

FMCG Consumers' Psychology Towards Goods and Services Tax Rates in India

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Abstract

Purpose

The Purpose of this paper is to examine the influence of GST benefits, GST Problems, real life impact, economic impact and FMCG products GST rates on Consumer Psychology about GST Implemented in India

Design/methodology/approach

The paper is based on descriptive research design. A Sample of 195 respondents were selected for this study and correlation analysis was used to generate the results and interpreted accordingly.

Findings

The study finds that there is a significant relationship between GST benefits, GST Problems, real life impact, economic impact and FMCG products GST rates & Consumer Psychology about GST Implemented in India

Originality/value

This study is unique because it focuses on the psychological dimension of consumers opinion on GST Implemented in India.

Keywords: Goods and Services Tax, GST Benefits, GST Problems, Economic Impact, Real Life Impact, FMCG Products & GST and Consumer Psychology

INTRODUCTION

Consumer psychology is a multidisciplinary branch of research that utilises social psychology, marketing, behavioural economics, and other fields to better comprehend customers. The objective of consumer psychology principles is to assess and comprehend customers and the decision-making process. Market research investigates the demographics, personalities, lifestyles, and behavioural elements such as use rates, usage occasion, loyalty, brand advocacy, and propensity to make recommendations that influence customer behaviour.

Understanding the psychological elements that influence customer behaviour is a significant obstacle for marketers and company owners. Understanding how purchasing choices are made, who purchases certain things, and how products or services are consumed or experienced is the focus of consumer behaviour research. Even for specialists in the subject, the importance of psychology in consumer culture is difficult to foresee, according to research. However, emerging research approaches including as ethnography and consumer neuroscience are throwing new light on how consumers make choices, particularly in measuring the intention-action gap, i.e., the

discrepancy between what customers say they want to do and what they actually do.

Social Marketing, Customized Marketing, brand-name buying, and the consumer's perception of the commodity's price (expressed directly as the customer's price sensitivity) are all important aspects for comprehending consumer attitudes and elucidating the market's response to price adjustments.

Developing a positive connection with the target market is also vital for brand management. The tangible aspects of brand management include the product or service itself, its appearance, pricing, and packaging, among other things. The intangible aspects consist of customers' interactions with the brand and their connections with the brand's goods or services. This market research may assist brand managers in developing the most successful and advantageous brand and advertising plan possible.

The relationship between psychology and consumerism is largely attributable to Walter Dill Scott's research in the early 1900s. As the head of Northwestern's Psychological Laboratory, Scott was contacted by a marketing executive seeking to enhance his marketing efforts. Scott's first book on the topic, *The Psychology of Advertising in Theory and Practice*, was published in 1903, and he continued to concentrate on the application of scientific knowledge to economic difficulties. Scott focused the later portion of his career to studying social control systems and human motivation.

In the 1940s and 1950s, consumer behaviour and psychology began to develop as a separate subfield of marketing. At the end of the 1950s, two significant papers critiqued marketing's lack of scientific rigour, particularly its reluctance to embrace mathematically-oriented behavioural science research methodologies.

Beginning in the 1950s, conventional marketing started to rely less on economics and more on other disciplines. This encompassed the behavioural sciences, such as sociology, anthropology, and clinical psychology, in particular. This merger led to a new focus on the customer as an analytical unit. Consequently, new substantive knowledge was

contributed to the field of marketing. The concepts included opinion leadership, reference groups, and brand loyalty.

In addition, market segmentation, particularly demographic segmentation based on the socioeconomic status index and the household lifecycle, became popular. With the integration of consumer behaviour and psychology, the marketing discipline displayed a higher level of scientific complexity in terms of the techniques for developing and evaluating consumer psychology ideas. Recently, academics have introduced additional methodologies, such as ethnography, photo-elicitation methods, and phenomenological interviews.

GST rate refers to the tax levied on the sale of goods and services under the CGST, SGST, and IGST Acts. A firm registered under the GST statute is required to issue invoices that include GST amounts based on the supply's value. For intrastate transactions, the GST rates applicable to CGST and SGST are comparable. In contrast, the GST rate for interstate transactions (IGST) is essentially the sum of the CGST and SGST rates.

