



Consumer perception of GST 2.0 reforms: A study of Shimla District of Himachal Pradesh

Dr. Rajeev Kumar

Assistant Professor of Commerce, Rajiv Gandhi Government College, Chaura Maidan, Shimla, Himachal Pradesh, India

Abstract

The Goods and Services Tax (GST) represents a major reform in India's indirect taxation system, aimed at enhancing transparency and creating a unified national market. In its advanced phase, GST 2.0 reforms have been introduced to simplify compliance procedures, strengthen digital integration, and address challenges experienced during earlier implementation stages. These reforms are expected to significantly influence consumer awareness, pricing perceptions, and purchasing behaviour. The present study focuses on middle-income households in Shimla district of Himachal Pradesh and aims to evaluate their level of awareness and understanding of GST 2.0 reforms, along with analysing the impact of these reforms on their consumption patterns and purchasing decisions. The study is based on primary data collected through a structured questionnaire administered across different demographic groups. Descriptive and analytical statistical techniques are employed to interpret the data and examine relationships between key variables.

The findings indicate that awareness of GST 2.0 among middle-income households is moderate, with noticeable variations in understanding of tax provisions and pricing mechanisms. The study further reveals that GST-related perceptions have a significant influence on consumption behaviour, affecting spending patterns, brand preferences, and purchasing decisions. Increased awareness is associated with more informed and rational consumer choices, including a greater preference for GST-compliant sellers. The study contributes to the existing literature by providing empirical evidence on the role of tax reforms in shaping consumer behaviour at the household level.

Keywords: GST 2.0, consumer perception, consumer awareness, purchasing decisions, price perception

Introduction

The introduction of the Goods and Services Tax (GST) in India in July 2017 represented one of the most significant indirect tax reforms in the country's corporate and fiscal history. It replaced numerous central and state-level indirect taxes with a unified, destination-based tax system. The primary objectives of GST were to establish a common national market, enhance tax compliance through digital mechanisms, reduce the cascading burden of taxes, and simplify the overall tax structure. Over time, the GST framework has undergone periodic adjustments to improve efficiency, transparency, and consumer welfare.

The Fast-Moving Consumer Goods (FMCG) sector, which supplies essential daily-use products such as food items, personal care products, cleaning materials, and packaged goods, is particularly sensitive to tax policy changes because these goods form a substantial share of household expenditure across different income groups. Consequently, modifications in GST rates, billing transparency, or compliance procedures can significantly influence pricing, demand, and consumer perception within this sector.

During the initial years of implementation, GST contributed to the formalization of economic activities, improved the functioning of input tax credit systems, and reduced the cascading effect of indirect taxes in several industries. However, certain operational challenges persisted, including the existence of multiple tax rate slabs, delays in refund processing, complexities in return filing, and instances of tax evasion in supply chains. In response to these concerns, the Government of India introduced a new set of reforms in 2025, often referred to as GST 2.0. These reforms aim to streamline the tax structure by rationalizing rates, reducing the number of tax slabs, simplifying compliance procedures,

and strengthening digital integration through tools such as e-invoicing and e-way bills.

The GST Council and the Central Board of Indirect Taxes and Customs (CBIC) implemented these reforms through a series of policy announcements and regulatory notifications. The major focus areas include rate rationalization, faster refund processing, enhanced ease of doing business, and stronger anti-evasion mechanisms supported by advanced technological systems and automated reconciliation processes. These measures have been designed to maintain revenue stability while simultaneously offering relief to consumers and businesses. Preliminary government reports indicate that GST collections and the taxpayer base have remained stable and resilient even after the rationalization of rates, suggesting that the reform efforts are moving toward a more efficient and transparent tax regime.

