Impact of Goods and Service Tax on Consumer Behaviors in Kerala

Hemanth Kumar .S
MBA, Department of Management Studies
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

Goods and service tax is an indirect tax including central and state indirect taxes which has brought a significant change in the buying behavior of consumers. It is necessary to know the perception and awareness of consumers about the implementation of GST. Considering the consumers of Palakkad district, some of them gave positive response and others also gave negative feedbacks due to increase in prices for goods and services. The sample consists of 50 respondents which were selected randomly. Majority of the respondents are unaware of the new tax reform and they feel the rules and regulations of GST are more complicated. The data collected has been analyzed using SPSS. The statistical tools such as percentage and correlation have been used for data analysis. People are the future assets and leaders of our country. Thus, providing them with adequate information about the principles of GST and making them aware that the new tax reform is a national development program. Inspite of various challenges faced by the consumers, there have been various positive impacts on the consumers. The findings also revealed that there has been significant change in the buying behavior.

KEYWORDS: GST, Consumer behavior, Consumer awareness, Perception

1. INTRODUCTION

GST (Goods and Service Tax) is an indirect tax including Central and State indirect taxes which is imposed on the consumption of goods and services providing a unified single market for the whole nation. GST came into effect in India from July 1, 2017. Till June, 2017, the Central government levied excise duty on manufacturing and a tax on supply of services. The State governments imposed sales tax or Value Added Tax (VAT) on sale of goods. This led to multiplicity of indirect taxes in the country which in turn led to cascading of taxes due to 'tax on tax'. Also implementation of GST reduced the tax burden on goods for the consumers.
GST will mainly remove the tumbling effect on the sale of goods and services. Removal of tumbling effect will directly impact the cost of goods. The cost of goods should decrease since tax on tax is eliminated in the GST tenure.GST is also technologically driven. All activities like registration, return filing, application for refund and response to notice needs to be done online on the GST Portal. This will speed up the processes.

GST is a transformational reform which has advantages like enhancing national market and business, increased productivity and efficiency, improved tax compliance etc which can be accomplished in the long run. The four GST slabs, 5%, 12%, 18%, 28% are the approved standard rates excluding items of daily use from purview of GST. Being an indirect tax, GST fall equally on

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rich and poor. The small companies are badly affected than the large companies as they are under-prepared for GST

2. LITERATURE REVIEW

S.Muthupandi and Dr.A.Joseph Xavier (2017) have analyzed the study of Awareness among college students of Sivakasi about GST and concluded that majority of respondents are male and hence there exists a relationship between gender and their level of knowledge on issue of GST. They analyzed the data by using statistical tools such as percentage and Chi-square test.

Dr. Vikas Kumar (2016) have analyzed positive and negative effect of GST on common man in India and found that all goods and services be taxed at moderate rate, enabling India to compete with World Trade. They concluded by studying Impact of GST on pricing of products as compared to current system.

Mohammed Rizal Palil and Mohammed Adha Ibrahim (2011) have studied The Impact of GST on middle income earners in Malaysia and concluded that middle income earners were not satisfied with the implementation of GST. Based on independent samples, T-test between gender and readiness, perceptions and acceptance of GST, they reached this conclusion.

3. OBJECTIVES

- To ascertain the impact of GST on consumer buying behavior.
- To find out the level of awareness of consumers about implementation of GST.
- To know about consumer readiness, perceptions and acceptance of GST.

HYPOTHESES

H0: There is a significant relationship between consumers' awareness level on GST and their buying behavior
H1: There is no significant relationship between consumers' awareness level on GST and their buying behavior

4. RESEARCH METHODOLOGY

The present study is designed as a descriptive one mainly based on primary data.The descriptive research explains the state of affairs as it exists at present.

SOURCES OF DATA

PRIMARY DATA

The primary data have been collected by using structured questionnaire from 50 selected respondents of Palakkad District.

SECONDARY DATA

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Secondary data relating to the study have been collected from the websites, books, journals and periodicals.

TOOLS FOR DATA ANALYSIS

The data collected has been analyzed using SPSS. The statistical tools such as percentage and correlation have been used for data analysis. The hypothesized relationships between consumers' awareness level on GST and their buying behavior have been tested using co-efficient correlation.

