

# Periodic Research

## Consumers' Perception Regarding Goods and Services Tax (GST): A Study of Varanasi District

### Abstract

Goods and Services Tax (GST), a new dimension in tax system has taken over by the Indian Government in the July 2017. Amendment of the new tax system and its implementation created confusion among various categories of peoples. The purpose of this paper is to analysis the consumer's perception regarding goods and services tax (GST). The study is descriptive and inferential in nature based on structured questionnaire with 200 consumers selected through simple random sampling technique collected from Varanasi District. The Chi-Square Test and Independent Sample t-test is used for data analysis. The obtained result is that 76.5% consumers are aware about GST in Varanasi District but their perception in respect of price of goods and services towards New Taxation System is statistically significant.

**Keywords:** Goods and Services Tax (GST), Consumer's Perception, New Taxation System.

### Introduction

Goods and Services Tax (GST) is an indirect tax which was introduced in India on July 1, 2017 and was applicable throughout India which replaced multiple taxes levied by the central and state governments. It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The GST Bill was introduced in Lok Sabha in 2009 by erstwhile UPA government but they failed to get it passed. The NDA government introduced a 'slightly modified' version of the GST Bill in the Parliament and both the Houses passed it (Ranjan, 2017). Through GST, the government aims to create a single comprehensive tax (one nation one tax) structure that will include all the other smaller indirect taxes on consumption of goods and service. Currently, tax rates differ from state to state. GST will break the complicated structure of separate central and state taxes which often overlap with each other to create a uniform taxation system which will be applicable across the country (Goh, *et al* 2017). Taxes will be implemented more effectively since a network of indirect taxes like excise duty, service tax, central sales tax, value added tax (VAT) will be replaced by one single tax "GST". The state will still have a say in taxation, as the number of taxes will be reduced to three with Central GST, State GST and Integrated GST for inter-state dealings.

The GST Council, headed by Ho'able Finance Minister, Government of India, Mr. Arun Jaitley and of which all states Finance Ministers are members, has approved five tax slabs that is 0 percent, 5 percent, 12 percent, 18 percent and 28 percent. The most essential goods and services attract zero percent (0%) rate of GST under Exempted Categories. The second lowest rate of 5 percent will be on items of mass consumption which are used particularly by common people. The third and fourth category of standard rates of 12 and 18 percent will accommodate most of the goods and services. The fifth slab of 28 percent is levied mainly on luxury and demerits goods.

### Review of Literature

GST implementation has been widely debated and has attracted significant attention from various parties including academics, businesses and the general public. Several issues have been highlighted by most of the parties, particularly the causal effect of GST on the price of goods, tax evasion and government revenue. Review of literatures in this context has been carried out only on certain aspect of Goods and Service Tax by some researchers and institutions which have been enumerated briefly.



**Sanjay Kumar Sah**

Assistant Professor,  
Deptt. of Commerce,  
DAV PG College,  
BHU, Varanasi

A study done by Poonam (2017) focused on 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. Ahmad *et al.* (2016) argued that the negative perception of consumers toward the implementation of GST was due to lack of information on the goods or services which are exempted from GST, and the impact of inflation of price. This indeed reflected that the majority of Malaysian consumers are still confused and lack knowledge of GST, which directly influence their perception and level of acceptance of GST as a whole. Times of India (2017, July 27) stated that the GST simplification across different places for the same product has wider differences which the consumers are unaware, resulting them in surprise. For example, A Rasamalai sold in counter at a shop is taxed with 5% but if it is served in the hotel it is taxed with 18% this has resulted in difference of consumers shopping to purchase the similar products. Urif (2016) reported that the implementation of GST in Malaysia has also resulted in retail and service-oriented sectors suffering short-lived downturns as consumers become cautious of spending and its bleak impact on business.

Ling *et al.*, (2016) this may have resulted from the changes in price of consumer goods and services due to the rising cost of production and supplies. Moreover, the implementation of GST has directly affected society's welfare and consumers' daily life. Nasir *et al.*, (2015) explained that the key factor that has contributed to the public awareness towards Goods and Services Tax (GST) in Kuala Lumpur and also revealed that all of three independent variables were found to have significant impact towards the publics' awareness on goods and services Tax (GST). Alappatt and Shaikh (2014), who suggested that some of society's major concerns of charging GST in the country where such as increase in social problems, increase in inflation rate, negative effects on middle and low income groups, and increase in the price of food, healthcare, medical products, public transportation and other essential services.

