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Impact of GST (Goods and Service Tax) on Consumer

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ABSTRACT: GST is considered to be the important tax reforms in the country. Taxation is one of the factors that affected the consumer behavior. Any changes in the taxation system will have a significant impact on consumer behavior especially his purchase decision. Here we are going to understand about rates of GST, GST affected consumer or not. and advantages and disadvantages of GST. The present study aims to analysis the Impact of GST on consumer, to study the relationship between factors affecting purchases decisions of the consumers after GST implementation and to examine benefits and opportunities of goods and service tax. The researcher used secondary data for the result. The present structure of Indirect Taxes is very complex in India. There are numerous sorts of taxes collected on goods and services by the federal and state governments. For seeing a movie, we must pay a'Entertainment Tax.' On purchases of products and services, we must pay Value Added Tax (VAT), as well as Excise taxes, Import duties, Luxury Tax, and so on. In India, the majority of the population is from the middle and lower middle classes, where individuals either work in the service sector or rely on agriculture for a living. The most crucial question in this scenario is what effect GST will have on consumers. Consumers are asking themselves a lot of questions these days, such as whether there is anything new for him or whether it's just the same old material in a new package. Is there any tax relief for him in the new tax legislation, or will prices for goods and services rise as a result? It is reasonable to claim that the GST had a considerable impact on many people's lives as soon as it was implemented; indeed, it would not be inaccurate to remark that this revolutionary action had influenced the lives of many people. In fact, many people are still perplexed as to what the GST is all about. Furthermore, the picture is still unclear for them as to what influence the GST would have on consumers and how it will affect the Indian economy.

KEYWORDS: GST, Consumer behavior, purchasing decision and spending ability, Purchasing power.

I. INTRODUCTION

1.1 Background of the study

GST is known as the Goods and services tax. It is an indirect tax that has mostly superseded many other indirect taxes in India, such as excise duty, VAT, and services tax. The Goods and Services Tax Act was passed by parliament on March 29, 2017 and into effect on January 1, 2018. Some products and goods are taxed more while some others are cheaper. Tax plays a major role in the economy of any country. Tax revenues are the major sources of income for government. In fact, major social welfare and development schemes are funded through the revenues generated by taxes in various forms. Tax policies not only exerts its importance at domestic level but also determines the international competitiveness of the country. GST is one of the biggest indirect tax reforms and had a significant impact on the various sectors and also the common man of this nation. Thus, the final consumer will bear only the GST charged by the last dealer in the supply chain with set-off benefits at all the previous stages. All most all the sectors of the economy are now experiencing the effects of goods and services taxes. The purchase decision of consumers is largely influenced by their purchasing power. The purchasing power of consumers, in turn, are influenced by the taxes imposed on them. Often

Taxes limit the purchasing power of consumers. The study of consumer's behaviors is of fundamental importance to marketers as it helps them in understanding the buying pattern of consumers. Understanding the influences of taxes on purchasing behaviors is equally important for consumers.

1.2 PURPOSE OF THE STUDY

To understand the GST rate structure, to grasp the impacts of GST in Indian economy and how it has changed the buying behaviors of the consumers in the economy, and also to understand whether GST affected people.



