

Awareness and Impact of GST among Small Business Owners: A Study with Special Reference to Mysuru City, Karnataka

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Abstract

GST (Goods and Service tax) is a visionary step intended towards rationalizing the giant indirect tax system in India. The implementation of GST is reducing tax burden and enhancing the ease of doing business in the country. The impact of GST has two key segments weight; one is to the business and second is to the customers who are the actual bearer of tax costs. Indian unorganized sector and portion of industry those who are enjoying the exemption will also contribute significantly to the growth of countries GDP. The basic purpose of conducting the study is to know the awareness level of small businessman towards GST and to assess the actual impact as they are facing. As it is known that impact will be there either on manufacturing or selling but to know the extent of impact and level of satisfaction study is conducted. The study is survey based in which data was collected from 50 business man who are residing in Mysuru city of Karnataka. The tool used for collection of data was structured questionnaire. The results obtained after analysis revealed that businessman are aware about GST implementation and opined that it's a fair tax system but it requires more clarity, simplification in procedure because they have to depend on CA's during the online submission. The paper had tried to attempt the actual impact of GST and suggestive measures have also been provided at the end of study.

Keywords: GST, GDP, VAT, State Tax, Central Tax, Purchase Tax, Entry Tax.

Introduction

The only source of income for the Indian government is the collection of the tax, and the major source of the tax is indirect tax which is also known as GST, which defines “one tax one nation”. Before 1 July 2017 there were many state taxes imposed on the name on indirect tax like luxury tax, VAT tax, state tax, central tax, purchase tax, entry tax, entertainment tax, taxes on lottery, state cesses and surcharges, and the central taxes like central excise duty, service tax, special additional duty of custom etc are implemented. Imagine the tax burden on the payer and much calculation needed to be done to pay each tax. This created the situation of perplexity among the merchandisers. The introduction of GST has cleared the formation of indirect tax by introducing online filling of GST. The other main objective of GST was to remove the cascading effect, though many people argue that this objective has not been achieved yet. The cascading effect means “tax on tax” which coordinately increase the price of product hence lead to the inflation in the economy.

The implication of GST included dual taxation system i.e. Central GST (CGST), State GST (SGST), Integrated GST (IGST). If the location of supplier and buyer are in same state then the seller has to collect both CGST and SGST from buyer, both central and state government will agree on the appropriate ration of sharing revenue. This has reduce the cascading effect and made the tax structure more simplified. Rates are implied by government on the mutual basic but it does not exceed more than 14%. The tax rate slaps introduced are 5%, 12%, 18%, 28%, however alcohol/ liquor, electricity, and petroleum products are not included in the GST rates. One of the major reason for not including petroleum into GST is the huge revenue around 28% income earned by government, imposing of GST will stop their income. The same reason is with the exception of GST on liquor, above 50% of the revenue in some states are generated by the sale of the alcohol. Electricity is the necessity for living, so it is required to keep cheap and affordable also some of the political parties may promise to provide the electricity cheaper may dilute the citizens.

Review of Literature

Kumar and Sarkar (2016),The study described the history of GST from International to National level. It also provided brief analysis of previous and present taxation system, and its other supplementary taxes with facts and figures. The facts presented in the study shows that how the GST is beneficial to customers, industries, exporters, and the Economy. The study conclude that GST should be implemented as soon as

possible as delay in the implication may delay may provide negative impact in the economy.

Chouhan et.al. (2017), The study focused on awareness of 148 small business owners in Rajasthan state. It also reveal the problems faced by the small business owner due to lack of adequate knowledge and reliefs provided in the act. The major problems were that customer refuse to pay GST, which create a problem while submitting the taxation, other problem arises due to the inclusion of technology in the process has created the perception of difficult tax among the responded. The levels of awareness of the responded were low and moderate and majorly not willing to support the act.

Banik and Das (2017),The study revealed the challenges to be faced by India Economy after the implication of GST, it throw light on the comparison of GST with previews Tax system, there were 31 taxes including sales tax, state tax etc, which are now turned into CGST, IGST, SGST making tax structure more complicated. The inclusion of technology in filling the GST has made the need to add trained employee for this purpose. The change in GST rate made the small venders and businessman more confused about the act. The study conclude that GDP will fall down due to the introduction of unplanned tax system thus its needed to more simplification in the act.

Kumar (2017),The study analyzed the previous Indirect tax system and GST, briefly explained the complete concept of the GST, its rate and its comparison with the previous tax structure, the present GST system has removed many hurdles while filling the taxation. The examples provide more clarification on how GST is levied on the goods and how it is reducing the burden on small venders and businessman. The study concludes that the GST is easier than earlier tax system; it will provide more benefit to the manufactures and thus increase the competition in market.

