

Impact of Goods and Services Tax (GST) on Customers' Perception - An Empirical Study

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Abstract- The study begins with a description of the wider background to the study so as to provide the necessary overall research content. The researcher captures the conceptual framework relating to implementation of Goods and Service Tax (GST) and regulation governing GST Council in India. Based on this conceptual framework, one can understand the GST and the tax came into effect from July 1, 2017. In order to identify impact on GST, the researcher deeply looked into the customer perception. Further, essentially the gaps in literature are explored with the aim of showing how they influenced the present study's overall approach and in tackling the research questions posed. This is followed by the objectives of the research. The researcher describes the need for the study and scope of the study followed by research methodology, data analysis and limitation of the study. Retail businesses are impacted during the implementation of GST in India. Finally, the implementation of GST has impacted customers in India both positively and negatively.

Keywords: Goods and Service Tax, GST Council, customer perception, methodology, implementation and impact

BACKGROUND FOR THE STUDY

GST is a single taxation system that will reduce the number of indirect taxes. Subsequently, a single taxation term would cover all of those indirect taxes such as excise duty VAT, Sale tax, Service tax, etc., GST the biggest tax reform in India founded on the notion of "one nation, one market, one tax" is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. India is notorious for its complex tax system. For new businesses and startups, it becomes impossible to navigate through various direct and indirect taxes. Constant changes to taxes like Service Tax are making things even worse. But now, the things are set to change with new Goods and service tax – commonly known as GST.

GST is a consumption based tax also because of the lower tax rates, uniformity in taxation and virtually no harassment in the movement of goods across the country would lead to an increase in consumption, and individual states would stand to gain revenue by this increased consumption.

1.2 Genesis of Goods and Service Tax (GST)

All the taxes mentioned earlier are proposed to be subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. So basically any tax that is presently being levied by the Central or State Government on the supply of goods or services is going to be converted into GST.

GST is proposed to be a dual levy where the Central Government will levy and collect Central GST (CGST) and the State will levy and collect State GST (SGST) on intra-state supply of goods or services. The Centre will also levy and collect Integrated GST (IGST) on inter-state supply of goods or services. Thus GST is a unifier that is going to integrate various taxes being levied by the Centre and the State at present and provide a platform for forging an economic union of the country.

1.3 Definition of GST

According to GST law Article 366(12A) "Goods and services tax" means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption

1.4 Meaning of Consumer

Customers are the individuals and businesses that consume goods and services from another business and can choose between different goods and suppliers. The main goal of all commercial enterprises is to attract customers or clients, and make them purchase that they have on sale. They also try to encourage them to keep coming back. At the core of marketing

is having a good understanding of what the customer needs and values.

1.5 Meaning of Customer Perception

Customer perception refers to how a customer feels about your business. This includes their thoughts, emotions and opinions related towards goods and services and how customers feel about your product and brand. It’s an opinion that they’ve formed through every interaction with them. Further, how the public feels about your products or goods and services and business can have a significant impact on customers’ decisions to purchase the products or services of them.

1.6 GST Regime in India

GST or Goods and Services Tax, the greatest tax reform in India since Independence which has been long pending. GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST will bring a new dimension to the Indian economy by making a common market and reducing the cascading effect of tax on the cost of goods and services. It will affect the entire indirect tax system the tax structure, tax incidence, tax computation, compliance, input credit utilization and reporting procedures. India had adopted the dual system of GST as CGST and SGST.

1.7 GST Implementation in India

Goods and Services Tax, the greatest tax reform in India since independence which has been long pending. GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is the only indirect tax that directly connects all the sector of Indian economy thus enhancing the economic growth of the country by creating a single unified market. More than 160 countries of the world have implemented GST so far followed by France. The idea of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the leadership of Asim Das Gupta the then finance minister of West Bengal. It was supposed to be implemented from 1st April 2010 under flagship of P Chidambaram the then finance minister of UPA government but due to political issues and conflicting interests of various stakeholders it did not come into force. In May 2016 the constitutional amendment bill for GST was passed by Lok Sabha and deadline of 1st April 2017 to implement GST was set by Arun Jaitley the finance

minister of India. However, there is a huge outcry against its implementation.

