

GST: Consumers Awareness and Adoption – A Study

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Abstract: The implementation of Goods and Services Tax (GST) in India was a biggest indirect tax reform since post-independence. The amalgamation of large number of taxes in to single tax is done to revamp the entire taxation system and stimulate economic growth. However, its implementation has not been fully understood by peoples. The present study aimed to evaluate the Consumers Awareness and Adoption on GST. This study is quantitative in nature, research questionnaire has been developed and data have been collected from 120 respondents of Coimbatore. The results reveals that the average consumers aware about the implementation of GST on their every purchases and they opinioned that the Cost and charges are the major factor impacted because of implementation of GST in India.

IndexTerms – GST, Adoption, Awareness, Implementation, Factors.

I. INTRODUCTION

The Goods and Services Tax (GST) is one of the biggest economic and taxation reforms undertaken in India. Parliament initiated a seven-hour marathon debate on four supplementary GST Bills. Taxation plays a major role in the economy of any country. Tax revenues are the major source of income for governments. In fact, major social welfare and development schemes are funded through the revenues generated by taxes in various forms. Tax policies not only exerts its importance at domestic level, but also determines the international competitiveness of the country. For example, in case of imports and exports, tariff rate is considered as an important factor. Similarly, foreign investors also consider the tax rate prevailing in a nation before they take the decision of investing in that particular. The Goods and services tax has been considered a very important additional perfection of value added tax which is introduced at the state and central level with the aim of reforming indirect tax and achieving overall economic growth and development in India. It is a tax imposed to generate revenue for the government and it is being paid by the final consumers of the goods and services collected and forwarded to the government by business entities. To have a better understanding of GST, it is very important to understand the current indirect taxation system. Initially direct taxes such as income tax are borne by people liable to pay the tax; this means that the tax burden cannot be shifted to anyone else. On the other hand, the liability of indirect taxes can be shifted to another

person. Invariably this means that the person liable to pay the tax can collect the tax from someone else and then pay it to the government; thus shifting the tax burden. The GST tax system falls into this category. Initially it was agreed that there would be a national level of goods and service tax but after several deliberations it was later made clear that there would be a “Dual GST” in India i.e. both by the centre and state which will take the responsibility of levying the taxes on the goods and services. However, under the GST scheme, in levying of tax, differentiation is not made between goods and services. That is to say goods and services attract the same tax rate. GST is a multi-tier tax where ultimately the tax burden is put on the final consumer of the goods and services. It is referred to as value added tax because at every stage, tax is being paid on the value addition.

II. GST

Goods and Services Tax is a destination based tax on consumption of goods and services, where tax will be levied at all stages from the stage of manufacturing till the final consumption and set off is allowed in the form of input tax credit to the business parties involved in the process (Central Board of Excise and Customs New Delhi, 2017).

The Features of GST are listed below:

Dual GST: This is one of the unique features of GST in India. The proposed GST is to be levied in two forms, namely Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). Thus both governments will generate revenue through GST.

No Distinction between Goods and Services: The new proposed GST treats goods and services same. In other words, both are on the same page. The law does discriminate between goods and services. Both goods and services will be taxed at the same rate. The law also gives clear explanation on; what constitutes goods and what constitutes services.

Tax Rates: Uniform tax rate is another distinguishing feature of GST. Though four different rates are proposed, a group of sector comes under the same tax slab. Unlike the present system of different taxes, GST abolishes them and will have a uniform tax rate across the nation.

Destination Feature: This is the fundamental feature of the GST. The destination feature indicates that the tax will

accrue at the place of consumption, i.e. the place where goods or services will be received.

Interstate Transactions: Interstate transactions are governed by Integrated Goods and Service Tax (IGST), which is a combination of CGST and SGST. The interstate transactions will also attract additional tax. IGST will be administered by the central government.

Barter Transactions are also Taxable: Any interstate transactions which involve the nature of exchange of goods and/or service for another goods and/or service, they are also subject to IGST under the new tax system.

Input Tax Credit: As indicated earlier, GST will be levied right from the stage of manufacturing till stage of consumption. This means that at each stage GST will be levied. In each of these stages, GST paid will be allowed to set off against the GST paid in the next stage.

