

# A STUDY ON THE IMPACT OF GST TOWARDS CONSUMER DURABLE GOODS WITH REFERENCE TO TRIVANDRUM CITY

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## Abstract

India implemented GST on July 1st, 2017. Value added tax (VAT), excise, sales, and other indirect taxes are only a few of the ones that are integrated in the GST, also known as one nation, one tax. GST implementation results in a reform of the tax code. GST has a variety of effects on durable consumer products. Most consumer durable products had a little higher GST tax when the GST was first adopted, but many of these goods had their GST slab rates decreased from 28% to 18%, and these changes in GST rates had an effect on consumer durable goods. The major goal of the study is to assess how consumers' perspectives have changed in terms of their satisfaction with the effects of the GST on consumer durables in Trivandrum.

**Key words:** GST, goods and services tax, consumers

## INTRODUCTION

One of the country's most significant tax reforms was the implementation of the goods and services tax (GST) as a single tax system. The repercussions of the goods and services tax are already being felt by almost all economic sectors. In no way are consumers exempt from the effects of the goods and services tax. The installation of GST is supported in large part by the consumer durables sector because it solves the issue of double taxation. This industry will be one of the most positively impacted industries with a new cost structure. This will make taxes simpler for the final consumer and draw in more customers, which will increase sales of durable goods like TVs, air conditioners, refrigerators, etc.

Man has changed since a decade ago, and there has also been a clear technical shift. Today, an ordinary man's demands go well beyond the customary "roti, Kapda, and Makaan." According to the widespread belief that the government has instilled in us, prices will be lower than they were before the adoption of the largest tax reform in India's history. But in reality, things turn out a little differently. The GST, which was created by combining all taxes into one, has an effect on consumers. The study's objectives include understanding the relationship between GST and price inflation on durable consumer items and mitigating the impact of GST on these commodities. The study will further add to the body of knowledge regarding GST, particularly with regard to consumer durable items. Additionally, this will aid future researchers in conducting their work more precisely.

## TAX

Taxes are a required payment that the government imposes on the populace in order to promote social welfare. Up to 90% of all governmental revenue comes from taxes. Taxes are how civilised society is supported.

### ADVANTAGES OF GST

- One nation, one tax: The GST's goals include streamlining the tax code and removing obstacles to trade, which will encourage more multinational corporations to enter the Indian market.
- The government does not levy any GST on exports from India, making Indian products more competitive on the world market and boosting the country's economy.
- Taxpayer-friendly: The fundamental goal of the GST is to simplify and remove obstacles that prevent tax payers from paying their GST.
- GST is based on IT: GST is filled out online, which takes less time than manually filing taxes.
- Support for economic growth: The GST helps to promote manufacturing and exports, which creates more jobs and boosts the Indian economy.
- The removal of the check post: The e-bill results in the removal of the check post at the state's borders. Raw materials and finished goods are now moving freely and quickly.
- Support for made in India items: The GST has given made in India products a boost by increasing the competitiveness of Indian-produced goods and services both domestically and internationally.

### DISADVANTAGES OF GST

- Transition proved difficult: When businesses switched to the new tax rate, they had numerous issues, which prompted the GST Council to soften its rules.
- Software modification: Marketers must switch from the ESP accounting programme to the GST accounting programme. Costs increased as a result of the purchase of new software.
- Various tax rates: The GST has five different tax slabs that range from 0% to 28%.
- Multiple state registrations: Businesses must now file GST returns in each state in which they do or conduct business.
- Professionals are required: The GST makes it necessary for small businesses and newly created businesses to hire professionals in order for the GST to function.
- An increase in operating expenses: Hiring professionals to handle GST compliance results in an increase in the company's operating expenses.
- Computerised GST: GST must be completed online with a computer's assistance; however, several businesses only have computers in their little stores, and many individuals are not familiar with how computers operate, which causes a lot of issues.

### CONSUMER DURABLES GOODS

They are categorised as "durable goods" and are anticipated to last at least three years without breaking because they do not easily wear out and do not thus need to be replaced frequently.

Consumer durables are split into three categories.

consumer electronics, white goods, and brown products.

### IMPACT OF GST ON CONSUMER DURABLES GOODS

- ❖ When the GST was put into effect in India on July 1, 2017. The majority of consumer durables have exceptionally high GST rates (28%) that raise the general public's tax burden.
- ❖ GST tax rates have a significant impact on how much consumer durables are priced.
- ❖ GST tax rates have a direct impact on how much consumer durables cost.
- ❖ GST simplified the tax code, which attracted more MNCs to the market and increased competitiveness among producers of consumer durables, giving consumers more options when making purchases.
- ❖ The GST tax rate on items like washing machines and 32-inch TVs and monitors was decreased from 28% to 18% in 2018, which increased demand for these products.