Shamsuddin *et al.*, (2014) has been reported that consumers had diverse opinions over the implementation of GST and most of them failed to understand the implications and benefits of GST on goods, services, businesses and socio-economic development. Sijbren (2013) reported that a modern goods and service tax to improve the problems of India's current indirect tax system. Palil and Ibrahim (2012) further iterated that the implementation of GST is also argued to be an antecedent of inflation which will encourage many parties to increase the prices of products and services that eventually will burden the people as a whole. As a result, most households from

the middle and lower income groups may experience a higher financial burden in comparison to higher income earners. Das and Gupta (2004) stated that the tax compliance can be improved by implementing simple reforms in personnel policy in Indian Income Tax. He concluded that the GST will lead to higher tax compliance and lower tax evasion by Indians.

### Objective of the Study

The Prime objective of this study is to examine the consumers' perception towards Goods and Services Tax (GST) in Varanasi District. However, the sub-objectives of this study are as follows:

1. To identify the awareness regarding GST among consumers, and
2. To know their perception on this new taxation system

### Hypotheses for the Study

On the basis of objectives and related review of literatures, the null hypothesis has been formulated as: there is no significant difference between perception of consumers towards Goods and Service Tax.

### Research Design

Research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper, 2010). The present study is descriptive in nature. It carried out in Varanasi Districts. The sample size of the study is 200 with simple random sampling technique. To collect the data structured questionnaire has been used. Total 250 questionnaires have been distributed among the consumers of Varanasi District. Out of which 200 questionnaires have been collected and are used in this study. References from different magazines, literatures, and publications related to GST have been used to enhance the study. Data are analyzed with the help of Pearson's chi-square test and Independent Sample t-test to test the hypotheses. For referencing style the American Psychological Association (APA 6<sup>th</sup> Edition) have been used.

### Analysis and Discussion

**Table-1: Demographic Profile of the Respondents**

Age	Number	Percentage
Below 20	00	0.0
20-30	46	23.0
30-40	49	24.5
40-50	42	21.0
50-60	45	22.5
60 Above	18	9.0
Total	200	100.00
Qualification	Number	Percentage
High School	52	26.0
Intermediate	63	31.5
Graduation	71	35.5
Post-Graduation	14	7.0
Total	200	100.00
Gender	Number	Percentage
Male	129	64.5
Female	71	35.5
Total	200	100.0

A summary of the demographic profile of the respondents is presented in the above Table-1 shows that the maximum 24.5 percent consumers were between the age group of 30-40 years while the age group of less than 20 years is not found. It is also observed that 35.5 percent consumers graduate and 7 percent consumers is post graduate qualified. As far as gender of respondents is concerned, it is found that the 64.5 percent male and 34.5 percent female respondents has considered for study.

**Table-2: Gender wise Distribution of Respondents with regards to Awareness about GST**

Awareness about GST	Gender				Total	
	Male		Female			
	No.	%	No.	%	No.	%
Yes	106	82.17	47	66.20	153	76.50
No	23	17.83	24	33.80	47	23.50
Total	129	100.00	71	100.00	200	100.00
$\chi^2 = 6.52$				df= 1		

It can be observed from Table-2 that the proportion of total selected respondents, 76.5 percent were aware and 23.5 percent were not aware with GST. In the case of Male respondents, 82.17 percent respondents were aware and 17.83 percent respondents were not aware about GST. As far as Female respondents are concerned, it is found that the 66.20 percent respondents were aware and 33.80 percent respondents were not aware about GST. The Chi-square test has been applied to test the association between male and female with regards to awareness about GST and found that there is a highly significant relationship between Genders with regards to awareness about GST as the calculated Chi-square value is greater than table value; therefore null hypothesis has been rejected. Which means the awareness about GST of the two groups is statistically significant.

