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# IMPACT OF GOODS AND SERVICES TAX (GST) ON CUSTOMERS' PERCEPTION IN ODISHA: AN EMPIRICAL STUDY

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## ABSTRACT

*Goods and Services tax is one of revolutionary tax reforms in India applicable from July 2017. The basic aim of this reform is to remove all cascading effects and to bring uniformity in tax and market throughout the nation. During this three years of its implementation, it has been amended number of times to make it simpler and user friendly. Customers are the major stakeholder of this reforms and the success of this new tax laws depends upon the acceptance by them in right prospective including others. In this paper, an attempted has been made to study the impact of goods and services tax on customers' perception in Odisha state. Structure questionnaires have been used to collect responses covering different districts of Odisha. It is concluded that more than 95% of customers are at least know something about GST and customers education, profession and place play a dominant role in deciding the perception of customers towards prices, expenditure and consumptions after implementation of GST.*

**Key words:** Goods and Services Tax, Costumers' Perception, Odisha, Awareness.

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## 1. INTRODUCTION

The tax constitutes a major source of revenue for Government exchequer which may be direct or indirect tax. Indirect taxes are basically levied on consumption, sales and services. There were more than 27 types of indirect taxes in India till July 2017. The introduction of goods

and services tax (GST) from 1st July 2017 is one of the biggest indirect tax reforms undertaken since our independence to promote commerce and industry (Garg & Kumar 2017, Kawale & Aher 2017, Patil 2017, Tiwari & Singh 2018). The basic foundation of introducing GST is to remove the cascading effects of taxation and simplification of tax law compliance (Beri 2017, Leena & Sameena 2017, Nayyar & Singh 2018). Since its implementation, number of modifications have been undertaken to make it simpler and user friendly. It took almost 13 years to implement this new law after its inception. The implementation of GST would be successful if it is adopted by different stakeholders in its true spirit (Antony and John, 2020). Different people have different views and opinions about the rules, regulations and procedures of GST. It creates confusion among the manufacturers, sellers, consumers, practitioners, etc. Now an important questions arises i.e. how is it perceived by customers? or what is there level of awareness or understanding about GST? With this background, attempt has been made to assess level of awareness and perceptions of customers in Odisha.

## 2. LITERATURE REVIEW

Das (2017) has compared various GST rates in the country and evaluated the benefits related to the GST. Mahendra (2017) studied the effeteness on different types of manufacturing goods and services under the GST regime. He found that the cement industry, automobile industry can enjoy operating & transportation expenses while the telecom and banking & financial services will have negative scenario. Verma (2017) concluded that the five tire structure of GST has kept away from the 'one nation one tax nation' because different tax slabs are used for different products. Introduction of goods and services a tax has affected adversely the investors and brokers of stock market in India as it increases the cost of transactions and compliance by charging higher surcharge then earlier (Joy et al. 2020). Similar findings has been witnessed in case of customer's perception towards goods and services tax in Ernakulum district (Vincent & MR, 2020). Since its implementation, customers and retailers were not remarkably aware and concuss about the provisions and procedures of goods and services tax in Kanniyakumari district (Dhanuja 2020), in Coimbatore (Dillip et al. 2018) and in Delhi NCR (Gupta & Agarwal 2017). Students' community being an important stakeholders of implementation of GST in Malaysia had limited knowledge or awareness and Government should create more awareness about it (Shaari et al. 2015, Muthupandi et al. 2017). Similarly, public acceptance and compliance of new tax depends on tax payer's knowledge of taxation, moral value, social norms, and trust in legal and political system, simplicity and transparency of tax as concluded by Ling et al. 2016. Gupta & Agarwal 2017 found no significant correlation between new indirect tax structure and spending pattern of Indian consumers. Similar result was also witnessed by Carvalho and Lian (2010) in customers spending and expenditure pattern of Canada. Parbeja (2017) arrived at a conclusion that people are accepting GST with an anticipation of benefits for common men after performing a sentiment analysis from twitter data. Sreekumar & Chithra (2018) found that around 3/4th of the respondents were aware about GST from their friends/ family and viewed GST will be beneficial to the customers.

