

AWARENESS ABOUT GOODS AND SERVICES TAX AMONGST THE DARSHINI RESTAURANTS – AN EMPIRICAL STUDY OF BANGALORE CITY.

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Abstract:

As a developing economy India should have public friendly tax system which should not affect either income generation or emotions of citizen of its country. The majority of income for nation comes from tax collection through direct or indirect taxes levied on variety of businesses and income generation of individuals. Because of complexity and cumbersome tax structure many of economies over the world have come up with major changes in tax systems over the last two decades, which includes India to set up GST with all amendments modifications since 2000. Comparatively minimum scope to evade tax in the new GST regime. However, India being a country of having less than one fourth of its population as computer literates, it is not a smooth job to have at the most compliance with online returns. One of the most important benefits of the move is the enhancement of coverage of tax payers and especially the small business units such as self service restaurants and hotels and to make tax paying an easy affair for such business units. Hence this research study is an attempt to know the awareness level of GST among the small retail businesses.

This paper focuses mainly on the awareness about the GST among the small and mostly self service restaurants in Bangalore city which are popularly called as Darshini. tax payers/practitioners in complying with GST provisions. The study adopts descriptive analysis method carried on basis the responses to the questionnaires collected from the accountant, GST

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practitioners and academicians. The paper attempts to provide basic details of GST and GST returns in brief, analysis of the questionnaires, conclusion driven there on and provides with viable suggestions at the end of the study.. Interestingly, the study has found that a majority of the respondents are aware of the new tax reform; a large number of those traders are still to be covered under tax payment.

Key Words : Darshini Restaurants, GST, Composition tax

Introduction:

The tax is the life blood of every economy in the income generation (Revenue to the government). This system of taxation is not of recent origin, we could see several references of tax in ancient scriptures like Manusmriti and Kautilian Arthashastra. However this modern system of taxation was introduced for the first time in India in 1860 because of financial crisis of 1957.

GST is a comprehensive destination based indirect tax levy on the basis of the “Destination Principle” of goods as well as services at the national level. It is a comprehensive tax regime covering both goods and services, and be collected on value-added at each stage of the supply chain. Its main objective is to consolidate multiple indirect tax levies into a single tax thus subsuming an array of tax levies, overcoming the limitations of existing indirect tax structure, and creating efficiencies in tax administration.

GST will be a game changing reform for the Indian economy as it will create a common Indian market and expected to reduce the cascading effect of tax on the cost of goods and services. It will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilisation and reporting, leading to a complete overhaul of the current indirect tax system. GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimisation, IT, accounting, and tax compliance systems.

With the implementation of GST, which is likely to be done by April 2017, three sectors will benefit the most: retail, FMCG and consumer durables companies and logistics business. Now, it is time to introspect whether these sectors are completely aware of this change to come. Especially the retail sector is the most nearest sector to common public, needs to have immediate awareness about the tax norms.

Therefore, an attempt is made here to understand the awareness about GST among the retail businesses as well as their preparedness towards to adopt it in the country, by choosing Bangalore city cities as an empirical study area. Following research questions were raised to find out the objective of this study.

1. Whether the small restaurants in these twin cities are aware of the changing tax structure from VAT to GST?
2. How are the small restaurants paying the tax under new GST schemes?

Objective of the Study: The general objective of the study is to assess the awareness of Goods and services Tax (GST) implementation in the country, which is broken into two specific objectives:

- To study the awareness about GST amongst the Darshini restaurants of Bangalore City.
- To know the perception of Darshini eateries Owners, regarding the implementation of GST regime.
- To evaluate the change in the percentage of number of tax payers after GST implementation.
- To ascertain the effect of GST implementation on revenue of Darshini eateries.

Research Methodology:

Descriptive data analysis techniques are employed to analyse the data collected from the primary sources by doing a sample survey of small restaurants in the town.

