International Journal of Advance and Applied Research (IJAAR)
Peer Reviewed Bi-Monthly

ISSN – 2347-7075
Impact Factor – 5.136
Vol.4 No.4 March - April 2017

EFFECT OF GST ON CONSUMER BUYING PATTERNS IN INDIA

Vishwanath R. Havalappagol
Assistant Professor,
Dept. of MBA,
VTU CPGSB Muddenalli.

Dr. Sandhya R. Anvekar
Professor,
Dept. of Management Studies,
VTU, CPGS Muddenahalli.

ABSTRACT:

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Act Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% ,18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy.

GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

Keywords: Services Tax, Indian economy, Indirect tax, Economic growth.

INTRODUCTION:

India as world's one the biggest democratic country follows the federal tax system for levy and collection of various taxes. Different types of indirect taxes are levied and collected at different point in the supply chain. The Centre and the states are empowered to levy respective taxes as per the constitution of India. The Value Added Tax (VAT) when introduced was considered. In 2000, the Vajpayee Government started discussion on GST by setting up an empowered committee. The committee was headed by Asim Dasgupta, Finance Minister in Government of West Bengal. But an announcement to GST for the first time was made by Palaniappan Chidambaram, the Union Finance Minister, during budget of 2007-08 that it would introduced from 1 April 2010. and that the empowered committee of State Finance Ministers, on his request would work with the Central Government to prepare a road map for introduction of GST in India. After this announcement, the Empowered Committee of State Finance Ministers decided to set up a Joint Working Group on 10 May 2007, with the Adviser to the Union Finance Minister and the Member-Secretary of Empowered Committee as co-conveners and the concerned Joint Secretaries of the Department of Revenue of Union Finance Ministry and All Finance Secretaries of the states as its members. The Joint Working Group, after intensive internal discussions as well as interaction with the experts and representatives of Chambers of Commerce and Industry, submitted its report to the Empowered Committee on 19 November 2007. In April, 2008 the Empowered Committee (EC) submitted a report titled "A Model and Roadmap for Goods and Services tax (GST) in India" containing broad recommendations about the structure and design of GST. In response to the report, the Department of Revenue made some suggestions to be incorporated in the design and structure of proposed GST. Based on inputs from Government of India and states, the EC released its First Discussion Paper on Goods and Services Tax in India on 10 November 2009 with the objective of generating a debate and obtaining inputs from all stakeholders.

Understanding the influences of taxes on purchasing behavior is equally important for consumers. Indirect taxes play a major role in influencing the spending ability of consumers. Goods and Services Tax, often referred to as GST, plays a key role in purchase decision of Indian consumers. GST as an instrument of fiscal policy of government determines the price level of the country. GST is included in the selling price of the product. Thus, the tax rates will have a huge impact on their purchases. Often taxes impact on purchase behavior is reflected by reduction in quantity of goods bought by the buyer. However, the behavior directly dependent on price increase, importance of goods for customer, the level of customers' wealth, the share of goods in total consumption expenditure, etc. Thus, the marketers need to understand how taxes impact the consumers purchase decision. This can help them in framing pricing policies in such a way that the consumers do switch over from their products to another due to price changes. This research study seeks to identify the relationship between buying behavior and GST with specific emphasis on Fast Moving Consumer Goods industry.

Mr. Pranab Babu, (Hon'ble Union Home Minister of Finance Pranab Mukherjee) has made a remark in his Budget Speech of 2010 that an efforts will be made to introduce GST in India from April 2011. This deadline was subsequently extended to April 2012. Ex- Finance Minister Mr. P. Chidambaram in his Budget Speech of 2013-14 while apologizing for the failure to meet the April 2012 deadline announced further postponement of the same to April 2014. Then after missing so many deadlines finally new government came into power in May 2014. The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 was introduced in the Lok Sabha by Finance Minister Mr. Arun Jaitley on 19 December 2014. The Bill was passed by the House on 6 May 2015, receiving 352 votes for and 37 against. All no votes came from members of the AIADMK. The Indian National Congress, which opposed the Bill, walked out of the House before voting began. Although the BJD and the CPI (M) had previously opposed the Bill, at the time of voting they cast their votes in favour. The Government attempted to move the Bill for consideration in the Rajya Sabha on 11 May 2015. However, members of opposition repeatedly stalled the proceedings of the House. In order to appease the opposition for further scrutiny of the Bill, Jaitley moved a motion to refer the Bill to Select Committee.