- ❖ The government lowers the GST rates on some consumer durables when it notices a drop in demand for those products on the same market for unknown reasons. The goal of government is to balance supply and demand.
- ❖ GST inadvertently stimulates innovation by forcing manufacturers to develop new items when the prices of some consumer durables are high. Manufacturers must look for various strategies to lower their production costs and boost their profit.
- ❖ The weight of taxes has occasionally been placed on companies that produce consumer durables. In a circumstance like this, there are many of competitors in the market, and those competitors drove the manufacturer to sell the products at a loss.

#### JUSTIFICATION OF THE TOPIC

A study of how GST affects consumer durables would inform us about how GST works and how it affects durable products in general. The determining factor that determines how much something costs is taxes. This study aids the consumer in fully comprehending how the impact of goods and services has helped them as well as the benefits and drawbacks of the goods and services tax. Consumers will be able to examine the differences between the present indirect taxes system and the previous indirect taxation system with the aid of data analysis.

#### SCOPE OF THE STUDY

This study is being conducted to ascertain how the GST is affecting consumer durables and how consumers feel about the tax. The respondent/consumer chosen from Bhopal for this study is used to determine their consumption patterns. The respondents are chosen from a mixed group.

It is a more significant understanding gap. The research's scope is constrained by its narrow geographic location.

#### OBJECTIVES OF THE STUDY

- To comprehend how GST and consumer durables price inflation are related.
- To fully comprehend GST.
- To better comprehend consumer durables.
- To determine GST's benefits and drawbacks.

#### RESEARCH HYPOTHESIS

H0: - The level of education a person has and how satisfied they are with the existing GST slab rates for durable consumer products are not significantly different.

H1: - Their satisfaction with the present GST slab rates for consumer durables differs significantly depending on their level of education.

#### RESEARCH METHODOLOGY

##### RESERCH DESIGN

Geographical area: Trivandrum is where the respondent, who served as the basis for this study, is located.

Simple size: 100 respondents are chosen to complete the survey.

The study uses judgement sampling, in which individuals who are familiar with GST are chosen as participants.

Data collection tool: For any researcher, gathering information is crucial. Primary data and secondary data are the two categories used to categorise information. Primary data are a sort of data that the researcher collects themselves using well-structured questionnaire. Secondary data is a type of information that has already been gathered but is still used by the researcher.

Data collection: A questionnaire that was presented as a Google form was used to gather primary data. Social media apps like Facebook, Twitter, WhatsApp, Instagram, and Discord are used to distribute this Google form to respondents in Bhopal. Sections A and B of this kind of questionnaire, which is one of the kinds of forms you should fill out on your own, are the questionnaire's two sections. A question in section-A asks for personal information, including your age, gender, education, marital status, and occupation. The questions in Section-B are based on those that relate to the research and answer the 10 questions that make up the research purpose.

## REVIEW OF LITERATURE

- A study on "Google pay" was conducted in 2014 by Shwetu Kumar, Vijay Yadav, Atiqu-ur- Rahman, and Aditi Bansal. They examined on Google pay achievements, particularly in designing, working and development of Google pay which consolidated an examination of shop organization, web development, online gadgets, and also a description of the electronic portion system.
- In their essay Recharging; The Correct Way? Dr. Karminder Ghuman and C. S. Shruti Srivastava (2015) sought clarification on Google Pay. - An analysis of the benefits of free charge and Google Pay in e-payments. Do customers prefer one-stop shops like Google Pay, which offers everything, or specialised websites like Free Charges, which are experts in that field and have a strong and distinctive positioning?
- In his article Mobile Wallet; Present and the Future from 2016, Professor Trilok Nath Shukla explored mobile wallets, their workings, and both their benefits and drawbacks. He came to the conclusion that digital firms and marketers will use mobile wallet to interact with customers. Regardless of how popular these mobile wallets are, marketers should seize the new chances that are available.
- A study titled "Factors Influencing Consumers Choice to Use Mobile Wallet to Access M-Commerce Industry in India" was delivered by Abhilasha Seam et al (2017). In this article, a study was conducted in light of India's phenomenal growth in the mobile commerce sector. An experimental study was conducted to determine the variables influencing consumer preference for mobile wallet services. This study explains how structural equation modelling and logistic regression were used to identify the components.

Analysis and Interpretation of Data

Table 1 **Gender wise classification**

Gender	Frequency	Percentage (%)
Male	50	50
Female	50	50
Total	100	100

Source: Primary Data

Interpretation: 50% of respondents are men, and 50% are women.

Table 2 **Marital status**

Age	Frequency	Percentage (%)
Married	72	72
Unmarried	28	28
Total	100	100

Source: Primary Data

Interpretation: 28% of respondents are single, compared to 72% who are married. Most respondents were married people.

