



A Study on The Impact of GST on Consumer Durable Goods in Vadodara

Dhruv Khade, Faculty of Management Studies, Parul University

Sikandar Kesari, Faculty of Management Studies, Parul University

Dr. M. Sumetha, Assistant Professor, Faculty of Management Studies, Parul University

Abstract:

The Goods and Services Tax, also known as the GST, was implemented in several nations, including India, and it marked a dramatic shift in the tax system. An overview of studies looking at how the GST has affected the consumer durable goods sector is given in this article. Televisions, washing machines, and refrigerators are examples of durable consumer goods that are necessary for a home. The main objectives of the GST's implementation were to lessen tax evasion, facilitate corporate transactions, and streamline the tax system. This study aims to investigate how the Goods and Services Tax (GST) affects pricing, consumer behavior, and industry dynamics within the consumer durable goods market.

On July 1, 2017, India replaced various indirect taxes, such as VAT, excise duty, and sales tax, with a single, unified Goods and Services Tax (GST). This comprehensive tax system aims to achieve the goal of "one nation, one tax" by simplifying and streamlining tax collection processes across the country.

Keywords: GST, Consumer durable goods

Introduction:

Value-added tax (VAT) has been superseded by the GST, which is the goods and services tax in India. Sales of commodities as well as the rendering of services are subject to GST. GST is digitalized, in contrast to VAT, making it possible to follow the flow of goods and services. The same tax slabs apply to both GST and VAT. Except for a few state levies, the majority of indirect taxes are covered by the comprehensive GST. The final consumer bears the entire tax cost of this multistage tax, which is imposed at every point in the supply chain.

To make it easier to collect taxes, goods and services are placed into five different tax categories: 0%, 5%, 12%, 18%, and 28%. Unlike the old tax system, GST doesn't charge a tax on fuel, alcohol, or electricity. Instead, each state government sets different taxes for these items.

Consumer durables goods are divided into three parts White goods, brown goods, and consumer electronic goods.

WHITE GOODS

- ❖ Air conditioner (AC)
- ❖ Washing Machines
- ❖ Refrigerators

- ❖ Water heater
- ❖ Clothes dryer
- ❖ Induction cookers

BROWN GOODS

- ❖ Electric fans
- ❖ Microwave ovens
- ❖ Sewing machines
- ❖ Mixers & grinders
- ❖ Television and wireless sets
- ❖ Personal computers

CONSUMER ELECTRONICS

- ❖ Laptops
- ❖ Tablets
- ❖ Smartphones
- ❖ Speakers and headphones
- ❖ Digital cameras
- ❖ Electronic Accessories

India's consumer durable industry is projected to experience rapid growth in fiscal year 2023. Revenue is anticipated to surge by 16% to approximately INR 1 trillion, while sales volume is expected to rise by 12%.

Literature Review:

Girish Garg (2014) This research examines the impacts of the Goods and Services Tax (GST) on India's economy. It explores the historical evolution of Indian taxes and the previous tax system. The study analyzes the challenges, opportunities, and potential risks associated with GST. Additionally, it provides a brief overview of Indian tax history and structure, examining how GST has impacted the country's free market system and its potential implications for economic growth and development.

Srinivas K.R (2016) This article makes it quite evident that the Indian Constitution gives the federal government and the states the authority to impose the appropriate taxes. GST will undoubtedly be a thorough indirect tax system on government consumption, sales, and manufacturing.

Mujalde, S. and Vani, A., (2017), In their research titled "Goods and Services Tax (GST) and its Outcomes in India," the authors focused on the features of the GST, analyzed its impact on the Indian economy, and discussed its potential advantages and disadvantages.

Nath B., (2017), In "Goods and Services Tax: A Mile Stone in Indian Economy," the author claims that the GST has positively impacted many sectors and industries. The paper explores the benefits and implications of GST for the Indian economy.

Nishitha Gupta, (2017) The study suggests that India's implementation of the Goods and Services Tax (GST) will foster economic growth by addressing commercial challenges that were not resolved by the previous Value Added Tax (VAT) system.

Nayyar, A. and Singh, I. (2017) The study emphasized that the implementation of the Goods and Services Tax (GST) marked a major shift in India's economy. With its emphasis on transparency and reduction of corruption, the GST will reshape India's tax structure, promoting greater openness and streamlining.

Rajamani (2018) The purpose of this research is to assess the effects of the GST on the Indian economy. It examines the fundamentals of GST (CGST, SGST, and IGST) and how they affect different industries to

provide expert perspectives on the tax. The research thoroughly examines the benefits and drawbacks of GST, offering a thorough evaluation of its consequences.

