

AN ANALYTICAL STUDY OF AWARENESS AND PERCEPTION TOWARDS GST AMONGST TRADERS IN RURAL AREAS

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Abstract -The overture of Goods and Services Tax (GST) would be a very momentous step in the field of indirect tax. Goods and Services tax (GST) has been acknowledged as one of most imperative tax reform post-independence. It is a tax trigger, which will lead to business transformation for the industry. State assemblies, the Government of India give the impression to be on way to implement GST with effect from 1 July 2017. The sizeable efforts by the Government machinery to introduce the reforms at the earliest are worth appreciable but at the same time with stiffer deadlines it seems that government is in haste to implement this reforms at the earliest which may be paralyzed by lack of information and orientation of small traders in rural areas who form a sizeable community of traders. The study aims to be familiar with the perception towards existing Tax System, awareness of GST among the traders of different categories and their turnovers with problems and challenges. It is reported that 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. Further it is observed that neither business type or its legal status affect the opinion regarding opinion towards GST but business turnover seems to be associated with the opinion regarding present tax administration system with business having higher turnover reporting greater disappointment with present system. In lieu of this it is suggested associations, NGO's should come forward to organize such programs at town level to orient small traders so that nobody is left out of this biggest tax reform in the country.

Key Words: Goods & Service Tax, Perception, Awareness, Problems and challenges

1. INTRODUCTION

(SINGH, 2016)"It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" -

Kalidas in Raghuvansh eulogizing KING DALIP.

Taxation in India is entrenched from the period of Manu Smriti and Arthasastra. Present Indian tax system is based on this ancient tax system which was based on the theory of maximum social welfare. Tax is an obligatory liability for every citizen of the country. There are 2 types of tax in India i.e. direct and indirect. The Goods and Services Tax (GST) is set to become reality. But while the government has effectively resolved the political impasse, India Inc. faces several challenges before it can get ready for the new tax. GST is being predictable as one of the most major tax reforms in India from the time when Independence. It is probable to impact almost all spheres of business.

The Union Government has left no stone unturned and is literally running from pillar to post at times even reaching out to opposition parties for a broad political consensus and even diluting its position at times. The formation of GST council and passing of GST Bill from both the houses of parliament have showcased the government intention to introduce the tax reforms which is pegged as the biggest tax reform in the country since independence at the earliest. Though the government claims regarding its preparation of GST mechanism through rigorous training of revenue officials history have demonstrated time and again that such reforms which are to be implemented at national level for 125 billion population needs careful deliberation. The paper aims to understand whether traders in smaller towns and rural pockets are prepared for this big bang reform and what are their perceptions and apprehensions regarding implementation of these reforms so that they could be assuaged of their fears which in turn would allow them to be part of this development journey.

2. LITERATURE REVIEW

GST is not novice and has been implemented and adopted world over. But nevertheless the challenges faced in the implementation of GST in a nation with such divert culture, huge population possesses a unique challenge where more than organized trade unorganized trade prevails and where political compulsion prevail prudence.

(Poonam, 2017)The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. A single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services. The launch of GST would transform Asia's third largest economy into a single market for the first time.

(Shakdwipee, 2017)in his paper inquiring the level of awareness towards GST among the small business owners in Rajasthan state, found that the main areas to be focused include Training errors and Computer software availability. (Mohamad Ali Roshidi Ahmad, 2016) in his seminal work regarding "Introducing the GST in Malaysia" stated that government should have careful planning, detailed preparation, participation of community and extensive public education program is the key success in the implementation of GST for any country.

(Nasir, 2015) reveals that tax morale is the most influence factors to tax awareness. This means government need intense focus on publics' knowledge and attitude towards the implementation of GST.

3. METHODOLOGY

The study aims to find perception, attitudes and apprehensions of small traders located at town level and hence Shrirampur which has rich cultural and business legacy from the British era was selected. It would be one of the few towns which was set considering the burgeoning importance of trade and commerce supported by agrarian economy setting a perfect case study for the given study. The study seek to assess trader's vigilance as well as perception towards GST .In this contour the paper aims to study the following objectives

1. To know the perception of traders towards existing Tax System
2. To gauge awareness of GST among the traders
3. To comprehend Problem trepidation regarding GST from the traders perspective
4. To identify the Correlation of problems faced by traders and their attributes

The population in this study was registered traders and manufacturers having turnover of more than 1 lakh per annum and whose business entity had legal title. The sampling frame was prepared according to available information with Central Excise Department and Central Sales Tax Office available on the website. The number of registered traders and manufacturers in Shrirampur taluka included various categories of business which are tabulated in the following table. The sampling technique was convenience sampling for the obvious advantages such as simplicity and higher response rate. A structure questionnaire consisting of multiple choice questions was used. A 5 point Likert scale was used to understand the perceptions and apprehensions of the traders towards the existing system and new proposed GST regime. The characteristics of the sample are reported in the table 1.

