

Consumers and Wholesalers Perception About GST: An Empirical Study

By

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Abstract

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. With its new GST, India joins some 160 countries globally in imposing a form of value added tax (VAT).

The present paper is an attempt to diagnose the consumers and wholesalers perception about GST in India. The study observed that for the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer.

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Introduction:

India is a place that is known for developing consumerism. With around 14 million retail focuses serving the end client, in both urban and rural markets, it is a mammoth errand for producers particularly those of FMCG and consumer durables to address the demand. What makes this considerably all the more difficult is the fact that as on today, 92% of the retail sector is unorganized making it practically impossible for a maker to take into account the last mile, exclusively on the strength of direct conveyance channels. GST will add the genuinely necessary fillip to the Indian economy as GDP is relied upon to grow 2 to 3 percent, as a lift in exports and utilization is being foreseen.

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

GST is a single tax to be levied on the supply of goods and services. It will be borne by each part of the goods and services supply chain, right from the manufacturer to the consumer. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The government has proposed four tax slabs at 5%, 12%, 18% & 28 % for a different type of items and services. The impact of GST on retail sector is going to be positive as it will bring down total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit. After implementation of GST, state boundaries will be irrelevant from taxation and documentation point of view. Vanishing state boundaries will reduce the complexity for retailers and increase the distribution reach as well as efficiency.

Model of GST:

With its new GST, India joins some 160 countries globally in imposing a form of value added tax (VAT). These taxes are widely acknowledged as progressive, with inbuilt efficiencies to broaden the tax base, decrease the cascading effect of multiple indirect taxes and contain revenue leakage. The GST shall have two components: one levied by means of the Centre (called Central GST) or CGST), and the opposite levied by way of the States (known as State GST or SGST). Rates for central GST and State GST could be permitted correctly, reflecting sales issues and acceptability. The CGST and the SGST would be applicable to all transactions of goods and services made for an attention besides the exempted goods and services. Cross utilization of ITC each in case of Inputs and capital goods among the CGST and the SGST could now not be approved except within the case of inter-state delivery of products and services (i.e. IGST) The Centre and the States would have concurrent jurisdiction for the complete value chain and for all taxpayers on the idea of thresholds for goods and services prescribed for the States and the Centre.

Taxes are merged with GST : The new GST will subsume or merge within itself the following Central (7) and State taxes (11)

Central taxes:

Central Excise Duty (CENVAT), Service Tax, Additional Excise Duties, Additional Customs Duty or Countervailing Duty (CVD), Special Additional Duty (SAD) on Customs, all Surcharges and Cess, Central Sales Tax (CST).

State Taxes:

State VAT or Sales Tax, Central Sales Tax (CST), Luxury Tax, Entry Tax (all forms), Entertainment and Amusement Tax (except when levied by the local bodies), Taxes on advertisements, Purchase Tax, Taxes on lottery, betting and gambling, State Surcharges and Cess so far as they are related to supply of goods and services. Let us recall that GST is composed of CGST, IGST, and SGST. Here is how set-offs work in case of GST:

1. IGST payments can be set off against – IGST, CGST, SGST on inputs
2. CGST payments can be set off against – IGST and CGST on inputs
3. SGST payments can be set off against – IGST and SGST on inputs

Review of Literature:

Saurabh Suman in his paper entitled Study on New GST Era and its Impact on Small Businesses Entrepreneurs opined that that 51% among 100 person has problem with the paper work while 28% has problem with registration, 12% were unaware about the whole process, 4% Has Trouble with customer satisfaction and 9% has problem with customer bargaining process. **Ch.Venugopal Reddy** in his paper observed that GST will bring One Nation and One Tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. **Barhate (2017)** found that people have no doubt whatsoever regarding the proposed benefits of GST irrespective of their business type, legal status of business for the reason being they feel irritated by the present system which appears to be cumbersome. Most respondents believe that GST will bring monetary gains to their business and do not anticipate any significant boost in tax compliance costs. Interestingly, respondents expect the spending on tax compliance to go down after GST is implemented. The lack of information coupled with the apathy towards reforms may paralyze the speedy implementation of this system especially in small towns where still not a single orientation programs have been planned and executed till date by competent authorities. According to study by **NCAER** (National Council for Applied Economics and Research) complete implementation of GST could lift GDP growth by 0.9-1.7%. GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction. Thus, after coming GST, there will be a great impact on the Indian economy in some time soon.

