

A Study on Knowledge of Small Traders on Goods and Services Tax in Bangalore City

Mrs. Usha.N¹ & Dr.S.Venkatesh²

1Research scholar, PRIST UNIVERSITY (Deemed to be University), Thanjavur , Tamilnadu, India. 2Associate Professor , PRIST School of Business, PRIST UNIVERSITY (Deemed to be University), Thanjavur, Tamilnadu, India.

Abstract

Goods and Services Tax is a simplified and uniform rate of tax on goods and services that decrease difficulties in separation of values of transaction in goods and services and it guides to reduce compliances due to single reporting system and it gives equal rights to all type of businesses, traders and consumers. This study reveals that small traders are agreed with Goods and Services Tax is structured well, Goods and Services Tax is inclusive, Goods and Services Tax is transparent, Goods and Services Tax is good for small traders, Goods and Services Tax increases revenue collection, Goods and Services Tax reduces physical and paper works and Goods and Services Tax eliminates ill effects of indirect tax. Significant difference is there amid knowledge of small traders on Goods and Services Tax and their profile. Knowledge of small traders on Goods and Services Tax is positively significantly and moderately related with their sales. Thus, Goods and Services Tax should easily understandable and it must protect interest of small traders. Further, Goods and Services Tax should bring down prices of goods and services at large extent and Government must enhance knowledge of small traders on Goods and Services Tax through awareness campaigns.

Keywords: Goods and Services Tax, Knowledge, Small Traders.

1. Introduction

Conventionally, tax regime in India is highly relying on indirect taxes that comprise of excise and custom duties. Revenues arising out of indirect taxes are the prime source of revenue until reforms in taxation taking place in the period of nineties (Sherline, 2016). Indirect taxes are negatively affecting various stakeholders of economy considerably and there are administrative problems in collecting those taxes (Khurana, 2016). Thus, Value Added Tax (VAT) is introduced in India and it is the major change in tax system of India and it is the main improvement over excise duty of Centre and sales tax of states, then, Goods and Services Tax is perhaps an additional significant and logical step towards reforms in indirect tax system of India (Garg, 2014).

Goods and Services Tax is a simplified and uniform rate of tax on goods and services that decrease difficulties in separation of values of transaction in goods and services and it guides to reduce compliances due to single reporting system (Rani and Sunil, 2016). In Goods and Services Tax, there is no difference among goods and services in levying tax (Kumar et al 2015) and it is a multi-tier tax system and tax is put on value addition in each and every phase (Swarupa, 2016) and it gives equal rights to all type of businesses, traders and consumers. Goods and Services Tax is duality in nature as Central and State Governments release it independently, but tax standards are similar (Ahmad et al 2016). Goods and Services Tax comprises of Value Added Tax (VAT), advanced, entertainment and gambling taxes (Nath, 2017) and it improves competitiveness of real goods and services that give benefits

to Government, traders and ultimate consumers. With this background, it is necessary to study knowledge of small traders on goods and services tax.

2. Review of Related Literature

Saira et al (2010) found that respondents were having contradictory awareness on Goods and Services Tax because of poor knowledge on it and they did not interest on execution of Goods and Services Tax and they thought that it affected prices of goods and services.

Vasanthagopal (2011) concluded that Indian tax system had shifted to Goods and Services Tax from complex system of indirect taxes and it had positive impact on business and economy and it reduced ill effects of earlier tax system in India.

Deol (2012) revealed that implementation of Goods and Services Tax had improved tax collection, reduced cost of tax on products and their prices and improved exports and it provided many benefits to traders and consumers.

Wong (2013) indicted that implementation of Goods and Services Tax had increased sales of small and medium enterprises and it reduced price of products and improved tax payments from them.

Kumar (2014) showed that Goods and Services Tax eliminated complexity of indirect tax system and created a common national level market and it had positive effect on development of business and economy of nation.

Prasad and Mehta (2015) found that Goods and Services Tax simplified tax system and removed all the hurdles of multi-level tax payments and it improved performance of business activities of small manufactures and traders.

Munde and Chavan (2016) concluded that Goods and Services Tax increased productivity and it was beneficial to manufactures, traders and consumers and it avoided multiple tax structure and evasion of tax of traders and it improved growth of economy and rationalized prices of goods and services.

Lourdunathan and Xavier (2017) revealed that Goods and Services Tax gave relief to manufactures by cutting of multiple taxes and it increased tax collection and it had positive effect on various sectors of economy.

Rekha and Karan (2018) indicated that Goods and Services Tax had positive impact on business organizations, traders and consumers and it improved economy and reduced price of many goods and services.

Nath (2019) showed that Goods and Services Tax reduced disparity in prices of goods services and reduced harmful impact of indirect taxes. Goods and Services Tax had improved tax system and it was beneficial to business organizations, traders and consumers.

3. Objectives of the Study

1. To examine knowledge of small traders on Goods and Services Tax.
2. To inspect difference amid knowledge of small traders on Goods and Services Tax and their profile.
3. To analyze relation amid knowledge of small traders on Goods and Services Tax and their sales.

