

**“A STUDY ON GOODS AND SERVICES TAX (GST) IN HANDICRAFT SECTOR  
WITH REFERENCE TO MYSORE CITY”**

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**Abstract:**

To reduce the overall tax burden on citizens, the government of India enacted a new indirect tax system called Goods and Service Tax (GST). The current research study the rationale behind the enforcement of GST in India, analyse how GST has altered market circumstances of Handicraft sector; and evaluate the perception of Handicraft entrepreneurs about GST. To achieve the objective of the study, both primary and secondary sources were employed to compile the data for this analysis. In-depth interviews with 25 Handicraft businesspeople and 25 buyers from various handicraft industries are conducted on-site to obtain primary data. The major findings of the study is Out of 100 business owners polled, 52 said GST had benefited their company, while the remaining 48 said it has been detrimental and among a sample of twenty-five purchasers/consumers, just one person reported any negative impact from GST. The other twenty-four are OK with GST. The current research has shown that, from a managerial and analytical perspective, the GST system is more favourable for the Government and enterprises. Additionally, GST aids in the prevention of tax evasion and the enhancement of tax collection and adherence.

**Key words:** GST. Handicraft, Legal Compliance, VAT.

## **1. Introduction**

Implementing GST would be a watershed moment for India's indirect tax reform movement. Any products and services are subject to the "Goods and Services Tax" (GST). The massive indirect tax systems are meant to foster economic expansion inside the nation. The primary objective of GST is to standardize India's diverse indirect tax structure. It was anticipated that consumers would benefit most from a 25%-30% decrease in product tax burden. Because of its open nature, GST would increase federal and state governments' income by making domestic and international markets more competitive for American goods. It is typical for problems and obstacles to arise during the introduction of a new system. Similar difficulties have been encountered with adopting and implementing the "Goods and Services Tax" (GST) system. This is why "An Empirical Study of the "Goods and Services Tax" (GST) System with Specific Reference to the State of Mysore in India" is being written.

### **The Development of India's GST 1**

The "Goods and Services Tax" (GST) in India was first suggested when Shri Atal Bihari Vajpayee served as Prime Minister. Subsequently, on February 28 2006, the then-Union Finance Minister advocated GST's adoption commencing on April 1 2010. Specifically, it was necessary that the Empowered Committee of State Finance Ministers (EC), which had previously developed the State VAT, offer a strategy and structure for the GST. The GST's joint working groups are charged with researching and reporting on a wide range of topics, including but not limited to exemptions and thresholds, the taxation of services, and the taxation of inter-State supplies. In November 2009, after many internal and external engagements, the EC released its First Discussion Paper (FDP) on GST. The aspects of the GST stated in the FDP formed the basis for the existing GST law and regulations.

The Constitution (115th Amendment) Bill, 2011, was initially presented in the Lok Sabha in March 2011 to pave the way for imposing GST. However, since there was no political consensus on the Bill, it died when the 15th Lok Sabha was dissolved in August 2013. The Constitution (122nd Amendment) Bill 2014 was initially presented in the Lok Sabha on December 19, 2014, and was adopted by the legislature in May 2015. On May 14 2015, the Rajya Sabha took up the Bill and forwarded it to the Joint Committee of the Rajya Sabha and the Lok Sabha. On July 22 2015, the report from the Select Committee was handed in. After obtaining considerable political support, the Constitutional Amendment Bill was submitted on August 1 2016. The measure was first passed by the Rajya Sabha on August 3 and then by the

Lok Sabha on August 8. The Constitutional amendment was adopted by the requisite number of State legislatures and got Presidential assent before being proclaimed as Constitution (101st Amendment) Act 2016 on September 8, 2016. The "Goods and Services Tax" in India was allowed to be imposed after a constitutional amendment was enacted.

The GST Council approved four bills on March 29, 2017; the Lok Sabha subsequently passed the Central "Goods and Services Tax" Bill 2017, the Integrated "Goods and Services Tax" Bill 2017, the Union Territory "Goods and Services Tax" Bill 2017, and the "Goods and Services Tax" (Compensation to the States) Bill 2017. The Rajya Sabha approved these measures on April 6, which were signed into law by the President on April 12. Subsequently, legislators in several states have enacted "Goods and Services Tax" measures. At a midnight ceremony on July 1 2017, after the passage of several GST laws, GST was formally launched by Shri Narendra Modi, Hon'ble Prime Minister of India, in the presence of Shri Pranab Mukherjee, then the President of India, in the Central Hall of Parliament of India.

