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A Study on Consumer Spending Ability towards Goods and Service Tax with Reference to Bengaluru City

Manjula. R[1], Dr. D. H. Thavamalar[2]

[1]*Ph.D Research Scholar, Department of Commerce at Annamalai University, Chidambaram.*
[2]*Asst.Professor, Govt.Arts College, Chidambaram*

The tax is considered one of the main sources of income for the Country. Taxes are divided into direct taxes and indirect taxes.Direct taxes include corporate tax, income tax, real estate transfer tax, inheritance tax, and stamp duty, while indirect taxes include import tax, export tax, excise tax, sales tax, and service tax.Goods and Services Tax (GST) is an example of an indirect tax.GST revenues constitute a significant portion of government revenues in many countries.Despite the growing popularity and success of GST implementation around the world, Bengaluru City are not completely convinced by the new tax system. This is due to a lack of understanding of the benefits behind GST implementation. Therefore, this study was conducted in Bengaluru City , Karnataka State, with the aim of evaluating the level of understanding and spending behaviour towards GST among the consumers .Data will be collected through Structured questionnaire.
Keywords: Good and services Tax, awareness, Spending Behaviour and ability.

1. Introduction

Goods and services Tax is comprehensive based consumption tax on goods and services.It is a form of indirect tax where consumers pay taxes whenever they buy goods and services. So, GST is a tax levied on spending amount .GST is not a new tax system but replacement of the Sales and service Tax. The present tax system is multi stage tax ,This is because of the payment of tax is made in every stage by the intermediaries in the production and distribution process.that means GST is levied at every level of production and distribution chain until the final Consumer . so, GST is a tax system that will avoid tax evasion . As per the International Monetary Fund the implementation of GST system will increase the efficiency of tax system & raise in collection of tax. It is assumed that implementation of GST will decrease the corporate and personal tax rates in the country. GST is not levied on Tax investment s and savings . So due to this reason it will encourage savings and investments and strengthen Economic flexibility. Consumer Spending is the largest category of total spending, The economic condition of a country is often determined by the behaviours of consumers. It is very important to understand consumers spending behaviuor when there are changes to country taxation policy . The government has strong decision that the implementation of GST will lower the tax burden of consumers as few basic needs goods and services can be provided to consumers at a lower rate of tax or at zero rate of tax for example cooking oil , rice, flour , sugar, fruits & vegetables meat, fish egg and essential services like public transport , education health etc will not come under the perview of GST as these items will be included in ZERO rated supply .

2. Review of Literature :

Dr. Amulya .M (2019) The study states that the impact of GST has changed the consumers expenditure and pattern and livelihood. There is a visible change in their expenditure pattern and spending habits. GST has a negative impact on the consumption pattern. A taxes on goods and services imposed on products and services, people may not be able 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 interruptions in understanding the taxation calculation . consumers are not aware of the percentage of tax charged on the products and services they consume.

2.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.

3. Objectives of the Study :

1. To examine the awareness level of GST among the Consumers.
2. To analyse the impact of GST on the consumer spending ability.

Sample Size: 40 responses are considered, to analyse the awareness and spending ability after the implementation of GST.

4. Methodology:

Exploratory research is conducted in Bengaluru city .Structured questionnaire with the 5 point Likert scale is used to evaluate the responses from the respondents. Reponses were analysed through regression Analysis.

Demographic Profile

Particular	Sub-category	F	%
Gender	Male	19	47.5%
	Female	21	52.5%

TOTAL		40	100%
Age	18-36 yrs	15	37.5%
	36-60 yrs	18	45%
	60 & Above	07	17.5%
TOTAL		40	100%
Qualification	Upto 12th	10	25%
	Graduate	15	37.5%
	Post Graduate	14	35%
	Professional /Diploma	01	2.5%
TOTAL		40	100%
Occupation	Student	06	15%
	Private	17	42.5%
	Government	07	17.5%
	Business	02	5%
	Home Maker	08	20%
TOTAL		40	100%
Monthly Income	Below Rs.50,000	25	62.5%
	Rs.50,000-1,00,000	03	7.5%
	Rs.1,00,000-1,50,000	06	15%
	Rs.1,50,000-2,00,000	01	2.5%
	Above Rs.2,00,000	05	12.5%
Total		40	100%
Marital Status	Single	12	30%
	Married	28	70%
TOTAL		40	100%

Sources of Information: Primary Data Analysis

Data Analysis and Interpretation

Age of the Respondents:

From the above table it is clear that 45 % of the respondents are in the age group of 36-60 years ,37.5% are in the age group of 18-36 years and 17.5% of the respondents belong to above 60 years respectively.

Monthly Income of the respondents:

from above table it is clear that 62.5% of the respondents earn below Rs.50,000 per month , 7.5% of the respondents earn between Rs. 50,000 to 100,000 and 15% earn above Rs.1,00,000 to Rs.1,50,000 per month ,while 2.5% respondents earn Rs.150,000 to Rs.200,000 and 12.5% respondents earn above Rs.2,00,000 respectively.

Educational Qualification of the respondents:

from the above table it is clear that 37.5%% of the respondents are under graduate , 35% of the respondents are post graduates,25%% of the respondents are upto 12th and 2,5% are professionally qualified.

Gender:

The sample size consists of 19 male and 21 female consumers.