The evolution of the Goods and Services Tax (GST) system in India has been marked by continuous policy refinements aimed at improving efficiency, transparency, and compliance. Among these developments, the reforms commonly referred to as GST 2.0 represent an important phase in the maturation of the GST framework. These reforms emphasize simplification of tax administration, stronger digital integration, and the resolution of operational challenges observed during the initial years of GST implementation. Through measures such as improved e-invoicing systems, strengthened compliance mechanisms, rationalization of certain tax rates, and more efficient input tax credit procedures, GST 2.0 seeks to enhance the effectiveness of the tax system while maintaining revenue stability. Such reforms inevitably influence both businesses and consumers, particularly in areas related to product pricing, affordability, and consumption behaviour.

In the Indian context, middle-income households constitute a significant segment of the population and play a crucial role in driving domestic consumption and economic growth. This group represents a large share of demand across a broad range of goods and services, including essential commodities such as food, household items, and personal care products, as well as discretionary and lifestyle goods. Due to relatively limited disposable income and structured household budgeting, middle-income consumers tend to be highly responsive to changes in prices and taxation policies. Consequently, modifications in tax rates or compliance structures introduced under GST 2.0 may influence their purchasing decisions, expenditure priorities, brand preferences, and overall consumption patterns.

The reforms introduced under GST 2.0 aim to make the tax system more efficient, transparent, and consumer-oriented. Enhancements such as streamlined compliance procedures, strengthened digital monitoring through e-invoicing and e-way bills, improved input tax credit mechanisms, and rationalization of selected tax rates are expected to reduce inefficiencies in the supply chain and potentially affect the final prices paid by consumers. However, the extent to which these reforms shape consumer perceptions and purchasing behaviour remains an important area of investigation. For middle-income households in particular, even marginal changes in product prices resulting from tax adjustments can lead to noticeable shifts in spending patterns, substitution between brands, changes in purchase frequency, or reallocation of household budgets between essential and non-essential goods.

Shimla District in Himachal Pradesh provides a meaningful context for examining these dynamics. The region represents a developing urban economy characterized by a mix of traditional markets, small retail establishments, and expanding organized retail formats. The socio-economic composition of Shimla includes a substantial proportion of middle-income households whose consumption patterns are closely linked to price fluctuations and taxation policies. As urbanization and market integration continue to grow in the district, understanding how tax reforms influence consumer perceptions and behaviour becomes increasingly relevant. The structured spending habits and budget-conscious nature of middle-income families in Shimla make them a particularly important group for assessing the perceived impact of GST 2.0 reforms.

Examining consumer perceptions of GST 2.0 reforms is valuable not only from an academic perspective but also for policymakers, businesses, and market stakeholders. Insights into consumer awareness, attitudes, and behavioural responses to tax reforms can help policymakers evaluate the effectiveness of GST policies in promoting consumer welfare and economic efficiency. For businesses, especially in sectors such as FMCG, retail, and consumer durables, understanding changing consumption patterns can support better pricing strategies, product positioning, and supply chain management. At the same time, such research can enhance consumer awareness regarding how taxation policies influence everyday purchasing decisions and household expenditure.

Literature Review

Harjinder Kaur (2018) ^[3] examined the level of public awareness, understanding, and knowledge regarding the Goods and Services Tax (GST). The study revealed that

although GST had been implemented, the overall level of public awareness had not reached a satisfactory standard, indicating the need for greater dissemination of information and education among consumers.

P. Gurusamy (2018) ^[1] analyzed individuals' perceptions and understanding of GST. The findings suggested that a significant section of the public remained uncertain about the implications of GST, particularly regarding its impact on product prices. Many respondents were unable to clearly determine whether GST would lead to price increases or stability.

Kumar and Reddy (2021) ^[4] investigated the impact of indirect tax reforms, especially GST, on consumer behaviour. Their study found that price changes resulting from GST significantly influence purchasing decisions, particularly among middle-income groups. Consumers tend to reallocate their spending between essential and non-essential goods in response to price fluctuations, thereby altering overall household consumption patterns.

Sharma (2020) ^[6] focused on how middle-class households respond to changes in indirect taxation. The study highlighted that variations in GST rates lead to adjustments in household budgets, with consumers prioritizing essential goods over discretionary items. This reflects a high degree of price sensitivity and cautious financial behaviour among middle-income consumers.

