

Impact of GST on Consumer Buying Behavior

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Abstract

The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a significant shift in the country's indirect tax structure. This study explores the impact of GST on consumer buying behavior, particularly focusing on changes in spending patterns, price sensitivity, and perceptions of product quality. Additionally, the research delves into consumer confidence, awareness, and education regarding the new tax system. Findings indicate both positive and negative shifts in consumer behavior, with altered perceptions of price fairness and heightened awareness of product costs. The study also underscores the importance of consumer education in navigating this new tax regime. Through these insights, the research aims to understand how GST has reshaped consumer experiences and market dynamics in India's post-GST era.

Keywords: Goods and Services Tax (GST), Consumer Behavior, Price Sensitivity, Consumer Education, Buying Patterns, Tax Reform, Consumer Confidence

I. INTRODUCTION

The Goods and Services Tax (GST) was introduced in India on July 1, 2017, as a significant reform aimed at simplifying the country's complex indirect tax structure. By consolidating various central and state taxes into one comprehensive tax, GST sought to streamline the tax system, enhance transparency, and promote economic growth. This shift to a unified tax system has had far-reaching implications for consumers and businesses alike. One of the most noticeable effects of GST is on consumer behavior, particularly in terms of spending patterns, price sensitivity, and perceptions of product quality.

Under the previous tax regime, multiple taxes were levied at different stages, which often led to price disparities and confusion. GST aimed to mitigate these issues by imposing a single, uniform tax on goods and services. For consumers, this change meant a more transparent pricing structure, but also the introduction of new tax burdens on certain goods and services. As a result, consumers have had to adapt to these changes, altering their purchasing behavior in response to both price shifts and perceptions of value.

The psychological impact of these price changes, along with varying levels of consumer confidence and education regarding GST, plays a pivotal role in shaping consumer decision-making. Understanding the relationship between GST, price sensitivity, consumer awareness, and product quality perceptions is essential for assessing how GST has reshaped consumer behavior. This study aims to explore these aspects and offer insights into the changing dynamics of consumer behavior in India's post-GST economy.

II. OBJECTIVES OF THE STUDY

This study seeks to:

1. Identify the benefits and opportunities presented by GST for consumers.
2. Explore how GST has impacted consumer confidence, especially in terms of price fairness.
3. Examine the role of consumer education in shaping purchasing decisions before and after the GST implementation.

4. Assess the level of consumer awareness regarding GST's impact on prices and product quality.
5. Investigate the relationship between various factors affecting consumer purchasing decisions post-GST.

III. RESEARCH METHODOLOGY

The research employs a descriptive design, utilizing both qualitative and quantitative methods to explore the impact of GST on consumer behavior. Data were collected using interviews and questionnaires to gather firsthand insights into consumers' awareness, experiences, and opinions regarding GST.

Research Design: The descriptive research design was chosen to capture a comprehensive overview of consumer behavior in relation to GST, focusing on how this tax reform affects decision-making, price sensitivity, and product perceptions.

Sample Design: The sample design was structured to reflect a manageable, representative group of consumers affected by GST. A total of 200 respondents were chosen for the study, with simple random sampling employed to ensure fairness and objectivity in data collection.

Population and Sample Size: The study's population includes consumers across India who purchase goods and services subject to GST. The sample size of 200 respondents is considered adequate for obtaining insights into consumer behavior, though a larger sample size could yield more generalizable findings.

Methods of Sampling: Simple random sampling was used to select participants, ensuring every consumer had an equal chance of being included in the study.

Sources of Data: The study relied on both primary and secondary data:

- **Primary Data:** Collected directly from consumers through interviews and questionnaires.
- **Secondary Data:** Published research, reports, and relevant websites supplemented the primary data, providing broader context for the study.

Tools Used for Data Analysis: Data were analyzed using the percentage method, which compares various responses and provides effective visual representation through tables and graphs. The following formula was used for calculating percentages:

$$\text{Percentage} = (\text{Number of Respondents} \div \text{Total Number of Respondents}) \times 100$$

