

# An Empirical Evaluation of Individual Knowledge and Perception apropos to GST implementation in Delhi NCR

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**ABSTRACT--***The much awaited Goods and Services Tax (hereinafter referred to as GST) was made effective in India w.e.f 1<sup>st</sup> July 2017. It has been more than two years that individuals are living and working in the GST regime. It was predicted that this new system of Indirect Taxes, which is going to subsume a number of Central and State Level Indirect Taxes, is going to revolutionize the Indian Taxation System. During the early stage of its implementation, many financial issues viz inflation, increase in cost of living, economic stability, successful implementation of GST, were a cause of concern. Government had undertaken various initiatives to spread awareness about GST by educating the professionals & general public at large to improve their understanding on the need of GST in taxation system. During the initial stages of implementation, the public seemed to be confused about the concept and operational aspects of GST. The benefits were proclaimed to be too many and it was considered to be friendly to all. However the real achievement is still a question. Many questions and complaints were reported to the related authorities for perusal and necessary action. The system is running and is improving continually. The government aims to provide benefits to one and all. However, still the perception of an individual towards the structure of the system and awareness about the system among individuals is a question. After two years of its implementation, this study aims to study the perception of different individuals towards basic provisions of GST and whether government has taken initiatives to create awareness among individuals, with further scope of research available for the study with professionals and businessmen.*

**Key words--** Indian Taxation, Awareness, Economic Stability, Taxes

## I. INTRODUCTION

Benjamin Franklin very aptly quoted, “*there are two things certain in life : Death and Taxes*”. The statement clearly highlights the importance of taxes in any country. Taxes are the major source of revenue for the government which they use to carry out the activities in the country and also for other various purposes.

Taxes are usually categorized into two categories namely Direct Taxes and Indirect Taxes. The biggest difference among the two is in their mode of implementation. While Direct taxes are paid by the assessee, indirect taxes on the other hand are levied on goods and services.

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There is clear cut demarcation on the role of the central and state government towards levy of taxes. The Central Government of India is empowered to levy taxes such as customs duty, income tax, service tax, and central excise duty, state governments can levy income tax on agricultural income, professional tax, value added tax (VAT), state excise duty, land revenue and stamp duty and the local authorities are authorized to collect octroi, property tax, and other taxes on services such as drainage, water supply etc.

With so many taxes in the country, it is possible to create a bizarre situation. So government introduced GST, GOODS AND SERVICE TAX in 2017 to simplify the tax structure of the country. This GST came with a simple notion “one market, one tax.” Mostly all the taxes are not summarized into one tax, GST which makes it easy for both businesses and consumers to accept and implement. Introduction of GST is not only beneficial for India at domestic level but also at international level. At consumer level, it will reduce the overall tax burden. The advantages of this system are manifold-

- Uniform market
- Efficient tax payment
- Easy to understand and implement
- Increase consumption by reducing the prices of commodities
- E- governance
- Transparency in governance
- Emergence of two tiered- one country- one regime
- Increase tax-GDP ratio

GST follows a simple notion, “one nation, one market, one tax.” GST has simplified the taxation procedure of India. It is because of GST that we have minimum tax slabs and a keen check on fiscal deficits. A robust and comprehensive IT system would be the backbone, which would make compliance easy and transparent, hence enhancing E-Governance. There has been an increase in the exports and people are not a perplexed situation when calculating tax on the goods and services. Many people believe that GST will serve as a powerful tool in boosting up India’s economy in coming years. The seed of GST has rippled many sweet fruits, for instance- smooth businesses, lower logistics, and easier implementation. Moreover, GST has eased the payment of taxes in digital mode.

## II. LITERATURE REVIEW

Boonyarat et al:2014, in his study made use of sequential equation modeling to analyse the relationship between tax knowledge and perception of customers about tax. It was concluded that tax awareness and tax knowledge has a direct positive relationship and taxes are an excellent tool to uplift and sustain the economy of a country.

Jaidi:2013, in the study on tax payer’s awareness towards the self-assessment mechanism concluded that the successful implementation of taxation system of any nation depends on the awareness of tax payers and as it is a very sensitive issue, it has to be considered by the tax administrators at the time of framing diverse taxation strategies for its even accomplishment.

Bikas:2013, concluded that there is an influence of macroeconomic parameters on the VAT rates. A direct relationship was indicated between European Union's VAT rates and indicators such as per capita income, investment pattern, GDP of the economy, EXIM policy etc.

