

Impact of GST on Rural Purchasing

OPEN ACCESS

Manuscript ID:
ECO-2022-10024650

Volume: 10

Issue: 2

Month: March

Year: 2022

P-ISSN: 2319-961X

E-ISSN: 2582-0192

Received: 19.12.2021

Accepted: 03.02.2021

Published: 01.03.2022

Citation:
Shanmugam, P., and
I. HariPriya. "Impact of
GST on Rural Purchasing."
*Shanlax International
Journal of Economics*,
vol. 10, no. 2, 2022,
pp. 83–89.

DOI:
[https://doi.org/10.34293/
economics.v10i2.4650](https://doi.org/10.34293/economics.v10i2.4650)




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Abstract

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the growth of a country GST is a apprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The introduction of GST without proper preparation in the country as well as the state have made both positive and negative impacts on rural economy. Hence, an attempt has been made to analyse the impact of GST on rural households in Coimbatore district.

Keywords: GST, Rural Households, Consumption, Purchasing.

Introduction

The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the growth of a country GST is a apprehensive 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.

Around 60 per cent of India's population resides in villages and depend on agriculture as their major source of income. Small and marginal farmers are forced to sell their produce at unreasonable prices as they face storage problem because of perishable nature of agricultural commodities. The perishable nature of agricultural commodities requires speedy supply chain mechanism. Transportation cost is a major hurdle faced by agriculture sector. GST will definitely reduce transportation cost as free movement of agricultural commodities across states will take place without any delay No octri and entry tax will be charged separately under GST. Reduction in wastages during transportation will reduce the cost to farmers and suppliers Fertilizer is a farm nutrient as every year around 550 lakh tons of fertilizers are used by farmers in India. Earlier tax on fertilizers was 0-8% according to the nature of raw materials used and under GST 5% tax rate is fixed. Their profit margins will increase as fertilizers are a major part of farming cost. This positive outlook of government towards agriculture will definitely improve both quantity and quality of agricultural output. Indian farmers will be able to fight competition in international (Dr.Sagappa 2018)

Markets and this will lead to increase in export revenue of the government. Tractors are the important medium of transportation in Indian agriculture as farmers largely depend on tractors for good harvest. Earlier 12.5% CENVAT and 5% state VAT were charged on tractor parts. Under GST, 18% tax on tractor components will ensure that there will be no increase in tractor cost from pre GST days. Farmers will be able to purchase tractors and pumps in the new GST regime also. NAM (National Agricultural Market) was formed by government to provide unique e-commerce platform for trade of agricultural commodities. GST will create the way for the successful working of NAM (Indian council of food and agriculture July 2017)

Under zero percent tax will prove to be a boon to small and marginal farmers as these items share a major part of their consumption basket GST and Rural Consumers: Exemption of GST on wheat and rice will prove to be a big advantage as a large proportion of total consumption expenditure of vulnerable section living in rural areas constitute wheat and rice. Also Cheap kitchen items like masala, tea, sugar, gud pickles etc. will increase purchasing power of rural consumers. Paste, soaps, detergent powder, Sewing machines, bikes, Coal, kerosene, cement, LPG stove, tubes and tyres of tractors etc. are the major components of rural consumers expenses and under GST tax on these items has been reduced. It will prove to be a boon for consumers as now they will be able to increase their living standard by consuming more of these goods or by purchasing those goods which were earlier out of their approach (Divyajindger oct 2017).

It is estimated that the implementation of GST would reduce the overall prices of all manufacturing sectors between 1.22 and 2.53 percent (Thirteenth Finance Commission, 2009). In rural areas various categories of labour like skilled, semi skilled and unskilled resides which is a major source of factors of production required for nonfarm activities like manufacturing, construction, retail, hotels etc. Improvement in factors of production like land labour, capital will take place as GST would result in proper and efficient utilization of factors of production. (DivyaJindger Oct 2017)

Small scale industries play vital role in the advancement of rural areas as these industries are a major source of generating employment opportunities. Due to centralized registration process under GST, it will be easy for SMEs to start business. Transparent and simple regulatory mechanism will attract more domestic and foreign investment. Zero taxes on primary farm products (food grains and raw food items) will enhance food processing industries as cost of raw material will be low. They will be able to compete with their western counterparts as cost of production will reduce to almost 50%. Increase in profit margins will encourage them to spend money on research that will make them more competitive

