



**ORIGINAL RESEARCH PAPER**

**Management**

**A STUDY OF PERCEIVED IMPACT OF GOODS AND SERVICES TAX (GST) ON COMMON PEOPLE IN PUNE**

**KEY WORDS:** : goods and services tax, common people, perceived impact, indirect tax

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**ABSTRACT**

Goods and Services Tax is a momentous reform which has been implemented by the Government of India in the second quarter of the financial year 2017-18. The main objective of this new tax regime is to make the tax structure rational, fair and taxpayer friendly and also amalgamate the various Central and States taxes into a single tax and mitigate the cascading or double taxation issues and move towards a unified common national market. GST is a very vital step in the field of indirect tax reforms and has brought about significant changes in the Indian economy particularly in business transactions and tax administration system and has drastically impacted not only the industries, businessmen, taxpayers but also the general public. Thus, on this premise a research study is undertaken to present a brief overview of Goods and Services Tax and examine the perceived impact of implementation of Goods and Services tax on common people in India, particularly in Pune region. The study is based on primary as well as secondary data. A well structured questionnaire is used to collect responses from 120 respondents through random sampling method.

Goods and Services Tax is the single biggest tax reform undertaken since independence which has completely transformed the indirect taxation landscape in India. It is a great step which will help transform the economy, ease compliance, bring in transparency and move towards "One country One Tax". The idea of moving towards GST was first initiated by the former Prime Minister, Shri Atal Bihari Vajpayee in the year 2000. After 17 years of long wait and consensus building, finally GST was implemented on 1 July 2017.

GST is a single tax to replace multiple levies on the supply of goods and services right from the manufacturer to the consumer and will subsume a number of existing indirect taxes being levied by the centre and State government.

The Central taxes that would be subsumed under GST are:

1. Central Excise Duty
2. Duties of Excise (Medicinal and Toilet Preparations)
3. Additional Duties of Excise (Goods of Special Importance)
4. Additional Duties of Excise (Textiles and Textile Products)
5. Additional Duties of Customs (commonly known as CVD)
6. Special Additional Duty of Customs (SAD)
7. Service Tax
8. Central Surcharges and Cesses so far as they relate to supply of goods and services

The State taxes that would be subsumed under GST are:

1. State VAT
2. Central Sales Tax
3. Luxury Tax
4. Entry Tax (all forms)
5. Entertainment and Amusement Tax (except when levied by the local bodies)
6. Taxes on advertisements
7. Purchase Tax
8. Taxes on lotteries, betting and gambling
9. State Surcharges and Cesses so far as they relate to supply of goods and services

It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by States would be called State GST (SGST). The centre would levy IGST which would be CGST plus SGST on all interstate transactions. The GST will apply to all goods other than alcoholic liquor for human consumption and five petroleum products, viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel.

It is a multi-stage destination-based consumption tax as against the concept of tax on manufacture of goods or on sale of goods or

on provision of services. It has been so designed that the tax is collected at every stage and the credit of the tax paid at the previous stage is available to set off the tax to be paid at the next stage of transaction. The main aim is to mitigate the cascading or double taxation and usher in the system of one unified common market with common tax rates and procedures.

It brings benefit to all the stake holders and is expected to lower the cost of goods and services, boost the economy and make our products and services globally competitive. GST is expected to increase the GDP by 1.5% to 2% and widen the government revenue by increasing the tax base and improving the tax payer compliance and is likely to improve India's ranking in the Ease of Doing Business Index.

**Literature Review**

Milandeep et al. (2016) in their research study has examined the impact of GST and studied the gap between the indirect tax regime in the pre and post GST era. They have expressed the views that GST is an attractive method to overcome the deformations of multiple taxes and will play a dynamic role in the growth and development of the Indian economy.

Hetal (2017) has discussed the positive as well as negative aspects of GST and stated that GST will bring in more competitiveness in Indian market and develop a level playing field between large and small enterprises.

There are other studies (Shakir et al, 2017; Minakshi, 2016; Sapna & Alumna, 2017) who found that GST will lead to economic growth and development and will be beneficial to each and every stakeholder in the economy.

