

IMPACT OF GOODS AND SERVICE TAX ON HOUSEHOLD CONSUMERS' SPENDING AND CONSUMPTION PATTERN IN SOUTH GOA : A STUDY

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ABSTRACT

The Goods and Service Tax was introduced on 1st July 2017, as a comprehensive indirect tax to eliminate the multiple indirect taxes. Its main aim is to simplify the taxation system in the country. GST has two main components - Central GST and State GST, the revenue being shared by both the Governments. GST has a positive as well as negative impact on consumers, the various industrial sectors as well as the Indian economy as a whole. GST is the largest taxation reform in India. Through GST, a host of indirect taxes are replaced by a single unified tax. This paper presents a background of GST and an in depth study on the impact of GST on the spending and consumption pattern of consumers.

Keywords: goods and service tax; indirect tax; consumers; impact; consumption

1. INTRODUCTION

The Goods and Service Tax (GST), the biggest reform in the Indian taxation system was implemented on 1st July 2017. It is a comprehensive, multistage indirect tax that abolishes most of the indirect taxes in the country (Surg 2017). GST is one single indirect tax for the entire nation. GST is charged on the manufacture, sales and expenditure on most goods and services. Through GST, several state and central taxes are merged into one single tax. Rani (2017)

concluded from her study that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of tax credit set-off. The implementation of GST has helped in the better transfer of resources from the centre to the state. GST has been mainly implemented with the objective of removing the cascading effect of taxes, reducing tax evasion and corruption, to bring about consumption based tax and to increase the GDP of the country. Nayar and Singh (2017), in their study highlight the background of the taxation system, and an in depth analysis of GST. The study found out the various advantages and challenges of GST implementation in India. They concluded that the new Government was in strong favour of implementation of GST as there were many positive implications of GST, such as, single taxation system for the entire country, increasing in the GDP growth, clear and transparent taxation system.

GST has 3 main components:

- a. Central GST which is levied by the centre on intra-state supply of goods or services.
- b. State GST which is levied by the states on intra-state supply of goods or services.
- c. Integrated GST which is levied on inter-state supply of goods or services.

Bhosle (2018) in a study on the impact of GST on consumers habits with respect to visit in restaurants in the state of Goa, interview 90 respondents from Goa to study the level of awareness of the tax slab of GST rates and also the impact of GST with respect to restaurant visits in Goa. She concludes that the level of awareness is satisfactory but there is less awareness of the tax slab of GST rates. The paper also concludes that there is no impact of GST on common behaviour with respect to visits in restaurants. Agarwal (2017) in his

research paper said that GST in India is at its infancy stage and it will take some time to make a strong impact on the Indian economy. GST will benefit the producers, middle man as well as consumers and at the same time it will generate good amount of revenue to the central and state government.

Table 1 shows the effect of GST on prices of goods. Basic and essential commodities do not come under GST. As a result of GST, the prices of mobile phones, business electronic products, canned food items, luxury products, beauty products, automobiles, movie tickets and apparels have increased. On the other hand, home use electronic products, stationery items and toiletries have become cheaper.

Table 1: Effect of GST on the prices of goods

DECREASE	INCREASE	NO GST
Television	Mobile phone	Bread, white and whole meal
Refrigerator	computer	Cooking oil, (palm oil, coconut oil & groundnut oil)
Air- conditioner	Eye-pad & tablets	Beef, mutton, lamb, chicken & pork
Spark plug, brakepads & car battery	Photocopy machine	Local fruits
Home theater system	Digital photo printing	Diesel
Hair dryer	Transportation of goods	Petrol unleaded 95
Electrical fan & toaster	Drinking water	Rice
Gas cooker - double burner	Magazines	Fresh vegetables
Electrical iron	Fish balls	Fresh fish & prawns
Cotton bath towel	Canned sardine& tuna	Powdered milk
Colour pencil	Lipstick	Chicken & duck eggs
Toothbrush	Nail colour	Public transport

DECREASE	INCREASE	NO GST
Dettol , antiseptic	Motorcycle , 110cc	Motor oil
Dinning set(6 chairs)	Watches	Engine oil
Diapers	Ice cream	Private clinic x-ray
Car 850 cc	Cheese	Toll
Toothpaste	Oats & cereals	Chillies
Plastic mats	Chilli sauce, Oyster sauce etc	Alcohol
Imported fruits	-	Tobacco

Source: www. gstcouncil.gov.in/sites

2. Impact of GST on Consumers

A. Positive Impact

1. Elimination of multiple indirect taxes.
2. Consumers now pay less on goods and services, thereby having more disposable income.
3. Black money will get stifled.
4. Eliminates cascading effects of taxes.
5. Manufacturing costs have come down, hence consumer pay less.
6. Lower prices of goods will lead to increase in demand and production.
7. To meet higher demand, more production is required to be carried out, thus generating more employment opportunities.