We are going to have a dual GST model. The Center and the States both, will levy GST on supply of goods and services. On Supply of goods and services in the course of Inter-state only Center will levy and collect taxes (IGST) which will be apportioned between Centre and States based on the recommendation of GST Council. The Center will have power to make place of supply rules in this regard. On supply of goods and services in the course of or International trade or commerce, states will not have any power to levy and collect taxes.

For the first two years under GST (or as GST Council would recommend), 1% additional tax apart from GST will be levied on inter-state sale of goods which will be assigned to the state of origin of supply of goods. The rules regarding the place of origin will be formed by the Parliament. The Central

Government would also have power to grant exemption to any goods from this tax. The point to be noted here is that this tax is to be levied on goods only, thus the differentiation between goods and services would again resume significance.

The proposed amendment in Article 271 restricts the power of the Central Government to levy any surcharge on the GST. We may therefore, be in a better situation wherein GST will not be subjected to any surcharge. (Cess -we may still have)

Further, tax on petroleum products will be covered in GST except for crude petroleum, high speed diesel, motor spirit, natural gas and aviation turbine fuel. For these five items, GST Council will specify the date from which GST will be levied. Tobacco & tobacco products; supply of newspapers & advertisements; luxuries, betting & gambling and entertainment & amusement are covered under the GST. However, alcoholic liquor for human consumption has been kept out of GST ambit.

The 122nd amendment will come into force from such date which Central Government may appoint by way of notification, after enactment. For enactment, it has to be passed by two-third majority by both houses of the Parliament of those present and simple majority of total membership of both houses. It has to be then approved by one-half of the state Governments, i.e. atleast 15 states. The said Bill has been passed by Lok Sabha on 6-5-2015 but could not be passed by Rajya Sabha. The same has now been referred to the select committee of the Rajya Sabha.

Fate of Bill in Parliament It may be noted that 122nd Amendment Bill has since been passed by the Lok Sabha in May 2015 and was referred to the Select Committee by Rajya Sabha on 12.05.2015.

Select Committee Report tabled in Rajya Sabha. The Select Committee of Rajya Sabha has since tabled its report on GST Bill [i.e., Constitution 122ndAmendment Bill, 2014] on 22.07.2015. While it endorsed majority of provisions, Congress, AIADMK and Left parties have opposed the GST Bill in its existing form.

The Select Committee has suggested that Government may compensate to States for revenue loss for five years. The earlier version of the GST Bill provided that Center may compensate States for revenue loss for a period of upto five years.

Indian system of taxation of goods and services is characterized by cascading, distortionary tax on production of goods and services which leads to missallocation of resources, hampering productivity and slower economic growth.

To remove this hurdle, a pure and simple tax system like GST (Goods and Service Tax) is need of the hour in the country.

An ideal tax system collects taxes at various stages of manufacturing, supply, wholesale, retailing and lastly at the final consumption. It is based on the add-on value by the manufacturer, supplier and retailer at each stage of the value chain. Tax paid at each stage is based on the amount of value added and not on the entire amount.

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the **economic growth** of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level . The Goods and Services **Tax** Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system.

On bringing GST into practice, there would be **amalgamation** of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as **international market**. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods.

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**. The current system taxes production, whereas the GST will aim to tax consumption.

