

A Study on the Impact of GST 2.0 Reforms on Price Perception and Shopping Channel Preference of Households in India

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Abstract

The Goods and Services Tax (GST) has been one of the most significant indirect tax reforms in India, with wide ranging implications for consumer prices, spending patterns, and retail behaviour. In its evolving phase, commonly referred to as GST 2.0 reforms have the potential to influence not only the prices of household goods and services but also the shopping preferences of consumers. In this context, the present study examines the impact of GST 2.0 reforms on price perception across major product categories and shopping channel preference of households. Based on responses collected, the findings indicate that GST 2.0 reforms are perceived to have had a moderate impact on prices. The study further reveals a significant shift in shopping preference toward organized and digital retail channels after GST reforms. Overall, the study concludes that GST 2.0 reforms have influenced not only consumer price perception but also household buying behaviour.

Keywords: GST Reforms, price reduction, shopping channel preference, consumption behaviour

Introduction

The Goods and Services Tax (GST) has emerged as one of the most transformative indirect tax reforms in India, aimed at creating a unified and transparent tax structure by subsuming multiple central and state level taxes into a single system. Since its implementation, GST has significantly influenced the pricing of goods and services, market integration, tax compliance, and consumer spending behaviour. However, with changing economic conditions, implementation challenges, and the need for greater efficiency, a new phase of reform commonly referred to as GST 2.0 has gained importance. GST 2.0 reforms broadly reflect efforts toward tax rationalization, simplification of compliance procedures, reduction of classification ambiguities, strengthening of digital tax administration, and improvement in the overall functioning of the GST framework.

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The influence of GST 2.0 reforms is not limited to businesses and government revenue but extends directly to household consumption behaviour by affecting the prices of essential and non-essential goods and services used in everyday life. Variations in tax rates, input tax credit benefits, formal invoicing practices, and supply chain efficiencies have collectively contributed to changes in the pricing of items such as food and groceries, medicines, clothing and footwear, home appliances, electronic goods, automobiles, and household services. These changes in price and market structure have the potential to shape household purchasing decisions, affordability patterns, and expenditure priorities. As households are highly sensitive to changes in prices and availability, GST-related reforms may influence not only what consumers buy, but also how, where, and how often they make their purchases.

An equally important dimension of GST 2.0 reforms is the transformation in shopping channel preferences among consumers. The increased formalization of trade, improved billing transparency, digital tax compliance, and greater price standardization have encouraged a noticeable shift in consumer preference from unorganized and traditional local purchasing channels toward online shopping platforms, supermarkets, and organized retail outlets. This transition reflects a broader change in consumer behaviour, where convenience, transparency, product variety, and tax-inclusive pricing have become increasingly important in purchase decisions. Therefore, the impact of GST 2.0 can be understood not only through price changes but also through its role in influencing the modernization of household consumption and retail choice.

In this context, studying the impact of GST 2.0 reforms on household consumption behaviour becomes highly relevant for understanding the broader economic and social implications of indirect tax reform in India. By examining how GST related changes affect prices, spending habits, and shopping preferences, the study attempts to provide a comprehensive understanding of the relationship between taxation policy and household consumption decisions. Such an analysis is important for evaluating whether GST 2.0 has merely restructured taxation or has also contributed to a measurable shift in consumer behaviour and market participation in the Indian economy.

Review of Literature

The present study attempts to provide a more comprehensive understanding of the impact of GST 2.0 reforms on household consumption behaviour in India. A review of existing literature reveals that a considerable number of studies have examined the impact of the Goods and Services Tax (GST) on macroeconomic indicators and business activities. Nevertheless, studies specifically focusing on household level behavioural responses to GST 2.0 reforms remain comparatively limited, thereby creating scope for further academic inquiry.

Garg, S., Mittal, S., & Garg, A. (2025) Examines the impact of Goods and Services Tax (GST) implementation on inflation in India they found that the initial rise in the general price level in India was transitory and subsided as misconceptions about inflationary pressure were dispelled in Indian society. Their study concluded that by lowering the overall tax burden compared to pre-reform conditions, the GST fostered price stabilization across different commodity baskets in India.