Instrument: A questionnaire is designed having 20 questions exploring the awareness and preparedness of the small restaurants about GST. Then the questionnaires were filled by the

researcher through a close interaction with the shop keepers and the small restaurants at their location.

Sample: A sample of 120 retail businesses has been chosen from Bangalore city city, which is situated in northern part of Karnataka state, approximately 425 km away from Bengaluru. It is a semi commercial twin city with three Universities functioning and newly created IIT has been started from the year 2016-17. Having a small airport along with both rail and road means of transportation available. The respondents were chosen on convenience basis and were studied using questionnaire method of data collection. The questionnaire was instrumented on a sample of 120 small restaurants doing business in the twin city of Bangalore city by adopting convenient sampling method.

The responses are further captured into printed questionnaires and the required primary data has been extracted from it using coding and tabulation techniques. The quantitative data analysis has been done using SPSS package is applied to explore and identify the awareness and preparedness about GST, the perception of small restaurants towards the new tax system. Further data analysis tools like averages, percentages, graphs such as bar, pie-charts are worked out to assess the awareness of GST.

Analysis and Findings:

An elementary descriptive analysis is made here to assess and explore the factors restricting the online buying decision of students. The analysis of the data flows into two parts, in the first exploring the demographic information of the Darshini Restaurants and in the second part the awareness about the GST among the Darshini Restaurants will be analysed using descriptive analysis. Table-1 is prepared to describe demographic information of the respondents. The respondents under study were chosen from Bangalore city city, on convenience sampling basis. Care has been taken to identify the retail businessman for the study. The questionnaire was self administered by the researcher by a closed interaction with the Darshini Restaurants under study.

1. From Table-1 it is clear that, 65% of the Darshini Restaurants are aware of GST and hence the status of GST is showing fair percentage awareness about GST among the Darshini Restaurants. Thus our first objective is fulfilled to verify whether the Darshini Restaurants are aware of this new tax reforms.

In the second part of analysis the Table-2 given below summarises various sources identified in the study through which the respondents have got awareness about the new tax.

Table- 1: Demographic information of Respondents

Demographic items	No of Respondents	Percentage
No of Respondents	150	
Sex		
Male	98	65
Female	52	35
Age group		
20-30	21	14
30-40	49	32
40-50	30	20
50 & above	51	34
Marital Status		
Married	138	92
Unmarried	12	08
Income Level (In Lakh Rupees)		
Below 10	18	12
10-200	30	20
200-500	67	45
500-1000	15	12
1000 and above	20	11
Awareness about GST		
YES	102	68
NO	42	28
No Response	06	04

2. From the Table-1 above we can make out that, 65% of the respondents are aware of the proposed change in tax structure to come from April 2017 in the town. Of them, 60% of the

respondents have got the awareness from Media notifications. Others came to know about it from various other sources listed in Table -2 below.

Table 2: Awareness about tax payment

Source of information	Frequency	Percent (%)
Government Notification	06	05
Media	72	60
Friends & Relatives	18	15
CA's	12	10
Beneficiaries	12	10
Total	150	100

Besides that, 50% of the Darshini Restaurants under study opined that they know tax payment is a government regulation and they cannot avoid it. Interestingly 24% of the Darshini Restaurants though is a small proportion as shown in Table-2, is significant percent of the Darshini Restaurants those are still dependent on the Tax consultant's advice and doesn't have awareness about the new tax structure. Only 10% of them are of the opinion that tax payment is a national responsibility and the remaining are just take it light approach Darshini Restaurants.

Table 3 Reasons for payment of tax ?

Why Do we pay tax	Frequency	Percent (%)
Govt. Regulation	60	50
As a National Responsibility	12	10
Advice by Tax consultant	29	24
As a routine	19	16
Total	120	100

Since, there are many unregistered business firms, many of their customers have shifted to those firms and as a result, their sales/revenue has deteriorated significantly. Similarly, as the controlling system of the authority is not well-developed, there are different business firms in selling their product and services VAT free which is affecting their businesses badly.

