, 2018). Most of the registered dealers have to hire tax experts after paying huge amounts. It involves technical

knowledge to get back the refund from the government because it is a technical job for which the companies need to pay fees to the experts, which in turn will increase the transaction cost of these registered dealers (Shinde, 2019). The requirement of working capital would increase the cost of production and it will also enhance the prices of the products (Singhvi, S. 2017).

Hypothesis 6 (H6): Accumulated GST refund negatively influences the Business Performance.

Moderating Variables: Three moderating variables were also introduced in the conceptual model (GST Rate, Dealers Type and Sale Volume) which play a significant role in causing the accumulation of GST refunds. An organization having a high GST rate would have a high amount of accumulation of GST refunds because if the input GST rate is very high while the output GST rate is less causing accumulation of GST refunds. The second moderating variable dealers type also plays a vital role in causing GST refund accumulation as in the case of exporters there are always maximum chances of accumulation of GST refund because the input GST has to be paid by EOU while the exports are zero-rated (Raghawan, 2018). Similarly, companies selling to the SEZ sales are exempted from the tax. The third moderating variable that plays a significant role is the sale volume, the dealers having a high volume of sales would have a high accumulation of GST refunds as compared to the dealers having a smaller sales volume.

Moderator - GST Rate: One of the significant mottos of Implementing the GST in India was to medicate the defect of the earlier system was the presence of a Divergent Rate in tax rate as well as other tax law persisted in the economy due to the federal system of the economy, up to some extent the very purpose of the GST implementation was achieved but it was not fully accomplished as already discussed due to the Federalism and masses of the population. The government introduced the GST with four categories of GST rate starting with 5% (Milk Cream, Pulses, Sugar etc.), 12% (Drinking Water, Fruit Pulp, Marble etc.) and 18% (Artificial Waxes, Photographic paper, Wastage etc.) and 28% (on Luxury items like AC, Car, refrigerator etc.) (GST Act, 2017). The reason why in the case of some industries the GST get accumulated with the government as these industrial units have higher input GST while they have lower output GST rate causing a big

difference in GST input taxes which are ultimately blocked by the government and badly hammered on the performance of these industrial units. Likewise, in the case of EOUs and registered dealers selling goods and services to the SEZ have high input GST while these dealers do not charge even a single penny from these industrial units causing a huge amount of GST input tax with the government (Raman, 2017). Hence in the present, study moderator hypothesis was set to study the analogies of GST rate and among the endogenous (Errors & Mistakes, Technical Factors, Legal Factors, Divergent Rate, & GST Fraud & Tax Evasion) and exogenous variable (Accumulated GST refund)

The relationship between Errors & Mistakes and Accumulated GST Refund is influenced by GST Rate (H7a).

The relationship between Technical Factors and Accumulated GST Refund is influenced by GST Rate (H7b).

The relationship between Legal Factors and Accumulated GST Refund is influenced by GST Rate (H7c).

The relationship between Divergent Rate and Accumulated GST Refund is influenced by the GST Rate (H7d).

The relationship between Fraud & Tax Evasion Factors and Accumulated GST Refund is influenced by GST Rate (H7e).

Moderator - Sale Volume: Another significant moderate variable impact on the Accumulation of GST refunds is the sales volume of the respective dealers. It was found in the earlier study that there is a positive relationship between Sale volume and accumulated Taxes (Bagga, 2013). There are high chances of accumulation of GST refund in case of the dealers having high Sales volume and vice versa. Hence during the present research work, the hypotheses for moderator variable sale volume was established to study the relationship among other endogenous and exogenous variables.

The relationship between Errors & Mistakes and Accumulated GST Refund is influenced by Dealers Sale Volume (H8a).

The relationship between Technical Factors and Accumulated GST Refund is influenced by Dealers Sale Volume (H8b).

The relationship between Legal Factors and Accumulated GST Refund is influenced by Dealers Sale Volume (H8c).

The relationship between Divergent GST rate and Accumulated GST Refund is influenced by Dealers Sale Volume (H8d).

The relationship between Fraud & Tax Evasion Factors and Accumulated GST Refund is influenced by Dealers Sale Volume (H8e).

