

Traders and customers perception towards goods and services tax: An Analytical Study

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Abstract

The central government of India has been implemented GST Act -2017 after long period of discussion from 1st July 2017 onwards throughout country. Though initially many States government are opponent to GST, later on all States agreed to implement it. The government is instead of imposing and levied various tax both by the central and states government GST is single taxation system and as the policy of “One Nation, One Market and One tax’ to the central its known as Goods and services tax. As the key factors of this study covers and analyzed the different parameters of GST and tax issues and such as advertisement about GST, rate of tax, tax compliances, input tax credit and reporting, basic exemption limit, tax base, compensation, inflation, rising cost of living, role of GST Council and the implementation of GST how impacted many traders and customers in vellore district, Tanilnadu, India. As a result most of the traders and customers are aware about GST but they it gives additional burden because a part this we paid various tax to government they said. This paper is also expected to provide a better understanding for various aspirants towards GST. In addition to that this study could also assist the government in their policy decision making as well as to increase public confidence about government to development this indirect tax policy.

Key Factors: Goods and services tax (GST), Traders and customers perception of GST.

Introduction

Economy is back bone for the country. In that tax is a one part but it contributes the huge source of revenue to the government since it is levied of goods and services and it’s additional burden to the people. So the government should levy the tax from people like a ‘Bee taking honey from flower’. ‘Getting fruits from well grown tree’ that will give sustainable development to the government but not getting it by ‘giving pain to flowers and getting fruits by cutting tree’. This have five decades ago in the history of Tamil Nadu this as stated in THIRUKKURAL by THIRUVALLUVAR

“ARANENUM INBAMUM ENUM THIRANARINDHU THETHUINRI VANTHA PORUL”. - (No:754)

Explanation in Tamil: Serkkum thiram Arindhu, Theemai ondram illamal Serkka patta selvam Arrathaium, Inbathaium Kodukkum.

Explanation in English: Those who getting money by using good knowledge without any demerits or defect that will give great happiness and integrity.

There are three structures and sub-structures in economic that are public economy, private economy and mixed economy and economics of independent manufactured, economics of market, economics of taxation and economics of

exploitation and so on., all those things are use to implemented in the country. Among these people and the country can be lived and survive but improvement of people and their standard of living for development of country only by adopting economics of independent manufactured in all aspects and that can be done by own trade and commerce respectively

Tax is the major source of revenue to the government and it is the part of public finance in the economic structure. The process of raising tax for public finance or revenue is on various goods and services and the people income and wealth. The government has to ensure the principles of taxation whenever that impose, levy and procurement of tax has to be done a specially the principle of maximum social advantages or social welfare.

In traditional period public revenue are two types: 1. Non tax revenue 2. Tax revenue. Apart from these some other sources of revenues are generated from government organization by doing services to public that are:

- Fees
- Fines & Penalties
- Special Assessments
- Prices

- Gift donations
 - Grants in Aid
1. **Non-tax revenue**

This kind of revenue is generally coming to government through their investment by establishment of business and services in other countries. One more non-taxable revenue is getting debt from various countries and international organization like World bank, International Monetary fund (IMF) and so on.,

2. **Tax Revenue**

Tax is imposed by the government on level and basis of the people. When it is imposed on level of income, gains and wealth of the people than it's called as direct taxes. Whereas imposed tax on the basis of goods and services is known as Indirect taxes.

Indirect Taxes

Indirect tax is a tax imposed by the government on the business or the goods. Since it is impact on the goods manufacture by manufacturer and that will finally incident on the end user that is customer. Though many intermediate or middle business men involved between manufacturers to consumers they keep shifted or transfer the tax to end users. The below diagram will show the details of tax flow to the government.

