



## IMPACT OF "GST" ON SPENDING BEHAVIOUR OF CONSUMER IN INDIA

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### ABSTRACT

Goods & Service Tax (GST) is the type of indirect tax in India which replaced all other indirect taxes and it charge for supply of goods, services, consumption of goods & sale of goods. Before GST in India we paid the "Value added tax" (VAT) & many other indirect taxes. VAT was charge for goods on each and every phase, from creation to the retail location & costs. But in other hand we have GST, GST finished and eliminates the cascading tax effect. Cascading effect means when there is tax on tax carried on a product at every step and level of the scale. GST is charge by State Government & Centre Government for goods & services. GST start in India as 1st July/2017 by the Parliament of India. GST give Tax reliefs to all the peoples who pay for Indirect Taxes to Government and GST also impact on spending ability of consumers and peoples. The spending ability of consumer influences the buying/purchasing decision of consumer. How they spend their money on products & service after came the GST in India. GST affects the consumer by both way Positive & Negative. In some of the cases GST give the positive effect and in some cases it gives negative effect.



The current Research study aims to analyze the relationship between income and spending behavior of consumer in India & to measure the "Impact of GST on spending behavior by consumer in India"

I have used in this research project Observational Factor Analysis to test the hypothesis in the study and I show the performance by using Histogram Pillars.

The research shows me the result that there is very strong relation between Income & White Goods (Large Electronic Items), Sports Equipment's, and Other Needy Equipment by Profession, but no relation between the Income and Some very main Necessary Goods & Services. Like:-Wheat, Rice, Vegetables, Cheese Ghee, Butter, Biscuits, Chocolates, Packing Water, Milk, Toothpaste, Clothing, Fashion items, Foot Wares, Bathing Soap, Other Soap, Shampoo, Conditioner, Hair Oil, Cream, Cosmetic, washing Powder, Fruits, Dry Fruits, Vegetables, Medicines, Hair Oil, Pharmaceuticals & Medical Services, Narcotics, Drug Items, Tobacco Products, Wine, Rum, Beer, Whiskey, Soft Drinks (Coke, Pepsi, Tropicana etc.), Fast-food, News Paper, Magazines, Mobile recharge, Wi-Fi/Internet Connections, Entertainment, Doctor Charges, Advocate Fees, Artist Charges (Singers/Musicians, Actor, Painter and any other.) and Concerts Fees (Music Concert, Comedy Shows, Other.) etc.

**KEYWORDS:** Goods & Service Tax, consumption, Cascading, Observational, consumer.

## INTRODUCTION

Goods & Service Tax (GST) is the type of indirect tax in India and it charge for supply of goods, services, consumption of goods & sale of goods. It is a wide- ranging, multistage, goal based tax. Wide-ranging: because it combines the all other indirect taxes. Multi-staged: Because it charged at every level in the production process. Goal-based tax: Because it charged from a point of consumption not like previous taxes when indirect taxes charged tax on tax. GST are majorly categorized into five slabs rates in India for collection of Goods & Service Tax - 0%, 5%, 12%, 18%, 28% and 31%. & As of September 22, 2025, India has moved to a simplified GST 2.0 structure, primarily focusing on two main slabs: 5% and 18%, while phasing out the 12% and 28% rates. A 0% (Nil) rate applies to essential items, and a 40% rate is designated for luxury and sin goods. This structure aims to reduce taxes on household goods and boost consumption. Before GST in India we paid the "Value added tax" (VAT) & many other indirect taxes. VAT was abolished and GST brought to India. VAT was utilization charge put on an item at whatever point esteems are included at each phase of gracefully chain, from creation to the retail location and costs. But in other hand we have GST, GST is very easy effective as compare to VAT & GST also finished and eliminates the cascading effect.

Cascading effect means when there is tax on tax carried on a product at every step and level of the scale.

**VALUE ADDED TAX (VAT)** is the process of charging direct tax by production to retail. VAT issued in more than 160 Countries and it is most commonly used in European Union and it is less progressive to Income Tax.

**GOODS & SERVICE TAX (GST)** GST is an Indirect Tax which replaced all other indirect Taxes in India. GST is charge by State Government & Centre Government for goods & services. GST start in India as 1st July /2017 by the Parliament of India but the GST Act was passed in the Indian Parliament on 29th March/2017 and the Act came into effect on 1st July/2017, GST gives Tax reliefs to all the peoples who pay for Indirect taxes to Government and GST also finished and eliminates the cascading effect.

Cascading effect means when there is tax on tax carried on a product at every step and level of the scale.

## DEFINITIONS:

- Goods & Service Tax is the process of charging and collecting the indirect tax by peoples for goods and service it charges for supply of goods, services, consumption of goods & sale of goods.
- Goods & Service Tax is the type of indirect tax which is use to collect the tax by peoples for the consumption of goods and services.