II. REVIEW OF LITERATURE

1. Ramkumar. G, Impact of GST on Consumer Spending Ability in Chennai City,2017, *Premix International Journal of Commerce and Management Research*, 3, 71–74. GOWTHAM Ramkumar/2017. This research paper seeks to study cause and effect relationship between GST and spending ability and finally arrives at a meaningful conclusion and provides scope for further research in this area. To study the impact of GST on consumer spending ability through multiple regression analysis. And also, to study the relationship between factors affecting purchase decision of the consumers after GST implementation. The data required for this study is collected from both primary and secondary sources. As affected all the sectors in the economy. Each and every consumer is affected. The study uses the data collected from both primary the study deals with the data made available and therefore it may not judge the entire scenario. The study limits itself to the consumers of FMCG sector and not the other sector. And secondary data. Therefore, limitations of these sources apply to this study.
2. Tax & Bill,2017, GST: Impact on Consumers. 5, 45–49. DIPIKA.L. RAYKA/2017. In this Research paper let us understand what is Goods and Services Tax and its importance. What are the benefits of GST Bill to common man & consumer? What are the disadvantages and challenges? How the ordinary consumer would be impacted by Goods and Services Tax. Economists and tax experts see it as the biggest tax reform in independent India. But what does it mean for a common man?Data was collected by secondary sources like newspaper, articles etc. economists and tax experts see it as the biggest tax reform in independent India. But what does it mean for a common man, in this article, they understand the impact of GST? The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it.
3. Chaitra, V, (2019), Impact of GST on spending behaviors of the consumers, *International Journal of Management*, the present study aims to analyze the relationship between income and spending behavior and to measure the impact of GST on spending behaviors. To throw light on tax rates for goods under GST to analyze the relationship between income and spending behavior of consumers. Indian Government authorities can reduce the GST rates applicable to essential commodities to help the consumers to spend more on essential commodities as the impact of GST is more on essential items. Lifestyle choices of people will determine whether their outflows will grow or decline in the coming months with the effect of GST. Therefore, this study focuses on determining the relationship between GST and spending behavior of the consumers. This paper will throw light on tax rates under GST and also the impact of GST on spending behavior.
4. Suresh Babu, G., & Sridevi, K,2019, Impact of GST (Goods and services tax) on consumers., *International Journal of Financial Management and Economics*. This paper is based on exploratory research technique and the data cited in this paper was collected via secondary sources like, various websites and the literature review from journal papers, annual reports, newspaper reports and wide collection of magazine-based articles on GST. Different tax experts and economists have given their opinion on the long-term benefits of goods and services tax for India. Thus, there is a need to study the impact of GST on consumer regarding the GST in India. One thing is for certain that, it will bring down the prices and leading to increasing the demand for goods and services which would benefit to the consumers, but not everything will become cheaper.
5. Tax, S, (2020), *GOODS AND SERVICES TAX AND CONSUMER BUYING BEHAVIOUR* – GOWTHAM RAMKUMAR, DR.S. CHITRA/2020. This study seeks to benefit taxation researchers and FMCG companies. indirect taxes critically impact their decisions and this will help to designing successful pricing strategies to win over their competitors in the market. This research will provide a basic framework for taxation researchers on the mechanism in which the consumers alter their buying behavior because of the changes in the indirect taxes. Further, FMCG companies can understand how. To analyze the demographic profile of the respondents, to portray consumer perceptions about goods and services tax and consumer behavior, to identify the relationship between goods and services tax and consumer behavior and to suggest measures on designing successful business strategies. data was collected by primary sources with structured questionnaire. ANOVA results. this study seeks to identify the relationship between GST and buying behavior of consumers with reference to FMCG sector. GST is included in the selling price, FMCG companies should take due care in formulating their pricing strategies.



III. RESEARCH METHODOLOGY

3.1 Statement of the problem

GST is a single tax on the supply of goods and services. It includes central excise duty, Services tax additional duties of customers at the central level of VAT, central sales tax, entertainment tax, luxury tax, and other surcharge on supply of goods and services. The GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrellas may lower prices for regular households' items. However, lifestyles choices of people will determine whether their outflows will grow or decline in the coming months with the effect of GST. People of our country are very concern about this issue as their interests are at stake. The increasing attention on GST has called upon researchers to explore it in order to provide an insight into this issue. Therefore, this study focuses on determining the relationship between GST and spending behavior of the consumers. This paper will throw light on tax rates under GST and also the impact of GST on spending behavior. Goods and services tax play a predominant role in influencing the buying behavior of consumers. Consumers are considered as kings of businesses. Without consumers, business cannot survive. Taxes influenced the prices of the products. Thus, it influences the shopping pattern of consumers. A Rational consumers will always buy a product that best satisfies his requirements at a lower cost. Thus, business needs have understood the relationship between indirect taxes and buying behavior of consumers. Thus, this study seeks to identify the relationship between GST and buying behavior of consumers with references to FMCG sector

3.2 OBJECTIVES OF THE STUDY

1. Impact of GST on consumer
2. To study the relationship between factors affecting purchases decisions of the consumers after GST implementation
3. To examine benefits and opportunities of goods and service tax

3.3 Sources of data

Secondary data: The secondary data for the study collected from various sources like journals, websites, and Magazines.