Dey, S. K., Kishore Nanda, C. S., & Pathy, M. (2021) examines the impact of the Goods and Services Tax (GST) on customers' perception in the Odisha state of India, focusing on prices, expenditure and consumption. It implies that 42% of respondents believed GST increased the prices of most commodities, while 46% felt the prices of only selected goods increased. Finally, it concludes that a customer's education, profession, and place of residence significantly influence their perception regarding prices, expenditure, and consumption following GST implementation.

Lakshmi, S., & Gomathi, A. (2025) examines how the Goods and Services Tax (GST) has affected consumer spending, price perception, and overall purchasing behaviour in a specific district, Thoothukudi. It reveals that many consumers still perceive the burden of higher prices, especially for frequently purchased items, despite the GST clarifying billing and reducing tax cascading.

Sahoo, S., & Sharmila, M. (2025) explores the effects of GST in Bangalore South by examining consumer insights regarding the changes brought by the tax reform, including its impact on consumer perception and economic activities. It confirms that GST significantly altered consumer spending patterns, leading to shifts in expenditure across essential and luxury goods. It also highlights that concerns about the effect of GST on the prices of goods and services were greatly affected, with respondents observing varied degrees of effect.

Zain, H. M., & Yusof, N. A. M. (2017), explains that public complaints about potential price hikes in goods and services were present both before and after the implementation of the Goods and Services Tax (GST) in Malaysia. It indicates that the public generally disfavours the GST, and many consumers formed the assumption that it was solely responsible for the rise in prices and the resulting high cost of living. It finds that the GST is only one contributing factor to price increases in Malaysia, alongside other elements that are equally responsible for the rising cost of goods and services.

Scarcella, L. (2020) examines how the tremendous increase in global e-commerce sales has challenged the enforcement of traditional VAT/GST rules, leading to higher risks of tax evasion and fraud. It highlights the potential role of online platforms and e-commerce marketplaces in the effective enforcement of VAT/GST rules, including making them liable for the tax on sales made through their channels. It analyses specific risks to VAT/GST enforcement associated with online sales, such as the qualification of taxable persons, the nature of C2C or B2C transactions, and imports of low-value goods.

Nithin, V. (2023), examines how India's Goods and Services Tax (GST) law and the European Union's Value Added Tax (VAT) Directive respond to the challenges of cross-border e-commerce taxation, which is a key 'shopping channel'. They investigate whether differential or discriminatory treatment of e-commerce transactions under VAT/GST is justified, contrasting e-commerce with regular commerce to address potential unfair tax advantages for digital vendors. It discusses various models used in selling or buying goods and services through e-commerce, such as the direct sale, marketplace, and inventory models, which represent different shopping channels.

Sardana, M. M. K. (2013) discusses the implications of e-commerce on existing tax regimes, including cross border and domestic trade, highlighting the challenges in taxing digitized information and establishing audit trails due to the nature of online transactions. It addresses the ambiguity in classifying electronically transmitted products as "goods" or "services," which affects their subjection to different trade rules and has implications for customs duties and taxation. The study noted that the implementation of a Goods and Services Tax (GST) would be a milestone reform, establishing uniform tax rates and standardized record-keeping procedures across all states, addressing the current heterogeneity in sales tax practices.

A review of existing literature reveals that a considerable number of studies have examined the impact of the Goods and Services Tax (GST) on consumer perception, expenditure, and consumption behaviour in India and abroad. Studies such as Garg, S.,

Mittal, S., and Garg, A. (2025) highlighted the broader macroeconomic impact of GST on inflation and price stabilization, while studies like Dey, S. K., Kishore Nanda, C. S., and Pathy, M. focused on customer perception regarding prices, expenditure, and consumption after GST implementation. Similarly, regional studies such as those by Lakshmi, S. and Gomathi, A., and Sahoo, S. and Sharmila, M. have explored the impact of GST on consumer spending and price perception in specific local contexts.

