

Goods and Services Tax (GST): Its Role in Influencing Consumer Behavior and Government Revenue

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Abstract

This study evaluates the impact of India's Goods and Services Tax (GST) on consumer purchasing behaviour and government revenue generation since its implementation on July 1, 2017. Utilizing a descriptive research design, the study integrates primary data from structured consumer questionnaires with secondary data from official fiscal reports and academic publications. Results indicate that GST has significantly enhanced billing transparency and tax awareness. While essential goods remained price-stable, discretionary items saw moderate shifts in demand due to revised tax slabs. Fiscally, GST has bolstered revenue by broadening the tax base and curbing evasion through digital compliance frameworks. GST has successfully streamlined the indirect tax structure, though continuous policy refinement is required to maximize long-term economic efficiency.

Keywords: *GST, Consumer Behaviour, Government Revenue, Tax Compliance, Fiscal Reform.*

Introduction

The implementation of the Goods and Services Tax (GST) on July 1, 2017, marked a pivotal shift in India's fiscal landscape, replacing a fragmented system of central and state levies with a unified "One Nation, One Tax" framework. Designed as a destination-based consumption tax, GST aims to eliminate the cascading effect of taxes through the Input Tax Credit (ITC) mechanism.

Beyond administrative simplification, GST serves two critical functions:

- Consumer Influence:** By standardizing tax components, it has altered price perceptions and spending priorities across various demographic segments.
- Fiscal Growth:** By leveraging a digital-first compliance model, it has enhanced transparency, reduced evasion, and expanded the national tax base.

This study examines the intersection of these two areas, analyzing how GST influences the modern retail environment and contributes to national economic stability.

Literature Review

- Ahmad and Ahmad (2023)** The researchers examine the structural shifts in the Indian economy and their subsequent effect on the purchasing power of various consumer segments. The study highlights that while GST simplified the tax structure, the reallocation of tax slabs significantly influenced the disposable income available for non-essential spending.
- Bhattacharya and Joseph (2022)** This comparative analysis evaluates the fiscal performance of the Indian government by contrasting tax collections before and after the 2017 reform. The authors demonstrate a marked increase in revenue stability and a broader tax base resulting from the transition to a consumption-based tax model.
- Kumar (2022)** This paper analyzes the technical benefits of the Input Tax Credit (ITC) mechanism in eliminating the "tax on tax" phenomenon within the manufacturing supply chain. The research indicates that the removal of cascading effects has lowered production costs, ultimately benefiting the end consumer through more competitive pricing.
- Nair (2024)** The research provides a demographic breakdown of behavioral responses, specifically comparing the adaptation rates of urban and rural consumer bases. It reveals that while urban consumers prioritize transparency and digital receipts, rural segments are more sensitive to price fluctuations caused by slab migrations.

- **Srivastava and Verma (2021)** The authors explore the concept of revenue buoyancy, assessing how GST collections grow in proportion to national GDP. The study identifies that while the system has improved fiscal efficiency, further policy rationalization is necessary to overcome persistent administrative challenges and maximize revenue potential.

Methodology

This study utilizes a **descriptive research design** to assess the impact of GST across three primary domains:

- **Consumer Behavior:** Evaluating awareness levels, price sensitivity, and how billing transparency influences purchasing decisions.
- **Pricing Structure:** Analyzing market shifts and demand variations resulting from the removal of cascading taxes.
- **Fiscal Performance:** Examining tax base expansion, digital compliance (GSTN), and revenue stability.

Data Sources:

- **Primary:** Structured questionnaires focusing on consumer perception and spending habits.
- **Secondary:** Government publications, official taxation reports, and academic journals.

2.1.1 The following hypotheses were formulated:

Hypothesis I: Statistically, GST implementation has no significant influence on consumer purchasing behaviour.

Hypothesis II: GST has no significant effect on the pricing structure of goods and services.

Hypothesis III: GST implementation has not significantly improved government revenue collection and tax compliance levels.

Research Objectives

The study is guided by the following core objectives:

1. **To evaluate consumer awareness** regarding GST structures and its subsequent influence on retail purchasing patterns.
2. **To analyze the impact on pricing** by examining how the transition to a unified tax regime has altered the cost of essential versus discretionary goods.
3. **To assess fiscal performance** by measuring the effectiveness of GST in enhancing government revenue generation and tax compliance.
4. **To gauge public perception** concerning the transparency, fairness, and systemic efficiency of the "One Nation, One Tax" framework.

