

# Students' Knowledge and Perception towards the Newly Implemented Goods and Services Tax (GST) in Surat City

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*Abstract*

*There are various reactions, arguments and opinions among the society since the implementation of GST. Some of them favoured while others gave negative feedbacks as the implementation has resulted in higher prices for goods and services initially and this resulted in increased burden of tax to people. It is found that people are still hazy and did not understand GST. Therefore, this study is carried out to assess students' knowledge and perception towards newly implemented GST in Surat city. The sample comprised of 200 students using convenience sampling method. Primary data was collected using structured questionnaire. Data was collected and subsequently analysed using descriptive, t-test and cluster analysis using SPSS version 21.0 for windows. The results of the study revealed that students do not have adequate knowledge about various aspects of GST. Majority of the respondents tend to be non-supportive to the newly implemented GST with perception that GST lead to increased cost of living, not user friendly and increase price of goods.*

Keywords: Goods and Services Tax (GST), Awareness, Knowledge, Perception

## I. INTRODUCTION

Goods and Service Tax (GST) is all set to be a game changer for the Indian economy. GST is not merely a new tax; it will be one of the most important factors in changing the way business is done in India. The introduction will affect both the business processes within the organisation and how businesses operate in the unified national market (KPMG 2010). GST is expected to eliminate cascading effect of taxes and, increase the gross domestic product of the economy and reduce prices. In India, there were different indirect taxes applied on goods and services by central and state government. GST subsumed all these taxes into one tax with seamless Input Tax Credit and charged on both goods and services. It is expected to bring down prices and hence the inflation since it will remove the impact of tax on tax and enable seamless credit. It is expected to generate revenue for the country. GST will make India exports competitive and preferred destination for foreign investment.

## II. LITERATURE REVIEW

The literature on GST is considerably sparse as it is still a new issue in India since its implementation on 1<sup>st</sup> July, 2017. There were many preliminary studies on GST prior to its actual implementation.

The findings from Saira, Zariyawati & Yoke-May (2010) indicated that many Malaysians do not have a high level of confidence on government regarding GST.

Palil and Ibrahim (2012) obtained a comprehensive overview on consumer readiness, perceptions and acceptance of GST. It was concluded that people's consumption behaviour would change significantly due to the implementation of GST.

Lau, Tam and Heng (2013) compared the current tax system in Malaysia and analyzed the effect of GST on the economy. It was found that the quarterly profits prior to the full implementation of GST showed accelerated growth in consumption as households bring forward future purchases to avoid paying GST

Findings from a study conducted by Abdullah, Idrus & Mehat (2013) showed that more than half of the respondents do not understand clearly about GST since the announcement was made on its implementation. This can be seen from the questions asked in the survey such as the rate of GST, the items exempted from GST and so on

The study conducted by Shamsuddin et al (2014) showed that there was low level of awareness towards GST implementation in Malaysia. Many Malaysians still confused with the implementation of GST as they do not understand the justification behind the implementation of this new tax scheme.

Ishak et al (2015) investigated the students' perception towards the newly implemented Goods and Service Tax (GST) in Malaysia starting from April 1, 2015. The students' perception was measured through satisfaction analysis. Primary data was collected through questionnaire survey from 242 students at International Islamic University Malaysia (IIUM) and later analyzed using SPSS. The result showed that majority of the students disagree with the methods taken to implement the GST.

### III. PROBLEM STATEMENT

GST is deemed to be one of the steps in making India as a country which has comprehensive, efficient and transparent tax system. GST is proved to be one of the most successful tax system implemented ever by various countries. The government is still trying to spread out the information of GST in order to combat confusion among people. GST is a popular issue that is being discussed by people in day to day lives. It is essential to know whether future generation, particularly, students from higher institutions are fully aware of taxation issues which affect their daily lives and are they well informed with information connected to their roles as the nation's future human resources. A study on the introduction of new tax reform in Malaysia by (Mansor & Illias, 2013) emphasized the need to prepare higher education students and graduates with adequate knowledge on taxation so as to guarantee the success of GST's implementation. Shaari et al. (2015) in their study focused on GST awareness among higher education students and proved that although students were conscious of the government's proposal to implement GST, they still have limited knowledge pertaining to it. This paper focuses on the knowledge and perception on GST especially among under graduate and post graduate student in Surat city.