Chart 1: Types of Tax before GST in India

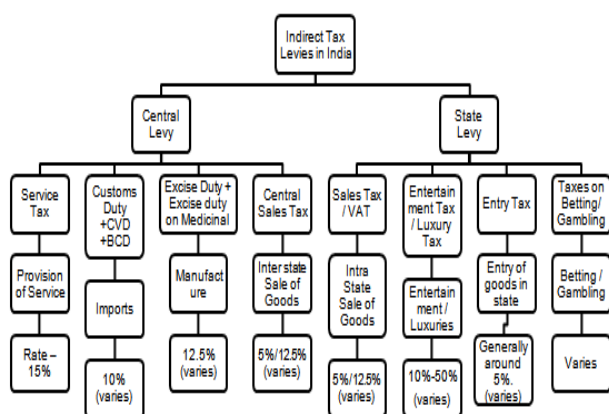
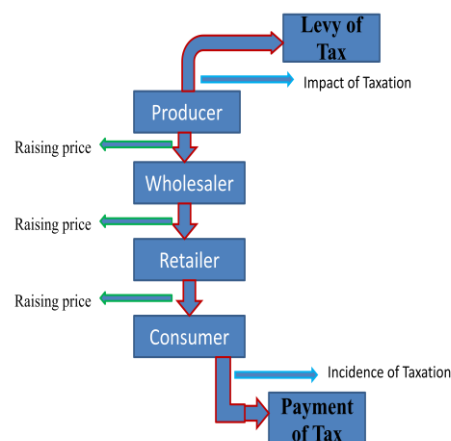


Chart:2

Model of impact, shifting & Incidence of tax



Need for the Study

The new tax regime like GST playing vital role in economy and makes many issues to government and business community both national and international level. When implementation of GST before and after most of the business associations and political parties are made protest for not implemented in our country especially when Ms. Jayalalitha was a Chief Minister in Tamilnadu and even Mr. Narendra Modi Prime Minister of India when he was a Chief Minister of Gujarat strongly against GST. Many initiatives and changes are doing by the government now and there by conducting GST council even after implemented GST in the Parliament of India. Thereby, understanding those issues leads the researcher to conduct a detailed research on the traders and customers perception towards GST. The rationale behind this research effort must be spelled out clearly. In the direct taxation system the tax payer and the tax liabilities are defined in advance. Whereas in Indirect taxation as GST not like that and the rate of tax are equal to all common public. These will enable readers to understand the motivation of the researcher in undertaking this task. The famous proverb “NO HEALTH NO WEALTH” it means human beings are the very big assets to makes a nation wealthy. Humans are holding the position depends up on their nature of work like traders, customers, politician, doctor, engineer, and teacher so on. In terms of indirect tax payment traders and final customers are playing important role with government so they need to understand about GST.

Statement of the Problem

The State welfare is fully depends on a good taxation system and it should satisfy the principles of taxation to the public especially traders because

impact and incidence of tax first on traders and final tax burden on the whole customers. With regard to new tax system of goods and services taxes, State to levy tax, rate of tax, sharing of revenue, compensation to States and levy of tax and so on., the trader and customers should be persuaded to get awareness to increase the agreed & acceptance level among them so that they can satisfy about GST at least the best to continue and contribute to the Nation for endeavor.

Objectives

The following objectives have been framed and used for the study by conducting Delphi method.

- To identify the awareness of goods and services tax.
- To analyze the variables of GST

Research Methodology

Pilot Study

The Researcher has conducted a pilot study to validate the questionnaire and to confirm the reliability of the research that is carried out. For the pilot study the researcher has utilized 50 filled-in questionnaires. The collected questionnaires were analyzed for the criteria of Cronbach's Alpha value. The outcome of the Cronbach's alpha reliability test as part of the study.

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.815	0.820	32

ii) Research Method

The researcher has used Analytical method for the present study.

iii) Methods of Data Collection

In order to accomplish the research objectives the survey method & discussion, interviews technique have been used. A survey was carried out by mailing and personally visited the selected traders and customers in the main town place of Ambur, Vaniyambadi, Thirupattur, Katpadi and Vellore. The needed data has been collected from Primary as well as secondary sources. Primary data is collected through administering a survey questionnaire. Secondary data is provided from published sources.

