

**IMPACT OF GST ON BUYER BEHAVIOUR OF FMCG –AN ANALYSIS****K. Santhi Babu\*<sup>1</sup>, Prof. Jaladi Ravi\*<sup>2</sup>, S. Deekshitha\*<sup>3</sup>**

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DOI : <https://www.doi.org/10.56726/IRJMETS45548>**ABSTRACT**

The primary method used by the government to raise money to support various forms of development is taxation. In India, there are essentially two sorts of taxes: direct taxes and indirect taxes. Three lists in the seventh schedule of the Indian Constitution served as the foundation for the indirect tax system in that country. These lists mostly referenced the 1935 Government of India Act. Due to changes in technology, circumstances, etc., the indirect tax structure was extremely complicated and ineffective. Excise duty, customs duty, service tax, VAT, MODVAT, and other taxes are introduced by the government in response to requirements and needs. All these alterations by the government may lead to the implementation of GST.

The GST is now widely accepted around the world. France, a developed nation, was the first to introduce it in 1954. Eventually, India too demonstrated a propensity for GST on July 7, 2017, when it implemented GST in its 101st amendment to the Indian Constitution. This value-added tax on goods and services is broad. The VAT, entertainment tax, luxury tax, service tax, surcharge, and other indirect taxes in India's tax system (as it existed as of June 30, 2017) were combined into the GST.

GST was introduced with the goal of unifying and streamlining India's fiscal tax framework. The primary goals of the GST's establishment were to streamline tax administration and combine all indirect taxes into a single tax.

The FMCG sector contributes a substantial USD 6.5 billion in direct and indirect taxes. Across India's rural and urban areas, the Fast Moving Consumer Goods (FMCG) sector accounts for over half of the country's food and beverage industry and another third of the personal and household care sector. Since the companies built warehouses throughout the states to attempt and construct a more tax-efficient structure, it was expected that the Goods and Service Tax (GST) bill would have a big impact on the industry. The Fast Moving Consumer Goods (FMCG) industry will profit even in terms of efficiency if the goods and services tax (GST) is designed in a way that the credits are passed along along the value chain rather than remaining with the business. The second thing to note is that the network architecture of the FMCG industry currently rests entirely on the notion of stock transfers followed by sales through depots.

Since the federal and state governments are replacing a lot of indirect taxes with the GST, it affects almost every aspect of the Indian economy. FMCG is one sector of the economy that has an instant impact on the broader public. Researching FMCG consumer purchase trends following the GST is essential. The FMCG sector has expanded dramatically in the last few years. When deciding which industries to invest in, investors prefer this one over others. The FMCG business has a lot of expansion potential, but it also faces some obstacles in achieving its objectives. Thus, identifying the variables influencing the general shopping habits of customers in the Visakhapatnam District is the aim of this study.

**The current study deals with the following Research Questions**

1. What is the level of Consumer Awareness Regarding GST?
2. Whether the Implementation of GST affects the Buying Behavior of FMCG Consumers?
3. Is there any significant difference in the Buyers' Behaviour Before and After the Implementation of GST?
4. What are all the factors which influence the Buying Behaviour during post Implementation of GST with

reference to FMCG?

5. What are the problems faced by the buyers after implementation of GST in their decision-making process?

**Keywords:** Goods and Services Tax (GST), FMCG, Exports, FMCG Exports, Impact, VAT, Taxes, Rates, Regime, Ease of Exports.

## I. INTRODUCTION

Consumer packaged goods, sometimes known as fast moving consumer goods, are any consumables that consumers regularly purchase that are neither groceries or pulses. FMCG is one of the industries in the Indian economy that is growing the fastest out of all of them. FMCG must pay numerous taxes, including VAT, services tax, excise duty, and central sales tax, according to the old tax system. All of the aforementioned taxes have since been replaced by the GST law, creating a one point taxation structure.

### 1.1 IMPORTANCE OF THE STUDY:

GST has an impact on practically all sectors of the Indian economy because it is replacing a number of indirect taxes that the federal and state governments formerly imposed. One industry that immediately affects the general population is FMCG. It is crucial to research FMCG consumer purchasing patterns after the GST. The FMCG industry has grown significantly in recent years. Investors favour this industry over others when choosing where to place their investments. Even if the FMCG sector has a lot of room for growth, there are obstacles in its way. Thus, identifying the variables influencing the general shopping habits of customers in the Visakhapatnam District is the aim of this study.

