



IMPACT OF GST ON THE PURCHASING POWER OF AN INDIVIDUAL IN THIRUVALLUR DISTRICT

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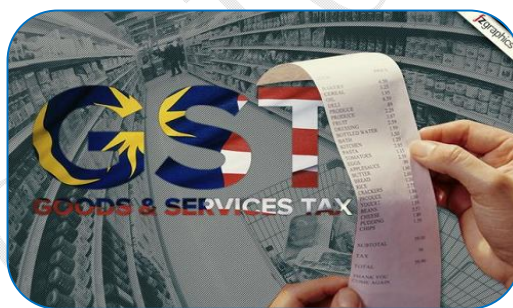
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ABSTRACT :

The GST Bill – a biggest reform in the country came into force from 1 July 2017. GST in India is a comprehensive, multistage, destination based tax that is levied on every value addition. The major objectives are to avoid multiple indirect taxes and multi stage taxes levied into a unified single tax. An attempt is made to analyse the awareness about GST and its impact on purchasing power of an individual. The primary data is collected from 110 individuals of Thiruvallur district to identify the relationship between implementation of GST and the purchasing power

of an individual. A statistical analysis such as percentage analysis, correlation analysis, chi-square test and ANOVA test were used. The study depicts that there is a relationship between GST and the purchasing power of the individuals and concluded that the GST really influences the purchasing power.



KEYWORDS : GST, Implementation, Awareness, Purchasing Power.

INTRODUCTION

In India, tax was introduced for the first time in 1860 by Sir James Wilson to meet the losses suffered by the Indian Government. For the development of the country, taxation is the vital instrument. To improve the infrastructure, sanitation, transportation and all other amenities of the nation, the Government has to raise funds and such a fund can be raised through taxation. Every rupee of tax paid by the public was used by the Government to provide rural and social well being. Taxes are levied by the Central Government, State Government and Municipal authorities.

In India the tax systems are classified into two types, direct taxes and indirect taxes. Dalton says "A direct tax is one which is really paid by a person on whom it is legally imposed". In this system the tax payer and the tax bearer are the same person. Income tax and property tax comes under direct taxes. Dalton also defines "An indirect tax is one which is legally imposed on one person but paid partly or wholly by another person". Indirect tax can be shifted to other person that is the tax payer and the tax bearers are the different persons. Examples for the Indirect tax are sales tax, excise duties and customs duty.

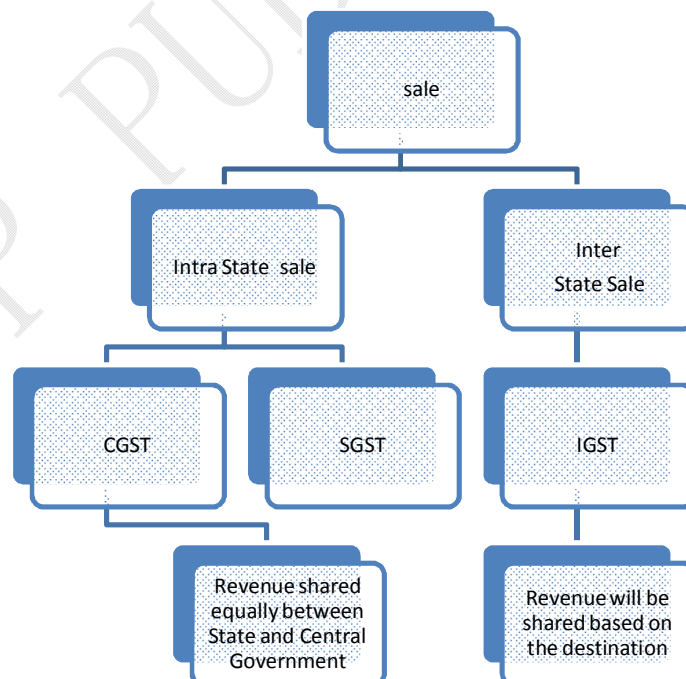
A natural person is that a human being, said to an individual as per the Income Tax Act. Individual also includes a minor or a person of unsound mind. In this research paper, the individual refers to the citizen of India. The students, businessman, professional, private employees and government employees are taken into consideration for this study. Every citizen of India is responsible to pay tax for the development of the society.

The taxes are levied by the Central Government, State Government some other local authorities such as municipality which levied minor taxes. The immediate liability to pay tax falls upon another person such as manufactures, service providers or seller of the goods. To legislate, all laws in India, the foundation and source of power lies on the Constitution of India.