Amanuddin, Deviga et al. (2016) in their study have analyzed the impact of GST on the Small and Medium Enterprises in Johar Bahru, Malaysia. The researchers have collected data from total 200 respondents from SMEs from different industries to investigate the association between demographic factors, level of knowledge, subjective norm and the impact of GST on SMEs. It was found that the level of knowledge is the most important factor affecting the perceived impact of GST. It has higher degree of correlation as compared to the subjective norms. As far as demographic factor is considered only the education level and the current position of the respondents in the organization have significant relationship with the implementation of GST.

Mohamad et al. (2016) in their research have focused on the awareness and perception of tax payers towards GST implementation in Malaysia. They have analyzed the data collected from 256 civil servants of secondary school teachers. The result

indicated that the respondents have not received much information about GST due to lack of promotion from the concerned authorities. Therefore, the authorities must focus on extensive public education programs.

**Research Objectives**

The key objectives of this research study are:

- (1) To study the perception of common people about the various concepts of GST.
- (2) To identify and understand the perceived impact of implementation of GST on common people.

**Research Methodology**

The present study is a descriptive in nature and is focused on common people in Pune region, India.

Sampling Unit and Sampling Procedure: The study was carried out in Pune region. The common people of different age groups with varied occupations were considered as sampling unit for the study. A sample was drawn using random sampling method.

Sample Size: A total of 120 respondents were considered for the study.

Data Collection: The study is based on primary as well as secondary data sources. Primary data were collected through survey method with the help of a well structured questionnaire as a research instrument. The questionnaire consisted of three sections i.e. demographic profile, general information about GST and impact of GST on common man. The questionnaire was administered personally as well as through electronic medium (i.e. web based survey). Secondary data were obtained from journals, published papers and articles to gain insight pertaining to the topic.

**Data Analysis and Result**

(1) Demographic Details: Descriptive analysis was done to analyze the demographic data and to understand the composition of the sample. The demographic details of the respondents are present in Table 1. Out of the total sample 65% of the respondents were male and 35% were female; 43.33% of the respondents were found to be aged below 30 years, 41.67% were between 30 to 40 years, 10% were between 40 to 50 years and 5% were found to be above 50 years; 1.67% were having education below H.Sc., 16.66% and 66.67% were found to be graduates and postgraduates respectively, 15% of the respondents were found to have done PhD; 1.67% of the respondents belonged to business category, 70% were in service, 10% were found to be self employed, 18.33% were found to be not working; the annual income of 26.67% of the respondents were between 1 to 4 lac, 41.66%, 15% of the respondents were in the range of 4-10 lac and more than 10 lac respectively,

**Table 1. Demographic details of the Respondents**

Gender		Frequency
Gender	Male	78
	Female	42
Age	Below 30	52
	30-40	50
	40-50	12
	>50	6
Stream of Education	Below HSC	2
	Graduate	20
	Post Graduate	80
	Ph.D & Others	18
Occupation	Business	2
	Service	84
	Self-Employed	12
	Not working	22

Annual Income		Frequency
Annual Income	1-4 Lac	32
	4-10 Lac	50
	>10 Lac	18
	Not Applicable	20

(2) Perception of common people about the GST: Figure 1 shows that 21.7% of the respondents totally agreed that GST is applicable on supply of goods and services, 33.30% somewhat agreed, 15% of respondents were found to be neutral while 16.70% strongly disagreed and 13.30% somewhat disagreed.

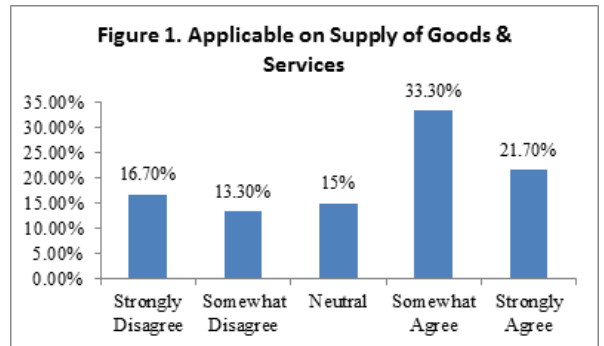


Figure 2 presents that 40% of the respondents strongly agreed that GST is a simpler tax regime with fewer rates and exemptions as compared to the tax structure in the pre GST era while 30% of the respondents somewhat agreed, 10% of the respondents were neutral, 11.70% of the respondents strongly disagreed and 8.30% somewhat disagreed.