### 1.2 OBJECTIVES OF THE STUDY:

The current study is initiated with the following objectives:

1. To know the Socio-Economic Profile of FMCG consumers.
2. To study the Level of Knowledge of FMCG Consumers about GST.
3. To analyze the Factors Influencing the buyer behaviour of FMCG after Implementation of GST.
4. To make out the Awareness of Intensity on post GST with respect to FMCG Products Price Fluctuation.
5. To study out the Problems Faced by the FMCG Consumers.
6. To offer valuable Suggestions for the improvement of Buying Decision Process.

### 1.3 SCOPE OF THE STUDY:

The current study concentrated on the purchasing habits of FMCG consumers and the effects of GST. This study will assist in examining the patterns of consumption, preferences, and reasons behind choosing a specific brand when making a purchase of a particular FMCG product, among other things. The insight will assist manufacturers in implementing new tactics that will help them both draw in new business and keep hold of their current clientele. In the current competitive environment, consumers are ready to select the appropriate product based not only on needs but also on the manufacturers' demonstrated personal interest in them.

### Impact of GST on Indian Economy:

- It could potentially enhance the FDI flow.
- In the long run, GST will raise government revenue.
- A unified tax would assist in reducing the ultimate selling price for the buyer.
- GST will make conducting business in India easier.
- It will lower transaction costs and tax compliance costs.
- It will lead to an increase in job opportunities.
- GST would expand the tax base, adding to government revenues.

### 1.4 THE REVIEW OF LITERATURE RELATED TO GST:

In their study titled "A study on impact of goods and service tax on Indian economy," Arpit Shailesh and Dr. Taruna (2020). A Crucial Tax Reform. The major goals of this study are to draw attention to the necessity for the Goods and Services Tax in India and to gauge its effects through the distribution of a questionnaire. By using judgemental and convenient sampling, 200 clients were included in the sample. They discovered that, on the one hand, the impact of the GST on the pharmaceutical, industrial capital goods, and information technology

sectors hasn't changed much, and that, on the other hand. GST has a favourable effect on the Indian economy, particularly in the areas of auto-batteries, retail, logistics, automobiles, and metal. It also has a significant positive effect on multiplexes.

## II. METHODOLOGY

The present study carried out by adopting the following methodology.

### Sources of Data:

The current study is based on primary data which is obtained through issue of questionnaire to the people to know awareness about GST implementation. Thus questionnaire includes question pertaining to socio-economic profile of sample respondent and buying of FMCG consumers on post GST.

**The primary data** were collected through well defined and structured questionnaire. Five points Likert's scaling technique, Ranking method and Optional type questions were used in the questionnaire. Due care was taken in framing the questionnaire to include all necessary questions to collect the required information.

**The Secondary data** were also applied in this research. The secondary data were gathered from a variety of sources, including books, journals, magazines, periodicals, research papers, newspapers, websites, and dissertations from reputable academic institutions' libraries.

### 2.1 SAMPLING:

Bheemunipatnam and Visakhapatnam are the two divisions of the Visakhapatnam District. To research the effect of GST on FMCG Buying Behavior, respondents were chosen from all of these divisions using the Disproportionate Stratified Random Sampling method depending on the population of these locations. From each strata, 175 respondents were chosen by the researcher, for a total of 350 respondents.

The Cronbach's Alpha test results revealed that the 73 variables related awareness, impact of GST, buyer behaviour, problems of GST on FMCG, and their preferences are attained reliability co-efficient of 0.921 after the data collection was complete. This confirms that the indicators of consumer present choice and related variable attained high internal consistency of 92.1% (it is greater than are commended level of 0.7).

### 2.2 HYPOTHESES:

1. There is no discernible difference in the degree of GST awareness and its effects.
2. There is no discernible correlation between the price of FMCG and pre- and post-GST rates.
3. There is no discernible difference between how the implementation of GST impacts FMCG consumers' buying patterns.
4. There is no correlation between respondents' socioeconomic position and FMCG difficulties.
5. There is no difference in the average difficulty experienced by FMCG customers following the adoption of the GST.

### 2.3 LIMITATIONS OF THE STUDY:

It is practically hard to conduct a study without any restrictions or limitations. This research is not an exemption. The following are limitations identified in the study:

1. This study focused exclusively on Impact of GST on Fast Moving Consumer Goods.
2. The study is limited to the major FMCG products categories only.
3. As the consumers furnish the required information from their memory and experience regarding impact of GST, the collected data suffer from recall bias.
4. The analysis was on the basis of information/opinion of the respondents which may change with the change of time, trend, lifestyle changes etc.,
5. The primary data were collected from Visakhapatnam district of Andhra pradesh and the results obtained may or may not fit the other parts of the country, as vast differences exist among the consumers with regard to demographic and attitude characteristics.

