



INFLUENCE OF GOODS AND SERVICE TAX ON GANESH IDOLS: A CASE STUDY OF HYDERABAD CITY

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Abstract:

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhances the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Lok Sabha on 6th May 2015 but is yet to be ratified by the Rajya Sabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country¹. Blaming the timing of the Goods and Services tax (GST) rollout, Ganesh Puja organizers and idol makers here say they are feeling the pinch of the new indirect tax regime as advertising revenues are falling and margins are tepid. Following the increasing funds crunch, community Puja committees in Hyderabad have started curtailing their budgets. The Eleven-day Ganesh Puja festival is the biggest annual carnival in this part of the country was celebrated being from 25th August to 4th September this year. "Puja organizers faced a serious challenge in the regime of the new demon -- GST. Most of the big Pujas depend on sponsorships, advertisements and donations because the subscription collection contributes not even 10 percent of the budget. "Unfortunately, advertising revenues have dried up and, accordingly, Puja committees have curtailed their budgets by 15-20 percent, depending on their size².

Keywords: economic, constitutional, amendment, implementation, advertising, sponsorships, curtailing, carnival, sponsorships

¹ "Goods and Services Tax (India)": Wikipedia, Wikimedia Foundation, 6 Jan. 2018, [en.wikipedia.org/wiki/Goods_and_Services_Tax\(India\)](http://en.wikipedia.org/wiki/Goods_and_Services_Tax(India)).

² Serish Nanisetti & Marri Ramu & Nikhila Henry. "Ganesh immersion festivities begin on grand note in Hyderabad." The Hindu: September 05, 2017: <http://www.thehindu.com/news/cities/Hyderabad/ganesh-immersion-festivities-begin-on-grand-note-in-hyderabad/article19624197.ece>.



Introduction:

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy³. The rate of GST in India is between double to four times that levied in other countries like Singapore.

Objectives:

- To study the Reason behind the Ganesh Idol's Price Increase.
- Influence of GST on Ganesh Idol Makers

Methodology:

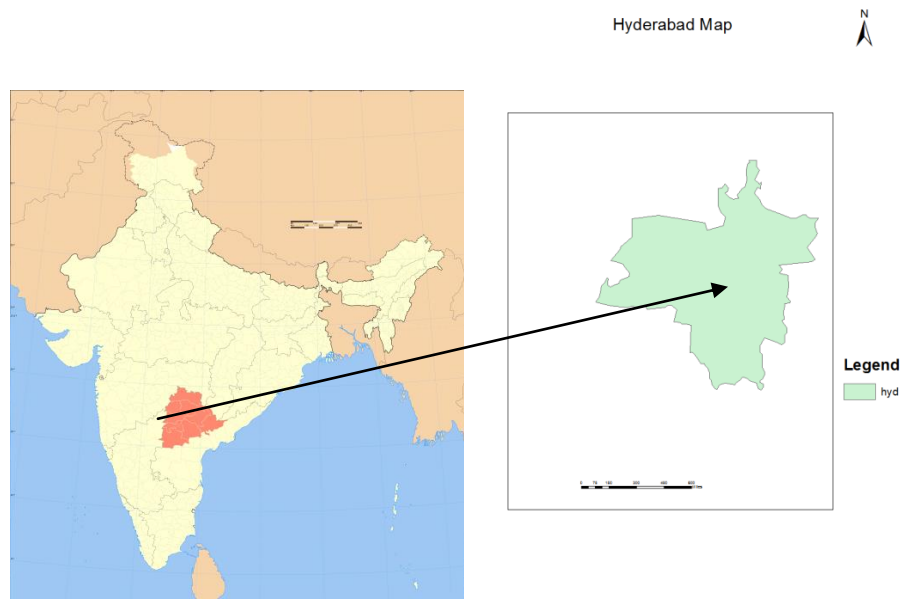
The method used in this study was secondary method from Newspapers and Wikipedia. The data was also gathered from Deccan Chronicle Newspaper of 24 August 2017.

Location of Study Area:

Hyderabad is the capital of the southern Indian state of Telangana and de jure capital of Andhra Pradesh Occupying 650 square kilometers' (250 sq. mi) along the banks of the Musi River, it has a population of about 6.7 million and a metropolitan population of about 7.75 million, making it the fourth most populous city and sixth most populous urban agglomeration in India. At an average altitude of 542 metres (1,778 ft), much of Hyderabad is situated on hilly terrain around artificial lakes, including Hussain Sagar—predating the city's founding—north of the city Centre.⁴

³ Patrick M (2015) Goods and Service Tax: Push for Growth. Centre for Public Policy Research (CPPR).

⁴ "Hyderabad".2018.En.Wikipedia.Org. <https://en.wikipedia.org/wiki/Hyderabad#Geography>.