**Table 3 Occupation wise classification**

Occupation	Frequency	Percentage (%)
Businessmen	60	60
Student	25	25
Professional	10	10
others	5	5
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents (60%) are businessmen.

**Table 4 Qualification**

Qualification	Frequency	Percentage (%)
Graduate	65	65
Post graduate	30	30
Any other qualification (Under graduate)	5	5
Total	100	100

Source: Primary Data

Interpretation: Graduate respondents make up 65%, postgraduate respondents 30%, and respondents with any other qualification (undergraduate) make up 5%.

**Table 5 Perception regarding whether GST is good for the economy**

Perception	Frequency	Percentage (%)
Yes	90	90
No	10	10
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents believe that good and service taxes are beneficial to the economy. 90% of respondents support the GST, while only 10% oppose it.

**Table 6 GST increase the various legal formalities**

Opinion	Frequency	Percentage (%)
Strongly agree	30	30
Agree	50	50
Neutral	10	10
Disagree	5	5
Strongly disagree	5	5
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents agree with the statement; hence it can be concluded that GST will result in more legal requirements.

**Table 7 GST increase the tax burden on the common people**

Opinion	Frequency	Percentage (%)
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Strongly agree	23	23
Agree	46	46
Neutral	16	16
Disagree	10	10
Strongly disagree	5	5
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents agree with the statement; hence it can be said that the tax burden placed on average people by GST has increased.

**Table 8 GST increase the tax burden on the businessmen**

Opinion	Frequency	Percentage (%)
Strongly agree	19	19
Agree	36	36
Neutral	12	12
Disagree	20	20
Strongly disagree	13	13
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents agree with the statement, which indicates that the GST puts more pressure on businessmen.

**Table 9 GST hard to understand**

Opinion	Frequency	Percentage (%)
Strongly agree	20	20
Agree	35	35
Neutral	25	25
Disagree	10	10
Strongly disagree	10	10
Total	100	100

Source: Primary Data

Interpretation: The majority of responders concur with the statement, supporting the claim that GST is complex.

**Table 10 GST is beneficial in long run**

Obstacles	Frequency	Percentage (%)
Yes	78	78
No	22	22
Total	100	100

Source: Primary Data

Interpretation: As a result, the majority of respondents agree with the statement, which shows that GST is advantageous over the long term.

**Table 11 GST is a good method to replace the sales and service tax**

Opinion	Frequency	Percentage (%)
Strongly agree	10	10

Agree	20	20
Neutral	24	24
Disagree	36	36
Strongly disagree	10	10
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents disagree with the claim; hence it is not a smart idea to replace the sales and service taxes with the GST.

**Table 12 GST led to increase in the friendly competition of the firm.**

Opinion	Frequency	Percentage (%)
Strongly agree	20	20
Agree	50	50
Neutral	13	13
Disagree	13	13
Strongly disagree	4	4
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents agree with the statement, which leads to the statistic that asks whether GST will boost the firm's friendly competition.

**Table 13 GST impact the consumer durable goods**

Opinion	Frequency	Percentage (%)
Strongly agree	20	20
Agree	52	52
Neutral	12	12
Disagree	10	10
Strongly disagree	6	6
Total	100	100

Source: Primary Data

Interpretation: The majority of respondents (52%) are agreed with GST impact the consumer durable goods.

**Table 14 Satisfied with current GST slab rates**

Responses	Frequency	Percentage (%)
Yes	79	79
No	21	21
Total	100	100

Source: Primary Data

Interpretation: majority of the respondents are with the statement hence people are satisfied with the current GST slab rate which is imposed on the consumer durable good.

**Table 15 More MNCs enter the market as a result of GST.**

Opinion	Frequency	Percentage (%)
Strongly agree	20	20
Agree	48	48

Neutral	12	12
Disagree	10	10
Strongly disagree	10	10
Total	50	100

Source: Primary Data

Interpretation: The majority of respondents agree with the statement, which leads to the statistic that the GST will draw more MNCs to the market and increase competition, which will lower prices for consumer durables.

Testing hypotheses: The chi square test is used in this study to assess the hypothesis.

Chi square formula:

**Here,**

$X^2_C$  = The chi-square value

$O_i$  = Variables that were really observed

$E_i$  = Anticipated variables

$i$  = Variables' positions in number

### Variables that were really observed

These are the variables that the researcher measures, and the data for them is stored in data files (measured and recorded data). Discrete and continuous variables are the two categories into which variables fall.

Observed Value Two-Square Table				
Satisfied	Educational Qualification			
	Post-graduate	Graduate	Under Graduate	Total
Yes	15	35	15	65
No	10	10	2	22
Maybe	5	3	5	13
Total	30	48	22	100

Anticipated variables: The predicted variable's formula is (Row Total\*Column Total)/Grand Total.

