



GST Knowledge and Effects among Small Business Owners: A Study of Tiruchirappalli District in Tamilnadu

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Article Info:

Received 05-06-2023 | Accepted 04-07-2023 | Published 01-08-2023

Volume : 01 Issue : 01 August 2023 | Page No : 01-05

ABSTRACT

The Goods & Services Tax (GST) is an admirable attempt to rationalize India's massive indirect tax system. The adoption of GST reduces overall taxation and makes it easier to do business in the country. Businesses and consumers, who currently foot the bill for taxes, are the primary targets for gauging the effects of GST. There will be a considerable boost to India's GDP from the unorganized sector and some of the manufacturing sectors as a result of this provision. The study's main purpose is to evaluate the extent to which small business owners are familiar with GST and its effects. Research is being done to ascertain the amount of impact and the level of satisfaction, even though it is evident that production or sales will be affected. Information was gathered through a survey administered to 50 company owners in the Tiruchirappalli area of Tamil Nadu for this study. The information was gathered with the help of a designed questionnaire. According to the data, business owners know about GST and think it's a fair taxation system, but they need greater clarity and a simpler approach because they have to rely on CAs for online submissions. This report made an effort to present an approximation of GST's actual impact and concluded with some recommendations.

Keywords:

Indirect Taxes, Impact, GDP, Ease to business

Introduction

Indirect tax, also called GST, defines "one tax, one nation" and is the primary source of tax revenue for the Indian government. Before 1 July 2017, many different types of taxes were levied under the guise of indirect tax, including, VAT tax, luxury tax, state tax, purchase tax, central tax, entry tax, lottery taxes, entertainment tax, surcharges, & central taxes like service tax, central excise duty, and special additional taxes. Think about how much math is involved in paying each tax and how much of an impact that will have on your budget. This left the salespeople perplexed. This led to some bewilderment on the part of the merchants. With the advent of GST and the subsequent development of indirect tax, the ground has been paved for online GST filing. Cascade elimination was another key motivation for GST, but critics say the tax hasn't been successful so far. The term "tax on tax" is used to describe the cascading effect, which is the coordinated increase in product price that results from tax increases.

For example, the government takes in a sizable sum of money (about 28% of GDP) from petroleum sales, and taxing it would put an end to this revenue stream. In certain states, the sale of alcohol accounts for more than half of the income (not counting GST on liquor). There must always be access to cheap electricity, as it is a basic human need. Citizens may be swayed in one direction or another by the promises of political parties that say they will supply cheaper electricity. The most difficult aspect of implementing GST was reaching out to and educating 133 crore people, particularly in areas where people are resistant to change. The majority of issues have been resolved thanks to the categorization and explanation of prices for various items and services. At the outset, widespread price increases drove the economy into inflation. Due to the obscurity surrounding the economic incentives, people are being more polite than usual.

Yet many companies still lack the necessary IT infrastructure to issue GST bills and pull the necessary information. Inadequately trained personnel and the need for management re-skilling are contributing factors that have weighed down several industries. Startups found it challenging to comply with GST because they lacked industry experience and were unfamiliar with the new taxes structure.

Finally, it can be declared that GST paid for openness and a more comprehensive tax system. To eliminate corruption entirely would be impossible, however it is possible to lessen its impact.

Review of Literature

Dr. Mukesh K. Sharma, Suniti S (2019) stated that India needed a huge, powerful, and organized taxation structure to compete internationally in the modern era of globalization. If implemented, the GST has the potential to greatly improve the ease with which businesses can operate. Initially, every state utilized its own assessed tax rates, which muddled matters, increased costs across the board, and discouraged FDI. Most people who participated in the survey had heard of the Goods and Services Tax (GST) Act and were familiar with the rates that had been applied to products, however, the owners of small businesses were dissatisfied with the rates imposed.

Sweetey Deswal (2019) stated that the Goods & Service Tax was the country's great move, and it has had far-reaching effects on the growth of many different businesses. The story explains the historical background of this type of taxation. The tax changes enacted by the present administration are also described in depth. All of these studies show that GST should be enforced, and they also show where the Supreme Court's decisions on certain matters fall short of providing the legal justification that is often given in favor of doing so.