IV. DATA ANALYSIS AND INTERPRETATIONS

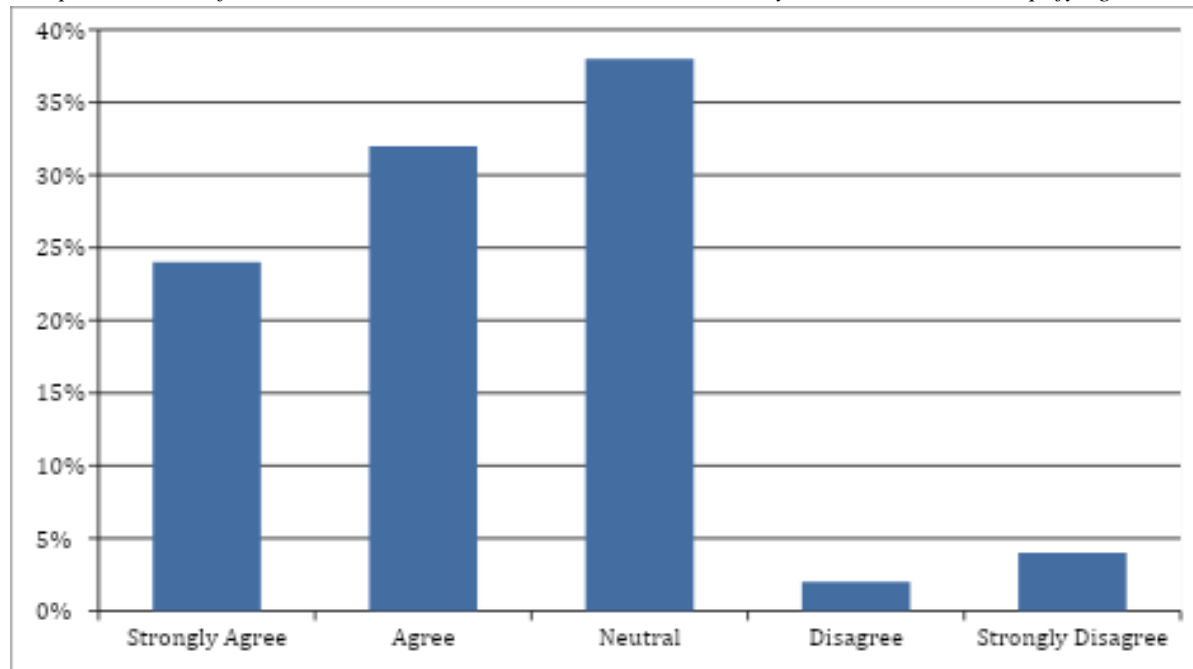
Table 1

Comparison of GST and Earlier Tax System in Simplifying the Tax Process

Opinion	No. of Respondents	Percentage
Strongly Agree	48	24%
Agree	64	32%
Neutral	76	38%
Disagree	4	2%
Strongly Disagree	8	4%
Total	200	100%

Figure 1

Comparison of GST and Earlier Tax System in Simplifying the Tax Process



Interpretation: The data shows that the majority (56%) of respondents felt that GST simplified the tax process, with 24% strongly agreed and 32% agreed, while 38% were neutral. A small proportion (6%) disagreed or strongly disagreed, indicating some skepticism about GST's effectiveness.