Bhuyan and Nayak (2017), The study accommodated the various advantages of implementing GST, says removing of cascading effect, increasing the efficiency of logistics, regulating the unorganized sector etc. The paper on the basis of facts and figures shows the impact of GST on telecom, cement, banking and insurance, airlines, E-commerce, FMCG, technology sectors. The study conclude that the GST will provide the positive impact on economy and will increase the growth of GDP, and will generate the employment, but it will show the negative impact on the service sector as the rates of GST in the service sector has increased. GST will bring innovation, accountability, and transparenance in the tax structure.

Kaur (2018)The purpose of study was point out the awareness among people about GST, and to find out the expectations of people after the implementation of GST. The study concluded that still people are not well aware about GST and due to lack of proper information they are having negative perception towards the act.

It also shows the lack of goods and services information of the responded, not able to identify the slabs implemented.

Mishra (2018)The study provided glimpse of the rates. It throw glance on the impact of GST, on pharmacy, agriculture, textile, mobile and accessories, telecommunication sector, real state, FMCG, automobiles, banking, financing. The research paper concludes that the implication of single tax system will attract more manufactures to get engage in the sector. The individuals will also get benefit as the prices of the products will decrees and consumption will increase which will lead to the increase in GDP. Increased GDP will attract the foreign investment which will directly or indirectly create the employment opportunity.

Dr.M.K.Sharma & Suniti Saini.(2019), The study is survey based in which data was collected from 50 business man who are residing in Mandsaur city of M.P. The tool used for collection of data was structured questionnaire. The results obtained after analysis revealed that businessman are aware about GST implementation and opined that it's a fair tax system but it requires more clarity, simplification in procedure because they have to depend on CA's during the online submission. The paper had tried to attempt the actual impact of GST and suggestive measures have also been provided at the end of study.

Research Gap

From the literatures it is clear that GST is an emerging issue for the research in the subject of economy. At Macro level many study have been conducted but at micro level and semi urban area still no research is carried out. Keeping in view, the study attempts to identify the level of awareness and impact of GST among the small business owners in the Mysuru city of Karnataka.

Objectives of Study

- To identify the awareness of GST among the business owners residing in Mysuru city.
- To assess the impact of GST among the business owners residing in Mysuru city.

Research Methodology

The study is descriptive in nature where small business owners were selected as respondents who are dealing in various businesses in the Mysuru city. The chapter divided into three parts

- **Sources of Data**

Primary data were collected primarily through direct administration of the questionnaire. The study uses secondary data to support and substantiate primary data and also to form a strong theoretical base. The

secondary data were collected from Research paper, SSRN, shodhganga, Local bodies, research journals, newspaper, articles, GST portals, working papers etc.

- **Sample Size:** 50 Small business owners.
- **Sampling Technique:** In Non Probability method of sampling, convenient technique was applied.

Part A
Demographic Characterizes

Gender	Frequency in Percentage
• Male	100 %
• Female	0%
Age	
• 18 – 30	12%
• 30 – 50	54%
• 50 above	32%
Literacy Level	
• Illiterate	0%
• Up to Sr. Secondary	36%
• Graduation	52%
• Post Graduation	12%
Occupation	
• Farmer	0%
• Businessman	96%
• Job	4%
• Daily Wages	0%
• Others	0%
Monthly Family Income	
• Less than Rs 5000/-	4%
• Rs 5000 – 15000	14%
• Rs 15000 - 30000	34%
• Rs 30000 and above	48%
Religion	
• Hindu	42%
• Muslim	12%
• Christian	6%
• Sikh	16%
• Jain	20%
• Any other	4%
Type of Area	
• Urban	96%

• Semi urban	0%
• Rural	4%
• Remote area	0%
Nature of Family	
• Joint family	36%
• Nuclear family	64%

Source: Computed (Figures in Percentage)

Demographic Characteristics

A survey conducted on 50 people to find of the demographic character of responded. It was found that out of 50 responded 100% of the responded are male. Around 12% of responded are of the age of 18-30 years, 54% of the responded are of the age 30 – 50 years and 34% of the responded are of 50 years or above. About 34% of the responded are literate up to secondary school, 52% of the responded are graduated and 12% of the responded are postgraduate, this shows that the education level is good in Mysuru district. 96% of the responded are businessman whereas 4% of the responded are engaged in job. 4% of the responded has monthly family income less than 5000, about 14% of the responded earn income from 5000-15000 per month, 34% of the responded earn the monthly income from 15000-30000, the majority of the responded i.e. 48% earn monthly income equal to or above 30000 which clearly show that the income level of the respond are high.