Moderator - Sales Type: This is also another vital moderator influence the amount of accumulated GST refund. There is provision under the GST regime that exports will be zero rated and no tax shall be levied if the goods are sold to the SEZ. Similarly, if goods are sold to owned branches GST shall be chargeable. Further goods can be sold intra state (CGST & SGST applicable) and Inter State (IGST applicable). Under these circumstances, output GST is negligible while the input GST will have to be paid to these dealers which must be claimed as a refund from the government and it normally takes six months to get the refund from the government and during this period huge amount would be blocked with the government and the helpless dealers have to take loans to fulfil the working capital requirements. It would certainly increase the cost of the production of these industrial units. Hence during the present research work hypotheses for moderator variable Sale Type was established to study the relationship among other endogenous and exogenous variables.

The relationship between Errors & Mistakes and Accumulated GST Refund is influenced by Dealers Sale Type (H9a).

The relationship between Technical Factors and Accumulated GST Refund is influenced by Dealers Sale Type (H9b).

The relationship between Legal Factors and Accumulated GST Refund is influenced by Dealers Sale Type (H9c).

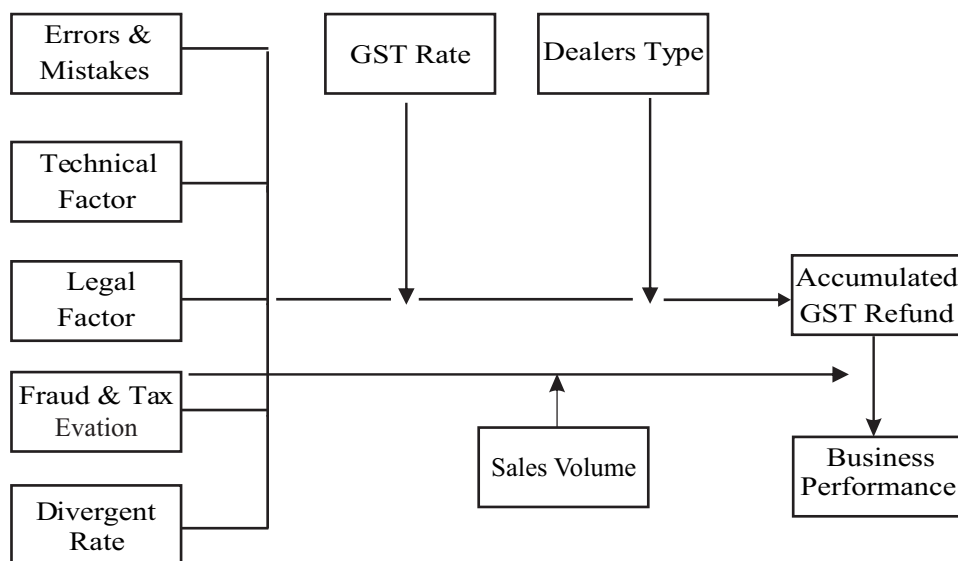
The relationship between Divergent GST rate and Accumulated GST Refund is influenced by Dealers Sale Type (H9d).

The relationship between Divergent GST rate and Accumulated GST Refund is influenced by Dealers Sale Type (H9e).

The present research work attempts to examine the critical examination of Accumulated GST Refund and its adverse impact on Business Performance. To determine the factors responsible for the accumulation of GST refund a conceptual model was framed based upon the earlier study (Bagga, 2013 and Sunil, 2018) and literature review. Five constructs were found (Errors & Mistakes, Technical Factor, Legal Factor, Divergent Rate and Fraud & Tax Evasion) causing accumulation of GST refund and their adverse impact on the business performance.

Figure 1 below depicts the proposed model of factors accountable for the accumulation of GST refund and its adverse impact on business performance.