## 3. OBJECTIVES OF THE STUDY

Though numbers of research have been done during these forty months. Most of the papers are theoretical and overall opinion based on secondary data or media output. Hardly any work has been conducted in Odisha context. The primary objective of this study is to:

- Evaluate the level of awareness about GST among the Customers in Odisha

- Identify their perceptions about price, expenditure and consumption in GST regime.

#### 4. METHODOLOGY

The present study is both analytical and empirical in nature. The sample domain for the study is Odisha state. On the basis of responses we have categorised the sample under four major cities i.e. Cuttack, Barhampur and Sambalpur and others. The sample size is 450 respondents covering these cities. Random sampling method is used to collect data through a structured close ended questionnaire in the month of August and September of 2020. Out of 450 respondents, only 401 respondents are found to be filled up all aspect completely and hence our sample for all practical purpose is 401. In the courses of analysis, various statistical tools like Mean, Co-efficient of variation, and Chi-square, etc. have been used to attain the desired objectives. We have used statistical software packages like SPSS, Excel for all analysis of data. After going through an exhaustive study of related literatures and on the basis of objectives of the study, the following hypothesis have been formulated

- There is no association between perception about price, expenditure, consumption in GST ear and Customers demographic profile.

#### 5. RESULTS AND DISCUSSION

##### 5.1 Reliability Test

To test consistency of the responses, we have used Cronbach's alpha reliability test and the results are appended in table-1 and table-2. The cronbach's Alpha value is 0.905 which indicates a high level of consistency for the scale with this questionnaires. Further the variance of responses is also very low i.e. 0.009 of the total 15 questions.

**Table 1** Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.905	0.906	15

Source: Authors calculations

**Table 2** Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.392	.192	.588	.396	3.060	.009	15

Source: Authors calculations

##### 5.2 Descriptive Statistics

Table-3 provides a descriptive profile of the sample considered in this study. Total 401 respondents have been categorised with various demographic variables. Out of total respondents, 54.4% represents male while the rest are female. Majority of the respondents i.e. 90% of the sample belongs to the age group of 18-30 while the rest are above 30 years. So far education is concerned, 62.60% is from the matriculation to graduation level and 36.90% belongs to above graduation level. The reason behind such type of responses is upper age group and below matriculation customers express their unwillingness to participate in this survey. Similarly 75.1% of total respondents are students, 13.2% are service holders and 9.5%

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represents business and profession. 72.3% responses are from the retail customers those who purchases for own domestic consumptions and rest are institutional customers.

**Table 3** Sample Profile

Category	Demographic Profile	No. of Respondents	Percentage
<b>Gender</b>	Male	218	54.4
	Female	183	45.6
<b>Age</b>	18-30	361	90.0
	31-45	33	8.20
	46-60	4	1.00
	Above 60	3	0.80
<b>Educational Qualification</b>	Below Matriculation	2	0.50
	10 <sup>th</sup> to Graduation	251	62.60
	Above Graduation	148	36.90
<b>Profession</b>	Housewife	9	2.20
	Students	301	75.10
	Service Holders	53	13.2
	Self Employed/Business	12	3.00
	Professional	26	6.50
<b>Geographical Location</b>	Cuttack/Bhubaneswar	220	54.90
	Berhampur	23	5.70
	Sambalpur	16	4.00
	Other	142	35.40
<b>Type of Customers</b>	Retail	290	72.30
	Institutional	111	27.70
<b>Total</b>		<b>401</b>	<b>100.00</b>

