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## PEOPLE'S PERCEPTION ABOUT GST: AN EMPIRICAL STUDY

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### **Abstract**

*GST is a new buzz in the arena of Indian Business environment. GST, in a very small time period has become the talk of town and the matter of discussion for all. Goods and Service tax is one of the largest tax reforms after the independence of this country. Opposition parties, though have criticized this step a lot and people (specially businessmen opposed at a large scale throughout India) In such a scenario, it is really important to know and discuss that what people actually perceive about GST. The present research is exploratory in nature. The study tries to find the perception of people regarding GST. With a sample size of 200 people, the study has been conducted in Agra Region. The sampling method was Judgment sampling (only those respondents were chosen who had some knowledge about GST) and the data collection tool was a structured questionnaire. The data analysis tools used in the study were mean and one sample t-test.*

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### **1. Introduction:**

Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. To understand this, we need to understand the concepts under this definition. Let us start with the term 'Multi-stage'. Now, there are multiple steps an item goes through from manufacture or production to the final sale. Buying of raw materials is the first stage. The second stage is production or manufacture. Then, there is the warehousing of materials. Next, comes the sale of the product to the retailer. And in the final stage, the retailer sells you – the end consumer – the product, completing its life cycle (clear-tax.in). 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. A single GST replaced several existing taxes and levies which include: central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi. Other levies which were applicable on inter-state transportation of goods has also been done away with in GST

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regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services. India adopted a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state will be levied with Central GST (CGST) by the Central Government and State GST (SGST) by the government of that state. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them to collect the tax owed to them directly from the Central Government. Under the previous system, a state would have to only deal with a single government in order to collect tax revenue. The rate on under-construction property booking is 12%. Some industries remained untaxed under GST, after being exempted by the government of India. Dairy products, products of milling industries, fresh vegetables & fruits, meat products, other groceries and necessities are exempted.

## **2. Literature Review:**

Barhate (2017) found that people have no doubt whatsoever regarding the proposed benefits of GST irrespective of their business type, legal status of business for the reason being they feel irritated by the present system which appears to be cumbersome. Most respondents believe that GST will bring monetary gains to their business and do not anticipate any significant boost in tax compliance costs. Interestingly, respondents expect the spending on tax compliance to go down after GST is implemented. The lack of information coupled with the apathy towards reforms may paralyze the speedy implementation of this system especially in small towns where still not a single orientation programs have been planned and executed till date by competent authorities. Poonam (2017) The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax base structure can be utilized for the growth of nation. In economy tax polices play an important role because of their impact on efficiency and equity. Indirect tax reforms have been as integral part of the liberalization process since new economic reforms. Nishitha Guptha (2014) in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Jaiprakash (2014) in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Venkadasalam (2014) has analysed the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Ahamd et al. (2016) found that the level of awareness of the GST is still not reached a satisfactory level. This is because the study involved only general questions that should be known by the respondents as end users. This cause the respondents gave high negative perception of the impact of implementation of GST. The respondents received less information and promotion of the authorities. Most of the respondents were unclear whether the goods and services are not subject to GST. Furthermore, due to the lack of information on GST, the respondents had a high negative perception. Therefore, the government must convince that GST will not have a lasting impact on the public as particularly convincing end users that no increase in prices of goods and services.

## **3. Objectives of the Study**

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- To find out the perception and their relative mean score of perceptions regarding GST
- To find out the significance of the Perceptions regarding GST in India.

#### 4. Research Methodology:

The present research is exploratory in nature. Since GST is a new phenomenon in India, there are hardly any studies in this area. Specially there is a huge gap of empirical and behavior studies on GST in India. The study tries to find the significance of popular perception regarding GST. The sample size of the study was 200. The responses were captured from respondents on a 5 point Likert scale. The area of study was Agra Region. The sampling method was Judgment Sampling (only those respondents were chosen who had some knowledge about GST) and the data collection tool was a structured questionnaire. The data analysis tools used in the study were mean and one sample t-test.

#### 5. Data Analysis and Interpretations:

##### 5.1 Demographic Profile of the Respondents

This section presents the data analysis and interpretations.

**Table 1 Profile of Respondents**

<b>Gender</b>	<b>No. of Respondents</b>	<b>% age</b>
Male	145	72.5
Female	55	27.5
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Age Groups</b>		
Below 25	44	22.0
25 to 40	101	50.5
Above 40	55	27.5
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Qualifications</b>		
UG degree or Below	75	37.5
PG degree or Above	125	62.5
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Income per month</b>		
Below 40000 thousand	62	31
40000-75000	88	44
Above 75000	50	25
<b>Total</b>	<b>200</b>	<b>100.0</b>
<b>Occupation</b>		
Business	87	43.5
Salaried	113	56.5
<b>Total</b>	<b>200</b>	<b>100.0</b>

Table 1 shows the demographic profile of the respondents. There are 72.5% males and 27.5% females who have given their opinion about the goods and service tax. 22% of the respondents belong to the age group of below 25, 50.5% belong to the age category of 25 to 40 and lastly 27.5% belong to the age category of above 40 years. 37.5% of the respondents are either graduate or below and rest 62.5% respondents are PG degree holder or have a higher degree than PG. 31% respondents earn below Rs. 40,000 per month, whereas the income of 44% of the respondents is from 40,000 to 75,000 and lastly only 25% respondents earn more than 75,000 per month. 43.5% belong to the business category, and remaining 56.5% belong to the salaried class.

