International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Impact of GST Reforms on Inclusive Development: A Consumer-Based Study

Mrs Afroz Firoz Inamdar[1], Dr. Pramila Shriram Patil[2]

[1]Research Scholar, Department of Commerce SNDT Women's University Pune,
[2]Head of the Commerce Department, SNDT Women's University Pune.

Abstract

Taxation is one of the most important sources of public revenue as part of the public finance of any government. The taxation system in India has changed from time to time according to changing economic conditions, administrative needs, and policy objectives. It includes direct tax and indirect tax. Income tax is a direct tax, and the Goods and Services tax is an indirect tax. Prior to implementation of GST, different taxes were levied by the central government and state government independently, such as central excise duty, service tax, value-added tax, central state tax, entertainment tax, etc. Tax on tax was one of the limitations of the pre-GST regime. No input tax credit was available in the pre-GST regime, which resulted in the accumulation of tax at each stage of supply, because of which the price of goods and services to the final consumer was increasing. It reduced consumer welfare as well as adversely affected the competitiveness of Indian goods in domestic and international markets. So, to collect one tax, the national government of India introduced the Goods and Services Tax (GST) in India on July 1, 2017. Instead of various indirect taxes, only one tax for the nation is the most significant reform in the indirect tax of India in the post-independence era.

The primary objective of this research is to examine the impact of GST reforms on inclusive development from the consumer's perspective. The specific objectives of the study are to evaluate the level of awareness and understanding of GST among consumers belonging to different income categories. to examine changes in consumer spending and purchasing behaviour after GST implementation and to analysed whether GST has contributed to price stability and improved affordability of essential goods and services. The research design of the study is descriptive and analytical. The study was conducted in Chakan City of Pune District in Maharashtra and focused on consumers in Chakan City. The total sample size was 50 selected by using convenience sampling. The study is limited to Chakan City only with a small sample size. The findings are based on respondents' perceptions. From analysis of data, it is observed that more than 90% of respondents are aware of GST and its calculation. All respondents have a positive approach: GST has simplified the tax system, and GST has replaced multiple indirect taxes effectively. Hypotheses are tested with the Chi-Square test and indicates that there is association between GST reforms and consumer behaviour and Inclusive development.

Keywords: Taxation System, GST Reforms, Inclusive development, Consumer behaviour

Introduction

GST replaced various Indirect Tax in Indian Taxation System. One nation, one tax is the main feature of

GST. In GST implementation tax value is added at every stage of supply and Input tax credit is allowed to whole supply chain. So it is important to study impact of GST reforms by consumer perspective .It is specially for study of perception of various income level group and to study how they respond to changes in prices, quality consumption pattern. Spure Economics defined inclusive development as "Inclusive development refers to a development approach that aims to ensure that the benefits of economic growth and progress are shared by all members of society, regardless of their background, characteristics, or circumstances**."** Inclusive development includes equal economic opportunities for all groups which give fair distribution of economic benefits, improved affordability of goods and services and better transparency in pricing. This study therefore emphasizes the perspective towards GST of consumers in Chakan City, which is a peri-urban area in Pune, Maharashtra. GST reforms like GST 2.0 was introduced which have helped people and changed how they buy things. Two tax rates 5% and 18% made GST calculation simple. Tax on important items like handmade products, milk, cheap footwear reduced and farm-related items like machinery are also taxed at only 5%, and school materials are tax-free. GST on items like two-wheelers, small cars, and home appliances has been reduced Due to this poor and rural people can purchase essential goods at lower price. There is direct relation between GST reforms and Inclusive development and Consumer behaviour. GST also improves tax collection of country because of which makes inclusive development easier.

GST Reforms

In Indian taxation system GST replaced multiple indirect taxes and created one tax for nation which makes consumer easy to understand tax calculation. This is one of important reform in Taxation system. Another reform comes in year 2025 i.e. GST 2.0 which reduce GST tax rates and helps in Inclusive development.

