ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

Role Of Goods And Services Tax In Influencing The Disposable Income Of The Consumers

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ABSTRACT

GST is considered to be the significant taxation reform in the country. Understanding the consumer behavior is important to avoid customer dissatisfaction and also to ensure customer delight. Taxation plays an eminent role in influencing consumer behavior. Changes in taxation system will influence consumer behavior and this will play a key role in their purchase decision. These changes can be either in the form of switching brand preferences, consideration of new factors, increase or decrease in spending ability. Disposable income is the important factor that determines the quantity and brand that will be purchased by the consumers. GST has compact all most all the sectors and costs of the many product of day to day use have either augmented or remains as same because it was earlier. This research paper seeks to study cause and effect relationship between GST and disposable income and finally arrives at a meaningful conclusion and provides scope for further research in this area.

Keywords: Goods and Services Tax, Disposable Income and Consumer Behaviour

INTRODUCTION

Goods and Services Tax is taken into account to be the vital tax reform within the Indian history. It has affected all the sectors of the Indian economy. Goods and services tax could be a destination based mostly tax on consumption of products and services wherever tax are going to be levied in any respect stages from the stage of producing until the ultimate consumption and go off is allowed within the type of input diminution to the business parties concerned within the method. the products and Services Tax is enforced in three forms

- Central Goods and Services tax

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ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

- State Goods and Services tax
- Integrated Goods and Services tax

Any tax can have an effect on the disbursement ability of the customers. Thus it's vital to investigate the connection between the new tax and also the disbursement ability that is vital indicator of buying power of the customers. Understanding the connection between the products and services tax, income and disbursement ability can facilitate in characteristic whether or not buying power of individual shopper has accrued or minimized, alternative things remaining constant.

The options like zero-rated offer, input diminution, mechanism of integrated merchandise and services tax mechanism build the product and services tax distinctive in its own manner compared to the product and services tax introduced abroad. The product and services tax followed in developed nations unit of measurement primarily one tier system whereas it's four tier systems in Republic of Asian country.

REVIEW OF LITERATURE

Gowtham Ramkumar (2018) in his study titled "Consumer perceptions towards Goods and Services Tax Implementation – An Economic approach" concluded that four tier system of products and services tax can facilitate in burdensome the posh things at the next level and sure revisions created when the initial implementation of products and services tax has reduced the burden of customers and finished that it'll take time to judge whether or not the new legal system has benefited Bharat or not." (Ramkumar, 2018)

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 square measure high for the product of daily use. They additional found that buyers feel that methodology being followed for GST is extremely difficult and periodic analysis of tax rates is needed. additional they over that GST will be eminent only if business persons have a right understanding of however GST needs to be charged to the shoppers." (R Karthick, 2017)

Chaurasia et al. (2016) Studied, "Role of products and Services Tax within the growth of Indian economy" and ended that that in overall GST is helpful for the event of Indian economy

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ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

and this will jointly facilitate in up the Gross Domestic product of the country over 2 percent." (Pradeep Chaurasia, 2016)

Jaiprakash (2014) in his analysis study mentioned that "the GST at the Central and thus the State level area unit expected to gift further relief to trade, trade, agriculture and customers through a further comprehensive and wider coverage of input tax set-off and repair tax set-back, subsuming of the many taxes at intervals the GST and phasing out of time. Responses of trade and in addition of trade ar thus encouraging. so GST offers USA the only option to broaden our assets which we have a tendency to mustn't miss this opportunities to introduce it once the circumstances area unit quite favorable and economy is enjoying steady growth with entirely delicate inflation." (Jaiprakash, 2014)

STATEMENT OF THE PROBLEM

Any indirect tax has direct relationship with the spending ability of the consumers. Taxes play a major role in determining the purchasing power of the people. Goods and services tax has impacted almost every sector of the economy. Initially many research studies focused on the how goods and services tax affects the spending ability. It is almost a two year from introduction of new taxation system in the country. Many issues seems to be have solved and looks like even businessmen are comfortable with charging GST. This study is carried out analyze how GST will influence disposable income of the consumers.