Primary Data: Primary data has been collected through the following method:

a) Questionnaire: Detailed & comprehensive questionnaire was prepared for the traders and customers.

b) Discussion & Interviews: A brief discussion has been done with the traders and customers directly & indirectly related to significance of GST. In the interviews, open end questions were asked to gather information. The interviews conducted were unstructured.

Secondary Data:

Secondary data has been gathered by the researcher from the Reference books, research articles and Journals, Reports, Magazines, newspaper for giving theoretical background of GST for research.

iv) Instrumental Design

The researcher has been used qualitative variables and collected data through the structured questionnaire. The questionnaire used comprises of both optional type and statements in Likert's 5 point scale.

7. Population and Sample Size

i) Population Definition

The criteria for selection of respondents for collection of data from customers and registered traders as well known as GSTN in the commercial tax department Vellore District TamilNadu. In terms of population define traders are known population that as per the records of District Commercial tax office (DCTO) Vellore the total number of registered traders is 17392 as on March 2018 and the customers unknown population that is computed as per Cochran's sample size method. The respondent has been selected from Municipal and Corporation area. A pilot study of has been conducted from the 50 respondents out of which 25 are traders and 25 are customers to observe the awareness, satisfaction and perception level towards the Goods and services taxes.

ii) Statistical Population

The total number of individuals under study is called the population. In the current research work the statistical population is the sum of 600 respondents in Vellore district TamilNadu. The unit of statistical population is the customers and concern trader of the business or representative of the concerned business and data are collected from them by scientific methods.

iii) Sample Design

A sample is a portion of the total population that is considered for study and analysis. The type of

sampling is simple random sampling has been used by researcher in the present research work.

iv) Sample Size

The researcher has chosen the traders and customers from the Municipal and Corporation area of the district by using multistage random sampling of 600 respondents for the study out of which 300 are traders and 300 respondents are customers respectively. In this research work - researcher compute the sample size of following manner.

Goods and services Tax Act -2017

Goods and services tax was introduced and implemented in the year 1954 by France in the world. After long period it was introduced in Canada in the year 1980. After LPG system came into force the number of country quite increased to implement GST. Now more than 160 countries having this GST in their tax system. The debate and discussion about GST was started since 1990 onwards in India. In continuation of that in 1994 by introducing Value Added Tax (VAT) it was decided to bring GST in India.

VAT was implemented in India by the suggestion of Economists Mr. Amaresh Bakshi, Mr. Amaresh Gupta and recommendation of Kelkar Commission and Finance Commission. Thus GST is the next level development of VAT.

The central government has been implemented GST Act in India after long period of discussion. Though initially many States government are opponent to GST, later on all States agreed to implement it.

GST is the hot topic discussion now-a day everywhere in India. GST is biggest reform field of indirect taxation, trade and commerce. GST Act has been came into force and implemented from 1st July 2017 onwards throughout India except Jammu & Kashmir. It was also presented in Tamil Nadu Legislative Assembly by Commerce Minister and passed by voice vote.

Goods and services Tax (GST)

Previously many taxes was there in practice such as Excise duty, sales tax, Value Added tax, services tax, entry tax or Octroi and