Table 1: Descriptive Statistics about sample

Category of Business	Manufacturer	Frequency	Percentage
	Construction & Contractor	36	18.4
	Restaurant	47	24.0
	Travel	39	19.9
	Entertainment	34	17.3
	Total	40	20.4
Legal Entity of Business	Sole proprietor	196	100.0
	Partnership	47	24.0
	Family Business	49	25.0
	Joint venture	42	21.4
	Total	58	29.6
Annual Turnover	1-5 lakh	196	100.0
	5-10 lakh	36	18.4
	10-15 lakh	72	36.7
	Above 15 lakh	61	31.1
	Total	27	13.8
Awareness about GST	Yes	196	100.0
	No	196	100.00
	Total	0	0
Registration of the Traders for GST	yes	196	100
	no	94	48.0
	Total	102	52.0
	Total	196	100.0

Attendance at Orientation Programme regarding GST	yes	28	14.3
	no	168	85.7
	Total	196	100.0
Statutory Compliance for moving to GST	self	44	22.4
	CA	152	77.6
	Total	196	100.0

4. DISCUSSION

The study utilized statistical techniques such as descriptive analysis, ANOVA & Factor analysis for the study in order to analyse the data.

- It can be seen that of the sample respondents 18% are manufacturers whereas 24% of the respondents have construction and rate contract business. 20% of the respondents are restraint owners whereas 17% and 20% respondents are engaged in travel and entertainment respectively.
- In sum it can be inferred that out of sample respondents 18% are engaged in manufacturing whereas 82% of the respondents are engaged in providing services.
- The legal entity of business of sample respondents as seen from the table reflects that 30% or nearly one out of 3 respondents have reported that legal status of business in joint venture.
- 67% of business entities in the sample have reported annual business turnover in the range of 5-15 lakhs. Only 18% and 13% of business have reported annual turnover of below 5 lakh and above 15 lakh respectively.
- 100% of respondents have reported that they are aware that GST is going to be rolled out or introduced. But the question does not probe the detail knowledge or information quantum of each respondent and the responses merely indicate that respondents have heard about GST.
- 48% amongst the sample respondents have reported to register with the new GST regime which is less as compared to national average of 80% which implies that traders at rural levels need to be oriented towards new system by rolling out orientation program especially at taluka level in order to ensure that benefits of proposed system could be availed by all.
- It was found from the above table that 78% of the respondents have reported that they would rely on any external consultant such as CA for compliances regarding GST initially.

4.1 Perception of respondents towards existing tax systems

- 40% of the respondents strongly agree or agree that Current taxation system for goods and service in our state made report comfort from such system.
- 60% of the respondents report that The Government should rationalize and simplify the tax structure.
- 62% of the respondents feel that foreign players usually finds it difficult to comprehend the complex tax laws and operational modalities.
- 61.2% of the respondents agree that current duties causes effective tax rate to be high and the differences across states.
- 57% of the service providers report that service tax structure increases the overall cost for consumers.
- 64% of the respondents report that the present rates of taxes as compared to other countries are huge. The high rate of taxes discourages tax payers resulting in tax evasion as perceived by 59.7% of the respondents.
- 61.7% of the respondents report that the government due to political compulsions is too much dependent upon indirect taxes.
- 58.1% of respondents perceive that The government has failed to expand the present network of tax payers.
- 59.2% of respondents report that The present system of multiple taxes by multiple authorities leads to a cumulative tax burden.
- 61.2% of respondents perceive that The higher taxes have caused inflation.
- 57.6% of respondents report that though the government has initiated some reforms but the scale and scope of such reforms need to be enhanced.
- 59.6% report that the higher number of taxes by multiple authorities and different collection mechanisms lead to difficulties and harassment for tax payers.
- 56.3% of respondents report that the present system of filing returns is too cumbersome and should be replaced by systems that are more tax payer friendly.

In summary it can be seen that majority of respondents have red flagged various problems or difficulties encountered by them during the filing of tax return may be in the terms of administrative or other bottlenecks which need to be addressed in the introduction of new systems.

4.2 Perception of respondents towards Goods & Service Tax (GST)

GST is to be rolled out shortly. In this background the perception of the traders towards GST was obtained through ten variables related to GST using seven point likert scale. The responses testimony are put into a table to understand the perception towards GST.