EXPERTS HAVE ENLISTED THE BENEFITS OF GST AS UNDER:

- It would introduce two-tiered One-Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from **cascading** effect of taxes, thus by improve the cost-competitiveness of goods and services.

- It would bring down the prices of goods and services and thus by, increase consumption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

REVIEW OF LITERATURE:

Nishita (2014) examined "Goods and Service Tax: It's Impact On Indian Economy", and concluded in her research paper that GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed services tax – a justified step forward. She also stated that a single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services.

Nitin (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India will help in removing economic distortion by current indirect tax system and is expected to encourage unbiased tax structure which is indifferent to geographical locations. Monika And Upasana (2015) [3] studied "GST in India: A Key Tax Reform" and concluded that implementation of GST provides a simple, user- friendly and transparent tax system. GST stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%.It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It execution will also results in lower cost of doing business that will make the domestic products.

Shefali (2016) studied "A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy" and found that GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

Akanksha and Aastha (2016) in their article named "Goods And Services Tax In India - A Positive Reform For Indirect Tax System" that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes.

Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. They further concluded that GST will have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Thus, necessary steps should be taken.

Mahender (2016) studied “GST Effect on Manufacturing Industry – India” and conclude that manufacturing industry is playing a significant role in Indian business scenario hence manufacturing sector is economic growth of nation. In his research paper he states that “The cemetery industry can enjoy operating and transportation expenses with the introduction of GST”. Automobile industry will also get benefits of the GST. Consumer and durable sector expenditure will also reduce. Telecom and banking and financial services will face the risk of rise in operating expenses. Textile and garment industry maybe negatively impacted with the introduction of GST. Media companies (DTH) may also have negative scenario. India has adopted dual GST instead of national GST. It has made the entire structure of GST fairly complicated in India. The centre will have to coordinate with 29 states and 7 union **territories** to implement such tax regime. Such regime is likely to create economic as well as political issues. The states are likely to lose the say in determining rates once GST is implemented. The sharing of **revenues** between the states and the centre is still a matter of contention with no consensus arrived regarding revenue neutral rate.

Chief **Economic** Advisor Arvind Subramanian on 4 December 2015 suggested GST rates of 12% for concessional goods, 17-18% for standard goods and 40% for luxury goods which is much higher than the present maximum service tax rate of 14%. Such initiative is likely to push inflation.

The proposed GST structure is likely to succeed only if the country has a strong IT network. It is a well-known fact that India is still in the budding state as far as internet connectivity is concerned. Moreover, the proposed regime seems to ignore the emerging sector of **e-commerce**. E-commerce does not leave signs of the transaction outside the internet and has anonymity associated with it. As a result, it becomes almost impossible to track the business transaction taking place through internet which can be **business** to business, business to customer or customer to customer. Again, there appears to be no clarity as to whether a product should be considered a service or a product under the concept of E-commerce. New techniques can be developed to track such transactions but until such technologies become readily accessible, generation of tax revenue from this sector would continue to be uncertain and much below the expectation. Again E-commerce has been insulated against taxation under custom duty moratorium on electronic transmissions by the WTO Bali Ministerial Conference held in 2014.

Communication is considered to be necessity and one cannot do without communication. In modern times, communication has assumed the dimension of telecommunication.

The proposed GST regime appears to be unfavorable for telecommunication sector as well

"One of the major drawbacks of the GST regime could be the direct spike in the service tax rate from 14% to 20-22%" (GST: Impact on the **Telecommunications** Sector in India). The proposed GST appears to be silent on whether telecommunication can be considered under the category of goods or services. The entire issue of telecommunication sector assumes a serious proportion when India's rural **tele density** is not even 50%.

The proposed GST regime intends to keep petroleum products, electricity, real estate and liquor for human consumption out of the purview of GST

It is a well-known fact that petroleum products have been a major contributor to inflation in India. Inflation in India depends on how the government intends to include petroleum products under GST in future.

