

A STUDY ON AWARENESS AND COMPLIANCE LEVEL OF GST AMONG SMALL RETAILERS IN HOSUR

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Abstract

This study examines the awareness and compliance level of GST among small retailers in Hosur. Primary data from 40 retailers was collected through a questionnaire to understand their knowledge of GST, filing behaviour, challenges faced, and perception of the tax system. The analysis shows low awareness of key GST concepts like Input Tax Credit, high dependence on accountants, irregular filing patterns, and frequent penalties. Chi-square tests revealed that challenges and support preferences are evenly distributed, meaning no single issue or support method dominates. The study concludes that retailers need simple tools, better training, and improved digital support to comply effectively with GST.

Keywords

GST, Small Retailers, Awareness, Compliance, Hosur, Input Tax Credit, Digital Literacy, Tax Reform, GST Challenges, Chi-Square Analysis.

Introduction

GST was introduced in India to simplify taxation and create a unified system. However, for small retailers, especially in semi-urban areas like Hosur, GST compliance is still difficult due to limited digital skills, low awareness, and frequent rule changes. As small retailers form a major part of the local economy, understanding their challenges and awareness levels is important to ensure smooth GST implementation.

Review of Literature:

Djawadi and Fahr emphasized that tax knowledge plays a crucial role in building trust between taxpayers and tax authorities. Their study revealed that better-informed individuals are more likely to comply voluntarily with tax laws. Lack of information or misinformation can lead to non-compliance or resistance to tax reforms. In the context of GST, this implies that awareness campaigns and taxpayer education can significantly improve the efficiency of tax collection and acceptance of new tax policies. (Djawadi and Fahr, 2013)

Using Structural Equation Modelling (SEM), the authors examined the relationship between tax awareness and tax knowledge. The findings showed a strong, positive correlation, indicating that taxpayers who have a deeper understanding of tax policies are more aware and likely to comply. This study supports the need for educational programs and training workshops to enhance tax literacy, especially among small business owners. (Boonyarat, 2014)

This research confirmed that tax compliance behaviour is significantly linked to awareness. Their study, along with those by Razak & Adafula (2013), Santi (2012), and Jatmiko (2006), found that individual attitudes and behaviour improve when individuals are aware of their obligations under tax laws. Their findings support a psychological approach to tax compliance, where awareness fosters voluntary adherence. (Palil M. a., 2011)

Through multiple regression analysis, the researchers showed that tax knowledge strongly influences tax awareness. Knowledgeable taxpayers are more likely to accept new tax reforms and comply voluntarily. The study concluded that tax education initiatives should be included in reform strategies to encourage informed decision-making. (Palil, 2013)

This study focused on evaluating public awareness, knowledge, and understanding of GST in India during its early stages of implementation. It found that the general public remained unclear about how GST worked. Numerous queries and complaints were registered with authorities, signalling a lack of clarity and comprehension. The findings emphasized the need for targeted efforts to educate consumers and improve public understanding of GST mechanisms and policies. (Kaur, 2018)

This research used Fiscal and Social Psychology Theories to analyze how taxpayers perceive GST. The study attempted to understand individual behaviour regarding tax compliance and attitudes toward GST. It revealed that psychological and emotional factors, such as trust in authorities, perceived fairness, and social influence, play an essential role in how taxpayers accept or resist GST implementation. (Jaspreet Kaur, 2017)

This study assessed the level of awareness among 148 small business owners in Rajasthan. It identified critical gaps in understanding GST provisions and found that many business owners lacked proper training or knowledge. The study concluded that low awareness levels created operational challenges and that more focus should be placed on training and technological preparedness. (Vineet Chouhan, 2017)

The authors conducted a study across Rohtak, Gurgaon, and Faridabad with a sample of 200 respondents. Their analysis showed that 73% of respondents were satisfied with GST's implementation. The study recommended organizing more awareness programs, resolving technical issues in GSTN, expanding digital infrastructure, and simplifying return filing to ensure GST's effectiveness and acceptance among the business community. (Sanjay Nandal, 2018)

Scope of the Study

The study was conducted during the financial year 2024–25, with data collected over 4–6 weeks. Geographically, it is limited to Hosur, a growing town in Tamil Nadu with a wide range of small retail businesses. The respondents include 40 small retailers such as grocery, garment, electronics, hardware, and provision stores. This sample helps in understanding the GST awareness, compliance behaviour, and challenges faced by local retailers in this specific region.

