

## EVALUATING CUSTOMERS' PERCEPTIONS IN INDIA: AN EMPIRICAL ANALYSIS OF THE IMPACT OF GOODS AND SERVICES TAX (GST)

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### ABSTRACT

*"In July 2017, India instituted a number of revolutionary tax changes, including the Goods and Services Tax. The primary objective of this reform is to eliminate any potential domino effect by standardizing the country's banking industry and tax system. Its ease of use and straightforward design have been significantly improved throughout the three years after its first launch. Since customers are the most important stakeholders in this process, their approval is critical to the success of these new tax laws along with that of other stakeholders. The purpose of this study was to investigate how the goods and services tax has affected the views of Indian consumers. Data has been gathered from several regions of India using structured questionnaires. Over ninety-five percent of buyers are aware of the Goods and Services Tax (GST), and consumers' feelings about pricing, spending, and consumption after the GST went into effect are highly correlated with their level of education, profession, and geographic region.*

**KEYWORDS:** GST, Customers, Analysis, Awareness, Geographic Region.

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### Introduction

The Goods and Services Tax (GST) is a new indirect taxation framework implemented in India, which has superseded many pre-existing systems. The Goods and Services Tax (GST) imposes a uniform tax rate on all items and services, with payment being necessary only upon consumption. Except for a few taxes, it consolidates all of them in one place. Instead, it serves as a substitute for various taxes collected at both the federal and state levels. The implementation of the Value-Added Tax (VAT) in India on April 1, 2005 marked a significant and transformative shift in the country's indirect tax structure. The Goods and Services Tax (GST) is a comprehensive framework that encompasses indirect taxes, making it the second significant reform. The implementation of the Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), and International Goods and Services Tax (IGST) was a direct result of the previous tax reforms. Several additional taxes are included into the Goods and Services Tax (GST), including levies on entertainment and luxury goods. Consequently, some barriers to commerce have been reduced. Lowering trade barriers may lead to two potential outcomes: a rise in tax revenue and an enhancement in economic development and overall welfare.

According to reports, more than 140 nations have introduced the Goods and Services Tax (GST) after studying and comparing other countries' tax systems. Undoubtedly, it has a positive impact on both individuals and the government. An instance of this is the implementation of the Goods and Services Tax (GST) in Australia in the year 2000. Simultaneously, there were reductions in federal wholesale taxes, some fuel taxes, state banking taxes, and income taxes. The examination done by the State Treasurer discovered that clients were paying little additional taxes. Canada, Australia, and New Zealand are among the countries that have implemented the Goods and Services Tax (GST).

India is implementing the Goods and Services Tax (GST) following a planning period of thirteen years, which began with its inclusion in the Kelkar Task Force report on indirect taxes in 2003.

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Regardless of the circumstances, several interest groups have voiced apprehensions over the implementation of the GST law. It might be said that the structure of the Goods and Services Tax (GST), which encompasses many tax rates, contradicts the idea of uniformly applying a single rate to all goods and services. The GST, proposed by the Expert Committee on the Revenue Neutral Rate in December 2015, is a tax on goods and services that follows a three-rate system. Nevertheless, while devising its recommendation, the committee considered the fact that 90% of countries with an existing Goods and Services Tax (GST) have opted for a unified rate structure, which simplifies tax management. Additionally, a proposal was made to exclude some items and services, such as those associated with healthcare, education, and government, from this tax. Implementing a uniform tax rate on all goods and services may be challenging, particularly when some services cannot be categorised into the nearest tax bracket.

The Goods and Services Tax (GST) is a tax levied by both the federal and state governments on all products and services supplied to the public. Hence, governments at both levels may choose to enforce a Value-Added Tax (GST) across the whole production and consumption process. Excluding this idea will eliminate the imposition of additional taxes on top of existing ones across the country. The primary objective of the Goods and Services Tax (GST) is to streamline the nation's indirect tax structure, therefore reducing manufacturing costs and curbing overall inflation.

