

# CONSUMER PERCEPTION TOWARDS GOODS AND SERVICES TAX – A STUDY WITH SPECIAL REFERENCE TO RESTAURANTS IN CHENNAI CITY

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## **ABSTRACT**

*The Goods and Services Tax (GST) is an indirect tax which is used in India on the supply of various goods and services. It is indeed a multistage, comprehensive, destination-based tax: it is Multi-staged, because the GST is being imposed at each and every step of the production processes, but it is meant to be actually refunded to all the parties at the various stages of the production other than just the final consumer, it is considered to be comprehensive because of the reason that it has actually subsumed almost all of the indirect taxes barring a few state taxes. And finally as a destination-based tax, it is usually collected from the point of consumption and not at the point of origin as it was in the case of previous taxes. This study thus attempts to analyze the awareness of consumers about GST and there by analyze the perception of consumers about GST in restaurants.*

**Keywords:** GST, Consumer Perception, Consumer awareness, Indirect Taxes.

## **I. Introduction**

GST is considered as one of the important tax reforms in the history of Indian Tax system. It has very much affected almost all the sectors of Indian economy. The Fast Moving Consumer Goods (FMCG) industry is one of the most out-performing industries in India today and is also considered to be the most impacted by the introduction of GST. The GST rates system has a significant impact on the various FMCG products. The Goods and services tax is considered as a destination based tax levied on the consumption of various goods and services where in the tax will be levied at all the different stages right from the stage of manufacturing to till the final consumption is made and the set off is allowed in the form of input tax credits to business parties involved in those process.

## **II. Profile of the Study**

The Goods and Services Tax levied on the food services in India can vary from 5%, 12% or 18% depending on a number of factors like the type of establishments and also the location of the restaurant/food service provider. The basic implementation of the GST on the food services replaced VAT and the service tax regime, however, the basic service charges which are implemented by the restaurants are separate from the GST. It is also notable that the alcoholic beverages do still attract VAT, which is only a state level tax, therefore the

restaurants which are serving both the food and also alcoholic beverages will usually feature a separate tax rate with GST being very much applicable to the food and non-alcoholic beverages whereas the VAT will still be charged on various alcoholic beverages being served. Apart from the food services, the GST on food item is also applicable on food items that are purchased by common man, which currently features rates which are ranging from zero to 18% GST.

### III. Need for the Study

The Restaurant Industries are currently very much burdened with a lot of taxes at almost each and every point – ranging right from purchase of raw materials to the sale of finished goods. Multiple tax rates, which are in turn, being charged from customers at the point of final bill payments are huge turn-off for customers and this plays a major role in turning the customers away. Yet another major reason for carrying out this study is because of the Complex nature of the GST, which has often offered the restaurant owners with so many opportunities in order to cheat their customers by making them to pay extra amount.

### IV. Objectives of the Study

- To evaluate the consumer awareness towards the GST rates on restaurants.
- To analyze the level of satisfaction of the consumers towards the GST rates in restaurants.
- To analyze the consumers perception towards the GST rates in restaurants.

### V. Scope of the Study

- To find out the relationship between the income level of consumer and the satisfaction levels of consumers.
- Number of times the consumers visited

### VI. Limitations of the Study

- This study limits to consumer perception towards GST rates on restaurants only, not the other sector.
- The study is limited to Chennai city only
- Number of respondents limited to 124.

### VII. Review of Literature

**Girish Garg (2014)<sup>1</sup>** – In his study "Basic concepts and features of goods and services tax in India" has found that, GST is a combination of the supply of various products and the provision of various services. All the sectors of financial systems have felt the Impact of GST. The major part of SMEs, EXIM, the professionals and the Consumer are almost directly suffering due to impact of GST. He opined that it improves the nations' revenue collection and also boosts our countries' economic development.

**Krishan Kumar (2017)<sup>2</sup>** - "A study on Consumers perception towards GST (Goods and service tax)" - has stated that the consumers have not yet got complete understanding about the basic concept of GST. So, the researcher has suggested to make more efforts to create a basic awareness about the concept of GST. He further more suggested that there is a need to provide training programmes for the professionals of almost all the sectors of the economy for its successful

implementation.

**Anshu Ahuja (2017)<sup>3</sup>** in her study titled "Perception of people towards Goods & service tax" has envisaged that the GST are going to be fruitful in the process of the reduction of tax. It is also believed that it will work as a transparency system and a little too. The researcher concluded by saying that farmers and the small businessman should definitely provided with the tax relaxation. It will surely help in avoiding the unfavourable impacts tend to be caused by GST on their levels of income.

**Gowtham Ramkumar (2017)<sup>4</sup>** - "Impact of GST on consumer spending ability in Chennai city". In his research work, the researcher has come to a conclusion that the implementation of the GST affects the buyers spending ability and also it paved the way for a steep rise in the inflation level and also in reduction in price. Finally he concluded by suggesting to organisations that usually transfer the input tax credits to the buyer.

**D. Poorani & Dr. J. Vidiya (2019)<sup>5</sup>** –In their research study titled "A study on customer's perception towards Goods and services Tax (GST)" have stated that, GST will for sure increase the level of GDP and the Consumers are satisfied with the four tiers of GST. The Consumers are aware about the GST rate. The perception of the consumers depict that consumers have positive opinion amongst consumers.

