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A STUDY ON THE IMPACT OF GST ON CONSUMER BEHAVIOUR TOWARDS ESSENTIAL GOODS

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ABSTRACT :

The implementation of GST in India marked a significant change aimed at streamlining the nation's tax system by substituting various indirect taxes with a unified administrative framework. While GST was definitely expected to enhance tax compliance and economic efficiency, its immediate impact on essential goods and consumer behavior are yet to be resolved. This study therefore examines the effect of GST on consumer awareness, purchasing patterns, and affordability perceptions of essential goods across income and geographic areas. The research is about survey and other data that will show whether affordability of these 'essential commodities' increased or whether, on the contrary, consumers are faced with additional financial burdens related to taxes. The analysis of the results will provide insights for policymakers and businesses regarding how consumers respond to GST, allowing for modifications in tax policies aimed at enhancing economic advantages while maintaining affordability for everyone. This research will contribute to the expanding literature on the relationship between tax policies and consumer behavior, as well as the overall financial health of consumers.

Keywords: GST, consumer behavior, affordability, tax policy, essential goods, purchasing patterns, economic impact.

Introduction

The implementation of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant and transformative shift in the nation's tax framework. A variety of indirect taxes, including VAT, service tax, excise duty, and others, have been substituted by this specific tax system to create a uniformly applied tax structure that facilitates compliance and eliminates the cascading effects of taxation. The objective of GST is to promote transparency in the tax implementation framework and to improve overall economic efficiency.

GST has affected various aspects of essential goods and services; these include food, health, and various household items that have become part and parcel of the daily lifecycle of human beings. Although the government introduced different tax slabs to keep things affordable, the actual impact it made on consumer spending continues to be a debate. Some people believe that the prices have risen because of uniform tax rates, while others argue that these kept the prices stable and lowered tax burdens with time.

This study aims to discuss the impact of GST on consumer buying behaviour, with special regards to GST awareness and perception about affordability, price change on essential commodities, and spending habits based on region. Through consumer feedback and statistical analysis, this research aims to uncover whether GST had actually made essential commodities more affordable or not and how it made an impact on an entire demographic of people within India.

Review of Literature

Dr. Usha C. (2024), in "A Study on Impact of GST on Buying Behaviour of Consumer Towards Retail Outlets," investigated consumer attitudes in Karnataka across various retail formats. The study found high GST awareness but varying acceptance, particularly due to the complexity of the tax structure and dissatisfaction with government awareness initiatives.

N.Y. Mrinal et al. (2024), in "GST and Consumer Behavior: A Study of Price Sensitivity and Purchasing Patterns in India," examined the heightened price sensitivity among lower-income households following GST implementation. The study highlighted a trend toward organized and online retail, as these channels offered greater price transparency and perceived fairness, prompting consumers to shift to less expensive brands or alternatives.

Dhanasekaran and Chandana R. (2023), in "A Study on Impact of GST on FMCG with Reference to Consumer Behaviour," focused on the FMCG sector and found that lower-income consumers perceived a substantial increase in the price of essential items post-GST. This perception adversely affected their purchasing power and monthly allocation for essential consumables.

S. Vamsikrishna (2023), in "The Effect of GST on Consumer Behaviour: An Empirical Study in India," surveyed 1,000 respondents and found that 67% reported behavioral changes due to GST. The primary drivers were increased price sensitivity, reduced brand loyalty, and a rise in online purchases as consumers sought better value.

Dr. Amarjit Deshmukh et al. (2023), in "**Impact of GST on Spending Behaviour of Consumer in India**," used a mixed-method approach to show that GST initially led to consumer caution due to price volatility. Over time, it encouraged a shift toward organized, tax-compliant businesses and increased online purchasing, with essentials benefiting from lower tax rates while discretionary items faced reduced demand.

Objectives of the Study

The primary objectives of this study are as follows:

- To know to what extent consumers have an understanding of GST and its components.
- To evaluate GST's influence on affordability and consumer buying behaviour with respect to essential goods.
- To examine the differences in GST's impact on various income groups and geographical areas.
- To recommend ways and means to improve GST efficiency for affordability and welfare of consumers.