Electricity is essential for the growth and development of India. If electricity is included under standard or luxury goods in future then it would badly affect the development of India. It is said that GST would impact negatively on the real estate market. It would add up to 8% to the cost of new homes and reduce demand by about 12%.

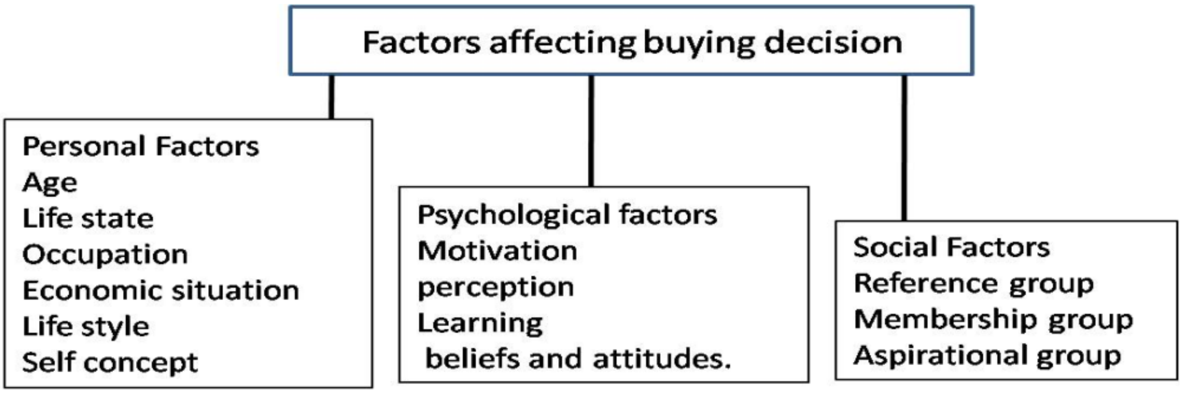
The proposed GST regime "would be capable of being levied on sale of newspapers and advertisements therein"

This would give the governments the access to substantial incremental revenues since this industry has historically been tax free in its entirety". It sounds ridiculous but the provision of GST is likely to make the supervision of operations by its Board/senior managers across the company's offices in different parts of the country a taxable service by allowing each state to raise a GST demand on the company.

Again there appears to be lack of consensus over fixing the revenue rate as well as threshold limit. One thing is for sure, services in India are going to be steeply costly if GST is fixed above the present service tax rate of 14% which in turn will spiral up inflation in India. "Asian countries which implemented GST all had witnessed retail inflation in the year of implementation.

CONSUMER'S BEHAVIOUR AND THEIR BUYING DECISION:

Consumer behavior is a widely studied field though complex to understand as it deals with human mind which is difficult to predict exactly. Purchasing decision of the people are affected by many factors and many of consumers do not even know these factors that drive them to particular decision. There are characteristics behind every buying decision that can come from cultural, social, personal or psychological factors. As shown in fig.



Buying behaviour vary depending upon the nature of the product. Occasional purchases go through a rigorous decision making process while routine purchases need little efforts. Habitual decision-making choices are usually made routinely with little or no conscious effort. The products that are purchased frequently, like coffee, toiletry can be categorized to the habitual decision-making mode. Selecting a coffee brand does not need high consideration and the involvement level is low in this case and consumers are likely to stay with one brand for a long time. When people take decision about purchasing a product its price does matter. taxes are an inescapable part of the purchasing experience of all type of product while the frequency of purchase, price of the product ,bargaining position of the buyer affect the degree of attention to the issue of tax for habitual buying decision. Sales tax is imposed on consumption of goods which is an indirect tax and ultimate burden fall on the consumers. Imposition of tax affect the consumer behaviour but system of tax collection may affect the same. Habitual decision making is involved in Fast Moving Consumer Goods (FMCG) sector.

Exploring the influence of transition to GST on consumer behaviour related to FMCG in India.

