

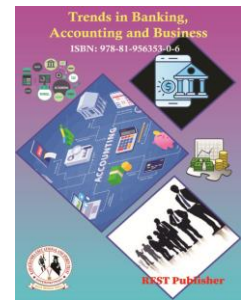


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A Study on Impact of GST on FMCG With Reference to Consumer Behaviour

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Abstract: The objective of the paper “A Study on Impact of GST on FMCG with reference to Consumer Behavior” is to aim at gaining knowledge on, Goods and Services taxation that has a significant impact on consumer purchasing decisions. This is due to the fact that it has a significant impact on the price decisions of various members of the distribution channels. The pricing of the items vary depending on the taxation bracket under which they are classified under GST. However, marketers, through their excellent techniques, are able to give some distinction to customers in terms of pricing. One of the distinguishing features of the indirect taxation system is the capacity of the tax burden to be transferred to consumers. It is frequently noticed that indirect taxes appear to diminish consumer spending ability, even when the consumer's income remains constant. In these circumstances, a rational consumer would frequently want to purchase a product that provides the greatest benefit at the lowest cost. This research paper aims to investigate how the Goods and Services tax affects consumer purchasing behavior. This study required primary data and a questionnaire was framed with various type of multi-choice questions, through online survey forms and 80 responses were selected randomly. This is a descriptive survey type of research. The study shows that there is remarkable influence of Goods and Service tax on the purchasing and spending pattern of Consumer when it comes to FMCG.

Keywords: GST, FMCG, Consumer Behaviour, Purchasing and Spending decisions.

1. INTRODUCTION

The GST, an indirect tax system throughout India, will replace various taxes levied by the central and state governments. The GST is said to simplify a web of taxes, regulations and border levies by subsuming an array of central and state levies including excise duty, service tax and VAT. Fast Moving Consumer Goods (FMCG) goods are popularly named as consumer-packaged Goods. Items in this category include all consumables (other than groceries/pulses) people buy at regular intervals. FMCG is also one of the fastest growing sectors among all the sectors in the Indian economy. FMCG segment is the fourth largest in the Indian economy In this sector GST would have an impact on the pricing, working capital, contracts with vendors and customers etc. The sale of retailers, wholesalers and the monthly budget of common people regarding fast moving consumer goods (FMCG) should have an impact of GST. Moreover, the concept of GST awareness among common man is an important matter to be analyzed.

Objectives of the Study: Broad Objective: The broad objective is to analyze that the Goods and Services tax has an impact on Consumer Behaviour, while purchasing FMC Goods.

Other objectives

- To map consumer perceptions of goods and services, taxes.
- To understand the concept of GST.
- To investigate the factors that influence Customer Behaviour in the case of fast-moving consumer goods.
- To suggest measures for designing a successful business strategy.

Scope Of The Study: Tax auditors and FMCG companies should benefit from this investigation. This study provides tax researchers with a basic framework for the mechanisms by which consumers change their purchasing behaviour as a result of changes in indirect taxes. In addition, FMCG companies can understand how indirect taxes can critically influence their decision-making. This will help you formulate a pricing strategy to beat your competitors in the market.

2. REVIEW OF LITERATURE

According to Dr. K. Vijayakumar, (2019) in the research paper “A Study on Consumers Buying Behaviour towards FMCG Products with Reference to Karur District” has emphasized that consumers have more importance to the quality of fast-moving consumer goods purchasing behaviours of customers on selected brands. This study identifies the level of influence of various factors on the purchase of FMCG products to the respondents to this study. This study also indicates