Mechanism of Set off: Set off is allowed only with the respective GST. For instance, the credit of CGST can be adjusted only with CGST and similar mechanism for SGST.

Compensation: The present tax system does not give any compensation for the loss arising in generating tax revenue. But the present proposed GST law on recommendation by GST council will compensate the losses incurred by the state due to new tax regime for five years.

Treatment of Exports and SEZ: Exports will be zero rated as currently they are. But in case of Special Economic Zones (SEZ), it will be zero rated only when if the supply of goods and/or service is meant for consumption in processing zone.

III. NEED FOR THE STUDY

In the Indian economy, the service sector contributes to over 55%. Separate taxation of goods and services is neither viable nor desirable. GST in India had been introduced to reduce the tax burden that's on both companies and consumers. In the previous system, there were multiple taxes added at each stage of the supply chain, without taking credit for taxes paid at previous stages. As a result, the end cost of the product does not clearly show the actual cost of the product and how much tax was applied. The tax structure was complex. GST integrated most of the taxes into one single tax, where the consumers are benefited. This method provides Input Tax credit paid on the purchase of goods and services, which can be offset with the tax to be paid on the supply of goods and services. As a result, this reduces the overall cost, with the end customer paying less.

IV. REVIEW OF LITERATURE

Monika Sehrawat and Dhanda (2015) have studied about the various features and the challenges associated with Goods and Service Tax well known as GST. They have found out that the legal procedures in implementing, consent from all the states, proper literacy on the concept of GST are the challenges associated with the

implementation of GST. Akanksha Kurana and Sharma (2016) have made a research work about the impact of GST on Indian economy. They have found out that the GST will improve the input tax credit to the manufacturers which would result in reduced cost of goods. They have suggested that the government must provide awareness about the concepts of GST to the public. Pradeep Chaurasia et. al., (2016) pointed out that, in India, the unified tax will take the form of a Dual GST, to be levied concurrently by both the Centre and States. They concluded that, GST will be helpful for the development of Indian economy as well it will be very much helpful in improving the GDP of our country higher than 2 percent. NishithaGuptha (2014) in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence, GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government. Poonam (2017), the biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax base structure can be utilized for the growth of nation. In economy tax polices play an important role because of their impact on efficiency and equity. Indirect tax reforms have been as integral part of the liberalization process since new economic reforms. Ahamd et al. (2016) found that the level of awareness of the GST is still not reached a satisfactory level. This is because the study involved only general questions that should be known by the respondents as end users. This cause the respondents gave high negative perception of the impact of implementation of GST. The respondents received less information and promotion of the authorities. Most of the respondents were unclear whether the goods and services are not subject to GST. Furthermore, due to the lack of information on GST, the respondents had a high negative perception. Therefore, the government must convince that GST will not have a lasting impact on the public as particularly convincing end users that no increase in prices of goods and services.

V. OBJECTIVES OF THE STUDY

1. To find out the consumer awareness over GST implementation in India
2. To understand the sources spreading GST information's among the Consumers
3. To Analyze the consumer adoption and impact of GST in India.

VI. METHODOLOGY

The current study is descriptive in nature and it has made an attempt to understand GST: Consumers

Awareness and Adoption. In order to attain the objective of the study, the following methodology has been made use of: A sample of 120 urban people of Coimbatore city has been taken for the study. The respondents are selected by using convenient sampling technique. For the purpose of the study both primary and secondary data were used. The data required for the study were collected by using of interview schedule. The secondary data for the study was compiled from websites, journals, magazines, census reports and books. For analysis purpose percentage, Z Test, one way Anova, and factor analysis were used.

VII. RESULTS AND ANALYSIS

7.1 Social- Economic and Demographical Profiles of the Respondents

To know the personal profile of the respondents under study, the following frequency distribution is constructed.