Chart 3: Subsumed taxes under GST

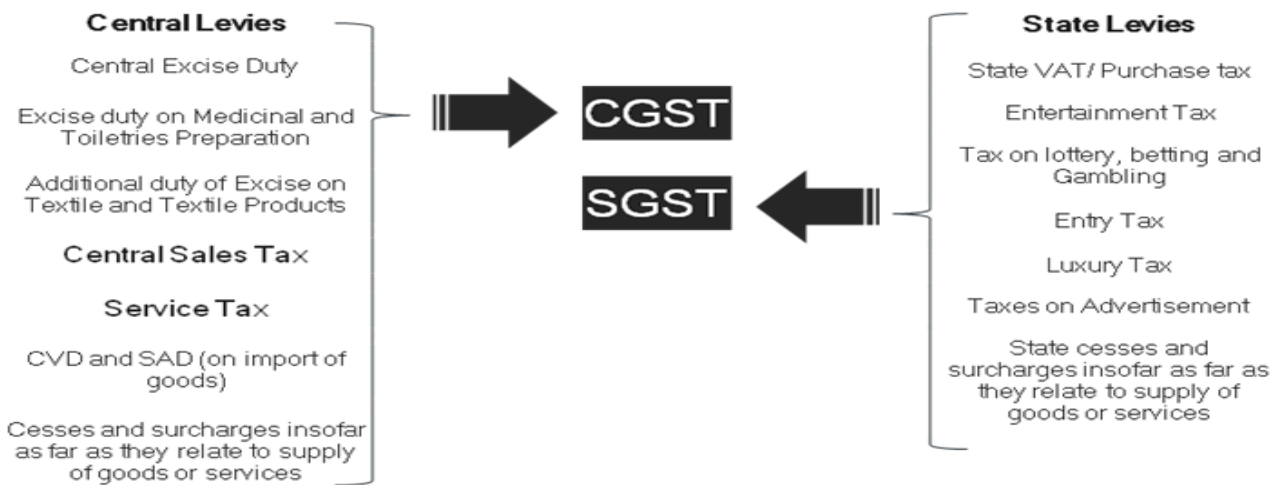
other additional taxes and these has been levied and paid at many stage of production and transfer of goods that is from the manufacturing point to the end of consumption many taxes has to paid to central and states government. A specially different types of taxes having separate administrative department for each tax were there in each states and hopefully GST Act will give department wise integrated solution by removing all these taxes and impose a single tax in a place on manufacturing goods is known as goods and services tax.

Meaning of GST

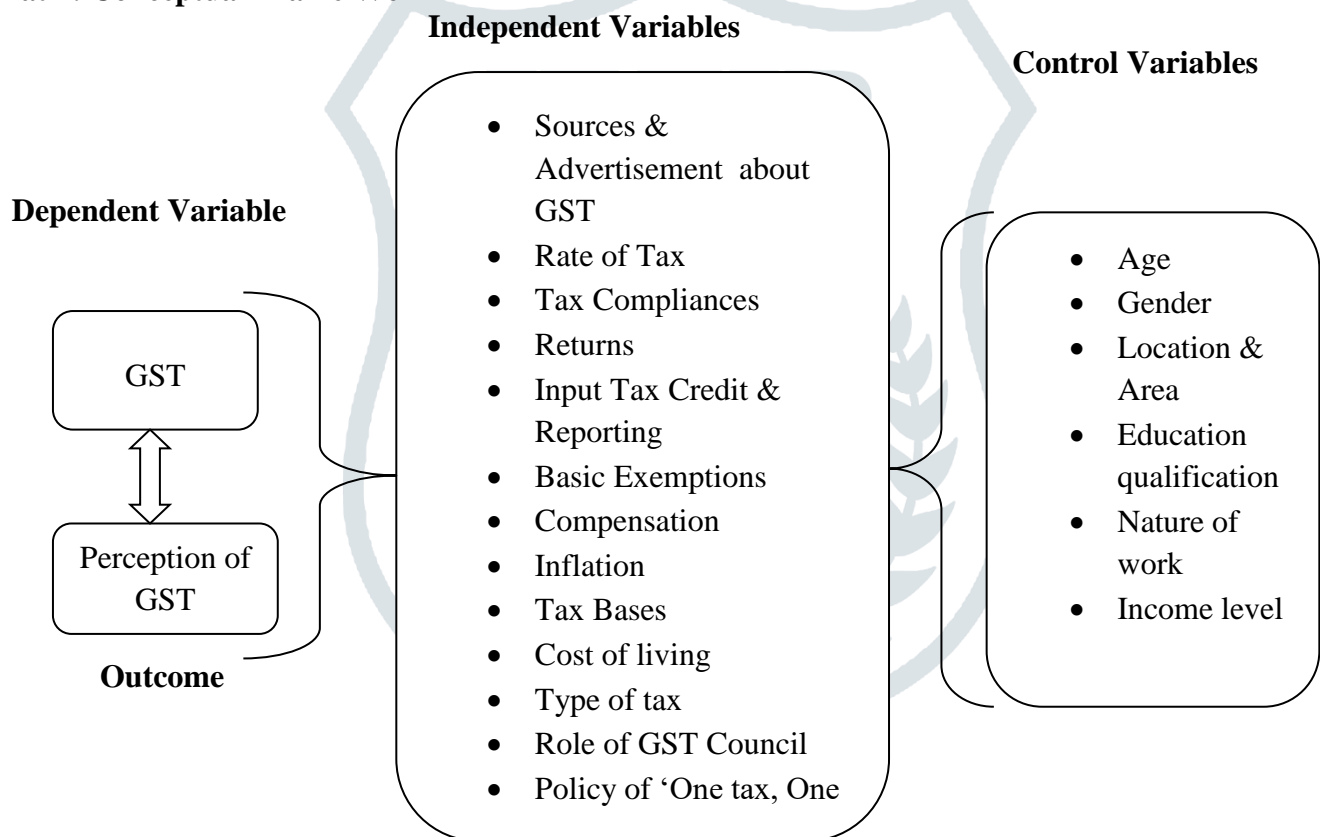
Goods and services tax defined as a tax which is levied on supplies of goods and services at each point of sale of goods and provision of services. They may claim the credit of input tax.