Sundaram and Mehta (2022) ^[7] explored the transition of GST from its initial phase to later reforms. While GST 1.0 contributed to greater transparency in the tax system, many consumers initially faced challenges in understanding tax structures. However, subsequent reforms under GST 2.0, such as digital invoicing and improved tax clarity, have enhanced consumer awareness and enabled more informed purchasing decisions, particularly among urban populations. Joseph and Thomas (2019) ^[2] examined the relationship between tax-induced price changes and consumer brand preferences in sectors such as FMCG and household goods. The study found that increases in product prices often encourage middle-income consumers to shift toward more economical or value-based brands. In certain cases, consumers also reduce consumption levels to maintain financial balance.

Prakash and Narayan (2023) ^[5] emphasized regional variations in consumer responses to GST reforms. Their findings indicated that in tier-2 cities such as Mysore, middle-income households demonstrated moderate changes in consumption behaviour. These changes were influenced by increased price awareness and a better understanding of GST-adjusted pricing, highlighting the role of socio-economic and regional factors in shaping consumer behaviour.

Objectives of the Study

The objectives of present study are as follows:

- To evaluate the level of awareness and understanding of GST 2.0 reforms among middle-income households.
- To analyse the impact of GST 2.0 reforms on consumption patterns and purchasing decisions.

Hypotheses of the Study

H₁₀: GST 2.0 reforms have no significant influence on consumption patterns.

H₁₁: GST 2.0 reforms significantly influence consumption patterns.

H₂₀: No significant relationship exists between awareness and purchasing decisions.

H₂₁: A significant relationship exists between awareness and purchasing decisions.

Research Methodology

This study uses a descriptive and analytical research design based only on secondary data to understand the main features and effects of GST 2.0 reforms in India. It uses both qualitative and quantitative methods. Qualitative analysis includes reading government reports, policy documents, and expert opinions to understand the reforms and their challenges. Quantitative analysis uses data on GST collections, inflation, consumption, and sector-wise performance to study economic impacts. Secondary data is taken from GST Council reports, Ministry of Finance publications, CBIC notifications, Economic Surveys. The study applies document review, trend analysis, descriptive statistics, and pre–post comparisons to examine short-term outcomes.

The present study used a structured questionnaire administered through a Google Form to collect data from consumers. The questionnaire was divided into three sections. Section A comprised questions related to the

demographic and consumer profile of the respondents. Section B consisted of a series of questions pertaining to the awareness and understanding of respondents regarding GST 2.0. Section C included questions related to the impact of GST 2.0 reforms on consumption patterns and purchasing decisions.

For the purpose of analysis, scores were assigned to each point on the Likert scale as follows: 5 = Strongly Disagree, 4 = Disagree, 3 = Neither Agree nor Disagree, 2 = Agree, and 1 = Strongly Agree. A total of 150 responses were received from the respondents for the present study.

Data Analysis of Consumers awareness and perception towards GST

The demographic characteristics of the respondents were examined using variables such as gender, age, educational qualification, occupation, and family income in Shimla District. These variables were selected to provide a comprehensive understanding of the socio-economic background of the consumers. The analysis of respondents’ personal profiles offers valuable insights into their consumption behaviour and decision-making patterns. The results of the demographic analysis are presented below.

Table 1: Demographic Profile of Consumers

Particulars	Frequency	Percentage
GENDER		
Male	92	61.33
Female	58	38.66
Total	150	100.0
AGE		
Less Than 25	85	56.66
25-35	38	25.33
35-50	18	12.00
Above50	9	6.00
Total	150	100.0
EDUCATION		
High school	12	8.00
Intermediate	14	9.33
Graduate	48	32.00
Postgraduate	58	38.66
Professionals	18	12.00
Total	150	100.0
OCCUPATION		
Government job	26	17.33
Private job	43	28.66
Agricultural activities	14	9.33
Business	32	21.33
Student	35	23.33
Total	150	100.0
FAMILY INCOME (Monthly)		
Below Rs 30000	51	34.00
Rs 30000-50000	39	26.00
50000-100000	42	28.00
More than 1 Lack	18	12.00
Total	150	100.0

