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IMPACT OF GST ON THE SPENDING HABITS OF THE CONSUMERS IN MYSORE

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Abstract

Taxation plays an important factor in the consumer buying behaviour, any change in the tax, has an impact on the spending. Goods and services tax, is a reform in the arena of tax which is a consumption tax which consumers would be the party to bear the additional tax charges. There were different types of taxes for different types of goods and services. To remove multiple taxes and also to provide for a common national market for goods and services, the Government of India proposed for to introduce the goods and services tax. In GST, all Indirect taxes such as excise duty, central sales tax (CST) and Value Added tax (VAT) etc. Will be subsumed under a single regime. GST has been implemented two years back in India, In the early stages of GST implementation, there were many issues and concerns to the consumers about the tax system and there were opinions and forums to discuss the benefits and burdens of the tax on the consumers. So in this light, This study attempts to examine the awareness of GST among the consumers and impact of GST on the spending habits of the consumers.

Keywords: GST, Awareness, Perception, Spending habits, Purchases.

Introduction

Goods and services Tax (GST), also known as value-added tax, which is introduced 1 July 2017 by Government of India. GST enable simplified indirect tax regime and removes complications and multi-layered taxation mechanism. It is a comprehensive multistage, destination based tax. Comprehensive because it has subsumed almost all the indirect taxes except few. Multi- Staged as it is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer. And destination based tax, as it is collected from point of

consumption and not point of origin like previous taxes.

Two years into the GST regime, consumers have started accepting that this may not be the most perfect single tax system, but everyone are spending thinking that all are treated as one under GST. There are many issues that remain to be addressed, but it is rising confidence among the consumers. GST is a consumption tax which consumers would be the party to bear the additional tax charges (Zabri Ahmad & He,2016) while purchasing local taxable supply and imported goods and services.

Tax is a fee levied by the government of

the respective country on income, goods and activity. Tax has been an important source of revenue in almost all the country for a long time. A tax may be defined as “ a compulsory extraction made by general Government from the general public”. It is a financial charge imposed on individuals or legal entity by the government in pursuant to its legislative authority to meet the public expenditure like infrastructure, education and public amenities. There are different kinds of taxes and varied tax rates. It is applied to influence the macro economic performance of the economy and to modify patterns of consumption and employment within the economy.

In the earlier system of indirect taxation had multiplicity of taxes levied by the central and state Government. This has led to a complex and conflicting principles in indirect tax structure, adding to the multiple compliance and administrative costs. There was no uniformity in tax rates and structure across the states. There was cascading of taxes due to tax on tax. There are too many restrictions on seamless credit available i.e., credit of excise duty and service tax paid at the stage of manufacture in not available to the traders while paying the state level sales tax or VAT. Further, credit of state taxes paid in one state cannot be availed in other state. Goods and services Tax(GST) which has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, Entertainment tax, entry tax, is meant to the cascading effect of taxes, provide near seamless credit and make way for a common national market.

GST is comprehensive, destination based indirect tax levied on manufacturer, sale and consumption of goods and services as well as on import of goods and services, except zero rated and exempt supplies. India has followed a dual GST model i.e., centre and states will simultaneously levy tax on a common base. The GST levied by the centre is called Central GST(CGST) and that is levied by the states including union territories with own legislature is called State GST(SGST). Integrated Goods and Services Tax(IGST) will be levied for inter-state supplies.

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.

Sample size: 80 respondents between age group 20 to 60 years are surveyed to examine the awareness of GST and spending ability post GST to evaluate the impact of GST on their spending habits.

Methodology: Exploratory study is conducted in mysore city. structured questionnaire with the likert scale is used to elicit the response from the respondents.

Demographic Profile

Particular	Sub-Category	F	%
Gender	Male	40	50
	Female	40	50
	Total	80	100
Age	20-30 yrs	30	37.5
	30-40 Yrs	35	43.8
	40-50Yrs	15	18.8
	Total	80	100
Qualification	Graduate	6	7.5
	Post Graduate	72	90
	Professional	2	2.5
	Total	80	100
Occupation	Government	5	6.3
	Private	44	55
	Business	17	21.3
	Home maker	14	17.5
	Total	80	100
Income	Below 20000	22	27.5
	20000-30000	20	25
	30000-40000	16	20
	40000-50000	5	6.3
	Above 50000	17	21.3
	Total	80	100
Marital status	married	30	37.5
	single	50	62.5
	Total	80	100

The sample size consists for 40 male and 40 female consumers , who are ranging age between 20years to 50 years and having graduation and post graduation and professional degree, majority of the respondents are having post graduation degree and working in private sector. 30 respondents are of the age group 20-30 years, 35 respondents from the age group 30-40 yrs and 15 respondents are above 40 years. Regarding

their qualification 6 of them are graduate and 2 of them have professional degree and 72 of 80 are of post graduates.

