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Role Of Goods And Services Tax In Influencing Common Man's Purchasing Power

Gowtham Ramkumar
Research Scholar
Department of Commerce
Faculty of Science and Humanities
SRM Institute of Science and Technology
Kattankulathur, Chennai – 603203
Email ID:gr5013@srmist.edu.in
Mobile No: 8754015311

Dr.S.Chitra
Associate Professor and Head
Department of Commerce
Faculty of Science and Humanities
SRM Institute of Science and Technology
Kattankulathur, Chennai - 603203

ABSTRACT

Purpose: The purpose of this study is to identify impact of goods and services tax on purchasing power. The other purpose of this study include offering suggestions on how real benefits of goods and services tax can be transferred to the consumers.

Methodology: The data forthe study is collected through 50 consumers in Chennai city. IBM SPSS 22 version software is used to process and analyze the collected data for the study.

Findings: The study identifies that spending ability is influenced 13.5% by GST rates and 43.7% by the mechanism in which the GST was implemented.

Implications: The results of the study indicate that all essential commodities should be brought under the lowest slab of goods and services tax

Keywords: Goods and Services tax, Common Man, Spending ability.

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INTRODUCTION

Goods and Services tax is primarily a consumption tax on product and services. It is a kind of revenue enhancement within which shoppers pay taxes as they purchase product and services. Goods and services tax is that the new tax introduced in the country that subsumed several of the multiple indirect taxes antecedently existing within the country. Taxes and shopper selections have a major relationship with one another. actually several countries uses taxes as an weapon to change the behavior of shoppers or to change unfavorable demand prevailing within the market which might result in rising inflation level. Likewise, goods and services tax conjointly affects the buyer behavior.

In fact major welfare and development schemes are funded through the revenues generated by taxes in numerous forms. Tax policies not solely exerts its importance at domestic level however additionally determines the international fight of the country. For example, just in case of imports and exports, tariff rate is taken into account as necessary issue.

Goods and Services Tax – Definition

Goods and services tax can be defined as the destination based taxation system whereby the taxes accrues on the place of consumption rather than the place of manufacturing with a new unique feature input tax credit attached to it.

Features of Goods and Services Tax

1. It is dual goods and services tax. It is implemented in two forms namely State and Central goods and services tax.
2. It is a destination based tax.
3. The set off is allowed only against respective goods and services tax.

Relationship between taxes and spending ability

1. Consumers are probable to change their disbursement behavior if they understand a tax change to be lasting.
2. Consumers would possibly begin to regulate their payment forthwith once a tax modification is passed into law, or maybe once the outlines of the modification begin

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to firm up—developments that may occur long before the modification really begins to have an effect on tax payments.

REVIEW OF LITERATURE

Gowtham Ramkumar (2018) in his study titled 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 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) concluded that that in overall GST are useful for the event of Indian economy and this can conjointly facilitate in up the Gross Domestic product of the country over two percent.(Pradeep Chaurasia, 2016)

Jaiprakash (2014) in his analysis study mentioned that "the GST at the Central and therefore the State level square measure expected to present additional relief to trade, trade, agriculture and customers through a additional comprehensive and wider coverage of input tax set-off and repair tax set-back, subsuming of many taxes within the GST and phasing out of civil time. Responses of trade and additionally of trade are so encouraging. therefore GST offers USA the simplest choice to broaden our assets and that we mustn't miss this opportunities to introduce it once the circumstances square measure quite favorable and economy is enjoying steady growth with solely delicate inflation."(Jaiprakash, 2014)

OBJECTIVES OF THE STUDY

The objective of this study

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

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MATERIALS AND METHODS

Sources of Data	Primary Data collected with structured questionnaire.
Research Design	Quantitative and Empirical
Sampling Design	Simple Random Sampling
Sample Area	Chennai
Sample Size	50
Statistical Design	Multiple Regression Analysis.
Independent variables	GST Rates, GST Implementation and GST aspects
Dependent variable	Spending Ability

RESULTS AND DISCUSSIONS

Table 1 showing the impact of GST on the spending ability of FMCG Consumers – through Regression Analysis

Table 1.1 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597[a]	.356	.338	3.34319

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

b. Dependent Variable: Spending Ability

Source: Primary Data Analysis

The Spending ability 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 0.356, indicating that 35.6% of the variation in the spending ability is explained by the independent variables. Factor R of multiple cross correlation of 59.7% show moderate cross correlation which is an acceptable significance level.

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Table 1.2 ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	445.051	2	222.525	19.909	.000[b]
	Residual	804.736	72	11.177		
	Total	1249.787	74			
a. Dependent Variable: Spending Ability						
b. Predictors: (Constant), GST Rates, 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 spending ability of the consumers. Thus the null hypothesis is rejected and alternate hypothesis is accepted.

Table 1.3 Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.620	1.563		4.236	.000
	GST Implementation	.437	.108	.505	4.040	.000
	GST Rates	.135	.132	.128	1.026	.308
a. Dependent Variable: Spending Ability						

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

$$Y = 6.620 + 0.437X_1 + 0.135X_2$$

The regression equation explains the functional relationship between the spending ability and GST which consisted of two parts namely GST Implementation and GST rates. The equation shows that for every one change in Y variable, X_1 changes by 43.7% and X_2 changes by 13.5% and vice versa. Any indirect tax will affect the spending ability of the customers. Therefore GST also has an impact on the spending ability of the customers. Both GST implementation and GST rates significantly influences the spending ability and both the independent variables are highly significant at 1% level.

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SUGGESTIONS

The various suggestions of this study are as follows

1. All the essential commodities should be brought under the lowest slab of goods and services.
2. The benefits of composition scheme should be transferred in the form of price reduction to consumers.

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