OBJECTIVES OF THE STUDY

The objective of this study

- To study the relationship between goods and services tax and disposable income of consumers.
- To offer suggestions on implementation of goods and services tax.

MATERIALS AND METHODS

Sources of Data	Primary Data collected with structured questionnaire.
Research Design	Quantitative and Empirical
Sampling Design	Simple Random Sampling

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ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

Sample Area	Chennai
Sample Size	50
Statistical Design	Multiple Regression Analysis.
Independent variables	GST Rates, GST Implementation and GST aspects
Dependent variable	Disposable Income

LIMITATIONS OF THE STUDY

The various limitations of the study are as follows

- The study uses the data collected from both primary and secondary data. Therefore limitations of these sources apply to this study.
- 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.

RESULTS AND DISCUSSIONS

Table 1 shows the impact of GST on the disposable income of the FMCG Consumers through regression analysis.

Table 1.1 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845[a]	.714	.702	2.40512

a. Predictors: (Constant), GST Rates, GST Aspects, GST Implementation

b. Dependent Variable: Disposable Income

Source: Primary Data Analysis

The Disposable income of the consumers is the dependent variable where GST Rates, GST Aspects, GST Implementation are the independent variables. GST has a significant impact on disposable income of the consumers. This is indicated by p-value of 0.000 indicating lower level of significance not acceptable at 1% and 5% level. It is also supported by the R square change which is 0.714, indicating that 71.4% of the variation in the disposable income is explained by

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ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

the independent variables. Factor R of multiple cross correlation of 84.5% show higher cross correlation which is an acceptable significance level.

Table 1.2 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1027.612	3	342.537	59.215	.000[b]
	Residual	410.708	71	5.785		
	Total	1438.320	74			

a. Dependent Variable: Disposable Income

b. Predictors: (Constant), GST Rates, GST Aspects, GST Implementation

Source: Primary Data Analysis

The table 1.2 shows the results of ANOVA. The hypothesis is further tested by ANOVA table. Since the computed p-value 0.000 is lower than the acceptable significance value of 0.01, it is concluded that GST have a significant influence on the disposable income of the consumers. Thus the null hypothesis is rejected and alternate hypothesis is accepted.

Table 1.3 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.747	1.410		.530	.598
	GST Aspects	.097	.079	-.086	-1.219	.227
	GST Implementation	.549	.082	.591	6.718	.000
	GST Rates	.418	.095	.370	4.399	.000

a. Dependent Variable: Disposable Income

The table 1.3 shows the co-efficient table of the regression analysis. From the above table, regression equation can be derived

$$Y = 0.747 -0.097X_1 + 0.549X_2 +0.418X_3$$

The dependent variable is the disposable income denoted by Y and the independent variables are consumers' responses with regard to GST aspects, GST Implementation and GST Rates. These variables are therefore labelled as X_1, X_2 and X_3 respectively. The regression equation tells about the functional relationship between the dependent and independent variables. From the above equation it is clear that for every 100% increase in disposable income, the consumer perception

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ISSN: 0971-1260
Vol-22-Issue-4-October-December-2019

regarding the various aspects of GST will decrease by 9.7% and their perception regarding GST rates will also increase by 54.9% and 41.8%. This shows that there is a functional relationship between GST and implementation with regard to the disposable income of the consumers. The Significance value also shows that GST rates and Implementation are highly significant at 1% level with regard to disposable income.

CONCLUSION

To conclude, GST is considered to be an important tax reform in the country. Taxes have direct relationship with the disposable income of the consumers. Hence it plays a significant role in determining the spending pattern of the consumers. Businessmen need to be aware about how taxes influence consumer behavior and adopt their marketing strategies accordingly. Some businesses are using composition scheme of GST to attract and retain customers which is a best example of understanding taxes and shaping their business strategies. Understanding taxes and consumer behavior will benefit both consumers and business itself.

SUGGESTIONS

The following are the suggestions of this study

1. Tax planning will help consumers to ensure much of their income is not going way as taxes.
2. The benefits of input tax credit earned by companies, if transferred to the customers in the form of price reduction, will help the business in retaining market share.

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