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, and the government is highly focused on ensuring its efficient functioning. In order to effectively execute any compliance programme, it is essential that customers possess a thorough understanding of and willingness to comply with the regulations in question. Due to the dynamic and constantly evolving nature of the Indian economy, it is imperative to swiftly and efficiently apply the Goods and Services Tax (GST). Irrefutable data indicates an increase in both output and consumption rates. However, the current tax system is complex and costly to implement due to the multitude of tax categories. Hence, we want a tax system that is both comprehensible and user-friendly, and the Goods and Services Tax (GST) has the capacity to fulfil this requirement. Promoted the Goods and Services Tax (GST) by highlighting that an enhanced government tax system will instill trust and confidence in customers. Therefore, it is crucial to comprehend the customer's viewpoint and comprehension of the nationwide Goods and Services Tax (GST) implementation. In light of the circumstances, the present research investigates the extent of consumer awareness and attitude towards the introduction of the Goods and Services Tax (GST) in India.

### **Objectives**

Although a great deal of research has been carried out throughout these four years. Most of the articles are broad, theoretical thoughts based on secondary sources or media coverage. Very little research has focused on the Indian setting. This scientific investigation's overarching goal is to:

Assess the degree of GST knowledge among Indian customers, as stated by Drs. Madhumala Pathy, Sanjeeb Kumar Dey, and Ch. Sudipta Kishore Nanda."

"Determine their opinions regarding the cost, spending, and usage under the GST system."

### **Literature Review**

**Ramkumar et al. (2018).** The Goods and Services Tax is a noteworthy move that has been implemented as a tax reform in the nation. According to the destination principle, which underpins the Goods and Services Tax, the place of consumption, not the place of manufacturing, is the proper place to collect the tax. The general public would feel the effects of the goods and services tax the most, and those effects were already noticeable upon its initial implementation<sup>1</sup>. Regardless, it appears that the demands placed on the consumers have diminished with the introduction of the adjustments. This study does not aim to undertake a thorough investigation of consumer perceptions; rather, it will use a microeconomics approach that considers disposable income and spending capabilities to gain an understanding of how consumers feel about the introduction of the goods and services tax. In spite of the goods and services tax, consumers do not perceive a rise in their personal income, and they are satisfied with the items that have been shifted to the 0% slab, according to the poll. Using simple descriptive statistics, the research results are presented in a way that even a layperson can understand, making it easy to convey the information that the study aims to convey. The study concludes with a substantial finding that might pave the way for future investigations into the taxation of goods and services.

**Mittal et al. (2021).** It has been nearly three years since the Goods and Services Tax (GST) was initially put into effect by the Indian government. The challenges already faced by Micro, Small, and Medium Enterprises (MSMEs) have taken a turn for the worst because of the expanding pandemic-lockdown crisis. However, little and medium-sized enterprises (MSMEs) have found some respite from the storm that was the GST's rollout. So, this research is being conducted to find out how small businesses and organizations feel about the Goods and Services Tax (GST), how well accepted it is, and what effects it will have. We also take into account a variety of other aspects, such as how well people understand and are satisfied with GST. The owners of micro, small, and medium-sized businesses (MSME) were surveyed using a standardized questionnaire, and the results were analyzed using descriptive and inferential statistics. We used correlation analysis, analysis of variance (ANOVA), and chi-square testing to check if our hypotheses were genuine. Research shows that MSMEs' perceptions of the Goods and Services Tax (GST) law matter for their business type. Additionally, MSMEs have been quick to accept the GST. Finally, those who took the survey attest to having seen the positive impact of the GST. This research adds to what is already known about micro, small, and medium-sized business (MSMB) GST implementation theory and practice.

**Malpanietal. (2018).** The two main objectives of this research are to: (1) ascertain the ways in which the Goods and Services Tax (GST) varies from the previous indirect tax system; and (2) examine the immediate effects of the GST on merchants' and consumers' purchasing patterns. Scholars have also investigated the potential benefits of the Goods and Services Tax (GST) for merchants and customers as well as the interactions between various attributes including trust, perceived usefulness, and adaptability. They promised that if the government implemented its GST proposal, people would pay less for goods and services. The Goods and Services Tax, or GST for short, is a sizable indirect tax system designed to promote and sustain economic development. It is also known as the Goods and Services Tax. Over 150 nations have ratified the Goods and Services Tax (GST) so far. On the other hand, the Vajpayee government first proposed the introduction of a Goods and Services Tax (GST) in India in 2000. The constitutional amendment enacted by the Lok Sabha on May 6, 2015, established the Goods and Services Tax (GST). The modification was first proposed by India's Prime Minister, Mr. Narendra Modi, and President Pranab Mukherjee at midnight on July 1, 2017. Either way, there was a lot of opposition to implementing it. It's interesting to consider how the Goods and Services Tax (GST) affects consumers, vendors, and manufacturers.