### **What is GST Bill?**

"Goods and Services Tax" refers to a consumption tax paid by consumers when they make purchases (GST). Everything manufactured, sold, or consumed would be subject to this proposed indirect tax. GST is intended to replace the various indirect tariffs on goods and services now levied by India's central and state governments. GST would subsume all other taxes under a single, all-encompassing tax to prevent a domino effect of taxes on the cost of manufacturing and distributing products.

### **Characteristics of GST That Stand Out**

Here are some of GST's most notable characteristics:

- When something is made or sold, or when a service is rendered, the GST is charged.
- It is a dual GST since it is charged on the same products and services by the federal government and the individual states. When discussing taxes in India, one must distinguish between the federally imposed Central "Goods and Services Tax" (CGST) and the state level taxes collected by each state (SGST) (SGST).
- The "Goods and Services Tax" (GST) is applied to everything else except alcoholic drinks marketed for human use and five petroleum products (petroleum crude, high-speed diesel, motor spirit [petrol], natural gas, and aviation turbine fuel). Everything is included, with the possible exception of the services you choose.
- The GST Council's suggested rates for both the CGST and the SGST were implemented.

- The States may set the SGST rates within a narrow range, including a floor rate.
- Each state and federal government would utilize the same list of exempt goods and services, which the GST Council would compile.
- All interstate sales and tangible goods and services purchases will be subject to a uniform, statewide "Goods and Services Tax" (GST) rate. The SGST portion of IGST is transferred to the State of Consumption via regular account settlements between the Centre and the States.
- Taxpayers can offset the cost of output taxes by claiming a credit for taxes already paid on inputs (input tax credit). However, you cannot get a refund if you pay SGST using CGST or vice versa. The IGST refund may be used first to cover the IGST, then the CGST, and lastly, the SGST, if any.
- To the most significant degree practicable, CGST and SGST legislation, rules, and collection processes have been unified.

### **Revenue Sharing Between the Federal Government and the States (GST)**

Regarding fiscal affairs, the federal and state governments do not share any overlapping authorities as stipulated by the Constitution. The federal government collects taxes on produced goods (except alcoholic drinks for human use, opium, narcotics, etc.), whereas the states collect taxes on retail sales. The federal government may impose a tax (the Central Sales Tax) on transactions between states, but the local governments get to keep all the money they bring in. However, only the federal government has the authority to implement such measures when it comes to taxes on services.

An amendment to the Constitution grants the federal government and individual states the power to levy and collect GST. An innovative institutional framework is required to allow the Centre and the States concurrent authority for the levy of GST to ensure that the Centre and the States collaborate to make decisions on the GST's structure, design, and operation. A constitutionally binding process is essential for its success.

## 2. REVIEW OF LITERATURE

**Song and Yarbrough (1978)**, has defined tax compliance as a taxpayer's ability and willingness to comply with tax laws, as determined by ethics, the legal environment and other situational factors at certain times and places. In addition, tax compliance includes the willingness of taxpayers to fulfil tax laws, declare the correct income each year and pay the exact amount of tax on time.

**Loo and Juan (2005)**, examined the competence of taxpayers in direct taxation by limiting the samples to individuals who paid taxes in and before 2003 and those who may pay taxes in and after 2004. Knowledge of tax was viewed from the aspects of taxable income, exemptions, relief, tax rebates and credits. A total of 250 questionnaires was completed. The findings show that although respondents have tertiary education, their tax knowledge on personal taxes is still at a low level, making them 'inefficient and unwilling' to comply under the self-assessment regime

**Kirchler (2007)** revealed that taxpayers' attitude on compliance may be influenced by many factors hence leading to the influence of taxpayers' behavior and those factors vary from one country to another as well as from one individual to another such as taxpayers perception towards tax system, peer attitude, taxpayers understanding towards the tax system, motivations such as rewards, punishment such as penalties, cost of compliance, enforcement efforts, ethics of the taxpayer and tax collector, demographic factors such as the size of income and so on. Taxpayer's attitude towards tax system has influenced on desire toward tax evasion and compliance.

**Mohamad Ali, MohdHanefah, and Mohd Noor (2011)**, reviewed the relationship between tax knowledge and certain compliance behaviour and completion of tax returns. The study aimed to identify changes in attitude towards taxation and compliance as a result of better knowledge of taxation. The study disagreed with the statement that there is limited knowledge of tax regulations that lead to a negative economic impact (increase in tax gaps). There are significant differences in the level of knowledge although the level of education remains unchanged.

**Tonderai et al. (2014)** on SME taxpayers' attitude and their compliance in Zimbabwe. Their findings reveal a strong and positive relationship between attitude and tax compliance among owners or managers of retail operators in Gweru. Most SME taxpayers do not believe

in the taxation system and VAT rates are considered to be too high. This is one of the reasons that contributes to noncompliance of tax regulations by the SMEs in the country.