However, despite these contributions, the existing literature shows several important gaps. First, most studies examine GST in a general or initial implementation context, rather than focusing on the evolving phase of GST 2.0 reforms. Thus, there is limited empirical evidence on how these GST 2.0 reform affecting price perception of households. Second, while earlier studies have discussed the relationship between GST and prices in a broad sense, very few studies have examined category-specific perceived price changes across major household consumption segments such as food and groceries, medicines, clothing and footwear, home appliances, electronic items, automobiles, and services. Since households allocate expenditure differently across essential and discretionary categories, the absence of category-wise analysis leaves a major gap in understanding the actual behavioural implications of GST reforms.

Third, the literature has largely focused on price perception, inflation, or expenditure changes, but has given limited attention to changes in shopping channel preference. Although studies such as those by Scarcella, L., Nithin, V., and Sardana, M. M. K. discuss shopping channel and tax administration from a legal and policy perspective, they do not sufficiently explain whether tax reforms like GST 2.0 have influenced consumers to shift from traditional retail outlets toward online shopping platforms and supermarkets. This creates a clear gap in linking tax reform with the modernization of household retail behaviour.

Finally, there is a need for a focused study that examines how GST 2.0 reforms influence both household price perception across major product categories and consumer preference for organized shopping channels such as online platforms and supermarkets. In view of these gaps, the present study attempts to provide a more comprehensive understanding of the impact of GST 2.0 reforms on household consumption behaviour in India by analysing both product wise price changes and shopping channel preference shifts.

Objectives

- To assess whether GST 2.0 reforms have contributed to price reduction in major product consumption categories.
- To analyse the influence of GST 2.0 reforms on household shopping channel preferences.

Hypotheses

- GST 2.0 reforms have significantly contributed to price reduction in major product consumption categories.
- GST 2.0 reforms have significantly influenced households to shift their shopping preference toward online platforms and supermarkets.

Research Methodology

The present study is descriptive and analytical in nature to examine the impact of GST 2.0 reforms on household consumption behaviour. The study is based on primary data collected through a structured questionnaire from 425 respondents selected using a random sampling technique. The study was conducted in Karnataka. The questionnaire was designed to collect information relating to demographic profile, awareness of recent GST slab revisions (GST 2.0), and perception of GST related price changes across major product categories, and shopping channel preferences before and after GST reforms.

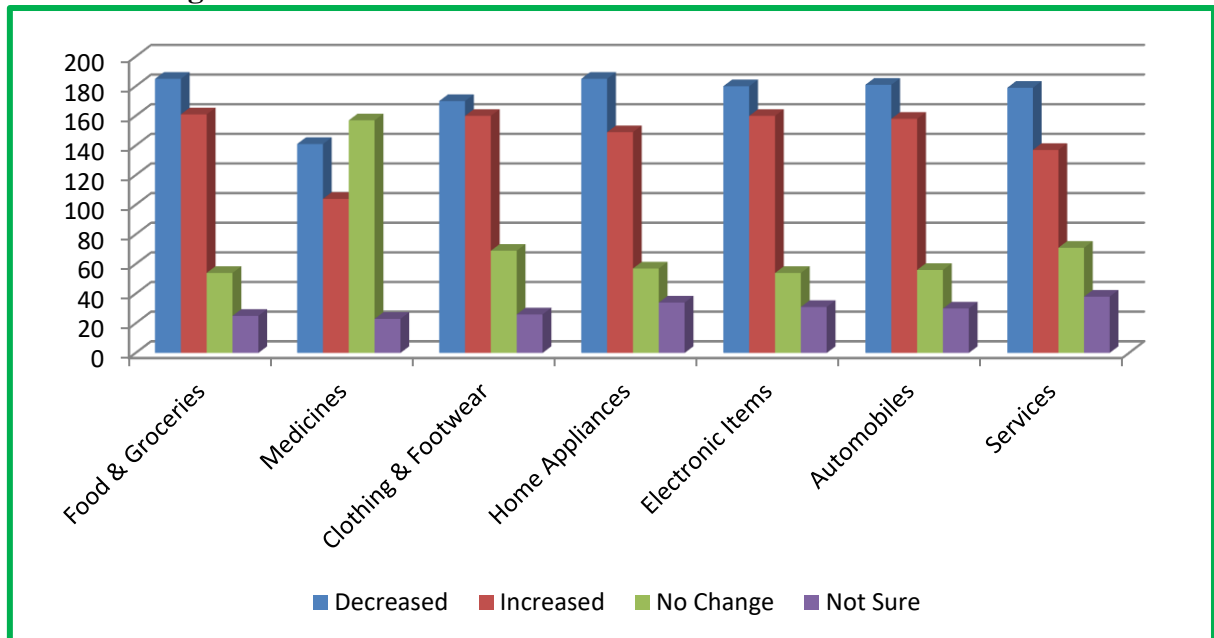
The collected data were analysed using both descriptive and inferential statistical techniques. Frequency and percentage analysis were used to summarise respondents profile and category-wise perceptions. The Chi-square test was used to examine associations between selected categorical variables and to test the significance of response distributions. Further, the Wilcoxon Signed Rank Test was applied to analyse the difference in shopping channel preference before and after GST reforms, particularly to understand the shift toward supermarkets and online shopping platforms.