History of GST:

The reform process of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh with the introduction of the Modified Value Added Tax (MODVAT). A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between then Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model⁵.

The Ravi Dasgupta committee was also tasked with putting in place the backend technology and logistics (later came to be known as the GST Network, or GSTN, in 2017) for rolling out a uniform taxation regime in the country. In 2003, the Vajpayee government formed a task force under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission. After the fall of the BJP-led NDA government in 2004, and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010. However in 2010, with the Trinamool Congress routing CPI (M) out of power in West Bengal,

⁵ "History of GST". 2018. GST India-Goods and Services Tax in India. <http://www.gstindia.com/history-of-gst/>



Asim Dasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

In 2014, the NDA government was re-elected into power, this time under the leadership of Narendra Modi. With the consequential dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the Modi government, the new Finance Minister Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2016 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress demanded that the GST Bill be again sent back to the Select Committee of the Rajya Sabha due to disagreements on several statements in the Bill relating to taxation⁶. Finally in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Pranab Mukherjee gave his assent to it. A 21-members select committee was formed to look into the proposed GST laws. State and Union Territory GST laws were passed by all the states and Union Territories of India except Jammu & Kashmir, paving the way for smooth rollout of the tax from 1 July 2017. There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax⁷.

What are the Components of GST?

There are 3 applicable taxes under GST: CGST, SGST & IGST.

1. **CGST:** Collected by the Central Government on an intra-state sale (Eg: Within Karnataka)
2. **SGST:** Collected by the State Government on an intra-state sale (Eg: Within Karnataka)
3. **IGST:** Collected by the Central Government for inter-state sale (Eg: Karnataka to Tamil Nadu)

⁶ Dani S (2016) A Research Paper on an *Impact of Goods and Service Tax (GST) on Indian Economy*. Bus Eco J 7: 264. doi: 10.4172/2151-6219.1000264

⁷ Mehra P (2015) [Modi govt.'s model for GST may not result in significant growth push. The Hindu.](#)



In most cases, the tax structure under the new regime will be as follows:

Transaction	New Regime	Old Regime	
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Center will then share the IGST revenue based on the destination of goods.

Explanation:

A dealer in Hyderabad sells goods to a consumer in Hyderabad worth Rs. 10,000. The GST rate is 18%: comprising CGST of 9% and SGST of 9%. In such cases, the dealer collects Rs. 1800 and of this amount, Rs. 900 will go to the Central Government and Rs. 900 will go to Telangana government. Now, let us assume the dealer in Telangana had sold the goods to a dealer in Andhra Pradesh worth Rs. 10,000. The GST rate is 18% comprising of only IGST. In such case, the dealer has to charge Rs. 1800 as IGST. This IGST revenue will go to the Central Government.

Prices of Raw Material Go Up, Putting Idol-Makers In A Fix:

The recently-implemented Goods and Services Tax has had a telling effect on idol-making and its sale which would likely make this year's Ganesha festival a low-key affair. With the prices of raw material —Plaster of Paris, steel, coir and colors— going up owing to the GST, the idol-makers have found themselves in a fix. “We buy PoP from Rajasthan, coir from Kerala and colors from Pune. With the recent floods in Rajasthan, buying PoP has become tough while transportation charges have gone up hitting the idol-making badly,” said Lala Ram, a manufacturer.

About 30 families from different villages around Jodhpur, who arrive in the town five months before the Ganesha festival, have been busy making the idols, despite the increased production cost. They have set up temporary tents where they live till the end of the festival, celebrated on a grand scale in the district due to its proximity to Maharashtra State. They have been regulars here since the last three decades and go back to their villages after the festival. They make idols with 30 different designs and sell them in makeshift tents on Armour road.

The three-foot idol that used to cost Rs. 3,500 has gone up to Rs. 5,000 now while the five feet one costs Rs. 9,000. The bigger ones are being sold at Rs. 27,000. People from distant places like Nirmal, Jukkal, Madnur, Kamareddy and Metpally visit these makeshift tents to buy the idols. But with the rise in their prices, it has to be seen if the idol-makers manage to sell some of their creations this year. Ganesh idol-makers in the city are exploited by paint and plaster of Paris suppliers from Mumbai, Kolhapur, Surat and Kolkata. They alleged that the suppliers imposed an 18 per cent GST but did not give any bill.

Mr. Sunder Kalakar, an artist from Dhoolpet, said that they faced many hurdles while transporting the raw materials from other states. “As the suppliers did not give us GST bills, our consignments were stopped at the border check-posts. We were forced to shell out extra money. In some cases, we had to bribe the officials,” he noted. He further said, “We usually procure paints from Mumbai, Kolhapur and Surat. We buy glitters, fibre, stone plaster and clay from Maharashtra.”