### IV. RESEARCH OBJECTIVES

The study aims to achieve the following objectives:

- i) To assess the student's knowledge on the various provisions of GST
- ii) To study the student's perception on GST
- iii) To provide suggestions based on the findings of the study.

### V. HYPOTHESIS

When students have knowledge related to the new tax systems, they are more willing to respect the tax system, thus, increasing their understanding and compliance. Hence, students' knowledge of GST is important in order to have positive perception and outlook to the newly introduced tax system. This leads to the following hypothesis:

Ho1: Students have adequate knowledge or understanding of various aspect of GST.

Ho2: All the students perceive positive impact of GST on economy

### VI. RESARCH METHODOLOGY

The present study is based on both primary and secondary data. Secondary data was extracted from research paper, web articles, magazines, newspapers. For the purpose of study, primary data was collected through structured questionnaire to obtain the data regarding the knowledge and perception about newly implemented GST among the students in Surat city using convenience

sampling method. Questionnaire was divided in three section. Section A consisted of demographic information about gender and education. Section B comprised of statements assessing knowledge and understanding of various provisions of GST like differentiated tax rate, input tax credit, composition scheme and few more. Section C consisted of likert type questions from scale 1 (strongly agree) to Scale 5 (strongly disagree) to assess their perception towards GST . Questionnaire was administered to 350 students, of which 200 were duly filled and returned. The data were collected and subsequently analysed using descriptive analysis and cluster analysis using the software Statistical Package for Social Science (SPSS) version 21.0 for windows

## VII.DATA ANALYSIS

### 7.1 DESCRIPTIVE ANALYSIS

Descriptive statistics is the first step in data analysis. This type of statistics function as a mechanism that will help in describing or summarizing the data that has been collected (Chua, 2014). Descriptive statistics enables the researcher to meaningfully describe many pieces of data with a few indices. The sample consists of 200 respondents comprising of students within Surat city. The frequency distributions are obtained for respondents' gender and education as shown below.

**Table 1. Demographic Profile of Students**

Demographic Profile			
Gender		Frequency	Percent
	Male	66	33
	Female	134	67
Education			
	Under Graduate	110	55
	Post Graduate	90	45

Majority of the respondents are female students as the gender distribution for them was 67% and the male students were only consisting of 33% of the total respondents. With regards to their level of education, 55% of them were undergraduate students and 45% were postgraduate students.

### 7.2 T-test ANALYSIS

Second section of questionnaire included nine items consisting of various specific provisions of GST.

Table 2 present the results of the respondents understanding towards a specific provisions of GST. From the table it is clear that students are not unaware of various provisions of GST. It was found that respondents were having the knowledge of differentiated tax rate with lowest means score 1.02 and Std. dev. 0.14. Respondents were knowing the threshold limit for registration under GST (mean 1.18, Std. dev. 0.385), followed by composition scheme for small traders (mean 1.23, Std. dev. 0.422). Many students were still not aware of the provisions of taxable and non-taxable supplies, reverse charge mechanism, place of supply and time of supply with their mean scores ranging from 1.32 to 1.36. Highest score (mean 1.52, Std. dev. 0.501) was recorded for value of supply of goods and services indicating that even half of the students do not have knowledge about this provision.

**Table 2 Sample Statistic of Students Knowledge towards GST**

	N	Mean	Std. Deviation	Std. Error Mean
Limit for registration	200	1.18	.385	.027
Tax rate	200	1.02	.140	.010
Taxable -Nontaxable	200	1.32	.489	.035
Input Tax Credit	200	1.27	.442	.031
Time of Supply	200	1.36	.481	.034
Value of Supply	200	1.52	.501	.035
Place of Supply	200	1.33	.470	.033
Composition Scheme	200	1.23	.422	.030
Reverse Charge	200	1.32	.468	.033