Figure 1 The Proposed Model



Sample Description

Table 1: Demographic Characteristics of the GST Dealers (N=375)

Items	Description	Sample	Percent
GST Rate	5%	75	20.00
	12%	100	26.67
	18%	100	26.67
	28%	100	26.66
	Total	375	100
Location of the Dealers	Amritsar	125	33.33
	Jalandhar	125	33.33
	Ludhiana	125	33.34
	Total	375	100.00
Sales Type	Local Sales	125	33.33
	Export/SEZ	125	33.33
	Local and Inter State Sales	125	33.33
	Total	375	100.00
Sales Volume	Sales up to 20 Lakh	75	20.00
	Sales 20 Lakh to 1 Crore	150	40.00
	Sales above 1 Crore	150	40.00
	Total	325	100.00

Source: Computed from Secondary Data

Data Collection

The primary data was collected in two parts. First part of the questionnaire includes the demographic profile of the registered dealers. The information relating to the GST rate applicable (5%,12%,18% & 28%) to their respective organization. It also includes the data collection relating to their sale volume and Sale type from registered dealers to know their moderating effect on exogenous and endogenous variables. The second part of the questionnaire includes the information collection relating to the conceptual model derived during the research work pertaining to accumulated GST refund and their impact on business performance. The questionnaire included 37 statements relating to dependent and independent variables measured based on 5 point Likert scale (Strongly agree to strongly disagree). The present study attempts to explain the factors accountable for the accumulation of GST refund and their adverse impact on business performance using the quantitative research methodology. Furthermore, the proposed

conceptual model was validated and tested using Structure Equation Modelling (SEM). Some studies suggested that there should be at least 150 respondents as sample size while other experts suggested a minimum sample of 200 for SEM validation. The present study contains 37 statements and therefore the sample size of $(37 \times 10 = 370)$ would be sufficient for SEM and hypothesis testing.

The primary data was collected by the researcher from 400 industrial units located in three districts of Punjab with the help of structured questionnaire online and offline mode, the data was collected mainly from Hand tools and Sports units of the three districts of the Punjab Jalandhar, Amritsar, Ludhiana because these three districts represent the whole state. There is a total of 2,87,654 (Punjab.data.gov., 2018) registered GST dealers in Punjab and 1,32,200 registered GST dealers are located in the above-mentioned three districts.

Questionnaire Development

The questionnaire consisted of two sections, the first part deals with the collection of demographic information relating to the registered dealers such as GST rate applicable, Dealer type, Sale volume and many more. The second part of the study includes the measurement of various constructs accountable for the accumulation of GST refunds. There were five independent variables measured with the help of 37 items extracted with the help of previous studies and literature review, new items were added due to the amendments in the GST Act by the government from time to time. Independent variables include Errors & Mistakes (IA, eight items), Technical Factors (TB, six items), Legal Factors (LB, five items), Divergent Rate (DB, four items) and Fraud & Tax Evasion Factors (FB, four items) were measured with the help of 5-point Likert scale ranging from Strongly disagree to strongly Agree. Dependent Variables constitute Accumulated GST refund (AF, 4 items) and Business Performance (BP, five items) were also measured with the help of 5 point Likert scale ranging from Strongly disagree to strongly Agree. In total, 37 items were measured (Appendix 1).

Instrument Validation

Table 2, Before we start further analysis it is advisable to check the reliability and validity of the given data with the help of various yardsticks and standard measures. Table 3 exhibit that the calculated value of the Composite Alpha is more than 0.7, so we conclude that the data is acceptable and fit for further testing and analysis. Similarly, the computed convergent validity and the AVE are more than 0.5 which shows that the data can be used for SEM and to validate the various hypotheses. Lastly the discriminate validity test was performed (i.e. $MSV < AVE$ and $ASV < AVE$) which shows the requisite conditions are fulfilled and further analysis can be performed (Table 3).

The next part of the data validation involves the common method bias (CMB) which was detected by the author deploying Harman's single factor (Podsakoff et al. 2003; Jordon, 2019). The CMB evaluates 37 factors and explains to them the most covariance which may be explained with the help of one factor is 15.22 % which is less than the 50% required by CMB to contaminate the results (Jordon, 2019 and Podsakoff et al. 2003).