1.8 Present GST Slab Rate Structure in India

The following table 1.1 revealed that Present GST Slab Rate Structure (as on 31st December, 2019) in India, as follows:

Table 1-GST Tax Slab Rate

Rate slab	No. of items	Items
0%	183	Mostly agricultural produce
5%	308	Branded cereals, edible oils, insulin, footwear’s upto Rs. 1000
12%	178	Butter and others facts, pasta, diabetic foods, mobile phones, bicycles
18%	517	Vinear, marbles, Paints, Plywood
28%	28	Cements, auto parts, ACs, tobacco, aerated drinks
Note: Besides, there are two more slabs of 3 per cent levied on gold, silver, semi-precious stones, and 0.25% on diamonds and others		

Source: EY India Central Board of Indirect Taxes and Customs

REVIEW OF LITERATURE

Norhasliza Zainan, Rohaya Md Noor etc.,(2017) This study revealed that there is a significant positive relationship between tax knowledge and GST compliance among retailers (i.e. taxable person) in Malaysia. The authors found that implied that a higher level of tax knowledge might increase the GST compliance level. This information can guide the tax authority in developing tax education programmes to increase the retailers’ knowledge relating to GST rules and regulations and to improve their GST compliance level and Tax complexity may also influence tax compliance level among retailers. Further, indicated that retailers’ perceptions on the tax fairness might influence their GST compliance behaviour in a positive direction. Furthermore, this study findings provided indicators that the tax authority should focus on tax education programmes in order to increase the compliance level especially among retailers in Malaysia.

Ravi Singh and Sohan Singh Rawat (2018) discussed that Importance and Implications of GST on Indian Economy, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. In addition enumerated that GST will simplify existing indirect tax system and will help to remove

inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate.

Dhaigude Rahul, Jain Vaishali (2019) the study highlighted that goods and services tax (GST) is a consumption-based tax is offers lower tax rates, uniformity in taxation and virtually no harassment in order to goods across the country which an increase consumption of the customer. Finally, the author concludes that the consumption-based tax (GST) implementation of India impacts the consumer in terms of the price of goods and services.

Based on above literature, the researcher identified research gaps and encouraged to study the Impact of Goods and Services Tax (GST) on Customers' Perception-An Empirical Study.

1.10 Statement of Problem

From the viewpoint of the consumer, they would now have pay more tax for most of the goods and services they consume. The majority of everyday consumables now draw the same or a slightly higher rate of tax. Further, the customer sensed the implementation of GST influence buying behaviour

1.11 Scope of the Study

The tax reforms are extremely anticipated for the implementation of GST in India. Similarly, it has been created massive impact in the Indian economy. This study aims to identify an impact of GST in the Fast-Moving Consumer Goods (FMCG) and Retail Business. Further, the study will be highlighting the influence of GST in Indian Economy. Further, it will encourage the common man to understand the concept of GST. This paper presents an overview of GST concept, advantages and explains its features along with focused in challenges faced by India in execution. Further, scope of the study is restricted with customer alone in the selected field that are specified in the methodology. The geographical limit of the study confined metropolitan city of Chennai thereof.

OBJECTIVES OF THE STUDY

1. To examine the impact of customer perception after the implementation of GST in India.
2. To analyse the impact of retail business after the implementation of GST in India.

1.13 Need for the Study

The Goods and Services tax or commonly referred to as the GST will replace the indirect taxes levied by the Central and State Governments. In addition, this study may help to the consumer to recognize have to assume some kind of responsibility and accountability for their actions.

1.14 Limitations of the Study

The study shielded with Retail business community and customer so, it might not reflect the whole Indian economy. Further, the sample of the study has trivial dimension. Therefore it might not reflect the whole population. The study is based on the historical data collected through the secondary source and the study is also based on the survey of the focus customer. The major limitations of the study are:

1. The study is limited to the focus customer only from the specified field in the methodology. Hence the results may not be true for other field of experts.
2. The Area of the study involves respondents from metropolitan of Chennai in India. However it is not possible to collect responses from all the states in India due to the lack of time, money and resources.
3. Validity and Reliability of the data depend on the truthfulness of the responses from the customer. The inferences and findings of the analysis may differ substantially depending upon the time sequence, place, the nature and field of financial experts.
4. The size of the sample compared to the population is very small and hence, it may not represent the whole population.