The Central Government had the powers to levy tax on the manufactured product except the products such as alcoholic liquor, opium, narcotics. State Government had the powers to levy tax on the sale of goods. In case of interstate sales the Central Government alone had the power to levy tax. Such collected tax was retained by that State itself. Three components in the hands of Central Government are central excise, customs and services. The major taxes the State Government deals with were value added tax, Central Sales Tax, octroi, entertainment etc,

The GST, the biggest reform in indirect tax for the entire country was finally passed in the Parliament on 29 March 2017. It came into effect on 1st July 2017. GST in India is a comprehensive, multistage, destination based tax that is levied on every value addition. To simplify, it is an indirect tax levied on the supply of goods and services. This was introduced to replace many indirect tax laws which were previously existed in India. Multistage refer to an item which goes through along with a supply chain from the manufacturer to the ultimate consumer. This stage of a product begins with buying raw materials, producing the product, storing the products in the warehouse in hands of wholesaler, in the hands of retailer and final consumers. GST will be levied on each stage and it is a multistage tax.

GST is consumption or destination based tax levied on the basis of "Destination Principles". In case goods are manufactured in Karnataka and are sold to a final consumer in Tamil Nadu, the entire revenue tax will go to Tamilnadu and not to Karnataka. To remove this cascading effect of tax GST is introduced and is levied at the point of consumption. The three major components of GST are Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). CGST is tax collected by the Central Government in the case of Intra State Sales. That is a transaction happening within TamilNadu. SGST is a State Government Tax on an Intra State Sales happened within Tamil Nadu. The transaction happened between Karnataka and Tamil Nadu is collected by the Central Government for such Inter State Sales.



The objective of GST

GST is said to be the destination based tax and broad based tax. It is actually funded by the consumer of a product but technically paid by suppliers. In the supply chain the tax value added to goods and services at every point collected through a staged process. It is wrongly assumed that GST is a tax on personal and hobby activities but it is a tax on the consumption of the product from the business sources. Input tax credit is provided for creditable acquisition throughout the value chain.

GST a well designed VAT on all goods and services is said to a most elegant method to eliminate distortion and to tax consumption. The major objectivities are to avoid multiple indirect taxes and multi stage taxes levies into a unified single tax. This should be biggest tax reforms in the country's history. It is expected to be a game changer for the economy as well as businesses. Even though GST promotes transparency and visibility of tax the individuals and businesses should have sufficient knowledge about the true transactions cost and the rate of tax. Goods have tax slab rate, services don't have slab rate but it is assumed that 18% of the tax were levied for services.

Purchasing Power of an Individual

The value of a currency expressed in terms of the amount of goods or services that one can buy with a unit of money. The capacity of an individual to buy a certain quantity of goods and services reflect the purchasing power of an individual. It is a relative measure that is relevant when analysed for changes on certain period. For example if Rs 100 is enough to buy 5 coconuts at a point of time and the same Rs 100 if can only buy 4 coconuts. Later then the purchasing power is said to have been decreased. The implementation of GST plays a major role in the purchasing power of an individual. The purchasing power such as spending on entertainment, cosmetics and medicines, beauticians, newspaper and magazines, clothing and footwear, internet and broad band connection, recreational and sporting equipment, vehicle maintenance, stationary and other expenses were influenced by the implementation of GST.

REVIEW OF LITERATURE

Several studies were analysed to understand the concept, awareness and perception about the new bill among the citizens.

G.Barhate (2017)¹ in his paper, "An analytical study of awareness and perceptions towards GST in the traders point of view in small town of Shri Rampur Maharashtra, India". The study was made by analyzing perception on 196 samples for their existing tax system, Goods and Service Tax and problems and trepidation regarding GST. The study was made using ANOVA, factor analysis, correlation and multiple regressions. It was concluded that only 40% of the respondents were aware of GST and 60% of the respondent's perception was to rationalize and simplify the tax structure more over NGO should come forward to organize awareness campaign to make the GST familiar.

Bharti Sharma et al. (2018)² in their research article, "GST in India; concept and SWOT analysis", evaluated the history and the features of GST using SWOT analysis. It was concluded that implementation of GST make sure the uniformity of taxes across the states in India. GST is capable of allowing seamless flow of input tax credit along the value chain of Goods and Services, which will finally result in the reduction of the cost of overall goods and services. It will also result in transparent taxation system and economic development.

Girish Garg (2014)³ analysed the brief description of historical scenario of Indian Taxation and its tax structure. The need to learn GST whether willingly or as compulsion was imposed. The author concluded that the GST is the biggest tax reform in all set to integrate state economies, boost the overall growth of the economy, and also concluded it will break tax barriers between states and integrate India through a uniform tax rate by increasing the tax base and minimizing the exemptions.