Objectives of the Study

- ✚ The study aims to assess the GST awareness of small retailers in Hosur and evaluate their compliance behaviour, including return filing, invoice generation, and use of the GST portal.
- ✚ It seeks to identify key challenges such as low digital literacy, lack of clarity, and compliance costs.
- ✚ The study also examines their dependence on accountants for GST tasks, the link between awareness and compliance, and the role of turnover and technology.
- ✚ Finally, it aims to suggest practical measures—such as training and digital tools—to improve GST compliance among small retailers.

Research Methodology

The study followed a systematic approach to assess GST awareness and compliance among small retailers in Hosur.

a) Population

The population consisted of small retail business owners in Hosur, including grocery, clothing, electronics, stationery, and utensil shops. These retailers fall under the MSME category and are either registered under GST or eligible for registration. They were chosen because small retailers are directly affected by GST and often lack formal training.

b) Sample Design

A sample of 40 small retailers was selected using convenience sampling, based on accessibility and willingness to participate. Each sampling unit represented a retailer or manager responsible for GST-related activities such as registration and return filing.

c) Data Collection

Primary data was gathered through a structured questionnaire distributed both digitally and in printed form. Secondary data came from the GST portal, research papers, and news articles related to GST and MSMEs.

d) Instrument Used

A structured questionnaire was used, containing close-ended, Likert-scale, and open-ended questions to capture both factual information and retailer perceptions.

e) Questionnaire Design

The questionnaire included four sections:

- ❖ Business profile
- ❖ GST awareness
- ❖ Compliance behaviour
- ❖ Penalties and support needs

Questions were framed in simple and clear language suitable for small retailers.

f) Pilot Study

A pilot test with **5 retailers** was conducted to check clarity and flow. Based on feedback, some questions were simplified and GST terms like ITC were briefly explained. This improved the accuracy and ease of the final data collection.

Hypothesis 1

This hypothesis tests whether all GST-related challenges are reported equally by small retailers.

- H_0 : All GST challenges occur with equal frequency; no significant difference exists.
- H_1 : At least one GST challenge occurs more or less frequently than others.

Hypothesis 2

This hypothesis checks whether retailers prefer certain GST support or training methods over others.

- H_0 : All support or training options are equally preferred.
- H_1 : At least one support or training option is preferred more or less than others.

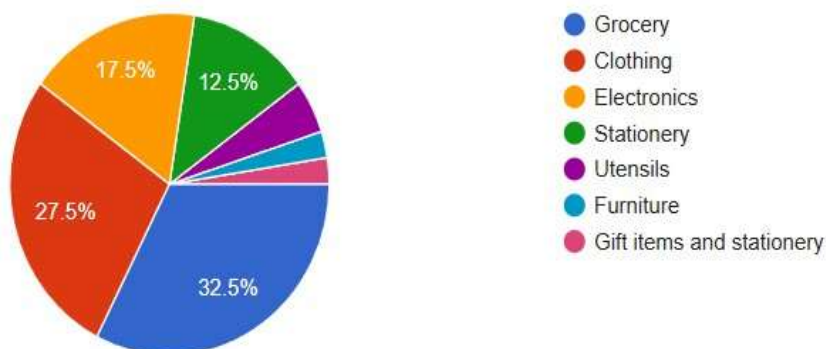
Data Analysis:

Type of Business:

Type of Business

40 responses

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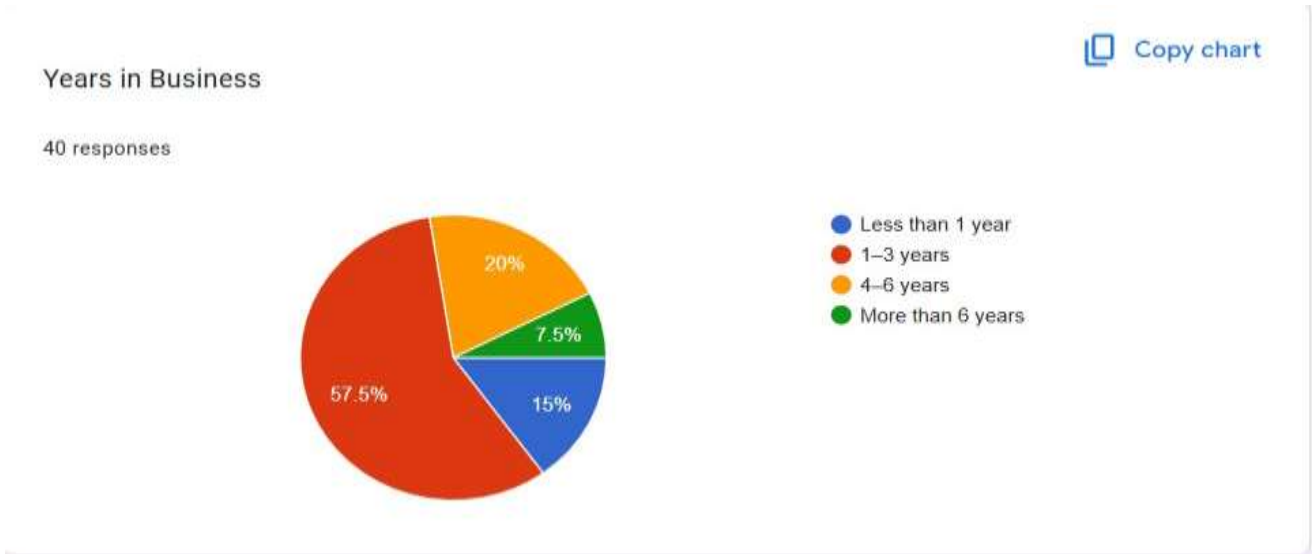


Interpretation

- Together, these two categories represent 60% of the total responses.
- These sectors are critical for GST research since they involve high transaction volumes and diverse product tax rates.
- 17.5% of the responses came from electronics retailers, who often deal with higher-value transactions and face distinct GST classification and invoicing challenges.
- Categories like Utensils, Furniture, and Gift Items had only one respondent each. While these are relevant to the local economy, the sample size for them is too small to generalize findings.
- The spread ensures that the survey captures a diverse retail segment, allowing for broader insights on GST awareness and compliance practices across different types of retail operations.

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Years in Business



Interpretation

- A large portion (nearly 3 out of 5) of the retailers have been in business for just 1 –3 years, suggesting that many are relatively new and may be less familiar with GST norms.
- Only 7.5% have been in business for more than 6 years, indicating that veteran business owners are a minority in the respondent group.
- The 15% who have been in business for less than a year may still be in the early stages of understanding compliance systems, including GST.
- With a combined 72.5% of respondents in business for 3 years or less, the findings suggest a strong need for targeted GST awareness programs, especially focused on new and young retailers.

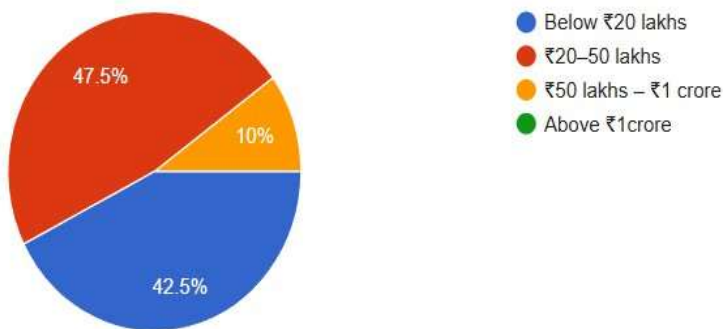


Annual Turnover:

Annual Turnover

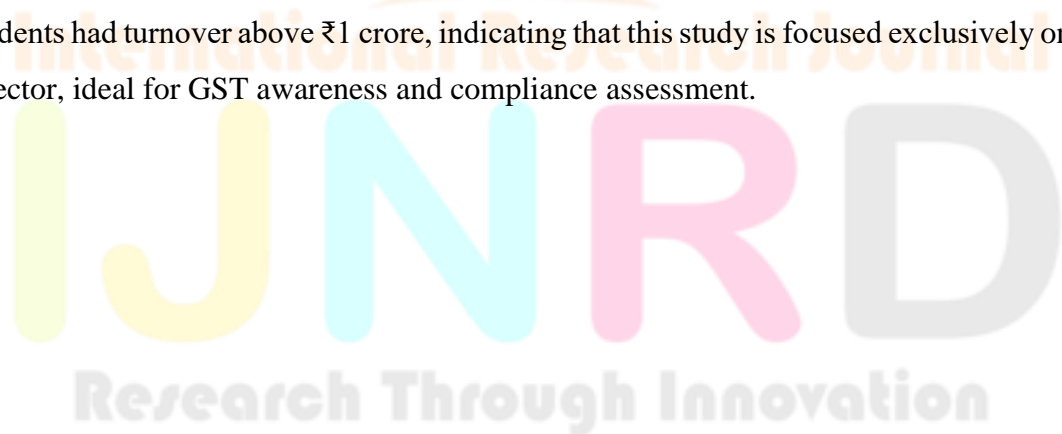
40 responses

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Interpretation

- A significant 90% of the respondents have an annual turnover below ₹50 lakhs, which places them firmly in the small and micro-business category under MSME definitions.
- 42.5% of businesses fall under ₹20 lakhs, which is near or under the GST registration threshold—indicating that many may not be mandatorily required to register but may have done so voluntarily or for input tax credit benefits.
- 47.5% in the ₹20–50 lakh range likely have GST obligations and must regularly file returns and maintain documentation.
- Only 10% of the businesses reported a turnover between ₹50 lakhs and ₹1 crore.
- No respondents had turnover above ₹1 crore, indicating that this study is focused exclusively on the lower-end of the SME sector, ideal for GST awareness and compliance assessment.

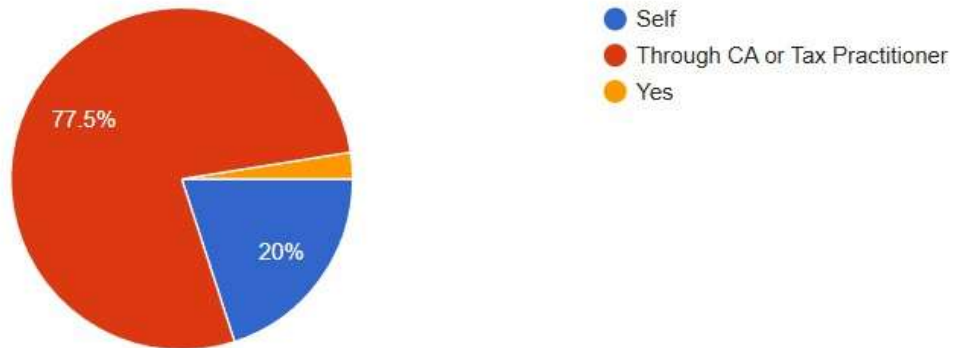


Registration Process:

If **yes**, how did you register?

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40 responses



Interpretation

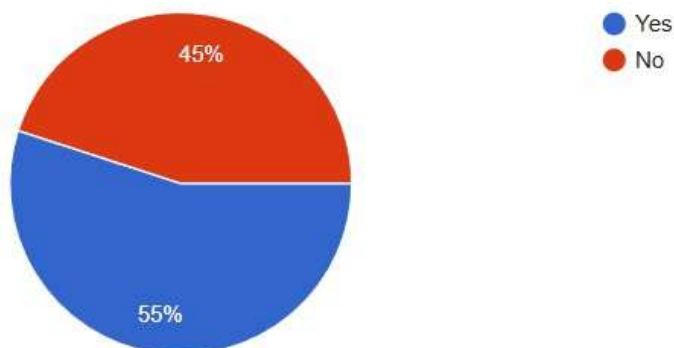
- ✚ A significant 77.5% of small retailers registered for GST with the help of a Chartered Accountant or Tax Practitioner.
- ✚ This suggests a strong reliance on external experts, possibly due to lack of confidence in handling the online GST registration process or understanding regulatory requirements.
- ✚ Only 20% of the respondents registered on their own, indicating low digital literacy or hesitancy in navigating the GST portal independently.
- ✚ The data reflects that GST compliance at the registration stage is still outsourced, and the actual knowledge of the process among small business owners is limited.

Input Tax Credit:

Do you know what **Input Tax Credit (ITC)** is?

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40 responses



Interpretation

- ❖ A slight majority (55%) of respondents are aware of what ITC is, indicating some level of understanding of GST benefits.
- ❖ However, the remaining 45% lack awareness, which is concerning given that ITC is a central feature of GST that can reduce tax liability and improve cash flow for businesses.
- ❖ The fact that nearly half the retailers do not know about ITC suggests a knowledge gap in understanding GST beyond just registration and filing.
- ❖ This could lead to under-utilization of benefits, higher operational costs, or unnecessary tax burdens.
- ❖ The previous chart showed that most retailers rely on tax professionals for GST registration. This reliance might also extend to return filing, where they may miss out on understanding or claiming ITC correctly.

