



## Measuring Consumer's Perception on GST Implementation: A Case Study of Rajasthan State

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### Abstract

Banking Goods and Services Tax (GST) is the new law that brings with new challenges to be faced by consumer that need to be tackled with utmost care. The GST bill set up by Government covered the goods and services both and shall be the biggest indirect tax reform for providing a uniform and simplified taxation in India. After a lot of deliberation the GST council has finalized the rates for all the goods and major service categories under various tax slabs. The tax rate under GST are set at 0%, 5%, 12%, 18% and 28% for various goods and services and almost 50% of goods & services comes under 18% tax rate. GST seems to reduce the tax burden by removing cascading impact of the Indirect tax thus the current research paper Measure the consumer's perception on GST implementation.

This paper sets out to analyze the effect of the impending implementation of Goods and Services Tax (GST) in India and satisfaction from its implementation. The eight variables were calculated as putting impact over the satisfaction of consumers of Rajasthan.

### Introduction:

Tax is a way of collecting revenue from individuals, companies or other entities by the government in order to finance state expenditure. It is considered as the most important sources of government's income to drive the economic growth and achieve the status of a developed country and high income. Thus, there are various taxes levied on the users such as direct taxes and indirect taxes. On August 08, 2016, the Lok Sabha passed the changes to Constitutional Amendment (122nd) Bill, 2014 cleared by Rajya Sabha on August 03, 2016, marking the day as historic in India's journey towards global reforms. As tax contributes to the development of the country, low turnover tax revenues will affect the country's development and financial position of the country is likely to resulting deficit (Ahmad

Azrin, 2015). It is accepted from GST that it create a harmonised tax structure, re-defining Indian economy on the global front under the tagline of "one tax and one market". Since it has been seen as a game changing reform for the Indian economy, it, become a very popular subject of common discussions. It is popular as it creates a common Indian market and reduces the cascading effect of tax on the cost of goods and services. GST will have an impact over tax structure, incidence of tax, computation and payment of tax, compliance, credit utilization and reporting (EY, 2016). It also will lead to a complete overhaul of the current indirect tax system and will have a far-reaching impact on almost all the aspects of the business operations in the country, including, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems (Kotnal, 2016).

Thus it is important that the respondents who are the real users of the GST Must understand the concept for their use. Thus this paper analyses the views of the consumer after its implementation.

## Objective

The following are the general and specific objectives of the study:

1. To study the consumers opinion with regard to goods and services tax implementation.
2. To study the consumers opinion with regard to goods and services tax rates.

## Literature Review

Karthick R et.al (2017) found that consumers feel that the tax rates are high for the products of daily use. And method being followed for GST is highly complicated and periodic evaluation of tax rates is required. Manoj Kumar Agarwal (2017) found that people feel that GST has increased the legal compliances and it will increase the tax collection of the government. GST has increased the tax burden of businessmen. Anshu Ahuja (2017) revealed that consumers are satisfied that goods and services tax will reduce the tax evasion in the country and will increase the transparency in the tax structure. Kumar (2014) stated that GST will be charged for all the goods and services except for those items that are exempted from the GST. Garg (2014) studied that a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. Agog Mawuli (May 2014) found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth. Gowtham (2017) concluded that consumers are left with less money after GST, rise in inflation level and fall in prices of certain goods after GST implementation. He further concluded that GST rates will have a significant impact on the spending ability of the consumers and suggested that benefits of input tax credit must be transferred by the companies to the consumers. A study conducted by Djawadi and Fahr (2013) pointed out that knowledge about tax is important to increase the thrust of authorities and also the citizens. It was also found that Malaysian

understanding regarding GST was still low (Tan and Chin-Fat, 2000).

According to Palil et al. (2010) measured public awareness and found that most important factor from GST implementation among all is a fear of price increase and will cause the inflation. Accordingly, increase awareness and knowledge on a new tax initiative is essential to gain public acceptance and confidence, particularly in tax situation (Cullis & Jones, 1992). They further exerted that since taxation involves public expenditure, new tax reform creates uncertainty of future expenditure (Cullis & Jones, 1992).