**Table 3. One-Sample Test**

	Test Value = 1					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Limit for registration	6.609	199	.000	.180	.13	.23
Different Tax rate	2.015	199	.045	.020	.00	.04
Taxable -Nontaxable	9.261	199	.000	.320	.25	.39
Input Tax Credit	8.470	199	.000	.265	.20	.33
Time of Supply	10.580	199	.000	.360	.29	.43
Value of Supply	14.683	199	.000	.520	.45	.59
Place of Supply	9.789	199	.000	.325	.26	.39
Composition Scheme	7.710	199	.000	.230	.17	.29
Reverse Charge	9.677	199	.000	.320	.25	.39

From the above table it was found that except for differentiated tax rate, there was significant difference in distribution of various provisions of GST with their mean scores. Here, hypotheses is rejected implying that students do not have adequate knowledge or understanding of various provisions of GST. Highest level of awareness was seen in respect of differentiated tax rate and this is followed by threshold limit for registration under GST. However, respondents have less awareness or understanding of the provisions like taxable and non-taxable supplies, reverse charge mechanism, place of supply and time of supply and value of supply. Overall, results imply that knowledge of students on GST is not quite high. Measures need to be taken to increase their knowledge about GST, as this will be key to successful implementation of GST.

## 7.2 CLUSTER ANALYSIS

Cluster analysis is a statistical technique used to group cases (individuals or objects) into homogeneous subgroups called clusters based on responses to variables (Shaw, Kobrin, Packman & Schmidt, 2009). Objects (or cases, observations) in a specific cluster share many characteristics, but are very dissimilar to objects not belonging to that cluster (Reddy & Ussenaiah, 2012).

There are three clustering procedures: two-step, k-means, and hierarchical. K-means clustering is used to select the number of clusters and the procedure can be used with moderate to large datasets. In order to group the respondents based on their perception towards good and services tax, a cluster analysis was employed based on the fifteen items. Table 4 presents the cluster distribution between the two perception that formed within the students.

The Initial Cluster Centers table shows the first step in the k-means clustering in finding the k centers.

Table 4. Initial Cluster Centers

	Cluster	
	1	2
Zscore: Move to developed Nation	1.43144	-1.25671
Zscore: Cascading Effect	-1.12533	.21435
Zscore: Mechanism	.88861	-2.57352
Zscore: Dual Mode	-.39045	-.39045
Zscore: Efficient & transparent	2.13239	-1.67545
Zscore: More revenue	.94127	-1.34059
Zscore: Positive Impact	-.37681	-.37681
Zscore: Reduce Tax	1.63147	-.50816
Zscore: Boon for country	1.98824	-1.79889
Zscore: Beneficial	1.82436	-1.50274
Zscore: Increase Cost of Living	-.38051	-.38051
Zscore: Increased Hardship	-.24378	-1.23881
Zscore: Non User Friendly	-1.74078	2.00283
Zscore: Increased Price	-.34672	.59036
Zscore: Confusion	-1.37068	-.27414

The Iteration History table shows the number of iterations that were enough until cluster centers did not change substantially.

Table 5. Iteration History<sup>a</sup>

Iteration	Change in Cluster Centers	
	1	2
1	3.845	4.031
2	.229	.168
3	.069	.050
4	.218	.144
5	.098	.062
6	.000	.000

a. Convergence achieved due to no or small change in cluster centers. The maximum absolute coordinate change for any center is .000. The current iteration is 6. The minimum distance between initial centers is 9.370.

The Final Cluster Centers table below describes the clusters by the variables. Students in Cluster 1 tend to be supportive to the implementation of GST whereby, they perceived GST as a move towards developed nation, well defined mechanism, efficient and transparent tax system, reduce tax burden and is a boon for the country, as evidenced by higher values above the mean for all the above variables. Students in Cluster 2 tend to be non supportive to implementation of GST, whereby they perceived that GST would lead to increased cost of living, not user friendly and increase price of goods as witnessed by higher mean values for the above variables. This was also evident from the Figure 1.