## CHARACTERISITICS & KEY POINTS OF GST:

- GST came in India after Eliminates the Value Added Tax (VAT).
- VAT was abolished and GST brought in India.
- GST is a solo tax on the supply of Goods & Services.
- It replaced all and other applicable indirect taxes.
- GST also finished and eliminates the cascading effect of tax.
- GST finished the Double Tax System for Goods & Services.
- GST eliminates the double counting issues in computing the National Income.
- GST charged by the last vendor in supply chain.
- GST single-handedly replaced Seventeen other indirect taxes.
  - Excise Duty
  - Service Tax & Service tax additional duties of customers at central level
  - Countervailing Tax

- Special Countervailing Tax
  - Value Added Tax(VAT)
  - Central Sales Tax(CST)
  - OCTROI
  - Entertainment Tax
  - Entry Tax
  - Purchase Tax
  - Luxury Tax
  - Advertisement Tax
  - Taxes Applicable on Lotteries
  - Other surcharge for supply of goods & service, Etc.
- For conducting the programmes of GST we have to upgrade the Tally ERP9 , Tally Prime , & Busy Software to ERP9 , or any New Software which support GST Programmes.
  - GST need to provide the training to workers and employees to maintain the workload of GST.
  - GST increase the operating cost of business for some time, because they need to hire the professional for GST to understand the work of GST.
  - GST reduces the possibility of tax evasion and frauds.
  - GST encourages the suppliers to pay the taxes.
  - It generates more revenue for Government.
  - GST provides goods and services at same price level at every place in India.
  - GST registration required for the dealers if there annually turnover exceeds Rs.20 lakhs. in case of Services & exceeds Rs.40 lakhs in case of Goods.

#### **GST REGISTRATION NUMBER FORMAT:**

It is known as Goods & Service Tax Investigation Number (GSTIN) the GSTIN comprises of 15 digits. The initial 2 digits can run from 01-35 and show the state code for the enlistment according to the Indian Census of 2011. The following 10 digits are the PAN number of the GST enlisted substance.

State Code-PAN Number-Any Numeric Key-Any Alphabet Key & Any Check Sum Digit (NUMERIC or ALPHABET)

**Check sum Digit Mean:** It Stand for any Alphabetic or any Numeric Key, Checksum Digit can range between (0- 9) or (A – Z).

#### **TYPES OF GST:**

There are 4 GST types specifically "Central Goods and Services Tax"(CGST), "Integrated Goods and Services Tax"(IGST),"State Goods and Services Tax" (SGST) and "Union Territory Goods and Services Tax" (UTGST). The tax assessment rate under every one of them is extraordinary.

1. Central Goods & Service Tax(CGST)
2. State Goods & Service Tax(SGST)
3. Integrated Goods & Service Tax(IGST)
4. Union Territory Goods & Service Tax(UTGST)

**1) Central Goods and Service Tax(CGST):** The Central Goods and Services Tax of CGST is a duty under the GST system which is material on intrastate (inside a similar state) exchanges. The CGST is represented by the CGST Act. The income earned from CGST is gathered by the Central Government. For Example: if a merchant from Maharashtra has offered products to a client in Maharashtra worth Rs.10, 000, at that point the GST appropriate on the exchange will be halfway CGST and somewhat SGST. On the off chance that the pace of GST charged is 18%, it will be isolated similarly

as 9% CGST and 9% SGST. The aggregate sum to be charged by the dealer, for this situation, will be Rs.11, 800.

Out of the income earned from GST under the head of CGST, for example Rs.900 will go to the Central Government as CGST.

- 2) State Goods & Service Tax (SGST):** The State Goods and Services Tax or SGST is a duty under the GST system which is appropriate on intrastate (inside a similar state) exchanges. If there should be an occurrence of intrastate flexibility of products or potentially benefits, both State GST and Central GST are collected. In any case, the State GST or SGST is exacted by the state on the merchandise and additionally benefits that are bought or sold inside the state. It is administered by the SGST Act. The income earned through SGST is exclusively asserted by the individual state government.

For example: if a dealer from Haryana has offered products to a client in Haryana worth Rs. 15,000, at that point the GST material on the exchange will be somewhat CGST and mostly SGST. On the off chance that the pace of GST charged is 18%, it will be isolated similarly as 9% CGST and 9% SGST. The aggregate sum to be charged by the dealer, for this situation, will be Rs.17, 700. Out of the income earned from GST under the head of SGST, for example Rs.1350 will go toward the Haryana state government as SGST.

- 3) Integrated Goods & Service Tax (IGST):** The Integrated Goods and Services Tax or IGST is an expense under the GST system that is applied on the interstate (between 2 states) gracefully of products or potentially benefits just as on imports and fares. The IGST is administered by the IGST Act. Under IGST, the body answerable for gathering the expenses is the Central Government. After the assortment of charges, it is additionally separated among the individual states by the Central Government.