**Table-3: Gender Wise Consumers' Perception towards Increase Government Review in New Taxation System (GST)**

Increase Govt. Revenue	Gender				Total	
	Male		Female			
	No.	%	No.	%	No.	%
Strongly Agree	69	65.09	28	59.57	97	63.40
Agree	26	24.53	13	27.66	39	25.49
Disagree	11	10.38	06	12.77	17	11.11
Total	106	100.00	47	100.00	153	100.00
Mean Score $\pm$ S.D.	2.55 $\pm$ 0.68		2.47 $\pm$ 0.71		2.52 $\pm$ 0.69	

t= 1.01

df= 151

Table 3 exhibits the consumer's perception regarding new taxation system. In male respondents 10.38 percent consumers were disagree and 65.09 percent were strongly agree; while female respondents 59.57 percent have asserted that they were strongly agree with regards to increasing government revenue as per new taxation system. Overall 63.40 percent were strongly agreed and nearly 11 percent were disagreeing towards increasing government revenue as per new taxation system. It is also observed that the mean score of the male respondents was 2.55 $\pm$ 0.68 while it was 2.47 $\pm$ 0.71 in female respondents. The t-test result shows t-statistic of 1.01 with 151 degrees of freedom is less than the table value. Therefore null hypothesis can be accepted at 5 percent level significance. This means that the mean score with new taxation system of two groups is statistically not significant.

**Table-4: Gender wise Consumers' Perception towards Reduction of Tax Evasion in New Taxation System**

Reduce Tax Evasion	Gender				Total	
	Male		Female			
	No.	%	No.	%	No.	%
Yes	91	85.85	39	82.98	130	84.97
No	15	14.15	08	17.02	23	15.03
Total	106	100.00	47	100.00	153	100.00
$\chi^2 = 0.22$				df= 1		

Table 4 reveals that the perception of consumers with regards to reduction of tax evasion in new taxation system (GST). Nearly 86 percent male respondents were agreed and remaining were not agreed with reduction of tax evasion; while in female respondents, majority of the respondents (82.98 percent) were of positive view and only 17.02 percent respondents were negative view with reduction of tax evasion. On an overall basis, majority of respondents (84.97 percent) have replied that they were agreed but 15.03 percent respondents had asserted that they were not agreed with reduction of tax evasion in new taxation system. The Chi-square test has been applied to test the association between Gender with regards to reduction of tax evasion in new taxation system and found that there is no significant relationship between Gender with regards to reduction of tax evasion in new taxation system as the calculated Chi-square value is less than table value; which means that the perception about reduction of tax evasion in new taxation system of the two groups is statistically not significant. Therefore null hypothesis has been accepted.

**Table- 5: Qualification wise Consumers' Perception towards Price of Goods and Services in New Taxation System**

Qualification of Respondents	Price of Goods and Services					
	Increase		Decrease		Total	
	No.	%	No.	%	No.	%
Up to High school	11	39.29	17	60.71	28	100.00
Intermediate	32	69.57	14	30.43	46	100.00
Graduate	41	63.08	24	36.92	65	100.00
P.G. and Above	06	42.86	08	57.14	14	100.00
<b>Total</b>	<b>90</b>	<b>58.82</b>	<b>63</b>	<b>41.18</b>	<b>153</b>	<b>100.00</b>
$\chi^2 = 7.71$						<b>df= 1</b>

Table 5 shows that the qualification wise consumer's perception with regards to Price of Goods and Services in New Taxation System. In this regard, 60.71 percent respondents with less education (up to high school) are asserted that decrease the price of goods and services; while nearly 70 percent respondents with Intermediate educated are agreed that the price of goods and services in new tax system has increased. Similarly, 63.08 percent graduate respondents have agreed; while 57.14 percent respondents with P.G. and above educated have disagreed with increase the price of goods and services in new tax system. Overall, 58.82 percent respondents are agreed and 41.18 percent respondents are not agreed that price of goods and services in new tax system has increased. The Chi-square test has been done to test the association between educational qualification of respondents and their perception with regards to Price of Goods and Services in New Taxation System. It is found that the calculated value of Chi-square is greater than the table value so null hypothesis has been rejected. Therefore perception of consumers towards New Taxation System is statistically significant.

