

IMPACT OF GST ON RETAIL CUSTOMER BEHAVIOUR- A STUDY WITH REFERENCE TO JEWELLERY BUYERS OF “RANCHI”, JHARKHAND

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Abstract : On 29th March 2017 the Goods and Service Tax Act was passed in the Parliament of India, and the Act came into effect on 1st July 2017. Our economist and tax expert opined that GST has the potential to add at least 1 percentage point to India's GDP. GST is regarded as the biggest tax reform in independent India. But what exactly it means to a common man or the retail customers? In this research paper, a comprehensive and better understanding of the impact that the GST have on jewelry buyers of the capital city of Jharkhand i.e Ranchi will be explored. This much-awaited tax reforms move in India changed the way transactions and billings of the most of gold and jewelry shops in the country. With the implementation of GST at 3 per cent for gold and 18 per cent for making charges of jewelry, the effective rate comes to 15.67 per cent including 10 per cent customs duty. It can be clearly understood that gold has gone a little expensive for ultimate consumers in India. An exploratory study will be conducted by taking a sample of 100 respondents (Jewelry Buyers) by serving questionnaire. With the objectives of understanding various GST factors affecting jewelry consumer buying behaviour, this research study has been conducted.

Index Terms - GST, Ultimate Customer Behaviour, Customer Perception.

I. INTRODUCTION

Retail Consumer behavior refers to the psychological and emotional process and the evident noticeable behavior of consumers during searching, buying and post-purchase consumption of a product or service. Consumer behavior encompasses the study of how ultimate customers buy various products or service, what they prefer to buy, when they buy and why they buy. It actually integrates the elementary concepts from psychology, sociology, socio psychology, anthropology and economics. It also tries to identify and assess the influences on the consumer that comes from groups such as family, friends, reference groups and society in general. An ultimate buyer behavior has two aspects: in one aspect the final purchase activity evidently visible to any observer (marketer) and in the other aspect the detailed, complex and short decision process that may involve the interplay of a number of complex variables not visible to anyone else. A comprehensive understanding the buying behavior of the target market for its company products is the essential task for the marketing department. The most important job of the marketers is to think of its customers, their needs and to guide the company into developing offers, which are actually meaningful and attractive to target customers and creating solutions that deliver a satisfaction to the customers, profits in terms of value to the customers and benefits to all the stakeholders. Possibly the most challenging job of a marketer is concerned with understanding its buyers completely, Who are the buyers, Why they buy, What they do (or don't do) etc. But such knowledge is critical factor for marketers since a strong understanding of buyer behavior will obviously help shed light on what is important or most valuable to the customer and also suggest the important unavoidable influences on customer decision-making

The introduction and enforcement of the Goods and Services Tax (GST) is indeed a very significant step in the field of indirect tax reforms in the Indian economy. GST will definitely mitigate ill effects of cascading or double taxation in a major and impressive way and pave the way for a common national market. GST amalgamates a multiple numbers of Central and State taxes into a single comprehensive tax. The biggest advantage the ultimate customer is expecting from GST would be in terms of reduction in the overall tax burden on goods and services, which is currently estimated to be around 25%-30%. Enforcement of GST would also imply that the actual burden of indirect taxes on each goods and services would be much more clear and transparent to the consumers.

As GST is relatively new concept in the context of Indian economy, and study on behaviour of retail customers especially of gold buyers has not been conducted in Ranchi, Jharkhand, thus this research study try to explore it.

Gold Industry in India:

AS Goods and Services Tax (GST) is applicable on most of goods and services, gold and jewellery pieces are no exception. We can see impact of GST on making charges of gold jewellery and on the exchange of gold as well.

Gold is taken as a 'Veblen good' (Higher price makes it more desirable), and we know that many luxurious goods are Veblen goods. That implies, the more expensive they are, the more people demand them. Veblen goods boldly contradict the basic economic laws of supply and demand, which stipulates that the lower the price of a good or service, the more people will demand it.

The implementation of GST in India has a great impact on gold, which has made its price soaring up to a 2-month high. Although, we can understand that physical demand for gold has been lower because of the 3% GST that is actually levied upon 10% of import duty. In other words we can say that, gold has become expensive, by about 0.75% post the introduction and enforcement of GST. Previously in India, the tax on gold was 1% service tax and 1% VAT, which was amounting to 2%. GST has increased the tax rate of gold to 3%.