Nitin Kumar (2014) In the article titled "Goods and Service Tax: A Way Forward," the author argues that implementing the Goods and Service Tax (GST) in India will remove economic distortions created by the existing indirect tax system. Create a fair and neutral tax system that applies equally across the country, regardless of location.

Anshu Ahuja (2017) According to a study titled "Perception of People Towards Goods and Services Tax," consumers anticipate that the GST implementation will result in greater tax clarity and reduce tax evasion in the country.

Pallavi Kapila (2018) The effect of the GST (Goods and Services Tax) on the Indian economy is investigated in this study. By doing away with complicated levies like sales tax, the value-added tax (VAT), excise duties, and service tax, the GST made India's tax structure simpler. The research indicates that the introduction of the Goods and Services Tax (GST) has been essential in promoting economic expansion in India.

Research Methodology

Research Design

Exploratory Research

The goal of exploratory research is to shed light on subjects that have received little or no attention from previous studies. This approach focuses on obtaining data, developing theories, and developing a deeper comprehension of the fundamental processes and factors involved in particular things.

Objectives of the Study:

- Recognizing the connection between inflation in durable goods prices and GST.
- Expand your understanding of the field of consumer durables.
- Analyze how the implementation of the Goods and Services Tax (GST) in India has affected the pricing and affordability of consumer durables.
- Assess the public's awareness and comprehension of Goods and Services Tax (GST) as it pertains to consumer durables, and analyze the impact of this knowledge on their purchasing decisions.

Source/s of Data:

A primary data set is one that the researcher gathers through the use of questionnaires.

Primary data for a study on the impact of GST on consumer durables was collected using a Google form questionnaire. Participants in the survey were selected from the city of Vadodara.

Data Collection Method:

Online forms are an effective way to collect important information about users, such as their contact details and demographic background. They are suitable for gathering data and are convenient and cost-effective to create.

Population:

Gujarat, with a total size of 196,024 square kilometers and a population of around 70.7 million (as of 2022), is divided into five administrative zones: North, South, Central, and West Gujarat. These zones cover an area of 420 square kilometers and house approximately 2.3 million people. The city of Vadodara spread across 220 square kilometers, consists of twelve districts. Within the city limits, data has been collected from specific locations, including Kareli Baug, Alka Puri, Manjal Pur, and Makar Pura, with a sample size of 250 due to time constraints.

Sampling Method:

In a simple random sample, every member of the population has an equal chance of being selected. Your sampling frame should include the whole population.

Data Collection Instrument:

An online survey using a Google Form collects original data. Respondents from Vadodara who complete the form share personal information (age, gender, marital status, education) and answer questions that contribute to the research objectives.

Hypothesis:

Null Hypothesis (H0): The implementation of GST in India has not significantly affected the pricing of consumer durable goods.

Alternative Hypothesis (H1): The implementation of GST in India has resulted in significant changes in the pricing of consumer durable goods.

Data Analysis & Interpretation:

1. Gender:

Category	Respondents	Percentage
Male	173	69.2%
Female	77	30.8%
Other	0	0%
TOTAL	250	100%

You will find that there are 69.2% males and 30.8% women.

2. Age:

Category	Respondents	Percentage
Below 20 years	3	1.2%
21-30	165	66%
31-40	70	28%
41-50	7	2.8%
50 above years	5	2%
Total	250	100%

The above table takes into consideration several different factors to provide an accurate estimate of the subject's age. There were almost half as many responses who were under the age of Below 20 years are 1.2%, 21-30 are 66%, 31-40 are 28%, 41-50 are 2.8%, and 50 above years are 2%.

3. What is your Highest Level of Education?

Category	Respondents	Percentage
High School	17	6.8%
Bachelor's Degree	82	32.8%
Master's Degree	150	60%
Doctoral Degree	1	0.4%
Total	250	100

The following table provides a condensed explanation of the term " What is your Highest Level of Education " Shows that: 6.8% of High School, 32.8% from a Bachelor's Degree, 60% from Master's Degree, and 0.4% from Doctoral Degree.

4. What is your current occupation?

Category	Respondents	Percentage
Student	122	48.8%
Employed	97	38.8%
Homeworker	20	8%
Retired	11	4.4%
Total	250	100%

The results are shown in the graph below: What is your current occupation 48.8% of Students, 38.8% of Employed, 8% of Homeworker, and 4.4% of Retired.

