

## Evaluating The Effects Of Goods And Services Tax On Consumers: An Empirical Study From Thoothukudi

Dr.S. Lakshmi<sup>1</sup>, Mrs. A. Gomathi<sup>1</sup>

<sup>1</sup>Assistant Professor, PG and Research Department of Commerce, Kamaraj College (Autonomous), Thoothukudi – 628003

### ABSTRACT

The introduction of the Goods and Services Tax (GST) marked a major change in India's indirect tax system. It aimed to simplify taxation and improve economic efficiency. However, its real impact on local consumers remains a topic of debate. This study looks at how GST has affected consumer spending, price perception, and overall purchasing behavior in Thoothukudi. Using primary data collected from households across different income levels, the analysis shows differences in consumer awareness, the perceived fairness of tax rates, and changes in the prices of essential and non-essential goods. The findings reveal that while GST has clarified billing and reduced tax cascading, many consumers still feel the burden of higher prices, particularly for frequently purchased items. The study offers evidence-based insights into the practical challenges consumers face. It also suggests policy ideas to improve transparency, tax knowledge, and affordability. The results add to the ongoing discussion about GST's effectiveness and provide a clear understanding of its effects at the district level

**Keywords:** *Consumer Behaviour, Goods and Service Tax, Price Perception, Economic Impact*

### 1. INTRODUCTION:

The Goods and Services Tax (GST) has significantly impacted consumers since its implementation, transforming the indirect tax system by replacing multiple taxes with a unified structure. GST has streamlined taxation by eliminating cascading taxes, thus reducing overall costs for many goods and services. However, its impact on consumers varies depending on factors like income level, consumption patterns, and industry adjustments. While essentials such as food and healthcare have been placed under lower tax slabs or exempted, luxury and sin goods attract higher rates. Initially, consumers faced price fluctuations as businesses adjusted to the new tax regime, with some sectors witnessing price reductions and others experiencing hikes. Small businesses faced challenges in compliance, often passing on the costs to consumers. The introduction of Input Tax Credit (ITC) benefited businesses by reducing costs, potentially leading to lower prices for end consumers. However, issues like tax evasion, technical glitches in GST filings, and fluctuating tax rates have occasionally caused uncertainty. E-commerce and digital services saw increased transparency but also higher tax burdens on certain transactions. The uniformity of GST across states eliminated discrepancies in pricing, benefiting consumers who previously paid different rates in different locations. Over time, GST has influenced purchasing power, consumer spending habits, and the overall economy. While it aimed to make taxation more efficient and equitable, the real impact on consumers continues to evolve with periodic rate revisions and policy changes. Ultimately, GST has had mixed effects, simplifying taxation while creating temporary price volatility and compliance challenges for businesses, which, in turn, have affected consumers in varying ways. The implementation

of the Goods and Services Tax (GST) brought a major shift in India's indirect tax system, replacing multiple cascading taxes with a unified tax structure. It aimed to create a transparent, efficient, and consumer-friendly taxation system. One of the key benefits for consumers has been the reduction in double taxation, leading to lower prices for some goods and services. However, the initial transition period saw price fluctuations due to adjustments in tax rates and compliance costs for businesses. Essential goods and services such as food, healthcare, and education were either exempted or taxed at lower rates to reduce the burden on consumers. Meanwhile, luxury items, tobacco, and high-end products faced higher tax rates, making them more expensive.

### 2. REVIEW OF LITERATURE:

Gupta, S., and Deshmukh, V. (2023) "GST and its Impact on Consumer's Price Sensitivity: A Literature Review" published in International Journal of Retail and Distribution Management. This paper investigates the influence of GST on consumer price sensitivity, particularly in the retail and services industries. It also compares pre-GST and post-GST consumer price sensitivity using various surveys and reports.

Agarwal, S., and Kumar, R. (2023) "GST and Consumer Price Sensitivity: A Comparative Study of Pre and Post-GST Trends" published in the International Journal of Economics and Consumer Studies. This study compares consumer price sensitivity before and after GST implementation by analysing various product categories. The research specifically focuses on the ways in which tax reform have altered consumers' willingness to pay for different categories of goods and services.