- 68% of the respondents agree that with introduction of GST, uniformity of rates especially in the neighboring states shall benefit traders and service providers.
- 67.5% of the respondents perceive that GST will improve the revenue growth to the state and country.
- 63% of the respondents perceive that GST will reduce material cost in comparison with the sales tax.
- 65.3% of respondents perceive that GST would check the tax evasion periodically at different stages of Purchase of goods and service.
- 73.4% of respondents agree with GST utility in better conformity and revenue resilience.
- 67% of respondents agree that GST approach will improve Rate of Tax, Refund Procedure, and further help to improve accounting procedures.
- 61% of respondents report that GST will evade the cascading effect in Indirect tax regime.
- 67.4% of respondents feel that GST will result in a simple, transparent and easy tax structure; merging all levies on goods and services into one GST.
- 68% of respondents report that GST will bring uniformity with only two tax rates, it results in a good administration of tax structure.
- 65% of respondents perceive that GST may broaden the tax base. It will increase tax collections due to wide coverage of goods and service

In summary it can be seen that majority of respondents very clear about the probable benefits to the nation and society. This may be perceived as a positive booster and encouraging that the society perceives the various reforms in the present tax administration.

4.3 Problem trepidation regarding GST

In this section the respondents were asked to report the perceived intensity of their apprehensions regarding the roll out of GST regime. The respondents were asked to rank the severity of their apprehensions according to their perceived severity in descending order where 1= very severe and 6= least severe. The major apprehensions regarding the implementation of GST regime as reported and ranked by the traders include lack of information and clarity followed by lesser number of training or orientations programs organized by government agencies or other bodies including chamber of commerce or similar such association at district level.

4.4 Analysis of Problems in Present system from the point of View of the traders

As the KMO test is satisfactory we proceed to observe the anti image correlation matrix and observe that all variables have correlation coefficient greater than 0.5 and hence we proceed to find out factors. 3 components are extracted which explain almost 50% of variance. The pattern matrix is explained in table 2.

Table2: Pattern Matrix of Factors extracted for problems in present tax administration

Pattern Matrix ^a			
	Component		
	1	2	3
Current taxation system remain complex	.394	-.004	.147
Simplify the tax structure	.084	-.277	.807
Difficult to do business in India	.190	.268	.180
Effective tax rate to be high and the differences across states	-.081	.312	.648



Service tax structure increases the overall cost	-.125	.744	.237
Compared to other countries tax rate are huge	.704	.100	-.175
Tax evasion due to high rates	.065	.105	.543
Is too much dependent upon indirect taxes	.395	.579	-.132
Network of tax payers	.627	.159	-.008
Multiple taxes by multiple authorities	.585	-.064	.135
Higher taxes have caused inflation	.317	.337	.061
Scale and scope of such reforms need to be enhanced	.680	-.066	.010
Difficulties and harassment for tax payers	.504	-.323	.280
Filing returns is too cumbersome	.233	.269	.430
Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalization.			
a. Rotation converged in 18 iterations.			

3 factors are extracted and are nominated as follows

Construct I: Policy Issues

Construct II: Tax Rates

Construct III: Tax Reforms

As observed from the factor analysis respondents have cited 3 broader aspects regarding tax administration and these can be grouped into 3 categories as Policy Issues, Tax rates and Tax reforms. Further the median score of these 3 constructs are tabulated and reported in the following table along with the descriptive statistics to present overall picture of the perceived opinion regarding existing tax system and administration

Table3: Median Scores of Factors extracted for Constraints in present system

Statistic	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Tax policy	196	1.00	7.00	4.7755	1.52269	-.565	.174	-.376	.346
Tax rates	196	1.00	7.00	4.7194	1.29707	-.565	.174	-.223	.346
Tax reforms	196	1.00	7.00	4.7143	1.43044	-.622	.174	-.221	.346
Valid N (listwise)	196								

From the descriptive statistics it can be seen that the mean response of the median of all 3 factors or constructs is 4.7 and above indicating that the maximum number of responses are near to 5 on a 7 point scale indicating that majority of respondents agreed strongly to the problems and constraints of present system. Hence we propose to reject null hypothesis that there are no observed major resentment against present tax administration system amongst sample respondents.

