



www.elkjournals.com

CONSUMER PERCEPTIONS TOWARDS GOODS AND SERVICES TAX IMPLEMENTATION – AN ECONOMIC APPROACH

Gowtham Ramkumar
Post Graduate Student
Department of Commerce
Madras Christian College
Email ID: gowthamphenom@gmail.com
Mobile No: 8754015311/9941960811

ABSTRACT

Goods and Services tax is considered to be an important tax reform in the country. Goods and Services tax is based on destination principle which means tax accrues at the place of consumption rather than the place of manufacturing. Common people are more affected by the goods and services tax and the effects were adverse at the time of introduction of goods and services tax¹. However since revisions were made, this burden seems to have reduced for the consumers. ²This study seeks to understand the consumer perceptions towards goods and services tax implementation by taking a microeconomics approach considering disposable income, spending ability rather than a general study of consumer perceptions. The study finds that consumers are satisfied with goods brought under 0% slab and consumers do not experience an increase in personal income after goods and services tax implementation. The study uses simple descriptive statistics to present the results so that even a common layman can understand what the research study seeks to communicate to the readers of the paper. Finally, the study arrives at a meaningful conclusion which can be used as a basis for further research study relating to goods and services tax. Keywords: Goods and Services tax, Destination principle, Microeconomic approach, Disposable income and spending ability.

¹ <https://economictimes.indiatimes.com/news/economy/policy/how-gst-will-impact-a-common-mans-budget/articleshow/60011410.cms>

² <https://www.livemint.com/Companies/6yNnNILs0kTeseNGKmhINO/What-the-revision-in-GST-rates-means-for-consumers.html>

INTRODUCTION

GST is considered to be the important tax reform in the Indian history. It has affected all the sectors of the Indian economy³. Fast Moving Consumer Goods (FMCG) industry is one of the most outperforming industries in India today⁴ and considered to be most impacted by the GST. The four tier GST rate system has significant impact on the FMCG products. Goods and services tax is a destination based tax on consumption of goods and services where tax will be levied at all stages from the stage of manufacturing till the final consumption and set off is allowed in the form of input tax credit to the business parties involved in the process. GST there will be 3 kinds of applicable Goods and Services Taxes:

CGST: where the revenue will be collected by the central government

SGST: where the revenue will be collected by the state governments for intra-state sales

³ <https://economictimes.indiatimes.com/gst-impact-across-sectors-take-a-look-at-the-winners-and-losers/tomorrowsmakersshow/53541336.cms>

⁴

<https://retail.economictimes.indiatimes.com/news/food-entertainment/personal-care-pet-supplies-liquor/industry-risk-review-on-fmcg-sector/62703902>

IGST: where the revenue will be collected by the central government for inter-state sales

Various studies were carried out before the implementation of GST on how it will work and benefit the Indian economy. Dr. R. Vasanthagopal (2011) stated that GST will be a positive step in booming the Indian economy. Ehtisham Ahmed and Satya Poddar (2009) also stated that GST will lead to increase in output and production efficiency of the Indian economy and the benefits depends upon the design of the GST rates. With this background on the study of the GST in various phases, this research paper seeks to find out the consumer perceptions on their disposable income and spending ability after goods and services tax implementation.

REVIEW OF LITERATURE

Karthick R et.al(2017) in their research paper “A Study on consumer perception towards goods and services tax in Kanchipuram district” found that consumers feel that the tax rates are high for the products of daily use. They further found that consumers feel that method being

followed for GST is highly complicated and periodic evaluation of tax rates is required. Further they concluded that GST can be successful only when business persons have a right understanding of how GST has to be charged to the consumers.

Manoj Kumar Agarwal (2017) in his research paper titled “People’s perception towards GST – An empirical study” found that people feel that GST has increased the legal compliances and it will increase the tax collection of the government. He further found that GST has increased the tax burden of businessmen and suggested that efforts should be made on the part of the government to ensure people have a proper understanding of the goods and services tax implemented in India.