FMCG SECTOR:

Fast Moving Consumer Goods (FMCG), includes the products that are sold quickly and generally consumed at a regular basis as opposed to durable goods such as kitchen appliances that are replaced over a period of years. The sector primarily engages in the production, distribution and marketing operations of FMCG. FMCG product categories comprise of food and dairy products, pharmaceuticals, consumer electronics, packaged food products, household products, drinks and others. This sector is characterized by products having low unit value and requiring frequent purchases and consumer behavior reflecting less loyalty, impulse buying, and low involvement on the part of a consumer (Kotler). The following are the main characteristics of FMCGs:

FMCG SECTOR IN INDIA:

The fast moving consumer goods (FMCGs) segment is the fourth largest sector in the Indian economy. The market size of FMCG in India is estimated to grow from US$ 30 billion in 2011 to US$ 74 billion in 2018.Food products is the leading segment, accounting for 43 % of the overall market. Personal care (22 %) and fabric care (12 %) come next in terms of market share. According to the study conducted by AC Nielsen, 62 of the top 100 brands are owned by MNCs, and the balance by Indian companies. Fifteen companies own these 62 brands, and 27 of these are owned by Hindustan UniLever. Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the sector. Composition of different products categories under FMCG are shown in fig.2.

Food & Beverages (18 %)	• Health Beverages, Staples/Cereals, Bakery Products, Snacks, Confectionaries, Tea/Coffee/Soft Drinks, Processed Fruits & Vegetables,Dairy Products & Branded Flour
Health Care (32%)	• Over The Counter Products • Ethicals
Household & Personal Care (50%)	• Oral Care, Hair Care, Skin Care, Cosmetics/Deodarants, Perfumes, Feminine Hygiene & Paper Products, Fabric Wash, Household Cleaners

TAXES IN FMCG SECTOR:

VAT:

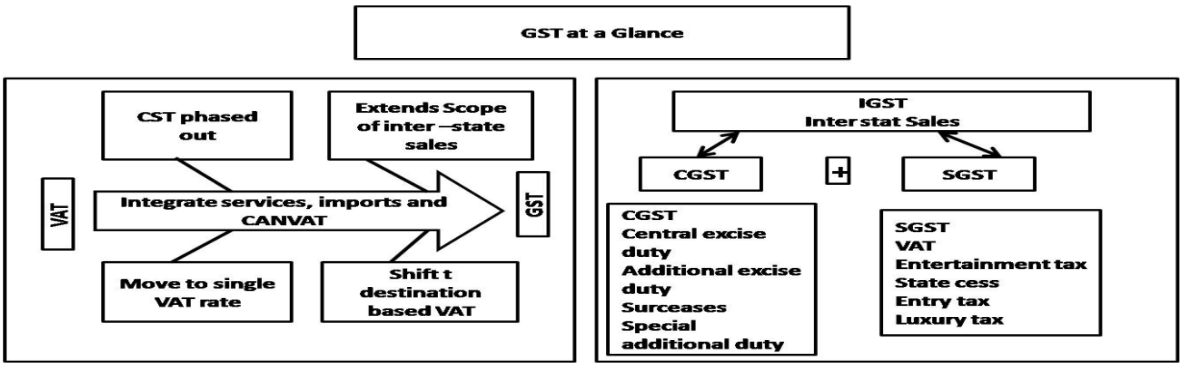
In India as in other courtiers VAT is applicable for goods covered under FMCG sector which will be replaced by GST in near future. The products are taxed at different VAT rates. VAT rate for 2015-16 are given in table.1

Table1: Rate of VAT Product

Product	VAT Rate	Product	VAT Rate
Boost/ Bornvita	14%	Processed fruits and vegetables	5%
Bakery Products	14%	Oral care	14%
Tea	5%	Household cleaners	14%
Coffee		14%	

GST:

Taxable Event-Supply of Goods and Services Under prevailing indirect tax structure there are multiple taxable events on account of multiple levies at Central and State level. That is, taxable event occurs on „manufacturing of goods" in case of Central Excise laws, „sale of goods" in case of Sate VAT laws, „supply/provision of services" in case of Service tax laws. In addition, taxable event in case of other state levies such as Entry Tax/Octroi etc. are on „entry" to goods into a particular jurisdiction. GST as a comprehensive tax reform just about to be implemented in India will do away with cascading effect of taxation still prevailing in the tax system in the country. Figure 3 presents an over view and gist of the tax regime.