Research Methodology

Research Design

The research follows a **descriptive research design** to explore and analyze the consumer behavior patterns influenced by the implementation of the Goods and Services Tax (GST) in India. The study aims to describe the existing relationship between GST awareness, price sensitivity, and consumer purchase behavior, particularly in the context of essential goods.

The research utilizes a quantitative approach to explore the connection between GST and consumer behavior. A survey-based approach is used to collect primary data, allowing for the analysis of consumer perceptions, affordability, and purchasing patterns. The design is descriptive and analytical, enabling the testing of hypotheses and the exploration of regional and income-based differences.

Sampling Method

- A convenience sampling technique was employed for the collection of responses.

Sample Size:

- A survey was conducted with 100 participants. The sample includes a mix of consumers from different income groups and both urban and rural locations to ensure a broad perspective.

Source of Data

- **Primary data:** The primary data was collected from 100 diverse consumers in Chennai through google forms- a structured questionnaire.
- **Secondary data:** Published data, journals, magazines/newspapers, directories, technical reports, etc.

Tools used for Analysis

Data Analysis

After collecting responses, the data was compiled and analyzed using **Microsoft Excel** and **SPSS software**.

Percentage Analysis: This refers to a specific type of rate, where percentages are utilized to compare two or more sets of data. A percentage is employed to ascertain the connection between the series.

Statistical Tools used

- CHI-SQUARE TEST
- CORREALTION

Hypothesis of the study

- **H₀:** There is no significant correlation between the impact of GST on price and the impact of GST on consumer spending behavior.
- **H₁:** There is a significant correlation between the impact of GST on price and the impact of GST on consumer spending behavior.
- **H₀:** There is no significant association between consumers' familiarity with GST and their understanding of GST rates on essential goods.
- **H₁:** There is a significant association between consumers' familiarity with GST and their understanding of GST rates on essential goods.

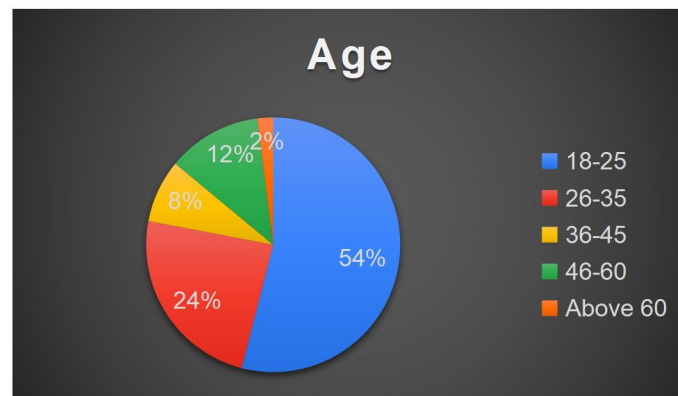
Limitation of the study

- The sample size is limited to 100 respondents, which may affect the generalizability of the findings.
- Data was collected only from the Chennai region, so results may not represent other parts of India.
- Although the sample included diverse demographics, it may not fully reflect the purchasing behavior of each specific segment.
- The study focused solely on essential goods and services, excluding luxury and other product categories

Analysis and Interpretation of Data

Age of the respondents

Particulars	No. of respondents	Percentage
18-25	54	54%
26-35	24	24%
36-45	8	8%
46-60	12	12%
Above 60	2	2%
Total	100	100%