## Research Methodology

In this study, data were collected by using questionnaires-based survey. The samples selected were derived from 200 consumers living in the 5 cities of Rajasthan state. For this study, convenience sampling method was used. According to Sekaran & Bougie (2013), this method most often used during the exploratory phase of a research project and is perhaps the best way of getting some basic information quickly and efficiently.

The research methodology of this study is divided in following points:

- **Source of data-** The source of data collection is primary data which is collected from the 200 consumers of 5 cities including Jaipur, Jodhpur, Ajmer, Bhiwara and Udaipur City.
- **Sample size-** the sample size for conducting study was 200 customers.
- **Sampling technique-** The sampling technique used is convenient sampling.
- **Hypothesis-** as per the nature of the research two hypotheses were developed and shown under the head of data analysis.
- **Data analysis tool:** The study utilized statistical techniques such as descriptive analysis and ANOVA and Multiple regression analysis in order to analyse the data. The research applied descriptive statistics which consists of methods for organizing, displaying and describing data by using tables and summary measures.

## Data Analysis

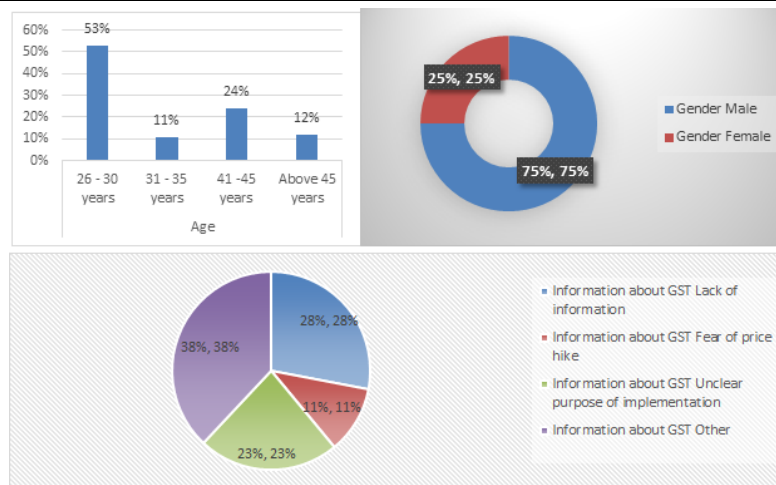
### Sample Demographics:

The demographic profile of the Small business owners included in the study were shown in table-1 as under:

**Table-1: Sample Demographics**

Characteristics	Category	Percent	Characteristics	Category	Percent
Age	26 - 30 years	53%	Occupation	Manufacturer	35 %
	31 - 35 years	11%		Construction & Contractor	25 %
	41 -45 years	24%		Restaurant (F&B)	15%

	Above 45 years	12%		Other	25%
Gender	Male	75 %	Information about GST	Lack of information	28%
	Female	25%		Fear of price hike	11%
Education Level	Up to Bachelor Degree	90%		Unclear purpose of implementation	23 %
	Master Degree or above	10%		Other	38%



**Figure: Sample Demographics**

As per the research objective of the paper to study the consumers opinion with regard to goods and services tax implementation and tax rates. Following hypothesis was developed:

H<sub>1</sub>= The attributes configuring consumer's perception have significantly positive attitude for GST implementation and tax rates GST.

To identify key variables in multivariate regression analysis has been used with SPSS-19 software and results were shown in table-3 as under:

**Table-2: Multiple regression analysis for awareness about GST**

Descriptive Statistics				
Variables	SPSS Code	Mean	Std. Deviation	N
Are you satisfied with the current implementation GST	Sat_GST	2.2250	1.22961	200
Current taxation system for goods and service is complex.	Sat_1	1.4650	.51974	200
Uniformity of rates is useful for consumers	Sat_2	1.8000	.40100	200
The Government should rationalize and simplify the tax structure	Sat_3	1.7300	.44507	200
The service tax structure increases the overall cost for Consumers	Sat_4	1.2500	.43410	200
GST reduces FMCG product's cost	Sat_5	1.5200	.50085	200