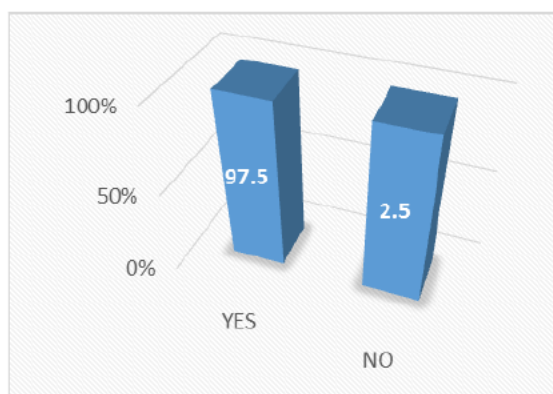
Source: Authors calculations

### 5.3 Assessment of Customers Opinion

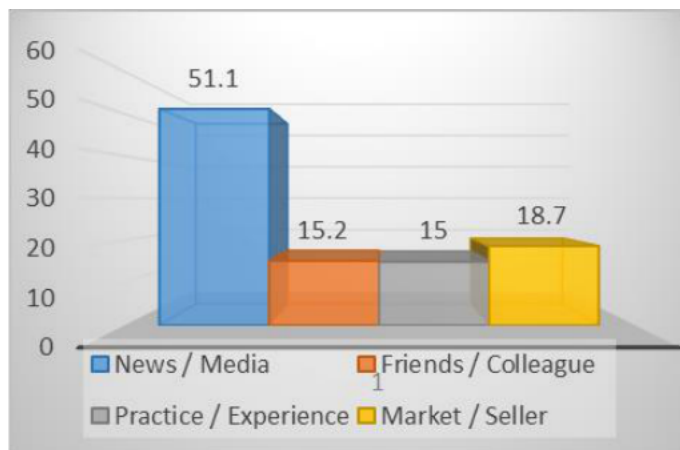
**Table 4** Responses on Common Idea on GST

Responses	Frequency	Percent	Cumulative Percent
YES	391	97.5	97.5
NO	10	2.5	100.0
Total	401	100.0	

Source: Authors calculations



**Figure 1** Responses on Common Idea on GST



**Figure 2** Mode of getting Common Idea on GST

Table- 4 and figure -1 indicates about 97.5% of the respondents have a common idea about goods and services taxes that is being implemented since 2017.

**Table 5** Mode of getting idea about GST

	Frequency	Percent	Cumulative Percent
News / Media	205	51.1	51.1
Friends / Colleague	61	15.2	66.3
Practice / Experience	60	15.0	81.3
Market / Seller	75	18.7	100.0
Total	401	100.0	

Source: Authors calculations

Table -5 and figure-2 explores the mode of obtaining the awareness of goods and services tax by the respondents. About 51.1% know from news and media and around 15% from friends and colleagues, practices and market or sellers each. So it is prominent that news and media plays an important role in making customers aware about GST.

Table-6 shows that 42% of respondents have opinion GST has increased the prices of majority of commodities while 46% viewed prices of selected goods have increased after GST. Regarding prices of services, table-7 clearly indicates that 45% of sample agreed on increase of prices of service during GST regime. 51% of the respondents agreed on fact that the GST has increased their expenditure whereas 15% agreed on decrease and 20% agreed on no change in expenditure (table-8). So far consumption is concerned, 50% of respondents viewed no change while 25% viewed increase in consumption after GST (table-9).

### 5.4 Testing of Hypothesis

**Null Hypothesis-1:** There is no association between perception of customers about increase in price of goods after GST implementation and their demographic profile.

To test this assumption, we have applied chi-square test and results are shown in table-6. From the table it is clear that p-value with respect to educational qualification (0.003), location (0.012) and type of customers (0.007) are less than 0.05 at 5% level of significance and hence null hypothesis is rejected. We may conclude that opinion of customers about increase of prices of goods after implementation of GST is closely associated with educational qualification, cities or location and types of customers. While for other demographic aspects i.e. gender, age and profession, the p-value is more than 0.05 which indicates no association with their opinion.

