Measuring Public Awareness towards Goods and Services Tax (GST): An Empirical Study in Himmatnagar

Abstract

The focus of this paper is to measure public awareness, knowledge, and understanding of goods and service tax (GST) in the context of Himmatnagar. The introduction of GST is a very significant step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill-effects of cascading and give the way for a common tax at the national level.

The idea of GST is mooted by Kelkar Task Force in 2004, but it is practically implemented in the year 2017. Throughout the period, govt. has taken various steps to understand and implement the system. Even though at an early stage of GST implementation, the public appears to be somewhat confused on the GST system and many question and complaints are raised on the authorities. This study contributes to the existing literature on public awareness, knowledge, and understanding towards goods and service tax (GST), which is basically under-researched in the city of Himmatnagar.

Kiran J Patel
Assistant Professor,
V M Patel College of Management Studies,
Ganpat University, Gujarat, India
Email: kjp01@ganpatuniversity.ac.in

Mohsin Thavara
Research Scholar,
Faculty of Social Sciences & Humanities,
Ganpat University, Gujarat, India
Email:mohsinali.thavara@gmail.com

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1. Introduction

It has now been more than a decade since the idea of national Goods and Services Tax (GST) was mooted by Kelkar Task Force in 2004. The Task Force strongly recommended fully integrated GST on a national basis. Subsequently, the Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget (2007-2008), announced that the GST would be introduced from April 1, 2010. Since then, the GST missed several deadlines and continued to be shrouded by the clouds of uncertainty.

However, the talks of ushering in GST gained momentum in the year 2014 when the NDA Govt. tabled the Constitution (122nd Amendment) Bill, 2014 on the GST in the Parliament on 19th December, 2014. The Lok Sabha passed the Bill on 6th May, 2015 and Rajya Sabha on 3rd August, 2016. Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122nd Amendment) Bill, 2014 received the assent of the President on 8th September, 2016 and became Constitution (101st Amendment) Act, 2016, which paved the way for the introduction of GST in India.

In the following year, on 27th March, 2017, the Central GST legislations - Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha. Lok Sabha passed these bills on 29th March, 2017 and with the receipt of the President's assent on 12th April, 2017, the Bills were enacted. The enactment of the Central Acts is being followed by the enactment of the State GST laws by various State Legislatures. Telangana, Rajasthan, Chhattisgarh, Punjab, Goa and Bihar are among the first ones to pass their respective State GST laws.

The govt. is endeavoring to roll out GST by 1st July, 2017 by achieving consensus on all the issues relating thereto. It is geared to attain the July 1 deadline for the implementation of GST across India. GST is a path-breaking indirect tax reform which will create a common national market by dismantling inter-State trade barriers. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, Luxury tax, Entertainment tax, Entry tax, etc. France was the first country to implement GST in the year 1954. Within 62 years of its advent, about 160 countries across the world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner.

“Goods and Service Tax is the value-added tax levied on the manufacture, sales, and consumption of goods and services.”

GST offers a comprehensive and continuous chain of tax credits from the producer’s point or service provider’s point, up to the retailer’s level or consumer’s level and thereby taxing only the value added at the stage of a supply chain. The supplier at each stage is permitted to avail credit of GST paid on the purchase of goods and services and can set off this credit against the GST payable on the supply of goods and services to be made by him. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain, with set-off benefits at all the previous stages. Since, only value added at each stage is taxed under GST, there is no tax on tax or cascading of taxes under the GST system. GST does not differentiate between goods and services and thus, these two are taxed at a single rate.

2. Review of Literature

This section presents the bird eye views of literature related to the public awareness towards goods and service tax (GST):

Noormahayu Binti Mohd Nasir et al., in their article "Public Awareness towards Goods and Services Tax (GST) in Kuala Lumpur, Malaysia" explained that the key factor that has contributed to the public awareness towards Goods and Services Tax (GST) in Kuala Lumpur and also revealed that all of three independent variables were found to have a significant impact towards the publics' awareness on Goods and Services Tax (GST).

Nor Iza Biniti Ishak et al., in their article "Students' perception towards the newly Implemented goods and Services Tax (GST) in Malaysia" explained that the majority of the students disagree with the methods taken to implement the GST and also taxation is the main source of revenue for the government.

Pinki et al. (2014) studied, "Goods and Service Tax - Panacea for Indirect Tax System in India" and concluded that the new NDA govt. in India is positive towards implementation of GST and it is beneficial for central govt., state govt. and as well as for consumers in the long run if its implementation is backed by strong IT infrastructure. In addition, Kumar (2014) also studied "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India, many indirect tax systems will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

A taxation study conducted by Cullis& Jones (1992) highlighted the concept of false awareness in citizens which are categorised as optimistic and pessimistic. Optimistic refers to citizens who have overestimated tax burden or inaccurately estimate public services burden with the tax imposed to the public (Saira et al., 2010).

The findings from the study showed that many Malaysians do not have a high level of confidence in the government as far as tax is a concern (Saira et al., 2010). Therefore, the govt. should explain clearly and transparently about the taxation matters, so that these public and private employees could have a clear understanding. For example, the govt. can explain the reasons or rationales for the GST implementation as well as the advantages of taxes that they will receive later on.