that consumers develop their behavioural and attitudes to FMCG brands, even though they gets fails in low involvement in some products. Although it suffered from various points of criticisms, it was successfully in creating a brand value for its products in the minds of the consumers. According to Chitra (2019), in the research paper “GOODS AND SERVICES TAX AND CONSUMER BUYING BEHAVIOUR – A STUDY” investigated the relationship between the GST and consumer spending behaviour with the help of survey research. The researcher found that there is a strong relationship between GST and prices of electronic & sports equipment and concluded that GST made a significant impact on the prices of essential commodities as compared to comforts and luxury items. According to Elavarasan & Jagadeesan, (2018), explored about the GST implemented in India and its impact on FMCG sector. Through thorough analysis of secondary data, they found that GST will reduce the distribution cost and enable the companies to increase their product volume and benefit their customers by price reduction. According to Jayalakshmi, (2018), the consumer perceptions towards GST through survey method in the state of Karnataka. The researcher concluded that consumers have a positive attitude towards GST and consumers do not have clarity with regard to the framework of GST implemented in India.

3. RESEARCH METHODOLOGY

The design used in this study is a Descriptive Research Design, the study has used both the primary data and secondary data. The primary data was collected through an online survey and the secondary data through various journals, newspapers, magazines, reports. For the purpose of study, 80 responses were randomly selected. The data collected were analysed using the following tools, Simple Percentage Method, Independent sample t – test, ANOVA, Correlation.

4. DATA ANALYSIS AND INTERPRETATION

Percentage analysis

TABLE 1. Monthly income of the respondents

Monthly Income	Frequency	Percent
Below 10000	36	45.0
10001-25000	29	36.3
25001-50000	5	6.3
Above 50000	10	12.5
Total	80	100.0

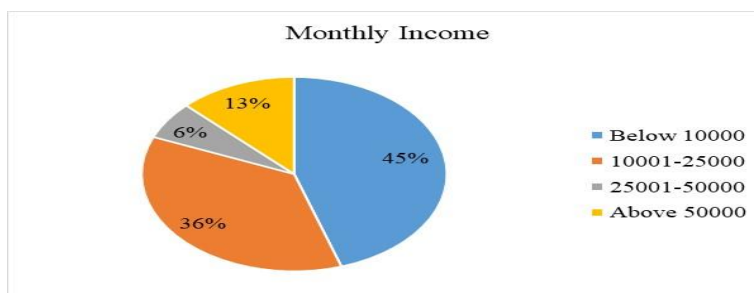


FIGURE. 1

Interpretation: Thus, the above tabulation shows that, 45.0% of the respondents are belongs to below 10000 categories, 36.3% of the respondents are belongs to 10001- 25000 category and 6.3% of the respondents are belongs to 25001 – 50000 category and 12.5% respondents belongs to Above 50000 categories.

TABLE 2. Cost Of Essentials Has Increased After Implementation Of GST

Cost of essentials has increased after the implementation of GST.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Val id	Strongly disagree	17	21.3	21.3	21.3
	Disagree	22	27.5	27.5	48.8
	Neutral	17	21.3	21.3	70.0
	Agree	16	20.0	20.0	90.0
	Strongly agree	8	10.0	10.0	100.0
	Total	80	100.0	100.0	

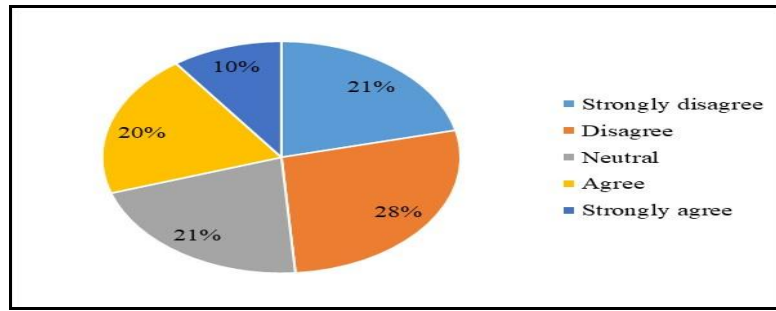


FIGURE. 2

Interpretation:

Thus the above tabulation shows that, 28 % of the respondents thinks that the Cost of Essentials has been increased after implication of the GST

CHI - Square Analysis: Null Hypothesis (Ho): There is no significant difference of perception about GST and the Gender of the Respondents.