R. Rupa (2017)⁴ in her research paper “GST in India: An overview” through an insight in to the concept of GST, its merits and demerits in international scenario. The research paper concluded that the GST will improve ease of starting a business in India. With an implementation of GST in India the procedure for GST registration would be centralized and standardized similar to service tax registration. Business would no longer to have to obtain multiple registration such as VAT, central sales tax, additional customs tax, purchase tax, luxury tax etc, as a single GST registration would be applicable across India.

S. Muthupandi et al (2017)⁵ conducted a survey comprised of 120 students to analyse the awareness of GST and at the same time the ignorance and boycott to pay tax. It is concluded that 90% of the students are aware of GST. To make every students to understand the general principles of GST adequate and relevant resources to be provided as the students are the important assets of the country.

Nadiah Abd Hamid et al (2017)⁶, “The Impact of GST on the spending pattern of students from the faculty of Accountancy UITM Puncak, Alam, Selangor”. The influences of GST on the spending pattern of 240 Malaysian students of accountancy have been statistically analysed. The study was made to know the knowledge of GST among the students and its effects on the spending pattern. The result of the study was the majority of the respondents have a moderate knowledge on Government revenue collection and GST influenced their spending pattern as they have to pay GST even though they are non income earners.

OBJECTIVES OF THE STUDY

Primary objective

The primary objective is to study the GST on the purchasing power of the individuals.

Secondary objectives

- To analyse the awareness of GST implementation of every individual.
- To study the impact of GST on the purchasing power of an individual.
- To identify the relationship between GST implementation and the purchasing power of an individual

METHODOLOGY

The study aims to analyse the awareness of implementation of GST in individual perspective and the influence of GST towards the purchasing power of an individual. The relationship between the implementation of GST and the purchasing power of an individual have been analysed among the individual located at Thiruvallur District. The study is made among 110 individual located in Thiruvallur. The primary data from 110 samples is collected under the survey method.

RESEARCH INSTRUMENT AND TOOLS OF THIS STUDY

The well structured questionnaire is used to collect the primary data from the respondents. Among the 140 filled-in questionnaires, 110 questionnaires were made fit for analysis. The different statistical tools such as percentage analysis, correlation Analysis, ANOVA test and Chi - square test were used.

LIMITATIONS OF THE STUDY

The present study is subject to the following limitations. The study from one district perspective cannot be generalized for the entire population of India. The sample size is only 110 sample respondents. So that sample may not be true representation of the whole population. Time, cost and other resources were constraints for a fully comprehensive study. The period of study is limited.

HYPOTHESIS OF THE STUDY

H₀ - There is a significant relationship between the awareness on implementation of GST with the purchasing power of an individual.

H₁ - There is no significant relationship between the awareness on implementation of GST with the purchasing power of an individual.

DATA ANALYSIS AND INTERPRETATION

The present study was done to analyse the relationship between the awareness about the implementation of GST among the individuals which influence their purchasing power. An attempt was made to collect the demographic factors of the sample respondents such as gender, age, educational qualification, occupation, monthly income, marital status and number of dependents. The percentage analysis was used to analyse the demographic factor of sample respondents.

**TABLE -1
DEMOGRAPHIC DATA ANALYSIS**

S.NO	PARTICULARS	VARIABLES	NO. OF RESPONDENTS	PERCENTAGE (%)
1	Gender	Female	62	56.4
		Male	48	43.6
		Total	110	100
2	Age	Below 20 Years	1	0.9
		20 - 30 Years	33	30
		30 - 40 Years	38	34.5
		40 - 50 Years	28	25.5
		Above 50 Years	10	9.1
		Total	110	100
3	Educational Qualification	Schooling	21	19.1
		Under graduate	24	21.8
		Post graduate	56	50.9
		Technical	6	5.5
		Others	3	2.7
		Total	110	100
4	Occupation	Businessman	9	8.2
		Professional	37	33.6
		Private Employees	36	32.7
		Government Employee	8	7.3
		Others	20	18.2
		Total	110	100
5	Monthly Income	Below Rs. 10,000	25	22.7
		Rs. 10,000 - Rs 20,000	54	49.1
		Rs.20,000 - Rs. 30,000	15	13.6
		Rs.30,000 - Rs. 40,000	10	9.1
		Above Rs 40,000	6	5.5
		Total	110	100
6	Marital Status	Married	84	76.4
		Unmarried	26	23.6
		Total	110	100
7	No. Dependents	Up to 2 members	23	20.9
		2 -4 members	63	57.3
		4 - 6 members	22	20
		6 - 8 members	1	0.9
		Above 8 members	1	0.9
		Total	110	100