Table 6. Final Cluster Centers

	Cluster	
	1	2
Zscore: Move to developed Nation	.50093	-.32027
Zscore: Cascading Effect	.30022	-.19195
Zscore: Mechanism	.54832	-.35056
Zscore: Dual Mode	.11861	-.07583
Zscore: Efficient & transparent	.65156	-.41657
Zscore: More revenue	.25378	-.16225
Zscore: Positive Impact	.33273	-.21273
Zscore: Reduce Tax	.65766	-.42047
Zscore: Boon for country	.58021	-.37095
Zscore: Benefical	.47361	-.30280
Zscore: Increase Cost of Living	-.50965	.32584
Zscore: Increased Hardship	.12616	-.08066
Zscore: Non User Friendly	-.42892	.27422
Zscore: Increased Price	-.40679	.26008
Zscore: Confusion	-.11950	.07640

Final Cluster Centers

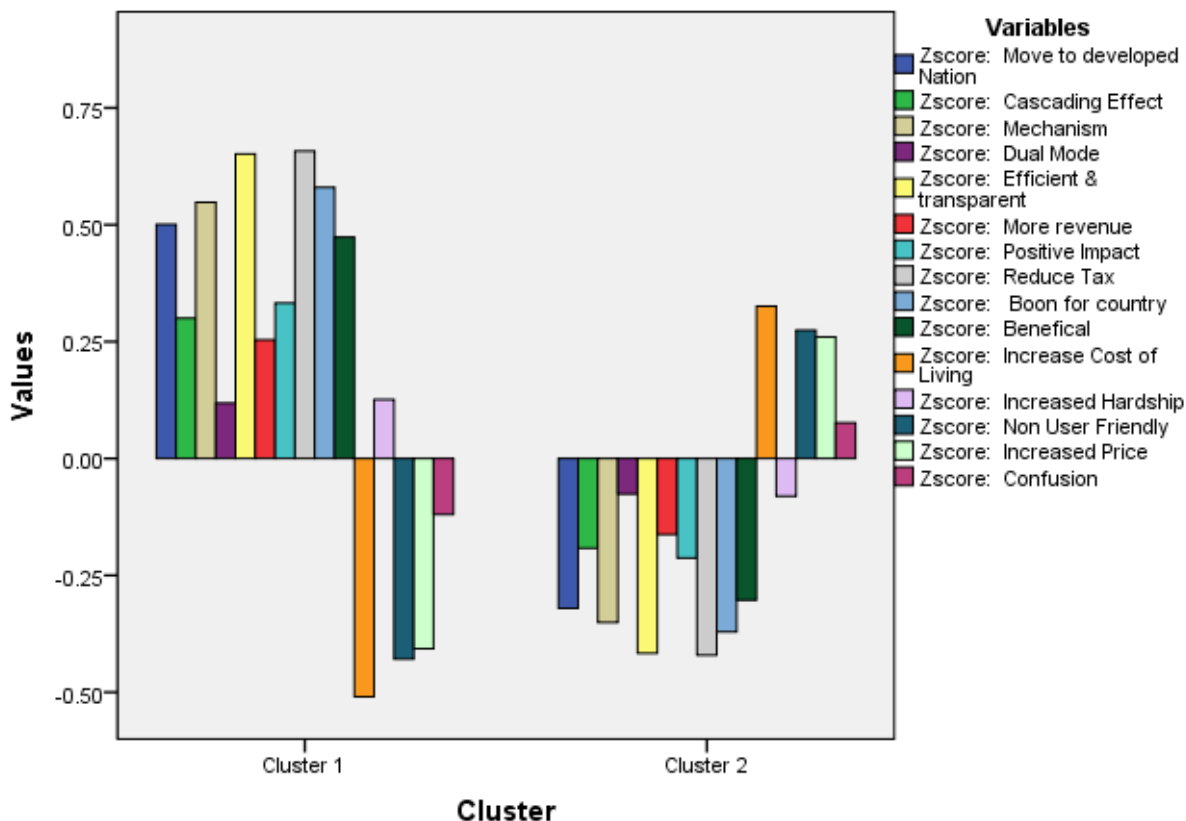


Figure 1

The ANOVA table indicates which variables contribute the most to your cluster solution. Variables with large mean square errors provide the least help in differentiating between clusters. For example, dual model acceptance, Confusion and increased hardship due to GST had the highest mean square errors and lowest F statistics; therefore the three variables were not as helpful as the other variables in forming and differentiating clusters. It is evident that clustering variables

means of most of the variables differ significantly across two clusters. Hence, null hypothesis is rejected signifying that all students don't not perceive positive impact of GST.