#### VIII. Research Methodology

Validity of any research basically depends on systematic methods of collection of data and thereby analyzing the data in sequential orders with the logic that it relates to research, based on problems selected for the study.

##### Research Design

Research Design is basically an arrangement made of conditions for collecting and analysing of data in a manner which usually aims at combination of relevance to purpose of research with the economy in accordance with the procedures.

##### Sample Size

The sample size selected for the study is 124 respondents.

#### IX. Analysis and Interpretation

Statistical Tool: Percentage analysis

**Table 1**

**Consumer Awareness about GST rates charged in Restaurant**

GST RATES	RESPONDENTS	PERCENTAGE
Yes, know about GST rates	97	78.2%
No, don't know	9	7.3%
May be, Not sure	18	14.5%
	124	100%

Inference

The above table clearly depicts that around 78.2% of respondents are actually aware about the GST rates, 9 % of the respondents are completely unaware about the GST rates.

**Table 2**

**Levels of Satisfaction**

Satisfaction	Respondents	Percentage
Highly satisfied	5	4.0%
Satisfied	21	16.9%
Neither satisfied nor dissatisfied	32	28.5%
Dissatisfied	42	32.2%
Highly Dissatisfied	24	18.4%
Total	124	100%

#### Inference

The above table clearly shows that only 4% of the respondents are actually highly satisfied with the GST rates charged in restaurants, where as 18.4% of the respondents highly dissatisfied with the GST rates charged in the restaurants.

#### CHI – SQUARE TEST:

**Table 3**

The Table below shows that the age of respondents and the level of satisfaction with regard to GST rates in restaurants.

#### Observed frequency:

Age	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Total
17-21	11	15	47	73
22-25	8	15	17	40
26-30	3	1	1	5
Above 31	4	1	1	6
Total	26	32	66	124

#### Null Hypotheses:

There is no significant relationship between age of Respondents and the level of satisfaction towards the rate of GST in Restaurants.

#### Alternative Hypotheses:

There is a significant relationship between the age of the respondents and levels of satisfaction towards the rate of GST in Restaurants.

#### Expected frequency:

**Table 4**

S. No	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> -E <sub>i</sub> )	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
1	11	15.30	-4.3	18.49	1.20
2	15	18.33	-3.83	14.66	0.77
3	47	38.85	8.15	66.42	1.70
4	8	8.38	-0.38	0.12	0.01
5	15	10.32	4.68	21.90	2.12

6	17	21.29	-4.29	18.43	0.86
7	3	1.04	1.96	3.84	3.69
8	1	1.29	-0.29	0.08	0.06
9	1	2.66	1.66	2.75	1.03
10	4	1.25	2.75	7.56	6.04
11	1	1.54	-0.54	0.29	0.18
12	1	3.19	2.19	4.79	1.50
Total					19.16

**Calculated value of Chi square test = 19.16**

**Table value of Chi square test for 6 df at 5% level = 12.592**

**Calculated value of Chi square test = 19.16**

**Calculated value > Tabulated value**

**19.16 > 12.592**

**Inference:** Null hypothesis is rejected and Alternative hypothesis is accepted.

**Alternative Hypotheses:** There is a significant relationship between the age of the respondents and level of satisfaction towards the rate of GST in Restaurants.

#### **X. Findings of the study**

- The study revealed that 82.25% of the respondents visit restaurants below 5 times in a month.
- It is clear from the study that 78.2% of the respondents are aware about the GST Rates.
- It is evident from the study that 32.2% of the Respondents are actually dissatisfied with GST rates in Restaurants, 28.5% of the respondents are neutral, 16.9 % of respondents are satisfied with rates of GST in restaurants.
- Majority of 79.9% of respondents are of the opinion that GST Rates on restaurants should be reduced.
- The study clearly shows that 50.8% of respondents are of the opinion that the GST rates are actually a cost burden.
- There is a significant relationship between the age of the respondents and level of satisfaction towards the rate of GST in Restaurants.

#### **XI. Suggestion**

The research study suggested that the consumers must be made aware of GST rates on restaurants. Tax exemption must be given to those restaurants which fall under the 5% slab. Earlier the restaurants were allowed to claim Input Tax Credit but once the GST came to the fore, they were deprived of this right. Since majority of the consumers are of the feeling that the GST rates charged are high and hence it is suggested that the GST rates should be reduced. It is opined and suggested that the restaurants must be continuously monitored in order to make sure that the restaurants are actually charging the correct rate of GST from their customers. The Government must consider bringing back ITC at-least in the restaurants sector in order to protect the interest of both the owners of restaurants as well as that of the consumers.

## **XII. Conclusion**

The researcher concluded that based on the analysis of the perception of consumers it is clear that majority of the consumers are of the opinion that the GST rates must be reduced since they are too high in the restaurant sector. It is the need of the hour to conduct regular awareness programs regarding the GST rates in restaurants in order to prevent the consumers from being exploited. It is evident from the study that the consumers are most of the times restraining from going to restaurants due to high GST rates in many restaurants. Hence it is concluded that either the rates of GST should be reduced or the rates should be paid by the owners and should not be passed on to the consumers.

## **Ethical Clearance**

This is to certify that the article entitled “**Consumer Perception towards Goods and Services Tax – A Study with Special Reference to Restaurants in Chennai City**” is an original research work done by Me.

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