

A Study of Impact of Goods and Service Tax on Buying Behaviour of Branded Clothes with Special Reference to buyers of Surat City

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Abstract

Goods and Service Tax (GST) is an indirect tax regime, implemented on 1st July, 2017. GST is a comprehensive, multistage, destination based tax that is levied on every value addition. Under GST, tax is levied at the rate of 0%, 5%, 12%, 18% and 28% depending on the HSN Code of various goods and services. GST charged on Branded clothes is at 18%. This research paper attempts to study the change in buying behaviour after implementation of GST. Primary Data is collected from 125 patrons of branded clothes from Surat City. Frequency Analysis Method is used for data analysis.

Keywords

Buying behaviour, GST, Branded clothes, Effect of GST

Introduction

A brand is defined as an on the whole experience of a customer that distinguishes a product from its rivals in the perception of customers. Branding is a set of communication and marketing methods that distinguishes a company's product from its competitors. The main intention of developing a brand name is to create enduring consciousness in the minds of customers. Under GST, manmade apparels costing up to ₹ 1000 attracts 5% GST which is lower than 7% charged earlier under the old indirect tax regime. It is also true that on manmade apparels of more than ₹ 1000 attracts higher GST rate of 18% which is certainly higher than the existing 7%, thus, making branded clothes costlier. Now with increase in tax liability on the branded clothes it is worth finding out if this will impact the buying behaviour of the customers.

Review of Literature

(Dani) She opined that GST will definitely simplify the existing Indirect Tax Structure in India and will help to remove the inefficiencies only if the existing ambiguity on pending matters are resolved. She also concluded in her study that Government should not hurry in its implementation.

(Nayyar & Singh, february, 2018) In this study, they concluded that all the sectors in Indian Economy will bear the impact of GST. It will improve tax collections and boost economic

development. They further emphasised that there is a need for more analytical based research for successful implementation of GST.

(Abda, 2017) He concluded in his research that the advantages of implementing GST are more as compared to its disadvantages. In long run, prices of essential products will decrease and will give relief to consumers, producers and the government in future.

(Khan & Soni, 2018) This Research Paper concluded that implementing GST will shift the present unorganized textiles business towards organized market and that there will be a positive impact on the textile industry. It also opined that due to GST certain textiles products will become more expensive.

(Prabha, Bhuvneswari, & Nandida, 2018) The Study concluded that almost there is no change in the consumer buying behaviour due to transition from VAT to GST in most of the cases. Provisions, Textiles & Leather Industry remains nonchalant. Buying aptitude for cosmetic products and beverages showed a down trend.

(Parashar, Joshi, & Chopra, 2017) This Research paper concluded that in case of FMCG, there is no effect of the transition to new indirect tax regime.

Research Methodology

Objectives of the Study:

1. To know whether there is any change in buying behavior of branded clothes after the implementation of GST.
2. To identify the factors that affects the buying behavior of branded clothes.
3. To know whether the manufacturers of branded clothes have undertaken any special promotional strategies after GST.
4. To analyze the change in price of the branded clothes after GST.

Research Design:

Exploratory research design is followed.

Population:

All the patrons of Branded Clothes residing in Surat City.

Sample Size:

175 respondents were approached. The people approached were first asked if they are patrons of branded clothes and if their response was positive, the questionnaire was allotted to them for further analysis. In all 125 patrons of branded clothes submitted their response.

Type of Data & Data Collection:

Primary Data is collected from amongst the buyers of branded clothes in Surat City. The responses were collected by issuing a questionnaire.

Tools and Techniques of Analysis:

Following Statistical Techniques are used:

1. Frequency Analysis Method
2. Percentage

Limitations of the Study:

1. Limitations of using the primary data
2. Limitation of the tools used for analysis

Data Analysis and Interpretation**1. Age of Buyers of Branded Clothes:**

Sr. No.	Age Group	Frequency	Percentage
1	20-25	8	6
2	25-30	49	39
3	30-35	63	50
4	Above 35	5	5
	Total	125	100

It is clear from the above that majority of the people preferring to buy branded clothes are youth between 25 to 35 years of age.

2. Education of Buyers of Branded Clothes:

Sr. No.	Education	Frequency	Percentage
1	Secondary or less	10	8
2	Under Graduate	18	14
3	Graduate	22	19
4	Post Graduate	32	27
5	Professional	39	32
	Total	125	100

Most of the people who buy branded clothes are Post Graduates or Professionals and the less educated ones were least involved in buying branded clothes.

3. Income of Buyers of Branded Clothes

Sr. No.	Income	Frequency	Percentage
1	Less than 100000	6	5
2	100000-200000	18	14
3	200000-300000	36	29
4	300000-400000	36	29
5	More than 400000	29	23
	Total	125	100

From the above table it is clear that people belonging to higher income group are more inclined towards buying branded clothes. In case of people belonging to lower income, obviously would not afford to buy branded clothes.

4. Change in Preference for Branded Clothes After GST:

Sr. No.	Customer Preference	Frequency	Percentage
1	Changed Brand After GST	35	28
2	Did not Change Brand After GST	90	72
	Total	125	100

From the above table it is clearly evident that majority of the customers did not change their brand even after implementation of GST. There is no effect of GST on preference for branded clothes.

5. Factors leading to Brand Preference:

Sr. No.	Factors	Frequency	Percentage
1	Price	19	15
2	Brand Image	38	30
3	Quality	32	26
4	Status	26	21
5	All of above	10	8
	Total	125	100

The main emphasis while buying branded clothes is Brand Image and Quality of the product. Besides this, there may be other factors also.

6. Relationship between price and quality:

Sr. No.	Customer preference	Frequency	Percentage
1	Quality	95	76
2	Price	30	24
	Total	125	100

From the above table it is conferred that majority of the customers give preference to Quality of the branded products and not Price.

7. Customer behavior after implementation GST:

Sr. No.	Customer preference	Frequency	Percentage
1	Change in Ranking of preferred brand after GST	37	30
2	No Change in Ranking of preferred brand after GST	88	70
	Total	125	100

From the above table it is clear that the customers have not changed their preferred brand after implementation of GST.

8. Changes in Offer & Discount after GST on Buying Behavior:

Sr. No.	Offer & Discount	Frequency	Percentage
1	Change in Offer & Discount after GST	46	37
2	No Change in Offer & Discount after GST	79	63
	Total	125	100

Most of the respondents affirm that they did not notice any change on Offers & Discount on branded clothes after GST.

9. Changes in Price after GST:

Sr. No.	Change in Price	Frequency	Percentage
1	Yes	25	20
2	No	100	80
	Total	125	100

From the above table, it is concluded that majority of the respondents believe that there is no significant change in the price of the branded clothes after GST.

Conclusion

From the above analysis one can conclude that implementation of GST has definitely not affected or impacted the preference or buying behavior of branded clothes. (Gupta, 2017) The introduction of GST has resulted in removal of exemptions for the textile industry which saw protests by various associations and players in the textile industry. Considering the intent of GST and peculiar manner of operation of textile industry, it may take slightly longer for textile industry to off-set the initial hiccups of GST and grow at a competitive pace. But as far as branded clothes are concerned, even after GST, there is no change in the consumer preference for these products.

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