Women Artist Giving the Final Touch to Ganesh Idol's in Nagole and Dhoolpet, Hyderabad

Clay Idols Rates Go Through the Roof In City:

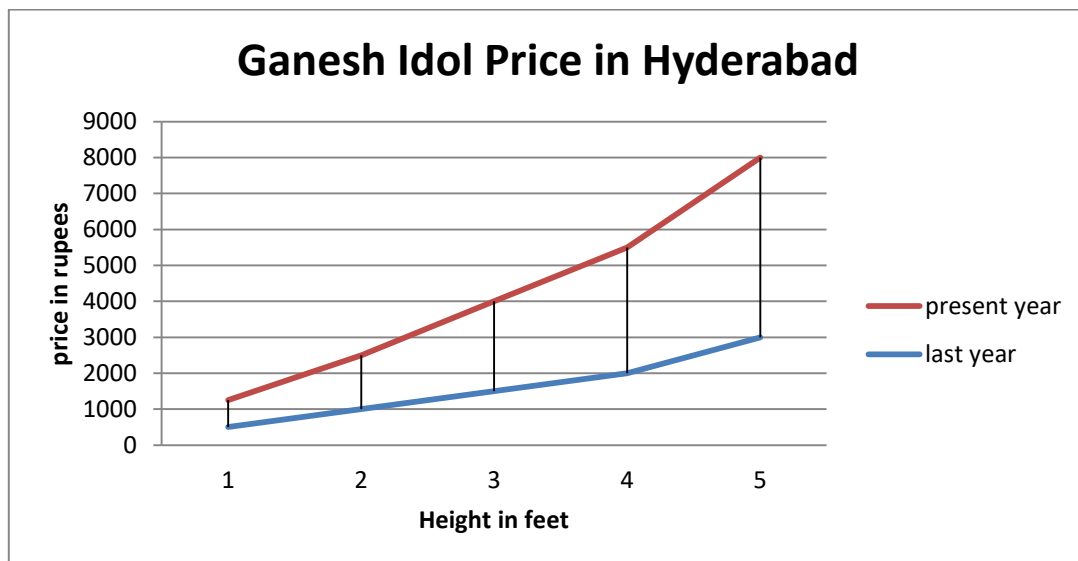
Demand for domestic Ganesh Idols, which range from six Inches to one feet, has increased, leaving a rise in their prices, too. Though major idol-makers blamed it on GST and other issues, clay idol makers increased the prices based on the wholesale prices of other idols.

K.V. Raghupati, a clay Ganesh idol seller at Shivam road, said that there was no change in the prices of clay with last year. However; the price rise was witnessed due to an increase in demand. “We need to bear more rents and power bills for a short period. This time, the owners increased the

prices”, he said. Last year, a six-inch height idol was available for rupees 50. This year it is sold for Rupees 100⁸.

	Last Year	Present Year
1	500	750
2	1000	1500
3	1500	2500
4	2000	3500
5	3000	5000

Source: Deccan Chronicle



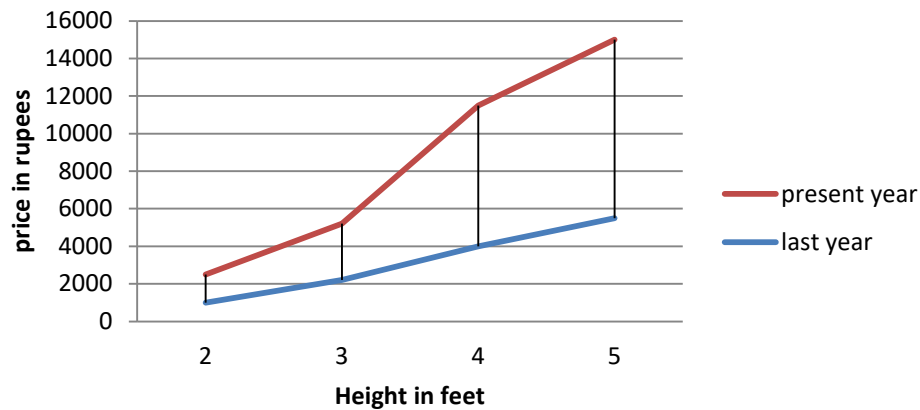
The demand for the Ganesh idol's which range from six inches to one feet has increased in the city this year as compared to last year.

Prices of Ganesh Idols in Dhoolpet Compared with the last year's

Size of Idol	Last Year's	Present Year's
2	1000	1500
3	2200	3000
4	4000	7500
5	5500	9500

⁸ "Hyderabad: Ganesh Clay Idol Rates Go Through The Roof" 2018. <http://www.deccanchronicle.com/>. <http://www.deccanchronicle.com/nation/current-affairs/240817/hyderabad-ganesh-clay-idol-rates-go-through-the-roof.html>.