### III. OBJECTIVES OF THE STUDY

- To find out the level of awareness on the implementation of GST
- To find out level of knowledge on basics of GST
- To analyze the variation in the perception of individuals towards preparedness of Government for launch of GST
- To give suitable suggestions on the basis of the findings of the study.

### IV. RESEARCH METHODOLOGY

The present research is exploratory as well as Descriptive in nature. Since GST is a new & evolving phenomenon in India, there are limited studies in this area. The present investigation examines the level of knowledge towards basic concepts of GST and variation in the perception of individuals towards preparedness of Government in implementing GST.

#### *Scope of the Study:*

This study is conducted to examine whether there is difference in the perception of individuals based on their educational levels. The respondents selected are of three categories on the basis of their qualification, which might give wider difference in understanding. The scope of the present research study is restricted only to the concerned discipline and cannot be justified for another place.

#### *Research Design:*

In this paper the two basic types of research designs are used:

#### *Exploratory Research:*

The exploratory technique is chiefly useful in disintegrating extensive and indistinguishable problems into minor, more accurate statements. Exploratory study is also required to augment the knowledge of the problem under purview.

#### *Descriptive Research:*

A descriptive requires requires a clear arrangement of the research. It essentially requires the formulation of precise hypothesis and the testing of the same through statically deduction method. **In this study, it has been tried to find out the difference in the perception of individuals towards GST. The respondents have been**

**categorized on the basis of their association with GST. The perception has been studied w.r.t preparedness of government, initiatives taken by government towards implementation and the basic understanding of the concepts of GST of different categories of individuals.**

The research methodology of the present research is categorized into following points:

1. Source of data- The source of data collection is primary data which has been collected through the structured Questionnaire Method. The data has been collected by administering a structured schedule of questions through an online Google Form, filled up by each respondent. Most of the questions have been framed on a Five point Likert Scale and answered by respondents.

2. Sample size- The sample size of the study is 190. 5 point Likert scale was utilized to obtain the responses.

3. Sampling Method: Judgment Sampling was used and respondents having knowledge about GST were chosen for the study.

4. Hypothesis- As per the nature of the research hypotheses was developed and shown under the head of data analysis

The study utilized statistical techniques such as descriptive analysis and ANOVA in order to analyze the data. The study made use of descriptive statistics basically consisting of tools for organizing, showing and analyzing data through tables and summary their of.

## V. DATA ANALYSIS

### *Sample Demographics:*

The demographic profile of the respondents included in the study is as under –

**Table 1:** Socio-Economic profile of the respondents

S No	Particulars	No of respondents	Percentage (%)	
1	Gender	Male	125	65.8%
		Female	65	34.2%
		Total	190	100%
2	Age	< 25 yrs	112	58.7%
		25-40 yrs	61	32.7%
		>40 yrs	17	8.6%
		Total	190	100%
3	Qualification	Graduate	93	48.9%
		Post Graduate	57	30%
		Professional (CA/CS/CMA)	37	19.5%
		Others	3	1.6%
		Total	190	100%
4	Occupation	Professional	36	18.9%

	<b>Businessman/ Traders</b>	<b>35</b>	<b>18.4%</b>
	<b>Others- students, researchers, serviceman</b>	<b>109</b>	<b>57.3%</b>
	<b>Not disclosed</b>	<b>10</b>	<b>5.3%</b>
	<b>Total</b>	<b>190</b>	<b>100%</b>

Source: Primary data

While analyzing the individual summary it was estimated that most of the respondents (66.67%) are male. As per the age wise classification, majority of the respondents (78.0%) are between ages of 22-24 years. Regarding the qualifications of the respondents, majority of the respondents (42.0%) have been studying M.Com. About the occupational profile of respondents, most of the respondents (87.0%) are professional.

## VI. ANALYSIS OF AWARENESS OF RESPONDENTS ON THE IMPLEMENTATION OF GST

The awareness of respondents and their Knowledge on the Implementation of Goods and Services Tax (GST), the data collected has been presented in Table 2

**Table 2:** Awareness on implementation of GST

S No	Awareness	No of respondents	Percentage
1	Aware	190	100%
2	Not Aware	0	0%

Source: Computed Data

Table 2 shows that 100% respondents were aware about the implementation of GST implying that respondents have concerns of Government's plan to implement GST.