It was reported in the media that gold traders are taking the most advantages of GST's implementation, and sought of importing more gold, that is approximately 25 tonnes of gold from South Korea in the month of July and August. Gold importers are merely taking advantage of the recent tax change taken place due to enforcement of GST and the Free Trade Agreement with South Korea, which allows the Indian importers to ship in gold without paying a 10% customs duty.

It is believed that the implementation of GST will bring in a dramatic effect on gold trade as only 30% of the gold trade is organised in India. It is expected that, although GST is set to provide benefits to the organised gold trade, by having greater transparency and accountability, it may also provoke some jewellers to move to unorganised gold trade areas. This might happen by purchasing cheaper smuggled gold and selling them to customers without bills.

It is estimated that India generally imports 700-800 tonne of gold annually, out of which almost 30 tonne of gold is smuggled (mainly through Dubai). This gold comes under the unorganised sector as it is traded illegally. GST has hiked the gold rates by 13%, which is creating an increased the chance of smuggled gold making its clear way to the Indian shores, more than usual.

After enforcement of GST, many gold and silver merchant associations in India are requesting the government at the centre to reduce the importing duty on gold to 6%, like in the past periods. Also, the GST framework requires every business to report every transaction to claim input credit. This might hurt the unorganised gold market in India.

GST has effect on making charges gold as well; gold now has a making charge of 5%. GST council had earlier decided 18% for gold making charges, however, when GST was implemented, they decided to keep it at 5% only.

In this research paper the ultimate customer behaviours with relation to increased price of jewellery due to GST applicable on gold has been analysed with the help of statistical tools i.e. Chi-square. Several others non-gst factors has also been identified which affect the jewellery buying behaviour of ultimate customers. Ranchi is the capital of the Indian state of Jharkhand, and now it is the most populous city of the state. Ranchi has been selected as one of the hundred Indian cities to be developed as a smart city under PM Narendra Modi's flagship Smart Cities Missions of 2011 India census. Taking this above mentioned urbanity status of "Ranchi", it has been selected for the research study.

II. OBJECTIVES

The empirical research study is related to the jewellery purchase behaviour of customers in the upcoming smart city of Ranchi. The reason to check purchase behaviour of customers is owing to the implementation of GST previous year in the month of July. There are a number of GST related factors that influence the purchases made by a customer. There are some other non-GST factors as well that affect jewellery buying behaviour. As GST is relatively new term for we Indian, there is a need for study especially with relation to jewellery buying behaviour. The objectives of the study undertaken are as follows:

- To identify and analyse the several GST factors affecting jewellery purchase behaviour of ultimate customers.
- To identify and understand the non-GST factors affecting jewellery purchase behaviour of ultimate customers. (cultural, demographic, psychographic)

III. HYPOTHESIS

To meet the above objectives, following hypotheses are formulated and tested:

1. There is no significant difference between purchase behaviour of customers after enforcement of GST in India.
2. The purchase behaviour of customers with regards to buying of jewellery is not affected by personal, psychological, social, and cultural factors.

IV. LITERATURE REVIEW

This section deals with the review of related literatures that already exist, and thus it covers various studies of different authors related to the topic of this research i.e. retail customer behaviour. Review of literature is very useful activity in conducting research, as it helps to have a deep insight on the research topic, and apart from that it helps to identify the gaps in the research work that has been conducted previously. Research on Consumer behaviour is the scientific study of the processes, consumers generally use to select, secure, use and dispose of products and services that satisfy their needs. And, firms can only satisfy those needs only to the extent to which they understand their customers. There is a widespread recognition that consumer behaviour is the actual key to contemporary marketing success. In this way, the field of ultimate customer's shopping behavior of retailing has been characterized by a diversity of viewpoints and which is based on an interdisciplinary science and psychology. In this context, a thorough understanding of consumer behavior could appeals to a set of different areas of knowledge. It starts with the relevant literature to have a bird's eye view method, Thus the actual planning and execution of any research work should be preceded by thorough review of available literature in related fields since it helps to familiarize with the work that has already been done in that particular area. And Also Review of Literature helps to Identification of Consumers and Retailers Perspective, Overall Retail Scenario, Research Gaps, etc.

