

Perception Level of GST (Goods and Services Taxes): A Pilot based Survey

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Abstract

Examining the degree to which GST is perceived is the study's major goal. 200 questionnaires were used to perform the main survey, and 153 participants answered them. Utilizing a virtual platform, data were gathered (Monkey survey and Google form). When the assumptions (Hypothesis) were put to the test, the majority of respondents (85.50%) accepted the lower-rate GST (<10%). While several nations around the world have implemented the GST at a lower rate, Government of India has directly implemented at the highest rate (18–28%), which has had a major long-term impact on the Indian economy ($R^2=0.93$, $P = 0.01$). The majority of respondents (19.61%) were in favour of VAT, while only (3.27%) were in favour of GST. At the 1% level of significance, it was concluded that none of the assertions were related to either GST or VAT ($Z= 4.49$, $P=0.001$). Both manufacturers and consumers will be hamper if the price of the goods and services tax is continually raised.

Keywords: GST, VAT, Acceptance Level, Indian Economy

Introduction

One of the most contentious problems in the contemporary Indian context is the Goods and Service Tax (GST). The Government of India implemented the most ambitious and notable indirect tax reform on March 29, 2017, and it went into effect on July 1st, 2017, except in the state of Jammu and Kashmir (UTIs), which can replace cascading taxes levied by the federal and state governments. Introducing a consistent nationwide tax system is one of the main objectives of the goods and services tax (GST) (Syeda Shamaela et al., 2020). The Goods and Service Tax (GST) implementation has made a new policy act and compliance costs possible (The Ministry of Finance Annual Report Bulletin, 2017).

The majority of useful goods and services sold for domestic consumption are subject to the goods and services tax (GST), which is a value-added tax (Hladerkhan et al., 2017). As of 2016, 160 nations worldwide had chosen the GST, which combines various tax rates into a single tax (Syeda Shamaela et al., 2020). Although it is referred to as a new system in India, it actually has a very lengthy history in the rest of the globe, which we will examine in the lines that follow. In 1954, France became the first nation to apply the GST, and since then, practically all other nations have adopted a unified tax system, in which a single tax rate is imposed across the globe (Hladerkhan et al., 2017). The Netherlands had the highest GST tax rate (21%) compared to the UK (20%), France (20%), Germany (19%), India (18%), Pakistan (17%), Mexico (16%), New Zealand (15%), Australia (10%), Brazil (10%), Indonesia (10%), Korea (10%), Switzerland (8%), Japan (8%), Singapore (7%), Thailand (7%), Malaysia (6%), Canada (5%) and others. A single, integrated tax system is currently a global fiscal trend (Shilpa Kulkarni et al., 2021). The dual (CGST and SGST) GST mechanism in India is the main distinction between it and similar taxes in other nations (OECD, 2016). Many nations have a single, universal GST system; others, like Brazil and Canada, have dual governments (federal and state or provincial), in which case GST is collected by both. India is now ranked 13th out of 190 nations in the World Bank's ranking of business-friendliness. The Indian government has divided 1211 items into tax brackets of 0%, 5%, 12%, 18%, and 28%. Although India's implementation of the tax reform may be historic in terms of the scope of the changes it entails, as was already said, it is not the first nation to move a unified indirect taxation system. Most of the widely used goods are taxed at higher rates (Shilpa Kulkarni et al., 2021). A variety of federal and state levies have been replaced by the goods and services tax (GST), which has increased the number of manufacturers subject to taxation and turned India into a nationalised market (Shilpa Kulkarni et al., 2021). It is likely to be rare in the modern world's tax history for the central and state governments to implement a new tax that involves both commodities and services (Haiderkhan et al., 2021). Commodities or end-user Services are fundamentally responsible for carrying the GST. The weight of all clustering effects caused