Various Act under GST and charging provisions

1. **CGST Act** – Central Goods and services tax (Section 9)
2. **SGST Act** – State Goods and services tax (Section 9)
3. **UTGST Act** – Union Territory Goods and services tax (Section 9)
4. **IGST Act**– Integrated goods and services tax (Section 5)
5. **Services Taxes Act** and [Section 9(5)]
6. **Compensation to State Act 2017**
 - Levy of Cess for compensation for the period of 5 years
 - Compensation cess being levied on interstate trade or local trade or on both
 - Cess being levied only on specified goods and rates which is given in the Act
 - The specific goods are
 - Pan masalas
 - Tobacco products
 - Coal
 - Motor cars
 - Aerated waters



Chat 4: Conceptual Frame Work



Analytical part

There are various factors and variable affecting the traders and customers to understanding about newly implemented goods and services tax in India that has been analyzed by using tools and find the result.

Table 5 : How do you know about GST

Attributes	Frequency	Percent	Cumulative Percent
Friends/Professionals	12	48.0	48.0
TV	5	20.0	68.0

Newspaper	5	20.0	88.0
Govt websites	3	12.0	100.0
Total	25	100.0	

Interpretation: The above table stated that the 48% traders are came to known about the goods and services tax from friends and professionals and other are from print and visual media.