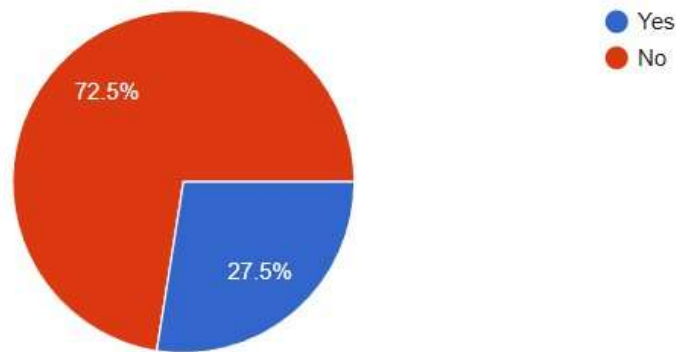
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GST INVOICES:

Do you issue GST invoices to customers?

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40 responses



Interpretation

- A significant 72.5% of respondents do not issue GST invoices, which indicates a major compliance gap.
- This could be due to lack of awareness, perception that customers do not demand it, or to avoid additional documentation work.
- Failure to issue GST invoices affects Input Tax Credit claims and can lead to legal non-compliance under the GST Act.
- It may also contribute to tax evasion, reducing the credibility of these businesses in the formal sector.
- By not issuing invoices, businesses may miss out on formal business recognition, access to credit, and the ability to participate in government tenders or B2B transactions that require proper documentation.

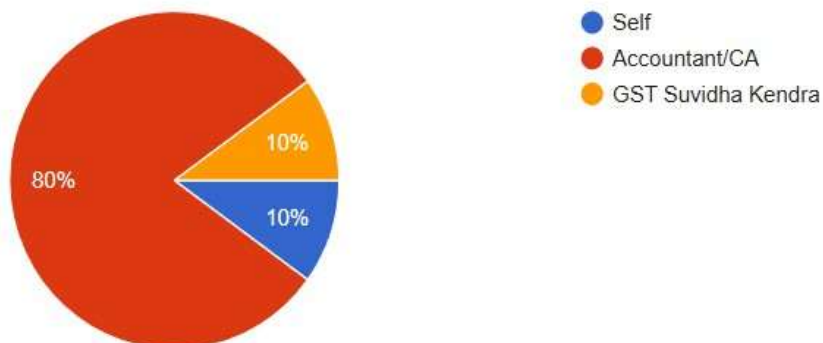
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GST RETURNS

Who files your GST returns?

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40 responses



Interpretation

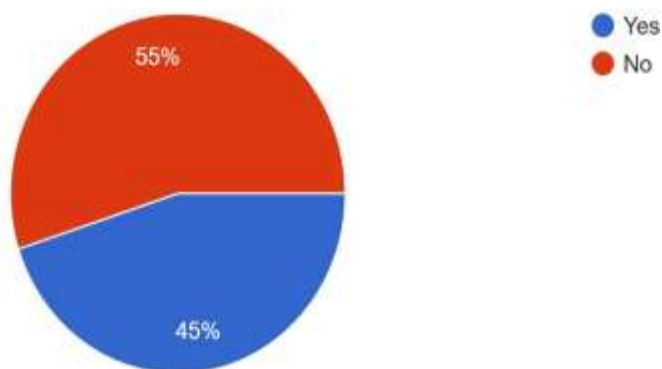
- A dominant 80% of retailers rely on Chartered Accountants or professional tax practitioners to file their GST returns.
- This shows a continued lack of confidence or training in self-compliance, especially with digital systems.
- Only 10% of respondents file returns themselves, indicating either limited understanding of the GST portal or a reluctance to handle it independently.
- This small segment likely includes digitally literate and financially savvy retailers.
- Another 10% depend on GST Suvidha Kendras, showing the growing relevance of government-supported third-party services for taxpayers who lack direct access to CAs or internet-enabled systems.

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PENALIZED FOR GST

Have you ever been penalized for GST non-compliance?