Table 2: Reliability, Validity and Descriptive Statistics

Construct	Composite Reliability (CR)	Average Variance Extended (AVE)	Alpha	Items	Means	Standard Deviation
Errors & Mistakes	0.93	0.63	0.88	EM1	5.55	1.05
				EM2	6.71	1.08
				EM3	5.56	1.06
				EM4	5.77	0.90
				EM5	4.89	0.93
				EM6	6.16	0.98
				EM7	5.35	1.02
				EM8	4.93	0.94
Technical Factors	0.90	0.76	0.82	TF1	6.09	0.97
				TF2	5.13	0.97
				TF3	6.34	1.01
				TF4	4.91	0.93
				TF5	4.87	0.92
				TF6	5.06	0.96

Legal Factor	0.81	0.84	.91	LF1	6.05	0.96
				LF2	5.16	0.98
				LF3	5.08	0.96
				LF4	5.26	1.00
				LF5	3.92	0.74
Divergent Rate	0.84	0.68	0.89	DR1	6.91	0.93
				DR2	5.51	0.86
				DR3	4.48	0.85
				DR4	4.65	0.88
Fraud & Tax Evasion Factor	0.89	0.87	0.86	EF1	4.65	1.17
				EF 2	4.74	1.08
				EF 3	5.01	1.11
				EF 4	5.00	1.17
Accumulated GST Refund	0.91	0.79	0.90	AR1	5.26	1.60
				AR4	3.92	1.19
				AR3	3.55	1.08
				AR4	3.69	1.12
				AR5	4.07	1.24
Business Performance	0.86	0.72	0.92	BP1	5.43	1.65
				BP2	4.47	1.36
				BP3	3.65	1.11
				BP4	4.27	1.30
				BP5	3.24	0.98

Source: Computed from Primary Data

Testing of Hypotheses

The Impact of the Accumulation GST refund can be established with the help of a regression equation. Taking, Y be the Impact of GST refund on the Business Performance which depends on Five Constructs Errors & Mistakes(b1), Technical Factors (b2), Legal Factors(b3), GST Divergent Rate (b4) and Fraud & Tax Evasion (b5) of GST. The relationship can be hypothesized, Y being the dependent Variable while b1, b2, b3, b4 and b5 are the observable variables:

$$Y = b1 + b2 + b3 + b4 + b5 + e = N + e \text{ ----- (1)}$$

In this equation, the (e) is the error term. All the exogenous variables b1, b2, b3, b4 and b5 are hypothesized to lead to the latent endogenous variable y positively. The next part of the analysis involves the testing of the Hypothesis with the help of the SEM technique using AMOS 18.0. Before we proceed further the reliability and validity of the data were verified.

Figure 2: SEM Model for Augmented GST Refund

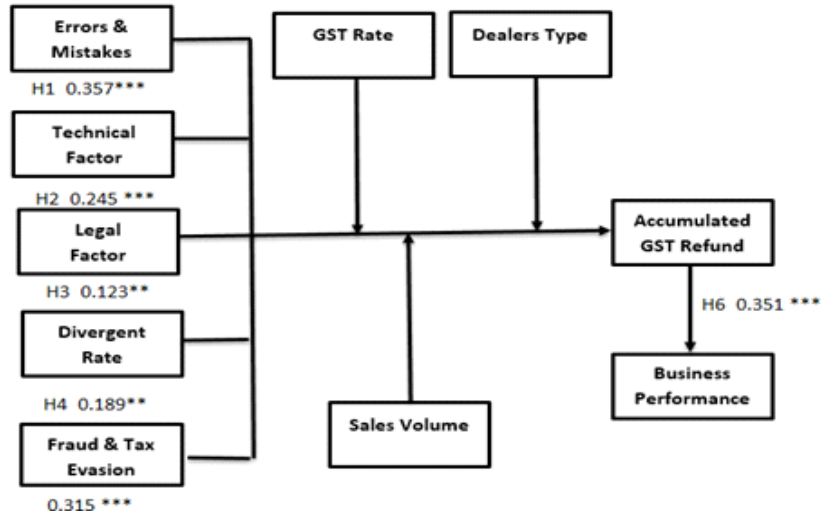


Figure 2: Research Results

Table 3: Results of Hypotheses Testing

Paths	Coefficients	Standard deviation	T statistics	p values	Hypothesis	Results
IF → AR	0.357	0.053	6.357	0***	H1	Supported
TF → AR	0.245	0.068	4.845	0***	H2	Supported
LF → AR	0.123	0.065	2.127	0.04**	H3	Supported
DF → AR	0.189	0.053	2.021	0.05**	H4	Supported
FF → AR	0.315	0.052	6.793	0***	H5	Supported
AR → BP	0.351	0.051	6.242	0***	H6	Supported
GST Rate *EM → AR	0.032	0.025	0.4392	0.612	H7a	Not Supported
GST Rate *TF → AR	0.021	0.029	0.425	0.546	H7 ^b	Not Supported