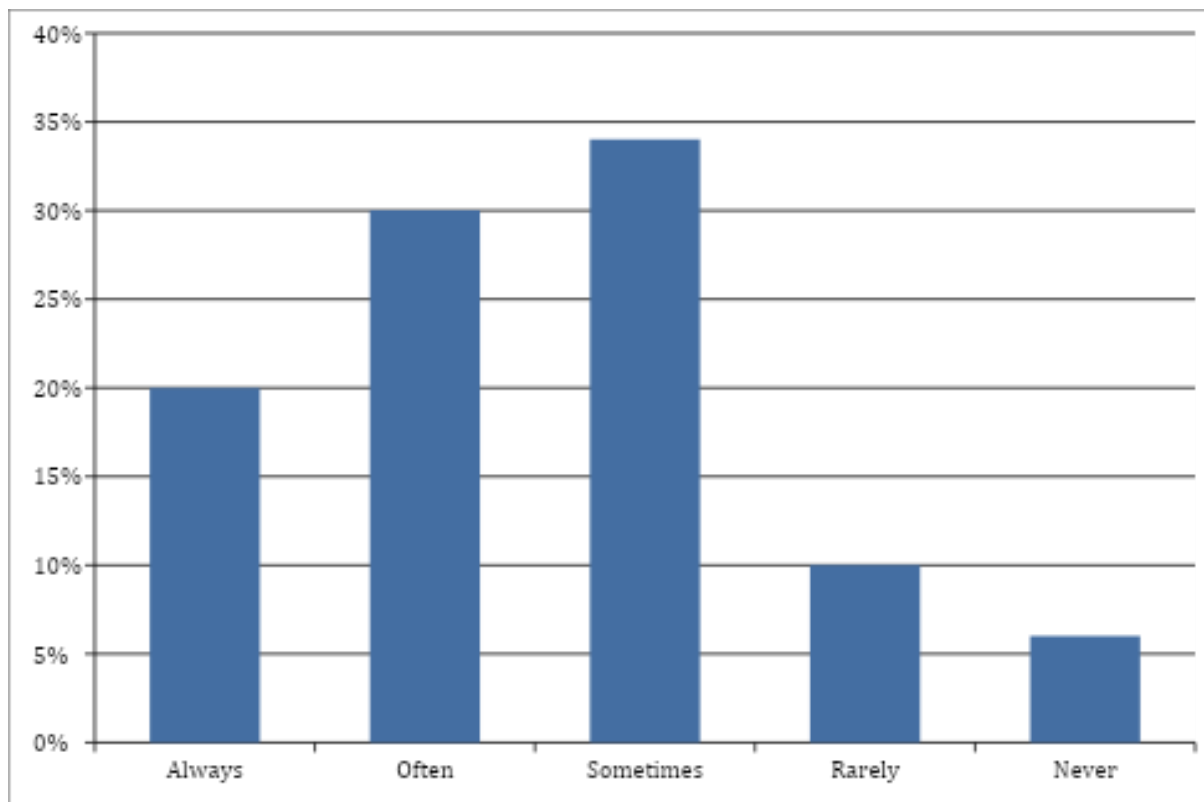
Table 2

Frequency of GST's Impact on Reducing the Overall Cost of Goods and Services

Opinion	No. of Respondents	Percentage
Always	40	20%
Often	60	30%
Sometimes	68	34%
Rarely	20	10%
Never	12	6%
Total	200	100%

Figure 2

Frequency of GST's Impact on Reducing the Overall Cost of Goods and Services



Interpretation: The majority (50%) of respondents believed that GST helped reduce the overall cost of goods and services to varying extents, with 20% stating it always has and 30% saying it often does. However 34% thought it occurred sometimes, with 16% stating it rarely or never impacted costs.

Table 3

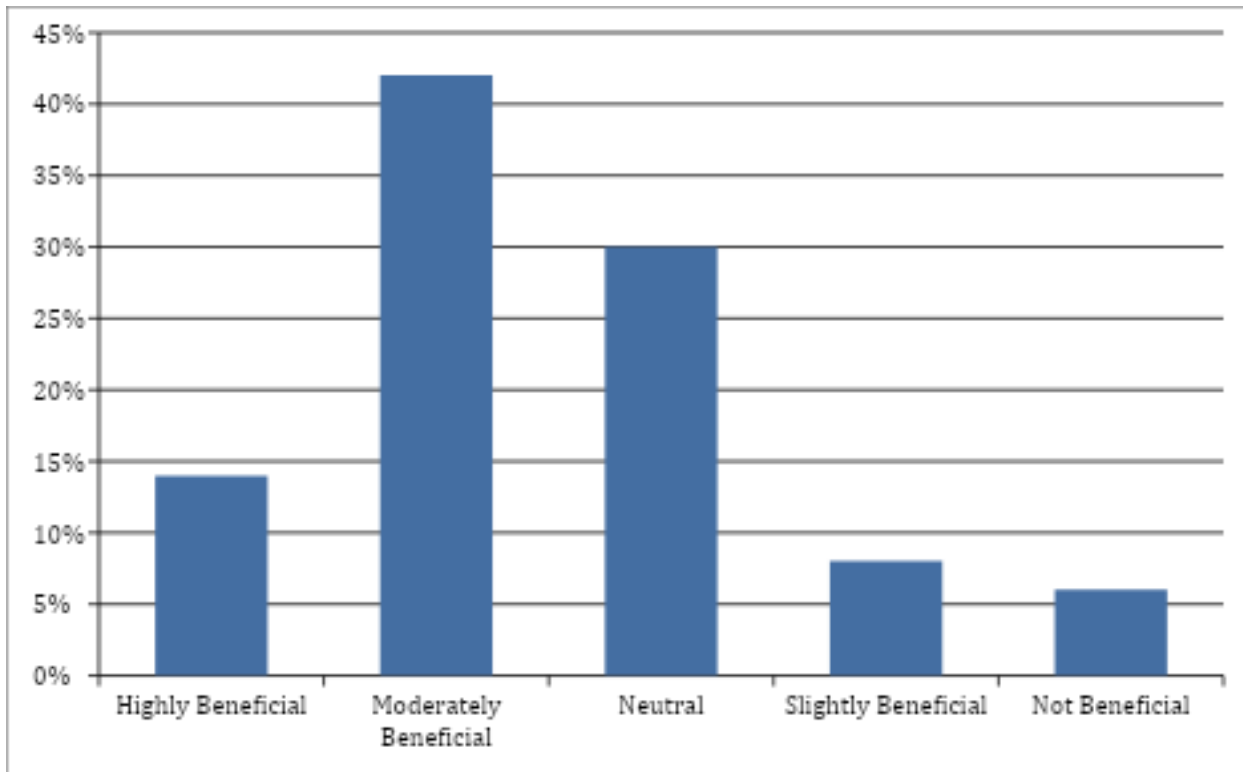
Impact of GST on Small-Scale Business and Startups