Pawan Popli (2023) "Impact of The Goods And Services Tax On Indian Economy" the paper examine the GST's

impact on economic indicators, sectoral performance, implementation challenges, and overall contribution to India's growth trend using quantitative and qualitative analysis, literature review, and empirical evidence.

Pratima Kaur, Kumari Monika (2025), "Evaluating The Effects of the Goods and Services Tax (GST) On Economic Growth In India: Prospects, Constraints, And Future Options.", The results show that GST has helped to formalize the economy to a certain degree, streamline tax procedures, and make doing business easier. The study offers recommendations for improving GST's inclusiveness, improving compliance mechanisms, and ensuring equitable growth across all sectors and regions. Going forward, it is crucial for the government to strengthen its support for vulnerable sectors and encourage innovation, investment, and job creation under the GST framework in order to truly unlock its potential for fostering sustainable and inclusive economic growth in India.

### 3. STATEMENT OF THE PROBLEM:

By altering the structure of taxation on goods and services, the Goods and Services Tax (GST) has had a substantial impact on consumers. The purpose of this study is to investigate how consumer behavior, spending trends, and general market dynamics are impacted by GST. The true effect of GST on consumers is still up for debate, despite the fact that it was implemented to streamline the tax code, do away with cascading taxes, and stimulate economic growth. One of the main questions is whether the GST has affected household budgets by raising the price of necessities. While some consumers claim that the GST has lessened the tax burden on specific goods, many consumers have reported price increases on a variety of commodities. Businesses and policymakers must comprehend how these shifts affect consumer purchasing decisions. Another crucial problem is Consumer Awareness and Compliance. GST rates and how they relate to various products are still not well understood by many consumers. This ignorance frequently results in misunderstandings and possible business exploitation. Additionally, GST compliance may be difficult for small businesses and service providers, which could have an indirect impact on consumer prices. The impact of GST on various income groups is another goal of this study. Higher-income consumers might not be as affected by tax changes, but middle-class and lower-class consumers might be more financially strained. Finding these distinctions can aid in creating laws that guarantee equitable taxation. The study will also investigate whether GST has improved pricing and tax collection transparency. This study will shed light on whether the GST has produced the desired results or whether more changes are required by examining consumer perceptions and economic data. Discussions about tax laws and their effects on long-term economic viability will benefit from an understanding of these factors.

### 4. OBJECTIVES:

To examine whether GST has significantly influenced the overall prices of goods and services in consumers' daily consumption.

To assess the relationship between monthly income and purchasing frequency after the implementation of GST.

To analyse whether GST has an impact on the association between monthly income and consumers' preference for branded versus unbranded products.

To investigate the relationship between monthly income and budgeting practices for monthly expenses after the implementation of GST.

### 5. SAMPLING METHOD:

By adopting Stratified Random sampling method respondents are selected from various places of Thoothukudi town. In this study, 132 respondents were selected and their response were collected using the questionnaire and Interview Schedule. The following tools were used Percentage Analysis, One Way ANOVA, Chi Square, Correlation.

#### Hypothesis:

H<sub>0</sub>: There is no significant impact of GST on the overall prices of goods and services in your daily consumption.

H<sub>0</sub>: There is no significant relationship between Monthly income and Purchasing frequency after the implementation of GST.

H<sub>0</sub>: There is no significant impact of GST in relation to Monthly income and preference for branded versus unbranded products.

There is no significant relationship between Monthly income and Budgeting for monthly expenses after the implementation of GST

### 6. . LIMITATION OF THE STUDY:

The study may not capture long-term effects of GST on consumer behaviour and spending patterns.

Data Constraints of availability and reliability of consumer expenditure data post-GST implementation may limit the study's accuracy.