Review of Literature

Benedict, (2011) dealt with financial services under the Australian GST law with the intention to verify whether the provisions have been construed correctly in light of the original purpose of the legislation and how the concerns identified may be rectified. Borec, (2013) discussed how assesses may comply with the VAT laws given that the GST is a destination based tax. The author mainly deal with B2C cases where the VAT compliances would need to be done in the state where the customer is located. The authors have discussed the difficulties in this compliance especially in the e-commerce transactions. Firth, (2012) pointed out that GST on financial services as always been a subject matter of great debate. There is a problem in taxing financial services due to their intangible nature, the confusion around the location of service provider and service recipient and the value of the service. The authors in their paper are trying to address these issues especially for the country of Canada. In Canada, there is an exemption for financial services, intermediary services in relation to financial services etc. The authors in their paper have discussed the existing laws and suggested changes to the existing laws for better efficiency in taxing financial services. Herekar, (2012) argued the Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the chairman of the Task Force. The main task of the Task Force was to evaluate the impact of the proposed GST on the Indian economy. The author in the paper has studied the different parts of GST and their impact on the

common man, the business and the economy. The author has concluded based on secondary data that if GST is introduced in India, it would have a positive impact on the overall economy. Huang, (2013) examined the relation between the newly introduced GST in Australia in 2000 and the mortgage costs between 1999 and 2001. The study concludes that given that in Australia financial services industry is taxed on input taxation basis i.e. the output mortgage service is not liable to GST and GST paid on input services to provide these mortgage services are also not allowed. This extra cost of sunk input tax is passed in the form of increased mortgage costs to customers making housing costly post introduction of GST in Australia. Mansor, (2013) mentioned that GST has always been considered as a tool in the hands of any Government to increase revenue. The Malaysian Government introduced the said tax in Malaysia in order to reduce its budget deficit. The authors in the paper have discussed the readiness of the Malaysian economy in adopting the said newly introduced GST along with the reactions of various sections of the society. Agogo Mawuli (2014) studied "Goods and Service Tax-An Appraisal" and found that GST is not good for low provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth. Srinivas (2016) in his article "Issues and Challenges of GST in India" mentioned that central and state governments are empowered to levy respective taxes as per the Indian constitution which is likely to change the complete scenario of present indirect taxation. GST will be a compressive indirect tax structure on manufacture, sales and consumption of goods and services throughout India, to replace the various indirect taxes levied by the governments.

Statement of Problems

The introduction of goods and service tax India has many position as well as negative impact on the Indian economy the GST has made its impact on agriculture ,industry on service sector. As it was not completely proposal by the Indian government it has its own impact on the common people in this connection the present study aims to analyse the impact of GST on rural purchasing in Coimbatore

district with the main focus on analysing the impact of GST on rural economy.

Methodology

The percent study is completely based on primary data collected from 70 respondents in Vellore village of Coimbatore District there are many number of villages in the Vellore Panchayat block in which this village was purposively selected. In that there are village about 350 households in which 20 per cent of the households were approached for the study.

Result and Discussion

Table 1: Social Economic Background of Respondent

S. No	Age	Frequency	%
1	Below – 35	3	4.29
2	35 -60	64	91.43
3	Above -60	3	4.29
Religion			
1	Hindu	57	81.40
2	Muslim	9	12.90
3	Christian	4	5.70
Type of family			
1	Nuclear	63	90.0
2	Joint	7	10.0
Education			
1	Illiterate	53	75.70
2	Primary	1	1.40
3	Secondary	15	21.40
4	Technological	1	1.40
Total	70	100.0	

Source: primary Data

The distribution of the sample respondents, according to the age group is represented in table 1. The age has been classified into three categories i.e. young (<35), middle (35-60) and old (>60) in total 4.29 percent of the respondents belonged to middle age group and 91.43 percent of the respondents belonged to old age group and the remaining 4.29 percent belong to young.

In case of religion 81.40 percent of the respondents were Hindu and 12.90 percent of the respondents were Muslim and remaining 5.70 percent of the respondents belonged to Christian.

The types of family of the respondents reveals that nearly 90 percent of the respondents are living in nuclear type of family and the remaining 10 percent were living as joint family system

Education wise classification shows that among the total respondents 75.70 percent were illiterate and secondary level completed were 21.40 percent and only 1.40 percent of them have completed their primary level education among the village illiterate level was high.

Table 2: Main Occupation of the family members

S. No	Main Occupation	Frequency	Valid percent
1	Daily Wage	53	75.7
2	Construction	15	21.4
3	House Keeping	21	30
4	Agriculture	11	15.7
Total	70	100	

Source: Primary Data

Occupation wise classification of the family members is given in table 2, which showed that daily wage labourer were dominated other occupation so the other occupation of the family members were Daily Wages, construction, Housekeeping, agriculture.

Table 3: Expenditure wise classification of the respondents

S.No	Food	Frequency	Valid Percent
1	1000-5000	35	50.00
2	8000-10000	18	25.70
3	12000-20000	16	22.80
4	25000-35000	1	1.40
Cloth expenditure			
1	1000-5000	27	38.60
2	8000-10000	20	28.60
3	12000-20000	17	24.30
4	25000-30000	6	8.60
Medical expenditure			
5	1000-3000	50	71.40
6	5000-8000	15	21.40
7	10000-20000	5	7.10

Transportexpenditure			
8	100-1000	25	35.70
9	2500-3000	24	34.30
10	3500-4000	18	25.70
11	4500-5000	3	4.30
Traditional expenditure			
12	1000-8000	34	48.60
13	10000-15000	36	51.40
	Total	70	100.0

Sources: primary data

Table 3 presents the expenditure pattern of the respondents for food expenditure (Rs. 1000-5000) 50 per cent of the respondent were spent. Compare the table medical expenditure was high that is 71.40 per cent.