Part B

How many responded has GST awareness	Frequency in Percentage
• Yes	100 %
• No	-
What was the source of awareness?	
• Friends/ family	22%
• Media	52%
• Internet	26%
• Teacher	-
• Others	-
Does GST is burden for people?	
• Yes	18
• No	82
Is GST is a fair tax system?	
• Yes	48%
• No	16%
• Don't	-
Is available legislation is satisfactory in	

relation to GST?	
• Yes – satisfactory	30%
• No – need more clarity	70%
GST is easier than early tax system.	
• Yes	88%
• No	12%
What kind of tax GST is?	
• Indirect tax	100%
• Direct tax	-
Who is the Head of GST council of India?	Frequency in percentage.
• Mr. Narendra Modi	4%
• Dr. Rajeev Kumar	6%
• Smt.Nirmala Sitharaman	26%
• None	64%
Does the business is registered under GST?	
• Yes	92%
• No	8%

Do the have Knowledge about GST online portal?	
• Yes	100%
• No	-
Does the available legislation in relation to propose GST issatisfying?	
• Yes – satisfactory	18%
• No – Need more clarity	82%
Does the respondents current software equipped is capablenough to handle the proposed GST?	
• Yes	92%
• No	8%
• Not applicable	-
Need assistance of lawyer or CA while filling the tax?	
• Required	60%
• Not required	40%

The tabulation presentation shows that the responded have complete knowledge about the existence of GST and its embedment in the bill passed in the parliament, which indicate that the responded are well aware of the changes in the tax implementing method. The next table shows that the major source of knowledge is from media and then Internet which clearly confine that the people are more affected by media and internet which is the fastest and easy source of information to the public. The media influence the most to the

responded .In the third record it is shows that majority of the responded accept that GST is not burden on Income it has reduced the major drawbacks of the previous tax filing system. Whereas some responded have the opinion to add more abetments in the present law to reduce some other effecting factors. The changes in the system of filing tax have given some relief to the responded. Record four shows that the majority of responded states that the implementation of GST is a fair tax and is acceptable by the responded, it indicate that the responded has accepted the change in the system and they welcome, whereas some responded are not satisfied with the implementation of GST and need more changes in the present tax system. Record four shows that the majority of responded i.e. 70% wants to need more clarification in the present GST legislation, which shows that the GST legislation is a complicated concept which required more clarification and more relaxed abstracted among the responded. Whereas 30% of the responded are satisfied with the legislation, doesn't ask for further clarification.

The record six indicates that 88% of the responded accepts that the implication of GST is much better than the earlier tax system, the filling and maintenance of the taxation is much easier, reliable and flexible. It reduces the extra efforts and paper work. Only 12% of the responded feel that the GST is complicated and is not readily acceptable without much abetment. Record seven shows that 100% of the responded are clear that the GST is Indirect tax, which indicates that each responded has the perfect knowledge about what the kind of GST taxation is. There are two types of taxation system in the country, the direct tax and indirect tax, the implication of GST is on the place of Indirect tax which is filed by the organization. The Record shows that 92% of the responded are registered under GST, which indicates that there is majority of tax depositor in the Mysuru district and business is conducted within the rules of government. Only 4% of the responded are not registered under GST due to new entry in the market or change/ expansion in the business. The registration of business is done under the rules and regulation provided by the government. Results indicated that 100% of the responded has knowledge about the GST online portal through media, internet, friends also know the embedment, inclusion of new methods to file the GST and to get the reimbursement from government. GST online portal has reduced the paper work and made the filing of taxation easy. Government declare the last date via sources, keeping in mind the dates, filing the tax and take the advantage of reimbursement. In short they were completely satisfied with the introduction of the new changes in the legislation, whereas 82% of the responded where in doubts regarding the introduction of the legislation and ask for more clarification and establish necessary abetments for ore relaxation in the slaps and return.