Anshu Ahuja (2017) in the research paper titled “Perception of people towards goods and services tax” found that consumers are satisfied that goods and services tax will reduce the tax evasion in the country and will increase the transparency in the tax structure. He further suggested that government should give some relaxation to farmers and small scale business to avoid the adverse impact of goods and services tax on their income level.

Kumar (2014) in his paper titled “Goods and Service Tax in India-A way forward stated that GST will be charged for all the goods and services except for those items that are exempted from the GST. The author further stated that the proposed GST will be an implemented as dual model GST. The author further states that various central taxes will be subsumed under the new tax regime and points out the various benefits that can be expected from the goods and services tax.

Garg (2014) studied “Basic Concepts and Features of Good and Service Tax in India” and found that a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority” and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST.

Agog Mawuli (May 2014) studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Gowtham Ramkumar (2017) in his study titled “Impact of GST on consumer spending ability in Chennai City” concluded that consumers are left with less money after GST, rise in inflation level and fall in prices of certain goods after GST implementation. He further concluded that GST rates will have a significant impact on the spending ability of the consumers and suggested that benefits of input tax credit must be transferred by the companies to the consumers.

STATEMENT OF THE PROBLEM

The introduction of goods and services tax as a single taxation system is considered to be a major tax reform in the country. All most all the sectors of the economy is now experiencing the effects of goods and services tax. Consumers are no way an exception to the aftermath of the goods and services tax. There is a revision in the prices of consumer durables and even products of

daily usage. Different tax experts and economists have given their opinion on the long term benefits of goods and services tax for India. It is necessary to understand the consumers’ opinion regarding goods and services tax. Thus, there is a need to study the consumer perception regarding the goods and services tax which is active now in India.

NOVELTY OF THE RESEARCH

Several research studies focused on the impact of goods and services tax to the Indian economy. Similarly, there are also many research studies which focused on how goods and services tax will benefit and cost different sectors of the economy. Few research studies studied the consumer perception towards goods and services tax but do not take an economic approach in studying the consumer perceptions. This study is unique because it seeks to study the consumer perception towards goods and services tax based on the economic variables like disposable income and spending ability instead of their satisfaction towards goods and services tax.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows

- To understand the GST mechanism implemented in India.
- To study the consumers opinion with regard to goods and services tax implementation.
- To study the consumers opinion with regard to goods and services tax rates.
- To study the consumers opinion with regard to various aspects of goods and services tax.
- To study the consumers opinion with regard to disposable income and spending ability after GST implementation.

4.1 RESEARCH METHODOLOGY

The data required for this study is collected from both primary and secondary sources.

4.2 TYPE OF RESEARCH

This research study is a quantitative research study. A quantitative research study is a study where a problem which is being studied by the researcher is supported by generating data which can be later converted into usable statistics giving meaningful conclusion.

4.3 SOURCES OF DATA

4.3.1 Primary data

Primary sources are the sources that are collected originally rather than being already

made available. The data obtained from these sources are called primary data. The primary data for the study is collected through survey method using structured questionnaire. The primary data often is available in raw form which is then processed to make itself suitable for further analysis to arrive at meaningful conclusion.

4.3.2 Secondary data

The secondary sources represent those data made available in a suitable form to lend itself for further analysis. Often they do not require any processing and can be used for analysis purpose. The Secondary data for the research is collected through journals, magazines and books relating to economic effects of taxes on the economy.

4.4 SAMPLING DESIGN

4.4.1 Sample Size: The sample size for the study is 150 respondents from Chennai city. The sample size for the study is arrived through G-power statistics 3.1 software which helps in determining the sample size based on the analytical tool used for the study.

4.4.2 Sampling Technique: This research study is based on simple random sampling method. This sampling technique gives each element an equal and independence chance of being selected rather than pre-determining the samples to be selected.

4.4.3 Sampling Unit: The sampling unit for the study is the consumers of FMCG products. Industrial consumers do not represent the sampling unit for the study.