The impact of the Items and Services Tax (GST) on the pricing of goods will be felt. Basic foods such as milk, grains, and fresh vegetables have been exempted from taxes, whereas branded foods have been placed in the 5% tax band. It offers things such as Mother Dairy Paneer and frozen veggies, among others. The rate is not much higher than the existing rates of 3–4%. Butter, cheese, and ghee are anticipated to become more costly since they have been placed in the 12 percent tax tier, a significant increase from the present 4–5 percent rate. Depending on the ultimate shape of the product, FMCG companies qualify for various tax breaks. For instance, some commodities may be excluded if they lack a registered brand name or are not packed in unit containers. Companies are required to keep track of tax-exempt and taxable goods when determining input tax credit reversals.

After the adoption of the GST, it is anticipated that fluctuations in the cost of products would be reflected in a proportional price adjustment for the ultimate consumer. A hike in taxes will result in an increase in prices.

Similarly, a decrease in taxes will result in a decrease in pricing.

Consumers may register a complaint with the National Anti-Profiting Authority if they consider a change in the amount of taxes has not been reflected in the pricing and the firm is profiteering. However, given the absence of clear standards, it is unclear how much change in taxes must be passed on to the client and how to do so.

REVIEW OF LITERATURE

(Chavan, 2017) employs exploratory research technique and secondary data sources. After the passage of the GST amendment law, there have been several changes in the FMCG industry, as a result of the elimination of a number of additional taxes that ultimately fall on the customer. As the study has focused on the FMCG industries, which are the most crucial to the population, because the products of these industries are used daily and provided on a daily basis. It has also focused on the many industries, their effects, and their measures.

(Deshmukh et al., 2022) provide a general macroeconomic analysis of the extent to which the adoption of GST has improved existing tax administration and, consequently, the general economic well-being of a democratic political economy such as India from an innovation implementation theoretical standpoint. In addition, the research sought to establish how stakeholders viewed such sweeping transformation three years following its implementation. Using case-based qualitative research, the study tried to determine to what degree the implementation of GST has impacted the economy in general and people and/or customers in particular. The framework of situation–actor–process; learning–action–performance analysis was used for the case analysis in this study. The figures demonstrate that India has had a remarkable rise in tax base relative to revenue collection. Nonetheless, efforts are wanted to enhance the low tax-to-GDP ratio, the skewed GST payers base, the poor image of GST among stakeholders (as demonstrated by Twitter sentiment research), and the evil of tax evasion. The additional advantages gained by the economy are described as benefits to consumers, MSMEs, a better ease of doing business rating, and government initiatives to

promote make-in-India and AatmanibharBharat.

(Shanti & Murty, 2019) studied the public's opinion of the Goods and Services Tax (GST), as well as the influence of GST on consumers' buying and savings behaviour, and their awareness of the GST. They concluded that people in Vijayawada are positive about GST and its implementation, and it has altered their shopping and income-saving habits.

(Hemalatha, 2018) studied how consumers in the Cuddalore area feel about the goods and services tax. Research design is the framework or strategy for a research that defines its scope in order to enhance the analyses and interpretation of data based on ideas and a theoretical sketch. It also highlights the Indian economy by shedding fresh light on innovative debate and the consequences of the Goods and Services Tax (GST). A study of 100 randomly chosen respondents was conducted. Using a systematic interview schedule, primary data were acquired. All respondents were given the identical set of questions and were told of the goal of the research. The hypotheses were tested via correlation and regression analysis. The summary and observations are the result and consequence of the analytical study's interpretations.

(Sujith, 2016) stated that the primary goal of the GST is One Nation, One Tax, and One Market. It was proposed as a multi-stage, destination-based tax that would be imposed on every value addition in order to prevent the cascade impact of taxation. This form of tax will boost the competitiveness of original products and services on the market, which will have a direct influence on the country's GDP development. This report examines the economic impact of Goods and Services Tax on the Indian tax landscape.