Table – 1: Showing Descriptive statistics regarding the Awareness & consumer Spending behaviuor towards GST

Descriptive statistics									
Statements	N	SD	D	N	A	SA	Mean	σ (SD)	median
I have Complete knowledge about GST	40	1	10	16	13	0	3.025	0.831	3
You spend less after the implementation of GST ?.	40	9	8	15	7	1	2.575	1.106	3
I feel that GST is a Burden & leads to additional cost	40	0	9	4	13	14	3.8	1.159	4
I feel that GST has increased Overall cost of Living	40	0	6	4	14	16	4	1.062	4

Sources: Primary Data Analysis:

The above table shows the consumer spending behaviuor towards goods and service tax . The results shown in descending order of means. That is highest mean indicates more favourableness to a statement and vice versa. The consumer feel that GST has increased overall cost of living .so it is indicated by the highest mean score of 4.00. further consumers also feel that GST is a Burden & leads to additional cost due to GST rates. It is indicated by the mean score of 3.80. Further it is also clear that Average consumers have Complete knowledge about GST, it is indicated by the mean score of 3.025. very less consumers stated that they spend less after implementation of GST. They are indicated by mean score of 3.025 and 2.575 respectively.

Hypothesis:

1. Alternate Hypothesis: There is a relationship between Monthly Income and Spending ability of consumers

2. Null Hypothesis : There is no relationship between Monthly Income and Spending ability of consumers.

ANOVA					
	df	SS	MS	F	Significance F
Regression	4	2.911118	0.72778	0.330857	0.855323658
Residual	35	76.98888	2.199682		
Total	39	79.9			

As per the above Table the variables are highly significant at 5% significant level which is indicated by the p-value is more than 0.05.therefore the null hypothesis is rejected and Alternate hypothesis is accepted. it indicates that there is a relationship between Monthly income and Spending ability of the consumers .

Its proven that GST has increased the prices of goods and services in the market, increase in prices leads to reduction in quantity of purchase for the same amount before GST was charged. So GST decreases the spending ability of the consumers in Bengaluru City, as they feel its leading to additional cost.

Table-2 : Showing Descriptive statistics on monthly expenses

Monthly Expenses	Less than Rs.2000	Rs.2000-Rs.4000	Rs.4000-Rs.6000	Rs.6000-Rs.8000	Rs.8000 - 10,000	Rs.10,000 & Above	Mean	SD (σ)	Median
your Monthly Expenses on Ready food	23 (57.5%)	13 (32.5%)	02 (5%)	01 (2.5%)	01 (2.5%)	00	1.6	0.900	1
your Monthly Expenses on Grocery	10 (25%)	13 (32.5%)	11 (27.5%)	04 (10%)	01 (2.5%)	01 (2.5%)	2.4	1.194	2
your Monthly Expenses on clothing	26 (65%)	09 (22.5%)	04 (22.5%)	01 (2.5%)	00	00	1.5	0.784	1
your Monthly Expenses on Mobile Internet	37 (92.5%)	02 (5%)	01 (2.5%)	00	00	00	1.1	0.378	1
your Monthly Expenses on Tours & Travel	30 (75%)	07 (17.5%)	02 (5%)	00	01 (2.5%)	00	1.37	0.806	1
your Monthly Expenses on Medicine	36 (90%)	04 (22.5%)	00	00	00	00	1.1	0.303	1
your Monthly Expenses on Entertainment	36 (90%)	01 (2.5%)	03 (7.5%)	00	00	00	1.175	0.549	1

After the implementation of 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.2,000 , 57.5% on ready food , 65% on clothing ,92.5% on mobile internet, 75% on tours & Travels, 90% on Medical Expenses, and 90% on Entertainment respectively. 32.5% of respondents spend 2000-4000 for ready food and clothing respectively.

Table-2 : Showing Descriptive statistics:

Statement	Yes	NO	N	Mean	SD
your monthly expenses on Grocery reduced after GST.	10 (25%)	30 (75%)	40	1.75	0.438
Your eating cost on Restaurant is reduced after GST	11 (27.5%)	29 (72.5%)	40	1.725	0.452
your Expenses on Entertainment increased after GST .	27 (67.5%)	13 (32.5%)	40	1.325	0.474
Your expenses on Electronic Items increased after GST.	26 (65%)	14 (35%)	40	1.35	0.483
your expenses on clothes increased after GST.	27 (67.5%)	13 (32.5%)	40	1.325	0.474
I am aware of GST paid on each product and services.	32 (80%)	08 (20%)	40	1.20	0.405

Sources: Primary Data

In the above table it is found that 75% of respondents feel that monthly expenses on grocery has not reduced after GST but it is increased. 72.5% of the respondents feel that restaurant bill has increased after GST. 67.5%,65%,67.5% respondents feel that expenses on Entertainment ,electronic items and on clothes has drastically increased due additional cost of GST and 80% of respondents are aware about the rates of GST levied on Goods and services.

5. Findings:

The various findings of the study are as follows:

1. Consumers feels that there is an increase in grocery expenses due to which they left with less money .

2. Majority of Consumers feels that GST is a burden and leading to additional cost in their day to day life with mean score of 3.8

3. Majority feels that there is over all increase in cost of living after the implementation of GST .

4. Consumers feels that it is an additional cost for goods and services.

6. Conclusion :

Economic Biases in the nation's tax system will be eliminated by the Goods and services tax, a single tax system that is only imposed on the goods consumption of goods and services. In additionally to facilitating the free flow of products, GST makes taxes less complicated .The study comes to the conclusion that the GST has affected the monthly expenses and means of subsistence of consumers. It is evident that they have changed their purchasing habits and patterns. The consumption pattern is negatively impacted by GST. The amount that consumers can afford to spend has decreased since the introduction of the GST. They consequently use fewer goods and services. Because most goods and services come with higher taxes for the consumer. There are still issues with comprehending the taxation structure and calculation even after five years of GST implementation. Many customers are still unclear about the GST rates applied to goods and services. Additionally consumers are not informed of changes in GST rates through the appropriate channels.

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