**Table 6** Perception of Customers about increase of prices of goods after GST

Gender	Yes	No	In Selected Goods	No Idea	$\chi^2$	P-Value
Male	85	25	98	10	<b>5.392</b>	0.145
Female	82	10	85	6		
<b>Age group</b>						
18-30	151	30	168	12	<b>9.641</b>	0.380
31-45	13	4	12	4		
46-60	2	1	1	0		
61 & above	1	0	2	0		
<b>Educational Qualification</b>						
up to 10th	1	0	0	1	<b>19.485</b>	<b>0.003</b>
10th to graduation	117	19	105	10		
above graduation	49	16	78	5		
<b>Profession</b>						
House wife	4	1	2	2	<b>15.280</b>	0.226
Student	127	25	141	8		
Service holder	24	4	22	3		
Self employed / business	5	1	5	1		
Profession	7	4	13	2		
<b>Geographical Location</b>						
Cuttack / Bhubaneswar	88	15	113	4	<b>21.056</b>	<b>0.012</b>
Berhampur	13	1	6	3		
Sambalpur	6	3	5	2		
Other	60	16	59	7		
<b>Type of Customer</b>						
Retail	114	19	143	14	<b>12.000</b>	<b>0.007</b>
Institutional	53	16	40	2		

Source: Authors calculations

**Null Hypothesis-2:** There is no association between perception of customers about increase in price of services after GST implementation and their demographic profile.

To test this assumption, we have applied chi-square test and results are shown in table-7. From the table it is clear that p-value with respect to profession (0.005), location (0.022) and type of customers (0.001) are less than 0.05 at 5% level of significance and hence null hypothesis is rejected. We may conclude that opinion of customers about increase of prices of services after implementation of GST is closely associated with profession, cities or location and types of customers. While for other demographic aspect i.e. gender, age and educational qualification, the p-value is more than 0.05 which indicates no association with their opinion.

**Table-7:** Perception of Customers towards GST increased the prices of Services

Gender	Yes	No	In Selected Services	No Idea	$\chi^2$	P-Value
Male	106	31	71	10	<b>6.354</b>	0.096
Female	84	20	59	20		
<b>Age group</b>						
18-30	173	47	117	24	<b>8.879</b>	0.448
31-45	14	3	12	4		
46-60	1	1	1	1		
61 & above	2	0	0	1		
<b>Educational Qualification</b>						
up to 10th	1	0	0	1	<b>10.473</b>	0.106
10th to graduation	126	34	72	19		
above graduation	63	17	58	10		

<b>Profession</b>						
House wife	5	0	0	4	<b>28.457</b>	<b>0.005</b>
Student	146	42	95	18		
Service holder	22	5	23	3		
Self employed / business	7	1	3	1		
Profession	10	3	9	4		
<b>Geographical Location</b>						
Cuttack / Bhubaneswar	104	23	82	11	<b>19.429</b>	<b>0.022</b>
Berhampur	12	0	6	5		
Sambalpur	7	3	4	2		
Other	67	25	38	12		
<b>Type of Customer</b>						
Retail	143	25	97	25	<b>16.813</b>	<b>0.001</b>
Institutional	47	26	33	5		

Source: Authors calculations

**Null Hypothesis-3:** There is no association between perception of customers about impact of GST on expenditure and their demographic profile.

To test this assumption, we have applied chi-square test and results are shown in table-8. From the table it is clear that p-value with respect to profession (0.002), location (0.041) and type of customers (0.001) are less than 0.05 at 5% level of significance and hence null hypothesis is rejected. We may conclude that opinion of customers about impact of GST is closely associated with profession, cities or location and types of customers. While for other demographic aspect i.e. gender, age and educational qualification, the p-value is more than 0.05 which indicates no association with their opinion.