(Nayyar & Singh, 2018) described the background of the taxation system, the GST concept and its significant workings, a comparison of Indian GST taxation system rates with those of other world economies, as well as an in-depth discussion of the benefits to various sectors of the Indian economy after the imposition of GST, as well as some implementation challenges.

(Khurana & Sharma, 2016) study examines the origins, intentions, and effects of the planned

Goods and Services Tax (GST) in India. The report investigates further GST advantages and prospects. The report concludes that GST is beneficial for the country and real benefits will take time.

(Rathi & Sreeraj, 2018) studied how consumers in Mannarkkad feel about the Goods and Services Tax (GST). Using a survey methodology, data were obtained from thirty residents of the region. The primary goals of the research are to determine how consumers perceive the various features of the Goods and Services Tax (GST) and to determine if there are significant changes in customer perception based on gender, age, educational attainment, and income level. Consumers have a positive attitude, and there are no significant disparities amongst customers based on their gender, age, educational attainment, or economic level.

(Maheshwari & Mani, 2019) investigated the degree of customer knowledge and perception about the introduction of GST in India. In addition, the report seeks to offer some ways for successful GST implementation to the government. The questionnaire approach was employed to acquire primary data. Consumers in the NCR area constitute the sample audience. Using the Mann-Whitney U test, the Kruskal-Wallis test, descriptive analysis, and Spearman's correlation, the degree of awareness about the application of GST was assessed. The impression of its acceptability is analysed using descriptive statistics. The results indicate that demographic characteristics are not substantially associated with awareness levels. Consumers have a high degree of fundamental knowledge. Although promotional efforts are not inadequate, it is generally acknowledged that the awareness campaign should be expanded. Consumers approve the application of the GST overwhelmingly.

(Kumar, 2018) investigated the important factors that have influenced the customers'

RESULTS AND DISCUSSION

H₀ – There is no significant relationship between GST Benefits and Consumer Psychology

H₁ – There is a significant relationship between GST Benefits and Consumer Psychology

perception of the Goods and Services Tax (GST) in the Jind area of Haryana. In this research, distinguishable factors regarding tax knowledge, tax morale, and tax compliance were considered. 50 sets of questionnaires were sent using the questionnaire as a study instrument. Using multiple regression analysis, the reason of the association between tax knowledge, tax compliance, and tax payers' awareness of GST was investigated.

While many literatures emphasized on GST benefits and challenges and its implications for the economy, very few literatures on consumer psychology dimension of GST. Hence this study was carried out.

OBJECTIVES OF THE STUDY

The objectives of this study are as follows

1. To study the influence of GST benefits on consumer psychology
2. To analyse whether is any relationship between problems in GST and Consumer psychology.
3. To identify the relationship between GST Rates and Consumer Psychology
4. To understand real life implications of GST on Consumer Psychology
5. To evaluate whether economic implications of GST influences Consumer Psychology

MATERIALS AND METHODS

This study is based on Descriptive Research Design. Simple Random Sampling Method was adopted. The sample size of this study is 195. The data required for the study were collected from primary sources with the help of the questionnaire. The Collected data were analysed with the help of IBM SPSS 28 software and bivariate correlation analysis were used to generate and interpret the results.

Table 1 showing Correlations			
		TS	IE
GST Benefits	Pearson Correlation	1	.311**
	Sig. (2-tailed)		<.001
	N	195	195

Consumer Psychology	Pearson Correlation	.311**	1
	Sig. (2-tailed)	<.001	
	N	195	195

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Computed Data

The table 1 shows correlation between GST benefits and Consumer Psychology about GST. From the above table, it is clear that there is a significant relationship between GST benefits and Consumer Psychology about GST as the computed p-value <.001 is less than the

significant value of 0.01 at 1% level. Thus, the null hypothesis which states that there is no relationship between GST benefits and Consumer Psychology is rejected and alternate hypothesis which states there is a significant relationship between GST benefits and Consumer Psychology is accepted.