Kaur (2018) The goal of this research was to find out how well-known GST is and what kind of changes individuals anticipate seeing as a result of its introduction. Based on the results, the study concludes that people still know little to nothing about GST and have a poor impression of the Act as a result. The fact that the respondents did not know which slabs had been put into place further illustrates their ignorance of the products and services market.

Mishra (2018) provided insight into some of the rates. Researched industries include pharmaceuticals, agriculture, textiles, mobile and accessories, the real estate sector, the telecommunications sector, fast-moving consumer goods (FMCG), vehicles, banking, and financing. The document claims that more businesses will enter the manufacturing sector if a uniform tax rate is applied. People will gain as well, as lower costs and higher spending will boost GDP and benefit everyone. An increase in GDP will entice foreign investment, which in turn will generate new jobs in some capacity.

Chouhan et.al. (2017) concluded that Approximately 148 Rajasthani small-business proprietors were surveyed for this study. It also shows the difficulties that entrepreneurs have in understanding the act and its reliefs. Customers' refusal to pay GST was the primary source of difficulty in filing taxation, and respondents' view that the process was complicated due to the prevalence of technology throughout the entire thing was another big source of friction. Knowledge was minimal to moderate, and most respondents were opposed to backing the law.

Research Gap

From the published works, it is apparent that GST is a topic of active study in the field of economics. Although there have been numerous macro-level studies, there has been no comparable investigation at the micro- or semi-urban levels. Considering this, the purpose of the research is to learn how well-known and felt GST is among Tiruchirappalli district, Tamil Nadu's small business owners.

Objectives of the Study

- To determine the level of GST awareness among business owners in the Tiruchirappalli district.
- To measure the effect of GST on Tiruchirappalli district-based business owners.

Research Methodology

In this descriptive study, business owners from a variety of sectors in the Tiruchirappalli district were surveyed. There are three sections in this namely:

Sources of Data

A questionnaire was given to participants in order to obtain primary data. The study makes heavy use of secondary data to back up its basic data and build a solid theory. We relied on a wide variety of secondary resources, including scholarly journals, newspapers, publications, GST websites, working papers, government documents, and databases like SSRN and Shodh Ganga.

Sample Size

50 small business owners

Sampling Technique

The Non-Probability sampling strategy only employed a practical approach.

Part A Demographic Characterize

Gender	Frequency in Percentage
Female	0
Male	100
Age	
18 to 30	12
31 to 50	54
Above 51	32
Literacy level	
Illiterate	0
Up to Secondary Education	36
Up to Graduation	52
Up to Post-Graduation	12
Occupation	
Daily wages	0
Businessman	96
Farmer	0
Job	4
Others	0
Monthly Family Income	
Less than ₹5,000	4
₹5,000 to 15,000	14
₹15,000 to 30,000	34
₹30,000 above	48
Type of area	
Rural	96
Semi-Urban	0
Urban	96
Remote area	0

In order to learn more about the 50 respondents, a survey was conducted to them. It was found that all 50 respondents were men. About 1 in 10 respondents falls in the 18–30 age bracket, 54% are in their 30s, and 34% are in their 50s or older. Only about a third of those asked have completed high school, whereas about half of those questioned have degrees and 12% are postgraduates, indicating that education in the Tiruchirappalli district is of high quality. 96% of those who responded are business owners, while 4% are employed. 4% of those who responded have a monthly family income of less than 5000, 14% have a monthly income of 5000-15000, 34% have a monthly income of 15000-30000, and the majority, 48%, have a monthly income of 30000 or more, indicating that the respondent's income level is high.

PART- B

How many respondents have GST awareness	Frequency in Percentage
No	0
Yes	100
What was the source of awareness?	
Friends/Relatives	22
Internet	26
Teacher	0
Media	52
Others	0
Does GST is a burden for the people?	
No	82
Yes	18
Is GST a fair tax system?	
No	16