Chart: 5

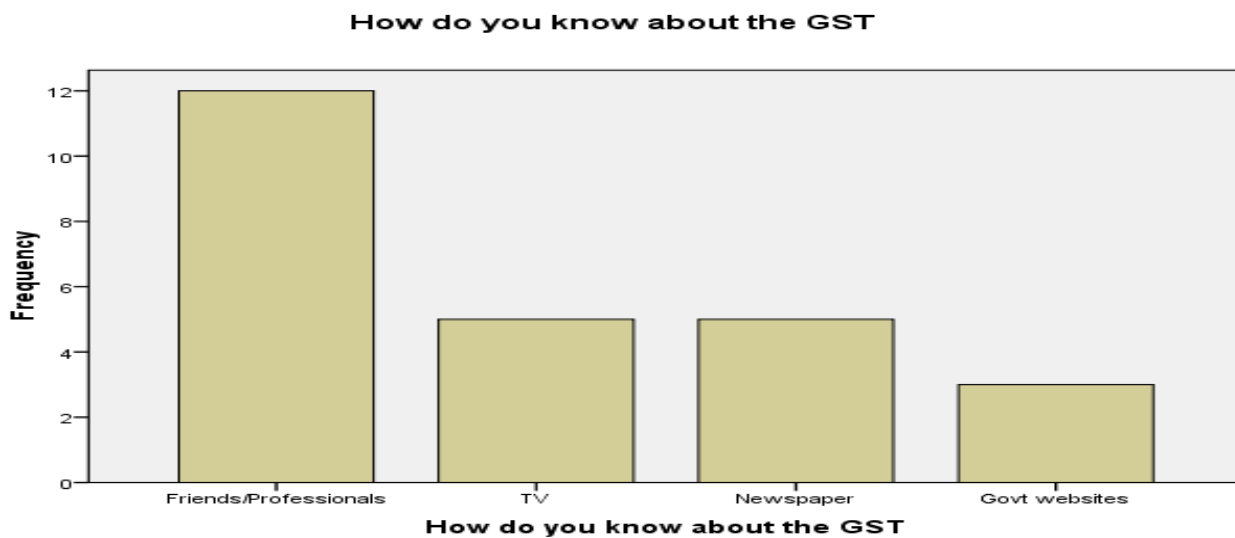
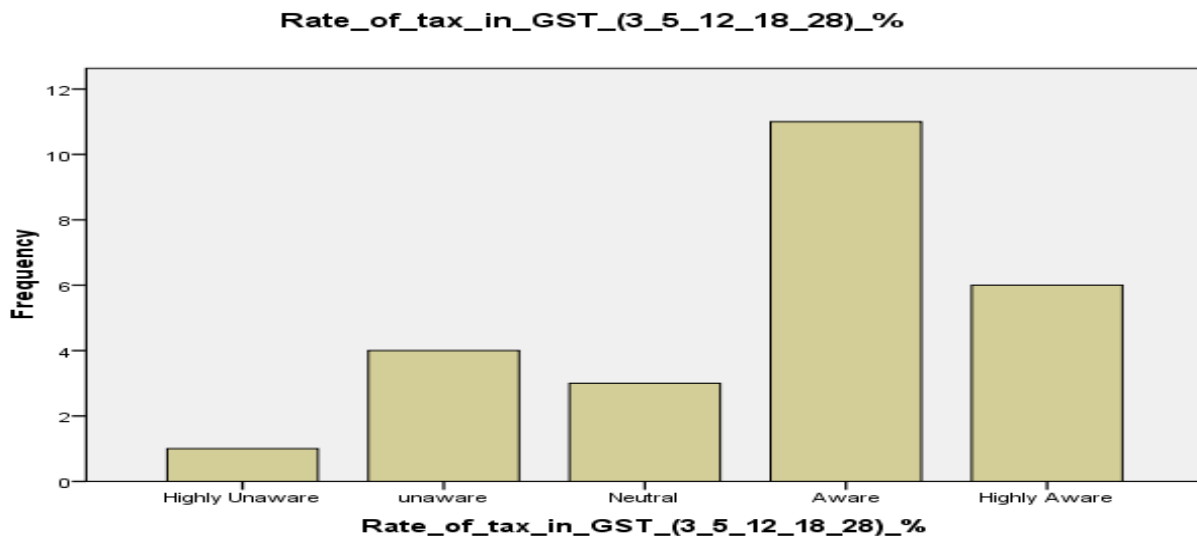


Table 6: Rate of tax in GST (3, 5, 12, 18, 28) in %

Attributes	Frequency	Percent	Valid Percent	Cumulative Percent
Highly Unaware	1	4.0	4.0	4.0
Unaware	4	16.0	16.0	20.0
Neutral	3	12.0	12.0	32.0
Aware	11	44.0	44.0	76.0
Highly Aware	6	24.0	24.0	100.0
Total	25	100.0	100.0	

Interpretation: About 44% of traders are aware of rate of tax in GST and 16% of them unaware the rate of tax.