For the survey of existing literature, the research papers published in Journals, Reference books, Magazine, internet, government report etc. were referred, as the basis for understanding as well as for exploring possible research gaps as the starting point.

A French tax official in 1950's introduced the concept of Goods and Services Tax (GST). To date, there are almost 160 countries in the world that have enforced this form of taxation including European Union and Asian countries likes Sri Lanka, Singapore and China with the rate between 5%-27 % .

Most of the research studies in the area of GST are limited to consumer awareness on GST factors. None of the previous research on GST has focused especially on GST rate on Gold and its effect on retail consumer behaviour. Thus, this research paper primarily focus on the effects of GST rate of Gold being a Veblen good; on retail customer behaviour.

The **Economic Factors** are the factors that speak about the financial position of the consumer and the level of sales in the market. Financial position of buyers tells how much an individual spends on the purchase of goods and services. GST is coming under economic factors which put pressure on purchasing power of ultimate customers, and in this research study the focus is on ultimate buyers of gold.

V. RESEARCH METHODOLOGY

In this research study, data were collected by using questionnaires-based survey method. The samples selected were derived from 100 jewellery buyers of a jewellery shop in the capital city of jharkhand that is "Ranchi". Convenience sampling method has been used for this study, According to Sekaran & Bougie (2013), this method of sampling is mostly used during the exploratory study of a research work and is considered as the best way of accessing and getting some basic information quickly and efficiently.

The research methodology of this study is divided in following points:

- **Source of data-** The source of data collection is primary data which has been collected from a well-known jeweller of Ranchi.
- **Sample size-** the sample size for conducting the research study was 100 jewellery buyers.
- **Sampling technique-** A non-probability sampling technique used for the study, that is convenient sampling

VI. ANALYSIS & DISCUSSION:

A sample of 100 respondents was selected for the purpose of collecting data. The collected questionnaire was checked to validate the responses of the sample respondents, entered in SPSS for further analysis and results were drawn. The study had also been put to reliability analysis and proved reliable. Buying decisions are generally affected by the price of the product, preferences for the product. Imposition of tax on a commodity generally increases the price of the products and may affect the consumer's decision to buy or to postpone the purchase. Gold is such a product which is required on regular basis in a Indian family structure and it involves habitual decision making that has little to do with the system of tax collection when effect of such tax on price is taken constant. The analysis is presented in the following section.

Economic factors affecting retail customer behaviour:

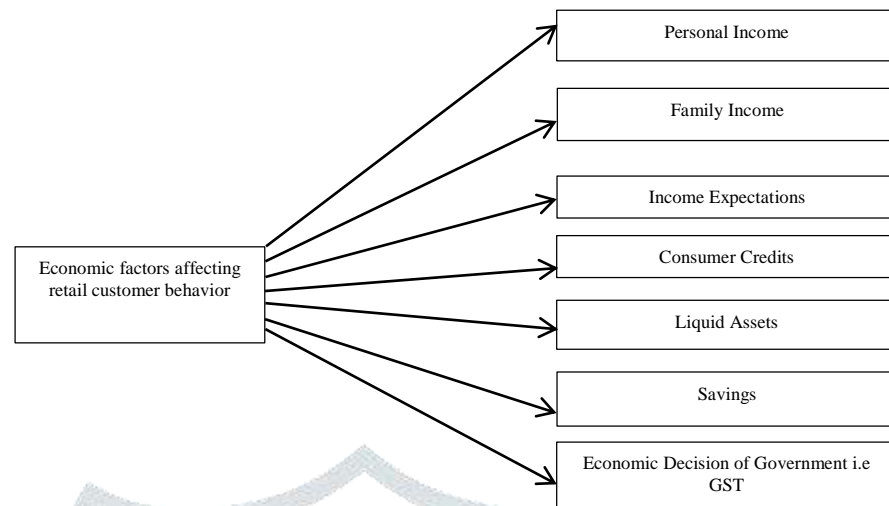


FIG- 1: Economic factors affecting buying decision

The above figure represents various economic factors affecting the retail customer behaviour. There are almost seven factors i.e personal incomes, family income, income expectations, consumer credits, liquid assets, savings, and economic decisions of government which affects the ultimate buyer’s behaviour. Here in this research paper the factor economic decision of government i.e implementation of GST, which came into enforcement on 1st July, 2017 will be taken into consideration and its effect will be analysed on ultimate buyers specifically gold jewellery buyers.