GST Rate *LF—> AR	0.146	0.072	2.225	0.037**	H7c	Supported
GST Rate *RF—> AR	0.153	0.079	2.369	0.064**	H7d	Supported
GST Rate *DF—> AR	0.034	0.052	0.8	0.354	H7e	Not Supported
Sales Volume *IF—> AR	0.147	.069	2.459	0.075**	H8a	Supported
Sales Volume *TF—>AR	.156	.89	3.045	0.069**	H8b	Supported
Sales Volume GST Rate *LF—> AR	0.021	0.029	0.425	0.546	H8c	Not Supported
Sale Volume*RF—> AR	0.021	0.029	0.425	0.546	H8d	Not Supported
Sale Volume *DF —> AR	0.167	.082	3.111	0.041**	H8e	Supported
Sale Type *EM—> AR	0.032	0.025	0.4392	0.612	H9a	Not Supported
Sale Type *TF—> AR	0.029	.031	0.423	0.249**	H9b	Not Supported
Sale Type *LF—> AR	0.146	0.072	2.225	0.066**	H9c	Supported
Sale Type *RF—> AR	0.153	0.079	2.369	0.081**	H9d	Supported
Sale Type *DF—> AR	0.034	0.052	0.8	0.354	H9e	Not Supported
*p<0.01, **p<0.05; ***p<0.01						

Source: Computed from Primary Data

The process of hypothesis testing was done after checking the reliability and validity of the data (Table 3). To test the hypothesis t- test was performed which indicates that the five hypotheses (H1, H2, H3, H4 and H5) are supported by the present research work as the computed values are greater than the tabulated value 1.96, we can conclude that the accumulated GST refund affected by the five independent variables which are Errors & Mistakes, Technical Factor, Legal Factor, Divergent GST Rate and Fraud & Tax Evasion Factors. The next step in the hypothesis testing is to find out the impact of the accumulated GST refund on the business performance. Again, hypothesis H6 is supported by the present research work as the calculated t-value is greater than the tabulated value, which means that there is a negative connection between the accumulated GST refund and its adverse impact on business performance. When the huge amount of the registered dealers is blocked by the government it accelerates the working capital requirement and increases the cost of production, which in turn increases the selling prices which are ultimately born by the end consumer.

The Mediating Effect

In the next phase of hypothesis testing, the impact of the moderate variable was evaluated. The first moderate variable is the GST rate which influences the impact of five independent variables on the accumulation of GST refund. Five hypotheses (H7a, H7b, H7c, H7d, H7e) were tested with the help of AMOS. Out of Five three hypotheses (H7a, H7b, H7e) were not supported while the other two (H7c, H7d) were accepted as the calculated value was above the tabulated value. Hence, we can conclude the GST rate has no impact on errors and mistakes, technical factors and fraud and tax evasion and the accumulation of GST refunds while it plays a significant role in case of legal factors and divergent GST rates under the GST regime.

The second mediating factor sales volume was analyzed during the present research to explore the impact of sales volume between the factors accountable for the accumulation of GST refunds. Five hypotheses (H8a, H8b, H8c, H8d, H8e) were tested with the help of AMOS. Out of Five two hypotheses (H8c, H7d) were not supported while the other three (H8a, H8b, H8e) were accepted as the calculated value was above the tabulated value. Therefore, the present study reveals that there are more chances of committing mistakes when the sales volume is high and it would indirectly have a positive impact on the accumulation of GST refunds. The department will not release the refund unless there are errors and mistakes in the filing of the GST return. Further, there are more chances of occurrence of technical errors if the volume of sales in the case of registered dealers is high. Similarly, if the amount of claim for GST refund is high more vigorous checking will be done by the government official. Lastly, the impact of the third moderating variable GST sale type on the various factors and accumulation of GST refunds was measured with the help of hypothesis testing. The type of sale plays an important role in the accumulation of GST refunds. Five hypotheses (H9a, H9b, H9c, H9d, H9e) were tested with the help of AMOS. Out of Five three hypotheses (H9a, H9b, H9e) were not supported while the other two (H9c H9d) were accepted as the calculated value was above the tabulated value. Hence the type of GST sales has nothing to do with committing errors and mistakes, technical errors, Evasion of GST and the accumulation of GST refunds while it plays a dominant role between the technical factors, legal factors and divergent GST rates are concerned. There are more chances if the total sales include

goods sold outside India, goods sold to SEZ and also if the input GST rate is high while the output GST rate is low.