Thus,

The anticipated value of 15 is:  $E_i = (\text{row total} * \text{column total}) / \text{Grand total}$   
 $= (30 * 65) / 100 = 19.5$

The table will look like this once all the expected values have been located: -  
 Anticipated value

Observed Value Two-Square Table				
Satisfied	Educational Qualification			
	Post-graduate	Graduate	Under Graduate	Total
Yes	19.5	31.2	14.3	65
No	6.6	10.56	4.84	22
Maybe	3.9	6.24	2.86	13
Total	30	48	22	100

We can determine the chi square value after learning the observed value and the predicted value.

Making the chi square calculation  $X^2$

$$X^2 = ((\text{Value Observed} - \text{Value Expected})^2 / \text{Value anticipated})$$

The first value's  $X^2$  value would be:

$$X^2 = (15-19.5)^2/19.5$$

$$= (-4.5)^2/19.5$$

$$= 20.25/19.5$$

$$= 1.0384$$

Measured value	Anticipated value	M-A	(M-A) <sup>2</sup>	(M-A) <sup>2</sup> /A
15	19.5	-4.5	20.25	1.0384
10	6.6	3.4	11.56	1.7515
5	3.9	1.1	1.21	.3102
35	31.2	3.8	14.44	.4628
10	10.56	-.56	.3136	.0296
3	6.24	-3.24	10.4976	1.6823
15	14.3	.7	.49	.03426
2	4.84	-2.84	8.0656	1.6664
5	2.86	2.14	4.5796	1.6012
				8.5766

$$X^2 = 8.5766$$

Calculated value = 8.5766

Degree of freedom = (C-1) \* (R-1)

$$= (3 - 1) * (3-1)$$

$$= 2*2 = 4$$

The predicted Chi square value at degree of freedom 4 and 0.05 level of significance is as follows:

Table value = 9.488

Calculated value = 8.5766

Interpretation: The null hypothesis  $H_0$  is accepted since the calculated chi square value (8.5766) is lower than the expected chi square value (9.488).

FINDINGS:

- 50% of respondents are men, and 50% are women.

- 28% of respondents are single, compared to 72% who are married. Most respondents were married people.
- The majority of respondents (60%) are businessmen.
- Graduate respondents make up 65%, postgraduate respondents 30%, and respondents with any other qualification (undergraduate) make up 5%.
- The majority of respondents believe that good and service taxes are beneficial to the economy. 90% of respondents support the GST, while only 10% oppose it.
- The majority of respondents agree with the statement; hence it can be concluded that GST will result in more legal requirements.
- The majority of respondents agree with the statement; hence it can be said that the tax burden placed on average people by GST has increased.
- The majority of respondents agree with the statement, which indicates that the GST puts more pressure on businessmen.
- The majority of responders concur with the statement, supporting the claim that GST is complex.
- As a result, the majority of respondents agree with the statement, which shows that GST is advantageous over the long term.
- The majority of respondents disagree with the claim; hence it is not a smart idea to replace the sales and service taxes with the GST.
- The majority of respondents agree with the statement, which leads to the statistic that asks whether GST will boost the firm's friendly competition.
- The majority of respondents (52%) are agreed with GST impact the consumer durable goods.
- majority of the respondents are with the statement hence people are satisfied with the current GST slab rate which is imposed on the consumer durable good.
- The majority of respondents agree with the statement, which leads to the statistic that the GST will draw more MNCs to the market and increase competition, which will lower prices for consumer durables.

#### SUGGESTIONS:

- ❖ Given that some people are really impoverished and that buying a consumer durable is like fulfilling a once-in-a-lifetime fantasy for them, the government should attempt to lower the slab rate for such things.
- ❖ The government must offer training courses where computer-illiterate middle-class businessmen may clear up all of their GST-related questions.
- ❖ The government is responsible for ensuring efficient management of the GST revenue.
- ❖ The government must offer incentives or subsidies to encourage small-scale domestic production of consumer durables.
- ❖ Government must lower the GST tax rate on environmentally friendly and energy-efficient appliances like 4-star, 5 star, and inverter refrigerators and air conditioners as this will increase demand for these durable consumer goods.

#### CONCLUSION

This is based on an overview of the good and service tax and how it affects durable consumer products in Bhopal. Government must create several platforms for information collection that make it simple to gather GST-related data and present that data in a way that consumers can easily understand. Consumer awareness of goods and services must be strong, and this understanding will contribute to a favourable perception of the Goods and Services Tax (GST).

The Bhopal Custom Department needs to raise public understanding of how GST will affect consumer durables. The Bhopal Custom Department has to educate the public on the benefits of the GST, which will improve consumers' opinions of the tax.

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