by the indirect tax system was removed from the level of the original producers, service providers, and retailers with the implementation of the GST thanks to the creation of a complete set-off flow. The Goods and Service Tax is more advantageous from the consumer's point of view and boosts the international competitiveness of the Indian economy. However, the tax will be applied nationwide to the supply of specific goods and services from an Indian perspective (Aruna Kumari et al., 2017). The GST has largely replaced many indirect taxes in India, including the value-added tax (VAT), service tax (ST), and excise duty (ED) (Rajeshwari et al., 2018). The Value Added Tax (VAT), which replaced the GST, went into effect on April 1st, 2005. The value-added tax's major negative was cited as being offset by input tax credits (ITC) (the CST input cannot be subtracted from value-added tax VATs). Since we formally implemented the standard operating procedure (SOP), the tax system as a whole will exhibit cascading effects and have a full-blown abundance of taxes that were collected from various states. Various states and UTIs had varying taxation rates (Times of India, 27 November 2016). According to the literature, it is anticipated that the GST will significantly alter the traditional (VAT) structure of pricing goods and services in India. According to the literature review, a lot of studies have tried to explain how GST has affected the Indian economy by including quantitative economic attributes. The current study fills the aforementioned research gap by attempting to estimate the trend of GST.

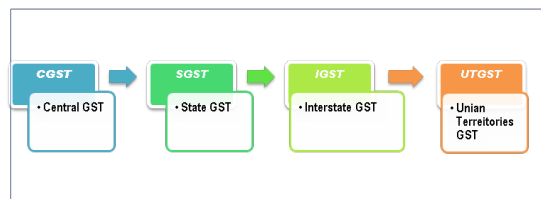


Figure 2 Shows the Various Types of Taxes in India

Advantages of GST for Boosting Indian Economy

- **To accomplish “one nation, one tax”:** The GST's primary goal is to realise “One Nation, One Tax.” The GST's principal benefit. For a specific product or service, all states and UTIs should apply uniform tax rates. The administration of taxes will be simpler, and common laws may

be implemented. As a result, the idea of “One Nation-One Tax” was put into practice in 2017.

- **To incorporate the bulk of indirect taxes in India:** India has numerous indirect taxes, including service tax, value-added tax (VAT), and central excise, among others, which led to the creation of numerous supply chain stages. Both the state and the federal government were in charge of some taxes. All significant indirect taxes were combined into one under the GST.
- **To broaden the base of taxpayers:** The tax base in India has expanded thanks to the GST; before, each tax law had a distinct registration level based on turnover. Tax-registered business has expanded due to the GST.
- **To stop taxes from piling on top of one another:** The goal outlined above is to stop the tax system’s cascading effect. Taxpayers were previously unable to compare one tax credit to another because of different indirect tax legislation. For instance, the value added tax (VAT) due during sales may not be offset by the excise taxes paid during manufacturing. Taxes consequently started to mount. GST only taxes the net value (NV) produced at each step in the supply chain. This has made it easier to eliminate the impacts of tax cascades and to maintain a smooth flow of input tax credits for both goods and services.
- **To stop tax fraud:** The only invoices from their various vendors that qualify for an input tax credit are those ones. In this method, there is a

significantly lower probability of obtaining input tax credits on fraudulent invoices. This objective has only been increased by the development of e-invoicing. As a national tax with a centralized monitoring system, the GST also makes the crackdown on defaulters considerably quicker and more effective. The GST has thus decreased tax evasion and fraud.

- **To encourage price competition and boost consumption:** Revenues from consumer and indirect taxes have increased as a result of GST. India’s prices were greater than those in international markets. Globally and in India, fair prices have been made possible by the universality of GST rates. Consumption has increased as a result, increasing revenue.
- **An enhanced distribution and logistics system:** A unified indirect tax system reduces the amount of paperwork needed to provide products. Among other things, GST promotes warehouse aggregation, shortens supply chain and cycle durations, and reduces transportation cycle times. In terms of improving transit point efficiency, the abolition of national checkpoints under the GST e-way bill system is most advantageous to the industry. Last but not least, it helps to lower high supply chain and logistical costs. The Indian government is currently using the following GST rate slabs. According to a study from the government’s ministry of economy and finance, there are four different categories for the GST tax.