### 7. ANALYSIS AND INTERPRETATION:

**Table 7.1 Purchasing habits regarding luxury and non-essential goods changed since the introduction of GST**

Particulars	No. of Respondents	Percentage
I have significantly reduced my purchases of luxury and non-essential goods due to higher prices	39	29.5
I have moderately reduced my purchases, but still occasionally buy luxury goods	32	24.2

No significant change, I continue to buy luxury and non-essential goods as before	27	20.5
I have increased my purchases, as GST has made these goods more affordable	34	25.8
<b>Total</b>	<b>132</b>	<b>100.0</b>

Source: Primary data

**Inference:**

The data reveals that a large portion of

Particulars	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower	Upper		
Below 10000	41	1.05	.218	.034	.98	1.12	1	2
10000-20000	40	2.00	.000	.000	2.00	2.00	2	2
20000-30000	29	2.24	.435	.081	2.08	2.41	2	3
Above 30000	22	3.41	.503	.107	3.19	3.63	3	4

respondents have adjusted their purchasing behaviour due to higher prices for luxury and non-essential goods caused by GST. 29.5% of respondents have significantly reduced their purchases of these goods, while 24.2% have moderately reduced their purchases but still occasionally buy luxury items. However, 20.5% report no significant change in their purchasing behavior, continuing to buy luxury and non-essential goods as they did before. Interestingly, 25.8% of respondents believe that GST has made these goods more affordable, leading them to increase their purchases.

**Table 7.2**

**Higher GST rate on luxury goods disproportionately affected affluent consumers compared to lower-income groups**

Particulars	No of Respondents	Percentage
Strongly agree, the higher GST rates on luxury goods have had a noticeable impact on affluent consumers	52	39.4
Agree, but the impact has been relatively minor compared to other factors	25	18.9
Neutral	29	22.0
Disagree, the higher GST rates on luxury goods have not significantly affected affluent consumers	11	8.3
Strongly disagree, affluent consumers are not affected by the GST on luxury goods	15	11.4
<b>Total</b>	<b>132</b>	<b>100.0</b>

Source: Computed Primary data

**Inference:**

The data shows that a significant portion of respondents believe the higher GST rates on luxury goods have had a noticeable impact on affluent consumers. Specifically, 39.4% of respondents strongly agree with this statement, indicating a clear perception of the burden GST places on wealthier individuals. Additionally, 18.9% agree that the impact has been minor compared to other factors, suggesting that while they acknowledge the effect, it may not be the most significant issue for affluent consumers. 22% of respondents are neutral, indicating that they either feel unsure or are indifferent about the impact of GST on this group. On the other hand, 8.3% disagree, believing that the higher GST rates have not significantly affected affluent consumers, and 11.4% strongly disagree, indicating that they feel affluent consumers are largely unaffected by GST on luxury goods.

**Table 7.3**

**One Way ANOVA**

**GST impacted the overall prices of goods and services in your daily consumption**

**Table 7.3.1**

Particulars	Sum of Squares	df	Mean Squares	F	Sig.
Between Groups	82.461	3	27.487	280.773	.000
Within Groups	12.531	128	.098		
Total	94.992	131			

Source: Computed Primary data

**Inference:**

The results of the ANOVA show that different income groups have different opinions about how the GST has impacted the costs of everyday goods and services. As income rises, the average scores clearly rise as well. While respondents in the ₹10,000–₹20,000 range consistently marked the impact at level 2, those making less than ₹10,000 reported virtually no impact (mean around 1.05). With a mean of 2.24, the group earning between ₹20,000 and ₹30,000 showed a slightly higher perception. With a mean score of 3.41, the highest income group are those making more than ₹30,000 and have reported the strongest perception that GST has raised prices. While there is a significant difference between the groups, there is very little variation within each group. The ANOVA value ( $F = 280.773$ ) and the significance level ( $p < 0.001$ ), which unequivocally demonstrate that the differences are not the result of chance, support this. Thus, the study demonstrates that consumers' perceptions of the price changes resulting from GST are significantly influenced by their income level.