B. Negative Impact

1. Services like telecommunication, banking have become more expensive.
2. Increased cost of services will add up to the monthly expenditure.
3. An increase in inflation will be seen initially.
4. It will take time to understand the implications of GST.

3. OBJECTIVE OF THE STUDY

1. To study the impact of GST on consumers spending behavior and consumption patterns.
2. To evaluate the positive and negative effects of GST on consumers.
3. To know whether customers are aware about GST and its various tax rates.

4. IMPORTANCE OF THE STUDY

This study is carried out to find out whether consumers are aware about GST and its various tax rates and also to study the impact of their spending and consumption pattern after the implementation of GST. The study throws light on the changes in the buying and spending habits of consumers post GST. The study will also reveal whether GST has had a positive or negative impact on the consumers.

5. RESEARCH METHODOLOGY

For the purpose of conducting the study, questionnaires were administered to 150 consumers of different age groups, income level and occupation. The period of the study was from August 2018 to December 2018. The findings of the data analysis was tabulated and bar graphs and pie charts were used to analyse the same.

6. DATA ANALYSIS

Table 2: Demographic Data of Respondents

Variable	Description	Frequency	Percentage
Gender	Male	58	39
	Female	92	61
	Total	150	100
Age (Years)	Below 21	43	29
	21-30	44	29
	31-40	30	20

Variable	Description	Frequency	Percentage
Age (Years)	41-50	21	14
	51-60	08	05
	61 & Above	04	03
	Total	150	100
Qualification	Upto Secondary School	20	13
	Upto Higher Secondary School	46	31
	Graduation	65	43
	Post Graduation	19	13
	Total	150	100
Profession	Student	58	39
	Housewife	23	15
	Business	18	12
	Service	41	27
	Retired	10	7
	Total	150	100

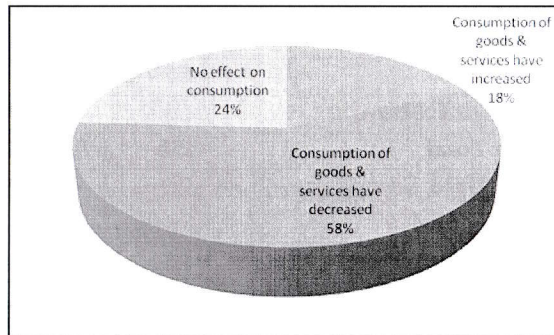
Source: Primary Data

Table 3: Impact of GST on consumption and spending pattern

Variable	Description	Frequency	Percentage
Impact of GST on consumption pattern	Consumption has increased	36	24
	Consumption has decreased	64	43
	No effect on Consumption	50	33
	Total	150	100
Impact of GST on spending pattern	Spending has increased	63	42
	Spending has decreased	55	37
	No effect on Spending	32	21
	Total	150	100