4.5 STATISTICAL DESIGN

The analysis for this study has been carried out through IBM SPSS Version 22 Software. The analytical tool used for the study is descriptive Statistics. The Study uses simple descriptive statistics to present the consumers' perception towards goods and services tax implementation. Mean and Standard deviation is used to present the results as the questions are structured based on ordinal scale rather than nominal scale.

INSTRUMENTAL RELIABILITY

Table 1 – Reliability Statistics (Refer table no.1)

The table 1 shows the reliability statistics of the variables used for the study. Cronbach's Alpha is considered to be standard measure of reliability of the items used in the study.

A Cronbach's Alpha value of 0.5 and above is acceptable. Since the cronbach's Alpha is 0.929, it indicates greater and highest level of internal consistency of the variables.

LIMITATIONS OF THE STUDY

The various limitations of the study are as follows

1. The study uses both primary and secondary data for the successful completion of the study, Therefore the limitations of these data will affect the study,
2. The study uses various multivariate analysis techniques for analyzing the results. The limitations of these tools might affect the outcome of the study.
3. The study confines itself to FMCG sector and therefore may not be reflect the impact of GST on consumers of other sectors.
4. The analysis is for a particular period of time and results will change for an analysis made at any other of time.
5. The study limits itself to the consumers in Chennai city. The

results might vary if the study is conducted in different geographical location.

DATA ANALYSIS AND INTERPRETATION

Table 2 showing the respondents opinion with regard to various aspects of GST in India (Refer table no. 2)

INTERPRETATION

The table 2 shows the respondents opinion with regard to various aspects of GST implemented in India. The highest mean score is considered to be most preferred opinion of the respondents. From the above table, it is clear that consumers are aware about GST rates applicable to the products and it is indicated by the mean score of 3.51. Followed by it, based on the mean score of 3.39, it is clear that the respondents are aware and satisfied with dual model of GST implemented in India. However, based on the mean score of 3.27 it is clear that respondents have a neutral opinion with regard to the GST working mechanism and respondents are dissatisfied with regard to rates applicable for different products and the role of GST council in addressing problems arising out of GST.

Table 3 showing the respondents opinion with regard to GST implementation (Refer table no. 3)

INTERPRETATION

The table 3 shows the respondents opinion with regard to GST implementation. From the above table, based on mean score of 2.93 it is clear that respondents' are satisfied with regard to four tier GST rates applicable for goods and services. Further they are also

satisfied with regard to dual model of GST in the form of CGST and SGST. With the mean score of 2.89, it is clear respondents have a neutral opinion with regard to rates allocated for the products classified under different slabs of GST. Based on the mean score of 2.88 and 2.81, it is clear that people are highly dissatisfied with regard to implementation of GST in 2017 especially within few months after demonetization.

Table 4 showing the respondents opinion with regard to GST rates in India (Refer table no. 4)

INTERPRETATION

The table 4 shows the respondents opinion with regard to GST rates in India. The mean values are arranged in descending order indicating level of agreeableness of the

respondents to the statements given to them. Based on the mean score of 3.63, it is clear that respondents are satisfied with 0% GST rate for milk and other items added to that list. However it should be noted that not all varieties of milk are subject to 0%. Then, it is clear that respondents are satisfied with regard to slashing of GST to 5% to the restaurants based on the mean score of 3.05. However respondents are not willing to

accept 28% GST rates for daily usable items like shampoo and other products and 18%

for vegetables. This is due to the rise in prices of essential daily use items soon after the implementation of GST. However in due to course of time, various revisions have taken place with regard to the GST charged for different FMCG Products.

Table 5 showing the respondents opinion with regard to the impact of GST on their disposable income (Refer table no. 5)

INTERPRETATION

The table 5 shows the respondents opinion with regard to the impact of GST on their disposable income of the consumers. The rise or fall in the disposable income position of the consumer depends upon GDP of the country, cost of borrowing, and fear of

rising taxes among consumers, personal income and unemployment in the country. Based on the mean score, it is clear that GDP of India has increased taken a top position because of rising hopes for possible increase in GDP in upcoming days. Some respondents have also felt that cost of borrowing has reduced. The respondents have a neutral opinion with regard to fear of rising taxes. However, the respondents' disagrees to the statement that GST has

resulted in increasing the personal income and unemployment reduction in the country.