Objectives: The present study intend

1. To find out the perception and their relative mean score of perceptions regarding GST –
2. To find out the significance of the Perceptions regarding GST in India.
3. To understand the concept of Goods and Service Tax.
4. To study the Dealers perception about GST
5. To study the consumers perception about GST

Research Methodology:

The present research is exploratory in nature. The study tries to find the significance of popular perception regarding GST. The sample size of the study was 50 Dealers and 200 consumers. The responses were captured from respondents. The area of study was Hubli-Dharwad twin city of Karnataka State. The information in the study is also collected from secondary sources that is from various online sources, websites, articles related to Goods and Service Tax

Experts have enlisted the benefits of GST as under:

1. It would introduce two-tiered One-Country-One-Tax regime.
2. It would subsume all indirect taxes at the center and the state level.
3. It would not only widen the tax regime by covering goods and services but also make it transparent.
4. It would free the manufacturing sector from **cascading** effect of taxes, thus by improve the cost-competitiveness of goods and services.
5. It would bring down the prices of goods and services and thus by, increase consumption.
6. It would create business-friendly environment, thus by increase tax-GDP ratio.
7. It would enhance the ease of doing business in India.

Analysis and interpretation of Data :

Following parameters have been identified to evaluate the consumers and wholesalers perception about GST

1. Demographic Profile of the Respondents
2. Consumers Response on Impact of GST
3. Whole seller Satisfaction on Implementation of GST
4. Profit Increase or Decrease on Implementation of GST
5. Troubles associated with Whole seller on Implementation of GST

Table-1
Profile of Respondents

Parameters	No. of Respondents	% age
Gender		
Male	110	55
Female	90	45
Total	200	100
Age Groups		
Below 25	40	20
25 to 40	100	50
Above 50	60	30
Total	200	100
Qualification		
UG Degree or Below	160	80
PG and above	40	20
Total	200	100
Income per month		
Below 20,000	40	20
20,000 to 40,000	90	45
Above 40,000	70	35
Total	200	100
Occupation		
No-Salaries	160	80
Salaried	40	20
Total	200	100

Source: Field Survey

Table 1 shows the demographic profile of the respondents. There are 55% males and 45% females who have given their opinion about the goods and service tax. 20% of the respondents belong to the age group of below 50.% belong to the age category of 25 to 40 and lastly 30% belong to the age category of above 40 years. 80% of the respondents are either graduate or below and rest 20% respondents are PG degree holder or have a higher degree than PG. 20% respondents earn below Rs. 20,000 per month, whereas the income of 44% of the respondents is from 20,000 to 40,000 and lastly only 35% respondents earn more than 40,000 per month. 80 belong to the non business category, and remaining 20% belong to the salaried class.

Table-2
Response of Respondents

Sl.No	Statement (Mean value has been calculated on a 5 point scale)	Over all Mean(N-200)
1	GST is a very good tax reform for India	3.39
2	GST has increased the legal compliances	4.25
3	GST has increased the tax burden on Businessman	3.88
4	GST has increased the tax burden on Common Man	3.38
5	India is not ready for implementation of GST	3.06
6	Government has imposed GST on people without any preparation	2.75
7	GST is very difficult to understand	2.69
8	GST will increase the inflation (prices) in the country	3.61
9	GST is beneficial in long-term	4.16
10	GST will increase the tax collection of the government.	4.22
11	GST is affecting small business very badly.	3.71

Source: Field Survey

Table 2 presents the peoples' perception about the Goods and Services tax. The most important point has come out to be the 'GST has increased the legal compliances' with a mean value of 4.25 followed by 'GST will increase the tax collection of the government' with a mean value of 4.22 and the third most important aspect which has come out to be "GST is beneficial in long-term' which has a mean value of 4.16. The other important aspects regarding the people's perception about GST are 'GST has increased the tax burden on Businessman with 3.88, 'GST is affecting small business very badly with a mean value - 3.71 and GST will increase the inflation in the country with a mean value of 3.61.

Wholesalers on Wane:

As GST inches closer, more FMCG and buyer durable players are getting to be noticeably careful about their wholesale businesses. Post GST, the wholesale sector will take no less than a quarter or more to balance out – which could prompt the general commitment of wholesale descending fundamentally, contrasted with direct scope. This is on account that GST will cause interruptions in the center conduct of a distributor mass exchanges; offering absolutely on money premise; not giving credits and utilizing the same to keep up liquidity in the business; working on thin edges, etc. With their officially thin edges getting to be noticeably

more even slender, their sheer survival will be being referred to. In the meantime, their survival is of outrageous significance to the primary producers, who require them to benefit the long tail of retailers and kirana shops in both urban and provincial territories.