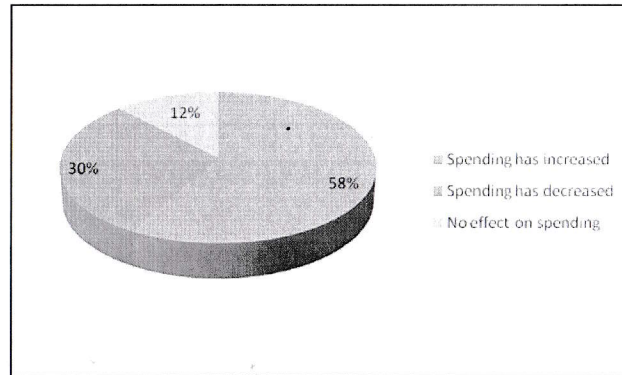
Source: Primary Data

Figure 1a: Impact of Spending Pattern



Source: Primary Data

Figure 1b: Impact of Consumption



Source: Primary Data

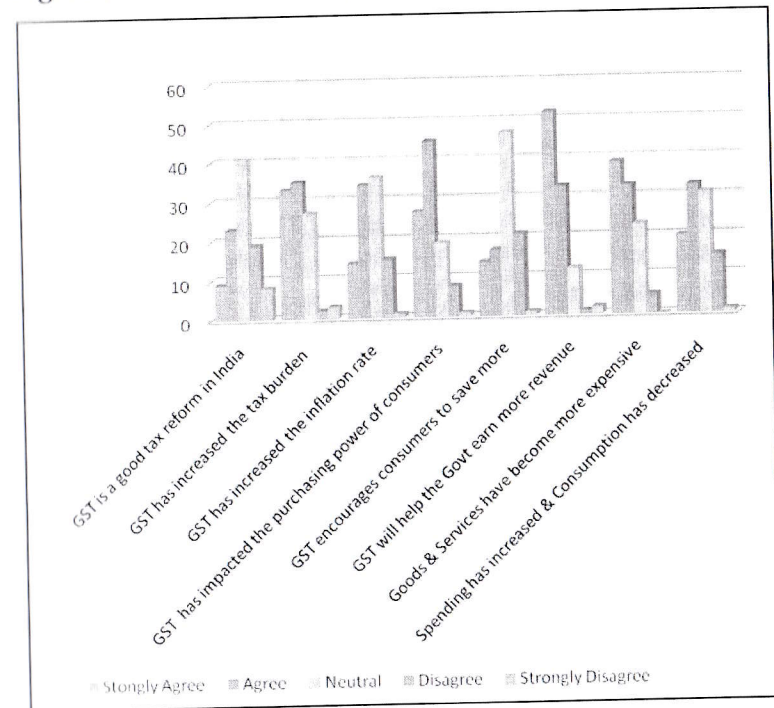
Figure 1 (a) shows the impact on consumers' spending pattern as a result of GST. Majority of the respondents said that their spending has increased due to the implementation of GST which means that they are paying more because of GST. On the other had 37 per cent of the respondents said that their spending has decreased because of GST. This could be possible due to reduced consumption of goods and services or switching over to substitute or alternative

products. On the other hand, a little less than a quarter of respondents said that GST has no effect on their spending.

Figure 1 (b) shows the impact on consumption. It is evident that GST has reduced the level of consumption of 43 per cent of the respondents, while it has increased the level of level of consumption of 24 per cent of the respondents. However, for one third of the respondents, GST has had no impact on their consumption pattern.

7. Customer Perception regarding GST

Figure 2: Customer Perception regarding GST



Source: Primary Data

The bar graph in Figure 2 shows Consumers' Perception towards GST. 58 per cent of the respondents were neutral towards the fact that GST was a good tax Reform in India, while 23 percent agreed and 19 per cent disagreed to the same.

35 percent of the respondents agreed that GST has increased the tax burden on common man as well as business main. This was strongly agreed by another 33 per cent of the respondents.

36 percent of the respondents had a neutral opinion about rise in the level of inflation in the country as a result of GST, while 34 per cent of the respondents agreed to the same.

45 percent of the respondents have agreed that GST has impacted the purchasing power of the respondents and this was strongly agreed by 27 per cent of the respondents.

17 per cent of the respondents agreed that GST encourages consumers to save more, through reduced consumption. This was strongly agreed by 14 per cent of the respondents, while a huge majority of 47 per cent of the respondents was neutral towards the same.

52 per cent of the respondents strongly agreed that GST will help the Government earn more revenue.

39 per cent of the respondents strongly agreed that GST has made goods and services more expensive.

33 per cent of the respondents agree that spending has increased and consumption has decreased because of GST. However, only 15 per cent of the respondents disagreed with this.

8. FINDINGS

87 per cent of the respondents were aware about GST and its various tax rates, while 13 per cent of the respondents were not aware about the same. GST has had a negative impact on the consumption pattern of 43 per cent of the consumers, while consumption pattern has

increased for 24 per cent of the consumers. However, GST has not had a major impact on 33 per cent of the consumers has their consumption pattern has not changed. Regarding the spending behaviour of the consumers, spending has increased for 42 per cent of the consumers clearly indicating that consumers are spending more because of GST. For 37 per cent of the consumers, their spending has decreased, while there has been no impact on the spending pattern for 21 per cent of the respondents. 77 per cent of the consumers said that GST did influence their consumption and spending pattern, while GST did not have an influence on 23 per cent of the respondents' consumption and spending pattern. 37 per cent of the respondents switched to alternative products, this was by those consumers who found products more expensive after the implementation of GST. 83 per cent of the respondents said that GST did not benefit them, while 17 per cent of the respondents benefited from GST. Regarding the perception of the consumers regarding various aspects of GST, majority of the consumers had a neutral opinion with regards to GST being a good tax reform in India, GST increasing the inflation rate in the country and GST encouraging consumers to save more. On the other hand, majority of the respondents agreed that GST has increased the tax burden on businesses as well consumers and GST has also made goods and services more expensive and also an increase in the revenue to the Government as a result of GST. The respondents have felt that services like banking, insurance, telecommunication, transportation, entertainment have increased as a result of GST. With regards to products, only very essential products have become cheaper, but the rest have become expensive, some marginally, while others to a great extent.

9. CONCLUSION

From the study it can be concluded that, GST has increased the spending behavior and decreased the purchasing power and consumption pattern for majority of the respondents. Few consumers have switched over to alternative products because of rise in the prices of the products that they would earlier consume. Most of the consumers have felt that availing of various kinds of services have become costlier with the implementation of GST, while the prices of products have changed depending upon the type of product purchased. Thus the findings of the study reveal that there is an impact of GST on the spending and consumption pattern of the consumers.

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