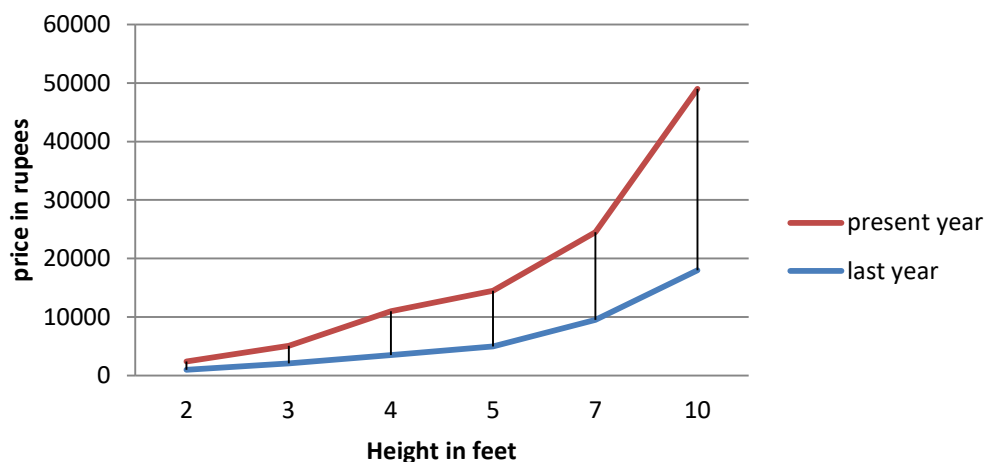
Ganesh Idol Price in Dhoolpet



Prices of Ganesh Idols in Nagole Compared with the last year's

Size of Idol	Last Year's	Present Year's
2	1000	1400
3	2100	3000
4	3500	7500
5	5000	9500
7	9500	15000
10	18000	31000

Ganesh Idol Price in Nagool





Mumbai's Situation:

The Mumbai markets are bustling with crowds for the forth coming Ganesh chaturthi. However, Mumbaikar's feel the pinch while buying their favorite god as idols have become 20% costlier after the introduction of GST compared with last year.

Last year, a 2-feet idol would cost 2500, but now it has escalated to more than 3000. shops are following the same price patterns the raw materials have become costlier with 18% GST on them" A 5 feet Ganesh idol, which is sold for 12000 last year is sold for 15000 this year. However, decorators do not experience the same pinch as borne by idol shops and makers. Raw materials like color nets sponges artificial flowers and paint used for decoration have seen a price rise. "A majority of the raw materials except sponge has seen a hike in price of 20 to 50. For example, a bundle of the net that cost us 550 is now available at 600" said Sandeep Gadge, Decorator⁹.

Ganesh Idols of GST Era to be more Eco-Friendly:

Purchasing a Ganesh idol made with local soil and natural colors will be affordable from this year than the fancy idols made with Plaster of Paris (PoP). There is 12% GST on PoP and 28% GST on paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, making it costlier than eco-friendly idols.

As per experts and idol-makers in the city, the GST effect may not be visible this year, but from next year, celebrating an eco-friendly festival will be a better deal. "Most of the idol makers are in the final phase of their annual idol making exercise as Ganesh Utsav will start on August 25. Big idols are almost ready for colouring. So, the price effect may be negligible this year. But, GST has encouraged the use of eco-friendly idols," said leading sculptor in the city, Mayor More. Earlier, there was 10% VAT and Import Duty on PoP (Plaster of Paris) while 18% tax on chemical colors. The GST has increased tax on both these goods. On the other hand, it has made locally produced clay idols, earthen pot and clay lamps free of taxes.

⁹ News, City, Pune News, and Chaitanya Deshpande. 2018. "Ganesh Idols Of GST Era To Be More Eco-Friendly - Times Of India". The Times Of India. The Times Of India. <https://timesofindia.indiatimes.com/city/pune/ganesh-idols-of-gst-erato-be-more-eco-friendly-gst-celebrating-festivals-eco-friendly-way-is-going-to-be-cheaper/articleshow/59569085.cms>.



Jai Maa Saraswati Gyandayini

An International Multidisciplinary e-Journal
(Peer Reviewed, Open Accessed & Indexed)

Web: www.jmsjournals.in Email: jmsjournals.in@gmail.com

ISSN: 2454-8367

Vol. 3, Issue-III
Jan. 2018

Impact Factor : 4.032 (IJIF)

UGC Approved e-Journal No. - 43919

e-ISJN: A4372-3118

Conclusion:

Most of the People feel the reason behind the increase in the Price of Ganesh Idol in the city is the Introduction of GST in the Country. But few part of the idol makers occupation say that it is not the GST effect it is the Demand Which Increased this year compared to last year.

And few idol makers say that their Owners of the house has Increased the Rent and Electricity rates so they are forced to increase the price of idols.

But, finally what may be the reason of the increase in Ganesh Idol prices the sufferer or the highest effect will be on us the Middle-Class People.