GST is fairer than VAT	Sat_6	1.4750	.50063	200
GST should be charged at straight rate (6%)	Sat_7	1.4650	.51974	200
GST system is easy to understand	Sat_8	1.5250	.59256	200
GST implementation will contribute in developing India's economy	Sat_9	1.8500	1.11972	200
GST will benefit government more than the taxpayers	Sat_10	2.0450	1.18321	200
GST implementation encourages trader's to cheat	Sat_11	2.1000	1.08438	200
GST will bridge the gap between low and high income earners	Sat_12	1.5400	.49965	200
GST has resulted in a simple, transparent and easy tax structure	Sat_13	1.8700	.95796	200
GST may broaden the tax base. It will increase tax to government not for consumers	Sat_14	2.1350	1.23873	200

		Correlations														
		Sat_GST	Sat_1	Sat_2	Sat_3	Sat_4	Sat_5	Sat_6	Sat_7	Sat_8	Sat_9	Sat_10	Sat_11	Sat_12	Sat_13	Sat_14
Pearson Correlation	Sat_GST	1.000	.748	-.642	-.660	.007	-.109	.756	.748	.554	.762	.894	.782	.791	.759	.960
	Sat_1	.748	1.00	-.468	-.628	.150	-.065	.943	1.00	.721	.621	.734	.541	.828	.728	.745
	Sat_2	-.642	-.468	1.00	.484	-.173	-.030	-.526	-.468	-.233	-.313	-.574	-.324	-.461	-.460	-.65
	Sat_3	-.660	-.628	.484	1.00	-.065	.069	-.639	-.628	-.336	-.525	-.607	-.548	-.561	-.460	-.64
	Sat_4	.007	.150	-.173	-.065	1.00	.555	.145	.150	.112	-.253	-.100	-.117	.070	.006	.030

	Sat_5	-.109	-.065	-.030	.069	.555	1.00	-.088	-.065	-.078	-.281	-.158	-.179	-.164	-.141	-.08
	Sat_6	.756	.943	-.526	-.639	.145	-.088	1.00	.943	.798	.666	.778	.579	.878	.758	.771
	Sat_7	.748	1.000	-.468	-.628	.150	-.065	.943	1.00	.721	.621	.734	.541	.828	.728	.745
	Sat_8	.554	.721	-.233	-.336	.112	-.078	.798	.721	1.00	.634	.712	.544	.820	.652	.588
	Sat_9	.762	.621	-.313	-.525	-.253	-.281	.666	.621	.634	1.00	.847	.675	.666	.609	.732
	Sat_10	.894	.734	-.574	-.607	-.100	-.158	.778	.734	.712	.847	1.00	.709	.800	.785	.904
	Sat_11	.782	.541	-.324	-.548	-.117	-.179	.579	.541	.544	.675	.709	1.00	.660	.641	.708
	Sat_12	.791	.828	-.461	-.561	.070	-.164	.878	.828	.820	.666	.800	.660	1.00	.798	.815

	Sat_13	.759	.728	-.460	-.460	.006	-.141	.758	.728	.652	.609	.785	.641	.798	1.00	.777
	Sat_14	.960	.745	-.654	-.644	.030	-.081	.771	.745	.588	.732	.904	.708	.815	.777	1.00
Sig. (1-tailed)	Satisfied_GST	.	.000	.000	.000	.460	.062	.000	.000	.000	.000	.000	.000	.000	.000	.000
	Sat_1	.000	.	.000	.000	.017	.181	.000	.000	.000	.000	.000	.000	.000	.000	.000
	Sat_2	.000	.000	.	.000	.007	.336	.000	.000	.000	.000	.000	.000	.000	.000	.000
	Sat_3	.000	.000	.000	.	.180	.164	.000	.000	.000	.000	.000	.000	.000	.000	.000
	Sat_4	.460	.017	.007	.180	.	.000	.021	.017	.057	.000	.079	.049	.164	.466	.335
	Sat_5	.062	.181	.336	.164	.000	.	.107	.181	.136	.000	.013	.005	.010	.023	.126
	Sat_6	.000	.000	.000	.000	.021	.107	.	.000	.000	.000	.000	.000	.000	.000	.000
	Sat_7	.000	.000	.000	.000	.017	.181	.000	.	.000	.000	.000	.000	.000	.000	.000
	Sat_8	.000	.000	.000	.000	.057	.136	.000	.000	.	.000	.000	.000	.000	.000	.000
	Sat_9	.000	.000	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	Sat_10	.000	.000	.000	.000	.079	.013	.000	.000	.000	.000	.	.000	.000	.000	.000
	Sat_11	.000	.000	.000	.000	.049	.005	.000	.000	.000	.000	.000	.	.000	.000	.000
	Sat_12	.000	.000	.000	.000	.164	.010	.000	.000	.000	.000	.000	.000	.	.000	.000
	Sat_13	.000	.000	.000	.000	.466	.023	.000	.000	.000	.000	.000	.000	.000	.	.000
	Sat_14	.000	.000	.000	.000	.335	.126	.000	.000	.000	.000	.000	.000	.000	.000	.
N		200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