Table 1 GST Slabs in different Commodities

GST rates	Goods
No tax @0%	Sanitary napkin (Deities made of wood, stone, marble), Vegetables, Salt, Bread, Natural honey, Eggs, Barley, Oat, Rye, Picture books, colouring books, handloom, Bangles, Judicial papers, Stamps and Newspaper.
GST@ 5%	Fish fillet, Coffee, Skimmed milk powder Frozen vegetable, Pizza bread, Spices, Tea Sliced dry mango, Cashew nuts, Edible oil, Sugar, Coal, Medicines, Fertilizers, Agarbatti, Kerosene, Lifeboats and Plastic wastes
GST@12 %	Ghee, Cheese, Butter, Fruit juices, Pickles, Namkeen, Sausages, Ketchup, Instant food mixes, Tooth powder, Sewing machine Pouches and purses, Artificial yarn, Cell phones and Spectacles
GST@18 %	Pastries and Cakes, Cornflakes, Pasta, Ice cream, Chocolate, Mineral Water, Soups, Washing machine, Detergents, Glassware, Safety glass, Pumps, Mirror, Light fittings, Printers, TV and Monitors AC
GST@28%	Dishwasher, Tobacco, Bidis, cigarette, Panmasala, Automobiles, Ceramic tiles, Gambling, Betting on casino, Hotel stay bill above 7500, Racing, Five-star hotel, Cinema and entertainment Sunscreen

Table 1: The GST rates are set up such that necessities like food and necessary services are taxed at lower rates while luxuries like travel and entertainment are taxed at higher rates. Four different goods and service tax slabs 5%, 12%, 18%, and 28% are used to categorise goods and services based on their kind. Gold is at a slab rate of 3%, while semi-precious and uncut stones are subject to a special GST slab of 0.25%.

Methods

The current study was qualitative in nature; 200 respondents in total were chosen for the study, and a framed questionnaire comprising several features of qualitative GST and its perception attributes was incorporated. Before distributing the questions to the respondents, the main heading and subheading were thoroughly reviewed, and each question was evaluated on a scale of 0 to 5. Virtual platforms were used to distribute the tested questionnaires (monkey survey). Stakeholders, businesspeople, and the general public are the survey’s target population. 200 questionnaires in total were distributed via email, Whatsapp, and Face book. Response rate was 153 (76.50%), and R statistical software was used to analyse the data. Chi-square, t-test, and probit models were used to assess each characteristic, and the hypothesis was evaluated at 5 % level.

Hypothesis Assumptions

Null hypothesis (H0): Based on the actual research gap on GST, it was believed that there is no meaningful distinction between GST and VAT that would alter respondents’ perceptions.

Another possibility (H1) Real data from the pilot survey that were collected using pretested questionnaires (0–5 scale) and tested using appropriate statistical procedures were used to correlate the alternative hypothesis.

Results

To find out how the 153 respondents felt about the GST, we conducted a primary poll using Google forms on a virtual platform. We also looked into how reliable the GST was in fostering the growth of the Indian economy. Males make up (53.6%) of the population overall, while females make up (46.4%)

of the population. The mean age of the respondents was 29.89 years, with a standard deviation of 2.36 years. The majority of respondents (32.03%), IQR (25-33), CI -95% 21-38), were between the ages of 21 and 25, followed by 18 and 20 years (18.76%, IQ R 15- 22%, CI -95% 13-23), 26 and 30 years (17.11%), and 41 and 45 years (14.15%). 36–40 years; IQR 8-18% CI–95% 3-9; 13 (8.50%) IQR 4-9 CI -95% 6-10; 13 (8.50%); 51-55 years 31.35 years (6.54%); IQR 3-8 CI -95% 2.5- 8.99 IQR (4-5); CI 95%;6-9.5