GST has been viewed as a comprehensive tax system with minimum of tax rate slabs applicable to goods as well as on services (Table2).

Table 2.Tax rates GST (Proposed)

Indicative items	Tax Rate	Indicative items	Tax rate
50% of the consumer price	0%	Soap, oil, refrigerator	18%

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Basket including food grains			
Mass consumption items like spices edible oil	5%	White goods	28%
Processed food	12%	Luxury cars, pan masala	28%

WORKING OF THE TAX COLLECTION SYSTEM:

Tax collection under both the tax regimes follow the rule of value addition as taxable event and input tax credit at different stages in production- supply chain. It is a staged collection of tax where intermediaries pay their share of tax and ultimate burden fall on the final consumer. Tax collection under sales tax regime followed the rule of tax collection at the final stage of consumption only. The amount of tax paid by the consumers under sales tax regime and VAT regime comes put to be same however the collection centres differ. This can be explained as under in table 3.

VAT Mechanism		
Stage I – **Raw material =Rs. 100000** **Value added = Rs. 60000** **Sales Price = Rs. 160000** **VAT @ 4% = Rs. 6400**	**Stage II -** **Input cost = Rs. 160000** **Value Added = Rs. 30000** **Sale price = Rs.190000** **VAT @ 4% = Rs.7600** **Less : input tax credit= Rs.6400** **VAT Payable = Rs.1200**	**Stage III -** **Input cost = Rs. 190000** **Value Added = Rs. 10000** **Sale price = Rs. 20000** **VAT @ 4% = Rs.8000** **Less : input tax credit= Rs. 7600** **VAT Payable = Rs.400**

Tax collection

Stages	Total Tax Collected under VAT (Rs)	% of tax collected	Total Tax Collected under Sales Tax (Rs)	% of tax collected
I	6400	80%	-	-
II	1200	15%	-	-
III	400	5%	8000	100%
Total	8000	100%	8000	100%

When observed in comparison to Sales Tax from neutrality perspective it appears that imposition of VAT does not affect consumption decision of the consumers as they pay VAT which is a tax relies on a staged collection mechanism. Successive taxpayers are entitled to deduct input tax on purchases and account for output tax on sales. In the end, the tax collected by the authority through this supply chain equals to the VAT paid by the final consumer to the last vender.

It is evident that whatever is the system of tax collection consumers has to pay similar amount as consumption tax and thus find VAT as Neutral tax as was Sales Tax.

Transition to VAT regime from Sales tax regime, keeping other things constant, should not affect the buying decision of the consumer. The same should emerge when the tax system in India will move to GST as it also follow the same system of staged collection of tax . Perception of stake holders related to change in buying decision due to transition can be observed with respect to VAT and Sales tax as GST is awaited.

EFFECT OF VAT ON BUYING DECISION:

Replacement of VAT to sales tax has not affected the consumption decision as the tax liability in case of VAT and sales tax at the retail level turns out to be the same. This is because the total retail price is nothing but the value added to the raw material at different stages of production and trade. The final consumer has to pay the amount of tax and it does not matter at how many stages tax calculation is done and how much part of tax is contributed at different stages throughout the supply chain.

A survey was conducted with 150 dealers registered under VAT Act in M.P. and small sample of 50consumers focusing on change in buying decision due to implementation of VAT as one of the issues. The findings of the study are presented in the following section.