3. Motivation for the Study

Although some studies have been conducted in India and outside India, the research on public awareness towards goods and service tax in Himmatnagar is far from adequate and require further attention. Consequently, this study is a modest attempt to fill this gap by identifying awareness level regarding Goods and Service Tax among the public of Himmatnagar city.

4. Research Methodology

4.1 Problem Statement

Goods and service tax (GST) is a major amendment in Indian tax structure and thus, there is a need to understand the awareness level regarding Goods and Service Tax among the public of Himmatnagar city. Considering this, the research problem to be addressed in this study is:

"Measuring Public Awareness towards Goods and Services Tax (GST): An Empirical Study in Himmatnagar"

4.2 Objectives of the Study

a) To measure the level of awareness among the public regarding goods and service tax (GST) in Himmatnagar

b) To study the respondents' demographic profile

c) To offer suitable suggestions based on the findings of this study

4.3 Sampling Design and Data Collection

This study is based on both primary data and secondary data. Primary data, for this study, was collected using a structured questionnaire, whereas secondary data has been collected from journals, websites and so on. Since approaching all the people of Himmatnagar city was not at all possible to get their opinion towards GST awareness, only 50 respondents were contacted personally due to time and budget constraints. For this purpose, non-probability convenience sampling technique was employed to elect the sample from the population.

5. Data Analysis and Results

5.1 Demographic Profile of the Respondents

Table I highlights that majority of the respondents are male (n = 32, 64%), with an occupation as a business. With regard to their income, most of them have an income of Rs. 1,00,000 to 2,00,000 (n = 25, 50%) and having an education up to graduation (n = 25, 50%).

Table 1: Demographic Profile of the Respondents (n = 50)*

Demographic Variable	Category	Frequency	Percentage
Gender	Male	32	64.00
	Female	18	36.00
Occupation	Business	30	60.00
	Private Employee	15	30.00
	Govt. Employee	5	10.00
Income (in Rs.)	1,00,000 to 2,00,000	25	50.00
	2,00,001 to 3,00,000	15	30.00
	More than 3,00,000	10	20.00
Education Level	Under Graduate	5	10.00
	Graduate	25	50.00
	Post Graduate	20	40.00
*Note: *: Source - Primary Survey*			

5.2 Awareness about Goods and Services Tax (GST)

As depicted in Table II, the majority of the respondents are aware of new GST bill (n=34, 68%), 58 percent (n=29) respondents have no idea about the proposed rate of tax in GST. However, 76 percent (n=38) believe that GST will reduce consumers' tax burden. Moreover, it is found that 70 percent (n=35) respondents disagree with the statement that "The price of goods would reduce in GST" due to high tax rate on the basic essential needs items, 56 percent (n=28) of the respondents agreed that GST is India's move towards a developed nation. And 80 percent (n=40) of the respondents agree with the statement "GST bill in India would satisfy the principle of 'One Nation One Tax'.

Table 2: Respondents' Awareness and Understanding about GST (n = 50)*

Demographic Variable	Category	Frequency	Percentage
New GST bill is known	Yes	34	68.00
	No	16	32.00
Any idea about the proposed rate of tax	Yes	21	42.00
	No	29	58.00
GST reduces the tax burden	Yes	12	24.00
	No	38	76.00
The price of goods would reduce in GST.	Agree	15	30.00
	Disagree	35	70.00
GST is India's move towards a developed nation	Agree	28	56.00
	Disagree	22	44.00
Satisfy the principle of "One Nation One Tax"	Agree	40	80.00
	Disagree	10	20.00
*Note: *: Source - Primary Survey*			

6. Implications and Recommendations

Based on the findings of this study, the following are some of the important recommendations. The government should organize more seminars to increase the level of awareness about GST among the general public. It is suggested that the awareness of GST should be provided to the female community. The educated people should make the general public aware of goods and services tax (GST) so that the level of awareness about GST should increase in the general public.

7. Conclusion

The primary purpose of this study is to measure the level of awareness among the public regarding goods and service tax (GST) in Himmatnagar. The findings indicated that 68 percent of respondents are aware of the GST which showed a moderate level of awareness regarding GST. Meanwhile, many respondents (32 percent) were not aware of GST. Furthermore, most of them (58%) have no any idea regarding proposed tax rate of GST and 76 percent respondents believe that the GST will not reduce tax burden due to the current high rate of taxes on basic needs items.

In addition, this study also highlighted that 70 percent of the respondents disagreed with the statement that “The price of goods would reduce in GST”. In this regard, the govt. should organize more seminars in order to create awareness of GST among the general public. In sum, the results of this study are found somewhat consistent with the past study of Saira et al. (2010), in which they have reported that general public does not have a high level of awareness regarding goods and service tax (GST).

8. Limitation and Scope for Future Research

This study has evidenced a few limitations which creates scope for future researches. *First*, this study is only confined to Himmatnagar city only. Hence, its findings may not be generalized to other cities of Gujarat or other states of India also. Therefore, researchers, in future studies, may further research on multi-cities or states by expanding geographical areas to have better generalizations. *Second*, for this study data from 50 respondents was collected due to time and budget constraints.

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