Source : Primary Data Analysis

Interpretation:

The table 1 shows that among 62 (56.4%) respondents were Female. 38 (34.5%) respondents were aged between 30~40 years. The study shows that out of 110 respondents the majority 56 (50.91 %) are related to the category of post graduate. Occupation of the sample respondents shows that the majority of the respondents 37 (33.6%) are professional. Out of 110 respondents 54 (49.1) respondents are in the income category Rs.10,000 - Rs.20,000. Majority of sample respondents 84 (76.4%) were married. It is founded the maximum respondent's family size falls in between the category of 2-4 members. As the respondents are above the age thirty, posts graduated professionals with a family size of 3 and above are treated as the appropriate respondents.

**TABLE 2
AWARNESS ABOUT IMPLEMENTATION OF GST**

PARTICULARS	VARIABLES	NO.RESPONDENTS	PERCENTAGE (%)
Aware of GST	Yes	97	88.2
	No	13	11.8
	Total	110	100

Source : Primary Data Analysis

Interpretation:

The respondents level of awareness about implementation of GST are found from this study shows that of the 97 (88.2%) are aware about the implementation of GST and remaining 13 (11.8%) are unaware. In the developing country likes India each one should be aware. The ignorance of GST and boycott to pay tax to be avoided.

**TABLE 3
MONTHLY INCOME * GST AFFECT PP CROSS TABULATION**

Particulars	Variables	GST Affect purchasing power		Total
		Yes	No	
Monthly Income	Below Rs. 10,000	18	7	25
	Rs. 10,000 - Rs 20,000	49	5	54
	Rs.20,000 - Rs. 30,000	14	1	15
	Rs. 30,000 - Rs. 40,000	10	0	10
	Above Rs 40,000	6	0	6
	Total	97	13	110

Source : Primary Data Analysis

Interpretation

Above table shows that the respondent's monthly income and the GST affect the Purchasing Power of the sample respondents. 54 sample respondents fall in the income group Rs. 10,000 – Rs 20,000 the majority 49 respondents express that their purchasing power affect due to GST. Out of 54 respondents, 5 respondents expressed that their purchasing power did not affect due the GST implementation.

TABLE 4

CHI-SQUARE TESTS

Particulars	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.147 ^a	4	0.058
Likelihood Ratio	9.61	4	0.048
Linear-by-Linear Association	6.495	1	0.011
N of Valid cases	110		
4 cells (40.0%) have expected count less than 5. The minimum expected count is .71			
Source : Primary Data Analysis			

The p-value is less than .05 so we conclude that the variables are dependent on each other and there is a statistical relationship between the categorical variables. Hence it is concluded that there is a significant relationship between implementation of GST and the purchasing power of an Individuals.

CORRELATION ANALYSIS

The researcher used “Karl Pearson’s method of correlation” to evaluate the relationship between the variables.

**TABLE 5
CORRELATIONS**

Correlations			
Particulars		Aware of GST	GST Affect PP
Aware of GST	Pearson Correlation	1	.651**
	Sig. (2-tailed)		0
	N	110	110
GST Affect PP	Pearson Correlation	.651**	1
	Sig. (2-tailed)	0	
	N	110	110
**. Correlation is significant at the 0.01 level (2-tailed).			
Source : Primary Data Analysis			

To analyse the relationship between the awareness of GST and role of purchasing power of an individual, the statistical study is made using Karl Pearson’s coefficient of correlation. The table is depicts that the correlation value as .651. It reflects that the awareness of implementation of GST and the GST influencing the purchasing power are positively and significantly correlated.

IMPACT OF IMPLEMENTATION OF GST

In this study the impact of the GST implementation, the researchers have used the ANOVA test.

Analysis of variance, ANOVA is a collection of statistical models and their associated estimation procedures such as the variation among and between groups used to analyse the difference among group means in a sample. It is a test of hypothesis that is appropriate to compare means of a continuous variable in two or more independent comparison groups. The Researchers presented the data in table no 6 relating to the analysis of impact of GST implementation.