Discussion

The present study titled “Accumulated GST Refund and its Adverse Impact on Business Performance” attempts to examine the factors accountable for the agglomeration of GST refunds in India. Our research model is developed based on the Five Factors GST accumulated refund model proposed by Kumar (2018). The model suggested five factors accountable for the accumulation of GST refunds; Errors and mistakes, Technical Factors, Legal Factors, Divergent GST rates and Fraud and evasion by GST dealers and their adverse impact on the business performance. Based on the conceptual model six hypotheses were set and tested using SEM (AMOS 18.0). The empirical part of the study accepted all six hypotheses (H1 to H6) which conclude that there is a direct connection between the independent variables (Five Factors) and Dependent variables (GST accumulation and Adverse impact on Business performance). After validating the five factors model of GST refund and its impact on business performance the next part of the study evaluated the impact of moderating variables hypothesized by us based on the previous study conducted in this regard. Three moderating variables GST rates, GST Sales volume and GST sales types were added to the model to know the impact of moderating variables on the accumulation of GST refunds. Many hypotheses were set to explain the impact of moderating variables between the Endogenous and exogenous variables. It was revealed that the moderating variable has positive analogies among the independent and dependent factors.

Theoretical and Practical Implication

We cannot say that the GST Act is responsible for the accumulation of GST refunds because GST/VAT is successfully running in more than 165 countries worldwide. Other five factors also play a predominant role in the accumulation of GST refunds with the government which includes Errors and mistakes committed by the GST dealers while filling GST returns, technical barriers, Some Legal issues and ever-existing corrupt practices in India for the evasion of taxes. Pertaining to the first factor it is suggested that some programs and planning should be done at the national level as well as state level to educate the dealers and the conservative accountant to minimize the error and mistakes

in the GST return and accounting system so that the uninterrupted refund can be released by the government. GST is an entirely IT-based model where all the information by the government is provided online and the dealers have to update their returns through the GST portal, there is a dire need to make the system user-friendly so that the layman can easily handle it with minimum errors and minimum consumption of time. Thirdly, efforts should be made to release the refund of the exporters as soon as possible so that the exports can be promoted as it would decrease the cost of production and will make our exports cheaper than the neighbouring countries. As is the case for the dealers' selling goods to the SEZ, the refund should be released on a priority basis. The gap between the input tax rate and output tax rate persists which should be abolished so that the question of refund should be finished.

Conclusion, Limitation, and Future Direction

The present research work critically examines the factors accountable for the accumulation of GST refunds with the government and its adverse impact on business performance have added many significant results which will guide tax experts and policymakers. Firstly, it revealed that there are five factors accountable for the agglomeration of GST refunds. Among the various constructs, the most important factors are Errors and mistakes, Tax Evasion and Technical Errors causing the accumulation of GST refunds with the government. There is a dire need to amend the GST portal more user-friendly so that mistakes and technical errors can be avoided and it would smoothen the refund system. It was observed that the refund of the GST dealers was delayed due to the errors found in filling GST returns and sometimes the returns are not filled by the dealers well in time. Government authorities would always release the refund if the returns filed are error-free and filled within the stipulated time. Furthermore, to avoid technical errors there is a dire need to update the technology and proper training to the person who handles the technological issues so that uninterrupted returns can be filled by the GST dealers on time. The government can organize the Suvidha Centre to help the dealers or it can provide online help to the dealers on a 24X7 basis on a priority basis. Secondly, another important reason for the accumulation of the GST refund is Fraud and Tax evasion by many corrupt traders which need to be handled because it results in huge losses to the government and adversely impacts the genuine