**Table 7.4**

**Monthly income Vs. Purchasing frequency changed after the implementation of GST**

Particulars		Increased significantly	Increased moderately	Remained the same	Decreased	Total
Monthly Income	Below 10000	29	12	0	0	41
	10000 - 20000	0	40	0	0	40
	20000 - 30000	0	2	27	0	29
	Above 30000	0	0	2	20	22
	<b>Total</b>	29	54	29	20	132

**Table 7.4.1**

**Chi-Square Tests**

Chi-Square Tests	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	303.315 <sup>a</sup>	9	.000
Likelihood Ratio	270.282	9	.000
Linear-by-Linear Association	117.608	1	.000

N of Valid Cases	132		
------------------	-----	--	--

**4 cells (25.0%) have expected count less than 5. The minimum expected count is 3.33.**

**Source:** Computed Primary data

**Inference:**

A distinct and consistent pattern across all income levels can be seen in the cross-tabulation of monthly income and changes in purchasing frequency following GST. The majority of those making less than ₹10,000 indicated either a considerable or modest increase in the frequency of their purchases. In contrast, none of the respondents in the ₹10,000 – ₹20,000 income range reported a decline or stability; instead, they all reported only a mild gain. The trend changes in the ₹20,000 – ₹30,000 range, when most respondents said that GST had no bearing on how frequently they made purchases. The highest income level shows an entirely different trend, with a significant portion of respondents reporting a decline in their frequency of purchases following GST. The statistical significance of these disparities is confirmed by the chi-square value ( $\chi^2 = 303.315$ ,  $p < 0.001$ ), which indicates that the variation in purchasing frequency is not the result of chance but rather a substantial correlation with income level. The findings demonstrate that different income groups were affected by GST in different ways; lower-income consumers tended to make more purchases, whereas higher-income consumers reported making fewer purchases.

**Table 7.5**

**Monthly income Vs. GST influenced your preference for branded versus unbranded products**

Particulars		Strong shift toward branded products	Moderate shift toward branded products	No change in preference	Shift toward unbranded products	Total
Monthly Income	Below 10000	34	7	0	0	41
	10000-20000	0	40	0	0	40
	20000-30000	0	5	24	0	29
	Above30000	0	0	3	19	22
	<b>Total</b>	34	52	27	19	132

**Table 7.5.1**

**Chi-Square Tests**

Chi-Square Tests	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	297.327 <sup>a</sup>	9	.000
Likelihood Ratio	266.809	9	.000
Linear-by-Linear Association	117.979	1	.000
<b>N of Valid Cases</b>	132		

**3 cells (18.8%) have expected count less than 5. The minimum expected count is 3.17.**

Source: Computed Primary data

**Inference:**

The relationship between monthly income and the influence of GST on consumers’ preference for branded versus unbranded products shows a clear variation across income groups. Among respondents earning below ₹10,000, a strong shift toward branded products is evident, with almost all individuals reporting that GST pushed them towards choosing branded goods. In the ₹10,000–₹20,000 income bracket, all consumers indicated a moderate shift toward branded items, suggesting a uniform behavioural response to GST. The trend changes in the ₹20,000–₹30,000 category, where most respondents reported no change in their purchasing preference, indicating that GST did not alter their brand choices. In the highest income group (above ₹30,000), the majority shifted toward unbranded products, showing a cost-conscious adjustment after the introduction of GST. The chi-square test value ( $\chi^2 = 297.327$ ,  $p < 0.001$ ) confirms that these differences are statistically significant. This indicates that the observed shifts in brand preference are strongly linked to income levels rather than occurring by chance. Overall, the analysis shows that GST influenced consumer brand choices differently across income groups—lower incomes leaned more towards branded goods, mid-level incomes showed stability, while higher incomes tended to reduce their preference for branded products.

**Table 7.6**

**Monthly income Vs Budgeting for monthly expenses after GST implementation**

Particulars	Increased focus on essential goods, reduced discretionary spending	Balanced spending across all categories	Higher allocation for luxury or high-taxed goods	No significant change in budgeting	Total
Month income	Below 10000	41	0	0	41
	10000-20000	5	35	0	40
	20000-30000	0	24	5	29
	Above 30000	0	0	8	14
<b>Total</b>	<b>46</b>	<b>59</b>	<b>13</b>	<b>14</b>	<b>132</b>

**Table 7.6.1**

**Chi-Square Tests**

Chi-Square Tests	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	222.692 <sup>a</sup>	9	.000
Likelihood Ratio	229.448	9	.000
Linear-by-Linear Association	107.929	1	.000
<b>N of Valid Cases</b>	<b>132</b>		