For example: if a dealer from Punjab has offered merchandise to a client in Rajasthan worth Rs. 25,000, at that point IGST will be relevant as the exchange is an interstate exchange. In the event that the pace of GST charged on the products is 18%, the dealer will charge Rs.29, 500 for the merchandise. The IGST gathered is Rs.4500, which will be setting off to the Central Government.

- 4) Union Territory Goods & Service Tax (UTGST):** The Union Territory Goods and Services Tax or UTGST is the accomplice of State Goods and Services Tax (SGST) which is requested on the quickly of product and also benefits in the Union Territories (UTs) of India. The UTGST is appropriate on the gracefully of products as well as administrations in Andaman and Nicobar Islands, Chandigarh, Daman Diu, Dadra and Nagar Haveli, and Lakshadweep. The UTGST is represented by the UTGST Act. The income earned from UTGST is gathered by the Union Territory government. The UTGST is a trade for the SGST in Union Territories. In this way, the UTGST will be imposed notwithstanding the CGST in Union Territories.

### Benefits of GST:

1. GST reduce the tax Burdon of indirect taxes.
2. It reduces the overall price of consumer's goods.
3. GST reduce the cascading tax effect & double tax system for products and service. (Cascading tax means tax on tax.)
4. GST Eliminates the Double, triple tax counting issues in computing the national income.
5. Reduction in multiplicity of indirect taxes.
6. It reduced the black transaction.
7. GST is easy in counting as compare to VAT.
8. GST reduces the possibility of tax evasion and frauds.
9. GST encourages the suppliers to pay the taxes.
10. It generates more revenue for Government.
11. It saves the time & costs etc.

**Limitations of GST:**

1. Increase the operational cost: GST Increase the operative cost of small types of business.
2. Increase the extra work Burdon (Especially for business from home and small business entity).
3. Some peoples consider GST to be a Burdon and waste of money.
4. GST increase the cost due to maintain the work.
5. Increase the cost due to purchasing of GST software: Because GST is the online taxation system.
6. Higher tax Burdon on SMEs. etc.

**Slab Rates under GST taxes: As on(1stApril,2020)**

GST are majorly categorized into six slabs rates in India for collection of Goods & Service Tax - 0% - 0.25%, 5%, 12%, 18%, 28%, 31%. (As on (1st April, 2020)

Goods & Service Tax Slab Rates List of 2020: - (0%, 5%, 12%, 18%, 28% and 31%) Charges to be subsumed under GST are Excise Duty, Service Tax, Central Sales Tax, Surcharge and Fees, VAT, Taxes on Lottery, Luxury Tax, Entry Tax, Entertainment Tax (These are the pieces of Central Tax and State Tax).

**New Slab Rates under GST taxes : As on (22 Sepetember,2025)**

2.GST are majorly categorized into six slabs rates in India for collection of Goods & Service Tax - 0% , 5%, 18%, & 40%. (As on (22 September, 2025)

3.Goods & Service Tax Slab Rates List of 2020: - (0%, 5%, 18% and 40%) Charges to be subsumed under GST are Excise Duty, Service Tax, Central Sales Tax, Surcharge and Fees, VAT, Taxes on Lottery, Luxury Tax, Entry Tax, Entertainment Tax (These are the pieces of Central Tax and State Tax).

**SUGGESTIONS:**

- Indian Government should reduce the Goods & Service tax for some necessity goods and services and other commodities, which needs in daily routine life to motivates and help the consumers and peoples to spend their money to consume the more essential commodities, goods and services.
- Government should improvise in different types of GST slab rates.
- Indian Government should maximize the Tax rates for some following items and services, Such as:
  - Beer
  - Wine
  - Rum
  - Whiskey
  - Narcotics
  - Tobacco Products
  - Drug Items
  - Other Unnecessary Products Etc.

**CONCLUSION:**

GST is the effective tool to generate the money for both types of Government "Central & State Govt." GST finished and eliminates the extra tax Burdon and also finished the cascading effects on taxes because GST is the single taxation system it combines all types of indirect taxes under the single roof and GST charge only for the consumption of goods & Services. GST reduces the possibility of tax evasion and frauds also help to reduce the black transaction. But GST gives negative impact on some peoples who have no proper knowledge about GST & Indirect taxes. And Goods & Service Tax has also Negative impact on consumer spending behaviour towards the "comfort items/commodities" Like: (Electronic items, Sports Equipment's, Internet Services, and Broadband Connections Etc.) and Essential Commodities/Necessary daily routine products & service. But I didn't get any relation between Income & Superfluous items like: (Wine, Beer, Rum, Whiskey, Tobacco Items and Drug items.) Peoples still Use these types of goods significantly. According to my Research Study overall percentage of Success about GST is good; GST also gives positive effect on educated peoples who have proper knowledge about GST.

it helps to motivate the consumers to buying the essential items & Services significantly and GST not affect the consumers to spend their money to buying largely essential goods & services significantly, and Goods & Service Tax is beneficial for consumers.

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