Alternative Hypothesis (H₁): There is a significant difference of perception about GST and the Gender of the Respondents.

TABLE 3. Gender Of the Respondents * Perception About GST

Chi-Square Tests					
	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.370 ^a	1	.543		
Continuity Correction ^b	.052	1	.819		
Likelihood Ratio	.364	1	.546		
Fisher's Exact Test				.707	.403
Linear-by-Linear Association	.366	1	.545		
N of Valid Cases	80				
a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 3.20.					
b. Computed only for a 2x2 table					

Gender Of the Respondents * Perception About GST

Interpretation:

Thus, the above table signifies that the calculated value is more than the significance level (0.05). Therefore, we accept Null Hypothesis (H₀). There is no significant difference between the Gender of the respondents and the Perception about GST.

Correlation Analysis

Null Hypothesis (Ho): There is no significant difference between Various Monthly Income Group and Consumer's Opinion on their Spending Ability

Alternative Hypothesis (H₁): There is a significant difference between Various Monthly Income Group and Consumer's Opinion on their Spending Ability

TABLE 4. Monthly Income of Respondents And Spending Ability

MONTHLY INCOME OF RESPONDENTS AND SPENDING ABILITY			
		Monthly Income	GST limits my spending ability
Monthly Income	Pearson Correlation	1	-.079
	Sig. (2-tailed)		.488
	N	80	80
GST limits my spending ability	Pearson Correlation	-.079	1
	Sig. (2-tailed)	.488	
	N	80	80

Interpretation: Thus, the above table shows that, calculated value is more than the significance value (0.05) and the NULL HYPOTHESIS is accepted showing that there is no significant difference between Various Monthly Income Group and Consumer's Opinion on their Spending Ability

ANOVA: Null Hypothesis (Ho): There is no significant difference between Location of the Respondents and the opinion about increased Cost of Living.

Alternative Hypothesis (H₁): There is a significant difference between Location of the Respondents and the opinion about increased Cost of Living.

TABLE 5. Different Location of Respondents * Increase in Cost of Living

Different location of respondents * increase in cost of living					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.725	4	3.431	5.947	<.001
Within Groups	43.275	75	.577		
Total	57.000	79			

Interpretation: The above statistics table shows that the calculated value is more than the standard significance value (0.05). So the NULL HYPOTESIS is accepted, there is no difference between the opinions on cost of living, irrespective of location of the respondents.

Findings Of Study

- Most of the respondents are aware about the GST regime and tax slabs under GST.
- Irrespective of the difference in Gender, the opinion on the price change, cost of living and inflation due to GST has remained the same
- The respondents of different monthly income group thinks their spending ability and purchasing power has been reduced after implication of GST and the price rise in the FMC Goods.
- The respondents are of the opinion that the Cost of Essentials has been increased after implication of the GST

Suggestions of Study:

- Due diligence should be taken when developing pricing strategies by FMCG firms because GST is incorporated in the selling price.
- It is also evident from further investigation that there is an undesirable or adverse correlation between GST and FMCG characteristics. Therefore, marginal cost pricing will be best suited for FMCG items such that fixed costs are divided and contribution margin enhances the profit in order to reduce the impact of GST on the FMCG sector's potential for profit.
- Buyer purchasing power was loaded as the major component, and taxes will have a direct influence on it. When consumers' disposable income is high, their purchasing power will also be strong from an economic standpoint. So the income after the taxes has to increase.

Suggestions for Future Research

The study can be extended to the other factors that influences the Consumer Behaviour

5. DISCUSSION AND CONCLUSION

The impact of GST on consumer buying power is significant. Since a rational consumer's primary concern is pricing, GST partially opens the door to changing customers' purchasing habits. One of the results of customers' purchasing activity is purchase decisions. Taxes are a common tool used by advanced nations to influence consumer Behaviour for the long-term good of the economy. Finally, to sum up, the study made it possible to put the subject into reality and comprehend how taxes will affect consumer Behaviour.

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