4. Hypotheses of the Study

1. There is no significant difference amid knowledge of small traders on Goods and Services Tax and their profile.

2. There is no significant relation amid knowledge of small traders on Goods and Services Tax and their sales.

5. Methodology

The present study is carried out in Bangalore city. Small traders are selected randomly and data are gathered from 240 small traders through questionnaire. Profile of small traders is studied by using percentages and knowledge of small traders on Goods and Services Tax is examined through mean and standard deviation. Difference amid knowledge of small traders on Goods and Services Tax and their profile is inspected by employing ANOVA and t-tests. Relation amid knowledge of small traders on Goods and Services Tax and their sales is analyzed by applying simple correlation analysis.

6. Results

6.1 Profile of Small Traders

The profile of small traders is shown in Table-1. Higher than three fifth of small traders is in sole proprietorship(62.50 per cent) and more than one third of small traders is in investment group of Rs.3,00,001 – Rs.4,00,000(34.58 per cent). Furthermore, larger than two fifth of small trader is operating in own establishment (44.58 per cent and higher than two fifth of small traders employ 3 – 5 persons (45.83 per cent) and nearly two fifth of small traders attain annual turnover of Rs.5,00,001 – Rs.10,00,000(36.25 per cent).

Table 1. *Profile of Small Traders*

Profile	Number	Percentage
Kind of Ownership		
Sole Proprietorship	150	62.50
Partnership	90	37.50
Investment		
Less than Rs.2,00,000	54	22.50
Rs.2,00,001 – Rs.3,00,000	65	27.08
Rs.3,00,001 – Rs.4,00,000	83	34.58
More than Rs.4,00,000	38	15.84
Establishment		
Own	107	44.58
Leased	92	38.33
Rented	41	17.09
Employment		
Less than 3	78	32.50
3 – 5	110	45.83
More than 5	52	21.67
Annual Turnover		
Below Rs.5,00,000	61	25.42
Rs.5,00,001 – Rs.10,00,000	87	36.25
Rs.10,00,001 – Rs.15,00,000	63	26.25
Above Rs.15,00,000	29	12.08

6.2. Knowledge of small traders on goods and services tax

The knowledge of small traders on Goods and Services Tax is shown in Table-2.

Table2. Knowledge of Small Traders on Goods and Services Tax

Knowledge	Mean	Standard Deviation
Goods and Services Tax is structured well	3.89	0.83
Goods and Services Tax is inclusive	3.84	0.90
Goods and Services Tax is transparent	3.87	0.86
Goods and Services Tax is easily understandable	3.35	1.13
Goods and Services Tax is good for small traders	3.80	0.95
Goods and Services Tax protects interest of small traders	3.38	1.09
Goods and Services Tax increases revenue collection	3.78	0.98
Goods and Services Tax reduces physical and paper works	3.82	0.92
Goods and Services Tax brings down prices of goods and services at large extent	3.40	1.06
Goods and Services Tax eliminates ill effects of indirect tax	3.75	1.02

The small traders are agreed with Goods and Services Tax is structured well, Goods and Services Tax is inclusive, Goods and Services Tax is transparent, Goods and Services Tax is good for small traders, Goods and Services Tax increases revenue collection, Goods and Services Tax reduces physical and paper works and Goods and Services Tax eliminates ill effects of indirect tax, while, they are neutral with Goods and Services Tax is easily understandable, Goods and Services Tax protects interest of small traders and Goods and Services Tax brings down prices of goods and services at large extent.

6.3. Knowledge of small traders on goods and services tax and their profile

The relationship amid knowledge of small traders on Goods and Services Tax and their profile is shown below.

6.3.1. Knowledge of Small Traders on Goods and Services Tax and Kind of Ownership

The relationship amid knowledge of small traders on Goods and Services Tax and kind of ownership is shown in Table-3.

Table3. Knowledge of Small Traders on Goods and Services Tax and Kind of Ownership

Kind of Ownership	N	Mean	Standard Deviation	t-Value	Significance
Sole Proprietorship	150	36.60	5.19	4.030**	.000
Partnership	90	40.33	4.67		

** Significant in 1% level

Mean value of knowledge of small traders on Goods and Services Tax in sole proprietorship and partnership are 36.60 and 40.33 sequentially. This explicates that small traders in partnership have good knowledge on Goods and Services Tax as compared to sole proprietorship.

The t-value is 4.030 and it discloses that significant difference exists amid knowledge of small traders on Goods and Services Tax and kind of ownership.

6.3.2. Knowledge of Small Traders on Goods and Services Tax and Investment

The relationship amid knowledge of small traders on Goods and Services Tax and investment is shown in Table-4.