3.4 Scope of the study

GST is having different impact on different-on-different goods and services used by the consumers. As the consumers are placed last in the supply chain and the end users of such goods and services, it is important to know how consumers have an effect of GST.

3.5 Limitation of the study

- The study uses only secondary data. Therefore, limitation of these sources applies to this study.
- The study deals with the data made available and therefore it may not judge the entire scenario.

IV. INDUSTRY OVER VIEW

4.1 Advantages of GST:

- Removing the cascading effect of tax
- Higher threshold for GST registration
- Composition scheme for small business
- Simpler online facilities for GST compliance
- Relatively lesser compliances under GST
- Defined treatment for e-commerce activities
- Increased efficiency in logistics
- Regulating the unorganized sectors

4.2 Disadvantages of GST bill

- Compliance to GST
- Hike in cost of operations
- Higher tax burden on SMEs
- Software purchases costs have gone up



4.3 Types of GST in India?

- CGST – (9%) Leviable on the supply made by a registered person within a country.
- SGST/UTGST – (9%) Leviable on the supply made by a registered person within a state /union territory.
- IGST – (18%) Leviable on impact or inter-state supply of goods and services. IGST is equal to sum total of CGST and SGST/UTGST.

4.4 Tax rates in India?

INCOME TAX SLAB	New regime income tax slab rates for FY 2020-21 (Applicable for all individuals &HUF)
Rs. 0.0 – Rs. 2.5 LAKHS	NIL
Rs. 2.5 lakhs – Rs. 3.00 Lakhs	5% (tax rebate u/s 87a is available)
Rs. 3.00 lakhs – Rs. 5.00 Lakhs	5% (tax rebate u/s 87a is available)
Rs. 5.00 lakhs – Rs. 7.5 Lakhs	10%
Rs. 7.5 lakhs – Rs. 10.00 Lakhs	15%
Rs. 10.00 lakhs – Rs. 12.50 Lakhs	20%
Rs. 12.50 lakhs – Rs. 15.00 lakhs	25%
>Rs. 15 lakhs	30%

4.5 What will be expensive?

✚Movie tickets, Dining in restaurants, Two-wheelers, Entry level sedans, Televisions/AC/Refrigerators, Washing machines, Gas/Electric stoves, Essential food items like edible oil, Basic food products like wheat/rice/ pulses, Soaps and oils.

4.6 What will be cheaper?

✚Mobile telephone bills, Insurance premiums banking, Investment banking, Wealth management services, WIFI services, DTH services, Online booking of bus/train/air tickets, Residential and commercial rentals, Ecommerce shopping, Tobacco, cold drinks and junk foods.

4.7 What are the possible impacts of GST on different stakeholders?

- 1.Government
 - a. Central government
 - b. State government
- 2.Business
- 3.Consumers

4.8 Taxes subsumed under GST





V. FINDINGS AND SUGGESTIONS

5.1 Findings

- Consumers are left with less money after GST with highest mean score of 3.57 due to rise in price.
- GST has resulted in increasing the inflation level in the country.
- GST rates and spending ability are had positive cause and effected relationship between them.

5.2 Suggestions

Indian government authorities can reduce the GST rate applicable to essential commodities to help the consumer to spend more on essential commodities as the impact of GST is more on essential items.

VI. CONCLUSION

To conclude, GST has been successfully implemented by the government of India. It has affected all the sectors in the economy. Each and every consumer is affected by consumers which is likely to be inflationary would hit people in the lower income group hardest as they currently pay little or no income tax at all.

But GST has negative impact on spending behavior of the consumers towards the essential commodities. It is essential on the part of the government to reconsider the tax rates in such a way that it does not affect the consumers of essential commodities largely. It has a major impact on the purchasing power of consumers. If the government will take necessary care for essential Commodities prices, there will not be any hike and then the Consumers will not suffer. With all these facts stated above, There is no denying the fact the GST impact on Consumers looks like a mixed kitty, making few things Cheaper and some costlier. GST is designed in such a way to generate good amount of revenue for both central as well as State government. Moreover, collection of indirect taxes benefits both government and people Of India. But GST has negative impact on spending behaviour of the consumers towards the Essential commodities. It is essential on the part of the govt. to reconsider the tax .

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