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Impact of GST on consumer's behaviour

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Abstract

Goods and Service Tax [GST] is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India. GST is implemented to bring "ONE NATION ONE MARKET ONE TAX" system across 29 states of the country. It has been brought in to cut down the VAT which was included in the chain of supply. It is a mandatory fee imposed by the government on individuals and firms or organisation and concern, where the money will be reused or spent by the government on the activities and project that provide mutual benefit to the community. GST will be beneficial for the Indian economy as a whole and it is expected that the gross domestic product [GDP] of the country will increase by 1-2% over the years. Interestingly the study covers the buying behaviour of the consumers and has found that a majority of the respondents are aware of the new tax system which was brought into existence on July 1st 2017.s,

Keywords: Consumers, tax, respondents, GDP, GST

Introduction

Taxes are generally classified into direct and indirect taxes. Direct taxes are taxes on income [individual, corporate, real estate, stamp duty], while indirect taxes are taxes on goods [sales] and services [custom duties and exercise duties]. Of the above mentioned taxes GST is included in the second type, where it is a system of taxation of expenses or use of goods and services. GST is a mechanism for collecting revenue from individuals companies other bodies for the purpose of financing government spending especially in socio economic development programs. According to the experts, It is a mandatory fee imposed by the government on individuals, firms or organisation and concern, where the money will be reused or spent by the government on the activities and project that provide mutual benefit to the community. It was brought to eradicate the multiple cascading taxes levied by the central and state governments. It was introduced as an cons [122nd] constitutional amendment bill. It is governed by GST council and its chairman is the finance minister of India. In GST, goods and services are taxed at different rates 0%, 5%,12%,18% and 28%.There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.

Definition

"GST is a tax on goods and services with value addition in each stage having comprehensive and continues chain of set of benefits from the producer's or sales producer's point up to retailers level where only the final consumer should bear the tax".

Importance of GST

GST helps in the eradication of many indirect taxes which eventually leads to the removal of unaccounted money as it is tied up to Digital India scheme. As a result, digitalisation would bring the money circulation into account. It will be important for the economy in following ways: tax evasion, tax avoidance, limits the black market and helps in the development of backward states. This will help to remove the local tax BIAS, which means a person, can set a factory in any state without worrying about the tax rates. This study brings the pathway to analyse the buying behaviour of customers and sales performance in registered retail mart, know the public attitude towards GST.

Scope of GST

The study covers the general consumers about the knowledge in the GST regime. The study covers the consumers and their buying behaviour and the sales performance, in respect to the period after the implementation of GST. GST is expected to rationalize and simplify the consumption tax structure at the centre and state level. GST will also call for fundamental redesigning of the value chain.

Objectives of the study

- To analyse the impact of GST on buying behaviour of the consumers
- To determine the problems faced by the consumers and industry by GST
- To know the consumer awareness and perception towards GST