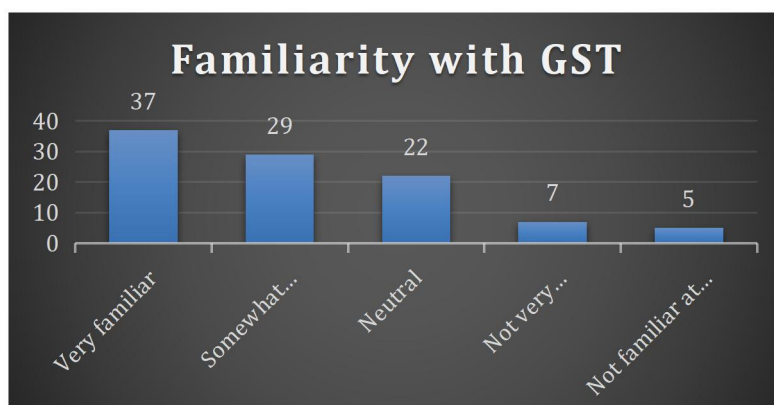


Interpretation

The above table and chart represents that majority (54%) of the respondents are from the age group 18-25, followed by 24% of the respondents are from the age group 26-35, 12% from the age group 46-60, 8% from the age group 36-45 and 2% from the age group of above 60.

Familiarity with GST

Particulars	No. of respondents	Percentage
Very familiar	37	37%
Somewhat familiar	29	29%
Neutral	22	22%
Not very familiar	7	7%
Not familiar at all	5	5%
Total	100	100%

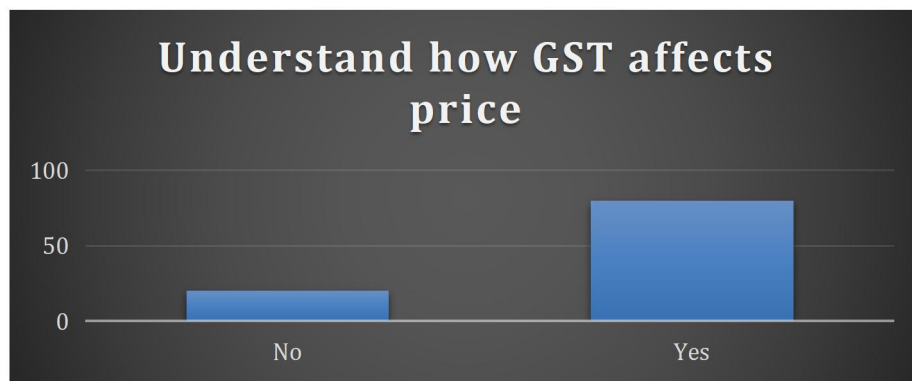


Interpretation

The above table and chart shows that 37% of respondents are very familiar with GST, 29% are somewhat familiar, 22% of the respondents are neutral, 7% of the respondents are not very familiar and 5% of the respondents are Not familiar at all.

Understanding of how GST affects price

Particulars	No. of respondents	Percentage
Yes	80	80%
No	20	20%
Total	100	100%

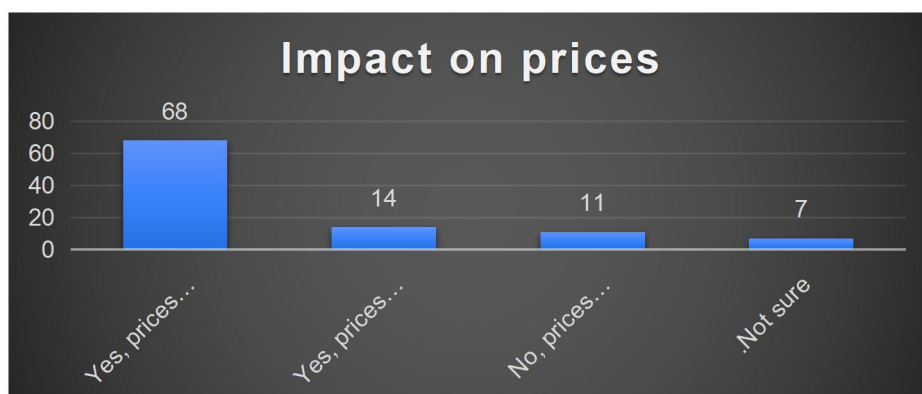


Interpretation

A large proportion of participants (80%) indicated that they are aware of how GST influences the cost of essential goods, whereas just 20% reported a lack of such understanding.