dealers. Strict action should be taken by the government against malpractices and carousal fraud. Thirdly, the study found that the accumulation of GST refunds had badly hammered the business performance particularly working capital requirement and cost of production also. The miserable GST dealers have to knock on the doors of financial institutions to fulfil the requirement of working capital. There is a dire need to make the refund mechanism more simplified so that the transaction cost can be minimized and the prices of the product can be reduced significantly. Fourthly, the study examined the impact of varied GST rates on the accumulation of GST refunds. GST Act was implemented in India with the slogan 'One Nation One Tax', however, the present system adopted mainly four categories (5%, 12%, 18% and 28%) depending on the nature of commodities which revealed that in case of some companies, the input GST rate is more than the output GST rate causing accumulation of GST refund, therefore there is a dire need to abolish this unnecessary gap so that the agglomeration can be avoided. Similarly, when goods sold by EOUs or to SEZ result in zero output tax causes a huge amount of accumulated GST refund. Therefore, special provisions should be introduced to reduce the tenure of GST refunds otherwise the Exporters will not be able to face the cut-throat competition in the international market.

Our research contributes significant findings to the existing literature which can be used to solve one of the chronic problems caused by the implementation of the GST regime about five years back. GST was implemented in India in the year 2017 and it is only five years after the GST adoption by Indian industry and the true picture of the GST regime would be clear only after a decade. Although the study critically evaluated the five factors model of the accumulation of GST refunds but is not free from the unavoidable limitations which need to be considered and extended in future research on this issue. The present research has included the data collection from Hand tools and the sports industry only because of a shortage of time and funds while the other type of industry can be incorporated in future research to give more precise and better results. There are various types of sales as defined under the GST Act while we have incorporated only a few types of sales, in the future other types of sales can be studied for more precise results. The present study was conducted in only one state of India and the data was collected from a few districts; a future study can be done from the other states to get more

reliable results. Furthermore, the problem of GST refund is more predominant in the case of EOUs and goods sold to SEZ, so to get more precise results a spate study of these industrial units can be done in future

Despite many limitations in the present study, the findings of the study can be fruitful for the policymakers to develop a more user-friendly GST system to safeguard the future of Indian industry which looks like moving towards dark.

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Appendix 1: Survey Instruments and Items

Constructs		Items
Errors & Mistakes (EM)	EM1	My refund is pending due to a mistake in e-filing
	EM2	My refund is pending due to the mistakes of other dealers
	EM3	My GST is pending due to my accountant/CA mistakes
	EM4	My refund delayed due to other defaulter dealers
	EM5	I have little knowledge of GST Rules
	EM6	I have deposited more GST by mistake
	EM7	I do not claim input tax rather add in my cost of production
	EM8	I am forced to sell goods without GST
Technical Factors (TF)	TF1	I have filled wrong GST Return
	TF2	I was not able to file the GST return due to technical issues
	TF3	The GST server sometimes down
	TF4	GST has increased my transaction cost
	TF5	The government asked me to carry forward the ITC
	TF6	E-filing is complex in nature
Legal Factor (LF)	LF1	I cannot claim because sometimes I lose the requisite documents
	LF2	I need to sell the SEZ
	LF3	I have to fulfil too many formalities and paperwork
	LF4	My working capital stuck when I transfer goods to branches in other states
	LF5	I am selling zero-rated goods
Divergent GST Rate (DR)	DR1	My input tax is higher than the output tax
	DR2	My sales are tax-free while purchases are taxable
	DR3	There are different GST rates
	DR4	Rate of GST on Capital goods and services is higher than the output GST on goods

Fraud & Evasion (FE)	EF1	Due to other corrupt companies, my GST get delayed
	EF 2	Due to the Carousal Fraud, I have to wait for a long time
	EF 3	Refund is released by the government only after thorough checking
	EF 4	Credit note issued by the supplier
Accumulated GST Refund (AR)	AR1	My GST refund is pending with the govt.
	AR4	I am not getting a GST refund on time
	AR3	I have to file a complaint to get a GST refund
	AR4	I have to wait for a GST refund for more than six months
	AR5	My GST refund is pending from the date of its implementation
Business Performance (BP)	BP1	Delayed GST has increased the Working Capital requirement
	BP2	It has increased my cost of production
	BP3	My selling prices have increased
	BP4	Transaction costs have also increased
	BP5	My tax liabilities have increased

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