**8 cells (50.0%) have expected count less than 5. The minimum expected count is 2.17.**

Source: Computed Primary data

**Inference:**

There are noticeable differences between income categories when comparing monthly income and budgeting practices following the introduction of GST. Every responder making less than ₹10,000 stated that they tightened their expenditures by focusing exclusively on necessities and cutting out on non-essential purchases. The majority of people in the ₹10,000–₹20,000 salary range kept a balanced spending pattern, however a tiny percentage continued to budget mainly for necessities. The ₹20,000–₹30,000 category showed a mixed reaction: some boosted their expenditure on luxury or higher-taxed items, indicating more financial flexibility, while many remained to maintain a balanced budget. The highest income category had a different tendency, with a handful of respondents reporting no discernible change in their budgeting pattern at all and several allocating extra money to luxury or highly taxed commodities. The chi-square result ( $\chi^2 = 222.692$ ,  $p < 0.001$ ) confirms that these differences are statistically significant. This means budgeting choices after GST are strongly associated with income levels. Lower-income groups became more cautious and focused on necessities, middle-income groups showed moderate adjustments, while higher-income respondents experienced minimal disruption or even increased their spending on high-value items.

**VIII. Findings and Suggestion:**

The following are the Suggestions of the study,

To make it easier for low-income consumers to compare prices before and after the GST, pricing transparency tools should be made available.

Awareness efforts can help middle-class consumers maximize their expenditure and make tax-efficient purchases.

Retailers should customize product mixtures so that middle-class consumers have a balanced product portfolio and low-income groups have more necessary and reasonably priced branded options.

To fit their unaltered spending patterns, high-income customers can be presented with premium but GST-efficient bundles.

To avoid pricing pressures on low-income individuals, the government should keep an eye on how the GST affects necessities.

## 8. CONCLUSION:

The current study offers convincing empirical proof that the effects of the Goods and Services Tax (GST) on consumer behavior are neither uniform nor linear, but rather clearly influenced by income disparities and the ensuing variances in purchasing power, priorities for budgeting, and product preferences. The results show that lower-income families have experienced the most noticeable behavioral changes following the introduction of the GST, with an almost total shift toward necessities and reasonably priced branded choices, indicating increased price sensitivity. In contrast, middle-class consumers showed more controlled and balanced adjustments, suggesting that they could absorb price fluctuations connected to GST without significantly altering their purchase habits. Higher-income families showed the most consistency, with little change in their spending habits and a noticeable move toward alternative or unbranded products, indicating a more calculated reaction rather than a financial need. GST has significantly changed consumer decision-making across income levels, as demonstrated by the constant statistical significance across ANOVA and Chi-square studies. These behavioral changes highlight a more general structural reality: GST interacts differently with every demographic group, despite being designed as a unifying

and simplifying tax reform. Therefore, the impact of the reform is best understood as a catalyst that changes consumer psychology, brand perception, and household financial planning rather than just as an economic intervention. Overall, this study emphasizes the necessity for policymakers to implement tailored assistance measures and income-sensitive GST modifications, particularly for populations showing acute price reactivity. In order to reflect the changing post-GST consumer scenario, retailers and service providers must also realign their pricing, product mix, and promotional methods. The study adds to the growing body of literature that aims to comprehend the long-term socio-economic ramifications of GST and lays the groundwork for further research on tax-induced consumer dynamics by providing a unified perspective of behavioral shifts across income levels..

## .. REFERENCES

1. Gupta, S., & Deshmukh, V. (2023). GST and its impact on consumer's price sensitivity: A literature review. *International Journal of Retail and Distribution Management*.
2. [2] Agarwal, S., & Kumar, R. (2023). GST and consumer price sensitivity: A comparative study of pre and post-GST trends. *International Journal of Economics and Consumer Studies*.
3. [3 ] Pawan Popli, P. (2023). Impact of the Goods and Services Tax on Indian economy.
4. [4] Kaur, P., & Monika, K. (2025). Evaluating the effects of the Goods and Services Tax (GST) on economic growth in India: Prospects, constraints, and future options.