4.5 Correlation of problems faced by traders and their attributes

In this section the association between the traders attributes such as type of business and turnover is inquired through ANOVA and the results are tabulated in table 4



Table4: ANOVA statistics regarding problems faced by traders across trader attribute

ANOVA			Sum of Squares	df	Mean Square	F	Sig.
Trader Attribute Type of Business	Tax policy	Between Groups	1.353	4	.338	.143	.966
		Within Groups	450.770	191	2.360		
		Total	452.122	195			
	Tax rates	Between Groups	7.083	4	1.771	1.054	.381
		Within Groups	320.983	191	1.681		
		Total	328.066	195			
	Tax reforms	Between Groups	20.455	4	5.114	2.580	.039
		Within Groups	378.545	191	1.982		
		Total	399.000	195			
Category of Business	Tax reforms	Between Groups	6.374	3	2.125	1.039	.376
		Within Groups	392.626	192	2.045		
		Total	399.000	195			
	Tax policy	Between Groups	9.595	3	3.198	1.388	.248
		Within Groups	442.528	192	2.305		
		Total	452.122	195			
	Tax rates	Between Groups	3.001	3	1.000	.591	.622
		Within Groups	325.066	192	1.693		
		Total	328.066	195			
Business turnover	Tax reforms	Between Groups	26.027	3	8.676	4.466	.005
		Within Groups	372.973	192	1.943		
		Total	399.000	195			
	Tax policy	Between Groups	30.043	3	10.014	4.555	.004
		Within Groups	422.080	192	2.198		
		Total	452.122	195			
	Tax rates	Between Groups	8.374	3	2.791	1.676	.173
		Within Groups	319.693	192	1.665		
		Total	328.066	195			

From the table it can be seen that the opinion of the respondents regarding problems in the present tax system does not differ significantly according to legal entity of business. Further it can be seen that the opinion of the respondents regarding tax reforms and tax policy differ significantly according to business turnover whereas the opinion regarding tax rates which are presumed to be higher are not affected by turnover. The post hoc test is carried out to find significant differences across groups.

Table 5: Post Hoc Test for Multiple comparisons across Business turnover

Multiple Comparisons							
Scheffe							
Dependent Variable	(I) Turnover	(J) Turnover	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tax reforms	1-5 lakh	5-10 lakh	-.87500*	.28450	.026	-1.6774	-.0726
		10-15 lakh	-1.00820*	.29293	.009	-1.8344	-.1820
		Above 15 lakh	-.57407	.35483	.456	-1.5749	.4267
	5-10 lakh	1-5 lakh	.87500*	.28450	.026	.0726	1.6774



Taxpolicy	10-15 lakh	10-15 lakh	-.13320	.24254	.960	-.8173	.5509	
		Above 15 lakh	.30093	.31453	.822	-.5862	1.1880	
		1-5 lakh	1.00820*	.29293	.009	.1820	1.8344	
		5-10 lakh	.13320	.24254	.960	-.5509	.8173	
		Above 15 lakh	.43412	.32217	.612	-.4745	1.3428	
		1-5 lakh	.57407	.35483	.456	-.4267	1.5749	
	Above 15 lakh	5-10 lakh	-.30093	.31453	.822	-1.1880	.5862	
		10-15 lakh	-.43412	.32217	.612	-1.3428	.4745	
		1-5 lakh	5-10 lakh	-.66667	.30265	.187	-1.5203	.1869
			10-15 lakh	-.86976	.31161	.054	-1.7487	.0091
			Above 15 lakh	.12963	.37747	.990	-.9350	1.1943
		5-10 lakh	1-5 lakh	.66667	.30265	.187	-1.1869	1.5203
	10-15 lakh		-.20310	.25801	.892	-.9308	.5246	
	Above 15 lakh		.79630	.33459	.133	-1.1474	1.7400	
	10-15 lakh	1-5 lakh	.86976	.31161	.054	-.0091	1.7487	
		5-10 lakh	.20310	.25801	.892	-.5246	.9308	
		Above 15 lakh	.99939*	.34272	.039	.0328	1.9660	
	Above 15 lakh	1-5 lakh	-.12963	.37747	.990	-1.1943	.9350	
5-10 lakh		-.79630	.33459	.133	-1.7400	.1474		
10-15 lakh		-.99939*	.34272	.039	-1.9660	-.0328		

*. The mean difference is significant at the 0.05 level.

From the table 5, it can be seen that significant difference in opinion regarding tax reforms exist among two groups having income less than 5 lakhs and other having annual turnover than 5 lakhs with the latter being more dissatisfied with the existing system and more vocal about government intervention regarding tax reforms. Further a significant difference among respondents having turnover in range 10-15 lakhs and above 15 lakhs, is reported with respondents in income bracket 10-15 lakhs being more dissatisfied with the present system.