Impact of pricing in essential goods

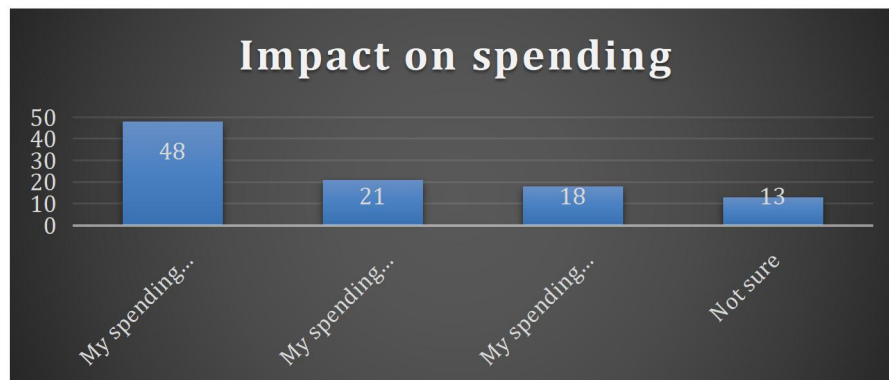
Particulars	No. of respondents	Percentage
Yes, prices have increased	68	68%
Yes, prices have decreased	14	14%
No, prices have remained the same	11	11%
Not sure	7	7%
Total	100	100%



Interpretation

The table shows that most respondents (68%) believe prices have increased since GST was implemented, while only a small proportion (14%) feel prices have decreased and 11% see no change. A minority (7%) are unsure of the impact. This indicates a strong perception among consumers that GST has led to higher prices for essential goods.

Impact on spending		
Particulars	No. of respondents	Percentage
My spending has increased	48	48%
My spending has decreased	21	21%
My spending has remained the same	18	18%
Not sure	13	13%
Total	100	100%



Interpretation

The table indicates that nearly half of the respondents (48%) report an increase in their spending after GST implementation. In comparison, 21% say their spending has decreased, and 18% have experienced no change. A smaller group (13%) are unsure about any change in their spending. This suggests that for most consumers, GST has resulted in higher expenditure on essential goods.

Hypothesis Testing

Chi-Square

The Pearson Chi-Square Test is a statistical tool used to evaluate whether there is a meaningful relationship between two variables that are categorized into distinct groups.

Aim: To test whether there is a significant relationship between consumers' familiarity with GST and their understanding of GST rates applicable to essential goods.

(H₀): There is no significant association between consumers' familiarity with GST and their understanding of GST rates on essential goods.

(H₁): There is a significant association between consumers' familiarity with GST and their understanding of GST rates on essential goods.

Familiarity with GST * Understand GST Impact Crosstabulation					
			Understand GST Impact		Total
			Yes	No	
Familiarity with GST	Not very familiar	Count	6	6	12
		Expected Count	9.6	2.4	12.0
	Neutral	Count	16	6	22
		Expected Count	17.6	4.4	22.0
	Somewhat familiar	Count	24	5	29
		Expected Count	23.2	4.8	29.0
	Very familiar	Count	34	3	37
		Expected Count	29.6	7.4	37.0
Total		Count	80	20	100
		Expected Count	80.0	20.0	100.0

Chi-Square Tests			
	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.885 ^a	3	.012
Likelihood Ratio	10.177	3	.017
Linear-by-Linear Association	10.153	1	.001
N of Valid Cases	100		
Chi-Square Tests			

Result Summary:

- Chi-square Value: 10.885
- Degrees of Freedom (df): 3
- P-value: 0.012

Interpretation

The chi-square test showed a p-value less than the significance level of 0.05, indicating that the result is statistically significant. Hence, the null hypothesis is rejected.

Correlation

(H₀): There is no significant correlation between the impact of GST on price and the impact of GST on consumer spending behavior.