Model Summary											
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics						
					R Square Change	F Change	df1	df2	Sig. F Change		
8	.980 <sup>h</sup>	.960	.958	.25129	.001	4.094	1	191	.044		
h. Predictors: (Constant), Sat_14, Sat_11, Sat_2, Sat_9, Sat_8, Sat_7, Sat_6, Sat_4											
ANOVA <sup>i</sup>											
Model		Sum of Squares		df	Mean Square		F		Sig.		
8	Regression	288.814		8	36.102		571.722		.000 <sup>h</sup>		
	Residual	12.061		191	.063						
	Total	300.875		199							
h. Predictors: (Constant), Sat_14, Sat_11, Sat_2, Sat_9, Sat_8, Sat_7, Sat_6, Sat_4											
i. Dependent Variable: Satisfied_GST											
Coefficients <sup>a</sup>											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
8	(Constant)	.545	.175		3.115	.002					
	Sat_14	.628	.034	.633	18.460	.000	.960	.801	.267	.179	5.594
	Sat_11	.257	.025	.226	10.153	.000	.782	.592	.147	.422	2.370
	Sat_2	-.300	.069	-.098	-4.359	.000	-.642	-.301	-.063	.417	2.395
	Sat_9	.164	.030	.149	5.513	.000	.762	.371	.080	.286	3.494
	Sat_8	-.229	.058	-.110	-3.981	.000	.554	-.277	-.058	.273	3.667
	Sat_7	.513	.108	.217	4.729	.000	.748	.324	.069	.100	10.004
	Sat_6	-.331	.140	-.135	-2.356	.019	.756	-.168	-.034	.064	15.543
	Sat_4	.098	.048	.035	2.023	.044	.007	.145	.029	.717	1.394

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
8	.980 <sup>a</sup>	.960	.958	.25129	.001	4.094	1	191	.044
a. Dependent Variable: Satisfied_GST									

As per the result of the test the null hypothesis is rejected and in the final Regression model with 8 independent variables (Sat\_14, Sat\_11, Sat\_2, Sat\_9, Sat\_8, Sat\_7, Sat\_6, Sat\_4) explains almost 95.8% of the variance of awareness about GST implementation. Also, the standard errors of the estimate has been reduced. The eight regression coefficients, plus the constraints are significant at 0.05 levels.

The ANOVA analysis provides the statistical test for overall model fit in terms of F Ratio. The total sum of squares (216.730) is the squared error that would

## Conclusion

As per the objectives of paper the level of satisfaction from implementation of GST among consumers in Rajasthan state. It was found that the main areas of satisfaction include Uniformity of rates is useful for consumers (Sat\_2), The service tax structure increases the overall cost for Consumers (Sat\_4), GST is fairer than VAT (Sat\_6), GST should be charged at straight rate (6% ) (Sat\_7), GST system is easy to understand (Sat\_8), GST implementation will contribute in developing India's economy (Sat\_9), GST implementation encourages trader's to cheat (Sat\_11) and GST may broaden the tax base. It will increase tax to government not for consumers (Sat\_14). The finding of this study is consistent with the findings from previous studies found that awareness towards the consumer perception of GST was relatively low and moderate (Zakaria et al, 2015). On top of average satisfaction regarding GST implementation, most of the respondents were also willing to support and accept the implementation of GST.

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