Consumer Behaviour

According to Philip Kotler, consumer behaviour is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services .ideas or experience to satisfy their needs and desires .It studies how, what, when, and why buying decisions which are influenced by various factors.

Inclusive development

World Bank defines "Inclusive development means growth that is broad-based across sectors and inclusive of a large part of the country's labour force, ensuring equal access to opportunities.

United Nations Development Programme defines "It is a development approach that focuses on equity, participation, sustainability, and empowerment, ensuring no one is left behind."

Review of Literature

Dr. Urmila Bharti et al. (2023) Inclusive development: A new milestone explained inclusive development and economic growth. Objectives of the study were to conceptualise the need to embrace Inclusive Development., to analyse the process of inclusion and its elements. and to study the different dimensions of inclusive development. It studied consideration in inclusive development, elements in the process of inclusion and dimensions of inclusive development. Paper concluded that there is relation between inclusive development and economic growth.

Yogesh Garg's et al. (2022) A Study on Consumer Awareness and Perception about GST explains the association between awareness of consumers and their perception about GST. To examine degree of consumer's awareness and their perception is one of purpose of this paper.This study uses primary data which is collected through the well-structured questionnaire from the consumers belonging from different age groups. Furthermore, the study looks to examine the relationship between customer's awareness and perception about GST. Study concluded that there is relation between consumer awareness and perception about GST.

Lakshmikantam Sala (2022), Perceptions of Retailers and Customers towards GST, investigated perceptions of retailers and customers towards the Goods and Services Tax (GST). This research paper investigates the perceptions of retailers and customers towards the Goods and Services Tax (GST) in Vijayawada, Andhra Pradesh. The study aims to assess awareness levels regarding GST rates and coverage, understand perceptions of its impact on national revenue and consumers, and its role in tax evasion. Data was collected by 120 respondents through questionnaire and using cross tabulation data was analysed. Paper conclude that level of awareness and opinion of consumers highlighting continues education and communication efforts .

Research Gap

Most of studies emphasis on growth of economy and revenue from tax and very few are related to effect of GST reforms by consumer perspective .This research paper has made little try to study Impact of GST Reforms on inclusive development.

Objectives

1. To examine the level of awareness and understanding of GST among different income groups consumers
2. To study changes in consumer spending and purchasing behaviour after GST implementation.
3. To evaluate whether GST contributes to price stability and affordability of goods and services

Hypotheses of study

1. Association of GST reforms and consumer behaviour

H_0: There is no association between GST reforms and consumer behaviour

H_1: There is association between GST reforms and consumer behaviour

2. Association of GST reforms and Inclusive development.

H_0: There is no association between GST reforms and Inclusive development. H_1: There is association between GST reforms and Inclusive development.

Research Methodology

Descriptive and analytical research design is followed in this study. The study was conducted in Chakan City of Pune District in Maharashtra and focused on consumers in Chakan City. The total sample size was 50 selected by using convenience sampling. Primary data were collected through a structured questionnaire containing close-ended and 4 Point Likert scale questions. Secondary data was collected from books, research journals, and relevant websites The collected data was analyzed using percentage analysis, graphs, and regression analysis with the help of MS Excel. The study tested hypotheses related to GST reforms and consumer behavior and Inclusive development with Chi-square test. The study is limited to Chakan City only with a small sample size.

Data Analysis and Interpretation

a) Descriptive Analysis

1. Gender Chart No. 1

Gender	Frequency	Percentage
Male	31	62
Female	19	38
Total	50	100

Source: Primary Data

Interpretation

The Chart 1 indicates that 62% (31) respondents are male; while 38% (19) respondents are female reflecting that Male respondents are more than Female respondent.