(H₁): There is a significant correlation between the impact of GST on price and the impact of GST on consumer spending behavior.

Aim: To examine the relationship between the perceived impact of GST on the price of essential goods and its impact on consumer spending behavior, a Pearson correlation test was conducted using data collected from 100 respondents.

Correlations			
		Impact on Price	Impact on Spending
Impact on Price	Pearson Correlation	1	.296**
	Sig. (2-tailed)		.003
	N	100	100
Impact on Spending	Pearson Correlation	.296**	1
	Sig. (2-tailed)	.003	
	N	100	100

Result summary

- Pearson Correlation (r): 0.296
- P-value (Sig.(2-tailed): 0.003
- N (Total): 100

Interpretation

- The correlation coefficient ($r = 0.296$) indicates a positive and weak-to-moderate correlation between the impact of GST on prices and consumer spending.
- The p-value (0.003) is less than the significance level (0.05), which means the correlation is statistically significant.
- Since the p-value is less than 0.05, the null hypothesis is rejected.

Key Findings of Survey

- A substantial majority (68%) of the respondents perceived an increase in the prices of essential goods post-GST.

- Nearly half (48%) of the respondents reported an increase in their overall spending.
- Essential goods were perceived as moderately (38%) or slightly (30%) affordable post-GST by the respondents.
- A marginal majority (51%) of the respondents reported switching to cheaper brands.
- 35% of the respondents expressed uncertainty regarding the spatial uniformity of GST's impact.
- Impact on purchase frequency was varied among the respondents: 35% buy less, 28% buy more, 37% no change.
- Essential goods were generally perceived as accessible by the respondents (35% moderately, 24% accessible).
- Satisfaction with current prices was low among the respondents (25% satisfied vs. 42% dissatisfied).
- The most prominent adaptation in overall buying behaviour among the respondents was prioritizing cheaper alternatives (42%), while 37% maintained existing purchasing patterns.
- A majority (59%) of the respondents did not perceive an improvement in the quality of essential goods attributable to GST.
- A marginal majority (51%) of the respondents reported switching to cheaper brands.
- 35% of the respondents expressed uncertainty regarding the spatial uniformity of GST's impact.

Suggestions

- **Enhancement of Consumer Awareness:** Implement targeted awareness initiatives, especially in rural and low-income areas, to educate the public on the functioning and implications of GST.
- **Improve Price Transparency:** Retailers and manufacturers should be mandated to clearly display the GST breakdown in billing statements to build consumer trust and understanding.
- **Address Brand Switching Trends:** Businesses must analyze and adapt to the changing purchasing behaviour by offering cost-effective alternatives and consumer-focused pricing strategies.
- **Reduction of Urban-Rural Disparities:** Policymakers must ensure uniform implementation and consistent pricing practices across geographic regions to reduce inequalities in access and cost.
- **Improving Affordability and Availability:** Support should be extended to local manufacturers and supply chains to sustain reasonable pricing and steady supply of essential goods.

Conclusion

This study demonstrates that the introduction of GST in India has had a clear and measurable impact on consumer behavior regarding essential goods. Most respondents perceived an increase in the prices of everyday necessities following GST, and nearly half reported higher spending on these items. The data show that affordability concerns have led many consumers—especially those in lower-income groups—to change their purchasing habits, often by seeking out less expensive brands or reducing purchase frequency. Statistical analysis confirmed a significant association between GST awareness and understanding of tax rates, as well as a positive correlation between perceived price increases and spending behavior.

Despite GST's intended benefits of simplifying taxation and promoting transparency, consumer satisfaction with current prices remains low. The findings highlight that while GST has streamlined the tax system, it has also introduced new challenges related to affordability and access, particularly for vulnerable groups. Addressing these issues will require targeted awareness campaigns, clearer billing practices, and policy adjustments to ensure that the benefits of GST reach all sections of society. Overall, this research underscores the importance of ongoing evaluation and responsive policy to balance economic efficiency with consumer welfare in India's evolving tax landscape.

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