### **3. RESEARCH GAP:**

From the Extensive Literature review, it is found that there were only a few research works done on the GST in Handicraft. Some of the research works are confined to impact of GST on various large-scale industries like textile, automobile, pharmaceutical etc., hence, there were no research is done on the impact of GST on Handicraft sector. Hence this research study fills the research gap by studying the various GST compliance in Handicraft sector.

### **4. NEED FOR THE STUDY.**

To reduce the overall tax burden on its citizens, the government of India enacted a new indirect tax system called Goods and Service Tax (GST). The dual GST structure proposed reflects the federalist nature of the concept. The "Goods and Services Tax" (GST) system would consist of three major tax types: the Central GST, the State GST, and the integrated GST. After the present GST tax reform, a CGST and SGST will be imposed on all forms of supply of goods and services. The current research aids in learning the realities of GST and provides valuable recommendations based on the results to the various Handicraft entrepreneurs.

### **5. RESEARCH QUESTION:**

1. What is the rationale behind the enforcement of GST in India?
2. How GST has altered market circumstances of Handicraft sector?
3. What is the perception of Handicraft entrepreneurs about GST?

### **6. OBJECTIVES OF THE RESEARCH**

- To study the rationale behind the enforcement of GST in India.
- To analyse how GST has altered market circumstances of Handicraft sector;
- To evaluate the perception of Handicraft entrepreneurs about GST.

### **7. RESEARCH METHODOLOGY:**

To achieve the objective of the study, both primary and secondary sources were employed to compile the data for this analysis. In-depth interviews with 25 Handicraft businesspeople and 25 buyers from various handicraft industries are conducted on-site to obtain primary data. The information shown here is secondary data gleaned from multiple sources. The research is based on the mentioned source, which includes the study itself, as well as other sources (published, unpublished, and electronic) from which data was gathered. To learn about the GST's

significance, problems, and difficulties, it must be implemented. None of the responder names or locations is made public.

The data were analysed and interpreted using several elementary statistical methods, including averages, percentages, frequency, and range. At relevant points, this document explains where the data came from. According to the current study's sample size of 200, interviews with 100 Handicraft business people and customers from various handicraft industries were conducted on-site during the field research phase.

## 8. DATA ANALYSIS AND INTERPRETATION:

### Demographic Variables:

#### a) Gender of the Respondents:

**Table1: Respondents by Gender.**

Gender	Beneficiaries	Percent
Male	160	80
Female	40	20
<b>Total</b>	200	100%

Source: Primary data

The following table shows that out of 200 responses, 40% are men and 60% are women. As was said before, this research surveyed 200 participants; 100 were business people, and 100 were consumers/buyers. All the business people interviewed here are males; there are no women in the corporate world.

#### b) Age of the Respondents

**Table2: Distribution of Age among Respondents**

Age Group	No. of Respondents	Percent (%)
18-30	72	36
30-40	56	28
40-50	36	18
50-60	16	8
60andAbove	20	10
<b>Total</b>	200	100

Source: Primary data

According to the data presented above, the largest share of respondents (36%) comes from those in the 20- to 30-year-old age bracket. The next largest share (28%) comes from those in the 30- to 40-year-old age bracket, and the remaining percentage (60+) comes from those in the 50- to 60-year-old age bracket. Because of changes in market strategy, technological advancements, and other factors, the table below shows that market involvement declines with age.

**c) Socio-Economic status of the Respondents:**

**Table3: Distribution of Respondents by Socioeconomic Status**

<b>Social Groups</b>	<b>No. of Respondents</b>	<b>Percent (%)</b>
SC/ST	48	24
OBC	112	56
Others	40	20
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Primary data

In the present research, interviews were conducted with members of various social groups representative of the sample population. As can be seen in the table above, the percentage of OBC people is higher (56%) compared to the rates of SC/ST people (24%) and the percentage of other persons (20%).

**d) Line of handicraft business of Respondents:**

**Table 4: Line of handicraft business of Respondents**

<b>Business Type</b>	<b>No. of Respondents</b>	<b>Percent (%)</b>
Pottery and Clay	80	20
Leather Products	144	36
Textile.	112	28
Jewelry	32	8
Other Shops	32	8
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Primary data

Twenty-five company owners were interviewed for this study, and their responses helped researchers learn more about the practical use of GST. Of these business owners, 36% owned stationary stores, followed by those who sold clothing, electronics, and groceries.