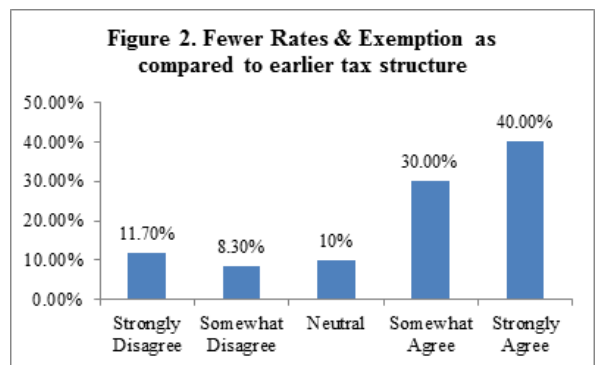


Figure 3 depicts that 36.60% of the respondents strongly agreed that GST follows a multistage collection mechanism where tax will be collected at every stage from procuring the raw material to selling the final product, 26.70% somewhat agreed, 15% of the respondents were neutral while 16.70% of the respondents strongly disagreed and 5% somewhat disagreed.

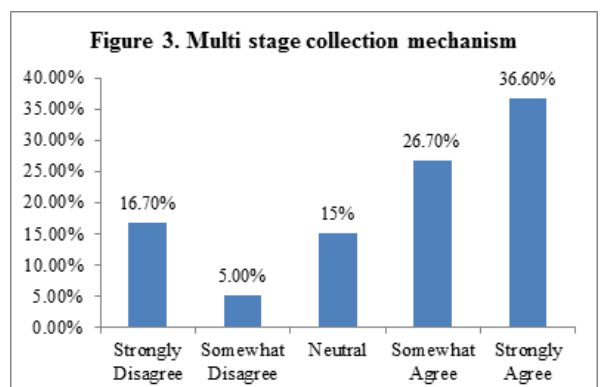


Figure 4 presents that 25% of the respondents strongly agreed that it would be dual GST with Centre and States simultaneously levying tax on common tax base, 25% somewhat agreed, 25% of the respondents were neutral, 15% strongly disagreed while 10% somewhat disagreed.

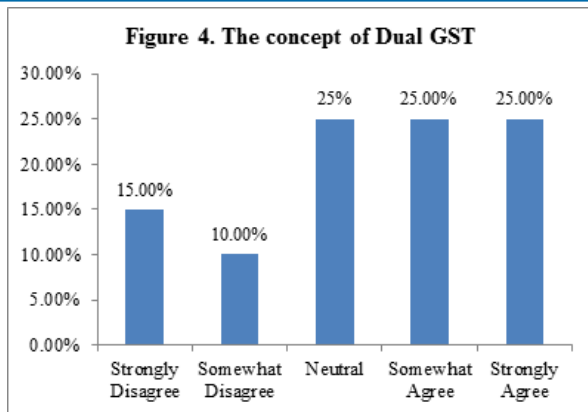


Figure 5 shows that 20% of the respondents strongly agreed that GST is technology driven and will reduce the human interface, thus lead to speedy decisions, 25% of the respondents somewhat agreed, 20% of the respondents were neutral, 20% of the respondents strongly disagreed while 15% of the respondents somewhat disagreed.