Impact of GST on retail industry

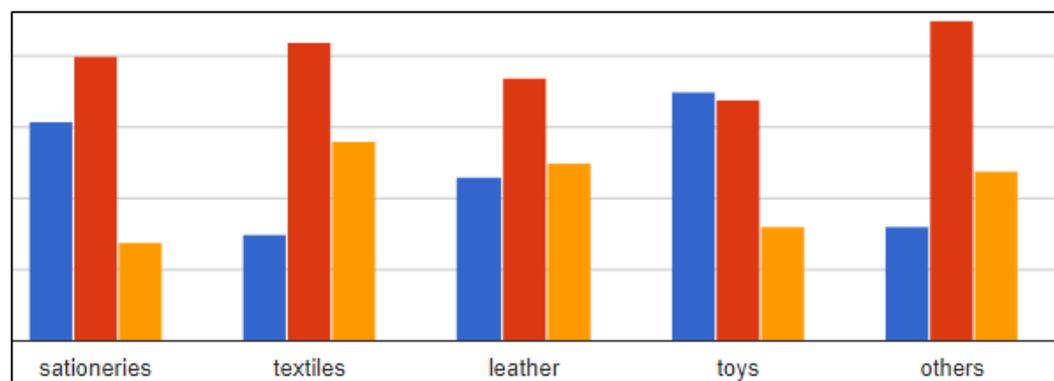
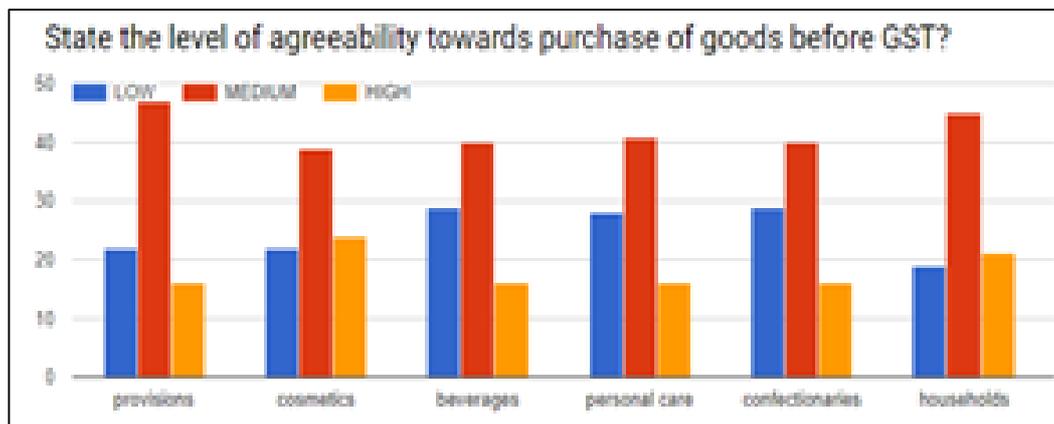
- **Reduced taxes:** Before, retail products are subject to 30% indirect taxes. Includes excise duty, VAT, CST, service tax on warehousing consulting and rent, octroi and entry charges. The main aim of GST on retailers

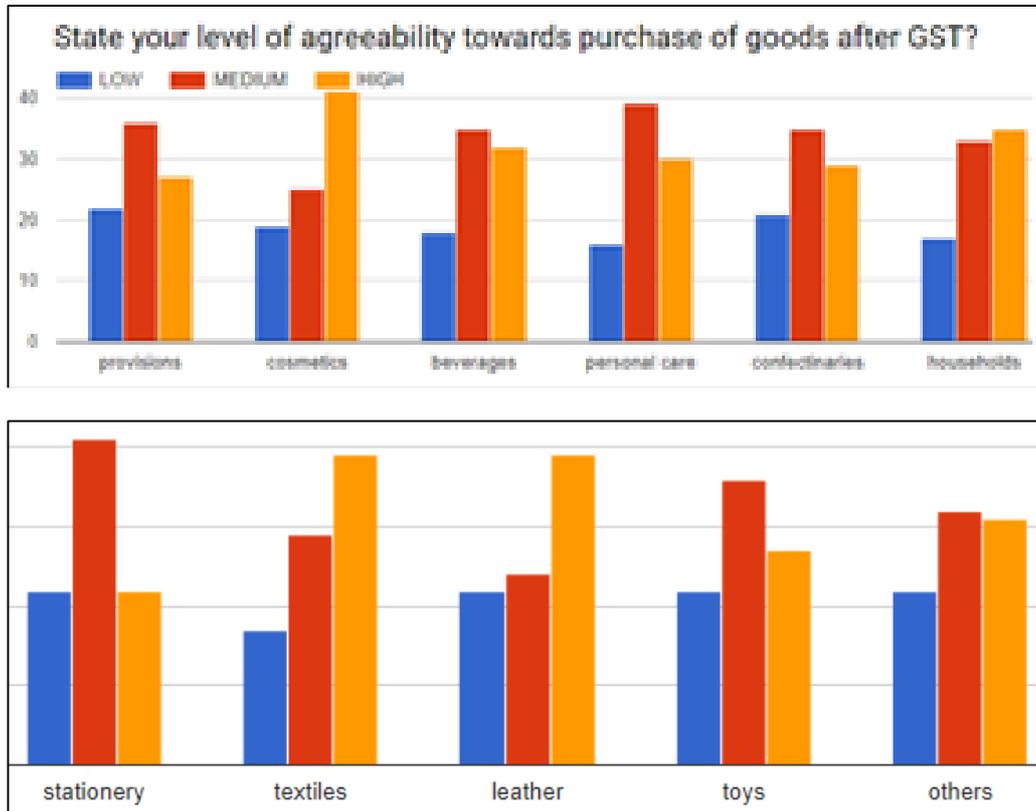
will be significant rejection of tax burden on the retailers.