## VII. LEVEL OF KNOWLEDGE ON BASIC ASPECTS OF GST

Respondent's knowledge on the basic concepts of GST has been determined by 9 statements that have been put to them in the questionnaire. The responses obtained against each statement have then been scored. To give a score to each response, each question has been designed on a five point scale ranging from 1-5 in which five points are given for "strongly agree", four points are given for "Agree", three points are for "Neutral", two points are for "Disagree", and one point is for "Strongly disagree" responses. Table 3 aggregates the response against each response.

**Table 3:** Respondents' Knowledge on the issue of GST

S. No	Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Mean	Std Deviation
		5	4	3	2	1			
1	GST is a very good tax reform for India – subsuming multiple taxes under one umbrella	49 (25.8%)	92 (48.4%)	29 (15.3%)	10 (5.3%)	10 (5.3%)	190 (100%)	3.84	1.037
2	Do you think India was really ready for GST implementation in terms of Knowledge of basic provisions ?	20 (10.5%)	52 (27.4%)	61 (32.1%)	48 (25.3%)	9 (4.7%)	190 (100%)	3.14	1.060
3	Do you think Government had imposed GST on people without any consultation & preparation?	16 (8.4%)	78 (41.1%)	29 (15.3%)	53 (27.9%)	14 (7.4%)	190 (100%)	3.15	1.142
4	In your opinion, did Government take enough initiatives / measures to spread awareness about GST – through seminars,	34 (17.9%)	70 (36.8%)	35 (18.4%)	41 (21.6%)	10 (5.3%)	190 (100%)	3.41	1.163

	workshops and conferences?								
5	Do you think GST is really difficult to understand – different slab rates for different products ?	11 <b>(5.8%)</b>	24 <b>(12.6%)</b>	48 <b>(25.3%)</b> )	81 <b>(42.6%)</b>	26 <b>(13.7%)</b>	190 <b>(100%)</b> )	2.54	1.062
6	Do you think GST has increased inflation (prices ) in the country ?	12 <b>(6.3%)</b>	52 <b>(27.4%)</b>	49 <b>(25.8%)</b> )	55 <b>(28.9%)</b>	22 <b>(11.6%)</b>	190 <b>(100%)</b> )	2.88	1.127
7	In your opinion, has GST increased the Indirect TAX collection of Government?	32 <b>(16.8%)</b>	83 <b>(43.7%)</b>	52 <b>(27.4%)</b> )	18 <b>(9.5%)</b>	5 <b>(2.6%)</b>	190 <b>(100%)</b> )	3.63	0.961
8	In your opinion, GST is a way for the government to collect revenue to manage an economy?	34 <b>(17.9%)</b>	106 <b>(55.8%)</b>	31 <b>(16.3%)</b> )	14 <b>(7.4%)</b>	5 <b>(2.6%)</b>	190 <b>(100%)</b> )	3.79	0.913

9	Do you think that introduction of GST in India has affected the demand for the product /services?	42 (22.2%)	42 (22.2%)	55 (29.1%)	25 (13.5%)	25 (13.5%)	190 (100%)	1.84	0.854
								3.13	1.035

Source: Primary Data after Analysis

The level of respondents' knowledge about GST has been derived from the mean ( ) and  $\sigma$  values of the 190 respondents.

The calculated values of Mean and S.D are 3.135 and 1.035 respectively. If the score values are greater than  $X+S.D$ , it has been taken as high level of knowledge, if the score values are less than  $X - S.D$ , it has been taken as low level of knowledge, and the difference between than ( $X+S.D$ ) and ( $X-S.D$ ) has been categorized as medium level of knowledge of the respondent towards GST concepts.

Therefore

$$X+ S.D = 3.1355+1.035= 4.171 \text{ - High Level of Knowledge}$$

$$X- S.D = 3.1355-1.035= 2.100 \text{ - Low Level of Knowledge}$$

$$(X+ S.D) \text{ to } (X- S.D) = 4.171 \text{ to } 2.100 \text{ - Medium Level of Knowledge}$$

Therefore, respondents who have scored 4.17 and above have been put under the category of High Level and those who have scoreless than 2.1 have been put under the category of Low level. The respondents whose score falls between 2.1 and 4.17 have medium level of knowledge towards basic aspects of GST.