40 responses



Interpretation

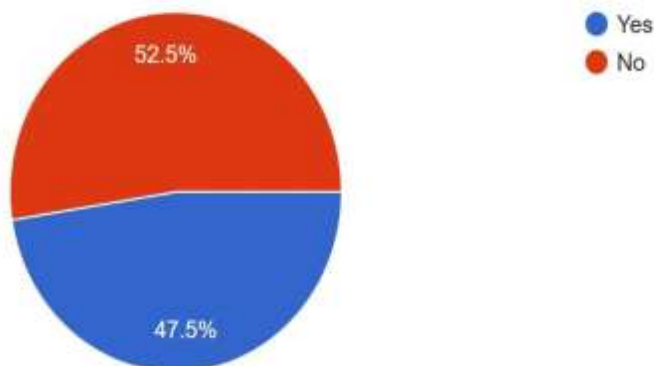
- ❖ A significant 45% of respondents have faced penalties under GST, which is quite high for a group of small businesses.
- ❖ This suggests either frequent non-compliance (such as delayed filing, invoice errors, or registration issues), or a lack of understanding of GST rules.
- ❖ Despite the mandatory nature of GST filings, many small retailers struggle with deadlines, digital systems, or complex procedures, leading to errors and penalties.
- ❖ The fact that over half (55%) have not faced penalties shows that compliance is achievable, but the remaining 45% indicate the need for better support systems to reduce unintentional defaults.

GST HELPED YOUR BUSINESS

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Would you say GST has helped your business?

40 responses



○ The chart reflects how small business respondents perceive the impact of GST (Goods and Services Tax) on their operations:

- 47.5% (19 respondents) believe that GST has helped their business.
- 52.5% (21 respondents) feel that GST has not helped their business.

○ The responses are nearly split, but slightly more respondents view GST negatively than positively.

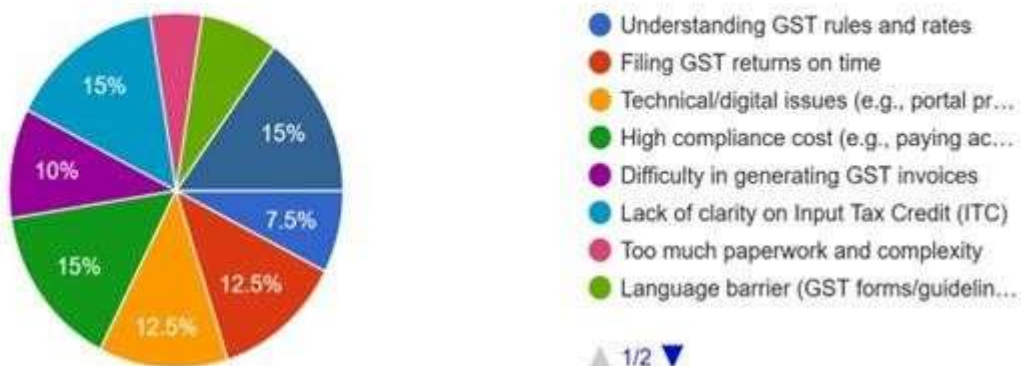
○ This indicates a mixed sentiment among small retailers, suggesting that while some have benefited (possibly due to input tax credit or simplified compliance), others may be facing challenges such as:

- Complex filing procedures
- Increased operational costs
- Lack of awareness or technical support

CHALLENGES WITH GST

What is the biggest challenge you face with GST?

40 responses



Interpretation

The most common challenges (tied at 15%) are:

Difficulty understanding GST rules and rates

- Technical or digital platform issues
- High costs for compliance (e.g., hiring accountants)

Lack of clarity about how ITC works Other notable issues include:

- ✚ Invoicing difficulties (10%)
- ✚ Filing returns on time (12.5%)
- ✚ Excessive paperwork (7.5%)
- ✚ Language barriers (10%)

SUPPORT OR TRAINING HELP TO COMPLY WITH GST

What kind of support or training would help you better comply with GST?

Copy chart

40 responses



Interpretation

This survey question aimed to understand what type of support small retailers feel would best help them manage GST compliance. The distribution of responses is as follows:

- SMS or WhatsApp alerts/reminders – 17.5%
- Mobile app or simplified software for small businesses – 15%
- Video tutorials on how to file GST – 12.5%
- More affordable services from tax professionals – 12.5%

- GST return filing workshops – 10%
- Free training sessions/webinars by GSTN or government – 10%
- Helpdesk or local support center for GST queries – 10%
- Simple guides or manuals in local language – 7.5%
- Nothing – I am already comfortable with GST – 5%
- The most preferred support method is SMS/WhatsApp alerts or reminders (17.5%), indicating a demand for real-time, accessible, and simple guidance.