RESEARCH METHODOLOGY

The methodology adopted for the study is based on both primary and secondary data. The primary data is collected through well framed and structured questionnaire to elicit the perception of customer. The simple random sampling has been used to collect responses from the customer in Chennai city. The secondary data is collected through the reports relating to the regulatory bodies GST council, etc., which were collected from various published records, annual reports, manuals, bulletins, booklets, journals magazines, websites etc., Discussion ware also held from the financial experts, auditor and manufactures to get related information to the study. Further, the study has been conducted among the retailer and customer from metropolitan city of Chennai. The

study was conducted during the period from August 2021 to March 2022.

1.15.1 Questionnaire Design

The entire questionnaire consists of six parts. It outlines the intent of the research with an assurance that the information provided by the respondents would be used for academic research only and kept confidential. The questionnaire consists of 46 questions in 4 different parts are as stated below:

Part I elicits the demographic profile of the respondents - 13 questions

Part II deals with the statements related to customer perception of GST

Part III deals with the statements related to impact of GST by customer perception.

On gaining a deep insight from different strands of literature relating to implementation of GST and derivative instruments especially impact of GST, the researcher drafted the questionnaire for the main study. The questionnaire comprises three different kinds of questions in the form of open questions, multiple choices and Likert’s five-point scale type, in order to sustain the interest of the respondents and avert monotony.

1.15.2 Sample Selection

A simple random sampling technique was adopted to cover a wide variety of customer with demographical profile. Since the population is definite, but fluctuating based on simple random criteria, the researcher intended to cover the prime respondents who are retailer market of Chennai city, members from auditing profession and customer in metropolitan city of Chennai. In total, 126

questionnaires were distributed to customer on simple random sampling basis. A total of 110 questionnaires were collected from 50 customers. The total questionnaire circulated is 126 in metropolitan city of Chennai which 110 were collected and 16 questionnaires were not returned. Exact sample size of the study is arrived at 50, which was considered suitable for the purpose of analysis.

1.15.3 Data Collection

Secondary data were collected from various agencies, including the GST council other minister of finance etc. The secondary data were used in this study in order to find the working mechanism of GST. In fact, secondary data provided the necessary background information to the issue being researched and allowed the researcher to identify research gap, and the variables relating to the study.

A well-structured questionnaire was used for the purpose of the study. The primary data were collected from the customer through simple random sampling method. A few respondents who were busy during working hour’s responses were contacted orally by the researcher in a one-to-one interview manner. In addition, questionnaire was also e-mailed and personally distributed to customer and their responses were collected accordingly. The questions were set at the macro level viz., impact of GST on Indian Economy. The composition members’ customer would be drawn from the following:

1. Customer of metropolitan city of Chennai in India
2. Member from super market and mall around in Chennai city and other members of field experts in financial industry and academicians

1.16 Empirical Results and Discussion

Table 2-Customer’s opinion on Salient Features of Goods and Service Tax (GST)

Sl. No	Particulars	Frequency and Percentage			
		Yes	%	No	%
1.	Do you think implementing GST will cause higher price of goods & services?	40	80%	10	20%
2.	Do you think all businesses need to be registered under GST?	34	68%	16	32%
3.	Do you think GST will be burden to the businessman and consumer?	45	90%	5	10%
4.	Are you aware of the taxing provisions for financial services under GST regime globally?	33	66%	17	34%
5.	Are you satisfied with the time given to evaluate to implement the GST Council’s decisions? Such as changes in rate structure, rules, and processes	10	10%	40	90%
6.	Is the GST more preferable in the current scenario?	42	84%	8	16%

Source: Computed data

As per the above table, it is very clear that out of 50 respondents, 80% of the respondents said “yes” in order to implementation of GST causes higher price in goods & services subsequently 90% respondents

believed that GST will be burden to the businessman and consumer. Finally, 90% respondents confined with “No” in order to time given by evaluate to implement the GST Council’s decisions.