Table 6 showing the respondents opinion with regard to the impact of GST on their spending ability (Refer table no. 6)

INTERPRETATION

The table 6 shows the respondents opinion with regard to the impact of GST on their spending ability. Any consumer's purchase decision depends on his/her spending ability. The spending ability depends on several factors like availability of consumer credit, interest charged for it, market demand and supply position, inflation and disposable income. Based on the mean score, it is clear that consumers have no problem with regard to availability and interest charged for consumer credit and is indicated by the high

mean score of 3.07. However, consumer do not experience any increase in disposable income and fall in inflation level. This is indicated by low mean score of 2.93 and 2.85.

FINDINGS

The findings of the study are as follows

- Based on mean score of 2.93 it is clear that respondents' are satisfied with regard to four tier GST rates applicable for goods and services. This is because four tier goods and services tax will enable to tax goods and services depending on their importance for the consumers.
- Consumers are aware about GST rates applicable to the products and it is indicated by the mean score of 3.51.
- Based on the mean score of 3.63, it is clear that respondents are satisfied with 0% GST rate for milk and other items added to that list. This is because if these are charged high rate of GST, again it will lead to rise in prices which cannot be afforded by the consumers.
- Based on the mean score 2.92, it is clear that GDP of India has increased taken a top position because of rising

hopes for possible increase in GDP in upcoming days.

- Based on the mean score, it is clear that consumers have no problem with regard to availability and interest charged for consumer credit and is indicated by the high mean score of 3.07. Since India is moving towards digitalization, credit facilities are easily made available to them in the form of credit cards and small retailers also allow credit to their loyal customers.

CONCLUSION

To conclude, goods and services tax is considered as the important tax reform for the nation. It seeks to make the country one common economic market. However, the concept of goods and services tax followed in our country is different from the way it is followed abroad¹¹. The four tier goods and services tax rates is useful in taxing luxury products at higher rates and frequent revisions of items included in various rates seems to have reduced the aftermath of new tax regime. Consumers also have a neutral opinion with regard to the impact of goods and services tax on their disposable income and spending ability and time will take to

evaluate and arrive at a conclusion whether goods and services tax will benefit the country or not.

REFERENCES

1. Vasanthagopal, D. (2011). GST in India: A Big Leap in the Indirect Taxation System. International Journal of Trade, Economics and Finance, Vol. 2(, No. 2).
2. Garg, G. (2014). Basic Concepts and Features of Good and Service Tax in India. International Journal of scientific research and management (IJSRM), 2(2), 542-549
3. Mawuli, A., (2014), "Goods and Service Tax- an Appraisal" Paper presented at the the PNG Taxation Research and Review Symposium, Holiday Inn, Port Moresby, 29-30.
4. Kumar, N., (2014), "Goods and Service Tax in India-A Way Forward", Global Journal of Multidisciplinary Studies, Vol 3, Issue 6.
5. G Ramkumar (2017) " Impact of GST on consumer spending ability in Chennai city", Primax International Journal of Commerce and Management Research (PIJCMR), Volume 5, Issue no.3, October – December 2017, Impact factor 4.532, Print ISSN 2321 – 3604, Online ISSN 2321 – 3612.
6. R. Karthick, Esther Hepziba. R, A Study On Consumer Perception Towards Gst In Kancheepuram District, Paripex Indian Journal Of Research : Volume-6 | Issue-10 | October-2017
7. Dr. Manoj Kumar Agarwal "People's perception about GST – An Empirical Study", Kaav International Journal of Economics, Commerce & Business Management, Jul - Sep 2017 | Volume: 4 | Issue: 3, ISSN No:2348 – 4969.
8. Anshu Ahuja "Perceptions of people towards goods and services tax" Kaav International Journal of Economics, Commerce & Business Management, Jul - Sep 2017 | Volume: 4 | Issue: 3, ISSN No: 2348 – 4969.
9. G Ramkumar (2018) "A Study on spending ability of FMCG consumers after GST Implementation" published in conference proceedings of National Conference on Goods and Services Tax – Impact and Prospects 2018 Loyola College (Autonomous),