Chi Square Analysis for Hypothesis 1

Analysis

A Chi-Square Goodness of Fit Test was performed to examine whether certain GST compliance challenges were reported more frequently than others by the respondents. The eight categories of challenges included:

- Understanding GST rules and rates
- Filing GST returns on time
- Technical/digital issues
- High compliance cost
- Difficulty in generating GST invoices
- Lack of clarity on Input Tax Credit (ITC)
- Too much paperwork and complexity
- Language barrier

Each category had an expected frequency of 5, based on the assumption that all challenges are equally likely to be selected. The observed values slightly varied, with frequencies ranging from 3 to 6.

Using the formula $\chi^2 = \sum((O-E)^2/E)$, the calculated Chi-Square value was 1.6. The corresponding p-value was 0.9786, which is well above the standard significance level of 0.05. This indicates that there is no significant deviation between observed and expected frequencies.

Interpretation:

The Chi-square test ($\chi^2 = 1.6$, $p = 0.9786$) shows that no single GST challenge was reported more frequently than others. Since the p-value is much higher than 0.05, the differences are not significant. This means all challenges—like understanding rules, technical issues, or language barriers—occur with almost equal frequency. Therefore, GST support must address all issues together rather than focusing on just one.

Chi Square Analysis for Hypothesis 2

This survey question aimed to understand what type of support small retailers feel would best help them manage GST compliance. The distribution of responses is as follows:

SMS or WhatsApp alerts/reminders – 17.5%

- Mobile app or simplified software for small businesses – 15%
- Video tutorials on how to file GST – 12.5%
- More affordable services from tax professionals – 12.5%
- GST return filing workshops – 10%
- Free training sessions/webinars by GSTN or government – 10%
- Helpdesk or local support center for GST queries – 10%
- Simple guides or manuals in local language – 7.5%
- Nothing – I am already comfortable with GST – 5%

The most preferred support method is SMS/Whatsapp alerts or reminders (17.5%), indicating a demand for real-time, accessible, and simple guidance. A significant portion (15%) wants mobile apps or simplified software, reflecting the need for digital tools to ease GST filing.

Interpretation:

The Chi-square test ($\chi^2 = 4.65$, $p = 0.7942$) shows that respondents did not strongly prefer any particular GST support or training method. Since the p-value is much higher than 0.05, all support options were viewed as equally helpful. This means no single method stands out, and a balanced mix of different support formats should be provided to meet the varied needs of retailers.

Findings

- ❖ Retailers face similar levels of difficulty across all GST-related challenges, including technical issues, confusion about rules, ITC clarity, and compliance costs.
- ❖ They also show no strong preference for any particular support method, viewing reminders, apps, workshops, and helpdesks as equally helpful.
- ❖ Digital literacy remains low, with most relying on professionals for registration and return filing, and many failing to issue proper GST invoices.
- ❖ Penalties are frequent, affecting 45% of retailers due to late filing and errors driven by limited knowledge and digital challenges.

- ❖ Overall sentiments toward GST are mixed, split almost evenly between those who see it as beneficial and those who do not.
- ❖ These mixed views largely stem from insufficient support, training, and user-friendly digital tools rather than GST rates.
- ❖ Retailers clearly express a need for simple technological solutions such as mobile apps and automated invoicing—to reduce compliance burdens and errors.

Conclusion:

GST was introduced to simplify India's tax system, but this study shows that small retailers in Hosur still struggle with understanding and complying with it. Although most retailers are GST-registered, their awareness of key areas like ITC, invoicing, and return filing remains low. Heavy dependence on accountants and frequent penalties highlight the lack of digital and regulatory confidence.

The Chi-square analysis shows that GST challenges are experienced almost equally, and no single support method is preferred. This indicates the need for multiple forms of assistance such as mobile apps, reminders, workshops, and simple guidance materials.

Overall, while GST offers benefits, its complexity and digital requirements create barriers for small businesses. Improving compliance will require simplified tools, local-language training, and stronger advisory support to help retailers fully benefit from the GST system.

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