2. Age Chart No. 2

Age	Frequency	Percentage
Below 20	14	28
21 to 30	8	16
31 to 40	5	10
Above 40	23	46
Total	50	100

Source: Primary Data

Interpretation

The Chart 2 indicates that 28% (14) respondents are from below 20, 16% (8) respondents are from 21 to 30
age group, 10% (5) respondents are from 31 to 40 age group and 46% (23) from above 40 age group reflecting that respondents having age more than 40 are highest in number and there are less number of respondents having age 31-40

3. Profession Chart No. 3

Profession	Frequency	Percentage
Student	16	32
Salaried	17	34
Business	14	28
Profession	3	6
Total	50	100

Source: Primary Data

Interpretation

The Chart No 3 indicates that 32% (16) respondents are student, 34% (17) respondents are salaried persons, 28 % (14) respondents having business and 6% (3) are having Profession reflecting that salaried respondents have highest number where as Respondents having Profession is less in number.

4. Income Level Chart No. 4

Income Level	Frequency	Percentage
Low level (Below 20000)	17	34
Middle level (20001 to 50000)	17	34
High Level (Above 50000)	16	32
Total	50	100

Source: Primary Data

Interpretation

Chart No 4 indicates that 34% (17) respondents are from low level income group, 34% (17) are from middle level income group and 32% (16) respondents are from high level income group reflecting equal number respondents for all three groups

b) Hypothesis Testing: Test applied Chi Square Test at 5% significance level and df 1

1. GST Reforms and Consumer Behavior

Particulars	Low Consumer Behavior Score		High Consumer Behavior Score		Total
	Observed Frequency	Expected Frequency	Observed Frequency	Expected Frequency	
Low GST Score	2	0.3	3	4.7	5
High GST Score	1	2.7	44	42.3	45
Total	3		47		50

As Calculated χ^2 11.3869 is more than 3.84 (Table χ^2 at significance level 5% and degree of freedom 1) and p value is
0.007 Which is less than 0.05 so Null hypotheses is rejected indicating that there is association between GST reforms and consumer behavior.

1. GST Reforms and Inclusive development

Particulars	Low Inclusive development Score		High Inclusive development Score		Total
	Observed Frequency	Expected Frequency	Observed Frequency	Expected Frequency	
Low GST Score	2	0.6	3	4.4	5
High GST Score	4	5.4	41	39.4	45
Total	6		44		50

As Calculated χ^2 4.12 is more than 3.84 (Table χ^2 at significance level 5% and degree of freedom 1) and p value is
0.042 Which is less than 0.05 so Null hypotheses is rejected indicating that there is association between GST reforms and inclusive development.

Findings

1. It is observed most of respondents are aware of GST but some of them are not aware of GST Calculation, GST bill checking.
2. All respondents have a positive approach about GST reforms and simplification of the tax system, and GST has replaced multiple indirect taxes effectively.
3. Most of the respondents also said that their spending and purchasing behavior changed and price comparison became part of purchasing goods
4. High-income consumers have better conceptual understanding about GST reforms compared to medium and low-income groups

Suggestions

1. Awareness program about GST calculation and bill verification should be organized by government to educate consumers.
2. High-income consumers have better conceptual understanding about GST reforms compared to medium and low-income groups so special guidance to this level groups people organize by tax authorities

Conclusion

As an inclusive development from the customer's perspective, it is true that GST abolished multiple indirect taxes and settled one nation and one tax system. While paying GST, consumers are familiar with the clear tax rate which they are paying. Tax on tax is removed due to GST, so it is beneficial for consumers. In GST tax rate system tax rate is same for all level of income groups. As businessmen collect GST on behalf of the government and has right to claim for Input Tax Credit so the consumer is the final payer of GST. Final burden of tax is on consumer because there is no provision for consumer to claim input tax credit .From a consumer point of view, GST helps inclusive development by making prices more transparent, encouraging proper billing, and promoting digital payments.

References

1. Dr. Urmila Bharti (2023) Inclusive development: A new milestone explained inclusive development and economic growth https://ijcrt.org
2. Yogesh Garg (2022) A Study on Consumer Awareness and Perception https://www.journalpressindia.com
3. Lakshmikantam Sala (2022) Perceptions of Retailers and Customers towards GST
4. https://rrdsgdc.ac.in
5. https://taxguru.in
6. https://tallysolutions.com/gst
7. https://www.niti.gov.in
8. Goods and Service Tax (2026) Publication Kshitija Publication