Part C

Reduction of corruption in the economy.	Frequency in Percentage
• Highly Agreed	12%
• Agreed	62%
• Neutral	18%
• Less agreed	8%
• Fully Disagreed	-
• Total	100%
GST legislation is satisfactory	
• Highly Agreed	-
• Agreed	42%
• Neutral	28%
• Less agreed	26%
• Fully Disagreed	4%
• Total	100%
Ease in filing of GST online.	
• Highly Agreed	38%
• Agreed	38%
• Neutral	16%
• Less agreed	8%
• Fully Disagreed	-
• Total	100%
Rate implication on the occupation satisfactory	
• Highly agreed	18%
• Agreed	18%
• Neutral	14%
• Less agreed	46%
• Fully Disagreed	4%
• Total	100%
Benefit of the government schemes.	
• Highly agreed	-
• Agreed	18%
• Neutral	36%
• Less agreed	46%
• Fully Disagreed	-
• Total	100%
Applied existence law is fairly applied.	
• Highly agreed	10%
• Agreed	32%
• Neutral	10%
• Less agreed	44%
• Fully Disagreed	4%

• Total	100%
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Present system is beneficial then early tax system.	
• Highly agreed	30%
• Agreed	34%
• Neutral	16%
• Less agreed	12%
• Fully Disagreed	8%
• Total	100%
Necessary amendments should be introduces timely in thelegislation	
• Highly agreed	60%
• Agreed	32%
• Neutral	8%
• Less agreed	-
• Fully Disagreed	-
• Total	100%
Government is taking corrective measures for the flexibility in thecurrent taxation system.	
• Highly agreed	8%
• Agreed	32%
• Neutral	40%
• Less agreed	16%
• Fully Disagreed	4%
• Total	100%
Inflation cost reduced due to GST.	
• Highly agreed	6%
• Agreed	32%
• Neutral	12%
• Less agreed	38%
• Fully Disagreed	12%
• Total	100%
Present tax system moved the pace of economy growth.	
• Highly agreed	30%
• Agreed	52%
• Neutral	10%
• Less agreed	6%
• Fully Disagreed	2%
• Total	100%
GST affected the income.	
• Highly agreed	48%
• Agreed	12%
• Neutral	24%

• Less agreed	8%
• Fully Disagreed	-
• Total	100%
Implementation of GST increased the documentary procedure.	
• Highly agreed	10%
• Agreed	50%
• Neutral	4%
• Less agreed	34%
• Fully Disagreed	2%
• Total	100%

Implementation of GST reduced the manual work.	
• Highly agreed	44%
• Agreed	16%
• Neutral	8%
• Less agreed	24%
• Fully Disagreed	8%
• Total	100%
GST made it mandatory to provide the bill to customer.	
• Highly agreed	32%
• Agreed	28%
• Neutral	36%
• Less agreed	4%
• Fully Disagreed	-
• Total	100%
E – WAY bill is beneficial for business.	
• Highly agreed	32%
• Agreed	28%
• Neutral	28%
• Less agreed	8%
• Fully Disagreed	4%
• Total	100%

Findings of study

- GST was not successful in reduction the inflation in the economy, around 50% of the majority considers that GST has failed in reducing the inflation.
- A majority of around 80% of the responded are in the favor of the statement that GDP has increased the pace of economy growth.

- Introduction of GST has increased the documentary process whereas it has reduced the manual work by providing the online registration in the filing process of tax. More the 50% of the responded answered that GST has increased in their documentation as for each transaction they need proofreading, whereas introduction of online filling of tax has reduced their manual work as they need to submit the framed form with required information.
- In the survey it was detected that 60% of responded find the E- way bill beneficial for business, which has reduced the documentation process as state wise documentation has been eliminated, and the system is user-friendly and it is easy to generate the bill.
- “GST has reduced the corruptions” support the statement by 62% vote.
- GST procedure required CA consultancy as 60% of the respondents are not trainenough to comply all the requirements.
- 82% respondents are in favour of GST that it’s not a burden.
- 42% of the responded are less happy with the implication of rate. Only 18% of theresponded are happy with the implied rate.
- 82%, responded required more clarity in the legislation

Suggestions of study

- GST council should work towards simplification of GST procedure.
- The rates implemented should be modulated.
- Training session for GST should be conducted at regular basis especially in the semiurban areas.

Conclusion

In the era of globalization there was the need for the powerful and systematic tax structure for competing India at International level. The GST will not only bring the transparency but also it will promote the ease of doing. Earlier every state used to have own levied tax rates which was complicated and increased the price of the goods by cascading effect which hindrance the foreign direct investment also. In the study the responded were wellaware of the GST act and the rates implemented on the products but the small businessman were not much satisfied with rates criteria. The new ordinance of online filing the tax has saved much of the time and reduced paper work which was appreciated by responded. 62% of the responded agreed that there was reduction in corruption due to introduction of GST in economy. Majority of responded felt that GST will for sure increase the pace of the economy growth of the country but it

requires more clarity as suggested by the study. GST council should continue with efforts to boost Indian economy.

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