TABLE NO.1
SOCIAL- ECONOMIC AND DEMOGRAPHICAL PROFILES OF THE RESPONDENTS

Profile Variable	Particulars	Frequency	Percentage
Gender	Male	71	59
	Female	49	41
Age	Below 18	11	9
	18-35	47	39
	35-50	47	39
	Above 50	15	13
Profession	Business	37	31
	Employed	34	28
	Retired	34	28
	Others	15	13
Annual Income	Less than 5L	5	4
	5L to 10L	34	28
	10L to 15L	42	35
	More than 15L	39	33
Awareness on GST over every purchase	Yes	77	64
	No	43	36
Source of GST information's	Friends and Relatives	33	28
	Social Media	26	22
	Magazine and Newspapers	28	23
	Internet	33	28

Source: Primary Data

Out of the total respondents considered for the study 59% of the respondents are male respondents and 41% are female respondents. Majority of the respondents i.e.39 % belong to the age group 18-50 years, 13% belong to the age group of above 50 years, whereas 9% belong to the age group below 18 years. 31% of respondents doing business, 28 % of the respondents were employed and remaining are retired and in other professions. Majority of the

respondents i.e. 35% are Rs.10Lakhs to Rs.15Lakhs annual income, 33 % belong to more than 15laks, 28% belong to 5lak to 10 lakhs whereas 4% belong to below Rs.5 lakhs annual income.64% respondents are aware about GST implementation on their every purchases and 28% of respondents updating their GST knowledge's through friends, relatives and Internet.

7.2. Z-Test: Gender on GST Implementation

Null Hypothesis: Male and female have on an average same level of opinion on GST implementation

Alternative Hypothesis: Male and female do not have on an average same level of opinion on GST implementation.

TABLE NO. 2
Z –TEST: GENDER ON GST IMPLEMENTATION

Constructs	Gender	Mean	Z	Sig.	Remarks
GST Implementation	Male	42.323	0.207	0.836	Not Significant
	Female	42.142			

Source: Primary data

From the above table it is understood that for male and female have on an average same level of opinion on GST implementation, the calculated significance values is greater than 0.05, the null hypothesis is accepted. It is concluded that the opinion between male and female do not differ significantly.

7.3. ONEWAY ANOVA: Age, Profession and Income on GST Implementation

Null Hypothesis: Respondents belonging to different age, Profession and annual income group have on an average same level of opinion on GST implementation

Alternative Hypothesis: Respondents belonging to different age, Profession and annual income group do not have on an average same level of opinion on GST implementation.

TABLE NO. 3
ONEWAY ANOVA: AGE, PROFESSION AND INCOME ON GST IMPLEMENTATION

Profile	Age/Profession/ Income	Mean	F	Sig.	Remarks
Age	Below 18	40.5455	3.522	0.117	Not Significant
	18-35	41.2553			
	35-50	42.7021			
	Above 50	45.2000			
Profession	Business	40.9189	2.599	0.0567	Not Significant
	Employed	43.9412			
	Retired	42.0000			
	Others	42.2667			
Annual income	Less than 5L	44.4000	1.950	0.125	Not Significant
	5L to 10L	40.7059			
	10L to 15L	42.7619			
	More than 15L	42.7692			

Source: Primary data

From the above table it is understood that different age, Profession and annual income group have same level of opinion on GST implementation, the calculated significance values is greater than 0.05, the null hypothesis is accepted. It is concluded that the opinion between different age, Profession and annual income group respondents do not differ significantly.

7.4. Factors Ensure GST Implementation:

Factor analysis is a multivariate statistical methods used for the purpose of data reduction. It is a technique used to reduce data complexity by reducing the number of variables understudy. In the present study factor analysis has been administrated to identify the important factors that ensure GST Implementation

The following table is to ensure the application of fit.

TABLE NO. 4
KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.608
Bartlett's Test of Sphericity	500.740	1,855.030
	55	120
	0.000	0.000

Both KMO and Bartlett's test are to ensure the application of factor analysis in customer satisfaction. KMO test value ie 0.608 which is closure to unity and chi-square significance value ensures the application of factor analysis. The Principal Component Analysis extraction method was used to analyze the data with Varimax Rotation Method.

The following table of communalities gives the contribution of each item to the factors extracted.