Table-1, (GST Factors affecting respondents)

SL. NO	GST FACTORS	CLASSIFICATIONS	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
1	Awareness about Tax Slab on Gold	Aware	80	80	80
		Not Aware	20	20	100
2	Awareness about Tax Slab on making charges	Aware	40	40	40
		Not Aware	60	60	100
3	Intent to purchase after application of GST on demand of Gold	Yes	90	90	90
		NO	10	10	100

Source: Primary Data

It is interesting to note that awareness on tax slab on gold is quite high i.e 80% owing to intensive advertisement on various electronic media and print media both before and after introduction of GST in India. But awareness on tax slab on making charges is a bit lower. Further, It can be observed that intention to purchase gold ornament is quite high even if gold prices have surged after application of GST. The reasons for such intention may be assigned to a variety of factors such as Indian hold a very auspicious sentiment and emotional quotient towards Gold ornaments. Some other Indian think that owning Gold is an investment, because Gold continues to command a long term asset value, a tag for being a safe haven in financial crisis; hedge against inflation; etc. Gold also carries a high perceived value for Indian Gold buyers. It reinforces closeness of relationships

when given as a gift to someone. Gold coins in smaller denominations are also considered option for corporate gifting and rewards for contests in companies or for commemorative giveaways to staffers.

Table-2, Demographic factors of respondents

Sl. No	Demographic Factors	Classifications	Frequency	Percentage	Cumulative Percentage
1	Age	Less than 30	8	8	8
		31-40	32	32	40
		41-50	40	40	80
		Above 50	20	20	100
2	Gender	Female	80	80	80
		Male	20	20	100
3	Job	Home- Maker	15	15	15
		Govt employees	20	20	35
		Private Employees	30	30	65
		Business	35	35	100
4	Annual Income	Less than Rs 3,00,000	10	10	10
		Rs 3,00,000 to Rs 5,00,000	15	15	25
		Rs 5,00,000 to Rs 10,00,000	25	25	50
		Above Rs 10,00,000	50	50	100

Source: Primary data

It is interesting to observe that only 8 per cent of the respondents belong to the age group of “Less than 30”, the fact behind this observation is that gold ornaments or coins are mostly purchased by elders in a Indian family. Youngers in a Indian family can contribute their respective preferences while deciding on purchase of Gold jewellery. Next, it can be observed that 32% of the respondents belong to the age group of 31 to 40, who have all the necessary means, knowledge and capability to purchase the Gold themselves. Further, it can be observed that 40% of respondents belong to the age group of 40 to 50 and 20 % of respondents belong to the age group of “ Above 50”; these are the elders in a Indian family who have experiences of purchasing Gold, and they are the decision makers while purchasing Gold. It is noted in the above table that 80 per cent of the respondents are female and the remaining 20 per cent are male and it is understood that females are more inclined or oriented towards purchasing Gold jewellery than that of males. It is understood from the above table that 15% of the respondents are home-makers, 20% are government employees, 30% are private employees, and 35% are running their own businesses. And it is inferred that irrespective of the types of hold by the respondents, they prefer to purchase Gold jewellery. It is to be noted that the greater majority of the respondents’ annual income is above Rs. 10,00,000, 25 per cent of the respondents have Rs.5,00,001 to 10,00,000 as annual income, 15 per cent respondents have Rs.3,00,000 to 5,00,000 as their annual income and only 10 per cent have less than Rs.3,00,000 as their annual income. Thus, it can be inferred that purchase intention of gold is somehow directly related with annual income.

Table-3, Psychographic factors affecting respondents

Sl. No	Psychgraphic Factors	Classifications	Frequency	Percentage	Cumulative Percentage
1	Motivation	Yes	100	100	100
		No	0	0	100
2	Perception	Yes	95	95	95
		No	5	5	100
3	Attitude	High level	65	65	65

		Medium level	30	30	95
		Low level	5	5	100

Source: Primary data

From the above table, it can be observed that all 100 respondents in the sample believes that they are definitely influenced by some motivations i.e. gold investment, culture, gift option, etc.

What an individual thinks about a particular product or service is his/her perception towards the same. On being asked about their perception on gold, it was explored that 95 per cent of respondents feels that gold purchase is one of the most valuable and significant purchase they do. And 5 per cent believes that they mostly prefer to purchase diamond or platinum jewellery, but sometimes they go for gold jewellery.