Table 7. ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Zscore: Move to developed Nation	32.086	1	.843	198	38.062	.000
Zscore: Cascading Effect	11.525	1	.947	198	12.173	.001
Zscore: Mechanism	38.444	1	.811	198	47.410	.000
Zscore: Dual Mode	1.799	1	.996	198	1.806	.180
Zscore: Efficient & transparent	54.285	1	.731	198	74.273	.000
Zscore: More revenue	8.236	1	.963	198	8.548	.004
Zscore: Positive Impact	14.156	1	.934	198	15.163	.000
Zscore: Reduce Tax	55.306	1	.726	198	76.207	.000
Zscore: Boon for country	43.046	1	.788	198	54.651	.000
Zscore: Beneficial	28.682	1	.860	198	33.344	.000
Zscore: Increase Cost of Living	33.213	1	.837	198	39.666	.000
Zscore: Increased Hardship	2.035	1	.995	198	2.046	.154
Zscore: Non User Friendly	23.524	1	.886	198	26.543	.000
Zscore: Increased Price	21.159	1	.898	198	23.558	.000
Zscore: Confusion	1.826	1	.996	198	1.834	.177

The F tests should be used only for descriptive purposes because the clusters have been chosen to maximize the differences among cases in different clusters. The observed significance levels are not corrected for this and thus cannot be interpreted as tests of the hypothesis that the cluster means are equal.

The Number of Cases in each Cluster table indicated the split of cases into clusters. A large number of cases (122) were assigned to the second cluster consisting of non-supportive respondents.

Table 8. Number of Cases in each Cluster

Cluster	1	78.000
	2	122.000
Valid		200.000
Missing		.000

### VIII. CONCLUSIONS

GST is one of the burning topics being discussed by every Indian since the government's announcement to implement it 1<sup>st</sup> July, 2017. GST has been proved as one of the best tax system adopted ever by various nations. It is held that implementation of GST leads to more revenues for the nations and ultimately more benefits to its citizens. However, this calls for cooperation and commitment from various stakeholders. Students, in fact, are important assets in the country and will be the future leaders.

The result of this study is parallel to a study by (Shaari, Ali & Ismail, 2015) which also focused on GST awareness among higher education students and they found that although students were conscious of the decision by the government to implement GST, still they have limited knowledge pertaining to this matter. Although, most of the students have been taught about the provisions of GST in their curriculum, they are still not sure of various aspect of GST and its effect towards the economy. Mansor & Illias (2013) in their study found that higher education students and graduates should be prepared with adequate and wider knowledge of GST to ensure positive receptions of GST implementation.

The findings in this study revealed that students do not have adequate knowledge or understanding of various provisions of GST. Students have adequate awareness in respect of differentiated tax rate, threshold limit for registration under GST. However, respondents do not have adequate awareness or understanding of the provisions like taxable and non-taxable supplies, reverse charge mechanism, place of supply and time of supply and value of supply. Overall, results imply that knowledge of students on GST is not quite high. Further, it's been found that all the students do not have positive attitude towards newly implementation GST. Respondents were differentiated on the basis of their perception towards GST as a move towards developed nation, well defined mechanism, efficient and transparent tax system, reduce tax burden, boon for the country, increased cost of living, not user friendly and increase price of goods. Students in clusters 1 perceived GST as a move towards developed nation, well defined mechanism, efficient and transparent tax system, reduce tax burden and is a boon for the country, whereas, students in cluster 2 tend to be non-supportive to the newly implemented GST with perception that GST would lead to increased cost of living, not user friendly and increase price of goods.

#### IX. RECOMMENDATION

It is recommended that the government must put serious efforts to make the Indians especially students understand about the various aspect of GST. This is important as these young generation will become an income earners and tax payers in the future. Providing adequate and relevant fundamental information is necessary to make them better understand the general principle of GST by organizing seminar, talk, training, course and forum in order to increase awareness and knowledge and also conform to regulation. Thus, proper awareness and knowledge about GST is essential to seed a positive perception about GST and to inculcate sincerity in paying tax as part of their contribution towards the nation.

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