Yes	48
Is available legislation satisfactory in relation to GST?	
Yes	30
No	70
GST is easier than an early taxation system	
No	12
Yes	88
What kind of tax GST is?	
Indirect Tax	100
Direct Tax	0
Head of GST council of India	
Mrs. Nirmala Sitharaman	64
Dr. Rajeev Kumar	6
Mr. Narendra Modi	4
Mr. Arun Jaitley	26
Is the business registered under GST?	
No	8
Yes	92
Do Businesses have Knowledge about GST online portal?	
No	0
Yes	100
Does the available legislation in relation to GST Satisfactory?	
Yes	18
No	82
Does the respondent's current software equipped is capable enough to handle the proposed GST?	
No	8
Yes	92
Need the assistance of a lawyer or CA while filing the return?	
Not Required	40
Required	60

As can be seen from the tabulation presentation, respondents are cognizant of the changes to the tax implementation technique and are aware of the presence of GST and its presence in the bill passed by parliament. Media and the internet, as seen in the accompanying table, are the most influential forms of knowledge because they reach the greatest number of people quickly and easily. The media is the single most important factor in shaping reactions. The final piece of evidence shows that most respondents believe GST is not an income tax and has helped address some of the problems with the prior system.

Some respondents argue that the current rule needs more exemptions to account for unforeseen circumstances. The respondents have been given some breathing room by the new tax filing method. In record 4, it can be seen that the vast majority of respondents are able to meet the expectations of GST and welcome the change in the system, while others are unhappy and think more changes are needed to the current tax system.

Findings

The majority of respondents (70%) seek further explanation in the GST Regime legislation, suggesting that most people find the concept of GST to be too hard to understand as written. There was no demand for clarification from those polled, who make up 30% of the total.

The majority (88%) of respondents agree that GST is a vast improvement over the previous tax system, finding it easier to use, more dependable, and more adaptable. A lot less paperwork and extra work is required. Only 1 in 10 respondents think the GST is too difficult and won't be adopted until major changes are made.

In accordance with all respondents are fully aware that GST is an indirect tax. Both a direct tax and an indirect tax system are in place in the country. Indirect taxes filed by businesses are affected by the Goods and Services Tax (GST). According to the data, the vast majority of businesses in the Tiruchirappalli area are registered as GST taxpayers (92% of those who answered), suggesting that

they operate lawfully and efficiently.

Only 4% of respondents are not GST registered because of competition from a new entry or an evolution/expansion of the business. A company is officially recognized by the state when it has been registered in conformity with all applicable laws. According to the findings, all respondents had heard about the GST portal either directly or through other people. They were also cognizant of the incorporation of new GST filing and government reimbursement procedures.

Paperwork has been cut down significantly, and tax filing made easier, all thanks to the GST online platform. In order to file taxes and receive reimbursement, it is important to remember the dates the government declares via sources. As a result, while 88% of respondents said they had concerns about the adoption of the new modifications to the law, they were content with the outcome.

The GST implementation has enhanced documentation while reducing manual labor by facilitating tax filing via online registration. More than half of those surveyed said that GST has increased the amount of paperwork they have to complete because each transaction now needs to be proofread, while the emergence of online tax filing has reduced the amount of manual work they have to complete because they now only need to submit the framed form with the necessary information.

Suggestions

- The GST Council needs to streamline the current GST process.
- Modulation of the implemented rates is recommended.
- Regular GST training courses, especially in semi-urban regions, are encouraged.

Conclusion

India needed a robust and organized tax system to remain competitive in the globalized world. The Goods and Services Tax (GST) will facilitate less complicated transactions and boost openness. Formerly, foreign direct investment was stymied by the varying tax rates imposed by individual states. This created unnecessary complexity and led to a rise in prices as tax increases rippled throughout the economy. Small business owners were unsatisfied with the rates criterion, despite the fact that respondents in the study were well-versed about the GST Act and the rates enforced on products. Taxpayers who are required to file their returns electronically have expressed their gratitude for the new law because it has significantly cut down on paperwork and freed up valuable hours. When asked whether they thought GST has helped eliminate corruption, 62% of respondents said it had. The study found that the vast majority of respondents expected GST to boost the nation's economic growth, but also that they needed more information to make an informed decision. The GST Council must keep working to improve the Indian economy.

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How to cite this article: Pavithra, S., & Kannan, B. (2023). GST Knowledge and Effects among Small Business Owners: A Study of Tiruchirappalli District in Tamilnadu. *Maayan International Journal of Commerce and Foreign Trade*, 1(1), 1-5. Retrieved from <https://mijcft.com/index.php/mijcft/article/view/2>



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