Table 4: Debt level classification of wise of the Respondents

S.NO.	Neighbours relatives	Frequency	Valid Percent
1	1000-5000	22	31.40
2	6000-10000	21	30.00
3	15000-20000	22	31.40
4	100000-500000	5	7.10
	Total	70	100.0

Source: Primary Data

The debt level of the respondents is given in table 4 The debt of the respondents were lied mostly in between Rs 1000-5000 or 15000-20000. Though the level of debt was meager the burden may have its own impact on their present purchasing.

Table 5: Opinion of the respondents about service tax among the respondents

S.No	Service tax	Frequency	Valid Percent
1	Yes	11	15.70
Service tax relaxed items			
1	Yes	2	2.90
Profit expected			
1	Yes	27	38.60
Buying item			
1	Yes	28	40.0



Branded products			
1	Yes	27	38.60
Most benefited			
1	Lower people	30	42.90
2	Middle people	40	57.10
Centralgovernment service tax			
1	Yes	4	5.70
GST demand for the product			
1	Positively	19	27.10
Transaction GST regime			
1	Difficult	66	94.30
GST claiming refund			
1	Yes	13	18.60
	Total	70	100.0

Source: Primary Data

Table 5 Shows that the opinion of the respondents about service tax, they found only 15.70 per cent of the respondent were felt bad. Exemption of service tax related items they were not expected service tax for further goods and service 2.90 of the respondent for further goods. And 38.60 of the respondents were expected profit earned through service tax through service tax enforcement. 40 percent of the respondents were expected to purchase items even after GST. Only 38.60 percent of the respondents are not purchasing branded products after GST rest of the respondents were purchasing branded products. Most benefit group of people among the respondent after GST 57.10 percent were benefited and they belonged to the middle income people and 42.90 percent were poor. 5.70 percent of the respondents were aware about the service tax on the central government product. 27.10 percent of the respondents were accepted that there is a positive effect of GST on demand for product service. Transaction GST regime the respondent is more than of GST in impact level of increases in affected the people for transaction 94.30 percent is very difficult in transaction. 18.60 percent of the respondent only claiming the GST refund.

Table 6: GST pricing of good and service of the responded

S.No	GST price good service	Frequency	Valid Percent
1	Yes	15	21.40
Cinema			
1	Before	30	42.90
2	After	21	30.00
3	Minimization	19	27.10
Transport			
1	Before	28	40.00
2	After	23	32.90
3	Minimization	19	27.10
Bus fare			
1	Before	20	28.60
2	After	28	40.00
3	Minimization	22	31.40
Hotel			
1	Before	24	47.30
2	After	13	18.60
3	Minimization	24	34.10
	Total	70	100.0

Source: Primary Data

In table 6 shows GST pricing of goods and service of the respondent particular people in high price in product in get the items 21.40 per cent only the price good service. explained where the requirement of the responding the villages people GST Before responding people increases the move the most people before 42.9 percent the responded people and then GST introduce the most responded people After 30.0 per cent dicers the level of responded minimization level of responded low level of 27.1 percent. Transport also after in GST cost in low responded people Before 40.0 per cent After GST introduce the cost of high so people responded After 32.9 per cent and then minimization level vary low 27.1 percent. Ticket price also increasing the after GST impact around people, explain in this table after 40.0 per cent before 28.6 percent and then minimization 31.4 percent villages area. Spend money holiday's time's in hotel's before 47.1 percent minimization 34.1 per cent, after 18.6 percent.

Table 7: Determinants of Branded Products after Service Tax – Multiple Linear Regression Model

S.No	Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
		β	Std. Error			
1	(Constant)	1.685	1.415		1.191	.239
2	Implementing GST higher of price goods and service	-.224	.429	-.060	-.521	.605
3	Claiming refund and the GST regime	.269	.130	.278	2.067	.044
4	Transaction GST regime	-.477	.298	-.217	-1.601	.116
5	Demand for the product	.368	.147	.360	2.510	.015
6	GST fear tax	-.040	.023	-.219	-1.784	.081
7	Equal to all People	.289	.351	.108	.825	.414
8	Annualincome	-4.404E-06	.000	-.214	-1.513	.137
9	Mainoccupation	-.279	.110	-.301	-2.522	.015
10	community of the respondent	.178	.102	.223	1.755	.086
11	F	3.404				
12	R	.625				
13	R2	0.39				

The employment of the people may determine by various factors in this connection. A Multiple linear regression model was used. This analysis is exclusively done for the employed stricken people. Brand products after service tax dependent variable and the independent variables take are claiming refund and the GST regime, GST in India as affected the demand for the product, GST fear tax, Mani occupation, community of the respondent. The goodness of the fit the model was verified significant F at 1 percent level. The R2 value. 0.39 indicates that all the explanatory variable influence by 20 percent.

Conclusion

The introduction of GST without proper preparation in the country as well as the state have made both positive and negative impact on rural economy. How in the present study most of the rural poor were unaware of GST and what is the role in GST and all. Though the respondents were unaware of GST. They could realize some negative impact on their purchasing.

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