Results and Discussion

This section presents the analysis and interpretation of the data collected for the study. The responses have been examined using suitable descriptive and inferential statistical tools to understand the impact of GST 2.0 reforms on household consumption behaviour.

Table 1: Respondents' Perception of GST-Related Price Changes across Major Product Categories

Product Category	Decreased (%)	Increased (%)	No Change (%)	Not Sure (%)	Total
Food & Groceries	185 (43.53)	161 (37.88)	54 (12.71)	25 (5.88)	425
Medicines	141 (33.18)	104 (24.47)	157 (36.94)	23 (5.41)	425
Clothing & Footwear	170 (40.00)	160 (37.65)	69 (16.24)	26 (6.12)	425
Home Appliances	185 (43.53)	149 (35.06)	57 (13.41)	34 (8.00)	425
Electronic Items	180 (42.35)	160 (37.65)	54 (12.71)	31 (7.29)	425
Automobiles	181 (42.59)	158 (37.18)	56 (13.18)	30 (7.06)	425
Services	179 (42.12)	137 (32.24)	71 (16.71)	38 (8.94)	425

Figure 1: Respondents' Perception of GST-Related Price Changes Across Major Product Categories

The Table 1 and Figure 1 presents respondents perception regarding GST-related price changes across major product categories. A substantial proportion of respondents perceived price decreases in most product categories after recent GST reforms. The highest proportion reporting price decreases was observed in Food & Groceries and Home Appliances (43.53% each), followed by Automobiles (42.59%), Electronic Items (42.35%), Services (42.12%), and Clothing & Footwear (40.00%). In contrast, Medicines recorded the lowest proportion of respondents perceiving price decreases (33.18%), while the highest proportion under this category indicated no change in prices (36.94%).

It suggest that respondents generally perceived GST-related reforms as having a price reducing effect across most product categories, though the magnitude of this perception varies by category. At the same time, a considerable proportion of respondents also reported

price increases, especially in Food & Groceries, Clothing & Footwear, Electronic Items, and Automobiles, indicating mixed consumer experiences regarding GST-related price effects. Overall, the Table 1 shows that the perceived impact of GST reforms on prices is product category specific rather than uniform.

Table 2: Chi-Square Test Result on Distribution of Respondents by Perceived Extent of Price Impact of Recent GST Reforms

Response Category	Observed Frequency (N)	Percentage (%)	Expected Frequency	Residual
Very small extent	74	17.4	85.0	-11.0
Small extent	98	23.1	85.0	13.0
Some extent	174	40.9	85.0	89.0
Large extent	68	16.0	85.0	-17.0
Very large extent	11	2.6	85.0	-74.0
Total	425	100.0		
Chi-Square (χ^2)	164.424			
DF	4			
p-value	0.000			

The Table 2 presents respondents perception regarding the extent to which recent GST reforms have affected the prices of goods they consume. The majority of respondents (40.9%) stated that GST reforms affected prices to some extent, followed by 23.1% who perceived the effect to a small extent, and 17.4% who indicated a very small extent. A smaller proportion of respondents reported that GST reforms affected prices to a large extent (16.0%) and to a very large extent (2.6%).