**e) Educational Qualification of the Respondents:**

**Table5: Educational Qualification of the Respondents:**

<b>Education</b>	<b>No. of Respondents</b>	<b>Percent (%)</b>
Post Graduation	36	18
Graduation	52	26
PUC	40	20
SSC	72	36
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Primary data

The above table shows that 36% of the sample had completed just elementary school, whereas 26% had completed some college, 20% had completed some pre-university programme, and 18% had completed some graduate degree programme.

**f) Distribution of selected handicraft sectors**

**Table6: Rural–Urban Distribution of selected handicraft sectors**

<b>Rural/Urban</b>	<b>No. of Beneficiaries</b>	<b>Percentage (%)</b>
Rural	48	24
Urban	152	76
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Primary data

As can be seen in the table above, 76 per cent of the sample is made up of city dwellers, while the remaining 24 per cent are from rural areas. The answer lies in the local environment. There are more commercial enterprises in urban areas than in rural ones.

**g) Awareness about GST through various Media:**

**Table7: Awareness about GST through various Media:**

<b>Sources of Updating Knowledge</b>	<b>Handicraft Entrepreneurs</b>	<b>Consumers</b>
Media(News Paper, TV, Radio, etc.)	12(12%)	64(64%)
By Implementation	36(36%)	28(28%)
Training	20(20)	-
Communication/Group discussion	8(8%)	8(8%)
<b>Total No. of Respondents</b>	<b>76(76%)</b>	<b>100(100%)</b>

The respondents in the current research learned about GST through various sources, including those already mentioned. Seventy-six per cent of 100 businesses polled consider themselves

well-versed in "Goods and Services Tax" (GST). Implementation accounted for 36%, the media (including television, radio, and newspapers), training for 20%, and communication for 8%. The media is the most common source of information on GST among the 100 customers surveyed, followed by implementation (28 per cent) and communication (8%).

## **9. FINDINGS OF THE STUDY:**

Findings from the present research include, but are not limited to, the following.

- Out of 100 business owners polled, 52 said GST had benefited their company, while the remaining 48 said it has been detrimental.
- Among a sample of twenty-five purchasers/consumers, just one person reported any negative impact from GST. The other twenty-four are OK with GST.
- Businesses like leather products, jewelry, textile and many more handicraft sectors need help to meet ends due to a calculation issue with their vendors.
- According to the current survey, some Handicraft businesses have embraced GST since it is mandatory for everybody, but most customers do not care about taxes.
- The time and effort spent persuading consumers to accept a new tax structure are often futile.
- Since customers are not well-informed, merchants may take advantage of them by charging a high "Goods and Services Tax" (GST) rate.
- The current research revealed the presence of phony unlawful receipts notwithstanding the implementation of GST.
- Those who participated in this survey all report reading at or above proficiency.
- Indirect taxation in the examined region displays a noticeable degree of homogeneity.

## **10. INSIGHTS FROM RECENT RESEARCH**

Keeping these results in mind, the current research provides the following recommendations to address these challenges:

- The "Goods and Services Tax" (GST) rate boards greatly help customers and should be displayed in every store.
- All businesses should be required to take a course taught by the Government to teach them how to compute the GST tax rate.
- If we want to make sure everyone knows about GST, we need to do many more events like conferences and seminars.

- Many survey participants felt that the current GST tax payment method required more convenience, suggesting that the Government either simplify the process or provides training for users.
- The "Goods and Services Tax" (GST) rate in India is very high; this excessive tax rate should be lowered.

#### **11. LIMITATIONS OF THE STUDY:**

- The participants in the current research were all male business professionals.
- The scope of the present investigation is limited to local small and medium-sized enterprises.
- Mysore State is the only area being examined in this research.
- The period covered by the data is limited to 2021–2022.

#### **12. CONCLUSION**

The current research has shown that, from a managerial and analytical perspective, the GST system is more favourable for the Government and enterprises. Additionally, GST aids in the prevention of tax evasion and the enhancement of tax collection and adherence. It helps generate income, promoting economic growth by lowering the prices of products and services and making the climate more conducive to expanding commerce. Similarly, it will aid in easing tax pressure across the board. With its primary design principles, the GST System aims to streamline India's previous indirect tax administration. A well-designed GST is an attractive option to eliminate the distortion introduced by the last procedure tax of multiple taxing. As has been repeatedly emphasised, the transition to GST will be a turning point in India's indirect tax system. The Goods and Services Tax (GST) applies to the manufacture, sale, and consumption of all goods and services. It has been established that it is normal for problems and difficulties to arise while installing a brand-new system. Similar challenges have been encountered with adopting and implementing the "Goods and Services Tax" (GST) system. The problems and difficulties of GST will be resolved over time due to the acceptance and execution of government policy initiatives.

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