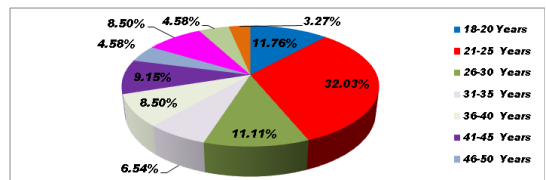


Figure 1 Age Wise Distribution of Respondents

Figure 2 shows that according to the poll, 75.8% of respondents spent their money on household expenses, agriculture (15.7%), education (60.1%), trade (6%) and other (30.7%) activities. A total of 61.4% of 100 income tax returns were not filed. The majority of respondents (65.27%) chose to change the current tax policy, while just 34.60 % of respondents thought it was unfavorable.

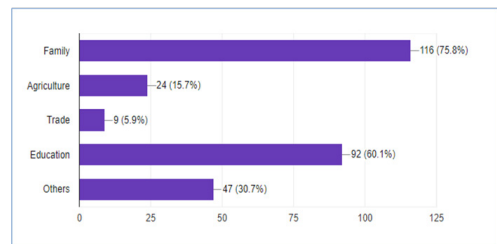


Figure 2 Distribution of Expenditure Spent in Different Headings

The majority of respondents (85.50%) agreed and supported the lower GST policy rate (10%), whereas (95.0%) opposed the GST on food and other essentials that would have a substantial impact on Indian citizens’ quality of life. The general quality of life will be impacted if the GST rate is periodically raised (QOL). Additionally, it is more advantageous for the government, and compared to other nations, a lower percentage of merchants (86.33%) and

(78.11%) are more likely to accept the partial GST policy. The inception of the GST, according to respondents (62.70%), was challenging and went well (37.30%). According to GST, the price of items has gone up (74.50%); (8.5%) of respondents

disagree with this; and 17.0% have a neutral opinion. A moderate impact of GST, according to a (52.30%) of respondents, and a low impact (22.20%), according to the other respondents.

Research Hypothesis 2: Comparison of GST and VAT acceptable level

Acceptance level	No. of Respondents VAT	No. of Respondents GST	Z-value	P-value
Strongly Disagree	48(31.37%)	65(42.48%)	-2.013	0.044*
Disagree	14(9.15%)	10(6.54%)	0.850	0.399
Undecided	06(3.92%)	03(1.96%)	1.015	0.307
Agree	55(35.95%)	70(45.75%)	-1.744	0.816
Strongly Agree	30(19.61%)	05(3.27%)	4.490	<0.001**
Total	153(100%)	153(100%)		

*, ** Significant @5% and 1% level

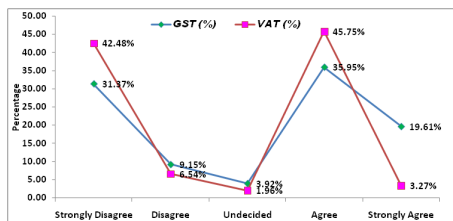


Figure 2 Comparative Acceptance Level of VAT and GST

From Table 1 On an independent sample of respondents who declared their level of support for the GST and VAT, the hypothesis was tested using a test of proportion (strongly agree: coded 1, disagree: coded 2, undecided: - coded 3, agree: coded 4, strongly agree: coded 5) The majority of respondents (19.61%) were in favour of VAT, while only 3.27% were in favour of GST. At the 1% level of significance, it was concluded that none of the assertions were related to either GST or VAT (Z= 4.49, P=0.001).