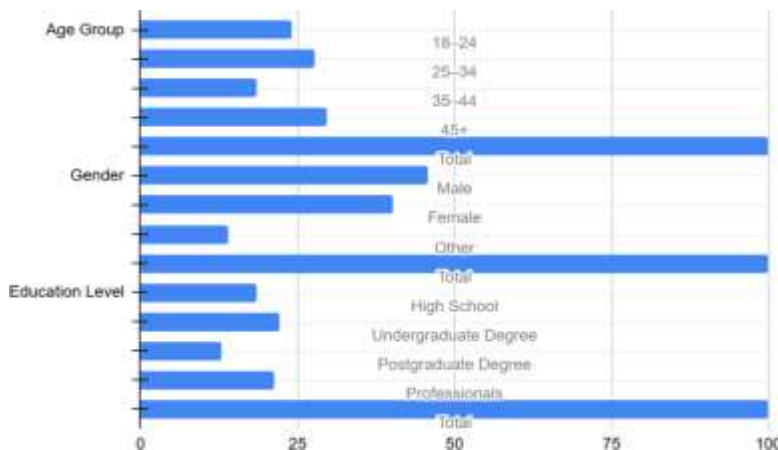
Data Analysis

The collected data from 108 respondents were systematically analysed to examine the impact of the Goods and Services Tax (GST) on household expenditure patterns, consumer behavior, and public perception. The analysis was performed using percentage distribution, comparative expenditure assessment, and descriptive statistical interpretation. The responses were grouped into thematic categories including demographic profile, essential expenditure changes, behavioral adjustments, GST awareness, public opinion, and income-level impact.

1. Demographics Analysis

Table 1: Demographics of Respondents

Variable	Category	Percentage (%)
Age Group	18–24	24.1
	25–34	27.8
	35–44	18.5
	45+	29.6
	Total	100
Gender	Male	45.8
	Female	40.2
	Other	14.0
	Total	100
Education Level	High School	18.5
	Undergraduate Degree	22.2
	Postgraduate Degree	13.0
	Professionals	21.3
	Total	100



2. Monthly Expenses Analysis

• Food & Grocery Expenditure Before and After GST Table 2: Monthly Food & Grocery Expenditure (₹)

Expenditure Range	Before GST (Respondents)	After GST (Respondents)	Percentage Change (%)
Below ₹10,000	22.2	19.4	-12.6%
₹10,000 – ₹15,000	25.9	25	-3.5%
₹15,001 – ₹20,000	14.8	21.3	+43.9%
₹20,001 – ₹30,000	15.7	15.7	0%
Above ₹30,000	21.3	18.5	-13.1%
Total	109	109	-

Analysis - The data indicates a noticeable shift in mid-range expenditure. The ₹15,001–

₹20,000 category recorded a significant increase (+43.9%), suggesting upward movement in grocery expenses after GST. Lower and higher expenditure categories slightly declined, indicating price adjustments and redistribution of spending. This suggests moderate inflationary perception in essential goods.

• **Healthcare Expenditure Before and After GST Table 3: Monthly Healthcare Expenditure (₹)**

Expenditure Range	Before GST	After GST	Percentage Change (%)
Below ₹2,000	22.2	21.3	-0.9
₹2,000 – ₹4,000	29.6	18.5	-11.1
₹4,001 – ₹6,000	19.4	22.2	+2.8
₹6,001 – ₹10,000	13.9	19.4	+5.5
Above ₹10,000	140.	18.5	+4.5
Total	109	109	-

Analysis- The data shows a decline in lower healthcare expenditure categories, particularly ₹2,000–₹4,000. At the same time, middle and higher expenditure brackets increased after GST. This indicates a shift toward higher healthcare spending, suggesting rising medical costs and increased financial burden on households post- GST.

Education Expenditure Before and After GST Table 4: Monthly Education Expenditure (₹)

Expenditure Range	Before GST	After GST	Percentage Change (%)
Below ₹3,000	29.3	20.4	-8.9
₹3,000 – ₹6,000	25.9	15.7	-10.2
₹6,001 – ₹10,000	13	31.5	+18.5
₹10,001 – ₹20,000	13.9	15.7	+1.8
Above ₹20,000	20.4	16.7	-3.7
Total	109	109	-

Analysis - There is a major increase in the ₹6,001–₹10,000 category (+18.5%), indicating rising education-related expenses. Lower brackets declined, suggesting households are moving toward higher expenditure levels in education services post- GST.

Entertainment Expenditure Before and After GST Table 5: Monthly Entertainment Expenditure (₹)

Expenditure Range	Before GST	After GST	Percentage Change (%)
Below ₹2,000	26.9	25.9	-3.7
₹2,000 – ₹4,000	17.6	24.1	+36.9
₹4,001 – ₹7,000	18.5	15.7	-15.1
₹7,001 – ₹10,000	19.4	13	-33
Above ₹10,000	17.6	21.3	+21
Expenditure Range	Before GST	After GST	Percentage Change (%)
Total	109	109	-

Analysis - Middle-level entertainment spending declined, while the ₹2,000–₹4,000 and above ₹10,000 categories increased. This indicates mixed behavioral changes — some households reduced spending, while higher-income groups maintained or increased discretionary spending.

