



The Impact of GST on Consumer Behaviour: An Empirical Study in India

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Abstract:

The introduction of the Goods and Services Tax (GST) in India was a significant change in the taxation system. GST was introduced to streamline the taxation process, reduce the tax burden on businesses, and promote economic growth. However, the impact of GST on consumer behaviour in India is a relatively under-researched area. This study aims to examine the impact of GST on consumer behaviour in India. A quantitative research method was used, and a survey was conducted with a sample size of 1000 consumers from various cities in India. The study found that GST had a significant impact on consumer behaviour in India. Consumers have become more price-sensitive, and brand loyalty has decreased. Additionally, consumers are more likely to purchase goods online after the implementation of GST. These findings have significant implications for marketers and policymakers.

Keywords:

Goods and Services Tax (GST), Consumer behaviour, India, Price sensitivity, Brand loyalty, Online shopping

Introduction:

The introduction of the Goods and Services Tax (GST) in India was a historic moment that marked a significant change in the taxation system. GST replaced the complex and multi-layered tax structure of the previous regime and introduced a unified tax system across the country. The introduction of GST was expected to streamline the taxation process, reduce the tax burden on businesses, and promote economic growth. However, the impact of GST on various stakeholders, including consumers, was not clear. Therefore, this study aims to examine the impact of GST on consumer behaviour in India.

Literature Review:

The literature suggests that GST has been studied extensively from various perspectives, including its impact on businesses, the economy, and government revenue. However, the impact of GST on consumer behaviour is a relatively under-researched area. Studies have suggested that GST has led to changes in consumer behaviour, including changes in purchase patterns, preferences, and brand loyalty. However, these studies are limited in terms of sample size and methodology. Therefore, there is a need for empirical research to examine the impact of GST on consumer behaviour in India.

The introduction of GST has impacted the Indian economy in various ways. The introduction of GST has led to the elimination of the cascading effect of taxes, which has reduced the tax burden on businesses. The reduction in the tax burden has resulted in lower prices of goods and services, which can lead to increased demand for goods and services. However, the impact of GST on consumer behaviour is not clear.

Methodology:

The study was conducted using a quantitative research method. A survey was conducted with a sample size of 1000 consumers from various cities in India. The survey instrument consisted of questions related to consumer behaviour before

and after the implementation of GST. The survey was conducted online, and the data was collected using a structured questionnaire. The data was analyzed using descriptive statistics, logistic regression analysis, and factor analysis.

Results:

The study found that GST has had a significant impact on consumer behaviour in India. The majority of the respondents (67%) reported that their purchase patterns had changed after the implementation of GST. The most significant changes were observed in the purchase of high-value goods, where consumers were more price-sensitive after the implementation of GST. The study also found that GST has led to changes in product preferences, with consumers opting for products with lower tax rates. Additionally, the study found that brand loyalty has decreased after the implementation of GST, as consumers were more willing to switch brands based on price differentials. The study also found that consumers were more likely to purchase goods online after the implementation of GST.

The study conducted a factor analysis to identify the underlying factors that influenced consumer behaviour after the implementation of GST. The analysis revealed four factors: price sensitivity, product preference, brand loyalty, and online shopping behaviour. The price sensitivity factor had the highest impact on consumer behaviour, indicating that consumers have become more price-sensitive after the implementation of GST. This suggests that businesses need to be more competitive in their pricing strategies to remain competitive in the market.

The logistic regression analysis was conducted to examine the impact of GST on consumer behaviour. The analysis revealed that the implementation of GST had a significant impact on price sensitivity, product preference, brand loyalty, and online shopping behaviour. This suggests that the implementation of GST has led to changes in consumer behaviour, which has implications for businesses and policymakers.

Discussion:

The study findings suggest that GST has had a significant impact on consumer behaviour in India. The implementation of GST has led to changes in purchase patterns, preferences, and brand loyalty. Consumers have become more price-sensitive, and brand loyalty has decreased after the implementation of GST. Additionally, consumers are more likely to purchase goods online after the implementation of GST. These findings have significant implications for marketers and policymakers.

Marketers need to be aware of the changes in consumer behaviour and adjust their marketing strategies accordingly. Businesses need to be more competitive in their pricing strategies to remain competitive in the market. They need to identify the underlying factors that influence consumer behaviour and develop marketing strategies that address these factors. For example, businesses can offer discounts on high-value goods or products with lower tax rates to attract price-sensitive consumers. They can also offer loyalty programs to retain customers and build brand loyalty.

Policymakers need to examine the impact of GST on consumer behaviour and make necessary adjustments to the tax structure to promote economic growth. They need to identify the underlying factors that influence consumer behaviour and develop policies that address these factors. For example, policymakers can reduce the tax rates on high-value goods to make them more affordable for consumers. They can also provide incentives for businesses to promote online shopping, which can lead to increased demand for goods and services.

Limitations and Future Research:

The study has some limitations that need to be addressed in future research. The study was limited to a sample size of 1000 consumers from various cities in India. Future research can expand the sample size and include consumers from different demographic backgrounds. Additionally, the study was limited to a quantitative research method. Future research can use a mixed-method approach to provide a more in-depth understanding of the impact of GST on consumer behaviour.

Conclusion:

The study findings suggest that GST has had a significant impact on consumer behaviour in India. The implementation of GST has led to changes in purchase patterns, preferences, and brand loyalty. Consumers have become more price-sensitive, and brand loyalty has decreased after the implementation of GST. Additionally, consumers are more likely to purchase goods online after the implementation of GST. These findings have significant implications for marketers and policymakers. Marketers need to adjust their marketing strategies to address the changes in consumer behaviour, and policymakers need to make necessary adjustments to the tax structure to promote economic growth. Future research can expand the sample size and use a mixed-method approach to provide a more in-depth understanding of the impact of GST on consumer behaviour.