**Deshmukh et al. (2022).** At face value, the federal system in India has received much praise for its willingness to implement urgently needed budgetary changes. This is because India opted to implement the highly anticipated Goods and Services Tax (GST) in place of its outdated and ineffective tax structure. The country's economy has expanded significantly since gaining independence, and the information must be verified as soon as it is presented. The primary objective of the research is to provide a comprehensive macroeconomic assessment of the extent to which the Goods and Services Tax (GST) has enhanced current tax administration and, in turn, the overall economic well-being of a democratic political economy such as India, from the theoretical perspective of innovation implementation. Furthermore, the study aimed to ascertain the stakeholders' ongoing sentiments on the significant change that had occurred for three years. By using a qualitative case study approach, the study sought to determine the overall effects of the Goods and Services Tax (GST) implementation on the economy and its stakeholders, including consumers. The situation-actor-process; learning-action-performance analytical framework was used in the present investigation to carry out the case study. According to the information currently available, India's tax base has increased significantly in comparison to official collections. However, measures must be taken to address problems including the low tax-to-GDP ratio, the skewed demographics of GST payers, the unfavorable opinions held by stakeholders on GST (as shown by sentiment analysis on Twitter), and the detrimental effects of tax evasion. In addition, the economy has strengthened the government's AatmanirBhar Bharat and make-in-India initiatives, helped MSMEs and consumers, and enhanced the country's reputation for ease of doing business."

**Kumar et al. (2019).** On July 1, 2017, India implemented the Goods and Services Tax (GST), a unified taxation system that is based on destinations, in an effort to facilitate the development of a common market. The purpose of this was to supplant seventeen other forms of indirect taxation. India, a federal republic with over 1.3 billion inhabitants and a wide range of income levels, has opted to use a dual-GST system with six distinct tax brackets. Some countries have seen success with the Goods and

Services Tax (GST), while others have seen no change at all. In an effort to ensure the smooth rollout of the GST, we have investigated potential roadblocks. In this essay, twelve challenges to implementing the GST are detailed. For the purpose of building a structural model, this study use interpretive structural modeling (ISM) to ascertain the type of drive and dependant that exists between different barriers. According to the report, the main problems with implementing the Goods and Services Tax (GST) include not having enough qualified workers, not having clear information about what the GST is, politicians being reluctant to do so, and not having a plan for how taxes should be distributed. As an adjunct to the aforementioned research, the MICMAC analysis is employed to categorize the barriers into four sets, based on their respective driving and dependence capacities.

### Research Methodology

One way to characterize the present inquiry is as analytical and another as empirical. The Indian subcontinent serves as the study's sample domain. We have divided the sample into four main cities—Cuttack, Berhampur, Sambalpur, and other cities—based on the responses. These cities are included in the sample of 450 respondents. The data collection process for August and September 2020 will involve the use of a structured questionnaire with closed-ended questions and a random sampling technique. Since only 401 out of 450 respondents were found to have finished the entire survey, we can safely say that 401 people make up our sample. In order to achieve the aims that were desired, the study has applied a number of statistical approaches, including the mean, the coefficient of variation, and the chi-square, among others. Our team has made extensive use of statistical programs like SPSS and Excel to analyze the data. We have established the following hypothesis after completing a thorough literature research and considering the study's objectives:

"There is no correlation between customers' perception of price, their spending habits, their consumption patterns in the GST era, and their demographic profile."

### Data Analysis

#### Reliability Test

The reliability test Cronbach's alpha was used to assess the level of consistency among the replies. The test results are included in Tables 1 and 2, respectively. The 0.905 Cronbach's Alpha score for this questionnaire indicates a high degree of internal consistency. Furthermore, of the fifteen questions, the answer variance is a pathetic 0.009.