## III. DATA ANALYSIS AND INTERPRETATION

### 3.1 IS GST AFFECTS YOUR BUYING DECISION?

Below table shows is really the buying decision attitude of therespondents were affected after GST on FMCG

products.

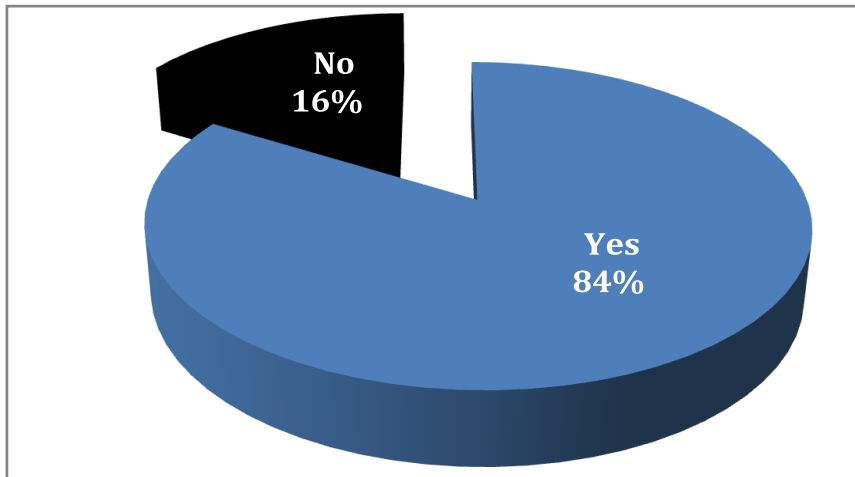
**Table No. 1: IS GST Affects Your Buying Decision?**

Particulars	Frequency	Percent
Yes	293	83.6
No	57	16.4
Total	350	100.0

Source: Primary Data

The above table reveals that, out of 350 respondents, 293 (83.6%) of the sample respondents were affected the buying attitude after GST on FMCG, and remaining 57 (16.4%) of them were does not affect their buying attitude after GST on FMCG.

❖ Hence, the majority of the sample respondents 293 (83.6%) were affected their buying decisions after implementation GST on FMCG.



**Chart No. 1: IS GST Affects Your Buying Decision?**

### 3.2 IN WHAT WAY IT AFFECTS YOUR BUYING BEHAVIOUR DECISION.

In below table the sample respondents were give their opinion for whatway the buying decision will affects on their FMCG products after GST.

**Table No. 2: In What Way It Affects Your Buying Behaviour Decision**

Particulars	Frequency	Percent
Price	177	50.7
Product	55	15.6
Selection of Brand	64	18.2
Quality	43	12.4
Quantity	11	3.1
<b>Total</b>	<b>350</b>	<b>100.0</b>

Source: Primary Data

The above table reveals that, out of 350 sample respondents, 177(50.7%) of them gave their opinion on Price, 55 (15.6%) of them gave opinion on products, 64(18.2%) of them gave opinion on selecting their brands, 43 (12.4%) of them affects on quality, and remaining of them give opinion on quantity while at the time of buying the FMCG products after GSTimplemented.

❖ Hence, 177 (50.7%) majority of the sample respondents gave their opinion on Price is affecting their buying decision.

#### IV. CONCLUSION

Hence, it is evident that most of the FMCG buyers priority to High GST Rates, Frequent Changes in GST Slab Rates and Different Rate in GST are the first three major problems faced by the FMCG buyers while after implementation of GST and also indicates that the rank of the problems faced by the buyers in FMCG after implementation of GST differs from buyers to buyers and it is no similar among all the FMCG buyers.

Businesses may be able to cut their logistics and distribution costs dramatically by doing away with the requirement for many sales depots. Since FMCG companies are required to pay taxes ranging from 24 to 25 percent, the GST will assist in reducing the tax. It is expected that lowering the overall tax rate will result in savings.

In the industrial and service sectors, a single tax system would help entrepreneurs and new businesses. Only when goods or services are consumed is GST applied. This encourages the free movement of products, gets rid of economic disparities in taxing across governments, and simplifies taxation. Additionally, it will be advantageous to consumers as a result of the GST's ability to lower costs, which will raise consumption and thus, GDP. Lack of a policy barrier would be eliminated once GST adoption takes place simultaneously in all states. GST will immediately enhance FDI investment, which will improve the country's foreign exchequer and indirectly increase employment possibilities. It will support emerging businesses in India.

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