Source: Primary data

The demographic profile of respondents from Shimla District indicates that the majority were male (61.33%), while females accounted for 38.66%. A significant proportion (56.66%) belonged to the age group below 25 years, suggesting a youthful sample. In terms of education, most respondents were postgraduates (38.66%) and

graduates (32%), reflecting a well-educated population. Occupationally, private employees (28.66%) and students (23.33%) formed the largest groups. Regarding income, 34% earned below Rs. 30,000 monthly, followed by 28% in the Rs. 50,000–1,00,000 range, indicating moderate income distribution.

Awareness and Understanding of GST 2.0 Reforms among Middle-Income Households

Awareness and understanding of GST 2.0 reforms among middle-income households play a crucial role in determining the effectiveness of the tax system. The success of GST largely depends on the level of awareness among consumers, as they are the ultimate bearers of the tax burden on the goods and services they purchase. Therefore, enhancing consumer awareness and understanding of GST is essential for ensuring transparency, informed decision-making, and the overall success of the tax framework.

Table 2: Awareness Level Distribution

Response Category	Frequency (Approx.)	Percentage
Strongly Agree	32	21.30%
Agree	58	38.70%
Neutral	34	22.70%
Disagree	18	12.00%
Strongly Disagree	8	5.30%

Table 1: Descriptive Statistics

Variable	Mean	Standard Deviation	Interpretation
Awareness of GST 2.0 reforms	3.84	0.92	Moderate to High Awareness
Understanding of tax slabs	3.62	0.98	Moderate Understanding
Awareness of goods/services	3.71	0.95	Moderate Awareness
Govt. communication	3.28	1.05	Average / Slightly Low

The findings indicate a moderate level of awareness and understanding of GST 2.0 reforms among middle-income households, as reflected by an overall mean score of 3.61 and a standard deviation of 0.98. A majority of respondents, approximately 60 percent (combining “Agree” and “Strongly Agree”), demonstrate a satisfactory level of awareness, suggesting that a considerable proportion of households are familiar with the key features of GST 2.0. However, around 23 percent of respondents remain neutral, indicating partial or limited understanding of the reforms. Additionally, nearly 17 percent exhibit low awareness, highlighting the existence of a significant information gap. Notably, government communication received the lowest rating, implying that current awareness initiatives may not be sufficiently effective or widespread. Overall, while the awareness level is moderately encouraging, there is substantial scope for improvement, particularly in simplifying the understanding of tax slabs and strengthening public communication strategies to enhance clarity, accessibility, and informed decision-making among consumers.

Table 4: GST 2.0 Reforms on Consumption Pattern and Purchasing Decisions

Variable Type	Variable Name	Components / Indicators
Independent Variable (IV)	GST Perception Index	<ul style="list-style-type: none"> ■ Price change perception ■ Benefit pass-through <ul style="list-style-type: none"> ■ Transparency ■ Satisfaction and trust
Dependent Variable (DV)	Consumption Behaviour Index	<ul style="list-style-type: none"> ■ Changes in purchasing decisions ■ Increase/decrease in consumption ■ Preference for GST-compliant sellers

Variables	GST Perception	Consumption Behaviour
GST Perception	1	0.68
Consumption Behaviour	0.68	1

The Pearson correlation coefficient ($r = 0.68$) indicates a strong positive relationship between GST perception and consumption behaviour. This suggests that as consumers’ perception of GST 2.0 improves, their consumption patterns and purchasing decisions also become more favorable. The p-value ($0.000 < 0.01$) confirms that this relationship is highly statistically significant.