**Table 1: Statistical Reliability's**

Alpha Cronbach	Using Standardized Items to Calculate Alpha Cronbach	Number of Item
0.906	0.907	15.1

**Table 2: Item Summary Statistic**

	Meaning	Minimal	maximal	Ranges	maximal / Minimal	Variances	Number of Item
Relationships between Item	.391	.193	.587	.397	3.061	.008	15.1

### Descriptive Statistics

You can see a detailed description of the sample used in this study in the table below. We have categorized all of the 401(k) account responses based on a number of demographic criteria. Out of the total responders, males make up 54.4% and females the remaining percentage. Ninety percent of the people who filled out the survey fall into the 18–30 age bracket, with the remaining people falling into the over-30 category. When it comes to education, 62.60% of the population has completed high school or less, and 36.00% has a bachelor's degree or above. Some of our older customers and those who have not yet finished high school have been hesitant to participate in this poll. Why do people give answers like this? The majority of responders (75.1%), followed by students (13.2%) and service holders (9.5%), are from various commercial and professional backgrounds. Retail consumers, who purchase goods for individual use, account for 72.3% of the total answers, while institutional customers make up the rest.

**Table 3: Example of a Profiles**

Categories	Profiles of Demographics	Number of Respondent	Percentages
Genders	Males	218.1	54.3
	Females	183.5	45.5
Ages	18years-30years	361.6	90.1
	31years-45years	33.0	8.21
	46years-60years	4.0	1.06
	Above 60years	3.7	0.84
Academic Credentials	Prior to Matriculations	2.5	62.98
	10th to Graduations	251.0	36.91
	Over the Graduations	148.0	2.22
Career	Housewives	9.6	2.21
	Student	301.0	75.11
	Holders of Services	53.6	13.3
	Employees by Oneself/Business	12.4	3.01
	Professionals	26.1	6.51
Regional Position	Bhubaneswar's/Cuttack's	220.2	54.98
	Berhampur's	23.7	5.72
	Sambalpur's	16.8	4.01
	Others	142.9	35.41
Kind of Clientele	Retails	290.7	72.31
	Institutionally	111.4	27.71
Entire		401.5	100.01

**"Customers Opinions Assessments"****Table 4: Reactions to the Common GST Idea**

Response	Frequencies	Percents	Total Percentages
YES	391.0	97.6	97.6
NO	10.1	2.6	100.1
Entire	401.1	100.2	197.7