The experimental set up was done targeting four types of dealers (on the basis of their annual turnover). The data were analyzed on 200 consumers and 50 dealers as the type 4 category were very rarely agree to answer the questionnaire and the result was interrelated on the basis of percentage and mean. The study succeeded in getting consumers perception on the structured questionnaire designed under present study.

1. W 1-Type 1 Whole seller : With annual income less than 25 lakh .
2. W 2-Type 2 Whole seller : With annual income in between 25-50 lakh .
3. W 3-Type 3 Whole seller : With annual income in between 50-75 lakh.
4. W 4Type 4 Whole seller : With annual income above 75 lakh.

Table- 3

Whole seller Satisfaction on Implementation of GST

Classification	Code	Satisfaction Responses in %				
		Yes	No	Cannot Say	Ambiguous	Total
Below 25 lakh	W1	14	28	48	10	100
25-50 lakh	W2	10	70	15	05	100
50 -75 lakh	W3	10	60	20	20	100
Above 75 lakh	W4	15	52	18	15	100

Source: Field Survey

The perusal of Table 3 indicates that wholesalers have accepted that GST is very difficult to understand. Even then the government should try to make people understand more about GST and GST complexities. The government should communication with the communities through various online and offline platforms and must conduct an open talk about GST. Further, government should also make people aware that GST is not going to affect the small businesses because it is not applicable on the businesses having a turnover below 25 lakhs. Similarly, those who have knowledge about GST must also disseminate the same to the community, so that lot of wrong perceptions can be eliminated. The above table depicts that wholesalers also have a strong perception that GST has increased the tax burden on Businessman and GST has increased the tax burden on Common Man too. People confirm in their perception that GST will increase the

inflation (prices) in the country though at the same time it is beneficial in long-term, It will increase the tax collection of the government and also is going to affect the small business very badly. However, the perception is strongly opposite about understanding GST.

Table- 4

Profit Increase or Decrease on Implementation of GST

Code	Profit increase decrease in %				
	Increase	Decrease	Cannot say	No Change	Total
W1	7	52	28	13	100
W2	1	63	27	09	100
W3	4	52	36	08	100
W4	1	2	46	51	100

Source: Field Survey

The above table depicts that wholesalers also have a strong perception that due to GST there is negative impact on the profitability of their business in case of all type of wholesalers.

Table -5

Troubles associated with Whole seller on Implementation of GST

Factors	Troubles associated with GST			
	W1	W2	W3	W4
Paper work	88	73	45	51
Registration	48	52	51	18
Unawareness of Clear Process	15	35	55	12
Customer satisfaction	21	48	17	14
Bargaining	66	47	46	19

Source: Field Survey

The perusal of table-5 indicates that traders are facing uniform problems as far as compliance to the tax authorities. Post GST implementation, these wholesalers and retailers will not be able to evade tax as the complete value chain will be tracked online. This may also result in a change in the modus operandi of the businesses working on thin margins. Also, we may observe a steep rise in demand for goods as a result of re-stocking by wholesalers and retailers. Post GST, every taxpayer needs to put a proper system of accounting and record keeping and there would be a minimum increase of cost to business anywhere around 5,000 to 10,000 per

month. Transaction in the retail sector is carried out mainly through cash and we have already seen the downfall of sales during demonetisation. Post GST, there will not be any significant change in sales as consumer behavior would not be changed. Impact on retail sector can be summarized as below:

1. It will bring down total indirect taxes
2. Increase supply chain efficiency and
3. Facilitate seamless input tax credit.
4. After implementation of GST, state boundaries will be irrelevant from taxation and documentation point of view.
5. Vanishing state boundaries will reduce the complexity for retailers and increase the distribution reach as well as efficiency.

Conclusion:

People perceived GST as a very good tax reform for India. Though, at the same time they also agree that GST has increased the legal compliances of businessman. Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. GST will promise one uniform expense, one normal market, distinction amongst goods and services, less difficult invoicing, cancelation of entry duty, basic exceptions between the middle and expresses, no extract duties, evacuation of grouping contentions and moreover, a zero rating which as will be more thorough and simpler to manage. Further it can be said that for the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

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