The Chi-square Goodness-of-Fit test result ($\chi^2 = 164.424$, $df = 4$, $p < 0.001$) indicates that the distribution of responses is statistically significant. This shows that respondents perceptions are not equally distributed across categories and that recent GST reforms are perceived to have affected the prices of goods consumed to a moderate extent overall.

Table 3: Chi Square test result of Gender wise Awareness of Recent GST 2.0 Slab Revisions

Awareness of Recent GST Slab Revisions (GST 2.0)	Female	Male	Total
No	46 (80.70)	11 (19.30)	57 (13.41)
Yes	246 (66.85)	122 (33.15)	368 (86.59)
Total	292 (68.71)	133 (31.29)	425 (100)
Chi-Square (χ^2)	4.4058		
DF	1		
p-value	0.036		

The Table 3 presents the distribution of respondents awareness of recent GST slab revisions (GST 2.0) across gender. Overall, 86.59% of respondents reported that they were aware of recent GST slab revisions, while 13.41% indicated that they were not aware. Among respondents who were aware, 66.85% were female and 33.15% were male. Among those who were not aware, 80.70% were female and 19.30% were male. The Chi-square test result ($\chi^2 = 4.4058$, $df = 1$, $p = 0.036$) indicates a statistically significant association between gender and awareness of recent GST slab revisions at the 5 percent level.

Therefore, it can be concluded that awareness of GST 2.0 reforms differs significantly by gender among the respondents. Therefore, it can be concluded that awareness of GST 2.0 reforms differs significantly by gender among the respondents. This difference may be due to variations in information exposure, shopping involvement, employment patterns, and access to financial or taxation related knowledge across gender groups.

Table 4: Results of Wilcoxon Signed Rank Test Showing Change in Household Shopping Channel Preference before and after GST Reforms

Category	Number of Observations (N)	Sum of Ranks	Expected Value
Positive Ranks	127	42914.5	31397.5
Negative Ranks	63	19880.5	31397.5
Zero Differences	235	27730.0	27730.0
Total	425	90525.0	90525.0
Z-value	5.014		
p-value	0.000		

The Wilcoxon Signed Rank Test was applied to examine whether household shopping channel preference differed before and after GST reforms. The results presented in Table 4 indicate a statistically significant difference ($z = 5.014$, $p < 0.001$) in shopping channel preference. The number of positive ranks (127) exceeds the number of negative ranks (63), indicating that a greater proportion of respondents shifted toward online and supermarket shopping after GST reforms. Since higher values represent modern shopping channels such as supermarkets and online platforms, the findings suggest a significant shift in household shopping behavior toward organized and digital retail channels.

However, it is also observed that a large number of respondents (235) reported no change in their shopping preference. This indicates that while GST reforms influenced a section of consumers to shift toward modern channels, a substantial proportion of households continued to rely on their existing shopping patterns.

Findings and Conclusion

The study finds that GST 2.0 reforms have had a noticeable impact on household consumption behaviour in India, particularly in terms of price perception and shopping channel preference. A large majority of respondents were found to be aware of recent GST slab revisions, although awareness significantly differed across gender. The results further show that most respondents perceived recent GST reforms to have affected the prices of goods they consume to some extent, suggesting a moderate overall price impact.

The product category wise analysis indicates that respondents perceived price decreases in most major product categories, especially food and groceries, home appliances, electronic items, automobiles, and services. However, in the case of medicines, a relatively larger proportion of respondents reported no major price change, showing that the effect of GST reforms is not uniform across all categories. A notable share of respondents also reported price increases in some product groups, indicating mixed consumer perceptions.

The study also confirms a significant change in shopping channel preference before and after GST reforms. A greater proportion of respondents shifted toward supermarkets and online shopping platforms, reflecting a gradual move toward organized and digital retail channels. Overall, the findings suggest that GST 2.0 reforms have influenced not only consumer price perception but also household shopping behaviour, thereby contributing to broader changes in retail and consumption patterns in India.

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