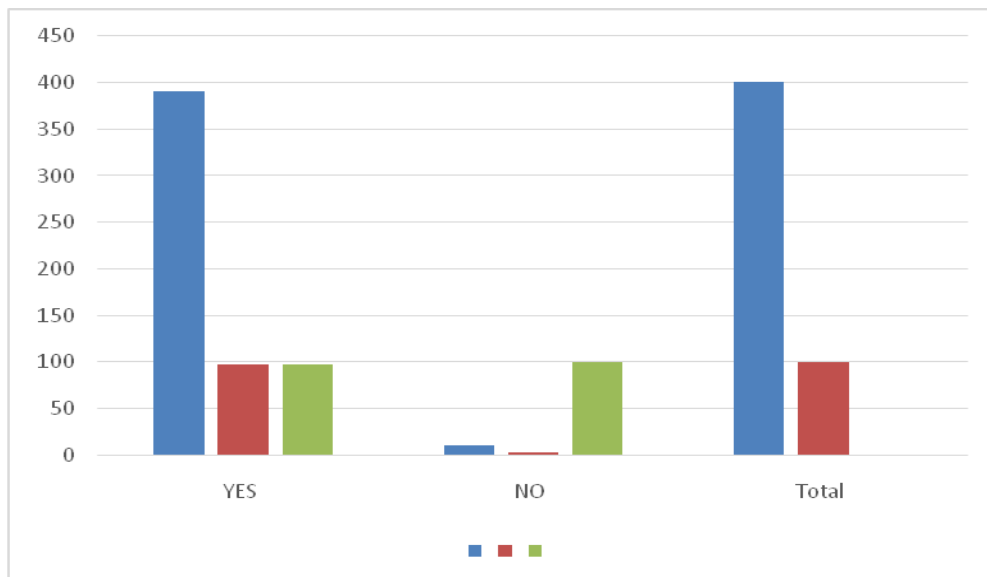
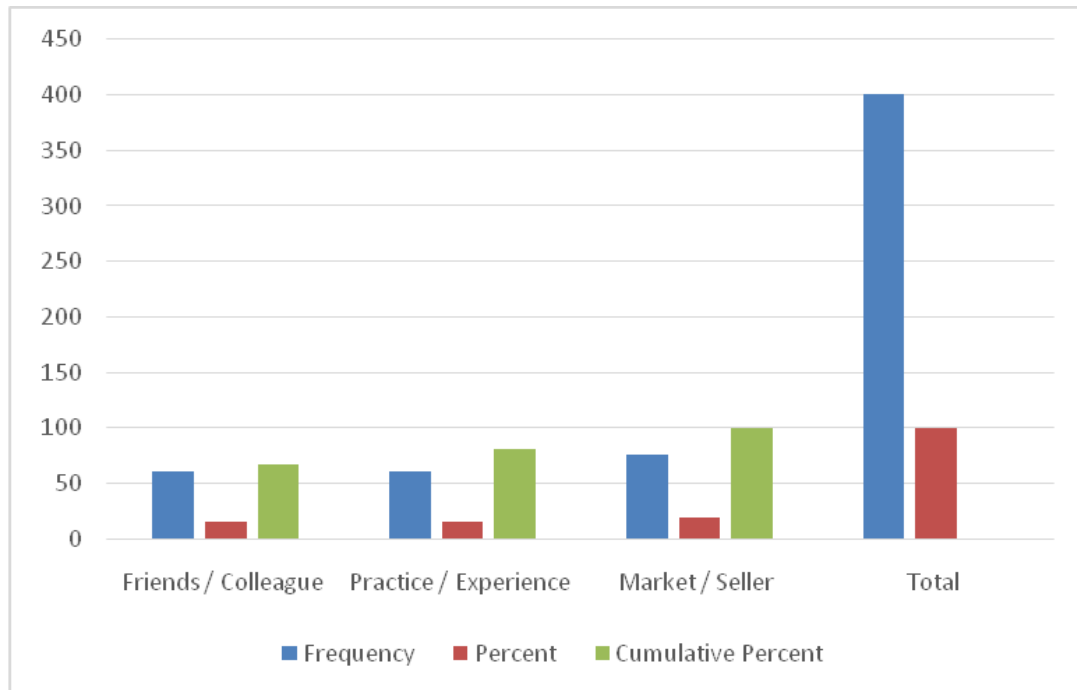
**Figure 1: Reactions to the Commons GST Idea**

Table 4 and Figure 1 show that the goods and services taxes that have been in place since 2017 are well understood by around 97.5% of the respondents.

**Table 5: Ways to obtain knowledge about GST**

	Frequencies	Percents	Total Percentage
Information / Press			
Colleagues / Friend	61.1	15.3	66.4
Practices / Experiences	60.0	15.1	81.2
Marketing / Sellers	75.1	18.6	100.1
Entire	401.0	100.1	



**Figure 2: Method of learning about GST**

Table 5 and figure 2 examine the means by which the respondents were informed about the goods and services tax. Of these, about 51.1% originate in the media and press, while about 15% come via personal networks, professional associations, the market, or vendors themselves. Consequently, the media and news have a major impact on informing the public about the Goods and Services Tax (GST).

**Conclusion**

In a word, imposing a sales tax on consumer products and services would be very beneficial to the economy of the United States of America as well as the indirect tax system of the nation. The phrase "our economy is still reeling from the partial benefits of tax" reform is used more than four decades after the reform was first implemented. Because of the global proliferation of COVID-19 throughout the course of the last ten years, the single most significant problem that has impeded the economic development of our nation has been... During the first few months after the implementation of this new tax, there have been discernible shifts in the customers' comprehension of it as well as their attitude on it. This is despite the fact that consumers are integral to this system. More than ninety-five percent of customers, according to the results of our poll, have a good understanding of the Goods and Services Tax (GST) thanks to the use of news and technological techniques. Furthermore, prior to and after the introduction of the Goods and Services Tax (GST), the factors that had the most impact on the perspectives of consumers about price, spending, and consumption were their level of education, profession, and location.

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