**Table 4:** Level of knowledge on the basic aspects of GST

S No	Particulars	No of respondents	Percentage
1	High	1	0%
2	Medium	189	100%
3	Low	0	0%
	Total	190	100%

Source: Computed Data

From Table 4 it has been observed that out of 190 respondents, 189 (100%) respondents have medium level of knowledge on basic aspects of GST, just one respondent showed high level of knowledge.

## VIII. ANOVA TEST

An ANOVA test is a statistical tool which is used to find out whether the survey or experiment results are significant. It helps to outline whether there is a need to reject the null hypothesis and accept the alternate supposition.

Further, in ANOVA Testing, a one way ANOVA Test is applied to compare two or more means from two or more independent (unrelated) groups by using the F-distribution. The null hypothesis for the test states that the two means are equal. A significant outcome represents that the two means are not equal.

In this research, ANOVA test is applied to compare the means of three groups – Customer/Students being the first group, Professionals being the second group and Businessmen being third group - in their Perception towards preparedness of Government for the launch of GST. The description of selected variables are shown in Table 5 as under :

## IX. DESCRIPTIVE TABLES

**Table 5:** Outcome of Perception

Respondent's category	N	Mean	Variance
Customers, Students & Others	119	3.17	1.226
Small Businessman	35	3.26	1.197
Professionals	36	3.00	1.714
<b>Total</b>	<b>190</b>	<b>3.15</b>	<b>1.305</b>

Source : Computed Data

Following Hypothesis was developed:

H<sub>0</sub>: There's no significant difference in the perception of respondents on GST implementation.

H<sub>a</sub>: There's a significant difference in the perception of respondents on GST implementation.

The Null Hypothesis for the research states that each of the population means are exactly equal, in other words means of perception of all the categories of respondents are exactly same.

This results in a difference within the sample means. Infact, samples tend to differ a bit from the populations they represent. Ideally the sample means should not differ much as it would affect the null hypothesis of equal population means. Table 6 below shows the SPSS output for the data.

**Table 6:** ANOVA Table for Perception towards Preparedness for Implementation

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.339	2	2.669	2.410	.093
Within Groups	207.103	187	1.108		
Total	212.442	189			

Source : Computed Data in SPSS

As per the output generated,  $F(2,187) = 2.41$ ,  $p = 0.09$ . This means, if all the categories have equal mean perception, there is only a 0.09 chance of finding our sample mean differences or larger ones. The outcome is statistically significant if value of  $p < 0.05$ .

From F Distribution table, critical value of  $F(2,187)$  is 4.605. This F-value is evidence that our null hypothesis is not rejected. Therefore, it can be concluded that the means of the perception of population are very *likely* to be equal.

## X. FINDINGS OF STUDY

- Majority of the respondents (74%) agree that GST is a very good Tax Reform for India. However there is an almost equal opinion as to the matter whether India was really ready for GST implementation in terms of Knowledge of basic provisions – 38 % agree that India was ready, 30% disagree while 32% have a neutral opinion.
- Almost 50% of the respondents feel that GST was imposed by government without any preparation and not enough measures were taken to spread its awareness. Despite this, majority of the public is of the opinion that GST is not difficult to understand.
- Majority feels that GST has neither affected the demand of products nor resulted in increased prices of products or inflation in the country, however it has increased the revenue collection for the government.

## XI. SUGGESTIONS

The respondents were of the opinion that there could have been a more smooth, transparent and simple transition while implementation of GST. Infact, now also government should take steps to create more awareness not only among professionals and businessmen but also among general public at large about GST and related concepts such as e-way bill.

In relation to the current study, it can be considered that the results obtained not only provide a good understanding of the people living in Delhi NCR on the basic aspects of GST but also automatically reflect the preparedness of Government in implementing GST. The low level of scores in the mean score values of General Category of Individuals provides an indication that government's preparedness in educating the General Public on GST is relatively not successful. To ensure more efficient knowledge dispersal, government should come out with plans to be launched at the level of common man and that too stage-wise. Stage wise information dissemination can be done starting with agricultural sector, then, traders, small businessmen, medium sized businesses, corporates till industry level. Redressal mechanisms for professionals working with GST should be proactively disseminated. All related authorities like Custom Department should join hands in spreading awareness at working level. Lastly, the government should make a plan for efficient management of revenue collection being made through GST.

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