Some of the respondents have also explained that the introduction of VAT has brought them different complexities in their day-to-day activities and their record keeping system. As a result, they have been forced to hire additional professional employees thereby causing additional expenses.

3. From the Table-2 above, we can easily make out that, majority of the respondents have known about GST through Media.

Table-4 Opinion of the respondents on the awareness about GST.

Benefits of GST	N	Mean	Std. Dev	Std. Error Mean	t	df	Sig. (2-tailed)
Advantageous	120	2.43	.785	.072	19.886	119	.000
Transparency	120	2.33	.769	.070	18.881	119	.000
One Point Payment	120	2.49	.789	.072	20.723	119	.000
Tax_Reduction	120	2.39	.843	.077	18.082	119	.000
No_Cascading	120	2.44	.786	.072	20.082	119	.000
Reduces_Evasion	120	2.49	.789	.072	20.723	119	.000
Easy_workout	120	2.38	.779	.071	19.347	119	.000

4. From the Table 4 above, it is clear that, the p-value in testing a hypothesis that, people are not aware about the benefits of GST such as Advantageous, transparent, low tax, no cascading effect, low evasion and ease in workout etc is less than the 0.05 the level of significance and hence ensuring the rejection. This means that there is a significant awareness among the people that GST is beneficial in one or the other way for Darshini Restaurants if implemented.

In other words majority of the respondents under study were of the opinion that, GST will bring reforms such as transparency, reduction in tax, and ease in working out tax. They also opine that GST will bring control on tax evasion.

5. About 30% of the Darshini Restaurants are aware and prepared to pay tax online, while the percentage of Darshini Restaurants still prefer to pay through an old conventional method of

advance tax paying system as per the advice of the CA or tax consultant shows that there is no preparedness for self payment of tax by the Darshini Restaurants under the study. This Table prompts that, though people are aware of tax payment and the upcoming reforms in it, they need to be trained or made aware about the ways and means of calculating the tax (GST) so as to make tax payment more easy and the GST to be more successful.

Limitations: Time, cost and resources are again the main limitations of the study. Since the

1. The study was restricted to Bangalore city the regional disadvantages may affect the results to some extent.
2. Respondents' views and opinion may hold good for the time being and may vary in the future.
3. The opinion of the respondents may change sharply depending upon the education level and nature of the business being done.

All of the above may be scope for further research with a variety of variables and their impact on acceptance of such tax reforms by the people of the country.

Conclusions :

GST is set to emerge as the main source of government revenue. Nowadays, many countries in the world have adopted GST as part of their tax system. However, in India its implementation is challenging. From this empirical study, it can be easily make out that, the awareness about GST is fairly high about 65% and the preparedness is in opposite direction with only 25% of the respondents said they are prepared to pay GST. There is still good percent of Darshini Restaurants who have resistance for change is upto 22%. Where as respondents have shown fair bit of awareness about the benefits of GST such as transparency in tax, one point payment, reduction in tax, reduction in cascading effect, ease in workout etc. Therefore two points for the policy makers may be prompted as an outcome of this paper

Recommendations: Based on the analysis of the data collected under the limited scope of this study the following recommendations may be considered at the policy level.

1. Since only about 30% of the Darshini Restaurants are aware and prepared to pay tax online, there is a scope for improving this percentage by spreading awareness among the Darshini Restaurants by adopting suitable campaigns on tax awareness.

2. Though Darshini Restaurants under study have shown great awareness about the change that is going to come, but major proportion of them (60%) are still dependent upon the tax consultants' advice for making tax payment and are not auto tax paying business still. This also prompts at the policy makers to launch effective campaigns to train such small tax payers in such a way that they would make payment as a routine instead of one time settlements at the end of the accounting year.

Needless to say that, these recommendations are again limited to the scope of the study area and many such steps must have already been taken the Government at the Centre.

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