Opinion	No. of Respondents	Percentage
Highly Beneficial	28	14%
Moderately Beneficial	84	42%
Neutral	60	30%
Slightly Beneficial	16	8%
Not Beneficial	12	6%
Total	200	100%

Figure 3

Impact of GST on Small-Scale Business and Startups

Interpretation: The majority (42%) considered GST moderately beneficial for



small-scale businesses and startups, with 30% remaining neutral. Only 14% found it highly beneficial, and a small number perceived it as slightly beneficial or not beneficial at all.

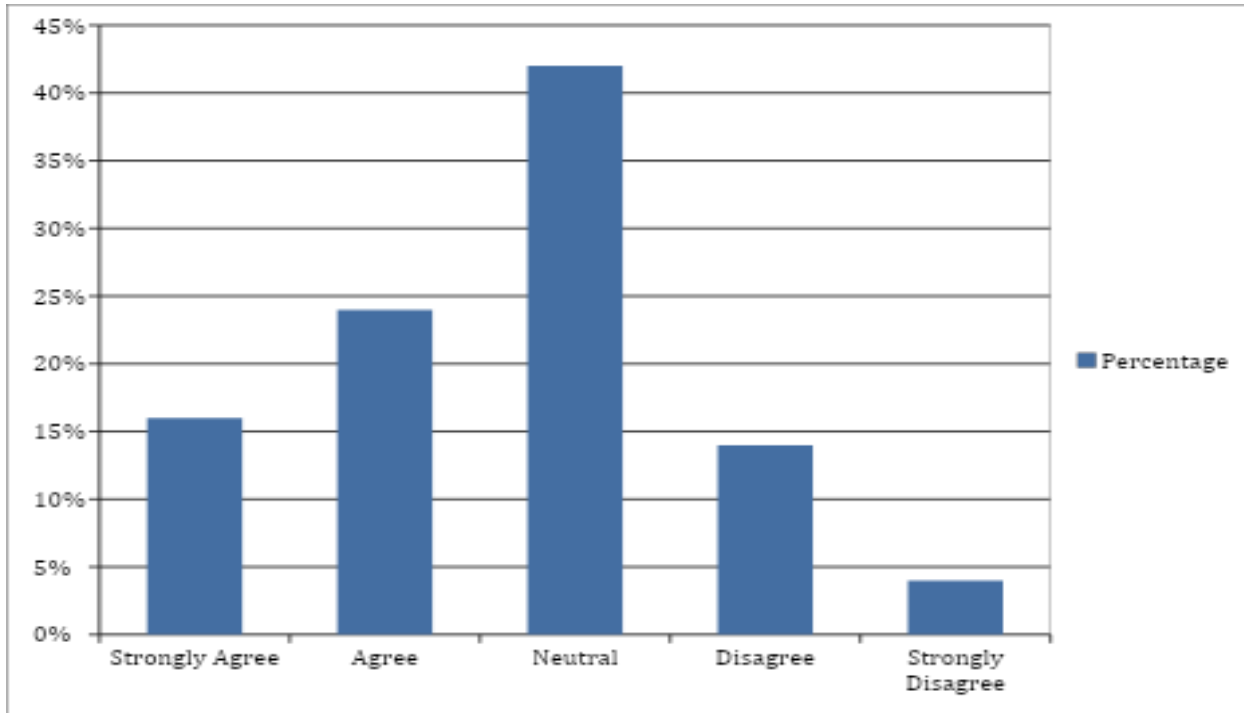
Table 4

Impact of GST-Driven Price Changes on Purchasing Patterns

Opinion	No. of Respondents	Percentage
Strongly Agree	32	16%
Agree	48	24%
Neutral	84	42%
Disagree	28	14%
Strongly Disagree	8	4%
Total	200	100%

Figure 4

Impact of GST-Driven Price Changes on Purchasing Patterns



Interpretation: 40% of respondents (16% strongly agree, 24% agree) indicated that GST-driven price changes affected their purchasing patterns, while 42% remained neutral. 18% (14% disagree, 4% strongly disagree) felt that price changes did not impact their buying behavior.