**Table 8** Perception of Customers towards impact of GST on Expenditure

<b>Gender</b>	<b>Increase</b>	<b>Decrease</b>	<b>Constant</b>	<b>No idea</b>	$\chi^2$	<b>P-Value</b>
Male	117	32	42	27	<b>0.571</b>	0.903
Female	105	24	33	21		
<b>Age group</b>						
18-30	200	49	67	45	<b>9.635</b>	0.381
31-45	19	5	7	2		
46-60	2	0	1	1		
61 & above	1	2	0	0		
<b>Educational Qualification</b>						
up to 10 <sup>th</sup>	1	0	0	1	<b>8.253</b>	0.220
10 <sup>th</sup> to graduation	131	35	49	36		
above graduation	90	21	26	11		
<b>Profession</b>						
House wife	3	0	1	5	<b>30.671</b>	<b>0.002</b>
Student	165	44	58	34		
Service holder	36	6	7	4		
Self employed / business	5	0	3	4		
Profession	13	6	6	1		
<b>Geographical Location</b>						
Cuttack / Bhubaneswar	129	28	42	21	<b>17.505</b>	<b>0.041</b>
Berhampur	12	1	2	8		
Sambalpur	8	4	2	2		
Other	73	23	29	17		
<b>Type of Customer</b>						
Retail	158	30	61	41	<b>17.136</b>	<b>0.001</b>
Institutional	64	26	14	7		

Source: Authors calculations

**Null Hypothesis-4:** There is no association between perception of customers about impact of GST on consumption and their demographic profile.

To test this assumption, we have applied chi-square test and results are shown in table-9. From the table it is clear that p-value with respect to profession (0.000) and type of customers (0.015) are less than 0.05 at 5% level of significance and hence null hypothesis is rejected. We may conclude that opinion of customers about impact of GST on their consumption is closely associated with profession and types of customers. While for other demographic aspect i.e. gender, age, educational qualification and location, the p-value is more than 0.05 which indicates no association with their opinion.

**Table 9** Perception of Customers towards impact of GST on Consumptions

<b>Gender</b>	<b>Increase</b>	<b>Decrease</b>	<b>Constant</b>	<b>No idea</b>	$\chi^2$	<b>P-Value</b>
Male	61	38	101	18	<b>3.181</b>	0.365
Female	39	41	89	14		
<b>Age group</b>						
18-30	89	68	176	28	<b>15.784</b>	0.072
31-45	7	11	12	3		
46-60	1	0	2	1		
61 & above	3	0	0	0		
<b>Educational Qualification</b>						
up to 10th	1	0	0	1	<b>11.900</b>	0.064
10th to graduation	65	46	115	65		
above graduation	34	33	75	34		
<b>Profession</b>						
House wife	1	1	2	1	<b>41.826</b>	<b>0.000</b>
Student	73	62	143	73		
Service holder	10	13	26	10		
Self employed / business	4	0	8	4		
Profession	12	3	11	12		
<b>Geographical Location</b>						
Cuttack / Bhubaneswar	56	44	104	56	<b>5.014</b>	0.833
Berhampur	6	4	9	6		
Sambalpur	4	5	6	4		
Othertdid	34	26	71	34		
<b>Type of Customer</b>						
Retail	68	48	148	26	<b>10.431</b>	<b>0.015</b>
Institutional	32	31	42	6		

Source: Authors calculations

## 6. CONCLUSION

Goods and Services tax is no doubt a welcome step in indirect tax system of our country and it is expected to provide a positive outcome to our economy. Though it is almost forty since its implementation, our economy is still awaiting to get the maximum benefits of this tax reforms. The present global covid-19 pandemic during last ten months have been the obstacle in our economic development. So far awareness and perception towards this new tax is concerned, the customers, being one of the most important stakeholders this system have changed a lot as compared to those initial months of its implementation. Form our study, it is



clear that more than 95% of customers are at least know something about GST and news and electronic means play an important role in this regard. Further, customers education, profession and place play a dominant role in deciding the perception of customers towards prices, expenditure and consumptions after implementation of GST.

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