5. Occupation Type:

Category	Respondents	%
Student Or Professional	124	49.6%
Government	6	2.4%
Pvt. Company	80	32%
Self Employed	31	12.4%
Partnership	9	3.6%
Total	250	100%

The above graph is Occupation Type: The item had to get the respondent's 49.6% Student or Professional, 2.4% Government, 32% Pvt. Company, 12.4% Self Employed and 3.6% Partnership.

Hypothesis Testing:

Null Hypothesis (H0): The implementation of GST in India has not significantly affected the pricing of consumer durable goods.

Alternative Hypothesis (H1): The implementation of GST in India has resulted in significant changes in the pricing of consumer durable goods.

Observed Frequency:

Row Labels	Count of Price increase
Agree	84
Dis Agree	9
Nutural	21
Strongly Agree	71
Strongly Dis Agree	65
Grand Total	250

Expected Frequency:

Agree	1/5* 250	50
Dis Agree	1/5* 250	50
Neutral	1/5* 250	50
Strongly Agree	1/5* 250	50
Strongly Dis Agree	1/5* 250	50

Chi-Square:

Row Labels	Observed Frequency (O)	Expected Frequency (E)	O-E	O-E ²	(O-E) ² /E
Agree	84	50	34	1156	23.12
Dis Agree	9	50	-41	1681	33.62
Nutural	21	50	-29	841	16.82
Strongly Agree	71	50	21	441	8.82
Strongly Dis Agree	65	50	15	225	4.5
Grand Total	250				86.88

$$X^2 = \frac{(O-E)^2}{E}$$

E

$$X^2 = 86.88$$

$$df = 4$$

$$X^2 = 6.5371$$

$$P \text{ value} = 0.1952$$

If p-value > 0.05: Reject the null hypothesis.

If p-value < 0.05: Fail to reject the null hypothesis.

So, here is Null Hypothesis is rejected & Alternate Hypothesis is Accepted.

The above results show that X^2 is 86.88 and as per table value for df is 4 and 0.05 significance level, the table value is 9.488. The table value is smaller than the calculated value so, we are rejecting the null hypothesis and accepting the alternate hypothesis. Which is, **the implementation of GST in India has resulted in significant changes in the pricing of consumer durable goods.**

Findings:

The introduction of the Goods and Services Tax (GST) in India in July 2017 had a significant impact on various economic sectors, including the consumer durables industry.

High GST Rates: Most consumer appliances and products you buy for long-term use are heavily taxed at either 18% or 28%. This high tax rate makes these items more expensive and increases the total taxes that consumers have to pay.

Pricing Dynamics: The implementation of the Goods and Services Tax (GST) influenced consumer decisions due to its impact on prices. Although most products and services experienced modest price hikes, some became more affordable.

Consumer Awareness: The introduction of the GST affected consumer spending patterns as customers gained a better understanding of the tax system. They were able to make wise decisions about their purchases thanks to this knowledge.

Market Dynamics: The impact of GST on consumer durables hinges on market factors like consumer preferences, demand responsiveness, and competition among manufacturers and retailers. Changes in prices can influence consumer purchasing decisions and behavior.

Compliance Burden: GST brought about a simpler tax system, making tax compliance easier for businesses. Nevertheless, when GST was first implemented, small and medium businesses (SMEs) in the consumer durables sector had difficulties adjusting to the new system. These challenges stemmed mainly from the complexities of classifying taxes and the intricacies of filing procedures.

Encouraging local production: According to the survey, the most popular way to improve GST to manage durable goods price inflation is by encouraging local production. This suggests that people believe a focus on domestic manufacturing would help control inflation.

Conclusion:

While the Goods and Services Tax (GST) aimed to simplify taxation in India, its impact on consumer durables has been multifaceted. Despite its intended benefits, the GST has led to a range of challenges for consumers and businesses in this sector.

Taxes on certain durable consumer products have increased as a result of the products and services tax (GST), which may have an impact on people's purchasing power and disposable income. The GST has made it more difficult for businesses, especially small and medium-sized ones, to function due to supply chain issues, transitional challenges, and compliance expenses. Variations in state tax rates have also caused disparities in pricing and market issues.

To mitigate the limitations and maximize the benefits of GST on consumer durable goods, ongoing efforts are needed to address compliance burdens, simplify tax structures, and support small businesses in adapting to the new regime. Additionally, ensuring uniformity in tax rates and fostering a conducive business environment will be essential for promoting growth and sustainability in the consumer durable goods sector under GST in India.

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