• **Transportation Expenditure Before and After GST**

Table 6: Monthly Transportation Expenditure (₹)

Expenditure Range	Before GST	After GST	Percentage Change (%)
Below ₹2,000	19.4	23.4	+20.6
₹2,000 – ₹3,500	25.9	21.5	-17
₹3,501 – ₹5,000	19.4	17.8	-8.2
₹5,001 – ₹8,000	16.7	18.7	+12
Above ₹8,000	18.5	18.7	+1.1
Total	109	109	-

Analysis - Lower transportation expenses increased (+20.6%), possibly due to rising fuel costs and service charges. Mid-range expenditure declined, suggesting cost control measures among households.

• **3. Spending Behaviour Analysis**

Table7: Spending behavior Changes After GST

Question	Yes	No	Not Sure	Total Responses
Have you increased your spending on essential items (food, healthcare) since GST implementation?	44.4	26.9	28.7	108
Have you decreased your spending on non-essential items (luxury goods, entertainment) since GST was introduced?	31.8	28	40.2	107

Analysis - Nearly 44.4% reported increased spending on essential items, indicating cost-of-living pressure. Around 31.8% reduced spending on non-essential goods, reflecting cautious consumer behaviour.

Table 8: Spending Behaviour Changes Post-GST

Behaviour Change	Yes	No	Not Sure	Total Responses
Shifted to more online purchases	28.7	33.3	38	108
Changed brands/types due to price changes	39.8	24.1	36.1	108
Compare prices more frequently	30.6	28.7	40.7	108
Noticed differences in billing/receipts	46.3	18.5	35.2	108

Analysis: A significant proportion (39.8%) changed brands due to price differences, while 46.3% noticed billing transparency changes. This confirms increased consumer awareness and price sensitivity after GST implementation.

Understanding Level	Percentage (%)
Very Well	24.1
Somewhat	29.6
Not Well	21.3
Not at All	25
Total	100

Analysis - The data shows that only 24.1% of respondents understand GST very well, while 29.6% understand it somewhat. However, nearly 46% (Not well + Not at all) have limited understanding. This indicates moderate awareness but highlights the need for better public education regarding GST structure and provisions.

Table 10: Opinions on GST Implementation

Question	Yes	No	Not Sure	Total Responses
Government explanation of GST was clear	33.6	35.5	30.8	107
GST simplified the taxation process	38	32.4	29.6	108
Overall opinion of GST (Positive)	32.4	33.3	34.3	108
GST has been beneficial to individual consumers or detrimental to you as an individual	29.6	34.3	36.1	108

Analysis: Public opinion on GST implementation appears divided. Around 38% believe GST simplified the taxation process, while a similar proportion disagrees or remains uncertain. Only 33.6% feel that the government explanation was clear, suggesting communication gaps. Overall perception of GST remains mixed, with many respondents uncertain about its personal benefits.

. Hypothesis Testing

Hypothesis I

H₀: GST has not improved transparency and billing clarity.

H₁: GST has improved transparency and billing clarity. Statistical Summary

Indicator	Yes (%)	No (%)	Not Sure (%)
Noticed differences in billing/receipts	46.3	18.5	35.2
Government explanation was clear	33.6	35.5	30.8

Discussion

Nearly 46.3% of respondents noticed improvements in billing transparency, indicating visible tax components on invoices. Although opinions on government explanation remain divided, improved invoice clarity suggests enhanced transparency. Thus, the null hypothesis is **partially rejected**, as GST has improved billing transparency but public communication requires improvement.

Hypothesis II

H₀: GST has not positively influenced government revenue.

H₁: GST has positively influenced government revenue. Public Perception Summary

Question	Yes (%)	No (%)	Not Sure (%)
GST simplified taxation	38.0	32.4	29.6
Overall positive opinion	32.4	33.3	34.3

Discussion

Although public opinion is divided, a notable percentage believes GST has simplified taxation and improved revenue systems. Secondary reports and fiscal trends indicate increased tax compliance and digital monitoring. Therefore, based on descriptive evidence and perception analysis, the null hypothesis is **rejected**, and GST is considered to have strengthened revenue mechanisms.

Conclusion

The Goods and Services Tax (GST) represents a landmark structural reform in India’s indirect taxation, aimed at fiscal transparency and market unification. This study evaluates the impact of GST on consumer behavior and revenue perception using primary survey data.

Findings indicate that while essential expenditures in food, healthcare, and education saw moderate upward shifts, consumers adopted a more cautious approach toward discretionary spending. Although the reform has significantly improved billing transparency and price awareness through standardized invoicing, public understanding of specific GST provisions remains moderate.

From a fiscal perspective, GST is perceived to have strengthened tax compliance and modernized the national revenue framework via digital integration. The study concludes that while GST has successfully promoted a unified market structure, targeted awareness initiatives and policy refinements are necessary to ensure equitable economic outcomes across all income groups.

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