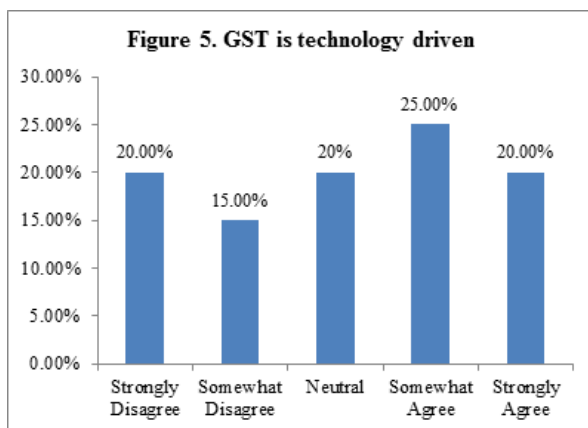
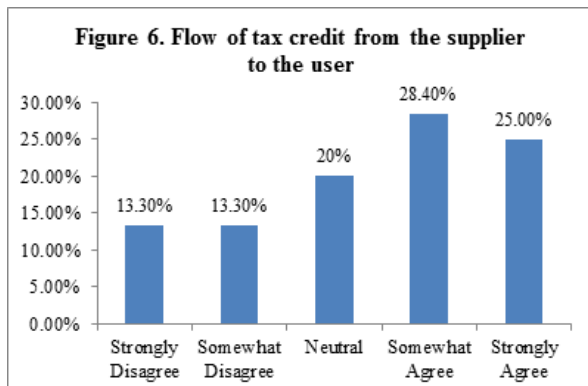


Figure 6 presents that 25% of the respondents strongly agreed that GST will result in seamless flow of tax credit from the manufacturer/supplier to user/retailer, 28.40% of the respondents somewhat agreed, 20% of the respondents were neutral, 13.30% of the respondents strongly disagreed while 13.30% of the respondents somewhat disagreed.



(3) Perceived impact of GST: Table 2 depicts the perceived impact of implementation of GST on the Indian economy and in turn on the common people.

Table 2. Perceived impact of GST

Factors impacting common people as a result of implementation of GST	5	4	3	2	1	Total	Mean Score	Rank

GST will make India a unified common market.	28	34	22	18	18	120	396	1
GST will give boost to 'Make in India' initiative of the Govt. of India	32	22	24	10	32	120	372	7
GST will give boost to investment and export and generate more employment.	24	24	28	12	32	120	356	9
GST will make India a manufacturing hub.	18	28	30	22	22	120	358	8
GST will result in reduction in the prices of goods and services.	12	26	24	22	36	120	316	11
GST will eliminate cascading effect of tax.	26	38	18	16	22	120	390	3
GST will bring uniform prices throughout the country.	22	38	18	24	18	120	382	5
GST will result in transparency in the taxation system, thus curtail corruption and circulation of black money.	26	32	24	18	20	120	386	4
GST has made the tax compliance procedure simple and easy.	18	38	30	12	22	120	378	6
GST will lower the overall tax burden on the consumer.	18	28	24	18	32	120	342	10
GST will benefit the industry through better cash flows and working capital management.	28	28	32	12	20	120	392	2

Discussion

There are numerous studies which have discussed about the concepts of GST and its impact on the Indian economy and challenges ahead. But only few have focused on the common people and their perception about GST. The present study attempts to explore the perception of the common people about the concept of GST and the impacts of GST on the common man and the Indian economy in general.

The findings indicate that most of the people have correctly perceived the concepts of GST and are aware of the fact that GST is a multistage collection mechanism, applicable on the supply of goods and services with fewer rates and exemptions as compared to the earlier tax structure. People have also correctly perceived that GST is technology driven which will reduce the human interface and will result in smooth flow of tax credit from the manufacturer to the user. However, there is need to conduct awareness programs and workshops so that the common man clearly understands the concept of GST and its implications on the Indian economy.

It is further observed that the common people is of the view that GST will make India a unified common market and will benefit the industry through better cash flow and working capital management. It will eliminate the cascading of taxes and bring in more transparency in the taxation system, thus curtail corruption and circulation of black money. However, GST will not bring in immediate benefits to the common people in terms of reduction in the overall tax burden and reduction in the prices of the goods. GST

will not immediately influence the investment and export by making India a manufacturing hub and generating more employment opportunities for the common people.

#### **Limitations of the Study and Scope for Further Research**

This study was conducted in Pune region; hence the scope of the study is limited to this geographical region. This study comprises of 120 respondents and for obtaining better findings, it is suggested that further studies should be conducted on a larger population. The current study only focuses on the perception of the common people and is limited to the basic concepts and principles of GST. Therefore, there is a need to conduct further studies focused on the awareness level among common people about GST considering the other broader aspects of GST like GSTN, GSTR.

More studies could include studies on impact of GST on people working in various sectors of the Indian economy specifically the Small and Medium Enterprises.

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