6 Factor analysis regarding GST benefits

After satisfying all assumptions of singularity and multi co linearity the KMO test of sample adequacy and Bartlets test of sphericity are satisfied and hence we proceed to observe the anti image correlation matrix.

Table 6: Component Matrix regarding benefits of GST

Component Matrix ^a	Component		
	1	2	3
GST improves the revenue growth	0.36	-0.599	0.235
GST reduces material cost	0.608	-0.461	0.116
GST checks the tax evasion periodically	0.41	0.304	-0.324
GST will assist in better conformity	0.574	0.503	0.187
GST approach will improve Rate of Tax, Refund	0.501	-0.141	-0.594
GST will evade the cascading effect	0.453	0.148	0.617



GST will result in a simple, transparent and easy tax	0.657	-0.225	-0.187
GST will bring uniformity in tax rates	0.544	0.176	0.131
GST may broaden the tax base	0.445	0.309	-0.135
Extraction Method: Principal Component Analysis.			
a. 3 components extracted.			

Three components extracted and nomenclature as

I) Macro-benefits

II) Revenue Growth

III) Avoidance of cascading effect.

Again the median of these constructs are calculated and reported in the table 5. From the table it can be observed that the mean of the median score of all 3 constructs is above 5 indicating a strong conviction amongst the respondents regarding benefits of GST. Moreover the skewness and kurtosis values are well below threshold value indicating that distribution resembles normal distribution.

Table 7: Median Score regarding Benefits of GST

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Macrobeneft	196	2.00	7.00	5.1020	1.21520	-.890	.174	.886	.346
Revenuegrowth	196	1.00	7.00	5.2143	1.40512	-.600	.174	.013	.346
Cascading effect	196	1.00	7.00	5.1097	1.12065	-.739	.174	1.131	.346
Valid N (listwise)	196								

4.7 Differences in opinion regarding benefits of GST and attributes of respondents

Table 8: ANOVA of opinion regarding GST benefits and trader attributes

			Sum Squares	of	df	Mean Square	F	Sig.
Business turnover	Macrobeneft	Between Groups	3.445		3	1.148	0.775	0.509
		Within Groups	284.5		192	1.482		
		Total	288		195			
	Revenuegrowth	Between Groups	20.4		3	6.799	3.58	0.015
		Within Groups	364.6		192	1.899		
		Total	385		195			
	Cascading effect	Between Groups	2.235		3	0.745	0.589	0.623
		Within Groups	242.7		192	1.264		
		Total	244.9		195			
Legal entity of business	Macrobeneft	Between Groups	6.261		3	2.087	1.422	0.238
		Within Groups	281.7		192	1.467		
		Total	288		195			
	Revenuegrowth	Between Groups	1.435		3	0.478	0.239	0.869
		Within Groups	383.6		192	1.998		

		Total	385	195			
	Cascading effect	Between Groups	0.804	3	0.268	0.211	0.889
		Within Groups	244.1	192	1.271		
		Total	244.9	195			
Category of Business	Macrobenefit	Between Groups	2.989	4	0.747	0.501	0.735
		Within Groups	285	191	1.492		
		Total	288	195			
	Revenue growth	Between Groups	8.922	4	2.231	1.133	0.342
		Within Groups	376.1	191	1.969		
		Total	385	195			
Cascading effect	Between Groups	7.01	4	1.753	1.407	0.233	0.315
	Within Groups	237.9	191	1.245			
	Total	244.9	195				

From the above table it can be seen that the opinion regarding benefit of GST barring utility of GST in increasing revenue growth for government does not differ significantly according to turnover of the respondent. Further it can be seen that the opinion regarding benefit of GST does not differ significantly according to Legal entity of business. Moreover the opinion regarding benefit of GST does not differ significantly according to Category of business.

5. CONCLUSION

The respondents 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. This outlines traders optimism around the new tax. But having said that the traders have support for the introduction and implementation of GST it would be prudent to pay heed to the issues raised by these traders. More worrying is the fact that less than 50% of the respondent have registered for the new system and are mostly dependent upon their advisors to do so. 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. The association of business turnover with the apprehensions can be issue worth considering when designing training programs and modules. In lieu of this it is suggested associations, NGO's should come forward to organize such programs at town level to orient small traders so that nobody is left out of this biggest tax reform in the country.

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BIOGRAPHY



Dr.G.H.Barhate
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He has nearly 34 years of Teaching experience and 22 years of Research experience.. He has been guiding research scholars, till date 13 research scholar have been awarded Ph.D and 11 with M.Phil under his able guidance. He has edited 18 books up till now .He has attended a number of national and international conference and presented papers in them besides he has a number of research papers in reputed journals