Chart: 6



Factor Analysis: Customer

Table: 2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.746
Bartlett's Test of Sphericity	Approx. Chi-Square	676.165
	Degrees of Freedom	36
	Sig.	0

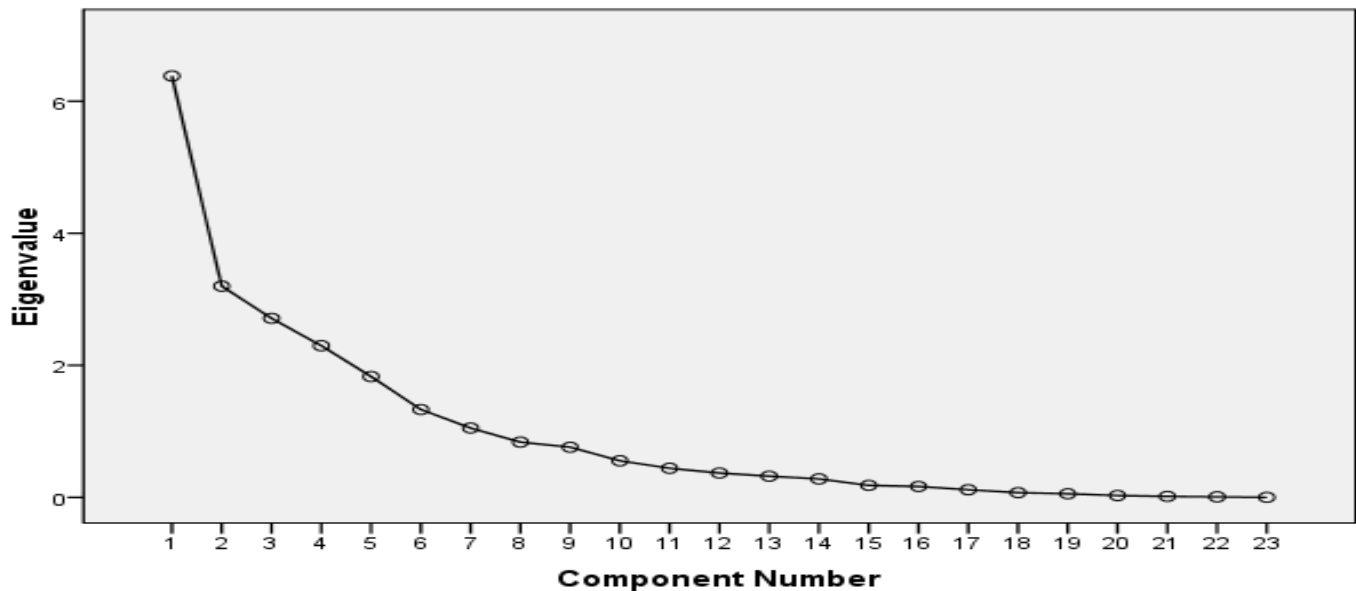
Table: 3

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.382	27.748	27.748	6.382	27.748	27.748	4.212	18.311	18.311
2	3.199	13.908	41.656	3.199	13.908	41.656	3.142	13.663	31.974
3	2.712	11.791	53.447	2.712	11.791	53.447	2.740	11.915	43.889
4	2.297	9.985	63.433	2.297	9.985	63.433	2.539	11.039	54.928
5	1.830	7.958	71.391	1.830	7.958	71.391	2.182	9.485	64.413
6	1.330	5.782	77.173	1.330	5.782	77.173	2.076	9.026	73.439
7	1.050	4.566	81.739	1.050	4.566	81.739	1.909	8.300	81.739
8	.837	3.639	85.378						
9	.760	3.305	88.683						
10	.554	2.410	91.093						
11	.441	1.916	93.009						
12	.368	1.601	94.610						
13	.321	1.398	96.008						

14	.280	1.217	97.224						
15	.181	.788	98.012						
16	.165	.719	98.731						
17	.116	.503	99.234						
18	.072	.312	99.546						
19	.054	.237	99.782						
20	.028	.120	99.902						
Extraction Method: Principal Component Analysis.									