TABLE NO. 5
COMMUNALITIES

Items	Initial	Extraction
1	1.000	0.418
2	1.000	0.742
3	1.000	0.620
4	1.000	0.772
5	1.000	0.790
6	1.000	0.565
7	1.000	0.719
8	1.000	0.654
9	1.000	0.649
10	1.000	0.483
11	1.000	0.481

Communalities range from 0.418 to 0.790 indicates that more than 60% of information is extracted from each item.

The following table of Eigen values indicates that three factors are extracted and totally 62% information is extracted by these factors.

TABLE NO. 6
TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.361	30.552	30.552	3.361	30.552	30.552	3.171	28.826	28.826
2	2.360	21.452	52.005	2.360	21.452	52.005	1.992	18.107	46.934
3	1.171	10.648	62.653	1.171	10.648	62.653	1.729	15.719	62.653
4	0.958	8.707	71.360						
5	0.896	8.147	79.507						
6	0.668	6.075	85.582						
7	0.475	4.318	89.900						
8	0.382	3.474	93.375						
9	0.309	2.806	96.180						
10	0.254	2.305	98.486						
11	0.167	1.514	100.000						

The following rotated component matrix gives the three components. All the factors loaded is more than 0.600 and the factor analysis yielded 3 factors. Analysis gives an overview of rotated component matrix wherein Principal Component Analysis extracts the three components and the rotation method of Varimax with Kaiser Normalization

TABLE NO. 7
ROTATED COMPONENT MATRIX

Item	Component		
	1	2	3
Increases the Service Charges	0.860	-	-
Tax Burden for Consumers	0.779	-	-
Reduces the Price of Products	0.738	-	-
Increases Price of Products	0.707	-	-
Simplified Tax system of India	0.592	-	-
Lead to less Corruption	-	0.756	-
Increases the inflation in the country	-	0.680	-

Curb circulation of Black Money	-	0.657	-
Increase demand/Consumption of goods	-	-	0.743
Consumer awareness is less	-	-	0.657
Business people implementation is Good	-	-	0.569

The three factors of customer perception that are identified by factor analysis are as follows:

1. Cost and Charges
2. Impact on Economy
3. Awareness and adoption

It is under stood from the analysis that customers are feel after the GST implementation there will change in Cost and Charges on Goods and Services is listed as higher factor followed by Positive impact over economy and awareness and adoption categorized as final factor in this.

VIII. FINDINGS

The findings of the study are as follows:

- 59% of the respondents are male respondents and 41% are female respondents. Majority of the respondents i.e.39 % belong to the age group 18-50 years, 31% of respondents doing business and 28 % of the respondents and, majority of the respondents i.e. 35% are earning Rs.10 Lakhs to Rs.15 Lakhs as annual income.
- 64% respondents are aware about GST implementation on their every purchases and 28% of respondents updating their GST knowledge's through friends, relatives and Internet.
- There is a significant relationship between age, gender and income with respondent's opinion on GST Implementation.
- Using factor analysis, the three factors identified as Cost and Charges, Impact on Economy and Awareness and Adoption, among this Cost and Charges impacted more among the customers on their opinion.

IX. CONCLUSION

To conclude, GST is thought to be a vital tax reform in the nation. It has influenced all zones of study like finance, production, marketing, and so on. For all intents and purposes it has affected numerous private ventures and furthermore buyers. GST is required to make the country as one financial market in economic wise. It has relatively influenced the costs of every day by day item and even yields of numerous different businesses. Costs of a few merchandise have gone up while others stayed same. Numerous costs are presently appeared as comprehensive of GST. However, in the event that detachment is given as cost, benefit, and duties, more noteworthy straightforwardness can be guaranteed and it can result in distinguished acts of neglect occurring through GST. In spite of the fact that there are standard variables like pay

which will influence the buy choice of the buyer, any change occurring in the business condition can get another thought the buy choice. This study recognizes some new factors like impact on cost and charges, economy, awareness, adoption, and so on., which will significantly affect buy choice of customers which will be of massive help to advertisers. Meanwhile, the government need to take necessary steps to create more awareness on GST among the people, specifically in rural regions and try reduce the tax rates for most important necessary goods and services. At long last, the investigation empowered to get pragmatic touch with the theme and aides in understanding the different measurements of GST.

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