

Perception of financial executives about GST

Archana. E¹, P. Praveen Kumar² and Benita. S. Monica³

Abstract: *In current regime, In India, citizens are experiencing single tax system after the implementation of Goods and Service Tax (GST). In order to abolish various taxes like VAT, sales tax, exercise tax, custom duty etc. GST has been introduced. The main aim of GST is to bring a common tax percentage for all over India. GST registration has become mandatory and which will increase in tax agreement. The industrial sector and government will get benefit due the implementation of Goods and Service tax. This paper aims to find out the perception of financial executives on GST. Results of this study indicate that the financial executives are having the perception that GST brings a transparency in taxation structure in India and it is better than Value Added Tax (VAT) system.*

Keywords: GST, single tax system, VAT, CGST and SGST.

Introduction

Goods and Service Tax was implemented on 1st July, 2017 in India by the honorable Prime Minister Shri. Narandra Modi. It was first introduced in France. Almost 165 nations have implemented GST. India is the 166th country to implement GST. The primary objective of implementation of GST is that to eradicate different types of indirect taxes such as VAT, Sales tax, Service tax, CAD (countervailing additional duty), Custom duty, Exercise duty, Stamp duty, SAD (special additional duty), Property tax, Anti-dumping duty, Entertainment tax, Local Body taxes, Entry tax, Securities transaction tax and so on. The GST taxes are collected in the names of Central GST (CGST) and State GST (SGST). Through this both the central and state Government will generate revenue which will benefit in the Economic growth of the nation. Now the current tax system GST has merged all indirect taxes under one roof and helps to trade in smoother way and which benefits both the Indian economy and corporate sectors.

Review of Literture

GST is one of the most essential tax reforms in India which has been pending for a longer period (Sehrawat, Dhanda, 2015). The idea behind the GST is to substitute various taxes like service tax, value added tax, sales tax and service tax by levying an inclusive tax on the sale, manufacturing and consumption of goods and services (Nithin Kumar, 2014). Earlier, Government of India has stated a timeline to introduce GST in India by 1st April, 2016

(Arun Kumar, 2015). GST will increase the tax base, reduce alterations in the economy through a more comprehensive input tax credit, ensure regional equity by getting rid of inter-

¹ II MBA, Saveetha School of Management, Saveetha University, Chennai.

² Asst. Professor, Saveetha School of Management, Saveetha University, Chennai.

³ Asst. Professor, Saveetha School of Management, Saveetha University, Chennai.

Corresponding author: Benita. S. Monica can be contacted at: benisrj@gmail.com

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state sales tax and help in unified national market by take away inter-state trade barriers (Mahesh and Daru, 2016). Both the Centre and State Government should have access towards the GST base (Cnossen, 2013). (Mukherjee 2015) provides a broad relief of the future GST regime and highlights the major tasks which require instant consideration from the Governments. It is not right in a country like India to tax the people, falling in the middle and lower income class, more than once (Gupta, 2015). Indian current tax system has various limitations like complexity, Cascading effect, Lack of tax compliance etc. GST is expected to remove all these lacks in the taxation system (Vinay, 2016).

Research Methodology

This study adopts descriptive research because descriptive research will show the clear details of the study. Primary data was used to find out the perception of financial executives about GST. Questionnaires were distributed to collect the data from 60 financial executives who are working in manufacturing and trading companies. The respondents from finance department of the organization have been selected based on systematic random sampling. Statistical tools such as frequency analysis, mean analysis and factor analysis have been applied.

Age of the Executives

Categorization of executives based on their age is arrived at by applying the frequency analysis for the given data. Table 1 shows the results of frequency of age of the executives.

Table 1: Age of the Executives

S.No	Age	Frequency	Percentage
1	15-30	34	56.7
2	31-40	4	6.7
3	41-50	17	28.3
4	51-60	5	8.3
	Total	60	100.0

Table 1 shows the age group of employees who are working in the finance department of manufacturing and trading companies. It is clear from the table that majority of executives (56.7 percent) are between the age group of 15 - 30 years. Followed by 28.3 percent of executives are between the age group of 41 - 50 years.

Education Qualification of the Executives

Education is the prime factor which will influence the perception of respondents. Hence, this study collected the educational qualification details of the executives. The frequency analysis result of educational qualification is shown in Table 2.