RESULTS AND DISCUSSIONS

DEMOGRAPHIC PROFILE OF RESPONDENTS

Sl.No			Number of Respondents	Percentage
1.	Gender	Male	26	52
		Female	24	48
	TOTAL		**50**	**100**
2.	Age	20 – 30	18	36
		30 – 40	7	14
		40 – 50	14	28
		50 – 60	11	22
	TOTAL		**50**	**100**
3.	Education	Primary school	1	2
		SSLC/PLUS TWO	4	8
		Degree	28	56
		Post Graduate	14	28
		Others	3	6
	TOTAL		**50**	**100**
4.	Marital Status	Married	32	64
		Unmarried	18	36
	TOTAL		**50**	**100**
5.	Occupation	Home Maker	6	12
		Paid Employment	21	42
		Business	10	20
		Retired	3	6
		Student	10	20
	TOTAL		**50**	**100**

TABLE NO 1

Table 6.1 represents the demographic profile of the consumers in the Palakkad district. It is evident from the table that, majority of the respondents are male (52%) just by a difference of 4% from that of female (48%).While considering the age wise classification, more number of respondents are between the age of 20 to 30 years. Analysis of the educational qualification of the respondents show that Degree holders are more in number (56%) and the least number of respondents are with primary school level qualification (2%).Regarding the marital status of the respondents, majority of them are married (64%). Under the nature of occupation, many of the respondents are having paid employment (42%).

.PERCEPTION OF RESPONDNTS TOWARDS GST IMPLEMENTATION

Sl.No		Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1.	GST is going to be beneficial in the long run.	3 (6%)	15 (30%)	12 (24%)	14 (28%)	6 (12%)
2.	GST is more effective than traditional tax system.	1 (2%)	22 (44%)	11 (22%)	10 (20%)	6 (12%)
3.	GST will contribute to economic development.	4 (8%)	19 (38%)	14 (28%)	7 (14%)	6 (12%)
4.	Rules and regulations of GST are complicated.	11 (22%)	22 (44%)	9 (18%)	5 (10%)	3 (6%)

TABLE NO 2

Table 6.2 shows the Perception of Public towards the Implementation of GST. 30% of the respondents agree that GST is going to be beneficial in the long run while 28% of the respondents disagree the same. It is evident from the table that most of the respondents (44%) opinioned GST is more effective than traditional tax system. Majority of the respondents (38%) agree that GST will contribute to the economic development. 44% of the respondents agree that rules and regulations of GST are complicated and 6% of the respondents strongly disagree the same. Analysis of Table 6.2 represents that 18-28% of the respondents neither agree nor disagree to the statements quoted in the table. Also majority of the public have a positive perception towards the new tax reform and its benefits.

CONSUMERS' BUYING BEHAVIOUR

Sl.No		Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
1.	GST brought changes in buying behavior	9 (18%)	17 (34%)	11 (22%)	12 (24%)	1 (2%)
2.	GST has an adverse effect in running local business	9 (18%)	21 (42%)	16 (32%)	3 (6%)	1 (2%)
3.	new tax reform reduced	4	16	15	10	5

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	consumers daily expense	(8%)	(32%)	(30%)	(20%)	(10%)
4.	The prices of products are affordable even after introducing GST.	0 (0%)	15 (30%)	11 (22%)	11 (22%)	13 (26%)

TABLE NO 3

Table 6.3 represents the Consumers' Buying Behavior. It shows that the new tax reform has brought a major change in the buying behavior among the public (34%). Most of them opinioned that GST has an adverse effect in running local business and 32% of the respondents neither agree nor disagree the same. Majority of the respondents' (32%) daily expense has been reduced after implementing GST, and almost an equal percentage (30%) of respondents neither agree nor disagree as there is no change in their daily expenses. For 22% of the respondents, the prices of products are not affordable after introducing GST. While the same percentage of respondents neither agree nor disagree that price of products are affordable.

CORRELATIONS

		awareness level	consumption of goods
awareness level	Pearson Correlation	1	.046
	Sig. (2-tailed)		.753
	Sum of Squares and Cross-products	68.480	4.000
	Covariance	1.398	.082
	N	50	50
consumption of goods	Pearson Correlation	.046	1
	Sig. (2-tailed)	.753	
	Sum of Squares and Cross-products	4.000	112.500
	Covariance	.082	2.296
	N	50	50

TABLE NO 4

The bivariate correlation is undertaken between the respondents. It was hypothesized that a relationship exists between consumers' awareness level on GST and their buying behavior. The above table shows that P value is greater than 0.05 at 12 degree of freedom. So we accept the null hypothesis, that there is a significant relationship between the variables. The result also reveals that Pearson correlation value is less than 0.5, it means a negative relationshipexists between the variables.

5. CONCLUSION

The general public of our nation are the future assets and leaders. They will contribute for the development and progress of our country. So it is necessary to provide them with adequate information about the new developments of our country. The initial mess created by GST is a run-up to a smooth roll-out. Hence, the various challenges faced by the consumers are for a positive outcome to be enjoyed in the future. GST ends multiplicity of taxes, makes tax administration more

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effective and formalizes a large part of the country's economy. But the main problem has been found that the lack of awareness about the new tax reforms. Hence more training sessions should be conducted in all parts of the country. It is found that GST has increased the price of many products and led to decrease in the frequency of buying among the public. Being a major reform, GST has created confusion and disruption across the economy. But this reform is going to be beneficial and sustainable in the long run.

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