R	R ²	Adjusted R ²	Std. Error
0.68	0.462	0.458	0.61

The R² value of 0.462 indicates that approximately 46.2% of the variation in consumption behaviour is explained by GST perception. This reflects a moderate to strong impact, suggesting that GST-related perceptions play a substantial role in shaping consumer behaviour.

Source	Sum of Squares	df	F	Sig.
Regression	42.18	1	126.5	0.000
Residual	49.12	148		
Total	91.30	149		

The ANOVA results show that the regression model is highly significant ($F = 126.5$, $p < 0.01$). This indicates that GST perception significantly explains the variation in consumption behaviour. The explained variation (42.18) reflects the contribution of GST perception, while the remaining variation (49.12) is attributed to other factors such as income, inflation, and personal preferences.

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.12	0.21	—	5.33	0.000
GST Perception	0.67	0.06	0.68	11.25	0.000

GST perception has a strong and statistically significant positive impact on consumption behaviour. A one-unit increase in GST perception leads to a 0.67 unit increase in consumption behaviour, indicating a substantial effect. The low standard error (0.06) confirms the reliability and precision of the estimate. The standardized coefficient (Beta = 0.68) further supports the strong influence of GST perception.

The constant value (1.12) indicates that even in the absence of GST perception, a baseline level of consumption behaviour exists. Its significance ($p = 0.000$) confirms that this baseline is statistically meaningful. The results clearly demonstrate that GST perception plays a crucial role in influencing consumption patterns and purchasing decisions among middle-income households. A positive perception of GST 2.0—driven by factors such as transparency, fair pricing, and trust—encourages better consumption behaviour and preference for compliant sellers. However, since approximately 54% of the variation remains unexplained, other economic and personal factors also contribute to consumer behaviour. Overall, improving public perception of GST through effective communication and policy transparency can significantly enhance consumer confidence and economic participation.

Hypothetic Findings (Based on H1 & H2 Results)

Hypothesis	Statistical Evidence Used	Decision Rule	Decision
Hypothesis (H ₁₀ and H ₁₁): GST 2.0 and Consumption Patterns	<ul style="list-style-type: none"> ▪ Regression Coefficient (B) = 0.67 ▪ t-value = 11.25 ▪ p-value = 0.000 (< 0.01) • R² = 0.462 • F-value = 126.5 (p < 0.01) 	Since the p-value is less than 0.01, the result is highly statistically significant.	Reject H ₁₀ and accept H ₁₁
Hypothesis (H ₂₀ and H ₂₁): Awareness and Purchasing Decisions	<ul style="list-style-type: none"> ▪ Pearson Correlation (r) = 0.68 ▪ p-value = 0.000 (< 0.01) 	If p-value < 0.01, the relationship is statistically significant.	Reject H ₂₀ and accept H ₂₁

The findings of the study reveal that GST 2.0 reforms have a significant and positive influence on the consumption patterns of middle-income households. The regression analysis indicates that GST perception accounts for approximately 46.2% of the variation in consumption behaviour, demonstrating a moderate to strong impact. This suggests that factors such as perceived price changes, transparency, benefit pass-through, and overall trust in the GST system play an important role in shaping consumer behaviour.

Conclusion

The present study examined the impact of GST 2.0 reforms on consumer awareness, perception, and consumption behaviour among middle-income households in Shimla district. The findings indicate that GST 2.0 has contributed to improved transparency and efficiency in the tax system, influencing consumer behaviour in a meaningful way. The level of awareness among respondents is moderate, with a considerable proportion demonstrating familiarity with key aspects of the reforms, although gaps remain in understanding tax provisions and government communication.

The study establishes a strong and statistically significant relationship between GST perception and consumption behaviour. Consumers who perceive GST 2.0 as fair and transparent are more likely to make informed purchasing decisions and prefer GST-compliant sellers. Furthermore, increased awareness leads to more rational consumption patterns and better financial decision-making.

Overall, GST 2.0 reforms have a positive impact on consumer behaviour; however, enhancing awareness and improving communication strategies are essential to ensure that the full benefits of these reforms are effectively realized by consumers.

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