Table 2: Education Qualifications of the Executives

S.NO	Educational Qualification	Frequency	Percentage
1	Undergraduate	23	38.3
2	Postgraduate	27	45.0
3	others(CA)	10	16.7
	Total	60	100.0

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Table 2 shows the values of frequency and percentage of Education Qualification of the executives. It is clear that 45 percent of employees completed post-graduation; 38 percent employees completed under-graduation. It is inferred from the table that almost more than fifty percent of the executives have completed the professional degree.

Perception about the GST

Perception of financial executives about the GST related to transparency, tax systems, benefits, need, pricing, single tax, changes, causes, online, cash flow, tax burden and cost and revenue has been analysed by using mean analysis. Result of mean analysis is shown in Table.

Table 3: Perception about the GST

S.NO	Perception	Mean	Rank
1	GST brings a transparency in taxation structure in India (Transparency)	4.0333	1
2	Is GST better than VAT system (Tax system)	3.8333	2
3	Is single tax system, benefits both corporate and economy (Benefits)	3.5667	3
4	All business needs to registered under GST (Need)	3.4000	7
5	Impact of GST will cause higher price on goods and services (Pricing)	2.6500	10
6	With GST, people can be assured that the commodities have been tax under Single tax bracket (Single tax)	3.5167	6
7	Traders change the way they used to be do business, after the advent of GST (Changes)	3.5667	3
8	After the implementation of GST causes confusion while paying tax (Causes)	3.1000	8
9	E-way Billing plays an important role in GST(Online)	3.5667	3
10	Cash flow will increase due to GST in manufacturing and trading sector (Cash flow)	2.7500	9
11	GST will be burden for the People/consumer (Tax burden)	2.6500	10
12	GST, balance between minimizing costs and maximizing revenue (Cost and revenue)	2.6500	10

Table 3 depicts the mean scores and its rank related to perception about GST. Transparency has the highest mean value of 4.0333 followed by the tax system, benefits, changes, online, single tax and so on. Variables such as pricing, tax burden and cost and revenue have the lowest mean value of 2.6500. Majority of the financial executives are having perception that GST brings transparency in Indian Tax system. This study has taken 12 variables to measure the perception about GST. The factor analysis has been used to reduce 12 variables into smaller number of manageable variables.

Table 4: KMO AND Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.707
Bartlett's Test of Sphericity	Chi-Square	330.430
	Df	66
	Sig.	0.000

Table 4 shows the values of KMO, Bartlett's test and its significant value. The values of KMO, chi-square and its significant values are 0.707, 330.430 and 0.000 respectively. It is clear that KMO value is greater than 0.5 and significant value is less than 0.05. The resultant values indicate that present data is useful for factor analysis. Table 5 shows the result of total variance explained.

Table 5: Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	2.982	24.848	24.848
2	2.674	22.287	47.135
3	2.250	18.753	65.887

Table 5 shows that factor analysis grouped 12 variables into 3 factors. Values of variance are shown in the table. Factor 1 explains 25 percent of variance whereas factor 2 and 3 explains 22 and 19 percent respectively. Moreover, three factors explain 66 percent of variance. Next stage is to measure the rotated component matrix. Table 6 shows the factor loadings.

Table 6: Rotated Component Matrix

Perception about GST	Factors		
	1	2	3
Tax system	0.877		
Transparency	0.819		
Tax burden	0.710		
Cost and revenue	0.647		
Single tax		0.815	
Changes		0.781	
Benefits		0.726	
Need		0.630	
Online		0.558	
Causes			0.884
Cash Flow			0.874
Pricing			0.595

Table 6 shows the values of rotated component matrix. It is clear from the table that variables such as Tax system, Transparency, Tax burden and Cost and revenue grouped in factor 1. Hence this factor is named as "Tax System". Factor 2 includes Single tax, Changes, Benefits, Need and Online. Factor 3 includes Causes, Cash Flow and Pricing. Hence, factor 2 and 3 are named as "Benefits" and "Causes" respectively.

Conclusion

Implementation of GST will increase the support in manufacturing and trading sector. In addition to that revenue will be increased in both central and state by widening of tax system. Moreover, GST rates have been divided into Central GST (CGST) and State GST (SGST). This division will benefit in the Economic growth of the nation and the all states in India is having a unified tax rate which removes various tax systems. Financial executives are having the perception that GST brings transparency in tax systems.

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