In terms of their occupation pattern, 5 respondents out of 80 are have government jobs, 44 are working in private sector, 17 respondents are doing business, 14 of them are housewives, having income ranging from 10000- 60000. 22 respondents belongs to income level less than 20,000 who are majority in the survey and 20 respondents belongs to the income leve 20-30k per month and 16 respondents belongs to 30000-40000 and 5 respondents are getting the income of 40,000 to 50,000 , 17 respondents have income above 50,000

Source of Information on GST

From the survey, it is found that, majority of the respondents get information on GST from news papers followed by internet which accounts for 55% and 50% respectively. Television accounts for 45% as a source of information on GST.

The statement “I have not understood GST completely” is analysed using a likert scale to elicit response from the different categories their education qualification . The responses are as shown in the table.

Response		I have not understood GST completely					
		SD	D	N	A	SA	Total
UG	F	0	0	5	1	0	6
	%	0	0.0	6.3	1.3	0.0	7.5
PG	F	4	19	14	32	3	72
	%	5	23.8	17.5	40.0	3.8	90
Professional	F	0	2	0	0	0	2
	%	0	2.5	0.0	0.0	0.0	2.5
Total	F	4	21	19	33	3	80
	%	5	26.3	23.8	41.3	3.8	100

The distribution of the respondents based on education qualification and their ability to assess the information of GST is exhibited in the above table. It is observed that 55.1% of all respondents (36) reveal that it is difficult to understand the information of GST and 31.3% (25) have understood the information on GST. The respondents belonging to professional degree are in the position to assess the information on the GST easily. It is found from the study that all the graduates have not understood the GST completely, where as 28.8% of post graduates have understood the GST completely.

Monthly Expenses of the Respondents: The

monthly expenses of the respondents post GST are analyzed on the various basic expenditures such as, food, grocery, fuel, clothing, mobile and internet, tours and travel, children expenditures, medical, entertainment and recreation.

Monthly expenses	Food		Grocery		Fuel		clothing	
	N	%	N	%	N	%	N	%
<Rs1,000	0	0	0	0	0	0	52	65
Rs1000-Rs2000	38	47.5	33	41.3	43	53.8	28	35
Rs2000-3000	38	47.5	37	46.3	37	46.3	0	0
3000-4000	4	5	5	6.3	0	0	0	0
4000-5000	0	0	5	6.3	0	0		
Total	80	100	80	100	80	100	80	100

Month ly expenses	Mobile& internet		Tours & travel		Medical		Entertain ment	
	N	%	N	%	N	%	N	%
Below 1,000	54	67.5	52	65	47	58.8	45	56.3
1000-2000	26	32.5	24	30	28	35	35	43.8
2000-3000	0	0	3	3.8	3	3.8	0	0
3000-4000	0	0	1	1.3	2	2.5	0	0
4000-5000	0	0	0	0	0	0	0	0
Total	80	100	80	100	80	100	80	100

Post GST Monthly expenses are examined in the survey through the structured questionnaire, it is found that the monthly expenditure for the following is less than Rs.1,000 . 67.5% are spending for mobile and internet expenses , 65% are spending on tours and travel, 58.8% are spending on medical, 56.3% are spending on entertainment , 65% are spending on clothing . 33% respondents food and 43% fuel expenses are between Rs.2000-3000 and 47.5%, and 46.3% respondents spend Rs.3,000-4,000 for food and fuel respectively.

Statement	Yes	No	Cant Say
Monthly bill on grocery is reduced after GST	62%	21%	15%
Eating in restaurant reduced after GST	55%	30%	15%
Cost of mobile service increased after GST	74%	14%	12%
Cost of movie ticket increased after GST	65%	30%	5%

Cost of dresses increased after GST	55%	25%	20%
I am aware of percentage of tax paid on each product and services	20%	75%	5%

In the above table, it is found that , 62% of the respondents feel that grocery bill has increased due to GST and 55% feel that restaurant bill and dresses increased post GST and 74% of the respondents feel the mobile bill charges has increased due to GST and 65% of the respondents are of the opinion that movie ticket price is increased due to implementation of GST. It is found that majority of the consumers feel that the GST has increased the price of goods and services.