##### 5.2 People's perception about GST in India:

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**Table 2 Perception about GST**

<b>SL. No.</b>	<b>Statement (Mean value has been calculated on a 5 point scale)</b>	<b>Over all Mean</b>
		<b>N=200</b>
1	GST is a very good tax reform for India	3.40
2	GST has increased the legal compliances	4.27
3	GST has increased the tax burden on Businessman	3.94
4	GST has increased the tax burden on Common Man	3.41
5	India is not ready for implementation of GST	3.10
6	Government has imposed GST on people without any preparation	2.94
7	GST is very difficult to understand	2.71
8	GST will increase the inflation (prices) in the country	3.63
9	GST is beneficial in long-term	4.19
10	GST will increase the tax collection of the government.	4.22
11	GST is affecting small business very badly.	3.77

Table 2 presents the peoples' perception about the Goods and Services tax. The most important point has come out to be the 'GST has increased the legal compliances' with a mean value of 4.27 followed by 'GST will increase the tax collection of the government' with a mean value of 4.22 and the third most important aspect which has come out to be "GST is beneficial in long-term" which has a mean value of 4.19. The other important aspects regarding the people's perception about GST are 'GST has increased the tax burden on Businessman' (mean value - 3.94), 'GST is affecting small business very badly (mean value - 3.77) and GST will increase the inflation (prices) in the country (mean value 3.63). Some of the statements have been answered near to the neutral value of the scale are (neutral value of the scale is 3). These statements are - India is not ready for implementation of GST (mean value – 3.10) and Government has imposed GST on people without any preparation (mean value 2.94). However, to check whether the perception is significant or not, one sample t-test was applied the results of one sample t-test are shown in the Table – 3. The following null and alternate hypotheses are set:

**Ho** The peoples' perception about GST is not Significant

**Ha** The people's perception about GST is significant

### 5.3 Significance of the Popular Perceptions regarding GST in India:

**Table 3 One Sample T-Test  
One Sample t-test with Test value of 3**

	<b>Degree of Freedom</b>	<b>T-Value</b>	<b>P value (Significance Value)</b>
GST is a very good tax reform for India	199	6.941	0.000
GST has increased the legal compliances	199	28.691	0.000
GST has increased the tax burden on Businessman	199	18.671	0.000
GST has increased the tax burden on Common Man	199	5.491	0.000
India is not ready for implementation of GST	199	1.340	0.091
Government has imposed GST on people without any preparation	199	-0.688	0.246

GST is very difficult to understand	199	-8.562	0.000
GST will increase the inflation (prices) in the country	199	11.207	0.000
GST is beneficial in long-term	199	22.379	0.000
GST will increase the tax collection of the government.	199	26.667	0.000
GST is affecting small business very badly.	199	6.941	0.000

Table 3 presents the values of t-test regarding the perception of the people about GST. Referring the significance value column it is found from the table that the mean value is significant for 9 variables (statements) out of total 11 variables (a mean value is considered significant the value under significance column is below .05), hence for these 9 variables the null hypothesis viz - **The peoples' perception about GST is not Significant** is rejected and alternate hypothesis is accepted. **However, out of 9 statements, 1 statement i.e.** GST is very difficult to understand shows the negative t-value and this factor is significant, which means that GST has not been perceived by people to be negative. **The rest of the 8 statements which shows the perception significant are** GST is a very good tax reform for India, GST has increased the legal compliances, GST has increased the tax burden on Businessman GST has increased the tax burden on Common Man, GST will increase the inflation (prices) in the country, GST is beneficial in long-term, GST will increase the tax collection of the government and GST is affecting small business very badly. For two statements, the significance value is above .05, hence the perception about these statements was not found significant. These statements are - India is not ready for implementation of GST and Government has imposed GST on people without any preparation.

#### **Conclusion and Recommendations:**

The present study on GST is all about the popular perceptions of people about GST. It has been found in the study that out of 11 popular perceptions, 8 perceptions are true. People perceived GST as a very good tax reform for India. Though, at the same time they also agree that GST has increased the legal compliances of businessman. People also have a strong perception that GST has increased the tax burden on Businessman and GST has increased the tax burden on Common Man too. People confirm in their perception that GST will increase the inflation (prices) in the country though at the same time it is beneficial in long-term, It will increase the tax collection of the government and also is going to affect the small business very badly. However, the perception is strongly opposite about understanding GST. People have not accepted that GST is very difficult to understand. The government should try to make people understand more about GST and GST complexities. The government should communication with the communities through various online and offline platforms and must conduct an open talk about GST. Further, government should also make people aware that GST is not going to affect the small businesses because it is not applicable on the businesses having a turnover below 20 lakhs. Similarly, those who have knowledge about GST must also disseminate the same to the community, so that lot of wrong perceptions can be eliminated.

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**Questionnaire**

**1) Age Group:**

- a) < 25
- b) 25-40
- c) Above 40

**2) Gender:**

- a) Male
- b) Female

**3) Monthly Income:**

- a) <40,000 pm
- b) 40,000-70,000 pm
- c) >75,000

**4) Education:**

- a) Graduate or below
- b) Post graduate or above

**5) Occupation**

- a) Salaried
- b) Business Class

**Q. Below are the statements regarding your perception about GST. Kindly tick the appropriate where,**

5= Strongly Agree    4 = Agree    3= Neutral    2= Disagree    1= Strongly Disagree

Statements					
GST is a very good tax reform for India					
GST has increased the legal compliances					
GST has increased the tax burden on Businessman					
GST has increased the tax burden on Common Man					
India is not ready for implementation of GST					
Government has imposed GST on people without any preparation					
GST is very difficult to understand					
GST will increase the inflation (prices) in the country					
GST is beneficial in long-term					
GST will increase the tax collection of the government.					
GST is affecting small business very badly.					