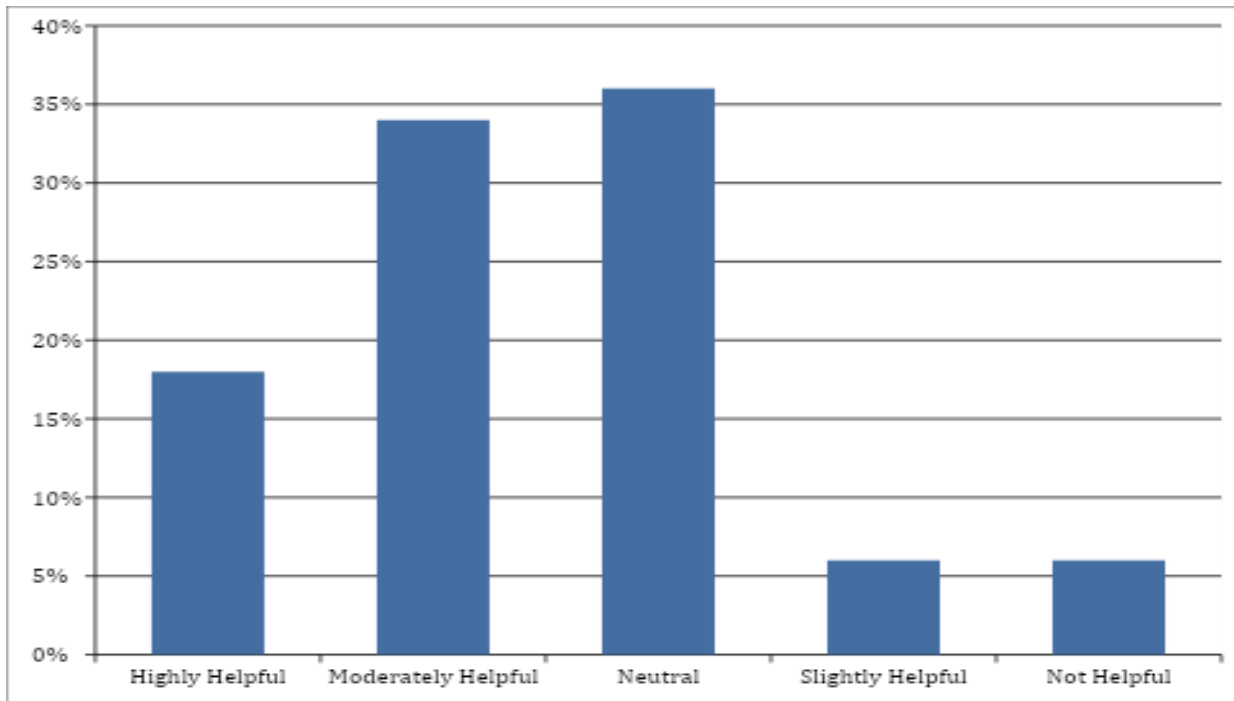
Table 5

Helpfulness of Pre-GST Education in Improving Purchasing Decisions

Opinion	No. of Respondents	Percentage
Highly Helpful	36	18%
Moderately Helpful	68	34%
Neutral	72	36%
Slightly Helpful	12	6%
Not Helpful	12	6%
Total	200	100%

Figure 5

Helpfulness of Pre-GST Education in Improving Purchasing Decisions



Interpretation: A total of 52% of respondents found pre-GST education helpful in making informed purchasing decisions (18% highly helpful, 34% moderately helpful), while 36% remained neutral. A small percentage (12%) felt it was slightly helpful or not helpful at all.

V. SUGGESTIONS

Based on the findings, the following suggestions are proposed:

1. **Improved Consumer Education:** Expand initiatives to educate consumers about the GST system, its benefits, and its impact on prices and quality.
2. **Transparent Pricing:** Businesses should clearly communicate how GST impacts pricing to foster consumer trust.
3. **Regular Awareness Campaigns:** Both government and businesses should conduct campaigns to keep consumers informed about GST rates and their implications.
4. **Price Sensitivity Monitoring:** Companies should monitor how GST-related price changes affect consumer demand and adjust pricing strategies accordingly.

VI. CONCLUSION

The implementation of GST has had a significant impact on consumer buying behavior, with changes in price dynamics influencing purchasing decisions. While many consumers appreciate the simplified tax system and the potential for cost reductions, others remain neutral or skeptical about the overall benefits. The findings highlight the importance of consumer education in helping individuals navigate the new tax structure and make informed purchasing choices. Businesses and government authorities must continue to promote transparency and consumer awareness to enhance the effectiveness of GST and build consumer trust in the system.

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