### Conclusions

The study is based on the demographic factors to understand that the consumers' perception with regards to new taxation system (GST). It has been found in the study that male consumers are more aware about GST in comparison to female consumers. However, the consumers have a positive perception that GST has decreased the tax evasion and increased government revenue; while in respect of price of goods and services towards New Taxation System consumer's perception is statistically significant. The review suggested that there is a significant need for the government to put in more effort to ensure that consumers have a clear understanding and develop a positive perception towards GST, leading to its acceptance. Good understanding among consumers is important as it can generate a positive perception towards the taxation system. To conclude this study, there is a need to focus on the other factors of GST other than the Government revenue, tax evasion and price of goods and services.

### References

- Ahmad, M. A. R., Ismail, Z., & Abdul, H. (2016). *Awareness and Perception of Taxpayers towards Goods and Services Tax (GST) Implementation.*

- International Journal of Academic Research in Business and Social Sciences.* 6(11), 75-93.
- Alappatt, M., & Shaikh, J. M. (2014). *Forthcoming Procedure of Goods and Service tax (GST) in Malaysia. Issues in Business Management and Economics,* 2(12), 210-213.
- Cooper, R. Donald and Schindler, S. Pamela (2010). *Business Research Methods (9<sup>th</sup> Edition).* New Delhi: McGraw Hill Edition Pvt. Ltd.
- Das-Gupta, Arindam; Ghosh, Shanto; Mookherjee, Dilip, (2004). *Tax Administration Reform and Taxpayer Compliance in India in "International Tax and Public Finance".* Springer Science & Business Media: New York.
- Goh P.J., Huri C.T. and Tay Alexander Guan (2017). *Consumers' Perception towards the Implementation of Goods and Services Tax (GST) in Malaysia: A Review Paper. Journal of Global Business and Social Entrepreneurship (GBSE),* 1 (4) P.17-23. Retriever from <https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=3058880>.
- GST simplification across different places for the same product (2017, July 27). Times of India.* P-1.
- Ling, S. C., Osman, A., Muhammad, S., Yeng, S. K., & Jin, L. Y. (2016). *Goods and Services Tax (GST) Compliance among Malaysian Consumers: The Influence of Price, Government Subsidies and Income Inequality. Procedia Economics and Finance,* 35, 198-205.
- Mahender, P. (2017). *GST Effect on Manufacturing Industry in India. International Journal of Managerial Studies and Research (IJMSR),* 5(1), 28-30. Retriever from <https://www.arcjournals.org/pdfs/ijmsr/v5-i1/7>.
- Nasir, Sani, Ashimah Binti Abdullah and Nor Marini Binti (2015) "Public Awareness towards Goods and Services Tax (GST) in Kuala Lumpur, Malaysia", *International Academic Research Journal of Social Science,* Vol. 1 (2), 101-106.
- Palil, M. R., & Ibrahim, M. A. (2012). *The impacts of goods and services tax (GST) on middle income earners in Malaysia. World Review of Business Research,* 1(3), 192-206.
- Poonam (2017, January 8). "Goods and Services Tax In India: An Introductory Study, 6th International Conference on Recent Trends on Engineering, Science and Management.
- Ranjan, Abhinav (2017 December 28). *Goods and Service Tax, Smart taxation System, INDIA*

E: ISSN No. 2349-9435

TV, New Delhi. Retrieve from  
<https://www.indiatvnews.com> › Business News.

13. Shamsuddin, A., Ruslan, M. I. M., Halim, A. A., Zahari, N. F. & Fazi, N. F. M. (2014). *Educators' Awareness and Acceptance towards Goods and Services Tax (GST) Implementation in Malaysia: A Study in Bandar Muadzam Shah, Pahang*. *International Journal of Business, Economics and Law*, 4(1), 92-96
14. Sijbren Cnossen, (2013). "Preparing the way for a modern GST in India" in "International Tax and Public Finance. Springer Science & Business Media, New York.
15. Urif, H. B. (2016). *Employees' Attitudes toward Goods and Services Tax (GST) in Open University Malaysia (OUM)*. *Imperial Journal of Interdisciplinary Research*, 2(9), 92-99..