TABLE 6
AWARNESS ABOUT THE IMPLEMENTATION OF GST
ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Efficient & Transparent	Between Groups	0.028	1	0.028	0.017	0.895
	Within Groups	158.111	99	1.597		
	Total	158.139	100			
Time Saving	Between Groups	1.235	1	1.235	0.957	0.33
	Within Groups	127.814	99	1.291		
	Total	129.05	100			
Overcome the sales Tax	Between Groups	0.431	1	0.431	0.227	0.635
	Within Groups	188.361	99	1.903		
	Total	188.792	100			
Improve Revenue Growth	Between Groups	0.653	1	0.653	0.345	0.558
	Within Groups	187.505	99	1.894		
	Total	188.158	100			
Reduce Material Cost	Between Groups	4.395	1	4.395	2.792	0.098
	Within Groups	155.843	99	1.574		
	Total	160.238	100			
Reduce in Corruption	Between Groups	0.332	1	0.332	0.202	0.654
	Within Groups	162.876	99	1.645		
	Total	163.208	100			
Rate of Tax Refund	Between Groups	0.155	1	0.155	0.096	0.757
	Within Groups	159.33	99	1.609		
	Total	159.485	100			
Higher price for Goods	Between Groups	0.056	1	0.056	0.023	0.88
	Within Groups	243.389	99	2.458		
	Total	243.446	100			
Best Tax system - World	Between Groups	0.14	1	0.14	0.1	0.752
	Within Groups	137.722	99	1.391		
	Total	137.861	100			
Easy flow of Resources	Between Groups	0.095	1	0.095	0.047	0.828
	Within Groups	198.915	99	2.009		
	Total	199.01	100			

5% Level of significance, Source : Primary Data Analysis

The table presented the mean scores of all ten constructed variable. Impact of implementation of GST the material cost will be reduced the mean square of material cost is 4.395. After the GST implementation it reduces in corruption with a mean 0.332. The respondents declares that the GST implementation improve the revenue growth as 0.653. It is strongly agreed that the time saving which scored 1.235

TABLE 7
EFFECTS OF GST ON THE PURCHASING POWER OF AN INDIVIDUAL

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Entertainment	Between Groups	24.941	1	24.941	22.534	0
	Within Groups	109.574	99	1.107		
	Total	134.515	100			
Cosmetics	Between Groups	4.248	1	4.248	4.361	0.039
	Within Groups	96.445	99	0.974		
	Total	100.693	100			
Beauticians	Between Groups	1.668	1	1.668	0.889	0.348
	Within Groups	185.758	99	1.876		
	Total	187.426	100			
Newspaper	Between Groups	0.056	1	0.056	0.044	0.835
	Within Groups	126.993	99	1.283		
	Total	127.05	100			
Clothing	Between Groups	1.254	1	1.254	0.748	0.389
	Within Groups	165.993	99	1.677		
	Total	167.248	100			
Internet	Between Groups	2.045	1	2.045	1.156	0.285
	Within Groups	175.183	99	1.77		
	Total	177.228	100			
Recreational	Between Groups	5.709	1	5.709	4.183	0.043
	Within Groups	135.122	99	1.365		
	Total	140.832	100			
Vehicle	Between Groups	2.161	1	2.161	1.394	0.241
	Within Groups	153.542	99	1.551		
	Total	155.703	100			
Stationary	Between Groups	7.666	1	7.666	5.615	0.02
	Within Groups	135.165	99	1.365		
	Total	142.832	100			
Other Expenses	Between Groups	2.623	1	2.623	1.1	0.297
	Within Groups	236.129	99	2.385		
	Total	238.752	100			

5% Level of significance, Source : Primary Data Analysis

In the table there were ten types of expenditure relating to an individual person titled as entertainment, cosmetics, beauticians, newspapers, clothing, internet, recreational, vehicle, stationary and other expenses. Among all the expenditure in this study the main expenditure that will affect and to be reduced by the individuals is entertainment expenditure and lease affected expenditure is Newspaper which scored 0.056.

SUGGESTION

In the developing country like India each and every one should be aware of GST. The ignorance and boycott to pay tax to be avoided and a step of conducting awareness camp have to be taken by Government. The NGOs should come forward to conduct awareness camp and help both public and government by explaining the importance and benefits of GST, the biggest reform.

CONCLUSION

The Government has introduced the GST Bill in the year 1st July 2017 still some of the individuals are not aware about GST. The Government should conduct the awareness programme for all level of people to fulfill the awareness. Within the short term of implementation there has been a tremendous change in the purchasing power of Individuals according to this study. Yet there are definitely cities and villages in the country who are unaware of this concept and benefits of GST. Even though it merely does not affect any Individual as such according to them, when followed by people will absolutely have a drastic effect on the country's economy,

The study reveals that the implementation of GST makes the tax system transparent, reduces the corruption, multi taxation, higher prices for goods and services and improves the revenue growth of our country. From this study the researchers found that the purchasing power of the people was affected by GST. Most of the regular purchasing goods by people like cosmetic, clothing, entertainment have heavy taxation. So that the Government may consider to revise the tax rate of the regular purchasing accordingly to improve the regular purchasing power.

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