PERCEPTION OF DEALERS:

VAT is a tax collected at every stage of value addition. In total VAT creates similar type of burden on consumers as was created under sales tax. Business enterprises pay tax which they shift on to consumers. The survey found a large number of respondents feel transition to VAT has not affected buying decision on the ground that consumers have to pay tax whether it is VAT or sales tax. 47% of the respondents disagree on the issue of change in behaviour and the say that transition to VAT has not impacted buying behaviour of consumers at all. 29% of the respondents feel that they have observed changes in buying behaviour due to VAT and agree on the issue of change (table 4).

PERCEPTION OF CONSUMERS:

Behaviour can be observed as the reaction of consumer to prices of the products and their decision to purchase or not to purchase the product. Their buying decisions are generally affected by the price of the product, preferences for the product. Imposition of tax on a commodity generally increases the price of the products and may affect the consumer"s decision to buy or to postpone the purchase. FMCG are the product which are required on regular basis and involve habitual decision making has little to do with the system of tax collection when effect of such tax on price is taken constant. The survey found 72% of the respondent confirming that transition from sales tax to VAT has not affected their buying decision related to FMCG products and showed their disagreement on the issue of effect of change in system of consumption tax collection. With a view to record the perception of consumers on issues related to VAT survey was conducted and questionnaire was used with multiple options for each question. The questions were designed to study awareness about VAT as an important indirect tax reform introduced in the country, opinion related to importance of VAT provisions, attitude of consumers towards purchase with proper invoice and bill with all required details, consumer‟s behaviour as a responsible citizen helping tax authority in collecting taxes and effect of VAT imposition on buying behaviour of consumer. The analysis is presented in the following section.

Table 4: Respondents

Responses	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Dealers	3.3%	46.7%	14%	28.7%	7.3
Consumers	0	72%	0	28%	0

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AWARENESS AMONG CONSUMERS REGARDING COMMODITY TAX:

Analysis revealed that majority (95.0%) of the participants were aware that as a consumer they pay VAT for most of the purchase. Around 91.0 % of the consumers were aware that bills issued by the shopkeeper contains amount of tax levied for the relevant products. Around 95.0 % of the consumers understand the importance of a proper bill issued by the shopkeepers. Eighty-nine percent of the consumers believed that VAT invoice ensure better accountability and transparency by a business.

AWARENESS ABOUT ACCOUNTABILITY OF TAX IN BILL AND TAX LIABILITY:

Majority (71.0 %) of the respondents believed that both; they themselves and the shopkeeper are responsible for the issuing of bill for the purchase (Table 3). Majority (76.0 %) of the respondents also confirmed that shopkeepers get benefits in case of bill is not issued.

PRACTICES RELATED TO COMMODITY TAX FOLLOWED BY THE CONSUMERS:

Survey found high level 95% awareness about VAT but there was variation in attitude towards considering importance of consumption tax. Only 36% always ger VAT invoice and 45% get some times and if not get bill do not bother about it. 33% care to know the amount of tax on their general purchases i.e. FMCG products. 76% of the respondents were aware about GST.

CONCLUSION:

Imposition of taxes may affect buying decision of consumers. VAT is imposed on goods which includes FMCG category also and buying decision of such goods require less of efforts. GST will replace the present regime in India soon .The question of interest that whether it will influence buying decision of consumers of FMCG category has been explored with VAT regime which has the same system of staged tax collection that GST will have. The study found that people are aware about the tax they pay on purchase of commodities but are not much interested in giving importance to such tax on their purchase of FMCG. However they recognise proper billing helps to decide accountability of tax compliance. Transition to VAT from sales tax has not affected the buying decision and same can be expected about GST as the tax regime will be based on staged collection of tax. It was found that people do not give much importance to invoice based purchases. In It would be in the interest of better revenue collection that for GST regime awareness programmes focusing on consumers should be conducted so that invoice based purchasing practices are promoted and GST regime turns out to be not only comprehensive but also revenue productive.

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