H₀ – There is no significant relationship between GST Problems and Consumer Psychology

H₂ – There is a significant relationship between GST Problems and Consumer Psychology

Table 2 showing Correlations			
		PE	ICE
GST Problems	Pearson Correlation	1	.298**
	Sig. (2-tailed)		<.001
	N	195	195
Consumer Psychology	Pearson Correlation	.298**	1
	Sig. (2-tailed)	<.001	
	N	195	195

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Computed Data

The table 2 shows correlation between GST problems and Consumer Psychology about GST. From the above table, it is clear that there is a significant relationship between GST Problems and Consumer Psychology about GST as the computed p-value <.001 is less than

the significant value of 0.01 at 1% level. Thus, the null hypothesis which states that there is no relationship between GST Problems and Consumer Psychology is rejected and alternate hypothesis which states there is a significant relationship between GST Problems and Consumer Psychology is accepted.

H₀ – There is no significant relationship between FMCG GST Rates and Consumer Psychology

H₃ – There is a significant relationship between FMCG GST Rates and Consumer Psychology

Table 3 shows Correlations			
		PE	IFF
FMCG GST Rates	Pearson Correlation	1	.194**
	Sig. (2-tailed)		.007
	N	195	195
Consumer Psychology	Pearson Correlation	.194**	1
	Sig. (2-tailed)	.007	
	N	195	195

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Computed Data

The table 3 shows correlation between FMCG GST Rates and Consumer Psychology about GST. From the above table, it is clear that

there is a significant relationship between FMCG GST Rates and Consumer Psychology about GST as the computed p-value .007 is less than the significant value of 0.01 at 1% level.

Thus, the null hypothesis which states that there is no relationship between FMCG GST Rates and Consumer Psychology is rejected and

alternate hypothesis which states there is a significant relationship between FMCG GST Rates and Consumer Psychology is accepted.

H₀ – There is no significant relationship between Daily Impact of GST and Consumer Psychology

H₄ – There is a significant relationship between Daily Impact of GST and Consumer Psychology

Table 4 Correlations			
		IFF	GSTA
Daily Impact of GST	Pearson Correlation	1	-.175*
	Sig. (2-tailed)		.015
	N	195	195
Consumer Psychology	Pearson Correlation	-.175*	1
	Sig. (2-tailed)	.015	
	N	195	195

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Computed Data

The table 4 shows correlation between daily life impact of GST and Consumer Psychology. From the above table, it is clear that there is a significant relationship between daily life impact of GST and Consumer Psychology about GST as the computed p-value .015 is less than the significant value of

0.05 at 5% level. Thus, the null hypothesis which states that there is no relationship between daily life impact of GST and Consumer Psychology is rejected and alternate hypothesis which states there is a significant relationship between daily life impact of GST and Consumer Psychology is accepted

H₀ – There is no significant relationship between Economic Impact and Consumer Psychology

H₅ – There is a significant relationship between Economic Impact and Consumer Psychology

Table 5 Correlations			
		ICE	IFF
Economic Impact	Pearson Correlation	1	.321**
	Sig. (2-tailed)		<.001
	N	195	195
Consumer Psychology	Pearson Correlation	.321**	1
	Sig. (2-tailed)	<.001	
	N	195	195

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Computed Data

The table 5 shows correlation between economic impact of GST and Consumer Psychology. From the above table, it is clear that there is a significant relationship between economic impact of GST and Consumer Psychology about GST as the computed p-value <.001 is less than the significant value of 0.05 at 1% level. Thus, the null hypothesis which states that there is no relationship between economic impact of GST and Consumer Psychology is rejected and alternate hypothesis which states there is a significant

relationship between economic impact of GST and Consumer Psychology is accepted.

CONCLUSION

To Conclude, GST has a significant impact on the consumer psychology. The Proposed benefits of GST, initial troubles caused by GST, real life implications on consumers, economic implications and GST Rates for FMCG Products are some of the factors that influences Consumer Psychology about GST implemented in India. GST is gained considerable acceptance from the public

and rigorous efforts should be made to ensure there is complete transfer benefits to GST to the end consumer.

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