Chart:4

Scree Plot



Interpretation:

From Table 3: Total Variance explained table shows how the variance is divided among the 20 factors. Note that seven factors have Eigen Values (a measure of explained variance) greater than 1.0, which is a common criterion for a factor to be useful. More over these three factors contributes 81.739% of overall 20 variables. Even in Scree Plot we conclude that there is a drop in the component 7.

Table: 4
Rotated Component Matrix

	Component						
	1	2	3	4	5	6	7
Do you aware the old tax system in India?	.130	.099	.128	-.113	.032	.184	.880
Do you understand about GST and its concepts	.746	.246	.025	.301	-.012	-.262	.368
Do you know the date of GST implemented in India	-.016	-.116	.618	.068	-.313	.068	.421

GST is chargeable on goods bought while sales tax was chargeable on goods	.250	.809	-.001	.162	-.019	-.240	.052
GST Net work covered almost all goods & Services	.000	-.602	.323	.177	.460	-.311	-.230
Media & other Advertisement about GST information	.155	-.015	.177	-.011	.028	.906	.141
Price of the goods so increased due to Petroleum is out of GS	.614	-.069	-.543	-.222	.201	.191	.041
GST makes One tax – one market & one India	.749	.025	.008	.185	.044	.371	.332
GST Broaden India's tax base (Goods & Services)	.283	-.200	.828	-.087	.159	.086	.185
GST improve India's Economy for the long run	.192	.121	.145	.038	.848	.121	.281
GST is increase cost of living	-.497	.358	.555	-.026	.003	.296	.134
GST is affecting your spending habit?	-.442	.144	.103	-.136	.579	.300	-.438
Price of goods & services will increase when raw material are taxed	-.050	.137	.781	-.417	.108	.074	-.225
Does GST is affecting your choices of products & services to purchase?	.815	-.192	.233	.416	-.302	.064	.303
Govt. spends the tax revenue on welfare	.161	.093	-.169	.819	.166	.021	-.167
GST is encourage the people to save their income	.357	.478	.313	.415	.045	.314	.109
GST is Simple and transparent	.734	.399	.055	-.007	-.072	.055	-.101
GST Increase the gap between rich become rich and poor become poor	-.201	-.314	-.224	.072	.775	-.137	-.208

GST is good to society	.556	.248	-.185	.441	.024	.487	.248
Citizens are whole hearty accept the GST	.753	.241	.063	.197	-.024	.112	-.062
Rate of tax on luxury goods (Car, Gold)	.145	.755	-.019	.409	.032	-.035	.023
Maximum Rate of tax on Imports & Exports in GST is 40%	.151	.283	-.050	.615	-.081	-.017	.033
Does GST affecting Co-federal system of country and States autonomy or independence	.061	.717	.002	.050	.007	.489	-.086

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 12 iterations.

Interpretation:

From the above Rotated Component Matrix we can see that, three components involved (which is found using the technique Eigen Values and Scree Plot). From Component 1 we say that there are 20 variables having positive loading from the 20 variables 1 having high positive loading that is Does GST is affecting your choices of products & services to purchase? In Component 2 GST is chargeable on goods bought while sales tax was chargeable on goodshas high positive loading. In Component 3 GST Broaden India's tax base (Goods & Services) has high positive loading. In Component 4 Govt. spends the tax revenue on welfare. In Component 5 GST improve India's Economy for the long run. In Component 6 Media & other Advertisement about GST information. In Component 7 Do you aware the old tax system in India? From, the above rotated matrix we infer that, out of 20 variables 7 variables have high positive loading which is contributing more on Awareness on GST in Vellore district.

Conclusion

The purpose of this study was to explore the perception of tax of traders and customers regarding the GST and probable area of difficulties. The result shows that most of the traders and customers are aware about GST but they it gives additional burden because a part this we paid various tax to government they said. There are many channels that can be used by the authorities or government such as advertisement in television, radio and also in the social network to easy to access. Next, government need to disseminate the tax benefit and revenue transparently to traders, customers as well as public to change the perception towards GST implementation. It is crucial for the government on the policy development.

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