- Nungambakkam, ISBN No: 9788193377703.
10. http://taxreview.gov.pg/wpcontent/uploads/2014/09/nri.tax_.symposium_goods_services.tax_paper_.pdf
 11. <http://zeenews.india.com/economy/how-indias-gst-is-different-from-that-in-other-countries-2051352.html>
 12. <https://www.ibef.org/industry.aspx>
 13. <https://www.livemint.com/Companies/6yNnNILs0kTeseNGKmhINO/What-at-the-revision-in-GST-rates-means-for-consumers.html>
 14. <https://economictimes.indiatimes.com/news/economy/policy/how-gst-will-impact-a-common-mans-budget/articleshow/60011410.cms>
 15. <https://economictimes.indiatimes.com/gst-impact-across-sectors-take-a-look-at-the-winners-and-losers/tomorromakersshow/53541336.cms>
 16. <https://retail.economictimes.indiatimes.com/news/food-entertainment/personal-care-pet-supplies-liquor/industry-risk-review-on-fmcg-sector/62703902>

LIST OF TABLES

Table 1 – Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.929	25

Table 2 showing the respondents opinion with regard to various aspects of GST in India

GST Aspects					
	N	Minimum	Maximum	Mean	Std. Deviation
GST rates applicable to different products	150	1	5	3.51	.978
Dual model of GST – CGST and SGST	150	1	5	3.39	1.138
GST Working mechanism	150	1	5	3.27	.977
Different types of GST rates	150	1	5	3.19	1.147
GST related concerns are addressed through GST council	150	1	5	3.12	1.052
Valid N (list wise)	150				

Table 3 showing the respondents opinion with regard to GST implementation

GST Implementation					
	N	Minimum	Maximum	Mean	Std. Deviation

I am satisfied with four GST rates	150	1	5	2.93	1.143
I am satisfied with dual model of GST	150	1	5	2.92	1.100
I am satisfied with rates allocated for products and Services	150	1	5	2.89	1.110
I am satisfied regarding implementation of GST in 2017	150	1	5	2.88	1.150
I am satisfied with implementation of GST soon after demonetization	150	1	5	2.81	1.249
Valid N (list wise)	150				

Table 4 showing the respondents opinion with regard to GST rates in India

GST Rates					
	N	Minimum	Maximum	Mean	Std. Deviation
I am satisfied with 0% rate for milk and other items included in this list	150	1	5	3.63	.969
I am satisfied with slashing of GST rate to 5% for restaurants	150	1	5	3.05	1.138
I am satisfied with 12% rate for Agarbatti and other items included in this list.	150	1	5	3.01	.951
I am satisfied with 28% rate for shampoo and related products	150	1	5	2.64	1.204
I am satisfied with 18% rate for vegetables	150	1	5	2.61	1.251
Valid N (list wise)	150				

Table 5 showing the respondents opinion with regard to the impact of GST on their disposable income

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
GDP of India has increased	150	1	5	2.92	1.037
Cost of borrowing has been reduced	150	1	5	2.75	1.104
There is no fear of rising taxes	150	1	4	2.64	1.035
Increase in personal income	150	1	5	2.53	1.044
Level of unemployment reduced	150	1	5	2.48	1.031
Valid N (list wise)	150				

Table 6 showing the respondents opinion with regard to the impact of GST on their spending ability

Spending Ability					
	N	Minimum	Maximum	Mean	Std. Deviation
Low interest for consumer credit	150	1	5	3.07	1.031
Consumer credit is available more in number	150	1	5	3.07	1.044
Supply and demand of FMCG products increased	150	1	5	3.03	1.078
Increase in disposable income	150	1	5	2.93	1.107
Inflation is reduced	150	1	5	2.85	1.023
Valid N (list wise)	150				