- **Seamless input tax credit:** In GST regime there will be set off on taxation starting from the producers' point to the consumers' point. GST will make an impact by eliminating the cascading effect of taxes.
- **Increased supply and chain efficiency:** Major impact of GST will be on the warehouse network of retail industry. As CST is abolished, industries will have no motive to operate warehouse. This will lead to 20%-30% consolidation of warehouse. The impact will be evident on supply chains, as their designs would be efficiency oriented and not in alignment with the tax system.
- **Taxes on gifts and promotional items:** As per GST, promotional techniques of retailers such as free products, samples etc., will also be considered for tax.
- **Better opportunities and growth of market:** the biggest impact is widening of market. It would be beneficial for the taxation and operation point of view. Industries have to re-asses their supply chain and remodel their network.

Agreeability level of GST towards consumer

Items	Before GST			After GST		
	LOW	MEDIUM	HIGH	LOW	MEDIUM	HIGH
Provisions	22%	40%	16%	22%	45%	27%
Cosmetics	22%	39%	24%	18%	25%	41%
Beverages	29%	40%	17%	18%	35%	32%
Personal care	28%	40%	16%	16%	39%	30%
Confectionaries	29%	40%	17%	21%	35%	29%
Households	29%	45%	20%	17%	32%	35%
Textiles	15%	40%	28%	18%	29%	39%
Leather	23%	38%	35%	21%	23%	38%
Toys	35%	34%	27%	20%	35%	28%
Others	18%	45%	24%	21%	32%	31%





Interpretation

It is identified from the above table, that the consumer’s agreeability towards the purchase of provisions before and after GST is medium showing 40% and 45% respectively. The level of agreeability towards the purchase of cosmetics and beverages after GST is lower with 18% and when compared before GST. Whereas in the case of confectionaries the level of agreeability is high when compared 18% to 29%. And household items remain almost the in the same and there is no considerable change with 32%. The tax rate on job work for textiles and textile products has been reduced 5% from 18% showing high agreeability. As there is a rate cut down for leather after the implementation of GST there is a considerable increase in the agreeability for the purchase of leather products and that is illustrated in the above graph. The purchase agreeability towards toys has come down since after the implementation of GST the prices have increased by up to 20% and that is evident in the graph given above.

Findings

Before GST

1. Majority of the respondents say high agreeability towards leather and textiles.
2. Majority of the respondents say medium agreeability towards cosmetics, beverages, personal care, confectionaries and households.
3. Majority of the respondents say high agreeability towards stationaries and toys.

After GST

1. Majority of the respondents say high agreeability towards leather and textiles and cosmetics.
2. Majority of the respondents say medium agreeability towards provisions, personal care, stationaries and confectionaries.

3. Majority of the respondents say low agreeability towards household and others.

Conclusion

Even though implementation of GST has led to the growth of economy its rates has to be revised at times when needed based on the necessities of product and services. As it is tied up with Digital India Regime, it became difficult for the illiterates to understand the procedural concepts of the GST.

Review of the study

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2. Dr. G. Sunitha and P. Satischandra GST: As a new path in the tax reforms in Indian Economy.
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