The overall attitude of respondents towards buying of gold jewellery has been classified into three categories, namely low level or unfavourable attitude, medium level or neutral attitude, and high level or favourable attitude for analytical purpose. It is inferred from the research study that out of the total 100 respondents, 65 per cent belong to high level attitude group, 30 per cent of respondents fall under the medium level attitude group and the remaining 5 per cent come under the category of low level attitude group.

Table-3, Socio-Cultural factors of respondents

Sl. No	Socio-Cultural Factors	Classifications	Frequency	Percentage	Cumulative Percentage
1	Culture	Yes	90	90	90
		No	10	10	100
2	Sub-Culture	Yes	80	80	80
		No	20	20	100
3	Social-class	Higher Class	50	50	50
		Higher- middle class	33	33	83
		Lower-middle class	15	15	98
		Lower Class	2	2	100

Source: Primary Data

Cultural factors include a set of values and ideologies of a particular community or group of individuals. It is the culture of an individual or person which decides the way he/she behaves or thinks. In simpler words, culture is nothing but values that has been acquired since childhood of an individual. What an individual learns from his parents and relatives as a child gradually becomes his culture. The Indian family culture traditionally has been focusing on security and stability for the future of its generations to come, and gold being highly valued metal providing a secure and prosperous environment for the future generations.

From the above table, it can be clearly observed that 90 per cent of respondents feel that due to their deep rooted cultural values towards gold, they just love to purchase gold. And only 5 per cent feel that due to some other non-cultural reasons they purchase gold. It can also be observed that 80 per cent of respondents think sub-culture i.e. geographical areas of buyers can also influence purchase decision and 20 per cent think that sub-culture don't influence gold purchase decision. The above table reveals that social class of buyers affect their purchase decision, and gold being a luxurious item it is mostly purchased by higher class and higher middle class buyers. And in this research study, 50 per cent of respondents belongs upper social class and 33 per cent belong to higher middle class. 15 per cent of respondents belong to lower-middle class, and only 5 per cent belong to lower class.

VII. FINDINGS:

The relationship between the economic-cultural factors, viz. individual income, family income, customer credits, savings, GST, culture, sub-culture of buyers and its overall mixed effect on gold ornaments have been measured with the help of chi-square test. The major findings are presented below:

- It is found that high level of income of gold buyers offsets the effects of GST on gold purchase decision, as the price of gold has increased after implementation of GST.
- The study points out that among the various other reasons, Indian culture creates enthusiasm amongst gold buyers in Dhanteras and Akshya tritiya festivals, and this cultural factors to a great extent offset the effect of increased price of Gold due to GST.
- It is observed from the study that the availability of customer credits also offsets the effect of GST

The study also proves hypothesis (H1) to be true, that there is no significant difference between purchase behaviour of customers after enforcement of GST in India. But the second hypothesis proved to be wrong, and it is empirically proved that the purchase behaviour of customers with regards to buying of jewellery is actually affected by personal, psychological, social, and cultural factors. In addition, it was also found out that GST has a very short-term initial effect on ultimate gold buyers, but in the long-term its effect got offset.

VIII. LIMITATIONS:

This research work that was carried out have some unavoidable limitations; the sample size was relatively lesser for a study of this level. It may not be justified to generalize the results of this study which is based on sample size of only 100 respondents in the city of Ranchi and for a state like Jharkhand. This small scale research study will definitely pave the way for greater and more in-depth research on factors influencing purchase behaviour of ultimate gold buyers.

IX. CONCLUSION:

It is a commonly accepted fact that there is a positive relationship between price of products and consumer buying behaviour. Suitable price make consumers more willing to purchase products and services. Imposition of taxes after enforcement of GST may affect the price of the goods which influence the buying behavior of ultimate customers. The introduction of GST in India completely replaced the existing tax regime and brought in a comprehensive new economy. The research study found that the introduction of GST has no effect on the buying decision of gold jewellery consumers in the capital city of Ranchi

India and China are the largest jewellery buying nations, but they may experience pressures on jewellery demand, as they go on developing and age. But the study reveals that demographics of India should offset these trends. World Gold Council reveal in the report titled 'Gold 2048: The next 30 years for gold'.

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