The statement “I spend less now after implementation of GST” is analysed using a likert scale to elicit response from the different categories of employees . The responses are as shown in the table.

Response		I spend less now after the implementation of GST					
		SD	D	N	A	SA	Total
Govt.	F	1	0	2	2	0	5
	%	1.3	0.0	2.5	2.5	0.0	6.3
Private	F	0	13	18	12	1	44
	%	0.0	16.3	22.5	15.0	1.3	55.0
business	F	0	0	2	13	2	17
	%	0.0	0.0	2.5	6.3	2.5	11.3
Home maker	F	0	3	0	9	2	14
	%	0.0	3.8	0.0	11.3	2.5	17.5
Total	F	1	16	22	36	5	80
	%	1.3	20.0	27.5	45.0	6.3	100

Spending of the consumers analysed based on their occupation pattern, it is found that 51.3% of respondents agree that, their spending is less after implementation of GST. Where as 21.3% of them disagree that GST has not made them to spend less. However, all the respondents involved in the business as their occupation are of the opinion that they spend less now after the implementation of GST.

The statement “I think GST increased the overall cost of living” is analysed using a likert scale to elicit response from the different categories of employees . The responses are as shown in the table.

Response		I think GST increased the overall cost of living					
		SD	D	N	A	SA	Total
Govt.	F	0	3	0	2	0	5
	%	0	3.8	0.0	2.5	0.0	6.3
Private	F	0	8	18	16	2	44

		%	0	10.0	22.5	20.0	2.5	55.0
business	F	0	4	2	7	4	17	
	%	0	5.0	2.5	8.8	5.0	21.3	
Home maker	F	0	5	5	2	2	14	
	%	0	6.3	6.3	2.5	2.5	17.5	
Total	F	0	20	25	27	8	80	
	%	0	25.0	31.3	33.8	10.0	100	

The distribution of the respondents based on occupation has mixed opinions about negative impact of GST on cost of living. The above table indicates that 43.8% (35) respondents believe that GST implementation will increase the overall cost of living due to spike in inflation. On the other hand, 25% (25) respondents oppose this view. However, majority of the respondents involved in private sector are of the opinion that GST will increase the overall cost of living.

The statement “I perceive GST is a burden” is analysed using a likert scale to elicit response from the different categories of employees . The responses are as shown in the table.

Response		I perceive GST is a burden					
		SD	D	N	A	SA	Total
Govt	F	0	2	0	3	0	5
	%	0	2.5	0.0	3.8	0.0	6.3
Private	F	0	10	11	21	2	44
	%	0	12.5	13.8	26.3	2.5	55.0
business	F	0	6	7	0	4	17
	%	0	7.5	8.8	0.0	5.0	21.3
Home maker	F	0	5	5	4	0	14
	%	0	6.3	6.3	5.0	0.0	17.5
Total	F	0	23	23	28	6	80
	%	0	28.8	28.8	35	7.5	100

The above table exhibits the distribution of perceiving burden based on occupation which has mixed opinion. Almost 42.5% of respondents (34) agree that GST is a burden on the consumers and on the other hand, 28.8% overlook this statement that GST will not burden them. The employees who are working in the private sector are of the more positive opinion the statement “I perceive GST is a burden”

Conclusion

A single taxation system, GST is levied only on consumption of goods and services, which will eliminate economic distortions in taxation amongst states and helps in free movement of goods, further it minimize the complexity of taxation.

The study concludes that the impact of GST has altered the consumer’s expenditure

pattern and livelihood .There is a visible change in their expenditure pattern and spending habits. GST has a negative impact on the consumption pattern. As taxes on goods and services imposed on products and services, people may not be able to afford as much as they used to, as a result they consume less. The consumers have to pay more tax for most of the goods and services they consume. After 2 years of implementation of GST still there are hiccups in understanding the taxation calculation. Consumers are not aware of the percentage of tax charged on the products and services they consume. . Though GST is beneficial for consumers as there would be only one tax from the manufacturers and service providers to the consumer , the fruits of it is not realised by the consumers yet, the GST regime may provide relief in terms of reduced tax burden on the consumers in the long run.

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