1.16.1 Percentage Analysis - Customer Perception towards Impact on GST in Indian Economy

The study focuses on Customer Perception towards Impact on GST in Indian economy based on in Chennai city. In particular, this study pays attention to examining as Impact on GST in Indian economy. The majority of the respondents are male (80%) and their age group between 26 to 35 years (38%) and 42% customer their annual income is Rs 200001 to 250000. It's found that 54 % respondents are believed Price to customer has decreased in order to implementation of GST in India. In addition, it's found that 80% of the respondents said "yes" in order to implementation of GST causes higher price in goods & services subsequently 90% respondents believed that GST will be burden to the businessman and consumer. Finally, 90% respondents confined with "No" in order to time given by evaluate to implement the GST Council's decisions.

1.16.2 Reliability test – Customer Perception towards Impact on GST

Cronbach alpha test was used to decide the degree of consistency among the multiple measurements of each factor. It measures the inter-item reliability of a scale generated from a number of items. Ideally, the reliability coefficient above 0.5 is considered acceptable as a good indicator of construct reliability (Nunnally, 1976), above 0.6 is treated satisfactory (Robinson et.al., 1991), but alpha above 0.7 is considered sufficient (George and Mallery, 2001; Pallant, 2005). The co-efficient of variable relating to retailer Perception towards Impact on GST is 0.848. Similarly, 0.815 for items relating to Customer Perceptions.

The alpha values are statistically significant ensure a smooth normal distribution and this justifies the sample statistics for the representation of population parameters. The researcher attempts to identify the factors responsible creating impact on GST in India.

1.16.3 Factor Analysis - Customer Perception towards Impact on GST

The KMO measure of the sampling adequacy is 0.566 and Baartlett's test of Sphericity with approximate Chi-square value 317.236 $P=0.000$ are statistically significant at 5 percent level From the factor analysis the rotated Varimax with Kaiser Normalization (converged in 15 iterations) component matrix analysis, it is evident that all the 15 variables relating to Customer Perceptions on Impact of GST in India economy were segmented into three predominant

factors viz., Pricing Behaviour, Substantial Benefits and Awareness factors.

1.16.4 Chi-square analysis

The researcher intends to examine associate the perception of customer on the Impact on GST on Price towards Goods and Services with reference to the customer demographic variables. It's found that there is no association between customer perception on Impact of GST on Price towards Goods & Services and different age group. It implies customer in the different age group such as, less than 30, 31 – 40, 41 – 50 and more than 51 have same perception towards price on implementation of GST in India.

Further, The factor responsible for impact of GST on Price towards Goods and Services towards Customer Perceptions and customers' different annual income are tested, it is found that out of 50, the 21 customers annual income of Rs. 200001 – Rs. 250000, 60.0 percent are believes that after implementation of GST the price has increased. Furthermore, is also found that there is association between customer perceptions on Impact of GST on Price towards Goods & Services on their annual income.

SUGGESTIONS

It's suggested that the GST council create more awareness programme among the customer. The customer believes that implementation GST has increased prices on the goods and service. The slab rates are needed to be maintained for the long term. The present slab rates encourage buying practices among the customer however levy of multiple taxes should be reduced. Further, it's suggested that Ministry of Finance and GST council have to conducts study among the customer in order to alteration slab rates and reform of tax policy. Finally, it's suggested to the GST council have to pay more customer attention in order to make the policy decision such as changes in the slab rate structure in order to protect the customer interest thereon.

CONCLUSION

The concludes that based the finding of the study GST (Goods and Services Tax) is a burden to the customers in terms of price and the present slab rates encourages the customer to precise buying practices among them. In addition, the researcher concludes that customers are believed GST is likely to have a positive impact on the Indian Economy. Further, the GST council have created more awareness programme among the

customers. Furthermore, this study concludes that the GST mechanism is deliberately generating an amount of revenue for state and union governments. In addition, the researcher identifies retail business are impacted during the implementation of GST in India. Finally, it's concluded that the implementation of GST is impacted customers in India both positively and negatively.

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