Discussion

On a worldwide scale, many nations have enacted the GST at a lesser rate, however in India; the GST was immediately enacted at the highest rate (18–28%); Because India is one of the world’s largest democracies and is plagued by numerous issues, including unequal rainfall, low agricultural production, fragmented agricultural areas, climatic changes, rural-to-urban migration, political freebies, a lack of interest in agriculture, and recurring SARS-

Cov-2 pandemics (due to global warming), this economic strategy will have a long-term negative impact on the purchasing power of the poor. A almost Indian policy that prioritised a creamy. We have offered succinct summaries of a few works studied on the GST implementation in the India scenario over the past five years, 2017 to 2022, in the aim of historical research seeking documentation. For estimating the possibility of benefits and cost- effectiveness in the Indian context, fewer research articles on GST were produced (Kishore Kumar Das et al., 2017) Australia discovered that the GST had a major effect on inflation due to the decline in purchasing power. (Aruna Kumari et al.2017) Considering the impact of the GST on the Indian economy and other nations According to his research, many nations have a uniform tax rate that is applied to all goods, including Singapore and New Zealand. In the UK, Singapore, and Malaysia, all financial, insurance, and postal services, as well as real estate and financial services, are excluded from the Goods and Services Tax (GST). Impact of Goods and Service Tax on the Indian Economy (Asokana et al., 2018). The settlement of tax rates across all states and the central is one of the difficulties in GST implementation. (Revathi Radhakrishnan et al., 2018) conducted a quantitative analysis of the effects of GST on the banking industry. Believes that the government’s initiative on the GST is dangerous and difficult. Following the introduction of the GST, the economy suffered as a result of various services such input tax credits, checks, loans, and investments,

which increased the cost of all other services. (Namita Mishra et al., 2018) researched the effects of GST on the Indian economy and forecasted the likelihoods of GST's intended consequences by looking at each industry's specific affects. Conceptualization and Economic Effects of GST on the Indian Economy His goal was to examine how the GST will affect the Indian economy. Of particular note, he concentrated on how the GST would be conducive to economic growth. (Aithal et al., 2019) evaluated the global effects of the goods and services tax (GST) and the Indian scenario, discussing how the GST will affect various global markets and economies as well as how it will interact with society. Additionally, it displays the numerous GST features and how they affect the industrial sectors in then the economy, and correlated the positive and the negative aspects of GST (Songaramanoj et al., 2019). GST creates a robust and intelligent tax structure for the Indian economy's growth. (Syeda Shumaela Naeem et al., 2020) looked into how GST would affect the Indian economy on a social and economic level. The GST is one of the most significant economic reforms in Indian history, according to the research study intervention. (Priyanka Sharma et al., 2020) on the effect of goods and service tax on the Indian Economy- in which his study presented the concept and structure of GST as well as the favourable and unfavourable effects of GST on the transformation of the Indian economy. According to this study, the GST would simplify taxation for businesses and benefit consumers as well because it would result in a lower rate of taxation on products and services. Since GST is a uniform tax across the nation, it will reduce distortion based on geographic locations in India. Additionally, since the complexity of taxation was reduced at the national level, it encourages new entrepreneurs to generate employment opportunities for youths across many sectors; the GST promotes start-ups in India and is a business-friendly tax law. (Shilpa Kulkarni et al., 2021) studied the impact of GST on the Indian Economy concerning the Pune Region. (Haiderkhan S. Pathan and colleagues, 2021) GST Comparison between India and Other Nations. His essay examines the GST system in both developed and developing nations, including India (Harmonized sales tax).

Conclusion

All goods and services are now much more expensive, which places a hardship on customers because they must pay more in taxes to the government. A unified tax system that reduced the load on the government is one of the benefits of the GST. Effectively, the reader's will be made aware of the following through the present study:

- The GST was introduced at a lower rate in the majority of countries, while India implemented the policy at a marginally higher rate (0–28%). Practically, we have chosen a policy whereby a higher rate causes the commodity's purchasing power to diminish since below poverty line people across the country will no longer be interested. For instance, the price of a sachet of edible cooking oil in 2020 was Rupees 100; in 2021, it was sharply increased to Rupees 200 when GST was added.
- For a shorter period of time, economic prosperity will be attained by the individual country with the highest GST rate. However, when compared to the latest impact of GST on essentials like food items cloths, dairy products etc, changing the prices and GST rate on a regular basis will have a significant negative impact on the economy a decrease in employment, purchasing power and inflation etc.

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