Table 4. Knowledge of Small Traders on Goods and Services Tax and Investment

Investment	N	Mean	Standard Deviation	F-Value	Significance
Less than Rs.2,00,000	54	35.76	5.67	5.772**	.000
Rs.2,00,001 – Rs.3,00,000	65	36.94	5.22		
Rs.3,00,001 – Rs.4,00,000	83	37.83	4.55		
More than Rs.4,00,000	38	39.63	3.95		

** Significant in 1% level

Mean value of knowledge of small traders on Goods and Services Tax in investment group of less than Rs.2,00,000, Rs.2,00,001 – Rs.3,00,000, Rs.3,00,001 – Rs.4,00,000 and more than Rs.4,00,000 are 35.76, 36.94, 37.83 and 39.63 sequentially. This explicates that small traders in investment group of more than Rs.4,00,000 have good knowledge on Goods and Services Tax as compared to others.

The F-value is 5.772 and it discloses that significant difference exists amid knowledge of small traders on Goods and Services Tax and investment.

6.3.3. Knowledge of Small Traders on Goods and Services Tax and Establishment

The relationship amid knowledge of small traders on Goods and Services Tax and establishments shown in Table-5.

Table 5. Knowledge of Small Traders on Goods and Services Tax and Establishment

Establishment	N	Mean	Standard Deviation	F-Value	Significance
Own	107	36.85	4.87	4.904**	.000
Leased	92	37.28	4.50		
Rented	41	40.61	3.95		

** Significant in 1% level

Mean value of knowledge of small traders on Goods and Services Tax operating in own, leased and rented establishment's are 36.85, 37.28 and 40.61 sequentially. This explicates that small traders operating in rented establishment have good knowledge on Goods and Services Tax as compared to others.

The F-value is 4.904 and it discloses that significant difference exists amid knowledge of small traders on Goods and Services Tax and establishment.

6.3.4. Knowledge of Small Traders on Goods and Services Tax and Employment

The relationship amid knowledge of small traders on Goods and Services Tax and employments shown in Table-6.

Table 6. *Knowledge of Small Traders on Goods and Services Tax and Employment*

Employment	N	Mean	Standard Deviation	F-Value	Significance
Less than 3	78	36.24	5.41	5.823**	.000
3 – 5	110	37.75	4.92		
More than 5	52	40.04	4.12		

** Significant in 1% level

Mean value of knowledge of small traders on Goods and Services Tax providing employment to less than 3, 3 – 5 and more than 5 persons are 36.24, 37.75 and 4.12 sequentially. This explicates that small traders providing employment to more than 5 persons have good knowledge on Goods and Services Tax as compared to others.

The F-value is 5.823 and it discloses that significant difference exists amid knowledge of small traders on Goods and Services Tax and employment.

6.3.5. Knowledge of Small Traders on Goods and Services Tax and Annual Turnover

The relationship amid knowledge of small traders on Goods and Services Tax and annual turnover is shown in Table-7.

Table-7. *Knowledge of Small Traders on Goods and Services Tax and Annual Turnover*

Annual Turnover	N	Mean	Standard Deviation	F-Value	Significance
Below Rs.5,00,000	61	36.17	4.50	6.295**	.000
Rs.5,00,001 – Rs.10,00,000	87	37.77	4.39		
Rs.10,00,001 – Rs.15,00,000	63	38.16	4.17		
Above Rs.15,00,000	29	40.58	3.77		

** Significant in 1% level

Mean value of knowledge of small traders on Goods and Services Tax attaining annual turnover of below Rs.5,00,000, Rs.5,00,001 – Rs.10,00,000, Rs.10,00,001 – Rs.15,00,000 and above Rs.15,00,000 are 36.17, 37.77, 38.16 and 40.58 sequentially. This explicates that small traders attaining annual turnover of above Rs.15,00,000 have good knowledge on Goods and Services Tax as compared to others.

The F-value is 6.295 and it discloses that significant difference exists amid knowledge of small traders on Goods and Services Tax and annual turnover.

6.4. Relation amid knowledge of small traders on goods and services tax and their sales

The correlation analysis is employed to analyze relation amid knowledge of small traders on Goods and Services Tax and their sales and the result is shown in Table-8.

Table8. *Relation amid Knowledge of Small Traders on Goods and Services Tax and their Sales*

Particulars	Coefficient of Correlation
Knowledge of Small Traders on Goods and Services Tax and Their Sales	0.52**

** Significant in 1% level

The correlation coefficient amid knowledge of small traders on Goods and Services Tax and their sales is 0.52 and it clarifies that both are positively and moderately related with each other.

7. Conclusion

The above study elucidates that small traders are agreed with Goods and Services Tax is structured well, Goods and Services Tax is inclusive, Goods and Services Tax is transparent, Goods and Services Tax is good for small traders, Goods and Services Tax increases revenue collection, Goods and Services Tax reduces physical and paper works and Goods and Services Tax eliminates ill effects of indirect tax. Significant difference is there amid knowledge of small traders on Goods and Services Tax and their profile. Knowledge of small traders on Goods and Services Tax is positively significantly and moderately related with their sales. Thus, Goods and Services Tax should easily understandable and it must protect interest of small traders. Further, Goods and Services Tax should bring down prices of goods and services at large extent and Government must enhance knowledge of small traders on Goods and Services Tax through awareness campaigns. Besides, traders association and NGOs should organize programmes to enhance knowledge and realize significance of Goods and Services Tax among small traders.

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